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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

NORTHEAST SCHOOL CORPORATION
SULLIVAN COUNTY, INDIANA

July 1, 2015 to June 30, 2017

FILED
02/06/2019

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SCHEDULE OF OFFICIALS

Office	Official	Term
Treasurer	Vikki Huntworth	07-01-15 to 06-30-18
Superintendent of Schools	Dr. Mark A. Baker	08-01-13 to 06-30-18
President of the School Board	Norman R. Santus	01-01-15 to 12-31-18

STATE OF INDIANA
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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statement

We have audited the accompanying financial statement of the Northeast School Corporation (School Corporation), which comprises the financial position and results of operations for the period of July 1, 2015 to June 30, 2017, and the related notes to the financial statement as listed in the Table of Contents.

Management's Responsibility for the Financial Statement

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

Auditor's Responsibility

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

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

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

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position and results of operations of the School Corporation for the period of July 1, 2015 to June 30, 2017.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position and results of operations of the School Corporation for the period of July 1, 2015 to June 30, 2017, in accordance with the financial reporting provisions of the Indiana State Board of Accounts described in Note 1.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the School Corporation's financial statement. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statement taken as a whole.

Other Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated December 12, 2018, on our consideration of the School Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely 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.

Paul D. Joyce
Paul D. Joyce, CPA
State Examiner

December 12, 2018

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statement of the Northeast School Corporation (School Corporation), which comprises the financial position and results of operations for the period of July 1, 2015 to June 30, 2017, and the related notes to the financial statement, and have issued our report thereon dated December 12, 2018, wherein we noted the School Corporation followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America.

Internal Control over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the School Corporation's financial statement will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Compliance and Other Matters

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

Purpose of This Report

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

Paul D. Joyce
Paul D. Joyce, CPA
State Examiner

December 12, 2018

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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.

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NORTHEAST SCHOOL CORPORATION
STATEMENT OF RECEIPTS, DISBURSEMENTS,
OTHER FINANCING SOURCES (USES), AND CASH AND
INVESTMENT BALANCES - REGULATORY BASIS
For the Years Ended June 30, 2016 and 2017

Fund	Cash and Investments 07-01-15	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-16	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-17
General	$ 1,325,804	$ 6,042,258	$ 5,868,629	$ 180	$ 1,499,613	$ 5,829,953	$ 5,923,862	$ -	$ 1,405,704
Debt Service	637,664	868,943	941,028	22,392	587,971	978,421	922,650	-	643,742
Retirement/Severance Bond Debt Service	32,611	321,386	26,290	(306,861)	20,846	187,536	346,733	315,798	177,447
Capital Projects	145,325	944,525	760,643	(40,009)	289,198	1,196,698	1,113,977	(50,000)	321,919
School Transportation	482,757	982,349	685,795	(138,064)	641,247	1,216,887	793,644	(400,000)	664,490
School Bus Replacement	34,189	-	-	(32,650)	1,539	91,940	-	(1,539)	91,940
Rainy Day	402,173	-	-	549,987	952,160	-	86,006	135,741	1,001,895
Retirement/Severance Bond	20,330	-	20,330	-	-	-	-	-	-
School Lunch	(269,536)	528,654	567,735	-	(308,617)	455,554	546,581	-	(399,644)
Textbook Rental	226,094	100,859	111,099	-	215,854	101,156	90,007	-	227,003
Levy Excess	54,975	-	-	(54,975)	-	-	-	-	-
Pupil Medical Services	513	-	42	-	471	-	11	-	460
Counseling Planning Grant	-	-	-	-	-	30,000	5,030	-	24,970
NCHS Home Ec Grant	-	-	-	-	-	4,350	3,486	-	864
Northeast School Corp. IN. ED. Foundation	6,000	-	-	-	6,000	1,350	1,351	-	5,999
Formative Assessment	-	3,951	3,951	-	-	-	-	-	-
IN Preschool Grants	-	-	-	-	-	11,306	11,306	-	-
High Ability Grant 15/16	-	29,988	25,274	-	4,714	-	4,714	-	-
High Ability Grant 16/17	-	-	-	-	-	28,546	24,295	-	4,251
Medicaid Reimbursement	(139)	3,050	3,065	-	(154)	2,778	2,624	-	-
School Technology	(436)	42,553	46,062	-	(3,945)	27,513	9,007	-	14,561
Career and Technical Performance Grant	-	-	-	-	-	1,226	-	-	1,226
Insurance Loss - NCSH	831	-	831	-	-	-	-	-	-
Hymera Roof	-	9,032	-	-	9,032	7,691	16,723	-	-
ISTA Settlement	11,927	-	11,927	-	-	-	-	-	-
Title I 2015/16	-	113,524	183,836	-	(70,312)	113,691	43,379	-	-
Title I 2016/17	(74,257)	74,257	-	-	-	110,388	128,204	-	(17,816)
A.A.E. Grant 2012-2013	304	-	304	-	-	-	-	-	-
Improving Teacher Quality, No Child Left, Title II, Part A FFY16	(4,626)	13,879	9,253	-	-	68,935	68,935	-	-
Improving Teacher Quality, No Child Left, Title II, Part A FFY17	-	55,662	60,149	-	(4,487)	13,459	8,972	-	-
Payroll Withholdings	-	1,447,924	1,447,924	-	-	1,479,234	1,479,234	-	-
Totals	$ 3,032,503	$ 11,582,794	$ 10,774,167	$ -	$ 3,841,130	$ 11,958,612	$ 11,630,731	$ -	$ 4,169,011

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

Note 1. Summary of Significant Accounting Policies

A. 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.

B. Basis of Accounting

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

C. Cash and Investments

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

D. Receipts

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

Local sources. 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.

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.

E. 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 service. 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.

F. Other Financing Sources and Uses

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

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.

G. 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 unit itself.

Note 2. Budgets

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

Note 3. Property Taxes

Property taxes levied are collected by the County Treasurer and are scheduled to be distributed to the School Corporation in June and December; however, situations can arise which would delay the distributions. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's lien date (March 1 in a year ending before January 1, 2016 and January 1 in a year beginning after December 31, 2015) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100 percent of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which normally become delinquent if not paid by May 10 and November 10, respectively.

Note 4. Deposits and Investments

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

State statutes authorize the School Corporation to invest in securities including, but not limited to, 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.

Note 5. Risk Management

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

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

Note 6. Pension Plans

A. Public Employees' Retirement Fund

Plan Description

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

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

Indiana Public Retirement System
One North Capitol, Suite 001
Indianapolis, IN 46204
Ph. (888) 526-1687

Funding Policy and Annual Pension Cost

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

B. Teachers' Retirement Fund

Plan Description

The Indiana Teachers' Retirement Fund (TRF) is a defined benefit pension plan. TRF is a cost-sharing multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All employees engaged in teaching or in

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

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

Indiana Public Retirement System
One North Capitol, Suite 001
Indianapolis, IN 46204
Ph. (888) 286-3544

Funding Policy and Annual Pension Cost

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

Note 7. Cash Balance Deficits

The financial statement contains some funds with deficits in cash. This is a result of the funds being set up for reimbursable grants. The reimbursements for expenditures made by the School Corporation were not received by June 30, 2016 and 2017.

Note 8. Holding Corporation

The School Corporation has entered into a capital lease with Northeast Sullivan Multi-School Building (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. The lessor has been determined to be a related-party of the School Corporation. Lease payments during the years 2016 and 2017 totaled $881,500 and $878,000, respectively.

Note 9. Subsequent Events

On August 13, 2018, the School Board approved amending the lease with the Northeast Sullivan Multi-School Building Corporation (Corporation). The Corporation will issue First Mortgage Bonds, Series 2018, in the aggregate principal amount not to exceed $5,000,000 to be used for the funding of 2018 building improvement projects. The increase in the annual lease rental is not to exceed $760,000. The estimated completion date for the 2018 Projects is December 2019.

OTHER INFORMATION - UNAUDITED

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

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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, 2016

	General	Debt Service	Retirement/ Severance Bond Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	Retirement/ Severance Bond	School Lunch
Cash and investments - beginning	$ 1,325,804	$ 637,664	$ 32,611	$ 145,325	$ 482,757	$ 34,189	$ 402,173	$ 20,330	$ (269,536)
Receipts:									
Local sources	5,538	868,943	321,386	944,525	982,349	-	-	-	175,444
Intermediate sources	213	-	-	-	-	-	-	-	-
State sources	6,032,022	-	-	-	-	-	-	-	4,298
Federal sources	-	-	-	-	-	-	-	-	324,584
Other receipts	4,485	-	-	-	-	-	-	-	24,328
Total receipts	6,042,258	868,943	321,386	944,525	982,349	-	-	-	528,654
Disbursements:									
Instruction	3,887,019	-	-	-	-	-	-	-	-
Support services	1,871,466	6,500	-	526,710	685,795	-	-	20,330	494
Noninstructional services	109,826	-	-	-	-	-	-	-	567,241
Facilities acquisition and construction	-	-	-	233,933	-	-	-	-	-
Debt service	318	934,528	26,290	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	5,868,629	941,028	26,290	760,643	685,795	-	-	20,330	567,735
Excess (deficiency) of receipts over disbursements	173,629	(72,085)	295,096	183,882	296,554	-	-	(20,330)	(39,081)
Other financing sources (uses):									
Transfers in	180	22,392	8,937	9,991	11,936	1,539	549,987	-	-
Transfers out	-	-	(315,798)	(50,000)	(150,000)	(34,189)	-	-	-
Total other financing sources (uses)	180	22,392	(306,861)	(40,009)	(138,064)	(32,650)	549,987	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	173,809	(49,693)	(11,765)	143,873	158,490	(32,650)	549,987	(20,330)	(39,081)
Cash and investments - ending	$ 1,499,613	$ 587,971	$ 20,846	$ 289,198	$ 641,247	$ 1,539	$ 952,160	$ -	$ (308,617)

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, 2016

	Textbook Rental	Levy Excess	Pupil Medical Services	Counseling Planning Grant	NCHS Home Ec Grant	Northeast School Corp. IN. ED. Foundation	Formative Assessment	IN Preschool Grants
Cash and investments - beginning	$ 226,094	$ 54,975	$ 513	$ -	$ -	$ 6,000	$ -	$ -
Receipts:								
Local sources	46,049	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	54,810	-	-	-	-	-	3,951	-
Federal sources	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-
Total receipts	100,859	-	-	-	-	-	3,951	-
Disbursements:								
Instruction	-	-	-	-	-	-	3,951	-
Support services	111,099	-	42	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	111,099	-	42	-	-	-	3,951	-
Excess (deficiency) of receipts over disbursements	(10,240)	-	(42)	-	-	-	-	-
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	(54,975)	-	-	-	-	-	-
Total other financing sources (uses)	-	(54,975)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(10,240)	(54,975)	(42)	-	-	-	-	-
Cash and investments - ending	$ 215,854	$ -	$ 471	$ -	$ -	$ 6,000	$ -	$ -

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, 2016

	High Ability Grant 15/16	High Ability Grant 16/17	Medicaid Reimbursement	School Technology	Career and Technical Performance Grant	Insurance Loss - NCSH	Hymera Roof	ISTA Settlement
Cash and investments - beginning	$ -	$ -	$ (139)	$ (436)	$ -	$ 831	$ -	$ 11,927
Receipts:								
Local sources	-	-	-	25,481	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	29,988	-	-	1,097	-	-	-	-
Federal sources	-	-	3,050	-	-	-	-	-
Other receipts	-	-	-	15,975	-	-	9,032	-
Total receipts	29,988	-	3,050	42,553	-	-	9,032	-
Disbursements:								
Instruction	25,274	-	-	-	-	-	-	11,927
Support services	-	-	3,065	14,752	-	831	-	-
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	31,310	-	-	-	-
Debt service	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	25,274	-	3,065	46,062	-	831	-	11,927
Excess (deficiency) of receipts over disbursements	4,714	-	(15)	(3,509)	-	(831)	9,032	(11,927)
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	4,714	-	(15)	(3,509)	-	(831)	9,032	(11,927)
Cash and investments - ending	$ 4,714	$ -	$ (154)	$ (3,945)	$ -	$ -	$ 9,032	$ -

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, 2016

	Title 1 2015/16	Title I 2016/17	A.A.E. Grant 2012-2013	Improving Teacher Quality, No Child Left, Title II, Part A FFY16	Improving Teacher Quality, No Child Left, Title II, Part A FFY17	Payroll Withholdings	Totals
Cash and investments - beginning	$ -	$ (74,257)	$ 304	$ (4,626)	$ -	$ -	$ 3,032,503
Receipts:							
Local sources	-	-	-	-	-	-	3,369,715
Intermediate sources	-	-	-	-	-	-	213
State sources	-	-	-	-	-	-	6,126,166
Federal sources	113,524	74,257	-	13,879	55,662	-	584,956
Other receipts	-	-	-	-	-	1,447,924	1,501,744
Total receipts	113,524	74,257	-	13,879	55,662	1,447,924	11,582,794
Disbursements:							
Instruction	121,732	-	304	9,253	60,149	-	4,119,609
Support services	62,104	-	-	-	-	-	3,303,188
Noninstructional services	-	-	-	-	-	-	677,067
Facilities acquisition and construction	-	-	-	-	-	-	265,243
Debt service	-	-	-	-	-	-	961,136
Nonprogrammed charges	-	-	-	-	-	1,447,924	1,447,924
Total disbursements	183,836	-	304	9,253	60,149	1,447,924	10,774,167
Excess (deficiency) of receipts over disbursements	(70,312)	74,257	(304)	4,626	(4,487)	-	808,627
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	604,962
Transfers out	-	-	-	-	-	-	(604,962)
Total other financing sources (uses)	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(70,312)	74,257	(304)	4,626	(4,487)	-	808,627
Cash and investments - ending	$ (70,312)	$ -	$ -	$ -	$ (4,487)	$ -	$ 3,841,130

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, 2017

	General	Debt Service	Retirement/ Severance Bond Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	Retirement/ Severance Bond
Cash and investments - beginning	$ 1,499,613	$ 587,971	$ 20,846	$ 289,198	$ 641,247	$ 1,539	$ 952,160	$ -
Receipts:								
Local sources	49,922	978,421	187,536	1,196,698	1,216,887	91,940	-	-
Intermediate sources	121	-	-	-	-	-	-	-
State sources	5,765,278	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-
Other receipts	14,632	-	-	-	-	-	-	-
Total receipts	5,829,953	978,421	187,536	1,196,698	1,216,887	91,940	-	-
Disbursements:								
Instruction	3,872,974	-	-	-	-	-	-	-
Support services	1,933,120	-	-	660,160	793,644	-	-	-
Noninstructional services	116,058	-	-	-	-	-	86,006	-
Facilities acquisition and construction	-	-	-	453,817	-	-	-	-
Debt service	1,710	922,650	346,733	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	5,923,862	922,650	346,733	1,113,977	793,644	-	86,006	-
Excess (deficiency) of receipts over disbursements	(93,909)	55,771	(159,197)	82,721	423,243	91,940	(86,006)	-
Other financing sources (uses):								
Transfers in	-	-	315,798	-	-	-	451,539	-
Transfers out	-	-	-	(50,000)	(400,000)	(1,539)	(315,798)	-
Total other financing sources (uses)	-	-	315,798	(50,000)	(400,000)	(1,539)	135,741	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(93,909)	55,771	156,601	32,721	23,243	90,401	49,735	-
Cash and investments - ending	$ 1,405,704	$ 643,742	$ 177,447	$ 321,919	$ 664,490	$ 91,940	$ 1,001,895	$ -

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, 2017

	School Lunch	Textbook Rental	Levy Excess	Pupil Medical Services	Counseling Planning Grant	NCHS Home Ec Grant	Northeast School Corp. IN. ED. Foundation	Formative Assessment
Cash and investments - beginning	$ (308,617)	$ 215,854	$ -	$ 471	$ -	$ -	$ 6,000	$ -
Receipts:								
Local sources	167,880	49,162	-	-	30,000	4,350	1,350	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	3,872	51,944	-	-	-	-	-	-
Federal sources	282,602	-	-	-	-	-	-	-
Other receipts	1,200	50	-	-	-	-	-	-
Total receipts	455,554	101,156	-	-	30,000	4,350	1,350	-
Disbursements:								
Instruction	-	-	-	-	-	3,486	1,351	-
Support services	315	90,007	-	11	5,030	-	-	-
Noninstructional services	546,266	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	546,581	90,007	-	11	5,030	3,486	1,351	-
Excess (deficiency) of receipts over disbursements	(91,027)	11,149	-	(11)	24,970	864	(1)	-
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(91,027)	11,149	-	(11)	24,970	864	(1)	-
Cash and investments - ending	$ (399,644)	$ 227,003	$ -	$ 460	$ 24,970	$ 864	$ 5,999	$ -

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, 2017

	IN Preschool Grants	High Ability Grant 15/16	High Ability Grant 16/17	Medicaid Reimbursement	School Technology	Career and Technical Performance Grant	Insurance Loss - NCSH	Hymera Roof
Cash and investments - beginning	$ -	$ 4,714	$ -	$ (154)	$ (3,945)	$ -	$ -	$ 9,032
Receipts:								
Local sources	-	-	-	-	19,260	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	11,306	-	28,546	-	6,308	1,226	-	-
Federal sources	-	-	-	2,778	-	-	-	-
Other receipts	-	-	-	-	1,945	-	-	7,691
Total receipts	11,306	-	28,546	2,778	27,513	1,226	-	7,691
Disbursements:								
Instruction	11,306	4,714	24,295	-	-	-	-	-
Support services	-	-	-	2,624	8,421	-	-	16,723
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	586	-	-	-
Debt service	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	11,306	4,714	24,295	2,624	9,007	-	-	16,723
Excess (deficiency) of receipts over disbursements	-	(4,714)	4,251	154	18,506	1,226	-	(9,032)
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	(4,714)	4,251	154	18,506	1,226	-	(9,032)
Cash and investments - ending	$ -	$ -	$ 4,251	$ -	$ 14,561	$ 1,226	$ -	$ -

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, 2017

	ISTA Settlement	Title 1 2015/16	Title I 2016/17	A.A.E. Grant 2012-2013	Improving Teacher Quality, No Child Left, Title II, Part A FFY16	Improving Teacher Quality, No Child Left, Title II, Part A FFY17	Payroll Withholdings	Totals
Cash and investments - beginning	$ -	$ (70,312)	$ -	$ -	$ -	$ (4,487)	$ -	$ 3,841,130
Receipts:								
Local sources	-	-	-	-	-	-	-	3,993,406
Intermediate sources	-	-	-	-	-	-	-	121
State sources	-	-	-	-	-	-	-	5,868,480
Federal sources	-	113,691	110,388	-	68,935	13,459	-	591,853
Other receipts	-	-	-	-	-	-	1,479,234	1,504,752
Total receipts	-	113,691	110,388	-	68,935	13,459	1,479,234	11,958,612
Disbursements:								
Instruction	-	10,060	68,747	-	68,935	8,972	-	4,074,840
Support services	-	33,319	59,457	-	-	-	-	3,602,831
Noninstructional services	-	-	-	-	-	-	-	748,330
Facilities acquisition and construction	-	-	-	-	-	-	-	454,403
Debt service	-	-	-	-	-	-	-	1,271,093
Nonprogrammed charges	-	-	-	-	-	-	1,479,234	1,479,234
Total disbursements	-	43,379	128,204	-	68,935	8,972	1,479,234	11,630,731
Excess (deficiency) of receipts over disbursements	-	70,312	(17,816)	-	-	4,487	-	327,881
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	-	767,337
Transfers out	-	-	-	-	-	-	-	(767,337)
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	70,312	(17,816)	-	-	4,487	-	327,881
Cash and investments - ending	$ -	$ -	$ (17,816)	$ -	$ -	$ -	$ -	$ 4,169,011

NORTHEAST SCHOOL CORPORATION
SCHEDULE OF PAYABLES AND RECEIVABLES
June 30, 2017

Government or Enterprise	Accounts Payable	Accounts Receivable
Governmental activities	$ -	$ 17,816

NORTHEAST SCHOOL CORPORATION
SCHEDULE OF LEASES AND DEBT
June 30, 2017

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities:				
NE Sullivan Multi School Bldg 2011	Refinancing of NESC Multi School Building	$ 207,500	1/15/2012	1/15/2018
NE Sullivan Multi School Bldg. 2013A	Energy Savings Contract	231,000	6/30/2014	7/15/2023
NE Sullivan Multi School Bldg. 2013B	Energy Savings Contract	234,500	7/15/2014	7/15/2023
Total governmental activities		673,000		
Total of annual lease payments		$ 673,000		

Description of Debt		Ending Principal Balance	Principal and Interest Due Within One Year
Type	Purpose		
Governmental activities:			
General obligation bonds	Pension Bonds	$ 2,425,000	$ 345,299
Notes and loans payable	Common School Fund A1586	13,420	13,487
Total governmental activities		2,438,420	358,786
Totals		$ 2,438,420	$ 358,786

NORTHEAST SCHOOL CORPORATION
SCHEDULE OF CAPITAL ASSETS
June 30, 2017

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.

	Ending Balance
Governmental activities:	
Land	$ 22,017
Infrastructure	686,752
Buildings	11,813,200
Improvements other than buildings	1,341,807
Machinery, equipment, and vehicles	1,618,518
Total governmental activities	15,482,294
Total capital assets	$ 15,482,294

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SUPPLEMENTAL AUDIT OF

FEDERAL AWARDS

STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

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

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

Report on Compliance for Each Major Federal Program

We have audited the Northeast School Corporation's (School Corporation) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the period of July 1, 2015 to June 30, 2017. The School Corporation's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the School Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the period of July 1, 2015 to June 30, 2017.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2017-001 and 2017-002. Our opinion on each major federal program is not modified with respect to these matters.

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

Report on Internal Control over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or 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. 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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as items 2017-001, 2017-002, and 2017-003, that we consider to be material weaknesses.

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

The School Corporation's response to the internal control over compliance findings identified in our audit is described in the accompanying Corrective Action Plan. The School Corporation's response was not subjected to the auditing procedures applied in the audit of 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.

Paul D. Joyce
Paul D. Joyce, CPA
State Examiner

December 12, 2018

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTES

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

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NORTHEAST SCHOOL CORPORATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Years Ended June 30, 2016 and 2017

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient 06-30-16	Total Federal Awards Expended 06-30-16	Passed Through to Subrecipient 06-30-17	Total Federal Awards Expended 06-30-17
Department of Agriculture							
Child Nutrition Cluster							
School Breakfast Program	Indiana Department of Education	10.553					
			FY15-16	$ -	$ 73,275	$ -	$ -
			FY16-17	-	-	-	66,063
Total - School Breakfast Program				-	73,275	-	66,063
National School Lunch Program	Indiana Department of Education	10.555					
			FY15-16	-	251,309	-	-
			FY16-17	-	-	-	216,539
Commodities				-	35,312	-	26,039
Total - National School Lunch Program				-	286,621	-	242,578
Total - Child Nutrition Cluster				-	359,896	-	308,641
Total - Department of Agriculture				-	359,896	-	308,641
Department of Education							
Special Education Cluster (IDEA)							
Special Education_Grants to States	Indiana Department of Education	84.027					
			14214-024-PN01	-	14,613	-	-
			14215-024-PN01	-	98,119	-	21,911
			14216-022-PN01	-	195,887	-	57,586
			14217-022-PN01	-	-	-	204,018
			99914-024-PN01	-	2,416	-	-
Total - Special Education_Grants to States				-	311,035	-	283,515
Special Education_Preschool Grants	Indiana Department of Education	84.173					
			45715-024-PN01	-	7,233	-	441
			45716-022-PN01	-	4,022	-	4,989
			45717-022-PN01	-	-	-	3,733
Total - Special Education_Preschool Grants				-	11,255	-	9,163
Total - Special Education Cluster (IDEA)				-	322,290	-	292,678
Title I Grants to Local Educational Agencies	Indiana Department of Education	84.010					
			SY14-15	-	74,257	-	-
			SY15-16	-	113,524	-	113,691
			SY16-17	-	-	-	110,388
Total - Title I Grants to Local Educational Agencies				-	187,781	-	224,079
Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	Indiana Department of Education	84.367					
			SY14-15	-	13,879	-	-
			SY15-16	-	55,662	-	68,935
			SY16-17	-	-	-	13,459
Total - Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)				-	69,541	-	82,394
Total - Department of Education				-	579,612	-	599,151
Total federal awards expended				$ -	$ 939,508	$ -	$ 907,792

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

NORTHEAST SCHOOL CORPORATION
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes the federal grant activity of the School Corporation under programs of the federal government for the years ended June 30, 2016 and 2017. 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.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the SEFA are reported on the cash basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, or the cost principles contained in the 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. The School Corporation has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note 3. Special Education Cooperative

The School Corporation is a member of the Greene-Sullivan Special Education District (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 Schedule of Expenditures of Federal Awards 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.

NORTHEAST SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I - Summary of Auditor's Results

Financial Statement:

Type of auditor's report issued:	Adverse as to GAAP; Unmodified as to Regulatory Basis
Internal control over financial reporting:	
Material weakness identified?	no
Significant deficiency identified?	none reported
Noncompliance material to financial statement noted?	no

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	yes
Significant deficiency identified?	none reported
Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)?	yes

Identification of Major Programs and type of auditor's report issued on compliance for each:

Name of Federal Program or Cluster	Opinion Issued
Child Nutrition Cluster	Unmodified
Special Education Cluster (IDEA)	Unmodified

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

Auditee qualified as low-risk auditee? no

Section II - Financial Statement Findings

No matters are reportable.

Section III - Federal Award Findings and Questioned Costs

FINDING 2017-001

Subject: Special Education Cluster (IDEA) - Allowable Costs/Cost Principles
Federal Agency: Department of Education
Federal Program: Special Education_Grants to States, Special Education_Preschool Grants
CFDA Numbers: 84.027, 84.173
Federal Award Numbers and Years (or Other Identifying Numbers): 14214-024-PN01, 14215-024-PN01, 14216-022-PN01, 99914-024-PN01, 45715-024-PN01, 45716-022-PN01
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Allowable Costs/Cost Principles
Audit Findings: Material Weakness, Other Matters

Repeat Finding

This is a repeat finding from the immediately prior audit. The prior audit finding number was 2015-001.

Condition

The School Corporation was a member of the Greene-Sullivan Special Education Cooperative (Cooperative). The Cooperative operated the special education program on behalf of the School Corporation and managed the special education grants. There was no oversight of the Cooperative by the School Corporation. Because the grant agreements were between the Indiana Department of Education and each member of the Cooperative, the School Corporation was ultimately responsible for ensuring compliance with the requirements.

Management of the School Corporation had not established an internal control system to ensure compliance with the Allowable Costs/Cost Principles compliance requirement. The School Corporation did not keep the necessary documentation for time and effort reporting for the 2015-2016 school year. For those employees that were paid entirely from the special education program, the Cooperative did not submit Semi-Annual Certification Report. For employees that had a portion of their wages paid from the special education grants, there was no personnel activity reports or equivalent documentation to support the amount of wages charged to each cost objective. There was no evidence of an oversight or review by the School Corporation to ensure compliance.

Context

The lack of controls was a systemic issue. The noncompliance applied to the 2015-2016 school year. There were no Semi-Annual Certification Reports completed, nor were personnel activity reports or equivalent documentation maintained to support the amount of wages paid from each cost objective, during the 2015-2016 school year.

Criteria

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

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 award 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). . . ."

OMB Circular A-87, Attachment B, Section 8(h), states in part:

". . . (3) Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee.

(4) Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection (5) unless a statistical sampling system (see subsection (6)) or other substitute system has been approved by the cognizant Federal agency. Such documentary support will be required where employees work on:

(a) More than one Federal award,

(b) A Federal award and a non-Federal award,

(c) An indirect cost activity and a direct cost activity,

(d) Two or more indirect activities which are allocated using different allocation bases, or

(e) An unallowable activity and a direct or indirect cost activity.

(5) Personnel activity reports or equivalent documentation must meet the following standards:

(a) They must reflect an after-the-fact distribution of the actual activity of each employee,

(b) They must account for the total activity for which each employee is compensated,

(c) They must be prepared at least monthly and must coincide with one or more pay periods, and

(d) They must be signed by the employee. . . ."

2 CFR 200.430(i) states in part:

"*Standards for Documentation of Personnel Expenses* (1) Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must:

(i) Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated;

(ii) Be incorporated into the official records of the non-Federal entity;

(iii) Reasonably reflect the total activity for which the employee is compensated by the non-Federal entity, not exceeding 100% of compensated activities (for IHE, this per the IHE's definition of IBS); . . .

(vii) Support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one Federal award; a Federal award and nonFederal award; an indirect cost activity and a direct cost activity; two or more indirect activities which are allocated using different allocation bases; or an unallowable activity and a direct or indirect cost activity. . . ."

Cause

Management of the School Corporation had not developed a system of internal controls that would have ensured that the Cooperative complied with the Allowable Costs/Cost Principles requirements concerning time and effort reporting.

Effect

The failure to establish an effective internal control system enabled noncompliance to occur. Noncompliance with the compliance requirement could have resulted in the loss of federal funds to the School Corporation.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls and implement procedures to ensure compliance with the Allowable Costs/Cost Principles compliance requirement.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

FINDING 2017-002

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
CFDA Numbers: 84.027, 84.173
Federal Award Numbers and Years (or Other Identifying Numbers): 14214-024-PN01, 99914-024-PN01, 14215-024-PN01, 14216-022-PN01, 14217-022-PN01, 45715-024-PN01, 45716-022-PN01, 45717-022-PN01
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Procurement and Suspension and Debarment
Audit Findings: Material Weakness, Other Matters

Repeat Finding

This is a repeat finding from the immediately prior audit. The prior audit finding number was 2015-003.

Condition

The School Corporation was a member of the Greene-Sullivan Special Education Cooperative (Cooperative). The Cooperative operated the special education program on behalf of the School Corporation and managed the special education grants. There was no oversight of the Cooperative by the School Corporation. Because the grant agreements were between the Indiana Department of Education and each member of the Cooperative, the School Corporation was ultimately responsible for ensuring compliance with the requirements.

An effective internal control system was not in place to ensure compliance with requirements related to the grant agreement and the Procurement and Suspension and Debarment requirement.

Procurement

The School Corporation did not have internal controls in place to ensure that the purchasing methods used complied with procurement procedures or with applicable state and local requirements.

A local procurement policy was not implemented by the Cooperative for the entire audit period.

Suspension and Debarment

The Cooperative had not established an effective internal control system to ensure compliance with suspension and debarment requirements. There were no controls in place to ensure that the vendors were not suspended or debarred from participation in federal programs. There was no oversight or review by the School Corporation to ensure compliance.

No procedures were performed to verify that vendors were not suspended or debarred from participation in federal programs before entering into a contract for the 2015-2016 school year.

Context

The lack of controls and noncompliance were systemic issues throughout the audit period. There was no verification that vendors were not suspended or debarred prior to awarding the contracts for 100 percent of applicable vendors for the 2015-2016 school year. A procurement policy had not been implemented for the entire audit period.

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 award 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(a) states: "The non-Federal entity must use its own documented procurement procedures which reflect applicable State, local, and tribal laws and regulations, provided that the procurements conform to applicable Federal law and the standards identified in this part."

2 CFR 180.300 states:

"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:

(a) Checking SAM Exclusions; or

(b) Collecting a certification from that person; or

(c) Adding a clause or condition to the covered transaction with that person."

Cause

Management had not developed a system of internal controls that would have ensured compliance with the procurement and suspension and debarment requirements.

Effect

The failure to establish an effective internal control system enabled material noncompliance to go undetected. Noncompliance with the grant agreement or the compliance requirement could have resulted in the loss of federal funds to the School Corporation.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls and implement procedures to monitor the Cooperative to ensure compliance with the grant agreement and the procurement and suspension and debarment requirements.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

FINDING 2017-003

Subject: Child Nutrition Cluster - Reporting
Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program
CFDA Numbers: 10.553, 10.555
Federal Award Numbers and Years (or Other Identifying Numbers): FY15-16, FY16-17
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Reporting
Audit Finding: Material Weakness

Repeat Finding

This is a repeat finding from the immediately prior audit. The prior audit finding number was 2015-004.

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 Reporting compliance requirement.

The Food Service Director submitted the monthly claims for reimbursement with information obtained from reports generated monthly from the cafeteria software. The Food Service Director was solely responsible for preparing and submitting the monthly claims for reimbursement without any oversight, review, or approval process.

Context

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

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 award 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). . . ."

Cause

Management had not developed a system of internal controls that would have ensured compliance with the Reporting compliance requirement.

Effect

The failure to establish an effective internal control system placed the School Corporation at risk of noncompliance with the Reporting compliance requirement.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls, including segregation of duties, related to the grant agreement and the Reporting compliance requirement.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

AUDITEE-PREPARED DOCUMENTS

The subsequent documents were provided by management of the School Corporation. The documents are presented as intended by the School Corporation.

Northeast School Corporation
Sullivan County

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Fax 812/383-4591

DR. MARK A. BAKER
Superintendent of Schools

VIKKI HUNTWORTH
Treasurer

ANGEL RILEY
Payroll Secretary

November 29, 2018

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2015-001

Fiscal Year in which the finding initially occurred: 2015
Pass-Through Entity, if pass through or Federal Grant Agency, if direct: IDOE
Contact Person Responsible for Corrective Action: Mark Baker
Contact Phone Number: 812-383-5761

Subject: Special Education Cluster (IDEA) -Allowable Costs/Cost Principles

Due to the timing of the audit, Northeast School Corporation could not establish internal controls or implement procedures to monitor the Cooperative to ensure compliance with the grant agreement and the Allowable Costs/Cost Principles requirements. However, this has been implemented.

FINDING 2015-002

Fiscal Year in which the finding initially occurred: 2015
Pass-Through Entity, if pass through or Federal Grant Agency, if direct: IDOE
Contact Person Responsible for Corrective Action: Mark Baker
Contact Phone Number: 812-383-5761

Subject: Special Education Cluster (IDEA) -Reporting

Due to the timing of the audit, Northeast School Corporation could not establish controls and implement procedures to monitor the Cooperative to ensure compliance with the grant agreement and the reporting requirements. However, this has been implemented.

FINDING 2015-003

Fiscal Year in which the finding initially occurred: 2015
Pass-Through Entity, if pass through or Federal Grant Agency, if direct: IDOE
Contact Person Responsible for Corrective Action: Mark Baker
Contact Phone Number: 812-383-5761

Subject: Special Education Cluster (IDEA) - Procurement and Suspension and Debarment

Due to the timing of the audit, Northeast School Corporation could not establish controls and implement procedures to monitor the Cooperative to ensure compliance with the grant agreement and the Procurement and Suspension and Debarment requirements. However, this has been implemented.

FINDING 2015-004

Fiscal Year in which the finding initially occurred: 2015
Pass-Through Entity, if pass through or Federal Grant Agency, if direct: IDOE
Contact Person Responsible for Corrective Action: Mark Baker
Contact Phone Number: 812-383-5761

Subject: Child Nutrition Cluster – Reporting

Due to the timing of the audit, Northeast School Corporation could not establish controls, including segregation of duties, related to the grant agreement and the reporting compliance requirement. However, this has now been implemented.

Superintendent

Northeast School Corporation
Sullivan County

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DR. MARK A. BAKER
Superintendent of Schools

VIKKI HUNTWORTH
Treasurer

ANGEL RILEY
Payroll Secretary

CORRECTIVE ACTION PLAN

FINDING 2017-001

Contact Person Responsible for Corrective Action: Mark Baker
Contact Phone Number: 812-383-5761

View of Responsible Official: We concur with the findings.

Description of Corrective Action Plan:

The Greene-Sullivan Cooperative will see that Semi-Annual Certifications will be maintained for all employees paid from a Grant. All Semi-Annual Certifications will be signed off by the Director of Special Education. All Semi-Annual Certifications will be sent to each superintendent's office.

Anticipated Completion Date: August 2016

FINDING 2017-002

Contact Person Responsible for Corrective Action: Mark Baker
Contact Phone Number: 812-383-5761

View of Responsible Official: We concur with the findings.

Description of Corrective Action Plan:

The Greene-Sullivan Cooperative will require a written clause in all agreements stating the contractor is not suspended or ineligible to received federal funds. The GSSEC will check the System for Award Management (SAM website) before entering into any covered transactions with contractors. The GSSEC will maintain printed documentation from SAM for verification purposes.

Anticipated Completion Date: August 2016

A procurement policy will be implemented by the Greene-Sullivan Special Education Cooperative.

Anticipated Completion Date: January 1, 2019

FINDING 2017-003

Contact Person Responsible for Corrective Action: Mark Baker
Contact Phone Number: 812-383-5761

View of Responsible Official: We concur with the findings.

Description of Corrective Action Plan:

The Food Service Director submits the monthly claim for reimbursement after it has been established by the Treasurer of the Corporation that it is correct. The Treasurer receives the monthly meals served report from the schools and compares them to the reimbursement claim that has been prepared by the Food Service Director. This has been done starting with the August 2017 Reimbursement Claim.

The Superintendent verifies the AFR report prepared by both the Food Service Director and the Treasurer is correct before it is submitted. The superintendent initials and dates the AFR starting with the 2017-2018 school year.

Anticipated Completion Date: August 2017

Superintendent

Title

12-07-18

Date

OTHER REPORTS

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/.