

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

AUDIT REPORT

OF

EASTBROOK COMMUNITY SCHOOL CORPORATION

GRANT COUNTY, INDIANA

July 1, 2006 to June 30, 2008



FILED

04/09/2009

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Linda J. Embry	07-01-06 to 06-30-09
Superintendent of Schools	Jerry L. Harshman	07-01-06 to 06-30-09
President of the School Board	Dale Beck Lisa E. Koontz	07-01-06 to 06-30-07 07-01-07 to 06-30-09



STATE OF INDIANA
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INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

TO: THE OFFICIALS OF EASTBROOK COMMUNITY SCHOOL
CORPORATION, GRANT COUNTY, INDIANA

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Eastbrook Community School Corporation (School Corporation), as of and for the years ended June 30, 2007 and 2008, which collectively comprise the School Corporation's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the School Corporation's management. Our responsibility is to express opinions on these financial statements 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 statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note I, the School Corporation prepares its financial statements on the prescribed basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash and investment balances of the governmental activities, each major fund, and the aggregate remaining fund information of the School Corporation as of June 30, 2007 and 2008, and the respective cash receipts and cash disbursements during the years then ended on the basis of accounting described in Note I.

In accordance with Government Auditing Standards, we have also issued a report dated March 18, 2009, on our consideration of the School Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(Continued)

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School Corporation's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The Schedule of Funding Progress, as listed in the Table of Contents, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The School Corporation has not presented Management's Discussion and Analysis or Budgetary Comparison Schedules that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School Corporation's basic financial statements. The Combining Schedules, as listed in the Table of Contents, Schedule of Capital Assets and Schedule of Long-Term Debt are presented for additional analysis and are not required parts of the basic financial statements. The Combining Schedules, as listed in the Table of Contents, have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Schedule of Capital Assets and Schedule of Long-Term Debt have not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

March 18, 2009



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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

TO: THE OFFICIALS OF EASTBROOK COMMUNITY SCHOOL
CORPORATION, GRANT COUNTY, INDIANA

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Eastbrook Community School Corporation (School Corporation), as of and for the years ended June 30, 2007 and 2008, which collectively comprise the School Corporation's basic financial statements and have issued our report thereon dated March 18, 2009. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School Corporation's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School Corporation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School Corporation's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be significant deficiencies or material weaknesses, as defined above.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS
(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the School Corporation's management, school board, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

March 18, 2009

EASTBROOK COMMUNITY SCHOOL CORPORATION
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For the Year Ended June 30, 2007

<u>Functions/Programs</u>	<u>Disbursements</u>	<u>Program Receipts</u>		<u>Totals</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
Governmental activities:				Net (Disbursements) Receipts and Changes in Net Assets
Instruction	\$ 7,350,762	\$ -	\$ 137,595	\$ (7,213,167)
Support services	4,868,572	363,195	466,547	(4,038,830)
Community services	163,677	-	-	(163,677)
Nonprogrammed charges	463,290	-	-	(463,290)
Debt service	<u>1,574,047</u>	<u>-</u>	<u>-</u>	<u>(1,574,047)</u>
Total governmental activities	<u>\$ 14,420,348</u>	<u>\$ 363,195</u>	<u>\$ 604,142</u>	<u>(13,453,011)</u>
General receipts:				
Property taxes				2,853,211
Other local sources				630,770
State aid				6,930,716
Bonds and loans				926,235
Grants and contributions not restricted to specific programs				857,618
Sale of property, adjustments, and refunds				1,105
Investment earnings				<u>55,954</u>
Total general receipts				<u>12,255,609</u>
Change in net assets				(1,197,402)
Net assets - beginning				<u>2,237,197</u>
Net assets - ending				<u>\$ 1,039,795</u>
<u>Assets</u>				
Cash and investments				\$ 980,799
Restricted assets:				
Cash and investments				<u>58,996</u>
Total assets				<u>\$ 1,039,795</u>
<u>Net Assets</u>				
Restricted for:				
Debt service				\$ 58,996
Unrestricted				<u>980,799</u>
Total net assets				<u>\$ 1,039,795</u>

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

EASTBROOK COMMUNITY SCHOOL CORPORATION
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For the Year Ended June 30, 2008

<u>Functions/Programs</u>	<u>Disbursements</u>	<u>Program Receipts</u>		<u>Totals</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
Governmental activities:				Net (Disbursements) Receipts and Changes in Net Assets
Instruction	\$ 6,531,560	\$ -	\$ 171,810	\$ (6,359,750)
Support services	6,736,135	416,592	472,864	(5,846,679)
Community services	147,717	-	-	(147,717)
Nonprogrammed charges	251,172	-	-	(251,172)
Debt service	<u>4,403,946</u>	<u>-</u>	<u>-</u>	<u>(4,403,946)</u>
Total governmental activities	<u>\$ 18,070,530</u>	<u>\$ 416,592</u>	<u>\$ 644,674</u>	<u>(17,009,264)</u>
General receipts:				
Property taxes				4,807,322
Other local sources				916,123
State aid				6,776,736
Bonds and loans				3,858,356
Grants and contributions not restricted to specific programs				788,953
Sale of property, adjustments, and refunds				3,072
Investment earnings				<u>42,297</u>
Total general receipts				<u>17,192,859</u>
Change in net assets				183,595
Net assets - beginning				<u>1,039,795</u>
Net assets - ending				<u>\$ 1,223,390</u>
<u>Assets</u>				
Cash and investments				\$ 1,042,479
Restricted assets:				
Cash and investments				<u>180,911</u>
Total assets				<u>\$ 1,223,390</u>
<u>Net Assets</u>				
Restricted for:				
Debt service				\$ 180,911
Unrestricted				<u>1,042,479</u>
Total net assets				<u>\$ 1,223,390</u>

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

EASTBROOK COMMUNITY SCHOOL CORPORATION
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2007

	General	Transportation Operating	Textbook Rental	Debt Service	Capital Projects	School Bus Replacement	Other	Totals
Receipts:								
Local sources	\$ 1,580,705	\$ 318,713	\$ 144,214	\$ 907,096	\$ 438,653	\$ 43,606	\$ 468,811	\$ 3,901,798
Intermediate sources	319	-	-	-	-	-	1,013	1,332
State sources	7,492,567	-	-	-	-	-	143,750	7,636,317
Federal sources	-	-	-	-	-	-	756,159	756,159
Bonds and loans	496,214	147,925	-	182,896	30,863	68,337	-	926,235
Sale of property, adjustments and refunds	408	-	-	-	-	-	697	1,105
Total receipts	9,570,213	466,638	144,214	1,089,992	469,516	111,943	1,370,430	13,222,946
Disbursements:								
Current:								
Instruction	6,898,455	-	-	-	-	-	452,307	7,350,762
Support services	2,702,884	497,483	116,591	-	704,588	138,477	708,549	4,868,572
Community services	162,749	-	-	-	-	-	928	163,677
Nonprogrammed charges	438,077	-	-	-	-	-	25,213	463,290
Debt services	-	331	-	1,214,099	-	-	359,617	1,574,047
Total disbursements	10,202,165	497,814	116,591	1,214,099	704,588	138,477	1,546,614	14,420,348
Excess (deficiency) of receipts over disbursements	(631,952)	(31,176)	27,623	(124,107)	(235,072)	(26,534)	(176,184)	(1,197,402)
Other financing sources (uses):								
Transfers in	16,654	3,140	-	9,206	6,806	83	63,870	99,759
Transfers out	(16,654)	(3,140)	-	(9,206)	(6,806)	(83)	(63,870)	(99,759)
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(631,952)	(31,176)	27,623	(124,107)	(235,072)	(26,534)	(176,184)	(1,197,402)
Cash and investments - beginning	1,306,397	1,472	111,164	160,365	143,390	103,320	411,089	2,237,197
Cash and investments - ending	\$ 674,445	\$ (29,704)	\$ 138,787	\$ 36,258	\$ (91,682)	\$ 76,786	\$ 234,905	\$ 1,039,795
Cash and Investment Assets - Ending								
Cash and investments	\$ 674,445	\$ (29,704)	\$ 138,787	\$ -	\$ (91,682)	\$ 76,786	\$ 212,167	\$ 980,799
Restricted assets:								
Cash and investments	-	-	-	36,258	-	-	22,738	58,996
Total cash and investment assets - ending	\$ 674,445	\$ (29,704)	\$ 138,787	\$ 36,258	\$ (91,682)	\$ 76,786	\$ 234,905	\$ 1,039,795
Cash and Investment Fund Balance - Ending								
Restricted for:								
Debt service	\$ -	\$ -	\$ -	\$ 36,258	\$ -	\$ -	\$ 22,738	\$ 58,996
Unrestricted	674,445	(29,704)	138,787	-	(91,682)	76,786	212,167	980,799
Total cash and investment fund balance - ending	\$ 674,445	\$ (29,704)	\$ 138,787	\$ 36,258	\$ (91,682)	\$ 76,786	\$ 234,905	\$ 1,039,795

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

EASTBROOK COMMUNITY SCHOOL CORPORATION
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2008

	General	Transportation Operating	Textbook Rental	Debt Service	Capital Projects	School Bus Replacement	Other	Totals
Receipts:								
Local sources	\$ 2,573,764	\$ 612,493	\$ 157,883	\$ 1,422,704	\$ 775,520	\$ 164,653	\$ 474,131	\$ 6,181,148
Intermediate sources	319	-	-	-	-	-	863	1,182
State sources	7,314,515	-	-	-	-	-	88,754	7,403,269
Federal sources	4,179	-	-	-	-	-	802,919	807,098
Bonds and loans	2,070,765	570,828	-	-	916,461	205,048	95,254	3,858,356
Sale of property, adjustments and refunds	338	851	-	-	1,839	-	44	3,072
Total receipts	11,963,880	1,184,172	157,883	1,422,704	1,693,820	369,701	1,461,965	18,254,125
Disbursements:								
Current:								
Instruction	6,019,718	-	-	-	-	-	511,842	6,531,560
Support services	3,727,253	629,828	135,642	-	1,110,195	289,834	843,383	6,736,135
Community services	145,998	-	-	-	-	-	1,719	147,717
Nonprogrammed charges	251,172	-	-	-	-	-	-	251,172
Debt services	1,859,427	442,311	-	1,283,070	467,028	167,034	185,076	4,403,946
Total disbursements	12,003,568	1,072,139	135,642	1,283,070	1,577,223	456,868	1,542,020	18,070,530
Excess (deficiency) of receipts over disbursements	(39,688)	112,033	22,241	139,634	116,597	(87,167)	(80,055)	183,595
Other financing sources (uses):								
Transfers in	-	23,749	-	-	-	-	25,350	49,099
Transfers out	-	-	-	-	-	-	(49,099)	(49,099)
Total other financing sources (uses)	-	23,749	-	-	-	-	(23,749)	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(39,688)	135,782	22,241	139,634	116,597	(87,167)	(103,804)	183,595
Cash and investments - beginning	674,445	(29,704)	138,787	36,258	(91,682)	76,786	234,905	1,039,795
Cash and investments - ending	\$ 634,757	\$ 106,078	\$ 161,028	\$ 175,892	\$ 24,915	\$ (10,381)	\$ 131,101	\$ 1,223,390
Cash and Investment Assets - Ending								
Cash and investments	\$ 634,757	\$ 106,078	\$ 161,028	\$ -	\$ 24,915	\$ (10,381)	\$ 126,082	\$ 1,042,479
Restricted assets:								
Cash and investments	-	-	-	175,892	-	-	5,019	180,911
Total cash and investment assets - ending	\$ 634,757	\$ 106,078	\$ 161,028	\$ 175,892	\$ 24,915	\$ (10,381)	\$ 131,101	\$ 1,223,390
Cash and Investment Fund Balance - Ending								
Restricted for:								
Debt service	\$ -	\$ -	\$ -	\$ 175,892	\$ -	\$ -	\$ 5,019	\$ 180,911
Unrestricted	634,757	106,078	161,028	-	24,915	(10,381)	126,082	1,042,479
Total cash and investment fund balance - ending	\$ 634,757	\$ 106,078	\$ 161,028	\$ 175,892	\$ 24,915	\$ (10,381)	\$ 131,101	\$ 1,223,390

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

EASTBROOK COMMUNITY SCHOOL CORPORATION
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
FIDUCIARY FUNDS
For the Year Ended June 30, 2007

	<u>Pension Trust Funds</u>	<u>Private-Purpose Trust Funds</u>
Additions:		
Contributions:		
Other	\$ -	\$ 412,597
Deductions:		
Benefits	67,853	-
Administrative and general	<u>-</u>	<u>153,114</u>
Total deductions	<u>67,853</u>	<u>153,114</u>
Excess (deficiency) of total additions over total deductions	(67,853)	259,483
Cash and investment fund balance - beginning	<u>245,516</u>	<u>34,405</u>
Cash and investment fund balance - ending	<u>\$ 177,663</u>	<u>\$ 293,888</u>
Net assets:		
Cash and investments	<u>\$ 177,663</u>	<u>\$ 293,888</u>
Total net assets - cash and investment basis held in trust	<u>\$ 177,663</u>	<u>\$ 293,888</u>

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

EASTBROOK COMMUNITY SCHOOL CORPORATION
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
FIDUCIARY FUNDS
For the Year Ended June 30, 2008

	<u>Pension Trust Funds</u>	<u>Private-Purpose Trust Funds</u>
Additions:		
Contributions:		
Other	\$ -	\$ 7,328
Deductions:		
Benefits	60,754	-
Administrative and general	<u>-</u>	<u>213,259</u>
Total deductions	<u>60,754</u>	<u>213,259</u>
Deficiency of total additions over total deductions	(60,754)	(205,931)
Cash and investment fund balance - beginning	<u>177,663</u>	<u>293,888</u>
Cash and investment fund balance - ending	<u>\$ 116,909</u>	<u>\$ 87,957</u>
Net assets:		
Cash and investments	<u>\$ 116,909</u>	<u>\$ 87,957</u>
Total net assets - cash and investment basis held in trust	<u>\$ 116,909</u>	<u>\$ 87,957</u>

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

EASTBROOK COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

The School Corporation's financial reporting entity is composed of the School Corporation (primary government).

In determining the financial reporting entity, the School Corporation complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*.

Joint Venture

The School Corporation is a participant with Madison-Grant United School Corporation, Marion Community Schools, Mississinewa Community School Corporation and Oak Hill United School Corporation in a joint venture to operate Grant County Special Services Cooperative which was created to provide instruction for children with special needs. The Cooperative's continued existence depends on continued funding by the participating School Corporations. Complete financial statements for the Cooperative can be obtained from the Cooperative's administrative offices at 424 E. South A Street, Gas City, Indiana, 46933.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The Statement of Activities and Net Assets – Cash and Investment Basis displays information about the reporting government as a whole. It includes all funds of the reporting entity except for fiduciary funds. The statement distinguishes between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The School Corporation does not have any business-type activities.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. However, at this time, the School Corporation has not established any enterprise funds.

EASTBROOK COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

The School Corporation reports the following major governmental funds:

The general fund is the primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The transportation operating fund accounts for financial resources for the transportation of school children to and from school.

The textbook rental fund accounts for financial resources for the purchase and rental of textbooks to school children.

The debt service fund accounts for debt from funds borrowed or advanced for the purchase or lease of school buildings, school buses, judgments against the corporation, equipment or capital construction, and interest on emergency and temporary loans.

The capital projects fund accounts for planned construction, repair, replacement or remodeling; and the purchase, lease, upgrade, maintenance, or repair of computer equipment.

The school bus replacement fund is used to account for receipts and disbursements concerning the acquisition and disposal of school buses.

Additionally, the School Corporation reports the following fund types:

The pension trust fund accounts for the activities of the retirement/severance bond issue which accumulate resources for pension benefit payments.

The private-purpose trust fund reports a trust arrangement under which principal and income benefit the eligible students.

C. Measurement Focus and Basis of Accounting

The government-wide, governmental fund, and fiduciary fund financial statements are reported using the basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recorded when received and disbursements are recorded when paid.

The cash and investment basis of accounting differs from accounting principles generally accepted in the United States of America in that receipts are recognized when received in cash rather than when earned and disbursements are recognized when paid rather than when a liability is incurred. Investment transactions are not presented on the financial statements.

If the School Corporation utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

EASTBROOK COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Goods or services from such activities are provided to people outside the government (enterprise funds) or other departments or agencies primarily within the government (internal service funds). The School Corporation does not have any proprietary funds.

When both restricted and unrestricted resources are available for use, the School Corporation's policy is to use restricted resources first, then unrestricted resources as they are needed.

D. Assets and Cash and Investment Balances

1. Cash and Investments

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

2. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the School Corporation in June and in 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.

3. Capital Assets

Capital assets arising from cash transactions acquired for use in governmental fund operations are accounted for as capital outlay disbursements of the fund upon acquisition.

4. Long-Term Debt

Long-term debt arising from cash basis transactions of governmental funds is not reported as liabilities in the basic financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as disbursements.

5. Equity Classification

Government-Wide Statements

Equity is classified as net assets and displayed in two components:

- a. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or (2) law through constitutional provisions or enabling legislation.

EASTBROOK COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

- b. Unrestricted net assets – All other net assets that do not meet the definition of "restricted."

It is the School Corporation's policy to first use restricted net assets prior to the use of unrestricted net assets when a disbursement is incurred for purposes for which both restricted and unrestricted net assets are available.

Fund Financial Statements

Governmental fund equity is classified as fund balance.

E. Receipts

Program Receipts

Amounts reported as program receipts include (1) charges to customers or applicants for goods, services, or privileges provided, and (2) operating grants and contributions. Internally dedicated resources are reported as general receipts rather than as program receipts. Likewise, general receipts include all taxes.

F. Internal and Interfund Balances and Activities

In the process of aggregating the financial information for the government-wide Statement of Activities and Net Assets – Cash and Investment Basis, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified.

Fund Financial Statements

1. Interfund services – Sales or purchases of goods and services between funds are reported as receipts and disbursements.
2. Interfund reimbursements – Repayments from funds responsible for certain disbursements to the funds that initially paid for them are reported as reimbursements.
3. Interfund transfers – Flow of assets from one fund to another where repayment is not expected is reported as transfers in and out.

Government-Wide Financial Statements

Interfund activity and balances, if any, are eliminated or reclassified in the government-wide financial statements. Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis. The effects of interfund services between funds, if any, are not eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis.

II. Stewardship, Compliance and Accountability

A. Budgetary Information

Annual budgets are adopted on the cash basis, which is not consistent with accounting principles generally accepted in the United States of America. All annual appropriations lapse at calendar year end.

EASTBROOK COMMUNITY SCHOOL CORPORATION
 NOTES TO FINANCIAL STATEMENTS
 (Continued)

Prior to the first required publication, the fiscal officer of the School Corporation submits to the governing board a proposed operating budget for the year commencing the following July 1. Prior to adoption, the budget is advertised and public hearings are conducted by the governing board to obtain taxpayer comments. In September of each year, the governing board, through the passage of a resolution/ordinance, approves the budget for the next year. Copies of the budget resolution/ordinance and the advertisement for funds for which property taxes are levied are sent to the Indiana Department of Local Government Finance. The budget becomes legally enacted after the fiscal officer of the School Corporation receives approval of the Indiana Department of Local Government Finance.

The School Corporation's management cannot transfer budgeted appropriations between object classifications of a budget without approval of the governing board. The Indiana Department of Local Government Finance must approve any revisions to the appropriations for any fund or any department of the General Fund. The legal level of budgetary control is by object and department within the fund for the General Fund and by object within the fund for all other budgeted funds.

B. Disbursements in Excess of Appropriations

For the budget year ended December 31, 2007, disbursements exceeded budgeted appropriations in the following funds by the amounts below:

Fund	2007
Transportation Operating	\$ 56,707
Debt Service	14,717
Total	\$ 71,424

These disbursements were funded by available cash balances.

C. Cash and Investment Balance Deficits

At June 30, 2007 and 2008, the following funds reported deficits in cash and investments, which are violations of the Uniform Compliance Guidelines and state statute:

Fund	June 30, 2007	June 30, 2008
Transportation Operating	\$ 29,704	\$ -
Capital Projects	91,682	-
FY 2007 Special Education	48,258	-
2005-06 Drug Free Title IV Part A	2,510	-
FY 2005-06 Title II Part D	1,150	-
School Bus Replacement	-	10,381
FY 2008 Special Education	-	23,266

Cash and investment deficits arose primarily from disbursements exceeding receipts due to the underestimate of current requirements. These deficits are to be repaid from future receipts.

EASTBROOK COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

III. Detailed Notes on All Funds

A. Deposits and Investments

1. Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Indiana Code 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state funds and has a principal office or branch that qualifies to receive public funds of the political subdivision. The bank balances were insured by the Federal Deposit Insurance Corporation or the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

2. Investments

Statutory Authorization for Investments

Indiana Code 5-13-9 authorizes the School Corporation to invest in securities backed by the full faith and credit of the United States Treasury or fully guaranteed by the United States of America and issued by the United States Treasury, a federal agency, a federal instrumentality, or a federal government sponsored enterprise. Indiana Code also authorizes the School Corporation to invest in securities fully guaranteed and issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise. These investments are required by statute to have a stated final maturity of not more than two years.

Indiana Code also provides for investment in money market mutual funds that are in the form of securities of, or interest in, an open-end, no-load, management-type investment company or investment trust registered under the provision of the federal Investment Company Act of 1940, as amended. Investments in money market mutual funds may not exceed 50% of the funds held by the School Corporation and available for investment. The portfolio of an investment company or investment trust used must be limited to direct obligations of the United States of America, obligations issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise or repurchase agreements fully collateralized by direct obligations of the United States of America or obligations issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise. The form of securities of, or interest in, an investment company or investment trust must be rated as AAA, or its equivalent by Standard and Poor's Corporation or its successor or Aaa, or its equivalent, by Moody's Investors Service, Inc., or its successor. The form of securities in an investment company or investment trust should have a stated final maturity of one day.

Additionally, the School Corporation may enter into repurchase agreements with depositories designated by the State Board of Finance as depositories for state deposits involving the School Corporation's purchase and guaranteed resale of any interest-bearing obligations issued or fully insured or guaranteed by the United States of America, a United States of America government agency, an instrumentality of the United States of America, or a federal government sponsored enterprise. The repurchase agreement is considered to have a stated final maturity of one day. This agreement must be fully collateralized by interest-bearing obligations as determined by their current market value.

EASTBROOK COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

Investment Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The School Corporation does not have a formal investment policy for custodial credit risk for investments.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The School Corporation must follow state statute and limit the stated final maturities of the investments to no more than two years. The School Corporation does not have a formal investment policy for interest rate risk for investments.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The School Corporation does not have a formal investment policy for credit risk for investments.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The School Corporation does not have a policy in regards to concentration of credit risk. United States of America government and United States of America governmental agency securities are exempt from this policy requirement.

Foreign Currency Risk

The School Corporation does not have a formal policy in regards to foreign currency risk.

B. Interfund Transfers

Interfund transfers for the years ended June 30, 2007 and 2008, were as follows:

Transfer From	Transfer To	June 30, 2007	June 30, 2008
General Fund	Other Governmental Funds	\$ 16,654	\$ -
Transportation Operating Fund	Other Governmental Funds	3,140	-
Debt Service Fund	Other Governmental Funds	9,206	-
Capital Projects Fund	Other Governmental Funds	6,806	-
School Bus Replacement Fund	Other Governmental Funds	83	-
Other Governmental Funds	General Fund	16,654	-
Other Governmental Funds	Transportation Operating Fund	3,140	23,749
Other Governmental Funds	Debt Service Fund	9,206	-
Other Governmental Funds	Capital Projects Fund	6,806	-
Other Governmental Funds	School Bus Replacement Fund	83	-
Other Governmental Funds	Other Governmental Funds	27,981	25,350
Totals		<u>\$ 99,759</u>	<u>\$ 49,099</u>

EASTBROOK COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

The School Corporation typically uses transfers for cash flow purposes as provided by various statutory provisions.

IV. Other Information

A. Risk Management

The School Corporation is 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 (excluding postemployment benefits); and natural disasters.

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; and natural disasters are covered by commercial insurance from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance by major category of risk.

Medical Benefits to Employees

During 1995, the School Corporation joined the School Employees Benefit Trust, a public entity risk pool currently operating as a common risk management and insurance program for fourteen member governmental entities. This risk pool was formed in 1980. The purpose of the risk pool is to provide a medium for the funding and administration of medical benefits. The risk pool is considered a self-sustaining risk pool that will provide coverage for its members for up to \$150,000 per insured event. The risk pool obtains independent coverage for insured events in excess of the \$150,000 limit.

B. Holding Corporations

The School Corporation has entered into capital leases with Eastbrook Elementary School Building Corporation and Eastbrook Multi-School Building Corporation (lessors). The lessors were organized as not-for-profit corporations pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. Lease payments during the fiscal year ended June 30, 2008, totaled \$931,881.

C. Pension Plans

1. Agent Multiple-Employer Defined Benefit Pension Plan

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 the defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the PERF Board, most requirements of the

EASTBROOK COMMUNITY SCHOOL CORPORATION
 NOTES TO FINANCIAL STATEMENTS
 (Continued)

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 member's 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. The 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 plan members for PERF are established by the Board of Trustees of PERF. The School Corporation's annual pension cost and related information, as provided by the actuary, is presented in this note.

Actuarial Information for the Above Plan

	PERF
Annual required contribution	\$ 101,401
Interest on net pension obligation	(15,160)
Adjustment to annual required contribution	17,276
Annual pension cost	103,517
Contributions made	90,913
Increase in net pension obligation	12,604
Net pension obligation, beginning of year	(209,098)
Net pension obligation, end of year	\$ (196,494)

EASTBROOK COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

	PERF
Contribution rates:	
School Corporation	5%
Plan members	3%
Actuarial valuation date	07-01-07
Actuarial cost method	Entry age
Amortization method	Level percentage of projected payroll, closed
Amortization period	30 years
Amortization period (from date)	07-01-97
Asset valuation method	75% of expected actuarial value plus 25% of market value

<u>Actuarial Assumptions</u>	PERF
Investment rate of return	7.25%
Projected future salary increases:	
Total	5%
Attributed to inflation	4%
Attributed to merit/seniority	1%
Cost-of-living adjustments	2%

Three Year Trend Information

	Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
PERF	06-30-05	\$ 69,560	131%	\$ (197,886)
	06-30-06	78,059	114%	(209,098)
	06-30-07	103,517	88%	(196,494)

2. Cost-Sharing Multiple-Employer Defined Benefit Pension Plan

Teachers' Retirement Fund

Plan Description

The School Corporation contributes to the Indiana Teachers' 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

EASTBROOK COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

annuity savings account consists of member's 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.

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:

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

Funding Policy and Annual Pension Costs

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.

The School Corporation is to contribute at an actuarially determined rate. The current rate has been actuarially determined under the entry age normal cost method to be 7.25% of covered wages. The School Corporation's required contributions to the plan for the fiscal years ended June 30, 2008, 2007, and 2006, were \$222,193, \$205,711, and \$197,955, respectively. The School Corporation contributed 100% of the required contribution for each of the fiscal years.

EASTBROOK COMMUNITY 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)
07-01-05	\$ 1,757,690	\$ 1,686,865	\$ 70,825	104%	\$ 1,598,718	4%
07-01-06	1,629,222	1,657,958	(28,736)	98%	1,612,911	(2%)
07-01-07	1,689,380	1,705,433	(16,053)	99%	1,746,607	(1%)

EASTBROOK COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2007

	Special Education Preschool	School Lunch	Levy Excess	Educational Plate Fee	Economic Education Grant	FY 05-06 Gifted and Talented
Receipts:						
Local sources	\$ 15,003	\$ 327,307	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	1,013	-	-
State sources	38,510	10,485	-	-	500	13,941
Federal sources	-	216,591	-	-	-	-
Sale of property, adjustments and refunds	-	697	-	-	-	-
Total receipts	53,513	555,080	-	1,013	500	13,941
Disbursements:						
Current:						
Instruction	58,261	-	-	-	500	13,944
Support services	111	571,802	-	1,013	-	-
Community services	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Total disbursements	58,372	571,802	-	1,013	500	13,944
Excess (deficiency) of receipts over disbursements	(4,859)	(16,722)	-	-	-	(3)
Other financing sources (uses):						
Transfers in	57	-	37,025	-	-	-
Transfers out	(57)	-	(37,025)	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(4,859)	(16,722)	-	-	-	(3)
Cash and investments - beginning	70,980	67,853	-	338	-	5,501
Cash and investments - ending	<u>\$ 66,121</u>	<u>\$ 51,131</u>	<u>\$ -</u>	<u>\$ 338</u>	<u>\$ -</u>	<u>\$ 5,498</u>
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	\$ 66,121	\$ 51,131	\$ -	\$ 338	\$ -	\$ 5,498
Restricted assets:						
Cash and investments	-	-	-	-	-	-
Total cash and investment assets - ending	<u>\$ 66,121</u>	<u>\$ 51,131</u>	<u>\$ -</u>	<u>\$ 338</u>	<u>\$ -</u>	<u>\$ 5,498</u>
<u>Cash and Investment Fund Balance - Ending</u>						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	66,121	51,131	-	338	-	5,498
Total cash and investment fund balance - ending	<u>\$ 66,121</u>	<u>\$ 51,131</u>	<u>\$ -</u>	<u>\$ 338</u>	<u>\$ -</u>	<u>\$ 5,498</u>

EASTBROOK COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2007
 (Continued)

	High School Technology Grant	Title I	FY 07 School Improvement Upland	Title V Part A	FY 2006 PL 101-476	FY 2007 Special Education
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-
State sources	80,314	-	-	-	-	-
Federal sources	-	136,987	7,774	2,695	65,542	278,544
Sale of property, adjustments and refunds	-	-	-	-	-	-
Total receipts	80,314	136,987	7,774	2,695	65,542	278,544
Disbursements:						
Current:						
Instruction	-	105,256	1,667	633	8,131	218,622
Support services	-	5,152	2,140	-	8,796	108,180
Community services	-	928	-	-	-	-
Nonprogrammed charges	-	-	-	-	25,213	-
Debt services	-	-	-	-	-	-
Total disbursements	-	111,336	3,807	633	42,140	326,802
Excess (deficiency) of receipts over disbursements	80,314	25,651	3,967	2,062	23,402	(48,258)
Other financing sources (uses):						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	80,314	25,651	3,967	2,062	23,402	(48,258)
Cash and investments - beginning	-	-	-	5,214	(23,402)	-
Cash and investments - ending	\$ 80,314	\$ 25,651	\$ 3,967	\$ 7,276	\$ -	\$ (48,258)
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	\$ 80,314	\$ 25,651	\$ 3,967	\$ 7,276	\$ -	\$ (48,258)
Restricted assets:						
Cash and investments	-	-	-	-	-	-
Total cash and investment assets - ending	\$ 80,314	\$ 25,651	\$ 3,967	\$ 7,276	\$ -	\$ (48,258)
<u>Cash and Investment Fund Balance - Ending</u>						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	80,314	25,651	3,967	7,276	-	(48,258)
Total cash and investment fund balance - ending	\$ 80,314	\$ 25,651	\$ 3,967	\$ 7,276	\$ -	\$ (48,258)

EASTBROOK COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2007
 (Continued)

	2005-06 Drug-Free Title IV Part A	FY 2005 Teacher Quality Title II Part A	FY 2005-06 Title II Part D	Title III English Proficiency	Retirement/ Severance Bond	Totals
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ 126,501	\$ 468,811
Intermediate sources	-	-	-	-	-	1,013
State sources	-	-	-	-	-	143,750
Federal sources	6,112	41,218	-	696	-	756,159
Sale of property, adjustments and refunds	-	-	-	-	-	697
Total receipts	6,112	41,218	-	696	126,501	1,370,430
Disbursements:						
Current:						
Instruction	29,349	15,693	-	251	-	452,307
Support services	-	1,672	9,683	-	-	708,549
Community services	-	-	-	-	-	928
Nonprogrammed charges	-	-	-	-	-	25,213
Debt services	-	-	-	-	359,617	359,617
Total disbursements	29,349	17,365	9,683	251	359,617	1,546,614
Excess (deficiency) of receipts over disbursements	(23,237)	23,853	(9,683)	445	(233,116)	(176,184)
Other financing sources (uses):						
Transfers in	20,727	-	4,982	-	1,079	63,870
Transfers out	-	(25,709)	-	-	(1,079)	(63,870)
Total other financing sources (uses)	20,727	(25,709)	4,982	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(2,510)	(1,856)	(4,701)	445	(233,116)	(176,184)
Cash and investments - beginning	-	25,200	3,551	-	255,854	411,089
Cash and investments - ending	\$ (2,510)	\$ 23,344	\$ (1,150)	\$ 445	\$ 22,738	\$ 234,905
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	\$ (2,510)	\$ 23,344	\$ (1,150)	\$ 445	\$ -	\$ 212,167
Restricted assets:						
Cash and investments	-	-	-	-	22,738	22,738
Total cash and investment assets - ending	\$ (2,510)	\$ 23,344	\$ (1,150)	\$ 445	\$ 22,738	\$ 234,905
<u>Cash and Investment Fund Balance - Ending</u>						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ 22,738	\$ 22,738
Unrestricted	(2,510)	23,344	(1,150)	445	-	212,167
Total cash and investment fund balance - ending	\$ (2,510)	\$ 23,344	\$ (1,150)	\$ 445	\$ 22,738	\$ 234,905

EASTBROOK COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2008

	Special Education Preschool	School Lunch	Educational Plate Fee	FY 05-06 Gifted and Talented	Non-English Speaking Programs	High School Technology Grant
Receipts:						
Local sources	\$ 21,146	\$ 380,882	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	863	-	-	-
State sources	41,456	10,504	-	32,997	1,297	-
Federal sources	-	237,130	-	-	-	-
Bonds and loans	-	-	-	-	-	-
Sale of property, adjustments and refunds	-	44	-	-	-	-
Total receipts	<u>62,602</u>	<u>628,560</u>	<u>863</u>	<u>32,997</u>	<u>1,297</u>	<u>-</u>
Disbursements:						
Current:						
Instruction	72,831	-	-	31,443	469	-
Support services	-	618,181	1,088	-	-	71,692
Community services	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Total disbursements	<u>72,831</u>	<u>618,181</u>	<u>1,088</u>	<u>31,443</u>	<u>469</u>	<u>71,692</u>
Excess (deficiency) of receipts over disbursements	<u>(10,229)</u>	<u>10,379</u>	<u>(225)</u>	<u>1,554</u>	<u>828</u>	<u>(71,692)</u>
Other financing sources (uses):						
Transfers in	-	-	-	-	-	-
Transfers out	(22,219)	-	-	-	-	-
Total other financing sources (uses)	<u>(22,219)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(32,448)</u>	<u>10,379</u>	<u>(225)</u>	<u>1,554</u>	<u>828</u>	<u>(71,692)</u>
Cash and investments - beginning	<u>66,121</u>	<u>51,131</u>	<u>338</u>	<u>5,498</u>	<u>-</u>	<u>80,314</u>
Cash and investments - ending	<u>\$ 33,673</u>	<u>\$ 61,510</u>	<u>\$ 113</u>	<u>\$ 7,052</u>	<u>\$ 828</u>	<u>\$ 8,622</u>
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	\$ 33,673	\$ 61,510	\$ 113	\$ 7,052	\$ 828	\$ 8,622
Restricted assets:						
Cash and investments	-	-	-	-	-	-
Total cash and investment assets - ending	<u>\$ 33,673</u>	<u>\$ 61,510</u>	<u>\$ 113</u>	<u>\$ 7,052</u>	<u>\$ 828</u>	<u>\$ 8,622</u>
<u>Cash and Investment Fund Balance - Ending</u>						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	33,673	61,510	113	7,052	828	8,622
Total cash and investment fund balance - ending	<u>\$ 33,673</u>	<u>\$ 61,510</u>	<u>\$ 113</u>	<u>\$ 7,052</u>	<u>\$ 828</u>	<u>\$ 8,622</u>

EASTBROOK COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2008
 (Continued)

	Access Indiana	Title I	FY 07 School Improvement Upland	Title V Part A	FY 2008 Special Education	FY 2007 Special Education
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-
State sources	2,500	-	-	-	-	-
Federal sources	-	154,776	23,478	-	285,226	58,907
Bonds and loans	-	-	-	-	-	-
Sale of property, adjustments and refunds	-	-	-	-	-	-
Total receipts	2,500	154,776	23,478	-	285,226	58,907
Disbursements:						
Current:						
Instruction	-	153,053	10,666	4,582	184,154	8,557
Support services	-	13,948	5,723	2,694	124,338	2,092
Community services	-	1,719	-	-	-	-
Debt services	-	-	-	-	-	-
Total disbursements	-	168,720	16,389	7,276	308,492	10,649
Excess (deficiency) of receipts over disbursements	2,500	(13,944)	7,089	(7,276)	(23,266)	48,258
Other financing sources (uses):						
Transfers in	-	-	-	-	-	-
Transfers out	-	(1,530)	-	-	-	-
Total other financing sources (uses)	-	(1,530)	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	2,500	(15,474)	7,089	(7,276)	(23,266)	48,258
Cash and investments - beginning	-	25,651	3,967	7,276	-	(48,258)
Cash and investments - ending	\$ 2,500	\$ 10,177	\$ 11,056	\$ -	\$ (23,266)	\$ -
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	\$ 2,500	\$ 10,177	\$ 11,056	\$ -	\$ (23,266)	\$ -
Restricted assets:						
Cash and investments	-	-	-	-	-	-
Total cash and investment assets - ending	\$ 2,500	\$ 10,177	\$ 11,056	\$ -	\$ (23,266)	\$ -
<u>Cash and Investment Fund Balance - Ending</u>						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	2,500	10,177	11,056	-	(23,266)	-
Total cash and investment fund balance - ending	\$ 2,500	\$ 10,177	\$ 11,056	\$ -	\$ (23,266)	\$ -

EASTBROOK COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2008
 (Continued)

	2005-06 Drug-Free Title IV Part A	FY 2005 Teacher Quality Title II Part A	FY 2005-06 Title II Part D	Title III English Proficiency	Retirement/ Severance Bond	Totals
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ 72,103	\$ 474,131
Intermediate sources	-	-	-	-	-	863
State sources	-	-	-	-	-	88,754
Federal sources	5,031	38,371	-	-	-	802,919
Bonds and loans	-	-	-	-	95,254	95,254
Sale of property, adjustments and refunds	-	-	-	-	-	44
Total receipts	5,031	38,371	-	-	167,357	1,461,965
Disbursements:						
Current:						
Instruction	27,871	17,974	-	242	-	511,842
Support services	-	4,777	(1,150)	-	-	843,383
Community services	-	-	-	-	-	1,719
Debt services	-	-	-	-	185,076	185,076
Total disbursements	27,871	22,751	(1,150)	242	185,076	1,542,020
Excess (deficiency) of receipts over disbursements	(22,840)	15,620	1,150	(242)	(17,719)	(80,055)
Other financing sources (uses):						
Transfers in	25,350	-	-	-	-	25,350
Transfers out	-	(25,350)	-	-	-	(49,099)
Total other financing sources (uses)	25,350	(25,350)	-	-	-	(23,749)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	2,510	(9,730)	1,150	(242)	(17,719)	(103,804)
Cash and investments - beginning	(2,510)	23,344	(1,150)	445	22,738	234,905
Cash and investments - ending	<u>\$ -</u>	<u>\$ 13,614</u>	<u>\$ -</u>	<u>\$ 203</u>	<u>\$ 5,019</u>	<u>\$ 131,101</u>
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	\$ -	\$ 13,614	\$ -	\$ 203	\$ -	\$ 126,082
Restricted assets:						
Cash and investments	-	-	-	-	5,019	5,019
Total cash and investment assets - ending	<u>\$ -</u>	<u>\$ 13,614</u>	<u>\$ -</u>	<u>\$ 203</u>	<u>\$ 5,019</u>	<u>\$ 131,101</u>
<u>Cash and Investment Fund Balance - Ending</u>						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ 5,019	\$ 5,019
Unrestricted	-	13,614	-	203	-	126,082
Total cash and investment fund balance - ending	<u>\$ -</u>	<u>\$ 13,614</u>	<u>\$ -</u>	<u>\$ 203</u>	<u>\$ 5,019</u>	<u>\$ 131,101</u>

EASTBROOK COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 PRIVATE-PURPOSE TRUST FUNDS
 For the Year Ended June 30, 2007

	Boren Foundation Band Donation	Boren Foundation Grant Funds	Ball Brothers Wellness Grant	Ball Brothers Minds-In-Motion Upland	Reading Is Fundamental Matthews	Reading Is Fundamental Van Buren	Reading Is Fundamental Upland	Totals
Additions:								
Contributions:								
Other	\$ 36,600	\$ 346,232	\$ -	\$ 25,000	\$ 739	\$ 1,617	\$ 2,409	\$ 412,597
Deductions:								
Administrative and general	-	142,906	7,775	520	739	489	685	153,114
Excess (deficiency) of total additions over total deductions	36,600	203,326	(7,775)	24,480	-	1,128	1,724	259,483
Cash and investment fund balance - beginning	-	26,630	7,775	-	-	-	-	34,405
Cash and investments - June 30	<u>\$ 36,600</u>	<u>\$ 229,956</u>	<u>\$ -</u>	<u>\$ 24,480</u>	<u>\$ -</u>	<u>\$ 1,128</u>	<u>\$ 1,724</u>	<u>\$ 293,888</u>
Net assets:								
Cash and investments	<u>\$ 36,600</u>	<u>\$ 229,956</u>	<u>\$ -</u>	<u>\$ 24,480</u>	<u>\$ -</u>	<u>\$ 1,128</u>	<u>\$ 1,724</u>	<u>\$ 293,888</u>
Total net assets - cash and investment basis held in trust	<u>\$ 36,600</u>	<u>\$ 229,956</u>	<u>\$ -</u>	<u>\$ 24,480</u>	<u>\$ -</u>	<u>\$ 1,128</u>	<u>\$ 1,724</u>	<u>\$ 293,888</u>

EASTBROOK COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 PRIVATE-PURPOSE TRUST FUNDS
 For the Year Ended June 30, 2008

	Boren Foundation Band Donation	Boren Foundation Grant Funds	Ball Brothers Minds-In-Motion Upland	Reading Is Fundamental Matthews	Reading Is Fundamental Van Buren	Reading Is Fundamental Upland	Totals
Additions:							
Contributions:							
Other	\$ -	\$ -	\$ -	\$ 1,188	\$ 2,504	\$ 3,636	\$ 7,328
Deductions:							
Administrative and general	27,331	176,395	5,533	678	1,119	2,203	213,259
Excess (deficiency) of total additions over total deductions	(27,331)	(176,395)	(5,533)	510	1,385	1,433	(205,931)
Cash and investment fund balance - beginning	36,600	229,956	24,480	-	1,128	1,724	293,888
Cash and investments - June 30	<u>\$ 9,269</u>	<u>\$ 53,561</u>	<u>\$ 18,947</u>	<u>\$ 510</u>	<u>\$ 2,513</u>	<u>\$ 3,157</u>	<u>\$ 87,957</u>
Net assets:							
Cash and investments	<u>\$ 9,269</u>	<u>\$ 53,561</u>	<u>\$ 18,947</u>	<u>\$ 510</u>	<u>\$ 2,513</u>	<u>\$ 3,157</u>	<u>\$ 87,957</u>
Total net assets - cash and investment basis held in trust	<u>\$ 9,269</u>	<u>\$ 53,561</u>	<u>\$ 18,947</u>	<u>\$ 510</u>	<u>\$ 2,513</u>	<u>\$ 3,157</u>	<u>\$ 87,957</u>

EASTBROOK COMMUNITY SCHOOL CORPORATION
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS
 June 30, 2008

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	\$ 20,380
Buildings	23,055,325
Improvements other than buildings	1,100,799
Machinery and equipment	<u>3,354,839</u>
 Total governmental activities, capital assets not being depreciated	 <u><u>\$ 27,531,343</u></u>

EASTBROOK COMMUNITY SCHOOL CORPORATION
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 June 30, 2008

The School Corporation has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental Activities:		
Capital leases:		
Multiple School Buildings	\$ 5,620,000	\$ 274,500
Van Buren Elementary School Building	275,000	282,856
Energy Savings Contract	686,000	184,326
Common School Fund Loan	2,139,250	150,720
Bonds payable:		
General obligation bonds:		
Pension Bonds	<u>2,720,000</u>	<u>69,904</u>
Total governmental activities debt	<u>\$ 11,440,250</u>	<u>\$ 962,306</u>

EASTBROOK COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS

OVERDRAWN CASH BALANCES

The cash balances of the Transportation Operating Fund, Capital Projects Fund, FY 2007 Special Education Fund, 2005-06 Drug Free Title IV Part A Fund, and FY 2005-06 Title II Part D Fund were overdrawn at June 30, 2007. The cash balance of the School Bus Replacement Fund and FY 2008 Special Education Fund were overdrawn at June 30, 2008.

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

APPROPRIATIONS

Transportation Operating Fund and Debt Service Fund expenditures for 2007 were in excess of budgeted appropriations by \$56,707 and \$14,717, respectively. A similar comment appeared in prior Report B29234.

IC 6-1.1-18-4 states in part: ". . . the proper officers of a political subdivision shall appropriate funds in such a manner that the expenditures for a year do not exceed its budget for that year as finally determined under this article."

AVERAGE DAILY MEMBERSHIP (ADM) - SUPPORTING DOCUMENTATION

Records presented for audit did not sufficiently document the Average Daily Membership (ADM) claimed by the School Corporation for the 2006-2007 and 2007-2008 school years. Additionally, there was no written certification provided by the building level official responsible for reporting ADM to the School Corporation Central Office.

Officials should maintain records (enrollment cards, rosters, reporting forms, etc.) which substantiate the number of students claimed for ADM. The building level official (Principal, Assistant Principal, etc.) responsible for reporting ADM to the School Corporation Central Office, should provide a written certification of ADM to properly document responsibility. The certification should at a minimum include a statement detailing the names and location of the records used (these records must be retained for public inspection and audit) to substantiate ADM claimed. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 8)

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

TO: THE OFFICIALS OF EASTBROOK COMMUNITY SCHOOL
CORPORATION, GRANT COUNTY, INDIANA

Compliance

We have audited the compliance of Eastbrook Community School Corporation (School Corporation) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the years ended June 30, 2007 and 2008. The School Corporation's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the School Corporation's management. Our responsibility is to express an opinion on the School Corporation's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the School Corporation's compliance with those requirements.

In our opinion, the School Corporation complied in all material respects with the requirements referred to above that are applicable to its major federal program for the years ended June 30, 2007 and 2008.

Internal Control Over Compliance

The management of the School Corporation is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the School Corporation's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133
(Continued)

A control deficiency in a School Corporation's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be significant deficiencies or material weaknesses, as defined above.

This report is intended solely for the information and use of the School Corporation's management, school board, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

March 18, 2009

EASTBROOK COMMUNITY SCHOOL CORPORATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Years Ended June 30, 2007 and 2008

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 06-30-07	Total Federal Awards Expended 06-30-08
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
Pass-Through Indiana Department of Education Child Nutrition Cluster				
School Breakfast Program	10.553		\$ 24,385	\$ 34,247
National School Lunch Program	10.555		223,004	244,887
			<u>247,389</u>	<u>279,134</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>				
Pass-Through Mississinewa Community School Corporation Special Education Cluster				
Special Education - Grants to States	84.027			
		FY05-06	42,140	-
		FY06-07	326,802	10,649
		FY07-08	-	308,492
			<u>368,942</u>	<u>319,141</u>
Pass-Through Indiana Department of Education Title I Grants to Local Educational Agencies	84.010			
		07-2815	115,143	42,039
		08-2815	-	144,599
			<u>115,143</u>	<u>186,638</u>
Safe and Drug-Free Schools and Communities - State Grants	84.186			
		05-186	26,839	-
		06-2815	2,510	27,871
			<u>29,349</u>	<u>27,871</u>
State Grants for Innovative Programs	84.298			
		05-193	632	4,582
		06-2815	-	2,695
			<u>632</u>	<u>7,277</u>
Education Technology State Grants	84.318			
		FY 05-06	9,684	-
Improving Teacher Quality State Grants	84.367			
		05-163	17,365	8,344
		06-2815	-	14,407
			<u>17,365</u>	<u>22,751</u>
Total for federal grantor agency			<u>541,115</u>	<u>563,678</u>
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>				
Pass-Through Indiana Department of Homeland Security Disaster Grants - Public Assistance	97.036	EM 3274	-	4,179
Total federal awards expended			<u>\$ 788,504</u>	<u>\$ 846,991</u>

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

EASTBROOK COMMUNITY SCHOOL CORPORATION
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

I. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Eastbrook Community School Corporation (School Corporation) and is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Accordingly, the amount of federal awards expended is based on when the activity related to the award occurs. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

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

II. Noncash Assistance

The School Corporation expended the following amount of noncash assistance for the years ending June 30, 2007 and 2008. This noncash assistance is also included in the federal expenditures presented in the schedule.

Program Title	Federal CFDA Number	For the Year Ended June 30, 2007	For the Year Ended June 30, 2008
Child Nutrition Cluster:			
Food Commodities			
School Breakfast Program	10.553	\$ 3,036	\$ 5,153
National School Lunch Program	10.555	<u>27,762</u>	<u>36,850</u>
Total for Cluster		<u>\$ 30,798</u>	<u>\$ 42,003</u>

EASTBROOK COMMUNITY SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unqualified

Internal control over financial reporting:
Material weaknesses identified? no
Significant deficiencies identified that are not considered to be material weaknesses? none reported

Noncompliance material to financial statements noted? no

Federal Awards:

Internal control over major programs:
Material weaknesses identified? no
Significant deficiencies identified that are not considered to be material weaknesses? none reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? no

Identification of Major Programs:

Name of Federal Program or Cluster

Child Nutrition Cluster

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

Auditee qualified as low-risk auditee? yes

Section II – Financial Statement Findings

No matters are reportable.

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.

EASTBROOK COMMUNITY SCHOOL CORPORATION
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

EASTBROOK COMMUNITY SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on March 18, 2009, with Linda J. Embry, Treasurer; and Jerry L. Harshman, Superintendent of Schools. The officials concurred with our audit findings.