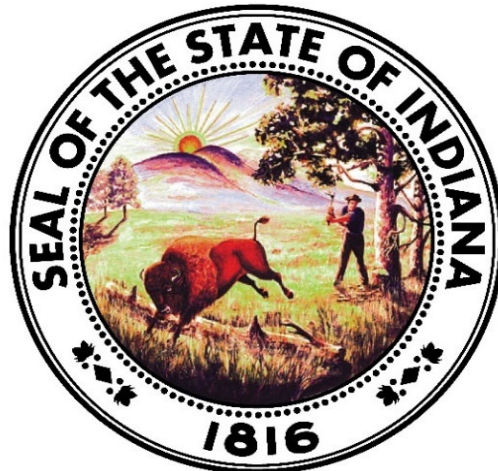


**STATE BOARD OF ACCOUNTS**  
**302 West Washington Street**  
**Room E418**  
**INDIANAPOLIS, INDIANA 46204-2769**

FINANCIAL STATEMENT AND  
FEDERAL COMPLIANCE AUDIT REPORT  
OF

NORTHEAST SCHOOL CORPORATION  
SULLIVAN COUNTY, INDIANA

July 1, 2021 to June 30, 2023



**FILED**  
03/26/2024



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March 26, 2024

To: The Officials of the Northeast School Corporation  
Northeast School Corporation  
Sullivan County, Indiana

As authorized under Indiana Code 5-11-1, we engaged private examiners under our review to perform the audit of the Northeast School Corporation. We have reviewed the audit report opined upon by Crowe LLP, Independent Public Accountants, for the period July 1, 2021 to June 30, 2023. Per the *Independent Auditor's Report*, the financial statement referred to above presents fairly, in all material respects, the cash and investment balances of the School Corporation as of June 30, 2023, and its cash receipts, cash disbursements, and other financing sources (uses) for the period of July 1, 2021 to June 30, 2023 in accordance with the financial reporting provisions of the Indiana State Board of Accounts described in Note 1.

We call your attention to the findings included in the report on pages 35 through 51. Please see the Schedule of Findings and Questioned Costs for complete details related to the findings. Management's Corrective Action Plan appears on pages 52 through 59.

In our opinion, Crowe LLP prepared the audit report in accordance with the guidelines established by the Indiana State Board of Accounts.

In addition to the report presented herein, a Supplemental Report for the Northeast School Corporation was prepared in accordance with the guidelines established by the Indiana State Board of Accounts.

The report is filed with this letter in our office as a matter of public record.

A handwritten signature in black ink that reads "Tammy R. White". The signature is written in a cursive style.

Tammy R. White, CPA  
Deputy State Examiner

**NORTHEAST SCHOOL CORPORATION**  
Sullivan County, Indiana

**FINANCIAL STATEMENT**  
As of June 30, 2023, and for the  
period of July 1, 2021 through June 30, 2023

NORTHEAST SCHOOL CORPORATION  
Sullivan County, Indiana

FINANCIAL STATEMENT  
As of June 30, 2023, and for the  
period of July 1, 2021 through June 30, 2023

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NORTHEAST SCHOOL CORPORATION  
SCHEDULE OF OFFICIALS (Unaudited)  
For the period July 1, 2021 through June 30, 2023

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<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Angel Riley	7-1-21 to 6-30-23
Superintendent of Schools	Dr. Mark A. Baker	7-1-21 to 6-30-23
President of the School Board	Jeremy Swalls	7-1-21 to 6-30-23

## INDEPENDENT AUDITOR'S REPORT

Those Charged with Governance  
Northeast School Corporation  
Sullivan County, Indiana

**Report on the Audit of the Financial Statement*****Opinions***

We have audited the accompanying statement of receipts, disbursements, other financing sources (uses) and cash and investment balances of the Northeast School Corporation (the School Corporation) as of June 30, 2023 and for the period of July 1, 2021 through June 30, 2023, and the related notes to the financial statement.

*Unmodified Opinion on Regulatory Basis of Accounting*

In our opinion, the financial statement presents fairly, in all material respects, the cash and investment balances of the School Corporation as of June 30, 2023, and its cash receipts, cash disbursements, and other financing sources (uses) for the period of July 1, 2021 through June 30, 2023 in accordance with the financial reporting provisions of the Indiana State Board of Accounts described in Note 1.

*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 of the School Corporation as of June 30, 2023, or changes in net position for the period of July 1, 2021 through June 30, 2023.

***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statement section of our report. We are required to be independent of the School Corporation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

As described in Note 1 to the financial statement, the financial statement is prepared by the School Corporation 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.

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(Continued)

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 and pervasive.

### ***Responsibilities of Management for the Financial Statement***

Management is responsible for the preparation and fair presentation of the 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) as described in Note 1, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibilities for the Audit of the Financial Statement***

Our objectives are to obtain reasonable assurance about whether the financial statement as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statement.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statement, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statement.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statement.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the School Corporation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statement that collectively comprise the School Corporation's financial statement. The accompanying Schedule of Expenditures of Federal Awards as required by Title 2 *U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and is not a required part of the financial statement.

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(Continued)

The Schedule of Expenditures of Federal Awards 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 themselves, 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 as a whole.

#### **Other Information**

Management is responsible for the other information included with the financial statement. The other information comprises the Schedule of Officials, Other Information Schedules, and State Reporting Information but does not include the financial statement and our auditor's report thereon. Our opinion on the financial statement does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statement, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statement, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

#### **Other Reporting Required by Governmental Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated March 21, 2024 on our consideration of the School Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 effectiveness of the School Corporation's 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.

  
Crowe LLP

Indianapolis, Indiana  
March 21, 2024

NORTHEAST SCHOOL CORPORATION  
STATEMENT OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES),  
AND CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
As of June 30, 2023 and for the period of July 1, 2021 through June 30, 2023

<u>Fund</u>	<u>Cash and Investments 07-01-2021</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Other Financing Sources (Uses)</u>	<u>Cash and Investments 06-30-2022</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Other Financing Sources (Uses)</u>	<u>Cash and Investments 06-30-2023</u>
Education	\$ 1,132,457	\$ 5,875,470	\$ 4,755,671	\$ (857,500)	\$ 1,394,756	\$ 6,194,179	\$ 5,021,849	\$ (885,000)	\$ 1,682,086
Debt Service	735,532	703,681	938,918	-	500,295	770,598	1,119,309	-	151,584
Retirement/ Severance Bond Debt Service	52,638	343,496	341,113	-	55,021	343,639	345,288	-	53,372
Operations	1,639,184	2,585,707	3,233,234	557,505	1,549,162	2,667,852	3,195,698	585,000	1,606,316
Local Rainy Day	1,286,419	-	217,308	299,995	1,369,106	-	365,369	250,000	1,253,737
2018 Construction Fund	215,259	-	49,355	-	165,904	-	165,904	-	-
2022 Construction Fund	-	-	-	-	-	-	249,749	1,255,000	1,005,251
School Lunch	(334,381)	494,056	312,127	-	(152,452)	598,152	476,844	50,000	18,856
Curricular Materials Rental	316,775	36,743	36,743	-	316,775	32,242	32,242	-	316,775
Donation/ Wonder Lab	4,213	-	2,516	-	1,697	1,000	1,920	-	777
Duke Energy Foundation	-	-	-	-	-	10,000	9,968	-	32
Wabash Valley Community Foundation	-	-	-	-	-	71,011	71,011	-	-
Isenbarger-Wolfe Trust	-	368,000	-	-	368,000	-	-	-	368,000
Pupil Medical Services	305	-	-	-	305	-	-	-	305
Formative Assessment	-	9,662	7,285	-	2,377	10,461	9,075	-	3,763
Medicaid Reimbursement	23,397	22,046	1,663	-	43,780	27,821	739	-	70,862
Stem	(4,950)	25,458	16,633	-	3,875	-	-	-	3,875
Science Technology Engineering And Mat	-	-	16,169	-	(16,169)	25,000	8,831	-	-
Early Intervention Grant	-	2,288	-	-	2,288	2,797	2,288	-	2,797
20-21 Early Intervention	394	-	394	-	-	-	-	-	-
Non-English Speaking Program	-	12,760	-	-	12,760	-	-	(12,760)	-
Career And Technical Performance Grant	-	-	-	-	-	18	-	-	18
Teacher Appreciation Grant	-	28,324	28,324	-	-	27,796	27,046	-	750
High Ability Students	11,846	24,653	31,499	-	5,000	20,559	15,932	-	9,627
State Connectivity Grant	6,042	13,250	3,272	-	16,020	3,858	682	12,760	31,956
Title I Sig Grant	(5,109)	6,789	1,680	-	-	-	-	-	-
Title I	-	160,463	170,038	-	(9,575)	48,977	39,402	-	-
Title I 20-21	(28,882)	93,368	64,486	-	-	152,013	196,874	-	(44,861)
Title IV Ff19	(199)	4,356	4,157	-	-	-	-	-	-

(Continued)

NORTHEAST SCHOOL CORPORATION  
STATEMENT OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES),  
AND CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
As of June 30, 2023 and for the period of July 1, 2021 through June 30, 2023

Fund	Cash and Investments 07-01-2021	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-2022	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-2023
Title IV 20-21	\$ -	\$ 7,306	\$ 7,456	\$ -	\$ (150)	\$ 10,756	\$ 10,606	\$ -	\$ -
Title IV 21-22	-	-	-	-	-	723	5,597	-	(4,874)
Title II Part A Fy19	(2,111)	15,278	11,058	-	2,109	66,758	67,948	-	919
Title II Part A	-	34,675	36,587	-	(1,912)	1,912	-	-	-
Essr III	-	91,261	196,296	-	(105,035)	1,054,313	953,155	-	(3,877)
Esser II	(204,542)	382,727	182,193	-	(4,008)	10,300	10,818	-	(4,526)
Geer Grant/ Swsc	(7,991)	9,489	1,498	-	-	-	-	-	-
Cares Act	(22,919)	32,382	9,463	-	-	-	-	-	-
Fema	(79,577)	-	(79,577)	-	-	-	-	-	-
Geer Grant #2	-	7,000	3,739	-	3,261	435	3,696	-	-
Prepaid School Lunch Accounts	8,005	13,343	15,327	-	6,021	14,252	15,183	-	5,090
Payroll Withholdings Clearing	-	1,155,527	1,155,527	-	-	1,199,312	1,199,467	-	(155)
Payroll Withholdings Section 125	-	290,507	290,507	-	-	265,458	265,458	-	-
Payroll Withholdings Clearing Misc	-	53,932	53,932	-	-	33,396	33,396	-	-
Greene-Sullivan Cooperative	-	157,364	157,364	-	-	240,102	240,102	-	-
American Express	-	71,024	71,024	-	-	103,560	98,272	-	5,288
Wal-Mart	-	-	-	-	-	6,360	6,261	-	99
Other Clearing	-	7,560	7,560	-	-	7,776	7,776	-	-
<b>Totals</b>	<b>\$ 4,741,805</b>	<b>\$ 13,139,945</b>	<b>\$ 12,352,539</b>	<b>\$ -</b>	<b>\$ 5,529,211</b>	<b>\$ 14,023,386</b>	<b>\$ 14,273,755</b>	<b>\$ 1,255,000</b>	<b>\$ 6,533,842</b>

See notes to financial statement.

NORTHEAST SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENT  
As of June 30, 2023, and for the period of  
July 1, 2021 through June 30, 2023

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Reporting Entity: School Corporation, as used herein, shall include, but is not limited to, the following: 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.

Basis of Accounting: The financial statement is reported on a regulatory basis of accounting prescribed by the Indiana State Board of Accounts in accordance with state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The basis of accounting involves the reporting of only cash and investments and the changes therein resulting from cash inflows (receipts) and cash outflows (disbursements) reported in the period in which they occurred. The basis of accounting also requires presentation of certain information as Other Information.

The regulatory basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP), 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. The regulatory basis also allows for all investments to be stated at cost, while GAAP requires fair value for qualifying investments.

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.

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

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

*Intermediate sources.* Amounts received as distributions from the County for fees collected for or on behalf of the School Corporation including, but not limited to, the following: educational license plate fees, congressional interest, riverboat distributions, and other similar fees.

*State sources.* Amounts received as distributions from the State of Indiana that are to be used by the School Corporation for various purposes, including, but not limited to, the following: unrestricted grants, restricted grants, revenue in lieu of taxes, and revenue for or on behalf of the School Corporation.

*Federal sources.* Amounts received as distributions from the federal government that are to be used by the School Corporation for various purposes, including, but not limited to, the following: unrestricted grants, restricted grants, revenue in lieu of taxes, and revenue for or on behalf of the School Corporation.

*Temporary loans.* Amounts 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.

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(Continued)

NORTHEAST SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENT  
As of June 30, 2023, and for the period of  
July 1, 2021 through June 30, 2023

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

*Interfund loans.* Amounts temporarily transferred from one fund to a depleted fund for use in paying current operating expenses. Such advancement shall not be made for a period extending beyond the budget year.

*Other receipts.* Amounts received from various sources, including, but not limited to, the following: return of petty cash, return of cash change, insurance claims for losses, sale of securities, and other receipts not listed in another category above.

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

*Instruction.* Amounts disbursed for regular programs, special programs, adult and continuing education programs, summer school programs, enrichment programs, remediation, and payments to other governmental units.

*Support services.* Amounts disbursed for support services related to students, instruction, general administration, school administration, outflows for central services, operation and maintenance of plant services, and student transportation.

*Noninstructional services.* Amounts disbursed for food service operations and community service operations.

*Facilities acquisition and construction.* Amounts disbursed for the acquisition, development, construction, and improvement of new and existing facilities.

*Debt services.* Amounts disbursed for fixed obligations resulting from financial transactions previously entered into by the School Corporation, including: all expenditures for the reduction of the principal and interest of the School Corporation's general obligation indebtedness.

*Nonprogrammed charges.* Amounts disbursed for donations to foundations, securities purchased, indirect costs, scholarships, and self-insurance payments.

*Interfund loans.* Amounts temporarily transferred from one fund to a depleted fund for use in paying current operating expenses. Such advancement shall not be made for a period extending beyond the budget year.

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.* Amounts received in relation to the issuance of bonds or other long-term debt issues.

*Sale of capital assets.* Amounts received when land, buildings, or equipment owned by the School Corporation are sold.

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

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

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(Continued)

NORTHEAST SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENT  
As of June 30, 2023, and for the period of  
July 1, 2021 through June 30, 2023

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Fund Accounting: Separate funds are established, maintained, and reported by the School Corporation. Each fund is used to account for amounts 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 amounts 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 School Corporation 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 December 31 of the year preceding the budget year or January 15 of the budget year if the School Corporation is issuing debt after December 1 or intends on filing a shortfall appeal. These rates were based upon the assessed valuations adjusted for various tax credits from the preceding year's lien date of January 1. 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, the following: federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

The School Corporation held cash deposits with financial institutions that maintained FDIC and PDIF coverages, as applicable. The School Corporation did not hold investments for the period under audit.

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(Continued)

NORTHEAST SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENT  
As of June 30, 2023, and for the period of  
July 1, 2021 through June 30, 2023

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**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.

The School Corporation has purchased insurance to address the risks described above.

**NOTE 6 - CASH BALANCE DEFICITS**

The financial statement contains some funds with deficits in cash. This is a result of certain funds being set up for reimbursable grants, but for which reimbursement was not yet received by June 30, 2022, and 2023. The deficit in the school lunch fund and the payroll withholding clearing fund is the result of disbursements exceeding receipts due to under-estimating current requirements for the fund. The deficit in the school lunch fund account was repaid with receipts from fiscal year 2023. The deficit in the payroll withholding clearing fund will be repaid from future receipts.

**NOTE 7 - NEGATIVE RECEIPTS AND DISBURSEMENTS**

The financial statement contains a negative disbursement balance in the FEMA fund. The negative disbursement is the result of the School Corporation initially coding disbursements to the FEMA fund prior to fiscal year 2022, which caused the opening cash balance in the FEMA fund to be negative. The School Corporation then received additional Education Stabilization Fund (ESF) dollars and decided to use those to cover the initial FEMA disbursements. School Corporation management then moved those disbursements from FEMA to the ESSER funds, which caused a negative disbursement amount to show in the FEMA fund for fiscal year 2022.

**NOTE 8 - HOLDING CORPORATION**

The School Corporation has entered into a series of capital leases with the Northeast Sullivan Multi-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 for the period July 1, 2021 to June 30, 2022 totaled \$916,000. Lease payments for the period July 1, 2022 to June 30, 2023 totaled \$1,119,309.

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(Continued)

NORTHEAST SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENT  
As of June 30, 2023, and for the period of  
July 1, 2021 through June 30, 2023

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**NOTE 9 - PENSION PLANS**

**Public Employees' Retirement Fund**

*Plan Description*

The Indiana Public Employees' Retirement Fund Defined Benefit Plan (PERF DB) is a cost sharing multiple-employer defined benefit plan and provides retirement, disability, and survivor benefits to plan members. PERF DB is administered through the Indiana Public Retirement System (INPRS) Board in accordance with state statutes (IC 5-10.2 and IC 5-10.3) and administrative code (35 IAC 1.2), which govern most requirements of the system and give the School Corporation authority to contribute to the plan.

The Public Employees' Hybrid Plan (PERF Hybrid) consists of two components: PERF DB, the employer-funded monthly defined benefit component, and the Public Employees' Hybrid Members Defined Contribution Account, the defined contribution component.

The Retirement Savings Plan for Public Employees (My Choice) is a multiple-employer defined contribution plan. It is administered through the INPRS Board in accordance with state statutes (IC 5-10.2 and IC 5-10.3) and administrative code (35 IAC 1.2), which govern most requirements of the system and give the School Corporation authority to contribute to the plan.

New employees hired have a one-time election to join either the PERF Hybrid or the My Choice.

*Financial Report*

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

Indiana Public Retirement System  
One North Capitol, Suite 001  
Indianapolis, IN 46204  
Ph. (844) 464-6777

*Contributions*

Members' contributions are set by state statute at 3 percent of compensation for both the defined contribution component of PERF Hybrid and My Choice. The employer may elect to make the contribution on behalf of the member of the defined contribution component of PERF Hybrid and My Choice members may receive additional employer contribution in lieu of the PERF DB. Contributions to the PERF DB are determined by INPRS Board based on actuarial valuation.

**Teachers' Retirement Fund**

*Plan Descriptions*

The Indiana Teachers' Hybrid Plan (TRF Hybrid) consists of two components: Indiana Teachers' Pre-1996 Defined Benefit Account (Teachers' Pre-1996 DB) or Indiana Teachers' 1996 Defined Benefit Account (Teachers' 1996 DB) the monthly employer-funded defined benefit components, along with the Indiana Teachers' Defined Contribution Account (TRF DC), the defined contribution component. Generally, members hired before 1996 participate in the Teachers' Pre-1996 DB and members hired after 1995 participate in the Teachers' 1996 DB.

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(Continued)

NORTHEAST SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENT  
As of June 30, 2023, and for the period of  
July 1, 2021 through June 30, 2023

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**NOTE 9 - PENSION PLANS** (Continued)

The Teachers' 1996 DB is a cost-sharing multiple-employer defined benefit pension plan and provides retirement, disability, and survivor benefits to plan members. All legally qualified and regularly employed licensed teachers serving in State of Indiana public schools are eligible to participate in the Teachers' 1996 DB.

The Teachers' Pre-1996 DB is a pay-as-you-go, cost-sharing multiple-employer defined benefit pension plan and provides retirement, disability, and survivor benefits to plan members. Membership in the Teachers' Pre-1996 DB is closed to new entrants.

The TRF DC is a multiple-employer defined contribution plan providing supplemental retirement benefits to Teachers' 1996 DB and Teachers' Pre-1996 DB members.

The Retirement Savings Plan for Public Teachers (My Choice) is a multiple-employer defined contribution plan. New employees hired after June 30, 2019, have a one-time election to join either the TRF Hybrid plan that is not closed to new entrants or the My Choice plan.

All these plans are administered through the Indiana Public Retirement System (INPRS) Board in accordance with state statutes (IC 5-10.2, IC 5-10.3, and IC 5-10.4) and administrative code (35 IAC 14), which govern most requirements of the system and give the School Corporation authority to contribute to the plan when applicable.

*Financial Report*

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

Indiana Public Retirement System  
One North Capitol, Suite 001  
Indianapolis, IN 46204  
Ph. (844) 464-6777

*Contributions*

The School Corporation contributes the employer's share to Teachers' 1996 DB 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. These contributions are determined by the INPRS Board based on actuarial valuation. 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 (Teachers' Pre-1996 DB) is an obligation of, and is paid by, the State of Indiana.

Contributions for the defined contribution component of TRF Hybrid are determined by statute and the INPRS Board at 3 percent of covered payroll. The employer may choose to make these contributions on behalf of the member. Under certain limitations, voluntary contributions up to 10 percent can be made solely by the member.

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(Continued)

NORTHEAST SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENT  
As of June 30, 2023, and for the period of  
July 1, 2021 through June 30, 2023

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**NOTE 9 - PENSION PLANS** (Continued)

My Choice plan is funded with employer contributions and member contributions. The employer contributions must equal the contribution rate for monthly employer-funded defined benefit components of TRF Hybrid. The amount deposited into the employer contribution subaccount for the member is the normal cost of participation. The variable rate contribution can be no less than 3 percent. Member contributions are determined by statute and the Board at 3 percent of covered payroll. The employer must make these contributions on behalf of the member. Under certain limitations, voluntary contributions up to 10 percent can be made solely by the member.

**OTHER INFORMATION (Unaudited)**

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, 2022

	Education	Debt Service	Retirement/ Severance Bond Debt Service	Operations	Local Rainy Day	2018 Construction Fund	2022 Construction Fund	School Lunch	Curricular Materials Rental	Donation/ Wonder Lab	Duke Energy Foundation	Wabash Valley Community Foundation	Isenbarger- Wolfe Trust	Pupil Medical Services
Cash and investments - beginning	\$ 1,132,457	\$ 735,532	\$ 52,638	\$ 1,639,184	\$ 1,286,419	\$ 215,259	\$ -	\$ (334,381)	\$ 316,775	\$ 4,213	\$ -	\$ -	\$ -	\$ 305
Receipts:														
Local sources	3,872	703,681	343,496	2,585,707	-	-	-	15,229	-	-	-	-	368,000	-
Intermediate sources	-	-	-	-	-	-	-	-	-	-	-	-	-	-
State sources	5,870,576	-	-	-	-	-	-	3,096	36,743	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	475,731	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other receipts	1,022	-	-	-	-	-	-	-	-	-	-	-	-	-
Total receipts	5,875,470	703,681	343,496	2,585,707	-	-	-	494,056	36,743	-	-	-	368,000	-
Disbursements:														
Instruction	3,947,203	-	-	-	-	-	-	-	-	2,516	-	-	-	-
Support services	690,139	-	-	2,776,227	-	-	-	-	36,743	-	-	-	-	-
Noninstructional services	118,329	-	-	-	217,308	-	-	312,127	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	457,007	-	49,355	-	-	-	-	-	-	-	-
Debt services	-	938,918	341,113	-	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total disbursements	4,755,671	938,918	341,113	3,233,234	217,308	49,355	-	312,127	36,743	2,516	-	-	-	-
Excess (deficiency) of receipts over disbursements	1,119,799	(235,237)	2,383	(647,527)	(217,308)	(49,355)	-	181,929	-	(2,516)	-	-	368,000	-
Other financing sources (uses):														
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	857,500	299,995	-	-	-	-	-	-	-	-	-
Transfers out	(857,500)	-	-	(299,995)	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	(857,500)	-	-	557,505	299,995	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	262,299	(235,237)	2,383	(90,022)	82,687	(49,355)	-	181,929	-	(2,516)	-	-	368,000	-
Cash and investments - ending	\$ 1,394,756	\$ 500,295	\$ 55,021	\$ 1,549,162	\$ 1,369,106	\$ 165,904	\$ -	\$ (152,452)	\$ 316,775	\$ 1,697	\$ -	\$ -	\$ 368,000	\$ 305

(Continued)

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, 2022

	Formative Assessment	Medicaid Reimbursement	Stem	Science Technology Engineering And Mat	Early Intervention Grant	20-21 Early Intervention	Non- English Speaking Program	Career And Technical Performance Grant	Teacher Appreciation Grant	High Ability Students	State Connectivity Grant	Title I Sig Grant	Title I
Cash and investments - beginning	\$ -	\$ 23,397	\$ (4,950)	\$ -	\$ -	\$ 394	\$ -	\$ -	\$ -	\$ 11,846	\$ 6,042	\$ (5,109)	\$ -
Receipts:													
Local sources	-	-	-	-	-	-	-	-	-	-	13,250	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-	-	-	-	-
State sources	9,662	-	25,458	-	2,288	-	12,760	-	28,324	24,653	-	-	-
Federal sources	-	22,046	-	-	-	-	-	-	-	-	-	6,789	160,463
Temporary loans	-	-	-	-	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-	-	-	-	-
Total receipts	9,662	22,046	25,458	-	2,288	-	12,760	-	28,324	24,653	13,250	6,789	160,463
Disbursements:													
Instruction	7,285	-	16,633	16,169	-	394	-	-	27,440	31,499	-	-	161,541
Support services	-	1,663	-	-	-	-	-	-	884	-	3,272	1,680	8,376
Noninstructional services	-	-	-	-	-	-	-	-	-	-	-	-	121
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-	-	-	-	-
Total disbursements	7,285	1,663	16,633	16,169	-	394	-	-	28,324	31,499	3,272	1,680	170,038
Excess (deficiency) of receipts over disbursements	2,377	20,383	8,825	(16,169)	2,288	(394)	12,760	-	-	(6,846)	9,978	5,109	(9,575)
Other financing sources (uses):													
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	2,377	20,383	8,825	(16,169)	2,288	(394)	12,760	-	-	(6,846)	9,978	5,109	(9,575)
Cash and investments - ending	\$ 2,377	\$ 43,780	\$ 3,875	\$ (16,169)	\$ 2,288	\$ -	\$ 12,760	\$ -	\$ -	\$ 5,000	\$ 16,020	\$ -	\$ (9,575)

(Continued)

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, 2022

	Title I 20-21	Title IV Ff19	Title IV 20-21	Title IV 21-22	Title II Part A Fy19	Title II Part A	Essr III	Esser II	Geer Grant/ Swsc	Cares Act	Fema
Cash and investments - beginning	\$ (28,882)	\$ (199)	\$ -	\$ -	\$ (2,111)	\$ -	\$ -	\$ (204,542)	\$ (7,991)	\$ (22,919)	\$ (79,577)
Receipts:											
Local sources	-	-	-	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-	-	-
Federal sources	93,368	4,356	7,306	-	15,278	34,675	91,261	382,727	9,489	32,382	-
Temporary loans	-	-	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-	-	-
Total receipts	93,368	4,356	7,306	-	15,278	34,675	91,261	382,727	9,489	32,382	-
Disbursements:											
Instruction	54,071	385	6,548	-	11,058	36,587	151,104	146,183	1,498	9,463	(79,577)
Support services	10,415	3,772	908	-	-	-	45,192	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	36,010	-	-	-
Debt services	-	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-	-	-
Total disbursements	64,486	4,157	7,456	-	11,058	36,587	196,296	182,193	1,498	9,463	(79,577)
Excess (deficiency) of receipts over disbursements	28,882	199	(150)	-	4,220	(1,912)	(105,035)	200,534	7,991	22,919	79,577
Other financing sources (uses):											
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	28,882	199	(150)	-	4,220	(1,912)	(105,035)	200,534	7,991	22,919	79,577
Cash and investments - ending	\$ -	\$ -	\$ (150)	\$ -	\$ 2,109	\$ (1,912)	\$ (105,035)	\$ (4,008)	\$ -	\$ -	\$ -

(Continued)

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, 2022

	Geer Grant #2	Prepaid School Lunch Accounts	Payroll Withholdings Clearing	Payroll Withholdings Section 125	Payroll Withholdings Clearing Misc	Greene- Sullivan Cooperative	American Express	Wal-Mart	Other Clearing	Totals
Cash and investments - beginning	\$ -	\$ 8,005	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,741,805
Receipts:										
Local sources	-	13,343	-	-	-	-	-	-	-	4,046,578
Intermediate sources	-	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-	6,013,560
Federal sources	7,000	-	-	-	-	-	-	-	-	1,342,871
Temporary loans	-	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-	-
Other receipts	-	-	1,155,527	290,507	53,932	157,364	71,024	-	7,560	1,736,936
Total receipts	7,000	13,343	1,155,527	290,507	53,932	157,364	71,024	-	7,560	13,139,945
Disbursements:										
Instruction	3,739	-	-	-	-	-	-	-	-	4,551,739
Support services	-	1,082	-	-	-	-	-	-	-	3,580,353
Noninstructional services	-	14,245	-	-	-	-	-	-	-	662,130
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	542,372
Debt services	-	-	-	-	-	-	-	-	-	1,280,031
Nonprogrammed charges	-	-	1,155,527	290,507	53,932	157,364	71,024	-	7,560	1,735,914
Interfund loans	-	-	-	-	-	-	-	-	-	-
Total disbursements	3,739	15,327	1,155,527	290,507	53,932	157,364	71,024	-	7,560	12,352,539
Excess (deficiency) of receipts over disbursements	3,261	(1,984)	-	-	-	-	-	-	-	787,406
Other financing sources (uses):										
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-	1,157,495
Transfers out	-	-	-	-	-	-	-	-	-	(1,157,495)
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	3,261	(1,984)	-	-	-	-	-	-	-	787,406
Cash and investments - ending	\$ 3,261	\$ 6,021	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,529,211

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, 2023

	Education	Debt Service	Retirement/ Severance Bond Debt Service	Operations	Local Rainy Day	2018 Construction Fund	2022 Construction Fund	School Lunch	Curricular Materials Rental	Donation/ Wonder Lab	Duke Energy Foundation	Wabash Valley Community Foundation	Isenbarger- Wolfe Trust
Cash and investments - beginning	\$ 1,394,756	\$ 500,295	\$ 55,021	\$ 1,549,162	\$ 1,369,106	\$ 165,904	\$ -	\$ (152,452)	\$ 316,775	\$ 1,697	\$ -	\$ -	\$ 368,000
Receipts:													
Local sources	8,821	770,598	343,639	2,667,852	-	-	-	13,832	-	1,000	10,000	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-	-	-	-	-
State sources	6,183,736	-	-	-	-	-	-	-	32,242	-	-	71,011	-
Federal sources	-	-	-	-	-	-	-	584,320	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-	-	-	-	-
Other receipts	1,622	-	-	-	-	-	-	-	-	-	-	-	-
Total receipts	6,194,179	770,598	343,639	2,667,852	-	-	-	598,152	32,242	1,000	10,000	71,011	-
Disbursements:													
Instruction	4,209,970	-	-	25,069	120,443	-	-	-	-	920	9,968	-	-
Support services	691,159	-	-	2,749,596	89,365	-	-	-	32,242	1,000	-	-	-
Noninstructional services	120,720	-	-	-	18,084	-	-	476,844	-	-	-	-	-
Facilities acquisition and construction	-	-	-	421,033	137,477	165,904	249,749	-	-	-	-	71,011	-
Debt services	-	1,119,309	345,288	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-	-	-	-	-
Total disbursements	5,021,849	1,119,309	345,288	3,195,698	365,369	165,904	249,749	476,844	32,242	1,920	9,968	71,011	-
Excess (deficiency) of receipts over disbursements	1,172,330	(348,711)	(1,649)	(527,846)	(365,369)	(165,904)	(249,749)	121,308	-	(920)	32	-	-
Other financing sources (uses):													
Proceeds of long-term debt	-	-	-	-	-	-	1,255,000	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	885,000	300,000	-	-	50,000	-	-	-	-	-
Transfers out	(885,000)	-	-	(300,000)	(50,000)	-	-	-	-	-	-	-	-
Total other financing sources (uses)	(885,000)	-	-	585,000	250,000	-	1,255,000	50,000	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	287,330	(348,711)	(1,649)	57,154	(115,369)	(165,904)	1,005,251	171,308	-	(920)	32	-	-
Cash and investments - ending	\$ 1,682,086	\$ 151,584	\$ 53,372	\$ 1,606,316	\$ 1,253,737	\$ -	\$ 1,005,251	\$ 18,856	\$ 316,775	\$ 777	\$ 32	\$ -	\$ 368,000

(Continued)

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, 2023

	Pupil Medical Services	Formative Assessment	Medicaid Reimbursement	Stem	Science Technology Engineering And Mat	Early Intervention Grant	20-21 Early Intervention	Non-English Speaking Program	Career And Technical Performance Grant	Teacher Appreciation Grant	High Ability Students	State Connectivity Grant	Title I Sig Grant
Cash and investments - beginning	\$ 305	\$ 2,377	\$ 43,780	\$ 3,875	\$ (16,169)	\$ 2,288	\$ -	\$ 12,760	\$ -	\$ -	\$ 5,000	\$ 16,020	\$ -
Receipts:													
Local sources	-	1,386	-	-	-	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-	-	-	-	-
State sources	-	9,075	-	-	25,000	2,797	-	-	18	27,796	20,559	3,600	-
Federal sources	-	-	27,821	-	-	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-	-	-	258	-
Total receipts	-	10,461	27,821	-	25,000	2,797	-	-	18	27,796	20,559	3,858	-
Disbursements:													
Instruction	-	9,075	-	-	8,831	2,288	-	-	-	26,086	15,932	-	-
Support services	-	-	739	-	-	-	-	-	-	960	-	682	-
Noninstructional services	-	-	-	-	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-	-	-	-	-
Total disbursements	-	9,075	739	-	8,831	2,288	-	-	-	27,046	15,932	682	-
Excess (deficiency) of receipts over disbursements	-	1,386	27,082	-	16,169	509	-	-	18	750	4,627	3,176	-
Other financing sources (uses):													
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-	-	-	12,760	-
Transfers out	-	-	-	-	-	-	-	(12,760)	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	(12,760)	-	-	-	12,760	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	1,386	27,082	-	16,169	509	-	(12,760)	18	750	4,627	15,936	-
Cash and investments - ending	\$ 305	\$ 3,763	\$ 70,862	\$ 3,875	\$ -	\$ 2,797	\$ -	\$ -	\$ 18	\$ 750	\$ 9,627	\$ 31,956	\$ -

(Continued)

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, 2023

	Title I	Title I 20-21	Title IV Ff19	Title IV 20-21	Title IV 21-22	Title II Part A Fy19	Title II Part A	Essr III	Esser II	Geer Grant/ Swsc	Cares Act
Cash and investments - beginning	\$ (9,575)	\$ -	\$ -	\$ (150)	\$ -	\$ 2,109	\$ (1,912)	\$ (105,035)	\$ (4,008)	\$ -	\$ -
Receipts:											
Local sources	-	-	-	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-	-	-
Federal sources	48,977	152,013	-	10,756	723	66,758	1,912	1,054,313	10,300	-	-
Temporary loans	-	-	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-	-	-
Total receipts	48,977	152,013	-	10,756	723	66,758	1,912	1,054,313	10,300	-	-
Disbursements:											
Instruction	37,103	194,372	-	10,606	5,049	67,948	-	2,253	10,818	-	-
Support services	2,299	2,502	-	-	548	-	-	50,902	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	900,000	-	-	-
Debt services	-	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-	-	-
Total disbursements	39,402	196,874	-	10,606	5,597	67,948	-	953,155	10,818	-	-
Excess (deficiency) of receipts over disbursements	9,575	(44,861)	-	150	(4,874)	(1,190)	1,912	101,158	(518)	-	-
Other financing sources (uses):											
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	9,575	(44,861)	-	150	(4,874)	(1,190)	1,912	101,158	(518)	-	-
Cash and investments - ending	\$ -	\$ (44,861)	\$ -	\$ -	\$ (4,874)	\$ 919	\$ -	\$ (3,877)	\$ (4,526)	\$ -	\$ -

(Continued)

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, 2023

	Fema	Geer Grant #2	Prepaid School Lunch Accounts	Payroll Withholdings Clearing	Payroll Withholdings Section 125	Payroll Withholdings Clearing Misc	Greene-Sullivan Cooperative	American Express	Wal-Mart	Other Clearing	Totals
Cash and investments - beginning	\$ -	\$ 3,261	\$ 6,021	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,529,211
Receipts:											
Local sources	-	-	14,252	-	-	-	-	-	-	-	3,831,380
Intermediate sources	-	-	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-	-	6,375,834
Federal sources	-	435	-	-	-	-	-	-	-	-	1,958,328
Temporary loans	-	-	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	1,199,312	265,458	33,396	240,102	103,560	6,360	7,776	1,857,844
Total receipts	-	435	14,252	1,199,312	265,458	33,396	240,102	103,560	6,360	7,776	14,023,386
Disbursements:											
Instruction	-	3,696	-	-	-	-	-	-	-	-	4,760,427
Support services	-	-	717	-	-	-	-	-	-	-	3,622,711
Noninstructional services	-	-	14,466	-	-	-	-	-	-	-	630,114
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	-	1,945,174
Debt services	-	-	-	-	-	-	-	-	-	-	1,464,597
Nonprogrammed charges	-	-	-	1,199,467	265,458	33,396	240,102	98,272	6,261	7,776	1,850,732
Interfund loans	-	-	-	-	-	-	-	-	-	-	-
Total disbursements	-	3,696	15,183	1,199,467	265,458	33,396	240,102	98,272	6,261	7,776	14,273,755
Excess (deficiency) of receipts over disbursements	-	(3,261)	(931)	(155)	-	-	-	5,288	99	-	(250,369)
Other financing sources (uses):											
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-	-	1,255,000
Sale of capital assets	-	-	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-	-	1,247,760
Transfers out	-	-	-	-	-	-	-	-	-	-	(1,247,760)
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-	-	1,255,000
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	(3,261)	(931)	(155)	-	-	-	5,288	99	-	1,004,631
Cash and investments - ending	\$ -	\$ -	\$ 5,090	\$ (155)	\$ -	\$ -	\$ -	\$ 5,288	\$ 99	\$ -	\$ 6,533,842

NORTHEAST SCHOOL CORPORATION  
SCHEDULE OF PAYABLES AND RECEIVABLES  
June 30, 2023

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<u>Government or Enterprise</u>	<u>Accounts Payable</u>	<u>Accounts Receivable</u>
Governmental activities	\$ -	\$ <u>58,733</u>

NORTHEAST SCHOOL CORPORATION  
SCHEDULE OF LEASES AND DEBT  
June 30, 2023

<u>Lessor</u>	<u>Purpose</u>	<u>Annual Lease Payment</u>	<u>Lease Beginning Date</u>	<u>Lease Ending Date</u>
Governmental activities:				
NE Sullivan Multi School Bldg. 2017	NCHS Phase 1	\$ 158,000	7/15/2018	1/15/2031
NE Sullivan Multi School Bldg. 2018	Security & Priority 1 Projects	404,000	7/15/2019	1/15/2035
Northeast School Corporation General Obligation Bonds Series 2022	High School Track & NEEE Roof	<u>244,233</u>	6/30/2023	12/31/2027
Total governmental activities		<u>806,233</u>		
Total of annual lease payments		<u>\$ 806,233</u>		

<u>Description of Debt</u>	<u>Ending Principal Balance</u>	<u>Principal Due Within One Year</u>
<u>Type</u>	<u>Purpose</u>	
Governmental activities:		
General Obligation Bonds	Pension Bonds	\$ 265,000
Totals	<u>\$ 1,198,924</u>	<u>\$ 265,000</u>

NORTHEAST SCHOOL CORPORATION  
SCHEDULE OF CAPITAL ASSETS  
June 30, 2023

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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	\$ 59,017
Infrastructure	46,988
Buildings	14,515,436
Improvements other than buildings	6,823,716
Machinery, equipment, and vehicles	<u>4,018,110</u>
Total governmental activities	<u>25,463,267</u>
Total capital assets	<u>\$ 25,463,267</u>

NORTHEAST SCHOOL CORPORATION  
STATE REPORTING INFORMATION  
July 1, 2021 - June 30, 2023

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*Financial Statement and Accompanying Notes:*

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

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

*Indiana Department of Education Reporting:*

The School Corporation's Financial Reports can be found on the Indiana Department of Education website: <http://www.doe.in.gov/finance/school-financial-reports>. This website is maintained by the Indiana Department of Education. More current financial information is available from the School Corporation Treasurer's office. Additionally, some financial information of the School Corporation can be found on the Indiana Gateway for Government Units website: <https://gateway.ifionline.org/>.

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

The other information on the IDOE website and on the Indiana Gateway for Government Units presented was approved by management of the School Corporation. It is presented as intended by the School Corporation.

NORTHEAST SCHOOL CORPORATION  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Period July 1, 2021 through June 30, 2023

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Assistance Listing Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 06-30-22	Total Federal Awards Expended 06-30-23	Total Federal Awards Expended 07-01-21 to 06-30-23
<u>Department of Agriculture</u>						
Child Nutrition Cluster	Indiana Department of Education					
School Breakfast Program		10.553	FY2022, FY2023	\$ 132,489	\$ 153,096	\$ 285,585
School Lunch Program		10.555	FY2022, FY2023	342,628	427,326	769,954
Commodities		10.555	FY2022, FY2023	56,908	38,456	95,364
Total - Child Nutrition Cluster				<u>532,025</u>	<u>618,878</u>	<u>1,150,903</u>
Total - Department of Agriculture				<u>532,025</u>	<u>618,878</u>	<u>1,150,903</u>
<u>Department of Education</u>						
Special Education Cluster (IDEA)	-					
Special Education Grants to States						
IDEA-Part B		84.027	19611-022-PN01	6,161	-	6,161
IDEA-Part B		84.027	20611-022-PN01	4,105	-	4,105
IDEA-Part B		84.027	21611-022-PN01	253,113	6,818	259,931
IDEA-Part B		84.027	22611-022-PN01	212,719	44,969	257,688
IDEA-Part B - COVID-19 - American Rescue Plan		84.027X	22611-022-ARP	-	26,268	26,268
IDEA-Part B		84.027	23611-022-PN01	-	81,850	81,850
Total - Special Education Grants to State				<u>476,098</u>	<u>159,905</u>	<u>636,003</u>
Special Education Preschool Grants	Indiana Department of Education					
IDEA-Preschool		84.173	20619-022-PN01	1,835	-	1,835
IDEA-Preschool		84.173	21619-022-PN01	11,023	-	11,023
IDEA-Preschool		84.173	22619-022-PN01	8,748	1,915	10,663
IDEA-Preschool - COVID-19 - American Rescue Plan		84.173X	22619-022-ARP	-	1,241	1,241
IDEA-Preschool		84.173	23619-022-PN01	-	4,151	4,151
Total - Special Education Preschool Grants				<u>21,606</u>	<u>7,307</u>	<u>28,913</u>
Total - Special Education Cluster				<u>497,704</u>	<u>167,212</u>	<u>664,916</u>
Title I Grants to Local Educational Agencies	Indiana Department of Education					
Title I, Part A		84.010A	S010A200014	6,789	-	6,789
Title I, Part A		84.010A	S010A210014	160,463	48,977	209,440
Title I, Part A		84.010A	S010A220014	93,368	152,013	245,381
Total - Title I Grants to Local Educational Agencies				<u>260,620</u>	<u>200,990</u>	<u>461,610</u>

(Continued)

NORTHEAST SCHOOL CORPORATION  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Period July 1, 2021 through June 30, 2023

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Assistance Listing Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 06-30-22	Total Federal Awards Expended 06-30-23	Total Federal Awards Expended 07-01-21 to 06-30-23
Supporting Effective Instruction State Grants	Indiana Department of Education					
Title II, Part A		84.367A	S367A200013	\$ 42,314	\$ 1,912	\$ 44,226
Title II, Part A		84.367A	S367A200013	-	33,379	33,379
Total - Supporting Effective Instruction State Grants				<u>42,314</u>	<u>35,291</u>	<u>77,605</u>
Student Support and Academic Enrichment Program	Indiana Department of Education					
Title IV, Part A		84.424	S424A200015	11,661	-	11,661
Title IV, Part A		84.424	S424A210015	-	11,479	11,479
Total - Student Support and Academic Enrichment Program				<u>11,661</u>	<u>11,479</u>	<u>23,140</u>
COVID-19 - Education Stabilization Fund	Indiana Department of Education					
Elementary and Secondary School Emergency Relief (ESSER) Fund		84.425D	S425D200013	32,382	-	32,382
Elementary and Secondary School Emergency Relief (ESSER II) Fund		84.425D	S425D210013	382,727	10,300	393,027
Elementary and Secondary School Emergency Relief (ESSER III) Fund		84.425U	S425U210013	91,261	1,054,313	1,145,574
Total - COVID-19 - Education Stabilization Fund				<u>506,370</u>	<u>1,064,613</u>	<u>1,570,983</u>
Total - Department of Education				<u>1,318,669</u>	<u>1,479,585</u>	<u>2,798,254</u>
<u>Department of Health and Human Services</u>						
Medicaid Cluster	Indiana Department of Education					
Medical Assistance Program		93.778	FY2022, FY2023	15,763	18,846	34,609
Total - Department of Health and Human Services				<u>15,763</u>	<u>18,846</u>	<u>34,609</u>
Total federal awards expended				<u>\$ 1,866,457</u>	<u>\$ 2,117,309</u>	<u>\$ 3,983,766</u>

See accompanying notes to the schedule of expenditure of federal awards.

NORTHEAST SCHOOL CORPORATION  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the period of July 1, 2021 through June 30, 2023

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**NOTE 1 - BASIS OF PRESENTATION**

*A. Basis of Presentation*

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes the federal grant activity of the School Corporation under programs of the federal government for the period of July 1, 2021 through June 30, 2023. The information in the SEFA is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the SEFA presents only a select portion of the operations of the School Corporation, it is not intended to and does not present the financial position of the School Corporation.

The Uniform Guidance requires an annual audit of nonfederal entities expending a total amount of federal awards equal to or in excess of \$750,000 in any fiscal year unless by constitution or statute a less frequent audit is required. In accordance with Indiana Code (IC 5-11-1-25), audits of school corporations shall be conducted biennially. Such audits shall include both years within the biennial period.

*B. Other Significant Accounting Policies*

Expenditures reported on the SEFA are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement. When federal grants are received on a reimbursement basis, the federal awards are considered expended when the reimbursement is received.

**NOTE 2 - INDIRECT COST RATE**

The School Corporation has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**NOTE 3 – SPECIAL EDUCATION COOPERATIVE (ALN: 84.027, 84.173, 84.027X, 84.173X)**

The School Corporation is a member of the Greene-Sullivan Special Education Cooperative (Cooperative), which operates the special education program for the School Corporation. As a result, some activity for the Special Education Cluster (IDEA) that is presented on the SEFA is not presented as receipts and disbursements in the financial statement for the School Corporation. This activity is reported on the financial statement of the cooperative.

**NOTE 4 - OTHER INFORMATION**

The School Corporation did not have any subrecipient activity for the period of July 1, 2021 through June 30, 2023.

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

Those Charged with Governance  
Northeast School Corporation  
Sullivan County, Indiana

We have audited, in accordance with the 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 Northeast School Corporation ("School Corporation"), which comprise the statement of receipts, disbursements, other financing sources (uses), and cash and investment balances of the School Corporation as of June 30, 2023 and for the period July 1, 2021 through June 30, 2023 and the related notes to the financial statement, which collectively comprise the School Corporation's financial statement, and have issued our report thereon dated March 21, 2024.

#### **Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the School Corporation's internal control over financial reporting (internal control) as a basis for designing 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.

*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 a 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2023-001 and 2023-002 that we consider to be material weaknesses.

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(Continued)

## Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School Corporation's financial statement is free from 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 financial statement. 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*.

## School Corporation's Response to Findings

*Government Auditing Standards* requires the auditor to perform limited procedures on the School Corporation's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The School Corporation's response was not subjected to the other auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on the response.

## 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Crowe LLP*  
Crowe LLP

Indianapolis, Indiana  
March 21, 2024

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

Those Charged with Governance  
Northeast School Corporation  
Sullivan County, Indiana

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

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

We have audited Northeast School Corporation's (School Corporation) compliance with the types of compliance requirements identified as subject to audit in the OMB Compliance Supplement that could have a direct and material effect on each of the School Corporation's major federal programs for the period of July 1, 2021 through June 30, 2023. 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.

***Qualified Opinion on the Education Stabilization Fund Major Program***

In our opinion, except for the noncompliance described in the Basis for Qualified Opinions section of our report, the School Corporation complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the Education Stabilization Fund for the period of July 1, 2021 through June 30, 2023.

***Qualified Opinion on the Special Education Cluster Major Program***

In our opinion, except for the noncompliance described in the Basis for Qualified Opinions section of our report, the School Corporation complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the Special Education Cluster for the period of July 1, 2021 through June 30, 2023.

***Basis for Qualified Opinions on Major Federal Programs***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the School Corporation and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the School Corporation's compliance with the compliance requirements referred to above.

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(Continued)

*Matter Giving Rise to Qualified Opinion on the Education Stabilization Fund Major Program*

As described in the accompanying schedule of findings and questioned costs, the School Corporation did not comply with requirements regarding Assistance Listing Number 84.425U, Education Stabilization Fund, as described in finding number 2023-003 for Special Tests and Provisions – Wage Rate Requirements.

As described in the accompanying schedule of findings and questioned costs, the School Corporation did not comply with requirements regarding Assistance Listing Number 84.425D and 84.425U, Education Stabilization Fund, as described in finding number 2023-004 for Reporting.

Compliance with such requirements is necessary, in our opinion, for the School Corporation to comply with the requirements applicable to that program.

*Matter Giving Rise to Qualified Opinion on the Special Education Cluster Major Program*

As described in the accompanying schedule of findings and questioned costs, the School Corporation did not comply with requirements regarding Assistance Listing Numbers 84.027, 84.027X, 84.173, and 83.173X, Special Education Cluster, as described in finding number 2023-005 for Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Period of Performance, finding number 2023-006 for Procurement and Suspension and Debarment and finding number 2023-007 for Reporting.

Compliance with such requirements is necessary, in our opinion, for the School Corporation to comply with the requirements applicable to that program.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the School Corporation's federal programs.

***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the School Corporation's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the School Corporation's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a

test basis, evidence regarding the School Corporation's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- obtain an understanding of the School Corporation's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the School Corporation's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

*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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2023-003 through 2023-007 to be material weaknesses.

*A significant deficiency in internal control over compliance* is a deficiency, or a 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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2023-008 to be a significant deficiency.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

*Government Auditing Standards* requires the auditor to perform limited procedures on the School Corporation's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The School Corporation's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

  
Crowe LLP

Indianapolis, Indiana  
March 21, 2024

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NORTHEAST SCHOOL CORPORATION  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 July 1, 2021 through June 30, 2023

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**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 weakness(es) identified?	<u>  X  </u>	Yes	<u>      </u> No
Significant deficiencies identified not considered to be material weaknesses?	<u>      </u>	Yes	<u>  X  </u> None Reported
Noncompliance material to financial statement noted?	<u>      </u>	Yes	<u>  X  </u> No

***Federal Awards***

Internal control over major programs			
Material weakness(es) identified?	<u>  X  </u>	Yes	<u>      </u> No
Significant deficiencies identified not considered to be material weaknesses?	<u>  X  </u>	Yes	<u>      </u> None Reported
Type of auditor’s report issued on compliance for major programs			
COVID-19 – Education Stabilization Fund	Qualified		
Special Education Cluster	Qualified		
Any audit findings disclosed that are required to be reported in accordance with 2CFR 200.516(a)?	<u>  X  </u>	Yes	<u>      </u> No

Identification of major programs

<u>Assistance Listing Number</u>	<u>Name of Federal Program or Cluster</u>
84.425D, 84.425U	COVID-19 - Education Stabilization Fund
84.027, 84.027X, 84.173, 84.173X	Special Education Cluster

Dollar threshold used to distinguish between Type A and Type B programs \$ 750,000

Auditee qualified as low-risk auditee?	<u>      </u>	Yes	<u>  X  </u>	No
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(Continued)

NORTHEAST SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
July 1, 2021 through June 30, 2023

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**Section II – Financial Statement Findings**

**FINDING 2023-001**

Subject: Preparation of the Annual Financial Report  
Audit Findings: Material Weakness

**Criteria:** The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

An integral part of the control activity component is segregation of duties. . . . There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . .

The Green Book identifies a list of control activity categories that are meant only to illustrate the range and variety of control activities; the list is by no means all inclusive, but is reproduce here for reference purposes:

- ...
- Accurate and timely recording of transactions. . . ."

2 CFR 200.508 states in part:

"The auditee must: . . .

(b) Prepare appropriate financial statements, ..."

**Condition:** The School Corporation did not have a proper system of internal control in place to prevent, or detect and correct, errors on the Annual Financial Report (AFR).

**Cause:** Management had not established a system of internal control that would have ensured proper reporting of the AFR.

**Context:** The AFR entered and submitted in the Indiana Gateway for Government Units financial reporting system was the source of the Statement of Receipts, Disbursements, Other Financing Sources (Uses), and Cash and investment Balances – Regulatory Basis (the financial statement). The AFR was reviewed prior to submission. However, it was not reviewed in enough detail to prevent the following errors in the financial statement:

1. For the period of July 1, 2021 to June 30, 2022, the School Corporation improperly excluded the transfer between the Operations fund and the Local Rainy Day fund for \$299,995.
2. For the period July 1, 2021 to June 30, 2022, the School Corporation understated the opening balance of the Operations fund by \$599,998.

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(Continued)

NORTHEAST SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
July 1, 2021 through June 30, 2023

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**Section II – Financial Statement Findings** (Continued)

**FINDING 2023-001** (Continued)

3. For the period July 1, 2021 to June 30, 2022, the School Corporation understated the opening balance of the Curricular Materials Rental fund by \$316,775.

Audit adjustments were proposed, accepted by the School Corporation, and made to the financial statement to correct the errors noted above.

**Effect:** Without a proper system of internal control in place that operated effectively, material misstatements of the financial statement remained undetected. The financial statement contained the errors identified in the Context section.

**Identification as a repeat finding, if applicable:** No.

**Recommendation:** We recommended that the School Corporation's management establish a formal review over the AFR financial statement submission to ensure amounts reported are accurate and agree to underlying fund ledgers. The School Corporation should establish a documented, secondary review to ensure the amounts reported on the financial statement agree to the supporting fund ledger detail.

**Views of Responsible Officials and Planned Corrective Actions:** Management agrees with the finding and has prepared a corrective action plan.

**FINDING 2023-002**

Subject: Preparation of the Schedule of Expenditures of Federal Awards  
Audit Findings: Material Weakness

**Criteria:** The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

An integral part of the control activity component is segregation of duties. . . There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . .

The Green Book identifies a list of control activity categories that are meant only to illustrate the range and variety of control activities; the list is by no means all inclusive, but is reproduced here for reference purposes: . . .

- Accurate and timely recording of transactions. . . ."

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(Continued)

NORTHEAST SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
July 1, 2021 through June 30, 2023

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**Section II – Financial Statement Findings** (Continued)

**FINDING 2023-002** (Continued)

2 CFR 200.508 states in part:

"The auditee must: . . .

(b) Prepare appropriate financial statements, including the schedule of expenditures of Federal Awards in accordance with § 200.510 Financial statements. . . ."

2 CFR 200.510(b) states:

*"Schedule of expenditures of Federal awards.* The auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with § 200.502 Basis for determining Federal awards expended. 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 Federal award years, the auditee may list the amount of Federal awards expended for each Federal award year separately. At a minimum, the schedule must:

(1) List individual Federal programs by Federal agency. For a cluster of programs, provide the cluster name, list individual Federal programs within a cluster of programs, and provide the applicable Federal agency name.

(2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity must be included.

(3) Provide total Federal awards expended for each individual Federal program and the Assistance Listings Number or other identifying number when the Assistance Listings information is not available. For a cluster of programs also provide the total for the cluster.

(4) Include the total amount provided to subrecipients from each Federal program.

(5) For loan or loan guarantee programs described in § 200.502 Basis for determining Federal awards expended, paragraph (b), identify in the notes to the schedule the balances outstanding at the end of the audit period. This is in addition to including the total Federal awards expended for loan or loan guarantee programs in the schedule.

(6) Include notes that describe that significant accounting policies used in preparing the schedule, and note whether or not the auditee elected to use the 10% de minimis cost rate as covered in §200.414 Indirect (F&A) costs."

**Condition:** The School Corporation has an internal control in place for a secondary review of the annual Grant Schedule submitted with the Annual Financial Report which generates the Schedule of Expenditures of Federal Awards (SEFA) for audit. The review control in place did not prevent, or detect and correct, errors in the SEFA.

**Cause:** Management had not established a system of internal control that would have ensured proper reporting of the SEFA.

**Context:** The federal grant information entered and submitted in the Indiana Gateway for Government Units financial reporting system was the source of the SEFA. Due to the lack of effective internal controls, the

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(Continued)

NORTHEAST SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
July 1, 2021 through June 30, 2023

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**Section II – Financial Statement Findings** (Continued)

**FINDING 2023-002** (Continued)

following errors resulted in the understatement of the total federal awards reported on the SEFA by \$879,459 for the period July 1, 2021 through June 30, 2023:

1. The Child Nutrition Cluster was understated by \$37,932.
2. The Title II, Part A funds were understated by \$34,675.
3. The Title IV, Part A funds were understated by \$7,327.
4. The Special Education Cluster was omitted from the SEFA, which resulted in the cluster being understated by \$664,916.
5. The Medicaid Cluster was understated by \$134,609.

Audit adjustments were proposed, accepted by the School Corporation, and made to the SEFA to correct the issues noted above.

**Effect:** Without a proper system of internal control in place that operate effectively, material misstatements of the SEFA could go undetected.

**Repeat Finding:** Yes. The same finding appeared in the prior year report B60829.

**Recommendation:** We recommended that the School Corporation's management establish a formal review over the SEFA to ensure amounts reported are accurate and complete. This review should include a reconciliation of federal receipts on the funds ledger compared to amounts reported in Gateway. We recommend this review be formally documented.

**Views of Responsible Officials and Planned Corrective Actions:** Management agrees with the finding and has prepared a corrective action plan.

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(Continued)

NORTHEAST SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
July 1, 2021 through June 30, 2023

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

**Finding 2023-003**

**Information on the federal program:**

Subject: Education Stabilization Fund – Special Tests and Provisions - Wage Rate Requirements  
Federal Agency: Department of Education  
Federal Program: COVID-19 - Education Stabilization Fund  
Assistance Listing Number: 84.425U  
Federal Award Numbers: S425U210013  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Special Tests and Provisions - Wage Rate Requirements  
Audit Findings: Material Weakness, Qualified Opinion

**Criteria:** 2 CFR section 200.303 states in part:

"The non-Federal entity must:

(a) Establish and maintain effective internal control over Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal awards in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

29 CFR 5.5 states in part:

a.The Agency head shall cause or require the contracting officer to insert in full in any contract in excess of \$2,000 which is entered into for the actual construction, alteration and/or repair, including painting and decorating, of a public building or public work, or building or work financed in whole or in part from Federal funds or in accordance with guarantees of a Federal agency or financed from funds obtained by pledge of any contract of a Federal agency to make a loan, grant or annual contribution (except where a different meaning is expressly indicated), and which is subject to the labor standards provisions of any of the acts listed in §5.1, the following clauses...

(1) Minimum wages.

(i) All laborers and mechanics employed or working upon the site of the work (or under the United States Housing Act of 1937 or under the Housing Act of 1949 in the construction or development of the project), will be paid unconditionally and not less often than once a week, and without subsequent deduction or rebate on any account (except such payroll deductions as are permitted by regulations issued by the Secretary of Labor under the Copeland Act (29 CFR part 3)), the full amount of wages and bona fide fringe benefits (or cash equivalents thereof) due at time of payment computed at rates not less than those contained in the wage determination of the Secretary of Labor which is attached hereto and made a part hereof, regardless of any contractual relationship which may be alleged to exist between the contractor and such laborers and mechanics...

(3)(ii)(A) The contractor shall submit weekly for each week in which any contract work is performed a copy of all payrolls to the (write in name of appropriate federal agency) if the agency is a party to the contract, but if the agency is not such a party, the contractor will submit the payrolls to the applicant, sponsor, or owner, as the case may be, for transmission to the (write in name of agency)

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(Continued)

NORTHEAST SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
July 1, 2021 through June 30, 2023

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**Section III – Federal Award Findings and Questioned Costs** (Continued)

**Finding 2023-003** (Continued)

2 CFR 200 Appendix II states in part:

In addition to other provisions required by the Federal agency or non-Federal entity; all contracts made by the non-Federal entity under the Federal award must contain provisions covering the following, as applicable. . . .

(D) Davis-Bacon Act, as amended (40 U.S.C. 3141-3148). When required by Federal program legislation, all prime construction contracts in excess of \$2,000 awarded by non-Federal entities must include a provision for compliance with the Davis-Bacon Act (40 U.S.C. 3141-3144, and 3146-3148) as supplemented by Department of Labor regulations (29 CFR Part 5, “Labor Standards Provisions Applicable to Contracts Covering Federally Financed and Assisted Construction”). In accordance with the statute, contractors must be required to pay wages to laborers and mechanics at a rate not less than the prevailing wages specified in a wage determination made by the Secretary of Labor. In addition, contractors must be required to pay wages not less than once a week. . . .”

**Condition:** An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Special Tests and Provisions – Wage Rate Requirements compliance requirements. The School Corporation did not obtain the weekly payroll reports certifications from a construction company and its subcontractors for a building project.

**Cause:** The School Corporation's management had not developed a system of internal controls to ensure compliance with the compliance requirements listed above.

**Effect:** The failure to design and implement an effective internal control system enabled material noncompliance to go undetected. Noncompliance with the grant agreement and the Special Tests and Provisions – Wage Rate Requirements compliance requirement could result in the loss of future federal funds to the School Corporation.

**Questioned Costs:** There were no questioned costs identified.

**Context:** The School Corporation expended \$540,000 during the audit period on a construction project for the North Central High School Kitchen/Cafeteria remodel, which was charged to the ESSER III grant award (84.425U). The construction contract did include a Davis-Bacon clause prescribing federal wage rate requirements required for construction contracts. The School Corporation did not have an internal control designed to ensure compliance with the Davis-Bacon requirement. For the 1 sample item selected for testing (\$254,377), we noted that labor costs totaled \$55,299. The School Corporation did not receive the weekly payroll reports as required to ensure that pay rates complied with the federal wage rate requirements.

**Identification as a repeat finding:** No.

**Recommendation:** We recommend the School Corporation implement a formal process to ensure the required weekly payroll report certifications are collected and reviewed by management to ensure compliance with the federal wage rate requirements.

**Views of Responsible Officials and Planned Corrective Actions:** Management agrees with the finding and has prepared a corrective action plan.

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(Continued)

NORTHEAST SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
July 1, 2021 through June 30, 2023

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**Section III – Federal Award Findings and Questioned Costs** (Continued)

**FINDING 2023-004**

**Information on the federal program:**

Subject: COVID-19 Education Stabilization Fund - Internal Controls  
Federal Agency: Department of Education  
Federal Program: Elementary and Secondary School Emergency Relief (ESSER) Fund, Elementary and Secondary School Emergency Relief (ESSER II), and Elementary and Secondary School Emergency Relief (ESSER III) Fund  
Assistance Listing Number: 84.425D, 84.425U  
Federal Award Number: S425D200013, S425D210013, S425U210013  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Reporting  
Audit Finding: Material Weakness, Qualified Opinion

**Criteria:**

2 CFR 200.302(b) states in part:

"The financial management system of each non-Federal entity must provide for the following:

(2) Accurate, current, and complete disclosure of the financial results of each Federal award or program in accordance with the reporting requirements set forth in §§ 200.328 Financial reporting . . . ."

34 CFR 76.722 states:

"A State may require a subgrantee to submit reports in a manner and format that assists the State in complying with the requirements under 34 CFR 76.720 and in carrying out other responsibilities under the program."

**Condition:** The School Corporation did not have a review control in place to ensure the annual data report was reviewed by someone other than the preparer and that the report was submitted timely.

**Cause:** There were not sufficient internal controls in place to ensure the Annual Data Report was submitted by the Indiana Department of Education's deadline.

**Effect:** The Annual Data Report required to be submitted during fiscal year 2021 was not submitted. Questioned Costs: There were no questioned costs identified.

**Questioned Costs:** There were no questioned costs identified.

**Context:** The Annual Data Report for the period of July 1, 2021 to June 30, 2022 was due to the Indiana Department of Education (IDOE) by April 7, 2023. The School Corporation did not submit the report.

**Identification as a repeat finding, if applicable:** No.

**Recommendation:** We recommend management review internal controls around the preparation, review, and submission of the Annual Data Reports to verify reports are submitted timely. We recommend someone other than the preparer of the report perform a documented review prior to submission to validate the accuracy and completeness of the data submitted.

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(Continued)

NORTHEAST SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
July 1, 2021 through June 30, 2023

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**Section III – Federal Award Findings and Questioned Costs** (Continued)

**Views of Responsible Officials and Planned Corrective Actions:** Management agrees with the finding and has prepared a corrective action plan.

**FINDING 2023-005**

**Information on the federal program:**

Subject: Special Education Cluster (IDEA) - Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Period of Performance

Federal Agency: Department of Education

Federal Programs: Special Education Grants to States, Special Education Preschool Grants

Assistance Listings Numbers: 84.027, 84.027X, 84.173, 84.173X

Federal Award Numbers and Years (or Other Identifying Numbers): 19611-022-PN01, 20611-022-PN01, 21611-022-PN01, 22611-022-PN01, 22611-022-ARP, 23611-022-PN01, 20619-022-PN01, 21619-022-PN01, 22619-022-PN01, 22619-022-ARP, 23619-022-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Period of Performance

Audit Finding: Material Weakness, Qualified Opinion

**Criteria:** 2 CFR 200.303 states in part:

"The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal awards in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO)...."

**Condition:** The School Corporation did not have internal controls in place to ensure that the Cooperative complied with the Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Period of Performance compliance requirements. The Cooperative had not designed or implemented adequate policies or procedures to determine that grant expenditures were for the excess costs of providing special education and related services to children with disabilities, were in conformance with the applicable cost principles and were obligated during the award period of performance. There was no documented oversight, review, or approval process in place at the Cooperative to ensure expenditures were allowable, conformed with cost principles and were incurred during the period of performance.

**Cause:** A proper system of internal controls was not designed by management of the School Corporation. Embedded within a properly designed and implemented internal control system should be internal controls consisting of policies and procedures. Policies reflect the School Corporation's management statements of what should be done to effect internal controls, and procedures should consist of actions that would implement these policies.

**Effect:** Without the proper design or implementation of the components of a system of internal control, including policies and procedures that provide segregation of duties and additional oversight as needed, the control system cannot be capable of effectively preventing, or detecting and correcting, material noncompliance.

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(Continued)

NORTHEAST SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
July 1, 2021 through June 30, 2023

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**Section III – Federal Award Findings and Questioned Costs** (Continued)

**FINDING 2023-005** (Continued)

**Questioned Costs:** There were no questioned costs identified.

**Context:** The School Corporation is a member of the Greene-Sullivan Special Education Cooperative (Cooperative). During fiscal year 2021-2022 and 2022-2023, the Cooperative operated the special education programs and spent the federal money on behalf of all its members. As the grant agreements were between the Indiana Department of Education (IDOE) and each member school, the School Corporation was responsible for ensuring and providing oversight of the Cooperative. However, there was inadequate oversight performed by the School Corporation in order to ensure compliance with the Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Period of Performance compliance requirements.

The School Corporation did not have internal controls in place to ensure that the Cooperative complied with the Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Period of Performance compliance requirements. The Cooperative had not designed or implemented adequate policies or procedures to determine that grant expenditures were for the excess costs of providing special education and related services to children with disabilities, were in conformance with the applicable cost principles and were obligated during the award period of performance. There was no documented oversight, review, or approval process in place at the Cooperative to ensure expenditures were allowable, conformed with cost principles and were incurred during the period of performance.

The lack of internal controls was a systemic issue throughout the audit period.

**Identification as a repeat finding:** No

**Recommendation:** We recommended that management of the School Corporation design and implement a proper system of internal control, including policies and procedures, that are documented that would provide segregation of duties to ensure appropriate reviews, approvals and oversight are taking place.

**Views of Responsible Officials and Planned Corrective Actions:** Management agrees with the finding and has prepared a corrective action plan.

**FINDING 2023-006**

**Information on the federal program:**

Subject: Special Education Cluster (IDEA) – Procurement and Suspension and Debarment  
Federal Agency: Department of Education  
Federal Programs: Special Education Grants to States, Special Education Preschool Grants  
Assistance Listings Numbers: 84.027, 84.027X, 84.173, 84.173X  
Federal Award Numbers: 19611-022-PN01, 20611-022-PN01, 21611-022-PN01, 22611-022-PN01,  
22611-022-ARP, 23611-022-PN01, 20619-022-PN01, 21619-022-PN01, 22619-022-PN01, 22619-022-  
ARP, 23619-022-PN01  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Procurement and Suspension and Debarment  
Audit Findings: Material Weakness, Qualified Opinion

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(Continued)

NORTHEAST SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
July 1, 2021 through June 30, 2023

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**Section III – Federal Award Findings and Questioned Costs** (Continued)

**FINDING 2023-006** (Continued)

**Criteria:** 2 CFR 200.303 states in part:

"The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal awards in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the

Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO)...."

2 CFR 200.318 states in part:

"(a) The non-Federal entity must have and use documented procurement procedures, consistent with State, local, and tribal laws and regulations and the standards of this section, for the acquisition of property or services required under a Federal award or subaward. The non-Federal entity's documented procurement procedures must conform to the procurement standards identified in §§ 200.317 through 200.327. . . .

(i) The non-Federal entity must maintain records sufficient to detail the history of procurement. These records will include, but are not necessarily limited to, the following: Rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price. . . ."

2 CFR 200.320 states in part:

"The non-Federal entity must have and use documented procurement procedures, consistent with the standards of this section and §§ 200.317, 200.318, and 200.319 for any of the following methods of procurement used for the acquisition of property or services required under a Federal award or sub-award.

- *Informal procurement methods.* When the value of the procurement for property or services under a Federal award does not exceed the *simplified acquisition threshold (SAT)*, as defined in § 200.1, or a lower threshold established by a non-Federal entity, formal procurement methods are not required. The non-Federal entity may use informal procurement methods to expedite the completion of its transactions and minimize the associated administrative burden and cost. The informal methods used for procurement of property or services at or below the SAT include: . . .

(2) *Small purchases* —

(i) *Small purchase procedures.* The acquisition of property or services, the aggregate dollar amount of which is higher than the micro-purchase threshold but does not exceed the simplified acquisition threshold. If small purchase procedures are used, price or rate quotations must be obtained from an adequate number of qualified sources as determined appropriate by the non-Federal entity. . . . "

2 CFR 200.320 states in part:

"When you enter into a covered transaction with another person at the next lower tier, you must verify that the person with whom you intend to do business is not excluded or disqualified. You do this by:

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(Continued)

NORTHEAST SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
July 1, 2021 through June 30, 2023

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**Section III – Federal Award Findings and Questioned Costs** (Continued)

**FINDING 2023-006** (Continued)

- (a) Checking the SAM Exclusions; or
- (b) Collecting a certification from that person; or
- (c) Adding a clause or condition to the covered transaction with that person."

**Condition:** The School Corporation did not have internal controls in place to ensure that the Cooperative complied with the procurement and suspension and debarment requirements. The Cooperative had not designed or implemented adequate policies or procedures to ensure that proper procurement procedures for micro or small purchases were followed. There was no oversight, review, or approval process in place and documented at the Cooperative to ensure proper procedures were followed and price or rate quotations were obtained, if required, or documentation to support limited procurement procedures.

**Cause:** A proper system of internal controls was not designed by management of the School Corporation. Embedded within a properly designed and implemented internal control system should be internal controls consisting of policies and procedures. Policies reflect the School Corporation's management statements of what should be done to effect internal controls, and procedures should consist of actions that would implement these policies.

**Effect:** Without the proper implementation of an effectively designed system of internal controls, the internal control system cannot be capable of effectively preventing, or detecting and correcting, material noncompliance. As a result, procurement procedures for goods and services were not adhered to and vendors to whom payments equal to or in excess of \$25,000 were not verified to be not suspended, debarred, or otherwise excluded.

Noncompliance with the grant agreement and the compliance requirement could result in the loss of future federal funds to the School Corporation.

**Questioned Costs:** There were no questioned costs identified.

**Context:** The School Corporation is a member of the Greene-Sullivan Special Education Cooperative (Cooperative). During fiscal year 2021-2022 and 2022-2023, the Cooperative operated the special education programs and spent the federal money on behalf of all its members. As the grant agreements were between the Indiana Department of Education (IDOE) and each member school, the School Corporation was responsible for ensuring and providing oversight of the Cooperative. However, there was inadequate oversight performed by the School Corporation in order to ensure compliance with the Procurement and Suspension and Debarment compliance requirement.

*Procurement*

Federal regulations allow for informal procurement methods when the value of the procurement for property or services does not exceed the simplified acquisition threshold, which is set at \$250,000 unless a lower, more restrictive threshold is set by a non-Federal entity. As Indiana Code has set a more restrictive threshold of \$150,000, informal procurement methods are permitted when the value of the procurement does not exceed \$150,000. This informal process allows for methods other than the formal bid process. The informal process is divided between two methods based on thresholds. Micro-purchases, typically for those purchases \$10,000 or under, and small purchase procedures for those purchases above the micro-purchase threshold, but below the simplified acquisition threshold. Micro-purchases may be awarded

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(Continued)

NORTHEAST SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
July 1, 2021 through June 30, 2023

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**Section III – Federal Award Findings and Questioned Costs** (Continued)

**FINDING 2023-006** (Continued)

without soliciting competitive price rate quotations. If small purchase procedures are used, then price or rate quotations must be obtained from an adequate number of qualified sources.

For fiscal year 2022, three vendors, totaling \$88,772, were identified as being less than the simplified acquisition threshold of \$150,000, but exceeding the \$10,000 micro-purchase threshold. One of the three vendors was a bankcard used to pay several different vendors; however, individual determinations of amount spent by vendor could not be determined, and thus it was considered under this threshold. All three vendors were tested. For all three, the Cooperative did not obtain price or rate quotes nor was there documentation detailing the history of procurement, which must include the reason for the procurement method used.

For fiscal year 2023, six vendors, totaling \$264,106, were identified as being less than the simplified acquisition threshold of \$150,000, but exceeding the \$10,000 micro-purchase threshold. One of the six vendors was a bankcard used to pay several different vendors; however, individual determinations of amount spent by vendor could not be determined, and thus it was considered under this threshold. All six vendors were tested. For five of the six, totaling \$252,906, the Cooperative did not obtain price or rate quotes nor was there documentation detailing the history of procurement, which must include the reason for the procurement method used.

The lack of internal controls and noncompliance were systemic issues throughout the audit period.

*Suspension and Debarment*

Prior to entering into subawards and covered transactions with federal award funds, recipients are required to verify that such contractors and subrecipients are not suspended, debarred, or otherwise excluded. "Covered transactions" include but are not limited to contracts for goods and services awarded under a non-procurement transaction (i.e., grant agreement) that are expected to equal or exceed \$25,000. The verification is to be done by checking the SAMs exclusions, collecting a certification from that vendor, or adding a clause or condition to the covered transaction with that vendor.

Upon inquiry of the School Corporation in order to review the procedures in place for verifying that a vendor with which it plans to enter into a covered transaction is not suspended, debarred, or otherwise excluded, the Cooperative disclosed they relied on a clause to be included in the vendor contracts to ensure compliance. Two covered transactions that equaled or exceeded \$25,000 were identified. Both transactions, totaling \$192,218, were selected for testing. One of the two transactions, totaling \$44,883, included the appropriate clause. For the other vendor, the Cooperative did not verify the vendor's suspension and debarment status prior to payment.

The lack of internal controls and noncompliance regarding suspension and debarment were isolated to fiscal year 2023.

**Identification as a repeat finding:** No

**Recommendation:** We recommended that management of the School Corporation establish a proper system of internal control and develop policies and procedures to ensure there are appropriate procurement procedures for goods and services and contractors and subrecipients, as appropriate, are not suspended, debarred, or otherwise excluded prior to entering into any contracts or subawards.

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(Continued)

NORTHEAST SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
July 1, 2021 through June 30, 2023

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**Section III – Federal Award Findings and Questioned Costs** (Continued)

**FINDING 2023-006** (Continued)

**Views of Responsible Officials and Planned Corrective Actions:** Management agrees with the finding and has prepared a corrective action plan.

**FINDING 2023-007**

**Information on the federal program:**

Subject: Special Education Cluster (IDEA) - Reporting  
Federal Agency: Department of Education  
Federal Programs: Special Education Grants to States, Special Education Preschool Grants  
Assistance Listings Numbers: 84.027, 84.027X, 84.173, 84.173X  
Federal Award Numbers: 19611-022-PN01, 20611-022-PN01, 21611-022-PN01, 22611-022-PN01,  
22611-022-ARP, 23611-022-PN01, 20619-022-PN01, 21619-022-PN01, 22619-022-PN01, 22619-022-  
ARP, 23619-022-PN01  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Reporting  
Audit Findings: Material Weakness, Qualified Opinion

**Criteria:** 2 CFR 200.303 states in part:

"The non-Federal entity must:

(a) Establish and maintain effective internal control over Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal awards in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO)...."

2 CFR 200.302(b) states in part:

"The financial management system of each non-Federal entity must provide for the following:

(2) Accurate, current, and complete disclosure of the financial results of each Federal award or program in accordance with the reporting requirements set forth in §§ 200.328 and 200.329. . ."

34 CFR 76.722 states: "A State may require a subgrantee to submit reports in a manner and format that assists the State in complying with the requirements under 34 CFR 76.720 and in carrying out other responsibilities under the program."

2 CFR 200.334 states in part:

"Financial records, supporting documents, statistical records, and all other non-Federal entity records pertinent to a Federal award must be retained for a period of three years from the date of submission of the final expenditure report or, for Federal awards that are renewed quarterly or annually, from the date of the submission of the quarterly or annual financial report, respectively, as reported to the Federal awarding agency or pass-through entity in the case of a subrecipient. . . ."

34 CFR 76.731 states: "A State and a subgrantee shall keep records to show its compliance with program requirements."

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(Continued)

NORTHEAST SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
July 1, 2021 through June 30, 2023

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**Section III – Federal Award Findings and Questioned Costs** (Continued)

**FINDING 2023-007** (Continued)

**Condition:** The School Corporation did not have internal controls in place to ensure that the Cooperative complied with the reporting requirements. The Cooperative had not designed or implemented adequate policies or procedures to determine that requests for reimbursement were submitted accurately and agreed to supporting documentation. There was a documented oversight, review, and approval process in place; however, the Cooperative did not adequately ensure that proper procedures were followed.

**Cause:** A proper system of internal controls was not designed by management of the School Corporation. Embedded within a properly designed and implemented internal control system should be internal controls consisting of policies and procedures. Policies reflect the School Corporation's management statements of what should be done to effect internal controls, and procedures should consist of actions that would implement these policies.

**Effect:** Without the proper implementation of an effectively designed system of internal controls, the internal control system cannot be capable of effectively preventing, or detecting and correcting, material noncompliance. As a result, amounts requested for reimbursement could not be traced to the Cooperative's ledgers for expenditures.

Noncompliance with the grant agreement and the compliance requirement could result in the loss of future federal funds to the School Corporation.

**Questioned Costs:** There were no questioned costs identified.

**Context:** The School Corporation is a member of the Greene-Sullivan Special Education Cooperative (Cooperative). During fiscal year 2021-2022, the Cooperative operated the special education programs and spent the federal money on behalf of all its members. As the grant agreements were between the Indiana Department of Education (IDOE) and each member school, the School Corporation was responsible for ensuring and providing oversight of the Cooperative. However, there was inadequate oversight performed by the School Corporation in order to ensure compliance with the Reporting compliance requirement.

The School Corporation did not have internal controls in place to ensure that the Cooperative complied with the reporting requirements. The Cooperative had not designed or implemented adequate policies or procedures to determine that requests for reimbursement were submitted accurately and agreed to supporting documentation. There was a documented oversight, review, and approval process in place; however, the Cooperative did not adequately ensure that proper procedures were followed. For fiscal year 2022, 51 Reimbursement Reports were tested. 14 Reimbursement Reports could not be traced to unit ledgers for expenditures, and 21 Reports did not have appropriate supporting documentation. For fiscal year 2023, 23 Reimbursement Reports were tested. Three Reimbursements Report did not agree to supporting documentation, and key line items could not be verified.

The lack of internal controls and noncompliance were systemic issues throughout the audit period.

**Identification as a repeat finding:** No

**Recommendation:** We recommended that management of the School Corporation establish a proper system of internal controls and develop policies and procedures to ensure supporting documentation is used and retained for all reimbursement requests submitted.

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(Continued)

NORTHEAST SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
July 1, 2021 through June 30, 2023

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**Section III – Federal Award Findings and Questioned Costs** (Continued)

**FINDING 2023-007** (Continued)

**Views of Responsible Officials and Planned Corrective Actions:** Management agrees with the finding and has prepared a corrective action plan.

**FINDING 2023-008**

**Information on the federal program:**

Subject: Special Education Cluster (IDEA) - Earmarking  
Federal Agency: Department of Education  
Federal Program: Special Education Grants to States  
Assistance Listings Number: 84.027  
Federal Award Numbers: 22611-022-PN01  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Matching, Level of Effort, Earmarking  
Audit Findings: Significant Deficiency

**Criteria:** 2 CFR 200.303 states in part:

"The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal awards in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO)...."

2 CFR 200.403 states in part:

"Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards:...

(g) Be adequately documented. . . ."

2 CFR 200.208(b) states in part:

"The Federal awarding agency or pass-through entity may adjust specific Federal award conditions as needed . . ."

511 IAC 7-34-7(b) states:

"The public agency, in providing special education and related services to students in nonpublic schools must expend at least an amount that is the same proportion of the public agency total subgrant under 20 U.S.C. 1411(f) as the number of nonpublic school students with disabilities, who are enrolled by their parents in nonpublic schools within its boundaries, is to the total number of students with disabilities of the same age range."

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(Continued)

NORTHEAST SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
July 1, 2021 through June 30, 2023

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**Section III – Federal Award Findings and Questioned Costs** (Continued)

**FINDING 2023-008** (Continued)

**Condition:** The School Corporation did not have internal controls in place to ensure that the Cooperative complied with the earmarking requirements. The Cooperative did not have adequate procedures in place to ensure that the required level of expenditures for non-public school students with disabilities was met for each member school. The Cooperative did not have effective internal controls to ensure non-public school expenditures were appropriately identified and reported.

**Cause:** A proper system of internal controls was not designed by management of the School Corporation. Embedded within a properly designed and implemented internal control system should be internal controls consisting of policies and procedures. Policies reflect the School Corporation's management statements of what should be done to effect internal controls, and procedures should consist of actions that would implement these policies.

**Effect:** Without the proper implementation of an effectively designed system of internal controls, the internal control system cannot be capable of effectively preventing, or detecting and correcting, material noncompliance. As such, the earmarking requirements could not be verified as having been met. Noncompliance with the provisions of Federal statutes, regulations, and the terms and conditions of the Federal award could result in the loss of future federal funding to the School Corporation.

**Questioned Costs:** There were no questioned costs identified.

**Context:** The School Corporation is a member of the Greene Sullivan Special Education Cooperative (Cooperative). During fiscal year 2022-2023, the Cooperative operated the special education programs and spent the federal money on behalf of all its members. As the grant agreements were between the Indiana Department of Education (IDOE) and each member school, the School Corporation was responsible for ensuring and providing oversight of the Cooperative. However, there was inadequate oversight performed by the School Corporation in order to ensure compliance with the Matching, Level of Effort, Earmarking compliance requirement.

Although the Cooperative has a separate object code to identify expenditures for the purpose of proportionate share, there is no identifier or separate way to track which member school the funding was expended for. As such, the Non-Public Proportionate Share expenditures for the 22611-022-PN01 grant award could not be verified for the individual member schools. Additionally, the Cooperative did not obtain a waiver from the Indiana Department of Education for the 22611-022-PN01 grant award, no waiver was obtained, and the amounts spent could not be traced to documentation that indicated which member school the expenditure was applied to. Also, the total amount expended for proportionate share was less than the total amount required when all member school proportionate share requirements were totaled.

The lack of internal controls and noncompliance were isolated to the 22611-022-PN01 grant award. The minimum earmarking requirement for the 22611-022-PN01 grant award was \$1,620.

**Identification as a repeat finding:** No

**Recommendation:** We recommended that management of the School Corporation establish a proper system of internal controls and develop policies and procedures to ensure non-public proportionate share

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(Continued)

NORTHEAST SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
July 1, 2021 through June 30, 2023

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**Section III – Federal Award Findings and Questioned Costs** (Continued)

**FINDING 2023-008** (Continued)

funds are appropriately allocated to the member school based on expenses charged directly on behalf of the member school. Supporting documentation for these expenses should be retained for audit.

**Views of Responsible Officials and Planned Corrective Actions:** Management agrees with the finding and has prepared a corrective action plan.

Northeast School Corporation  
Sullivan County  
620 North Washington Street  
Shelburn, IN 47879  
Phone: 812/397-5390  
Fax: 812/397-2886

DR. Mark A. BAKER  
Superintendent of Schools

ANGEL RILEY  
Treasurer

BAILEY CLAUSEN  
Payroll/Human Resource

CORRECTIVE ACTION PLAN OF CURRENT AUDIT FINDINGS  
June 30, 2023

**FINDING 2023-001**

Subject: Preparation of the Annual Financial Report  
Audit Findings: Material Weakness

**Condition:** The School Corporation did not have a proper system of internal control in place to prevent, or detect and correct, errors on the Annual Financial Report (AFR).

**Context:** The AFR entered and submitted in the Indiana Gateway for Government Units financial reporting system was the source of the Statement of Receipts, Disbursements, Other Financing Sources (Uses), and Cash and investment Balances – Regulatory Basis (the financial statement). The AFR was reviewed prior to submission. However, it was not reviewed in enough detail to prevent the following errors in the financial statement:

1. For the period of July 1, 2021 to June 30, 2022, the School Corporation improperly excluded the transfer between the Operations fund and the Local Rainy Day fund for \$299,995.
2. For the period July 1, 2021 to June 30, 2022, the School Corporation understated the opening balance of the Operations fund by \$599,998.
3. For the period July 1, 2021 to June 30, 2022, the School Corporation understated the opening balance of the Curricular Materials Rental fund by \$316,775.

Audit adjustments were proposed, accepted by the School Corporation, and made to the financial statement to correct the errors noted above.

**Views of Responsible Officials and Planned Corrective Actions:** Management agrees with the finding and will take the following corrective action.

1 –Treasurer will go over the final AFR more closely and compare to cash balance statements before submitting into Gateway.

**Responsible party and timeline for completion:**

Angel Riley, Treasurer  
Effective for the 2023-24 school year

**FINDING 2023-002**

Subject: Preparation of the Schedule of Expenditures of Federal Awards  
Audit Findings: Material Weakness

**Condition:** The School Corporation has an internal control in place for a secondary review of the annual Grant Schedule submitted with the Annual Financial Report which generates the Schedule of Expenditures of Federal Awards (SEFA) for audit. The review control in place did not prevent, or detect and correct, errors in the SEFA.

**Context:** The federal grant information entered and submitted in the Indiana Gateway for Government Units financial reporting system was the source of the SEFA. Due to the lack of effective internal controls, the following errors resulted in the understatement of the total federal awards reported on the SEFA by \$879,459 for the period July 1, 2021 through June 30, 2023:

1. The Child Nutrition Cluster was understated by \$37,932.
2. The Title II, Part A funds were understated by \$34,675.
3. The Title IV, Part A funds were understated by \$7,327.
4. The Special Education Cluster was omitted from the SEFA, which resulted in the cluster being understated by \$664,916.
5. The Medicaid Cluster was understated by \$134,609.

Audit adjustments were proposed, accepted by the School Corporation, and made to the SEFA to correct the issues noted above.

**Views of Responsible Officials and Planned Corrective Actions:** Management agrees with the finding and will take the following actions.

- 1 – Treasurer will create a system with Greene-Sullivan Special Education Cooperative to ensure accurate federal grant amounts are received and submitted in the Indiana Gateway system.
- 2 – Treasurer and Superintendent will ensure all federal grant information is accurately submitted in the Indiana Gateway system. The data will be entered and updated as necessary.

**Responsible party and timeline for completion:**

Mark A Baker, Superintendent  
Angel Riley, Treasurer  
Effective April 2024

**Finding 2023-003**

**Information on the federal program:**

Subject: Education Stabilization Fund – Special Tests and Provisions - Wage Rate Requirements  
Federal Agency: Department of Education  
Federal Program: COVID-19 - Education Stabilization Fund  
Assistance Listing Number: 84.425U  
Federal Award Numbers: S425U210013  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Special Tests and Provisions - Wage Rate Requirements  
Audit Findings: Material Weakness, Qualified Opinion

**Condition:** An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Special Tests and Provisions – Wage Rate Requirements compliance requirements. The School Corporation did not obtain the weekly payroll reports certifications from a construction company and its subcontractors for a building project.

**Context:** The School Corporation expended \$540,000 during the audit period on a construction project for the North Central High School Kitchen/Cafeteria remodel, which was charged to the ESSER III grant award (84.425U). The construction contract did include a Davis-Bacon clause prescribing federal wage rate requirements required for construction contracts. The School Corporation did not have an internal control designed to ensure compliance with the Davis-Bacon requirement. For the 1 sample item selected for testing (\$254,377), we noted that labor costs totaled \$55,299. The School Corporation did not receive

the weekly payroll reports as required to ensure that pay rates complied with the federal wage rate requirements.

**Views of Responsible Officials and Planned Corrective Actions:** Management agrees with the finding and will take the following corrective action. Treasurer will track future projects' labor cost.

1 - The Northeast School Corporation will ensure Davis Bacon rules are included in any RFP using federal funds. The treasurer will monitor to ensure that all documentation is received and retained.

**Responsible party and timeline for completion:**

Mark A Baker, Superintendent  
Angel Riley, Treasurer  
April 2024

**FINDING 2023-004**

**Information on the federal program:**

Subject: COVID-19 Education Stabilization Fund - Internal Controls  
Federal Agency: Department of Education  
Federal Program: Elementary and Secondary School Emergency Relief (ESSER) Fund, Elementary and Secondary School Emergency Relief (ESSER II), and Elementary and Secondary School Emergency Relief (ESSER III) Fund  
Assistance Listing Number: 84.425D, 84.425U  
Federal Award Number: S425D200013, S425D210013, S425U210013  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Reporting  
Audit Finding: Material Weakness, Qualified Opinion

**Condition:** The School Corporation did not have a review control in place to ensure the annual data report was reviewed by someone other than the preparer and that the report was submitted timely.

**Context:** The Annual Data Report for the period of July 1, 2021 to June 30, 2022 was due to the Indiana Department of Education (IDOE) by April 7, 2023. The School Corporation did not submit the report.

**Views of Responsible Officials and Planned Corrective Actions:** Management agrees with the finding and will submit future reports in a timely manner.

**Responsible party and timeline for completion:**

Mark A Baker, Superintendent  
Angel Riley, Treasurer  
Effective for the 2023-2024 school year

**FINDING 2023-005**

**Information on the federal program:**

Subject: Special Education Cluster (IDEA) - Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Period of Performance  
Federal Agency: Department of Education  
Federal Programs: Special Education Grants to States, Special Education Preschool Grants  
Assistance Listings Numbers: 84.027, 84.027X, 84.173, 84.173X  
Federal Award Numbers and Years (or Other Identifying Numbers): 19611-022-PN01, 20611-022-PN01, 21611-022-PN01, 22611-022-PN01, 22611-022-ARP, 23611-022-PN01, 20619-022-PN01, 21619-022-PN01, 22619-022-PN01, 22619-022-ARP, 23619-022-PN01  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirements: Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Period of Performance

## Audit Finding: Material Weakness, Qualified Opinion

**Condition:** The School Corporation did not have internal controls in place to ensure that the Cooperative complied with the Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Period of Performance compliance requirements. The Cooperative had not designed or implemented adequate policies or procedures to determine that grant expenditures were for the excess costs of providing special education and related services to children with disabilities, were in conformance with the applicable cost principles and were obligated during the award period of performance. There was no documented oversight, review, or approval process in place at the Cooperative to ensure expenditures were allowable, conformed with cost principles and were incurred during the period of performance.

**Context:** The School Corporation is a member of the Greene-Sullivan Special Education Cooperative (Cooperative). During fiscal year 2021-2022 and 2022-2023, the Cooperative operated the special education programs and spent the federal money on behalf of all its members. As the grant agreements were between the Indiana Department of Education (IDOE) and each member school, the School Corporation was responsible for ensuring and providing oversight of the Cooperative. However, there was inadequate oversight performed by the School Corporation in order to ensure compliance with the Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Period of Performance compliance requirements.

The School Corporation did not have internal controls in place to ensure that the Cooperative complied with the Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Period of Performance compliance requirements. The Cooperative had not designed or implemented adequate policies or procedures to determine that grant expenditures were for the excess costs of providing special education and related services to children with disabilities, were in conformance with the applicable cost principles and were obligated during the award period of performance. There was no documented oversight, review, or approval process in place at the Cooperative to ensure expenditures were allowable, conformed with cost principles and were incurred during the period of performance.

The lack of internal controls was a systemic issue throughout the audit period.

**Views of Responsible Officials and Planned Corrective Actions:** Management agrees with the finding and will take the following corrective action:

The Superintendent and Treasurer of Northeast School Corporation will review the documentation for the Cooperative at least semi-annually.

**Responsible party and timeline for completion:**

Mark A Baker, Superintendent  
Angel Riley, Treasurer  
April 2024

### **FINDING 2023-006**

**Information on the federal program:**

Subject: Special Education Cluster (IDEA) – Procurement and Suspension and Debarment  
Federal Agency: Department of Education  
Federal Programs: Special Education Grants to States, Special Education Preschool Grants  
Assistance Listings Numbers: 84.027, 84.027X, 84.173, 84.173X  
Federal Award Numbers: 19611-022-PN01, 20611-022-PN01, 21611-022-PN01, 22611-022-PN01, 22611-022-ARP, 23611-022-PN01, 20619-022-PN01, 21619-022-PN01, 22619-022-PN01, 22619-022-ARP, 23619-022-PN01  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Procurement and Suspension and Debarment  
Audit Findings: Material Weakness, Qualified Opinion

**Condition:** The School Corporation did not have internal controls in place to ensure that the Cooperative complied with the procurement and suspension and debarment requirements. The Cooperative had not designed or implemented adequate policies or procedures to ensure that proper procurement procedures

for micro or small purchases were followed. There was no oversight, review, or approval process in place and documented at the Cooperative to ensure proper procedures were followed and price or rate quotations were obtained, if required, or documentation to support limited procurement procedures.

**Context:** The School Corporation is a member of the Greene-Sullivan Special Education Cooperative (Cooperative). During fiscal year 2021-2022 and 2022-2023, the Cooperative operated the special education programs and spent the federal money on behalf of all its members. As the grant agreements were between the Indiana Department of Education (IDOE) and each member school, the School Corporation was responsible for ensuring and providing oversight of the Cooperative. However, there was inadequate oversight performed by the School Corporation in order to ensure compliance with the Procurement and Suspension and Debarment compliance requirement.

### *Procurement*

Federal regulations allow for informal procurement methods when the value of the procurement for property or services does not exceed the simplified acquisition threshold, which is set at \$250,000 unless a lower, more restrictive threshold is set by a non-Federal entity. As Indiana Code has set a more restrictive threshold of \$150,000, informal procurement methods are permitted when the value of the procurement does not exceed \$150,000. This informal process allows for methods other than the formal bid process. The informal process is divided between two methods based on thresholds. Micro-purchases, typically for those purchases \$10,000 or under, and small purchase procedures for those purchases above the micro-purchase threshold, but below the simplified acquisition threshold. Micro-purchases may be awarded without soliciting competitive price rate quotations. If small purchase procedures are used, then price or rate quotations must be obtained from an adequate number of qualified sources.

For fiscal year 2022, three vendors, totaling \$88,772, were identified as being less than the simplified acquisition threshold of \$150,000, but exceeding the \$10,000 micro-purchase threshold. One of the three vendors was a bankcard used to pay several different vendors; however, individual determinations of amount spent by vendor could not be determined, and thus it was considered under this threshold. All three vendors were tested. For all three, the Cooperative did not obtain price or rate quotes nor was there documentation detailing the history of procurement, which must include the reason for the procurement method used.

For fiscal year 2023, six vendors, totaling \$264,106, were identified as being less than the simplified acquisition threshold of \$150,000, but exceeding the \$10,000 micro-purchase threshold. One of the six vendors was a bankcard used to pay several different vendors; however, individual determinations of amount spent by vendor could not be determined, and thus it was considered under this threshold. All six vendors were tested. For five of the six, totaling \$252,906, the Cooperative did not obtain price or rate quotes nor was there documentation detailing the history of procurement, which must include the reason for the procurement method used.

The lack of internal controls and noncompliance were systemic issues throughout the audit period.

### *Suspension and Debarment*

Prior to entering into subawards and covered transactions with federal award funds, recipients are required to verify that such contractors and subrecipients are not suspended, debarred, or otherwise excluded. "Covered transactions" include but are not limited to contracts for goods and services awarded under a non-procurement transaction (i.e., grant agreement) that are expected to equal or exceed \$25,000. The verification is to be done by checking the SAMs exclusions, collecting a certification from that vendor, or adding a clause or condition to the covered transaction with that vendor.

Upon inquiry of the School Corporation in order to review the procedures in place for verifying that a vendor with which it plans to enter into a covered transaction is not suspended, debarred, or otherwise excluded, the Cooperative disclosed they relied on a clause to be included in the vendor contracts to ensure compliance. Two covered transactions that equaled or exceeded \$25,000 were identified. Both transactions, totaling \$192,218, were selected for testing. One of the two transactions, totaling \$44,883,

included the appropriate clause. For the other vendor, the Cooperative did not verify the vendor's suspension and debarment status prior to payment.

The lack of internal controls and noncompliance regarding suspension and debarment were isolated to fiscal year 2023.

**Views of Responsible Officials and Planned Corrective Actions:** Management agrees with the finding and will take the following corrective action:

1 – Northeast School Corporation will ensure a system of internal control and procedures are in place and appropriate procurement procedures for goods and services are followed.

2 – The Cooperative will post any openings that exceed the small purchase threshold in the local newspapers, within the office, and on the cooperative website. Any and all proposals will be presented to the Cooperative Board of Directors for approval.

**Responsible party and timeline for completion:**

Mark A Baker, Superintendent  
Effective April 2024

### **FINDING 2023-007**

#### **Information on the federal program:**

Subject: Special Education Cluster (IDEA) - Reporting  
Federal Agency: Department of Education  
Federal Programs: Special Education Grants to States, Special Education Preschool Grants  
Assistance Listings Numbers: 84.027, 84.027X, 84.173, 84.173X  
Federal Award Numbers: 19611-022-PN01, 20611-022-PN01, 21611-022-PN01, 22611-022-PN01, 22611-022-ARP, 23611-022-PN01, 20619-022-PN01, 21619-022-PN01, 22619-022-PN01, 22619-022-ARP, 23619-022-PN01  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Reporting  
Audit Findings: Material Weakness, Qualified Opinion

**Condition:** The School Corporation did not have internal controls in place to ensure that the Cooperative complied with the reporting requirements. The Cooperative had not designed or implemented adequate policies or procedures to determine that requests for reimbursement were submitted accurately and agreed to supporting documentation. There was a documented oversight, review, and approval process in place; however, the Cooperative did not adequately ensure that proper procedures were followed.

**Context:** The School Corporation is a member of the Greene-Sullivan Special Education Cooperative (Cooperative). During fiscal year 2021-2022, the Cooperative operated the special education programs and spent the federal money on behalf of all its members. As the grant agreements were between the Indiana Department of Education (IDOE) and each member school, the School Corporation was responsible for ensuring and providing oversight of the Cooperative. However, there was inadequate oversight performed by the School Corporation in order to ensure compliance with the Reporting compliance requirement.

The School Corporation did not have internal controls in place to ensure that the Cooperative complied with the reporting requirements. The Cooperative had not designed or implemented adequate policies or procedures to determine that requests for reimbursement were submitted accurately and agreed to supporting documentation. There was a documented oversight, review, and approval process in place; however, the Cooperative did not adequately ensure that proper procedures were followed. For fiscal year 2022, 51 Reimbursement Reports were tested. 14 Reimbursement Reports could not be traced to unit ledgers for expenditures, and 21 Reports did not have appropriate supporting documentation. For fiscal year 2023, 23 Reimbursement Reports were tested. Three Reimbursements Report did not agree to supporting documentation, and key line items could not be verified.

The lack of internal controls and noncompliance were systemic issues throughout the audit period.

**Views of Responsible Officials and Planned Corrective Actions:** Management agrees with the finding and will take the following corrective action:

1 – Greene Sullivan Special Education Cooperative will implement a procedure that includes the requirement of proper documentation for all reimbursement requests, such as the detailed history report for each request submitted. The Director will then review each request prior to submission.

**Responsible party and timeline for completion:**

Mark A Baker, Superintendent  
Effective April 2024

**FINDING 2023-008**

**Information on the federal program:**

Subject: Special Education Cluster (IDEA) - Earmarking  
Federal Agency: Department of Education  
Federal Program: Special Education Grants to States  
Assistance Listings Number: 84.027  
Federal Award Numbers: 22611-022-PN01  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Matching, Level of Effort, Earmarking  
Audit Findings: Significant Deficiency

**Condition:** The School Corporation did not have internal controls in place to ensure that the Cooperative complied with the earmarking requirements. The Cooperative did not have adequate procedures in place to ensure that the required level of expenditures for non-public school students with disabilities was met for each member school. The Cooperative did not have effective internal controls to ensure non-public school expenditures were appropriately identified and reported.

**Context:** The School Corporation is a member of the Greene Sullivan Special Education Cooperative (Cooperative). During fiscal year 2022-2023, the Cooperative operated the special education programs and spent the federal money on behalf of all its members. As the grant agreements were between the Indiana Department of Education (IDOE) and each member school, the School Corporation was responsible for ensuring and providing oversight of the Cooperative. However, there was inadequate oversight performed by the School Corporation in order to ensure compliance with the Matching, Level of Effort, Earmarking compliance requirement.

Although the Cooperative has a separate object code to identify expenditures for the purpose of proportionate share, there is no identifier or separate way to track which member school the funding was expended for. As such, the Non-Public Proportionate Share expenditures for the 22611-022-PN01 grant award could not be verified for the individual member schools. Additionally, the Cooperative did not obtain a waiver from the Indiana Department of Education for the 22611-022-PN01 grant award, no waiver was obtained, and the amounts spent could not be traced to documentation that indicated which member school the expenditure was applied to. Also, the total amount expended for proportionate share was less than the total amount required when all member school proportionate share requirements were totaled.

The lack of internal controls and noncompliance were isolated to the 22611-022-PN01 grant award. The minimum earmarking requirement for the 22611-022-PN01 grant award was \$1,620.

**Views of Responsible Officials and Planned Corrective Actions:** Management agrees with the finding and will take the following corrective action:

1 – Northeast School Corporation will establish a system of internal controls and procedures to ensure non-public proportionate share funds are appropriately allocated to the member school based on

expenses charged directly on behalf of the member school. Supporting documentation for these expenses should be retained for audit.

2 – Greene Sullivan Special Education Cooperative will require all staff to complete the appropriate google form following the completion of each session with Non-Public students. An example of this documentation is the Proportionate Share Service Log. This document will allow for ease of tracking funds per provider/school district. This will allow for successful usage of funds. In the event that funds are not successfully used, a waiver will be requested barring board approval.

**Responsible party and timeline for completion:**

Mark A Baker, Superintendent  
Effective April 2024

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

**FINDING 2021-001**

Subject: Preparation of the Schedule of Expenditures of Federal Awards  
Audit Findings: Material Weakness

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

Context: The federal grant information entered and submitted in the Indiana Gateway for Government Units financial reporting system was the source of the SEFA. Due to the lack of effective internal controls, the following errors resulted in the understatement of the total federal awards reported on the SEFA by \$292,871 for the period July 1, 2019 through June 30, 2021:

1. The Title I Grants to Local Educational Agencies funds were understated by \$13,656.
2. The Special Education Cluster (IDEA) funds were understated by \$260,317.
3. The Supporting Effective Instruction State Grants funds were understated by \$831.
4. The Medicaid Cluster was understated by \$18,067.
5. Adjustments were also made to various Assistance Listing Numbers (ALN), program titles, and grant identifying numbers.

Audit adjustments were proposed, accepted by the School Corporation, and made to the SEFA.

**Status:** Not resolved. See Finding 2023-002.

**FINDING 2021-002**

**Information on the federal program:**

Subject: Child Nutrition Cluster - Internal Controls  
Federal Agency: Department of Agriculture  
Federal Program: School Breakfast Program, National School Lunch Program  
Assistance Listing Number: 10.553, 10.555  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Eligibility, Program Income  
Audit Finding: Significant Deficiency

**Condition:** An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Eligibility compliance requirements.

**Context:**

*Eligibility:* During the testing of 40 students for eligibility, we noted five instances in which the School Corporation did not complete a secondary review of the documentation submitted. This was applicable only for the 2019-2020 school year as all students received free meals in 2020-2021 due to federal waivers as a result of the COVID-19 pandemic.

*Program Income:* During the testing of 4 monthly reports for program income, we noted two instances where the reports for fiscal year 2020 were not reviewed or approved.

**Status:** Resolved.

**FINDING 2021-003**

**Information on the federal program:**

Subject: COVID-19 Education Stabilization Fund - Internal Controls

Federal Agency: Department of Education

Federal Program: Governor's Emergency Education Relief Fund, Elementary and Secondary School Emergency Relief (ESSER) Fund, and Elementary and Secondary School Emergency Relief (ESSER II) Fund

Assistance Listing Number: 84.425C, 84.425D

Year: 2020-2021

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Activities Allowed or Unallowed, Allowable Costs – Costs Principles Audit

Finding: Significant Deficiency

**Condition:** An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Activities Allowed or Unallowed, and Allowable Costs – Costs Principles compliance requirements.

**Context:** Activities Allowed or Unallowed, Allowable Costs – Costs Principles: During the testing of our 17 samples, we noted one instance where the expenditure was not supported by documentation.

**Status:** Resolved.

**FINDING 2021-004**

**Information on the federal program:**

Subject: COVID-19 Education Stabilization Fund - Internal Controls

Federal Agency: Department of Education

Federal Program: Governor's Emergency Education Relief Fund, Elementary and Secondary School Emergency Relief (ESSER) Fund, and Elementary and Secondary School Emergency Relief (ESSER II) Fund

Assistance Listing Number: 84.425C, 84.425D

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Reporting

Audit Finding: Material Weakness

**Condition:** The School Corporation did not have a review control in place to ensure the annual data report was reviewed by someone other than the preparer and that the report was submitted timely.

**Context:** The Annual Data Report for the period of March 13, 2020 to September 30, 2020 was due to the Indiana Department of Education (IDOE) by January 21, 2021. The School Corporation did not submit the report.

**Status:** Not resolved. See finding 2023-004.