



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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February 28, 2023

To: The Officials of the Northeast School Corporation
Northeast School Corporation
620 N. Washington Street
Shelburn, IN 47879

As authorized under Indiana Code 5-11-1, we engaged private examiners under our review to perform the audit of Northeast School Corporation. We have reviewed the audit report opined upon by Crowe LLP, Independent Public Accountants, for the period July 1, 2019 to June 30, 2021. 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, 2021, and its cash receipts, cash disbursements, and other financing sources (uses) for the period of July 1, 2019 to June 30, 2021 in accordance with the financial reporting provisions of the Indiana State Board of Accounts described in Note 1.

We call your attention to the finding included in the report on pages 29 through 34. Please see the Schedule of Findings and Questioned Costs for complete details related to the finding. Management's Corrective Action Plan appears on pages 35 through 37.

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

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

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

Handwritten signature of Tammy R. White in cursive.

Tammy R. White, CPA
Deputy State Examiner

NORTHEAST SCHOOL CORPORATION
Sullivan County, Indiana

FINANCIAL STATEMENT
As of June 30, 2021, and for the
period of July 1, 2019 to June 30, 2021

NORTHEAST SCHOOL CORPORATION
Sullivan County, Indiana

FINANCIAL STATEMENT
As of June 30, 2021, and for the
period of July 1, 2019 to June 30, 2021

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NORTHEAST SCHOOL CORPORATION
SCHEDULE OF OFFICIALS (Unaudited)
For the period July 1, 2019 to June 30, 2021

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Vikki Huntworth	07-01-19 to 06-30-21
Superintendent of Schools	Dr. Mark A. Baker	07-01-19 to 06-30-21
President of the School Board	Norman Santus Jeremy Swalls	01-01-17 to 12-31-20 01-01-21 to 12-31-22

INDEPENDENT AUDITOR'S REPORT

Those Charged with Governance
Northeast School Corporation
Sullivan County, Indiana

Report on the Financial Statement

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, 2021 and for the period of July 1, 2019 to June 30, 2021, and the related notes to the financial statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the financial reporting provisions of the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6) as described in Note 1. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of this financial statement that are 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 entity'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 entity'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.

(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.

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, 2021, or changes in net position for the period of July 1, 2019 to June 30, 2021.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, 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, 2021, and its cash receipts, cash disbursements, and other financing sources (uses) for the period of July 1, 2019 to June 30, 2021 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 financial statement as a whole. 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*, Schedule of Officials, Supplementary Information Schedules, and State Reporting Information are presented for purposes of additional analysis and are not a required part of the financial statement.

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. Such 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.

The Schedule of Officials, Supplementary Information Schedules, and State Reporting Information, marked as unaudited on the table of contents, have not been subjected to the auditing procedures applied in the audit of the financial statement, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Governmental Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 16, 2023 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
February 16, 2023

NORTHEAST SCHOOL CORPORATION
STATEMENT OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES),
AND CASH AND INVESTMENT BALANCES - REGULATORY BASIS
As of June 30, 2021 and for the period July 1, 2019 through June 30, 2021

<u>Fund</u>	<u>Cash and Investments 07-01-2019</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Other Financing Sources (Uses)</u>	<u>Cash and Investments 06-30-2020</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Other Financing Sources (Uses)</u>	<u>Cash and Investments 06-30-2021</u>
Education	\$ 684,686	\$ 5,945,153	\$ 4,631,009	\$ (1,029,000)	\$ 969,830	\$ 5,726,248	\$ 4,692,121	\$ (871,500)	\$ 1,132,457
Debt Service	686,109	814,830	923,970	-	576,969	1,042,587	934,000	49,976	735,532
Retirement/Severance Bond Debt Service	57,303	299,885	342,620	-	14,568	384,057	345,987	-	52,638
Operations	1,093,220	2,138,803	2,628,236	729,000	1,332,787	2,698,298	2,913,425	521,524	1,639,184
Local Rainy Day	1,125,680	-	170,938	300,000	1,254,742	-	268,323	300,000	1,286,419
2017 Construction	432,826	-	114,344	-	318,482	-	318,482	-	-
2018 Construction	3,365,615	-	2,632,683	-	732,932	6,670	524,343	-	215,259
School Lunch	(406,861)	346,017	380,097	-	(440,941)	342,431	235,871	-	(334,381)
Curricular Materials Rental	281,410	142,785	197,742	-	226,453	102,536	12,214	-	316,775
Other Local	-	5,000	2,886	-	2,114	2,200	101	-	4,213
Donations Gifts And Trusts	405	-	17	-	388	-	83	-	305
19-20 Formative Assessment	-	9,524	9,524	-	-	-	-	-	-
Indiana Preschool Grants	-	-	-	-	-	7,883	7,883	-	-
Medicaid Reimbursement	7,256	2,029	7,948	-	1,337	23,112	1,052	-	23,397
Science Technology Engineering And Mat	-	3,875	3,875	-	-	24,542	29,492	-	(4,950)
Early Intervention Grant	-	3,248	608	-	2,640	-	2,640	-	-
2020-2021 Early Intervention Grant	-	-	-	-	-	2,059	1,665	-	394
Cte Performance Grant	44	-	44	-	-	-	-	-	-
High Ability Students	5,471	27,637	22,534	-	10,574	22,375	21,103	-	11,846
State Connectivity Grant	10,104	107,580	24,221	-	93,463	5,309	92,730	-	6,042
Other State	-	22,052	27,700	-	(5,648)	5,648	-	-	-
Title I School Improvement Grant	(11,076)	29,190	18,114	-	-	-	-	-	-
School Improvement Grant/Nchs	-	-	-	-	-	-	5,109	-	(5,109)
School Improvement Grant/#2	-	13,657	13,657	-	-	20,300	20,300	-	-
2019-2020 Title I	-	101,968	116,973	-	(15,005)	85,970	70,965	-	-
2020-2021 Title I	(105,926)	114,918	8,992	-	-	144,320	173,202	-	(28,882)
Title Iv Part A 2018	(336)	8,974	8,638	-	-	-	-	-	-
Title Iv Ff19	-	1,024	1,024	-	-	9,495	9,694	-	(199)
Title Ii Ffy2019	-	-	-	-	-	28,257	30,368	-	(2,111)
Title Ii Ffy2018	-	28,271	30,944	-	(2,673)	5,038	2,365	-	-
Elementary And Secondary School Emergenc	-	-	-	-	-	151,228	355,770	-	(204,542)
Federal Stimulus - 18002 Governor'S Emer	-	-	-	-	-	40,768	48,759	-	(7,991)
Federal Stimulus - 18003 Educ. Stab Reli	-	-	-	-	-	140,629	163,548	-	(22,919)
Other Federal	-	-	-	-	-	-	79,577	-	(79,577)
Prepaid School Lunch Accounts	4,645	87,054	85,784	-	5,915	15,943	13,853	-	8,005
Payroll Withholdings	-	1,164,830	1,164,830	-	-	1,151,434	1,151,434	-	-
Section 125	-	266,060	266,060	-	-	293,472	293,472	-	-
Misc. Clearing	-	76,430	76,430	-	-	61,057	61,057	-	-
Greene-Sullivan Cooperative	-	-	-	-	-	102,953	102,953	-	-
American Express Clearing	(8,249)	75,994	67,745	-	-	56,858	56,858	-	-
Other Clearing	-	8,578	8,578	-	-	8,479	8,479	-	-
Totals	\$ 7,222,326	\$ 11,845,366	\$ 13,988,765	\$ -	\$ 5,078,927	\$ 12,712,156	\$ 13,049,278	\$ -	\$ 4,741,805

See notes to financial statement.

NORTHEAST SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
As of June 30, 2021, and for the period July 1, 2019 to June 30, 2021

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 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.

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.

(Continued)

NORTHEAST SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
As of June 30, 2021, and for the period July 1, 2019 to June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

(Continued)

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.

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, 2020, and 2021. Deficits in other fund balances, includes the School Lunch Fund, which had deficit balances at June 30, 2019, June 30, 2020 and June 30, 2021. The School Corporation plans to replenish the balance from future receipts in excess of disbursements.

NOTE 7 - 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, 2019 to June 30, 2020 totaled \$915,000. Lease payments for the period July 1, 2020 to June 30, 2021 totaled \$915,500.

NOTE 8 - 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.

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

NOTE 8 - PENSION PLANS (Continued)

Contributions

Members' contributions are set by state statute at 3 percent of compensation for the defined contribution component of PERF Hybrid. The employer may elect to make the contribution on behalf of the member of the defined contribution component of PERF Hybrid.

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.

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

(Continued)

NOTE 8 - PENSION PLANS (Continued)

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 considered to be 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.

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.

NOTE 9 - SUBSEQUENT EVENT

In October 2022, the School Corporation issued General Obligation Bonds in the amount of \$1,255,000 to finance the renovation and improvements to school facilities, including the purchase of equipment.

SUPPLEMENTARY INFORMATION

NORTHEAST SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES
 (USES), AND CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 July 1, 2019 to June 30, 2020

	Education	Debt Service	Retirement/Severance Bond Debt Service	Operations	Local Rainy Day	2017 Construction	2018 Construction	School Lunch	Curricular Materials Rental	Other Local	Donations And Trusts	Gifts	19-20 Formative Assessment
Cash and investments - beginning	\$ 684,686	\$ 686,109	\$ 57,303	\$ 1,093,220	\$ 1,125,680	\$ 432,826	\$ 3,365,615	\$ (406,861)	\$ 281,410	\$ -	\$ 405	\$ -	\$ -
Receipts:													
Local sources	6,743	814,830	299,885	2,138,803	-	-	-	87,453	47,393	5,000	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-	-	-	-	-
State sources	5,935,835	-	-	-	-	-	-	3,172	95,342	-	-	-	9,524
Federal sources	-	-	-	-	-	-	-	251,514	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	2,575	-	-	-	-	-	-	3,878	50	-	-	-	-
Total receipts	5,945,153	814,830	299,885	2,138,803	-	-	-	346,017	142,785	5,000	-	-	9,524
Disbursements:													
Instruction	3,695,748	-	-	-	-	-	-	-	-	2,886	-	-	9,524
Support services	820,817	(6,819)	(2,251)	2,336,581	-	-	-	-	197,742	-	17	-	-
Noninstructional services	114,444	-	-	-	170,938	-	-	380,097	-	-	-	-	-
Facilities acquisition and construction	-	-	-	291,655	-	114,344	2,632,683	-	-	-	-	-	-
Debt services	-	930,789	344,871	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-	-	-	-	-
Total disbursements	4,631,009	923,970	342,620	2,628,236	170,938	114,344	2,632,683	380,097	197,742	2,886	17	-	9,524
Excess (deficiency) of receipts over disbursements	1,314,144	(109,140)	(42,735)	(489,433)	(170,938)	(114,344)	(2,632,683)	(34,080)	(54,957)	2,114	(17)	-	-
Other financing sources (uses):													
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	1,029,000	300,000	-	-	-	-	-	-	-	-
Transfers out	(1,029,000)	-	-	(300,000)	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	(1,029,000)	-	-	729,000	300,000	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	285,144	(109,140)	(42,735)	239,567	129,062	(114,344)	(2,632,683)	(34,080)	(54,957)	2,114	(17)	-	-
Cash and investments - ending	\$ 969,830	\$ 576,969	\$ 14,568	\$ 1,332,787	\$ 1,254,742	\$ 318,482	\$ 732,932	\$ (440,941)	\$ 226,453	\$ 2,114	\$ 388	\$ -	\$ -

(Continued)

NORTHEAST SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES
 (USES), AND CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 July 1, 2019 to June 30, 2020

	Indiana Preschool Grants	Medicaid Reimbursement	Science Technology Engineering And Mat	Early Intervention Grant	Cte Performance Grant	High Ability Students	State Connectivity Grant	Other State	Title I School Improvement Grant	School Improvement Grant/#2	2019-2020 Title I	2020-2021 Title I
Cash and investments - beginning	\$ -	\$ 7,256	\$ -	\$ -	\$ 44	\$ 5,471	\$ 10,104	\$ -	\$ (11,076)	\$ -	\$ -	\$ (105,926)
Receipts:												
Local sources	-	-	-	-	-	-	4,865	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-	-	-	-
State sources	-	-	3,875	3,248	-	27,637	7,388	22,052	-	-	-	-
Federal sources	-	2,029	-	-	-	-	-	-	29,190	13,657	101,968	114,918
Temporary loans	-	-	-	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	95,327	-	-	-	-	-
Total receipts	-	2,029	3,875	3,248	-	27,637	107,580	22,052	29,190	13,657	101,968	114,918
Disbursements:												
Instruction	-	-	3,875	608	44	22,534	-	27,700	-	-	92,872	755
Support services	-	7,948	-	-	-	-	23,691	-	18,114	13,657	24,101	8,237
Noninstructional services	-	-	-	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	530	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-	-	-	-
Total disbursements	-	7,948	3,875	608	44	22,534	24,221	27,700	18,114	13,657	116,973	8,992
Excess (deficiency) of receipts over disbursements	-	(5,919)	-	2,640	(44)	5,103	83,359	(5,648)	11,076	-	(15,005)	105,926
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	-	(5,919)	-	2,640	(44)	5,103	83,359	(5,648)	11,076	-	(15,005)	105,926
Cash and investments - ending	\$ -	\$ 1,337	\$ -	\$ 2,640	\$ -	\$ 10,574	\$ 93,463	\$ (5,648)	\$ -	\$ -	\$ (15,005)	\$ -

(Continued)

NORTHEAST SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES
 (USES), AND CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 July 1, 2019 to June 30, 2020

	Title Iv Part A 2018	Title Iv Ff19	Title Ii Ffy2018	Prepaid School Lunch Accounts	Payroll Withholdings	Section 125	Misc. Clearing	Greene-Sullivan Cooperative	American Express Clearing	Other Clearing	Totals
Cash and investments - beginning	\$ (336)	\$ -	\$ -	\$ 4,645	\$ -	\$ -	\$ -	\$ -	\$ (8,249)	\$ -	\$ 7,222,326
Receipts:											
Local sources	-	-	-	87,054	-	-	-	-	-	-	3,492,026
Intermediate sources	-	-	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-	-	6,108,073
Federal sources	8,974	1,024	28,271	-	-	-	-	-	-	-	551,545
Temporary loans	-	-	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	1,164,830	266,060	76,430	-	75,994	8,578	1,693,722
Total receipts	8,974	1,024	28,271	87,054	1,164,830	266,060	76,430	-	75,994	8,578	11,845,366
Disbursements:											
Instruction	8,638	507	30,944	-	-	-	-	-	-	-	3,896,635
Support services	-	517	-	-	-	-	-	-	-	-	3,442,352
Noninstructional services	-	-	-	85,784	-	-	-	-	-	-	751,263
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	-	3,039,212
Debt services	-	-	-	-	-	-	-	-	-	-	1,275,660
Nonprogrammed charges	-	-	-	-	1,164,830	266,060	76,430	-	67,745	8,578	1,583,643
Interfund loans	-	-	-	-	-	-	-	-	-	-	-
Total disbursements	8,638	1,024	30,944	85,784	1,164,830	266,060	76,430	-	67,745	8,578	13,988,765
Excess (deficiency) of receipts over disbursements	336	-	(2,673)	1,270	-	-	-	-	8,249	-	(2,143,399)
Other financing sources (uses):											
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-	-	1,329,000
Transfers out	-	-	-	-	-	-	-	-	-	-	(1,329,000)
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	336	-	(2,673)	1,270	-	-	-	-	8,249	-	(2,143,399)
Cash and investments - ending	\$ -	\$ -	\$ (2,673)	\$ 5,915	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,078,927

NORTHEAST SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES
 (USES), AND CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 July 1, 2020 to June 30, 2021

	Education	Debt Service	Retirement/Severance Bond Debt Service	Operations	Local Rainy Day	2017 Construction	2018 Construction	School Lunch	Curricular Materials Rental	Other Local	Donations Gifts And Trusts	Indiana Preschool Grants	Medicaid Reimbursement
Cash and investments - beginning	\$ 969,830	\$ 576,969	\$ 14,568	\$ 1,332,787	\$ 1,254,742	\$ 318,482	\$ 732,932	\$ (440,941)	\$ 226,453	\$ 2,114	\$ 388	\$ -	\$ 1,337
Receipts:													
Local sources	4,408	1,042,587	384,057	2,698,298	-	-	6,670	11,873	50,840	2,200	-	-	-
Intermediate sources	94	-	-	-	-	-	-	-	-	-	-	-	-
State sources	5,720,143	-	-	-	-	-	-	3,097	51,696	-	-	7,883	-
Federal sources	-	-	-	-	-	-	-	327,461	-	-	-	-	23,112
Temporary loans	-	-	-	-	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	1,603	-	-	-	-	-	-	-	-	-	-	-	-
Total receipts	5,726,248	1,042,587	384,057	2,698,298	-	-	6,670	342,431	102,536	2,200	-	7,883	23,112
Disbursements:													
Instruction	3,768,077	-	-	-	-	-	-	-	-	101	-	7,883	-
Support services	807,413	-	-	2,374,846	-	-	-	-	12,214	-	83	-	1,052
Noninstructional services	116,631	-	-	-	268,323	-	-	235,871	-	-	-	-	-
Facilities acquisition and construction	-	-	-	538,579	-	318,482	524,343	-	-	-	-	-	-
Debt services	-	934,000	345,987	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-	-	-	-	-
Total disbursements	4,692,121	934,000	345,987	2,913,425	268,323	318,482	524,343	235,871	12,214	101	83	7,883	1,052
Excess (deficiency) of receipts over disbursements	1,034,127	108,587	38,070	(215,127)	(268,323)	(318,482)	(517,673)	106,560	90,322	2,099	(83)	-	22,060
Other financing sources (uses)													
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers in	-	49,976	-	871,500	300,000	-	-	-	-	-	-	-	-
Transfers out	(871,500)	-	-	(349,976)	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	(871,500)	49,976	-	521,524	300,000	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	162,627	158,563	38,070	306,397	31,677	(318,482)	(517,673)	106,560	90,322	2,099	(83)	-	22,060
Cash and investments - ending	\$ 1,132,457	\$ 735,532	\$ 52,638	\$ 1,639,184	\$ 1,286,419	\$ -	\$ 215,259	\$ (334,381)	\$ 316,775	\$ 4,213	\$ 305	\$ -	\$ 23,397

(Continued)

NORTHEAST SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES
 (USES), AND CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 July 1, 2020 to June 30, 2021

	Science Technology Engineering And Mat	Early Intervention Grant	2020-2021 Early Intervention Grant	High Ability Students	State Connectivity Grant	Other State	School Improvement Grant/Nchs	School Improvement Grant/#2	2019-2020 Title I	2020-2021 Title I	Title Iv Ffy19	Title Ii Ffy2019	Title Ii Ffy2018
Cash and investments - beginning	\$ -	\$ 2,640	\$ -	\$ 10,574	\$ 93,463	\$ (5,648)	\$ -	\$ -	\$ (15,005)	\$ -	\$ -	\$ -	\$ (2,673)
Receipts:													
Local sources	-	-	-	-	459	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-	-	-	-	-
State sources	24,542	-	2,059	22,375	3,600	5,648	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	20,300	85,970	144,320	9,495	28,257	5,038	-
Temporary loans	-	-	-	-	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	1,250	-	-	-	-	-	-	-	-
Total receipts	24,542	-	2,059	22,375	5,309	5,648	-	20,300	85,970	144,320	9,495	28,257	5,038
Disbursements:													
Instruction	29,492	2,640	1,665	21,103	-	-	-	51,731	148,024	7,555	30,368	2,365	-
Support services	-	-	-	-	1,378	-	5,109	19,234	25,178	2,139	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	91,352	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-	-	-	-	-
Total disbursements	29,492	2,640	1,665	21,103	92,730	-	5,109	70,965	173,202	9,694	30,368	2,365	-
Excess (deficiency) of receipts over disbursements	(4,950)	(2,640)	394	1,272	(87,421)	5,648	(5,109)	-	15,005	(28,882)	(199)	(2,111)	2,673
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	(4,950)	(2,640)	394	1,272	(87,421)	5,648	(5,109)	-	15,005	(28,882)	(199)	(2,111)	2,673
Cash and investments - ending	\$ (4,950)	\$ -	\$ 394	\$ 11,846	\$ 6,042	\$ -	\$ (5,109)	\$ -	\$ -	\$ (28,882)	\$ (199)	\$ (2,111)	\$ -

(Continued)

NORTHEAST SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES
 (USES), AND CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 July 1, 2020 to June 30, 2021

	Elementary And Secondary School Emergenc	Federal Stimulus - 18002 Governor?S Emer	Federal Stimulus - 18003 Educ. Stab Reli	Other Federal	Prepaid School Lunch Accounts	Payroll Withholdings	Section 125	Misc. Clearing	Greene- Sullivan Cooperative	American Express Clearing	Other Clearing	Totals
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ -	\$ 5,915	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,078,927
Receipts:												
Local sources	-	-	-	-	15,943	-	-	-	-	-	-	4,217,335
Intermediate sources	-	-	-	-	-	-	-	-	-	-	-	94
State sources	-	-	-	-	-	-	-	-	-	-	-	5,841,043
Federal sources	151,228	40,768	140,629	-	-	-	-	-	-	-	-	976,578
Temporary loans	-	-	-	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	1,151,434	293,472	61,057	102,953	56,858	8,479	1,677,106
Total receipts	151,228	40,768	140,629	-	15,943	1,151,434	293,472	61,057	102,953	56,858	8,479	12,712,156
Disbursements:												
Instruction	341,570	48,759	116,801	79,577	-	-	-	-	-	-	-	4,657,711
Support services	-	-	43,055	-	1,155	-	-	-	-	-	-	3,313,156
Noninstructional services	-	-	-	-	12,698	-	-	-	-	-	-	633,523
Facilities acquisition and construction	14,200	-	3,692	-	-	-	-	-	-	-	-	1,490,648
Debt services	-	-	-	-	-	-	-	-	-	-	-	1,279,987
Nonprogrammed charges	-	-	-	-	-	1,151,434	293,472	61,057	102,953	56,858	8,479	1,674,253
Interfund loans	-	-	-	-	-	-	-	-	-	-	-	-
Total disbursements	355,770	48,759	163,548	79,577	13,853	1,151,434	293,472	61,057	102,953	56,858	8,479	13,049,278
Excess (deficiency) of receipts over disbursements	(204,542)	(7,991)	(22,919)	(79,577)	2,090	-	-	-	-	-	-	(337,122)
Other financing sources (uses)												
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-	-	-	1,221,476
Transfers out	-	-	-	-	-	-	-	-	-	-	-	(1,221,476)
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(204,542)	(7,991)	(22,919)	(79,577)	2,090	-	-	-	-	-	-	(337,122)
Cash and investments - ending	\$ (204,542)	\$ (7,991)	\$ (22,919)	\$ (79,577)	\$ 8,005	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,741,805

NORTHEAST SCHOOL CORPORATION
SCHEDULE OF PAYABLES AND RECEIVABLES
June 30, 2021

<u>Government or Enterprise</u>	<u>Accounts Payable</u>	<u>Accounts Receivable</u>
Governmental activities	\$ -	\$ 356,278

NORTHEAST SCHOOL CORPORATION
SCHEDULE OF LEASES AND DEBT
June 30, 2021

<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. 2013A	Energy Savings Contract	\$ 233,000	6/30/2014	7/15/2023
NE Sullivan Multi School Bldg. 2013B	Energy Savings Contract	235,500	7/15/2014	7/15/2023
NE Sullivan Multi School Bldg. 2017	NCHS Phase 1	158,500	7/15/2018	1/15/2031
NE Sullivan Multi School Bldg. 2018	Security & Priority 1 Projects	<u>289,000</u>	7/15/2019	1/15/2035
Total governmental activities		<u>916,000</u>		
Total of annual lease payments		<u>\$ 916,000</u>		

<u>Description of Debt</u>		<u>Ending Principal Balance</u>	<u>Principal and Interest Due Within One Year</u>
<u>Type</u>	<u>Purpose</u>		
Governmental activities:			
General Obligation Bonds	Pension Bonds	<u>\$ 1,805,000</u>	<u>\$ 1,901,113</u>
Totals		<u>\$ 1,805,000</u>	<u>\$ 1,901,113</u>

NORTHEAST SCHOOL CORPORATION
SCHEDULE OF CAPITAL ASSETS
June 30, 2021

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	\$ 22,017
Infrastructure	686,752
Buildings	11,813,200
Improvements other than buildings	1,378,407
Machinery, equipment, and vehicles	<u>1,790,147</u>
Total governmental activities	<u>15,690,523</u>
Total capital assets	<u>\$ 15,690,523</u>

NORTHEAST SCHOOL CORPORATION
STATE REPORTING INFORMATION (Unaudited)
July 1, 2019 - June 30, 2021

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, 2019 to June 30, 2021

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 06-30-20	Total Federal Awards Expended 06-30-21	Total Federal Awards Expended
<u>Department of Agriculture</u>						
Child Nutrition Cluster	Indiana Department of Education					
School Breakfast Program		10.553	FY2020	\$ 63,294	\$ -	\$ 63,294
National School Lunch Program		10.555	FY2020, FY2021	188,221	327,461	515,682
Commodities		10.555	FY2020, FY2021	<u>40,407</u>	<u>45,755</u>	<u>86,162</u>
Total - Child Nutrition Cluster				<u>291,922</u>	<u>373,216</u>	<u>665,138</u>
Total - Department of Agriculture				<u>291,922</u>	<u>373,216</u>	<u>665,138</u>
<u>Department of Education</u>						
Special Education Cluster (IDEA)						
Special Education Grants to States	Indiana Department of Education					
IDEA-Part B		84.027	18611-022-PN01	769	-	769
IDEA-Part B		84.027	19611-022-PN01	40,593	3,205	43,798
IDEA-Part B		84.027	20611-022-PN01	200,143	42,318	242,461
IDEA-Part B		84.027	21611-022-PN01	<u>-</u>	<u>201,310</u>	<u>201,310</u>
Total - Special Education Grants to States				<u>241,505</u>	<u>246,833</u>	<u>488,338</u>
Special Education - Preschool Grants	Indiana Department of Education					
IDEA-Preschool		84.173	20619-022-PN01	5,000	3,049	8,049
IDEA-Preschool		84.173	18619-022-PN01	606	-	606
IDEA-Preschool		84.173	19619-022-PN01	9,289	62	9,351
IDEA-Preschool		84.173	21619-022-PN01	<u>-</u>	<u>10,373</u>	<u>10,373</u>
Total - Special Education - Preschool Grants				<u>14,895</u>	<u>13,484</u>	<u>28,379</u>
Total - Special Education Cluster (IDEA)				<u>256,400</u>	<u>260,317</u>	<u>516,717</u>
Title I Grants to Local Educational Agencies	Indiana Department of Education					
Title I, Part A		84.010	S010A170014	30,464	-	30,464
Title I, Part A		84.010	S010A180014	156,882	3,483	160,365
Title I, Part A		84.010	S010A190014	72,385	147,958	220,343
Title I, Part A		84.010	S010A200014	<u>-</u>	<u>99,149</u>	<u>99,149</u>
Total - Title I Grants to Local Educational Agencies				<u>259,731</u>	<u>250,590</u>	<u>510,321</u>

(Continued)

NORTHEAST SCHOOL CORPORATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the period July 1, 2019 to June 30, 2021

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 06-30-20	Total Federal Awards Expended 06-30-21	Total Federal Awards Expended
Supporting Effective Instruction State Grants Title II, Part A Title II, Part A	Indiana Department of Education	84.367 84.367	S367A180013 S367A190013	\$ 28,271 -	\$ 5,869 28,257	\$ 34,140 28,257
Total - Supporting Effective Instruction State Grants				<u>28,271</u>	<u>34,126</u>	<u>62,397</u>
Student Support and Academic Enrichment Program Title IV, Part A Title IV, Part A	Indiana Department of Education	84.424 84.424	S424A180015 S424A190015	8,974 1,024	- 9,495	8,974 10,519
Total - Student Support and Academic Enrichment Program				<u>9,998</u>	<u>9,495</u>	<u>19,493</u>
COVID-19 Education Stabilization Fund Governor's Emergency Education Relief (GEER) Fund Elementary and Secondary School Emergency Relief (ESSER) Fund Elementary and Secondary School Emergency Relief (ESSER II) Fund	Indiana Department of Education	84.425C 84.425D 84.425D	S425C200018 S425D200013 S425D210013	- - -	40,768 140,629 151,228	40,768 140,629 151,228
Total - COVID-19 - Education Stabilization Fund				<u>-</u>	<u>332,625</u>	<u>332,625</u>
Total - Department of Education				<u>554,400</u>	<u>887,153</u>	<u>1,441,553</u>
<u>Department of Health and Human Services</u>						
Medicaid Cluster Medical Assistance Program	Indiana Department of Education	93.778	FY2020, FY2021	1,419	16,648	18,067
Total - Department of Health and Human Services				<u>1,419</u>	<u>16,648</u>	<u>18,067</u>
Total federal awards expended				<u>\$ 847,741</u>	<u>\$ 1,277,017</u>	<u>\$ 2,124,758</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, 2019 to June 30, 2021

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, 2019 to June 30, 2021. 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)

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 July 1, 2019 to June 30, 2021.

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, 2021 and for the period July 1, 2019 to June 30, 2021 and the related notes to the financial statement, which collectively comprise the School Corporation's financial statement, and have issued our report thereon dated February 16, 2023.

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) 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 a certain deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs as item 2021-001 that we consider to be a material weakness.

(Continued)

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*.

Management's Response to Finding

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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
February 16, 2023

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

We have audited Northeast School Corporation (the School Corporation) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the School Corporation's major federal programs for the period July 1, 2019 to June 30, 2021. 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 its major federal programs for the period July 1, 2019 to June 30, 2021.

(Continued)

Report on Internal Control Over Compliance

Management of the School Corporation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School Corporation's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an 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 combination of deficiencies, in internal control over compliance, such that there is 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 deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2021-004 to be a 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 deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2021-002 and 2021-003 to be significant deficiencies.

The School Corporation's response to the internal control over compliance finding identified in our audit is described in the accompanying *schedule of findings and questioned costs*. 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.


Crowe LLP

Indianapolis, Indiana
February 16, 2023

NORTHEAST SCHOOL CORPORATION
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 July 1, 2019 to June 30, 2021

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	_____	No
Significant deficiencies identified not considered to be material weaknesses?	_____	Yes	<u> X </u>	None Reported

Noncompliance material to financial statement noted?	_____	Yes	<u> X </u>	No
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Federal Awards

Internal control over major programs:

Material weakness(es) identified?	<u> X </u>	Yes	_____	No
Significant deficiencies identified not considered to be material weaknesses?	<u> X </u>	Yes	_____	None Reported

Type of auditor’s report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2CFR 200.516(a)?	_____	Yes	<u> X </u>	No
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Identification of major programs:

<u>Assistance Listing Number</u>	<u>Name of Federal Program or Cluster</u>
10.553, 10.555	Child Nutrition Cluster
84.425C, 84.425D	COVID-19 – Education Stabilization Fund

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

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

NORTHEAST SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
July 1, 2019 to June 30, 2021

Section II – Financial Statement Findings

FINDING 2021-001

Subject: Preparation of the Schedule of Expenditures of Federal Awards
Audit Finding: 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. . . ."

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.

(Continued)

NORTHEAST SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
July 1, 2019 to June 30, 2021

Section II – Financial Statement Findings (Continued)

FINDING 2021-001 (Continued)

(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 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).

Cause: Management had not established an effective 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 ineffective 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.

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

Repeat Finding: No.

Recommendation: We recommended that the School Corporation's management establish a formal review over the SEFA to ensure amounts reported are accurate and complete.

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

(Continued)

NORTHEAST SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
July 1, 2019 to June 30, 2021

Section III – Federal Award Findings and Questioned Costs

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

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). . . ."

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.

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 establish an effective internal control system placed the School Corporation at risk of noncompliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system could have also allowed noncompliance with the compliance requirements and allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the programs.

Questioned Costs: There were no questioned costs identified.

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.

Identification as a repeat finding, if applicable: No.

(Continued)

NORTHEAST SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
July 1, 2019 to June 30, 2021

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

FINDING 2021-002 (Continued)

Recommendation: We recommended that the School Corporation's management establish a system of internal controls related to ensure proper segregation of duties exist to maintain compliance with Child Nutrition Cluster requirements. We recommend a secondary, documented review be performed on all eligibility determinations made.

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

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

Pass-Through Entity: Indiana Department of Education

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

Audit Finding: Significant Deficiency

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). . . ."

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.

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 establish an effective internal control system placed the School Corporation at risk of noncompliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system could have also allowed noncompliance with the compliance requirements and allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the programs.

Questioned Costs: There are questions costs identified in the amount of \$5,824.

(Continued)

NORTHEAST SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
July 1, 2019 to June 30, 2021

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

FINDING 2021-003 (Continued)

Context:

Activities Allowed or Unallowed, Allowable Costs – Costs Principles: During our testing, it was noted that one of the 17 expenditures sampled was not supported by documentation nor was there documentation of the board's approval.

Identification as a repeat finding, if applicable: No.

Recommendation: We recommended that the School Corporation's management establish a system of internal controls related to ensure proper segregation of duties exist to maintain compliance with COVID-19 Education Stabilization Fund requirements. We recommend all supporting documentation be maintained for the expenditures.

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

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

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.

(Continued)

NORTHEAST SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
July 1, 2019 to June 30, 2021

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

FINDING 2021-004 (Continued)

Effect: The Annual Data Report required to be submitted during fiscal year 2021 was not submitted.

Questioned Costs: There were no questioned costs identified.

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.

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.

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, 2021

FINDING 2021-001

Subject: Preparation of the Schedule of Expenditures of Federal Awards

Audit Finding: 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.

Views of responsible officials and planned corrective action: Management agrees with the finding and will take the following actions... *Treasurer will have the Superintendent review the SEFA before submitting to Gateway.*

Responsible party and timeline for completion:

Mark A Baker, Superintendent

Angel Riley, Treasurer

Effective for the 2022-23 school year

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.

Views of responsible officials and planned corrective action: Management agrees with the finding and will take the following actions...*The corporation treasurer will be responsible for reviewing all eligibility determinations made.*

Responsible party and timeline for completion:

Angel Riley, Treasurer
Effective for the 2022-23 school year

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.

Views of responsible officials and planned corrective action: Management agrees with the finding and will take the following actions...*Will retain supporting documentation for all future expenses.*

Responsible party and timeline for completion:

*Angel Riley, Treasurer
Effective for the 2022-23 school year*

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.

Views of responsible officials and planned corrective action: Management agrees with the finding and will take the following actions...*Will submit future reports in a timely manner.*

Responsible party and timeline for completion:

*Angel Riley, Treasurer
Effective for the 2022-23 school year*