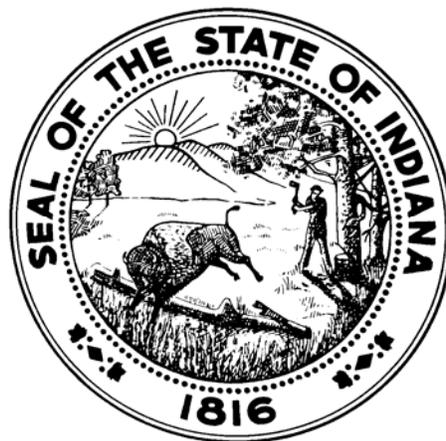


STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

EXAMINATION REPORT
OF
EASTERN HOWARD SCHOOL CORPORATION
HOWARD COUNTY, INDIANA
July 1, 2004 to June 30, 2006



FILED
01/10/2007

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Teresa Vester	07-01-04 to 06-30-07
Superintendent of Schools	Dr. Stephen C. Healy	07-01-04 to 06-30-07
President of the School Board	Mark Lantz William Heck	07-01-04 to 06-30-05 07-01-05 to 06-30-07



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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF EASTERN HOWARD SCHOOL CORPORATION, HOWARD COUNTY, INDIANA

We have examined the financial information presented herein of Eastern Howard School Corporation (School Corporation), for the period of July 1, 2004 to June 30, 2006. The School Corporation's management is responsible for the financial information presented herein. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the financial information presented herein and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the financial information referred to above presents fairly, in all material respects, the financial information of the School Corporation for the years ended June 30, 2005 and 2006, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

STATE BOARD OF ACCOUNTS

November 15, 2006

EASTERN HOWARD SCHOOL CORPORATION
STATEMENT OF CASH AND INVESTMENTS
June 30, 2005

<u>Assets</u>	<u>Governmental Activities</u>
Current assets:	
Cash and investments	\$ 3,078,321
Restricted assets:	
Cash and investments	<u>1,202,333</u>
Total assets	<u>\$ 4,280,654</u>
 <u>Net Assets</u>	
Restricted for:	
Debt service	\$ 1,202,333
Unrestricted	<u>3,078,321</u>
Total net assets	<u>\$ 4,280,654</u>

The accompanying notes are an integral part of the financial statements.

EASTERN HOWARD SCHOOL CORPORATION
 STATEMENT OF CASH AND INVESTMENTS
 June 30, 2006

<u>Assets</u>	<u>Governmental Activities</u>
Current assets:	
Cash and investments	\$ 2,799,635
Restricted assets:	
Cash and investments	<u>1,150,023</u>
Total assets	<u>\$ 3,949,658</u>
 <u>Net Assets</u>	
Restricted for:	
Debt service	\$ 1,150,023
Unrestricted	<u>2,799,635</u>
Total net assets	<u>\$ 3,949,658</u>

The accompanying notes are an integral part of the financial statements.

EASTERN HOWARD SCHOOL CORPORATION
STATEMENT OF CASH ACTIVITIES
For the Year Ended June 30, 2005

Functions/Programs	Disbursements	Program Receipts		Net (Disbursement) Receipts
		Charges for Services	Operating Grants and Contributions	Total
Governmental activities:				
Instruction	\$ 4,127,783	\$ -	\$ 40,539	\$ (4,087,244)
Support services	5,708,323	454,156	67,232	(5,186,935)
Community services	175,506	-	-	(175,506)
Nonprogrammed charges	86,745	-	-	(86,745)
Debt service	2,184,348	-	-	(2,184,348)
Total governmental activities	\$ 12,282,705	\$ 454,156	\$ 107,771	(11,720,778)
General receipts:				
Property taxes				5,302,092
Other local sources				983,672
State aid				5,349,303
Grants and contributions not restricted				161,963
Bonds and loans				401,570
Sale of property, adjustments, and refunds				81,690
Investment earnings				41,652
Total general receipts				12,321,942
Change in cash and investments				601,164
Net assets - beginning				3,679,490
Net assets - ending				\$ 4,280,654

The accompanying notes are an integral part of the financial statements.

EASTERN HOWARD SCHOOL CORPORATION
STATEMENT OF CASH ACTIVITIES
For the Year Ended June 30, 2006

Functions/Programs	Disbursements	Program Receipts		Net (Disbursement) Receipts
		Charges for Services	Operating Grants and Contributions	Total
Governmental activities:				
Instruction	\$ 4,318,282	\$ -	\$ 36,743	\$ (4,281,539)
Support services	5,544,962	441,339	93,209	(5,010,414)
Community services	172,586	-	-	(172,586)
Nonprogrammed charges	111,909	-	-	(111,909)
Debt service	2,844,015	-	-	(2,844,015)
Total governmental activities	\$ 12,991,754	\$ 441,339	\$ 129,952	(12,420,463)
General receipts:				
Property taxes				5,393,405
Other local sources				911,308
State aid				5,375,125
Grants and contributions not restricted				202,727
Bonds and loans				63,757
Sale of property, adjustments, and refunds				44,803
Investment earnings				98,337
Total general receipts				12,089,462
Change in cash and investments				(331,001)
Net assets - beginning				4,280,654
Net assets - ending				\$ 3,949,653

The accompanying notes are an integral part of the financial statements.

EASTERN HOWARD SCHOOL CORPORATION
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
GOVERNMENTAL FUNDS
For The Year Ended June 30, 2005

	General	Transportation Operating	Operating	Debt Service	Capital Projects	School Bus Replacement	Other	Totals
Receipts:								
Local sources	\$ 2,548,149	\$ 535,611	\$ -	\$ 2,363,261	\$ 734,127	\$ 37,866	\$ 561,923	\$ 6,780,937
Intermediate sources	240	-	-	-	-	-	394	634
State sources	5,361,515	-	-	-	-	-	62,921	5,424,436
Federal sources	831	-	-	-	-	-	193,770	194,601
Bonds and loans	360,014	-	-	38,795	-	-	2,761	401,570
Sale of property, adjustments and refunds	74,661	841	-	5,000	65	-	1,124	81,691
Intergovernmental transfers	14,738	3,601	150,000	-	-	-	91,341	259,680
Total receipts	8,360,148	540,053	150,000	2,407,056	734,192	37,866	914,234	13,143,549
Disbursements:								
Current:								
Instruction	3,966,472	-	-	-	-	-	161,311	4,127,783
Support services	3,605,373	455,109	-	-	1,057,016	-	590,825	5,708,323
Community services	175,313	-	-	-	-	-	193	175,506
Nonprogrammed charges	118,927	158,140	-	35,956	11,354	575	21,473	346,425
Debt services	607,374	-	-	1,527,184	-	-	49,790	2,184,348
Total disbursements	8,473,459	613,249	-	1,563,140	1,068,370	575	823,592	12,542,385
Excess (deficiency) of total receipts over (under) total disbursements	(113,311)	(73,196)	150,000	843,916	(334,178)	37,291	90,642	601,164
Cash and investments - beginning	1,366,964	403,408	600,000	309,721	749,679	9,425	240,293	3,679,490
Cash and investments - ending	<u>\$ 1,253,653</u>	<u>\$ 330,212</u>	<u>\$ 750,000</u>	<u>\$ 1,153,637</u>	<u>\$ 415,501</u>	<u>\$ 46,716</u>	<u>\$ 330,935</u>	<u>\$ 4,280,654</u>

The accompanying notes are an integral part of the financial statements.

EASTERN HOWARD SCHOOL CORPORATION
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
GOVERNMENTAL FUNDS
For The Year Ended June 30, 2006

	General	Transportation Operating	Operating	Debt Service	Capital Projects	School Bus Replacement	Other	Totals
Receipts:								
Local sources	\$ 2,616,929	\$ 537,187	\$ -	\$ 2,311,596	\$ 789,966	\$ 38,094	\$ 549,891	\$ 6,843,663
Intermediate sources	240	-	-	-	-	-	488	728
State sources	5,383,892	-	-	-	-	-	64,482	5,448,374
Federal sources	1,067	-	-	-	-	-	258,362	259,429
Bonds and loans	-	-	-	30,169	-	-	33,588	63,757
Sale of property, adjustments and refunds	26,303	3,493	-	6,872	432	-	7,702	44,802
Intergovernmental transfers	73,102	-	150,000	-	-	-	43,773	266,875
Total receipts	8,101,533	540,680	150,000	2,348,637	790,398	38,094	958,286	12,927,628
Disbursements:								
Current:								
Instruction	4,132,646	-	-	-	-	-	185,636	4,318,282
Support services	3,509,942	509,064	-	-	855,283	-	670,673	5,544,962
Community services	171,448	-	-	-	-	-	1,138	172,586
Nonprogrammed charges	128,979	153,801	-	16,773	5,116	268	73,847	378,784
Debt services	360,014	-	-	2,382,511	-	-	101,490	2,844,015
Total disbursements	8,303,029	662,865	-	2,399,284	860,399	268	1,032,784	13,258,629
Excess (deficiency) of total receipts over (under) total disbursements	(201,496)	(122,185)	150,000	(50,647)	(70,001)	37,826	(74,498)	(331,001)
Cash and investments - beginning	1,253,653	330,212	750,000	1,153,637	415,501	46,716	330,935	4,280,654
Cash and investments - ending	<u>\$ 1,052,157</u>	<u>\$ 208,027</u>	<u>\$ 900,000</u>	<u>\$ 1,102,990</u>	<u>\$ 345,500</u>	<u>\$ 84,542</u>	<u>\$ 256,437</u>	<u>\$ 3,949,653</u>

The accompanying notes are an integral part of the financial statements.

EASTERN HOWARD SCHOOL CORPORATION
STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH AND INVESTMENTS
FIDUCIARY FUNDS
For The Year Ended June 30, 2005

	Pension Trust Funds	Private-Purpose Trust Funds
Additions:		
Local sources	\$ 2,636	\$ 250
Deductions:		
Support services	137,658	-
Excess (deficiency) of total additions over (under) total deductions	(135,022)	250
Cash and investments - beginning	283,021	-
Cash and investments - ending	\$ 147,999	\$ 250

The accompanying notes are an integral part of the financial statements.

EASTERN HOWARD SCHOOL CORPORATION
STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH AND INVESTMENTS
FIDUCIARY FUNDS
For The Year Ended June 30, 2006

	Pension Trust Funds	Private-Purpose Trust Funds
Additions:		
Local sources	\$ 4,731	\$ 2,524
Sale of property, adjustments and refunds	2,724	-
Total additions	7,455	2,524
Deductions:		
Support services	12,478	996
Excess (deficiency) of total additions over (under) total deductions	(5,023)	1,528
Cash and investments - beginning	147,999	250
Cash and investments - ending	\$ 142,976	\$ 1,778

The accompanying notes are an integral part of the financial statements.

EASTERN HOWARD SCHOOL CORPORATION
 STATEMENT OF CASH AND INVESTMENTS
 FIDUCIARY FUNDS
 June 30, 2005

<u>Assets</u>	<u>Pension Trust Funds</u>	<u>Private-Purpose Trust Funds</u>	<u>Agency Funds</u>
Cash and investments	\$ 147,999	\$ 250	\$ 39,336
<u>Net Assets</u>			
Held in trust for employee benefits and other purposes	\$ 147,999	\$ 250	

The accompanying notes are an integral part of the financial statements.

EASTERN HOWARD SCHOOL CORPORATION
 STATEMENT OF CASH AND INVESTMENTS
 FIDUCIARY FUNDS
 June 30, 2006

<u>Assets</u>	<u>Pension Trust Funds</u>	<u>Private-Purpose Trust Funds</u>	<u>Agency Funds</u>
Cash and investments	\$ 142,976	\$ 1,778	\$ 63,386
<u>Net Assets</u>			
Held in trust for employee benefits and other purposes	\$ 142,976	\$ 1,778	

The accompanying notes are an integral part of the financial statements.

EASTERN HOWARD SCHOOL CORPORATION
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

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

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

Note 2. Fund Accounting

The School Corporation uses funds to report on its cash and investments and the results of its operations on a cash basis. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities.

Note 3. Budgets

The operating budget is initially prepared and approved at the local level. In addition, funds for which property taxes are levied are subject to final approval by the Indiana Department of Local Government Finance.

Note 4. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the School Corporation in June and December. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100% of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which become delinquent if not paid by May 10 and November 10, respectively. All property taxes collected by the County Treasurer and available for distribution were distributed to the School Corporation on or prior to June 30 of the year collected.

Note 5. Deposits and Investments

Deposits, made in accordance with Indiana Code 5-13, with financial institutions in the State of Indiana at year end were 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 statute (IC 5-13-9) authorizes the School Corporation to invest in securities including, but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

EASTERN HOWARD SCHOOL CORPORATION
NOTES TO FINANCIAL INFORMATION
(Continued)

Note 6. Pension Plans

Public Employees' Retirement Fund

Plan Description

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

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

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

Funding Policy and Annual Pension Cost

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

Teacher's Retirement Fund

Plan Description

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

EASTERN HOWARD SCHOOL CORPORATION
NOTES TO FINANCIAL INFORMATION
(Continued)

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

Teacher's Retirement Fund
150 West Market Street
Indianapolis, IN 46204
Ph. (317) 232-3860

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.

EASTERN HOWARD SCHOOL CORPORATION
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS

Public Employees' Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Excess of Assets Over (Unfunded) AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Excess (Unfunded) AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-03	\$ 834,878	\$ 635,010	\$ 199,868	131%	\$ 674,323	30%
07-01-04	839,062	712,727	126,335	118%	696,794	18%
07-01-05	860,856	869,425	(8,569)	99%	789,261	(1%)

EASTERN HOWARD SCHOOL CORPORATION
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS
 June 30, 2006

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

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 1,697,020
Buildings	30,327,952
Improvements other than buildings	1,497,030
Machinery and equipment	<u>2,184,402</u>
 Total governmental activities, capital assets not being depreciated	 \$ <u><u>35,706,404</u></u>

EASTERN HOWARD SCHOOL CORPORATION
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 June 30, 2006

The School Corporation has entered into the following capital leases and long-term debt:

Description of Debt	Ending Balance	Due Within One Year
Governmental Activities:		
Capital Leases:		
2003 Refunded Multi-School Lease	\$ 3,360,000	\$ 380,000
2002 Refunded Multi-School Lease	1,764,875	310,000
1999 3rd Millennium Lease	14,915,000	1,503,000
Dell Computer Lease	24,792	24,792
Common School Loan	49,028	26,528
Bonds Payable:		
General Obligations Bond:		
Pension Obligation Bond	1,045,000	40,000
Total governmental activities long-term debt	<u>\$ 21,158,695</u>	<u>\$ 2,284,320</u>

EASTERN HOWARD SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on November 15, 2006, with Teresa Vester, Treasurer. Our examination disclosed no material items that warrant comment at this time.