

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, 2008 to June 30, 2010



FILED

01/24/2011

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Linda J. Embry	07-01-08 to 06-30-11
Superintendent of Schools	Jerry L. Harshman	07-01-08 to 06-30-11
President of the School Board	Lisa E. Koontz Daniel E. Spencer	07-01-08 to 06-30-10 07-01-10 to 06-30-11



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

TO: THE OFFICIALS OF THE 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 the Eastbrook Community School Corporation (School Corporation), as of and for the years ended June 30, 2009 and 2010, 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, 2009 and 2010, 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 December 16, 2010, 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 integral part of 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

December 16, 2010



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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 THE 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 the Eastbrook Community School Corporation (School Corporation), as of and for the years ended June 30, 2009 and 2010, which collectively comprise the School Corporation's basic financial statements and have issued our report thereon dated December 16, 2010. 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

December 16, 2010

EASTBROOK COMMUNITY SCHOOL CORPORATION
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For the Year Ended June 30, 2009

<u>Functions/Programs</u>	<u>Disbursements</u>	Program Receipts		<u>Net (Disbursements) Receipts and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Totals</u>
Governmental activities:				
Instruction	\$ 5,553,383	\$ -	\$ 186,896	\$ (5,366,487)
Support services	6,092,344	403,638	473,124	(5,215,582)
Noninstructional services	782,705	-	-	(782,705)
Facilities acquisition and construction	553,557	-	-	(553,557)
Debt service	2,773,532	-	-	(2,773,532)
Nonprogrammed charges	281,711	-	-	(281,711)
	<u>\$ 16,037,232</u>	<u>\$ 403,638</u>	<u>\$ 660,020</u>	<u>(14,973,574)</u>
General receipts:				
Property taxes				4,428,319
Other local sources				738,234
State aid				7,535,551
Bonds and loans				1,471,531
Grants and contributions not restricted to specific programs				1,694,958
Sale of property				70
Investment earnings				12,861
Other				839
				<u>15,882,363</u>
Total general receipts				<u>15,882,363</u>
Change in net assets				908,789
Net assets - beginning				<u>1,223,390</u>
Net assets - ending				<u>\$ 2,132,179</u>
<u>Assets</u>				
Cash and investments				\$ 1,963,126
Restricted assets:				
Cash and investments				<u>169,053</u>
Total assets				<u>\$ 2,132,179</u>
<u>Net Assets</u>				
Restricted for:				
Debt service				\$ 169,053
Unrestricted				<u>1,963,126</u>
Total net assets				<u>\$ 2,132,179</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, 2010

<u>Functions/Programs</u>	<u>Disbursements</u>	Program Receipts		<u>Net (Disbursements) Receipts and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Totals</u>
Governmental activities:				
Instruction	\$ 5,869,294	\$ -	\$ 169,148	\$ (5,700,146)
Support services	6,703,903	395,445	545,035	(5,763,423)
Noninstructional services	787,251	-	-	(787,251)
Facilities acquisition and construction	674,135	-	-	(674,135)
Debt service	2,541,804	-	-	(2,541,804)
Nonprogrammed charges	332,309	-	-	(332,309)
Total governmental activities	<u>\$ 16,908,696</u>	<u>\$ 395,445</u>	<u>\$ 714,183</u>	<u>(15,799,068)</u>
General receipts:				
Property taxes				3,647,913
Other local sources				973,196
State aid				9,245,844
Bonds and loans				410,000
Grants and contributions not restricted to specific programs				1,441,279
Sale of property				812
Investment earnings				7,605
Other				923
Total general receipts				<u>15,727,572</u>
Change in net assets				(71,496)
Net assets - beginning				<u>2,132,179</u>
Net assets - ending				<u>\$ 2,060,683</u>
<u>Assets</u>				
Cash and investments				\$ 1,875,571
Restricted assets:				
Cash and investments				<u>185,112</u>
Total assets				<u>\$ 2,060,683</u>
<u>Net Assets</u>				
Restricted for:				
Debt service				\$ 185,112
Unrestricted				<u>1,875,571</u>
Total net assets				<u>\$ 2,060,683</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, 2009

	General	Fiscal Stabilization	Debt Service	Capital Projects	Other	Totals
Receipts:						
Local sources	\$ 2,311,804	\$ -	\$ 584,480	\$ 1,287,135	\$ 1,398,620	\$ 5,582,039
Intermediate sources	319	-	-	-	693	1,012
State sources	8,045,841	-	-	-	92,136	8,137,977
Federal sources	-	847,192	-	-	905,361	1,752,553
Temporary loans	-	-	359,943	650,839	460,749	1,471,531
Other	839	-	-	-	-	839
Total receipts	10,358,803	847,192	944,423	1,937,974	2,857,559	16,945,951
Disbursements:						
Current:						
Instruction	5,134,884	-	-	-	418,499	5,553,383
Support services	4,489,714	-	-	739,395	863,235	6,092,344
Noninstructional services	167,876	-	-	-	614,829	782,705
Facilities acquisition and construction	122,000	-	-	431,557	-	553,557
Debt services	734,893	-	970,443	486,098	582,098	2,773,532
Nonprogrammed charges	281,369	-	-	-	342	281,711
Total disbursements	10,930,736	-	970,443	1,657,050	2,479,003	16,037,232
Excess (deficiency) of receipts over disbursements	(571,933)	847,192	(26,020)	280,924	378,556	908,719
Other financing sources (uses):						
Sale of capital assets	70	-	-	-	-	70
Transfers in	-	-	-	-	54,989	54,989
Transfers out	(29,444)	-	-	-	(25,545)	(54,989)
Total other financing sources (uses)	(29,374)	-	-	-	29,444	70
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(601,307)	847,192	(26,020)	280,924	408,000	908,789
Cash and investments - beginning	634,757	-	175,892	24,915	387,826	1,223,390
Cash and investments - ending	\$ 33,450	\$ 847,192	\$ 149,872	\$ 305,839	\$ 795,826	\$ 2,132,179
Cash and Investment Assets - Ending						
Cash and investments	\$ 33,450	\$ 847,192	\$ -	\$ 305,839	\$ 776,645	\$ 1,963,126
Restricted assets:						
Cash and investments	-	-	149,872	-	19,181	169,053
Total cash and investment assets - ending	\$ 33,450	\$ 847,192	\$ 149,872	\$ 305,839	\$ 795,826	\$ 2,132,179
Cash and Investment Fund Balance - Ending						
Restricted for:						
Debt service	\$ -	\$ -	\$ 149,872	\$ -	\$ 19,181	\$ 169,053
Unrestricted	33,450	847,192	-	305,839	776,645	1,963,126
Total cash and investment fund balance - ending	\$ 33,450	\$ 847,192	\$ 149,872	\$ 305,839	\$ 795,826	\$ 2,132,179

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, 2010

	General	Fiscal Stabilization	Qualified School Construction Bond	Debt Service	Capital Projects	Other	Totals
Receipts:							
Local sources	\$ 132,166	\$ -	\$ -	\$ 1,305,039	\$ 1,869,701	\$ 1,716,899	\$ 5,023,805
Intermediate sources	-	-	-	-	-	356	356
State sources	9,766,044	-	-	-	-	69,671	9,835,715
Federal sources	-	349,889	-	-	-	1,215,700	1,565,589
Other	923	-	-	-	-	-	923
Total receipts	9,899,133	349,889	-	1,305,039	1,869,701	3,002,626	16,426,388
Disbursements:							
Current:							
Instruction	4,386,185	878,127	-	-	-	604,982	5,869,294
Support services	4,635,553	318,954	-	-	661,120	1,088,276	6,703,903
Noninstructional services	153,423	-	-	-	-	633,828	787,251
Facilities acquisition and construction	-	-	63,453	-	610,682	-	674,135
Debt services	7,236	-	-	1,175,317	652,499	706,752	2,541,804
Nonprogrammed charges	260,170	-	-	-	-	72,139	332,309
Total disbursements	9,442,567	1,197,081	63,453	1,175,317	1,924,301	3,105,977	16,908,696
Excess (deficiency) of receipts over disbursements	456,566	(847,192)	(63,453)	129,722	(54,600)	(103,351)	(482,308)
Other financing sources (uses):							
Proceeds of long-term debt	-	-	410,000	-	-	-	410,000
Sale of capital assets	812	-	-	-	-	-	812
Transfers in	62,520	-	-	-	-	42,855	105,375
Transfers out	-	-	-	-	-	(105,375)	(105,375)
Total other financing sources (uses)	63,332	-	410,000	-	-	(62,520)	410,812
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	519,898	(847,192)	346,547	129,722	(54,600)	(165,871)	(71,496)
Cash and investments - beginning	33,450	847,192	-	149,872	305,839	795,826	2,132,179
Cash and investments - ending	\$ 553,348	\$ -	\$ 346,547	\$ 279,594	\$ 251,239	\$ 629,955	\$ 2,060,683
Cash and Investment Assets - Ending							
Cash and investments	\$ 553,348	\$ -	\$ 346,547	\$ -	\$ 251,239	\$ 724,437	\$ 1,875,571
Restricted assets:							
Cash and investments	-	-	-	279,594	-	(94,482)	185,112
Total cash and investment assets - ending	\$ 553,348	\$ -	\$ 346,547	\$ 279,594	\$ 251,239	\$ 629,955	\$ 2,060,683
Cash and Investment Fund Balance - Ending							
Restricted for:							
Debt service	\$ -	\$ -	\$ -	\$ 279,594	\$ -	\$ (94,482)	\$ 185,112
Unrestricted	553,348	-	346,547	-	251,239	724,437	1,875,571
Total cash and investment fund balance - ending	\$ 553,348	\$ -	\$ 346,547	\$ 279,594	\$ 251,239	\$ 629,955	\$ 2,060,683

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, 2009

	<u>Pension Trust Fund</u>	<u>Private-Purpose Trust Funds</u>
Additions:		
Contributions:		
Other	\$ -	\$ 397,166
Deductions:		
Benefits	25,575	-
Administrative and general	-	183,152
Total deductions	<u>25,575</u>	<u>183,152</u>
Excess (deficiency) of total additions over total deductions	(25,575)	214,014
Cash and investment fund balance - beginning	<u>116,909</u>	<u>87,957</u>
Cash and investment fund balance - ending	<u>\$ 91,334</u>	<u>\$ 301,971</u>
Net assets:		
Cash and investments	<u>\$ 91,334</u>	<u>\$ 301,971</u>
Total net assets - cash and investment basis held in trust	<u>\$ 91,334</u>	<u>\$ 301,971</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, 2010

	Pension Trust Fund	Private-Purpose Trust Funds
Additions:		
Contributions:		
Other	\$ -	\$ 5,090
Deductions:		
Benefits	63,215	-
Administrative and general	-	249,163
Total deductions	63,215	249,163
Deficiency of total additions over total deductions	(63,215)	(244,073)
Cash and investment fund balance - beginning	91,334	301,971
Cash and investment fund balance - ending	\$ 28,119	\$ 57,898
Net assets		
Cash and investments	\$ 28,119	\$ 57,898
Total net assets - cash and investment basis held in trust	\$ 28,119	\$ 57,898

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 following:

Primary Government: Eastbrook Community School Corporation

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 in a joint venture to operate Grant County Special Services Cooperative which was created to provide instruction for children with special needs. The Grant County Special Services Cooperative's continued existence depends on continued funding by the participating schools. Complete financial statements for the Grant County Special Services Cooperative can be obtained from the Cooperative's administrative offices at 424 E. South A Street, Gas City, IN 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-types 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. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, fund equity, receipts, and disbursements. Separate financial statements are provided for governmental funds, proprietary 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 Fiscal Stabilization Fund accounts for receipts and disbursements of cash received from the federal government to be used to supplement funding of local, state, and federal programs.

The Qualified School Construction Bond Fund accounts for bond proceeds to be used for the construction, rehabilitation, repair of public school facilities; the acquisition of land on which such facilities are to be constructed with part of the proceeds of such issue; and equipment related to the project to be constructed or rehabilitated with the proceeds.

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 of buildings; and the purchase, lease, upgrade, maintenance, or repair of computer equipment.

Additionally, the School Corporation reports the following fund types:

The pension trust fund accounts for bonds and payments anticipated to be made to employees on or after the termination of employment or to pay postretirement or severance benefits held by the school cooperation in a trustee capacity.

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. Restricted Assets

All restricted assets, as presented in the accompanying financial statements, are restricted due to enabling legislation.

2. 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.

3. Property Taxes

Normally, 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. 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 may 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.

4. 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.

5. Long-Term Debt

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

6. Equity Classification

Government-Wide Statements

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

EASTBROOK COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

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 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 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 not reported as reimbursements but as adjustments to disbursements in the respective funds.
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, if any, is 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.

EASTBROOK COMMUNITY SCHOOL CORPORATION
 NOTES TO FINANCIAL STATEMENTS
 (Continued)

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.

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. Prior to November 1, 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 received 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. Cash Balance Deficits

At June 30, 2010, the following fund reported a deficit in cash, which is a violation of the Uniform Compliance Guidelines as authorized by state statute:

Fund	June 30, 2010
Retirement/Severance Bond Fund	\$ <u>94,482</u>

The cash and investment deficit arose primarily from disbursements exceeding receipts due to the underestimate of current requirements. This deficit is to be repaid from future receipts.

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 School Corporation does not have a deposit policy for custodial credit risk. At June 30, 2010, the School Corporation had deposit balances in the amount of \$2,146,700.

EASTBROOK COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

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 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.

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.

EASTBROOK COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

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, 2009 and 2010, were as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>June 30, 2009</u>	<u>June 30, 2010</u>
General Fund	Other Governmental Funds	\$ 29,444	\$ -
Other Governmental Funds	Other Governmental Funds	25,545	42,855
Other Governmental Funds	General Fund	-	62,520
Totals		<u>\$ 54,989</u>	<u>\$ 105,375</u>

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 risks covered by commercial insurance have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance by major category of risk.

EASTBROOK COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

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 to employees. The risk pool is considered a self-sustaining risk pool that will provide coverage for its members for up to \$300,000 per insured event. The risk pool obtains independent coverage for insured events in excess of the \$300,000 limit.

B. Holding Corporations

The School Corporation has entered into a capital lease with Eastbrook Elementary School Building Corporation (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. The lessor has been determined to be a related party of the School Corporation. Lease payments during the year ended June 30, 2009, totaled \$282,756. The lease was paid in full as of June 30, 2009.

The School Corporation has entered into a capital lease with Eastbrook Multi-School Building Corporation (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. The lessor has been determined to be a related party of the School Corporation. Lease payments during the years ended June 30, 2009 and 2010, totaled \$548,500 and \$549,500, respectively.

The School Corporation has entered into a capital lease with Eastbrook School Building Corporation (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. The lessor has been determined to be a related party of the School Corporation. Lease payments during the year ended June 30, 2010, totaled \$103,000.

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 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.

EASTBROOK COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

The contribution requirements of plan members for PERF are established by the Board of Trustees of PERF. The total contributions made to PERF by the School Corporation during the period were \$252,007.

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 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

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.

EASTBROOK COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

The School Corporation's contributions to the plan during the period were \$484,562.

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)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-07	\$ 1,689,380	\$ 1,705,433	\$ (16,053)	99%	\$ 1,746,607	(1%)
07-01-08	1,701,864	1,714,017	(12,153)	99%	1,871,566	(1%)
07-01-09	1,742,872	1,828,932	(86,060)	95%	2,001,000	(4%)

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, 2009

	Transportation Operating	Special Education Preschool	School Lunch	Textbook Rental	Educational Plate Fee	FY07-08 Gifted and Talented	High Ability Grant
Receipts:							
Local sources	\$ 570,640	\$ 18,876	\$ 368,988	\$ 136,481	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	693	-	-
State sources	-	47,589	10,501	-	-	-	32,997
Federal sources	-	-	259,994	-	-	-	-
Temporary loans	284,290	-	-	-	-	-	-
Total receipts	854,930	66,465	639,483	136,481	693	-	32,997
Disbursements:							
Current:							
Instruction	-	49,704	-	-	-	7,052	22,150
Support services	529,010	-	-	114,772	-	-	-
Noninstructional services	-	-	613,289	-	-	-	-
Debt services	283,007	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	812,017	49,704	613,289	114,772	-	7,052	22,150
Excess (deficiency) of receipts over disbursements	42,913	16,761	26,194	21,709	693	(7,052)	10,847
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	42,913	16,761	26,194	21,709	693	(7,052)	10,847
Cash and investments - beginning	106,078	33,673	61,510	161,028	113	7,052	-
Cash and investments - ending	148,991	50,434	87,704	182,737	806	-	10,847
Cash and Investment Assets - Ending							
Cash and investments	\$ 148,991	\$ 50,434	\$ 87,704	\$ 182,737	\$ 806	\$ -	\$ 10,847
Restricted assets:							
Cash and investments	-	-	-	-	-	-	-
Total cash and investment assets - ending	148,991	50,434	87,704	182,737	806	-	10,847
Cash and Investment Fund Balance - Ending							
Restricted for:							
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	148,991	50,434	87,704	182,737	806	-	10,847
Total cash and investment fund balance - ending	148,991	50,434	87,704	182,737	806	-	10,847

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, 2009
 (Continued)

	Non-English Speaking Programs	High School Technology Grant	Access Indiana	Title I	FY 07 School Improvement Upland	Title V Part A	Special Education IDEIA FY2009
Receipts:							
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-	-
State sources	1,049	-	-	-	-	-	-
Federal sources	-	-	-	179,679	5,000	3,171	346,501
Temporary loans	-	-	-	-	-	-	-
Total receipts	1,049	-	-	179,679	5,000	3,171	346,501
Disbursements:							
Current:							
Instruction	940	-	-	173,699	8,660	269	101,941
Support services	259	8,622	-	9,345	7,396	-	168,654
Noninstructional services	-	-	-	1,540	-	-	-
Debt services	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	342
Total disbursements	1,199	8,622	-	184,584	16,056	269	270,937
Excess (deficiency) of receipts over disbursements	(150)	(8,622)	-	(4,905)	(11,056)	2,902	75,564
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	(150)	(8,622)	-	(4,905)	(11,056)	2,902	75,564
Cash and investments - beginning	828	8,622	2,500	10,177	11,056	-	-
Cash and investments - ending	<u>\$ 678</u>	<u>\$ -</u>	<u>\$ 2,500</u>	<u>\$ 5,272</u>	<u>\$ -</u>	<u>\$ 2,902</u>	<u>\$ 75,564</u>
Cash and Investment Assets - Ending							
Cash and investments	\$ 678	\$ -	\$ 2,500	\$ 5,272	\$ -	\$ 2,902	\$ 75,564
Restricted assets:							
Cash and investments	-	-	-	-	-	-	-
Total cash and investment assets - ending	<u>\$ 678</u>	<u>\$ -</u>	<u>\$ 2,500</u>	<u>\$ 5,272</u>	<u>\$ -</u>	<u>\$ 2,902</u>	<u>\$ 75,564</u>
Cash and Investment Fund Balance - Ending							
Restricted for:							
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	678	-	2,500	5,272	-	2,902	75,564
Total cash and investment fund balance - ending	<u>\$ 678</u>	<u>\$ -</u>	<u>\$ 2,500</u>	<u>\$ 5,272</u>	<u>\$ -</u>	<u>\$ 2,902</u>	<u>\$ 75,564</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, 2009
 (Continued)

	FY 2008 Special Education	Title IV Part A 07-08 Drug Free	Teacher Quality Title II Part A	Title III English Proficiency	Retirement/ Severance Bond	School Bus Replacement	Totals
Receipts:							
Local sources	\$ -	\$ -	\$ -	\$ -	\$ 150,291	\$ 153,344	\$ 1,398,620
Intermediate sources	-	-	-	-	-	-	693
State sources	-	-	-	-	-	-	92,136
Federal sources	57,477	5,016	48,419	104	-	-	905,361
Temporary loans	-	-	-	-	54,203	122,256	460,749
Total receipts	57,477	5,016	48,419	104	204,494	275,600	2,857,559
Disbursements:							
Current:							
Instruction	15,009	20,287	18,585	203	-	-	418,499
Support services	19,202	-	5,975	-	-	-	863,235
Noninstructional services	-	-	-	-	-	-	614,829
Debt services	-	-	-	-	190,332	108,759	582,098
Nonprogrammed charges	-	-	-	-	-	-	342
Total disbursements	34,211	20,287	24,560	203	190,332	108,759	2,479,003
Excess (deficiency) of receipts over disbursements	23,266	(15,271)	23,859	(99)	14,162	166,841	378,556
Other financing sources (uses):							
Transfers in	-	25,545	-	-	-	29,444	54,989
Transfers out	-	-	(25,545)	-	-	-	(25,545)
Total other financing sources (uses)	-	25,545	(25,545)	-	-	29,444	29,444
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	23,266	10,274	(1,686)	(99)	14,162	196,285	408,000
Cash and investments - beginning	(23,266)	-	13,614	203	5,019	(10,381)	387,826
Cash and investments - ending	\$ -	\$ 10,274	\$ 11,928	\$ 104	\$ 19,181	\$ 185,904	\$ 795,826
Cash and Investment Assets - Ending							
Cash and investments	\$ -	\$ 10,274	\$ 11,928	\$ 104	\$ -	\$ 185,904	\$ 776,645
Restricted assets:							
Cash and investments	-	-	-	-	19,181	-	19,181
Total cash and investment assets - ending	\$ -	\$ 10,274	\$ 11,928	\$ 104	\$ 19,181	\$ 185,904	\$ 795,826
Cash and Investment Fund Balance - Ending							
Restricted for:							
Debt service	\$ -	\$ -	\$ -	\$ -	\$ 19,181	\$ -	\$ 19,181
Unrestricted	-	10,274	11,928	104	-	185,904	776,645
Total cash and investment fund balance - ending	\$ -	\$ 10,274	\$ 11,928	\$ 104	\$ 19,181	\$ 185,904	\$ 795,826

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, 2010

	Transportation Operating	Special Education Preschool	School Lunch	Textbook Rental	Educational Plate Fee	High Ability Grant	Non-English Speaking Programs
Receipts:							
Local sources	\$ 805,497	\$ -	\$ 354,995	\$ 130,831	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	356	-	-
State sources	-	26,125	10,424	-	-	32,509	613
Federal sources	-	-	308,178	-	-	-	-
Total receipts	805,497	26,125	673,597	130,831	356	32,509	613
Disbursements:							
Current:							
Instruction	-	8,723	-	-	-	40,572	678
Support services	566,269	5,316	1,187	137,724	994	-	169
Noninstructional services	-	-	632,310	-	-	-	-
Debt services	285,015	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	851,284	14,039	633,497	137,724	994	40,572	847
Excess (deficiency) of receipts over disbursements	(45,787)	12,086	40,100	(6,893)	(638)	(8,063)	(234)
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	-
Transfers out	-	(62,520)	-	-	-	-	-
Total other financing sources (uses)	-	(62,520)	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(45,787)	(50,434)	40,100	(6,893)	(638)	(8,063)	(234)
Cash and investments - beginning	148,991	50,434	87,704	182,737	806	10,847	678
Cash and investments - ending	<u>\$ 103,204</u>	<u>\$ -</u>	<u>\$ 127,804</u>	<u>\$ 175,844</u>	<u>\$ 168</u>	<u>\$ 2,784</u>	<u>\$ 444</u>
Cash and Investment Assets - Ending							
Cash and investments	\$ 103,204	\$ -	\$ 127,804	\$ 175,844	\$ 168	\$ 2,784	\$ 444
Restricted assets:							
Cash and investments	-	-	-	-	-	-	-
Total cash and investment assets - ending	\$ 103,204	\$ -	\$ 127,804	\$ 175,844	\$ 168	\$ 2,784	\$ 444
Cash and Investment Fund Balance - Ending							
Restricted for:							
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	103,204	-	127,804	175,844	168	2,784	444
Total cash and investment fund balance - ending	\$ 103,204	\$ -	\$ 127,804	\$ 175,844	\$ 168	\$ 2,784	\$ 444

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, 2010
 (Continued)

	Access Indiana	Title I	Title V Part A	Special Education IDEIA FY2009	Special Education IDEIA FY2010	Title IV Part A 07-08 Drug Free	Teacher Quality Title II Part A
Receipts:							
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-
Federal sources	-	179,771	542	-	361,805	3,879	53,611
Total receipts	-	179,771	542	-	361,805	3,879	53,611
Disbursements:							
Current:							
Instruction	-	170,282	3,444	13,510	187,448	38,839	27,187
Support services	2,500	3,288	-	30,725	102,092	-	2,259
Noninstructional services	-	1,518	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	31,329	31,500	-	-
Total disbursements	2,500	175,088	3,444	75,564	321,040	38,839	29,446
Excess (deficiency) of receipts over disbursements	(2,500)	4,683	(2,902)	(75,564)	40,765	(34,960)	24,165
Other financing sources (uses):							
Transfers in	-	-	-	-	-	26,805	-
Transfers out	-	-	-	-	-	-	(26,805)
Total other financing sources (uses)	-	-	-	-	-	26,805	(26,805)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(2,500)	4,683	(2,902)	(75,564)	40,765	(8,155)	(2,640)
Cash and investments - beginning	2,500	5,272	2,902	75,564	-	10,274	11,928
Cash and investments - ending	<u>\$ -</u>	<u>\$ 9,955</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 40,765</u>	<u>\$ 2,119</u>	<u>\$ 9,288</u>
Cash and Investment Assets - Ending							
Cash and investments	\$ -	\$ 9,955	\$ -	\$ -	\$ 40,765	\$ 2,119	\$ 9,288
Restricted assets:							
Cash and investments	-	-	-	-	-	-	-
Total cash and investment assets - ending	\$ -	\$ 9,955	\$ -	\$ -	\$ 40,765	\$ 2,119	\$ 9,288
Cash and Investment Fund Balance - Ending							
Restricted for:							
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	-	9,955	-	-	40,765	2,119	9,288
Total cash and investment fund balance - ending	\$ -	\$ 9,955	\$ -	\$ -	\$ 40,765	\$ 2,119	\$ 9,288

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, 2010
 (Continued)

	Title III English Proficiency	Title I Stimulus	Special Education Stimulus	Special Education Preschool Stimulus	Retirement/ Severance Bond	School Bus Replacement	Totals
Receipts:							
Local sources	\$ -	\$ -	\$ -	\$ -	\$ 185,486	\$ 240,090	\$ 1,716,899
Intermediate sources	-	-	-	-	-	-	356
State sources	-	-	-	-	-	-	69,671
Federal sources	689	54,864	226,022	26,339	-	-	1,215,700
Total receipts	<u>689</u>	<u>54,864</u>	<u>226,022</u>	<u>26,339</u>	<u>185,486</u>	<u>240,090</u>	<u>3,002,626</u>
Disbursements:							
Current:							
Instruction	793	16,246	91,326	5,934	-	-	604,982
Support services	-	18,599	42,568	-	-	174,586	1,088,276
Noninstructional services	-	-	-	-	-	-	633,828
Debt services	-	-	-	-	299,149	122,588	706,752
Nonprogrammed charges	-	-	9,310	-	-	-	72,139
Total disbursements	<u>793</u>	<u>34,845</u>	<u>143,204</u>	<u>5,934</u>	<u>299,149</u>	<u>297,174</u>	<u>3,105,977</u>
Excess (deficiency) of receipts over disbursements	<u>(104)</u>	<u>20,019</u>	<u>82,818</u>	<u>20,405</u>	<u>(113,663)</u>	<u>(57,084)</u>	<u>(103,351)</u>
Other financing sources (uses):							
Transfers in	-	-	16,050	-	-	-	42,855
Transfers out	-	-	-	(16,050)	-	-	(105,375)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>16,050</u>	<u>(16,050)</u>	<u>-</u>	<u>-</u>	<u>(62,520)</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(104)</u>	<u>20,019</u>	<u>98,868</u>	<u>4,355</u>	<u>(113,663)</u>	<u>(57,084)</u>	<u>(165,871)</u>
Cash and investments - beginning	<u>104</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,181</u>	<u>185,904</u>	<u>795,826</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ 20,019</u>	<u>\$ 98,868</u>	<u>\$ 4,355</u>	<u>\$ (94,482)</u>	<u>\$ 128,820</u>	<u>\$ 629,955</u>
Cash and Investment Assets - Ending							
Cash and investments	\$ -	\$ 20,019	\$ 98,868	\$ 4,355	\$ -	\$ 128,820	\$ 724,437
Restricted assets:							
Cash and investments	-	-	-	-	(94,482)	-	(94,482)
Total cash and investment assets - ending	<u>\$ -</u>	<u>\$ 20,019</u>	<u>\$ 98,868</u>	<u>\$ 4,355</u>	<u>\$ (94,482)</u>	<u>\$ 128,820</u>	<u>\$ 629,955</u>
Cash and Investment Fund Balance - Ending							
Restricted for:							
Debt service	\$ -	\$ -	\$ -	\$ -	\$ (94,482)	\$ -	\$ (94,482)
Unrestricted	-	20,019	98,868	4,355	-	128,820	724,437
Total cash and investment fund balance - ending	<u>\$ -</u>	<u>\$ 20,019</u>	<u>\$ 98,868</u>	<u>\$ 4,355</u>	<u>\$ (94,482)</u>	<u>\$ 128,820</u>	<u>\$ 629,955</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, 2009

	Boren Foundation Band Donation	Gifts and Donations	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	\$ -	\$ 36,539	\$ 360,627	\$ -	\$ -	\$ -	\$ -	\$ 397,166
Deductions:								
Administrative and general	5,039	2,959	161,544	7,481	510	2,475	3,144	183,152
Excess (deficiency) of total additions over total deductions	(5,039)	33,580	199,083	(7,481)	(510)	(2,475)	(3,144)	214,014
Cash and investment fund balance - beginning	9,269	-	53,561	18,947	510	2,513	3,157	87,957
Cash and investments - ending	<u>\$ 4,230</u>	<u>\$ 33,580</u>	<u>\$ 252,644</u>	<u>\$ 11,466</u>	<u>\$ -</u>	<u>\$ 38</u>	<u>\$ 13</u>	<u>\$ 301,971</u>
Net assets:								
Cash and investments	\$ 4,230	\$ 33,580	\$ 252,644	\$ 11,466	\$ -	\$ 38	\$ 13	\$ 301,971
Total net assets - cash and investment basis held in trust	<u>\$ 4,230</u>	<u>\$ 33,580</u>	<u>\$ 252,644</u>	<u>\$ 11,466</u>	<u>\$ -</u>	<u>\$ 38</u>	<u>\$ 13</u>	<u>\$ 301,971</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, 2010

	Boren Foundation Band Donation	Gifts and Donations	Boren Foundation Grant Funds	Ball Brothers Minds-In-Motion Upland	Reading Is Fundamental Van Buren	Reading Is Fundamental Upland	Totals
Additions:							
Contributions:							
Other	\$ -	\$ 5,090	\$ -	\$ -	\$ -	\$ -	\$ 5,090
Deductions:							
Administrative and general	3,624	33,203	203,486	8,799	38	13	249,163
Deficiency of total additions over total deductions	(3,624)	(28,113)	(203,486)	(8,799)	(38)	(13)	(244,073)
Cash and investment fund balance - beginning	4,230	33,580	252,644	11,466	38	13	301,971
Cash and investments - ending	<u>\$ 606</u>	<u>\$ 5,467</u>	<u>\$ 49,158</u>	<u>\$ 2,667</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 57,898</u>
Net assets:							
Cash and investments	\$ 606	\$ 5,467	\$ 49,158	\$ 2,667	\$ -	\$ -	\$ 57,898
Total net assets - cash and investment basis held in trust	<u>\$ 606</u>	<u>\$ 5,467</u>	<u>\$ 49,158</u>	<u>\$ 2,667</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 57,898</u>

EASTBROOK COMMUNITY SCHOOL CORPORATION
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS
 June 30, 2010

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

	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 20,380
Buildings	23,055,325
Improvements other than buildings	1,119,174
Machinery and equipment	<u>3,576,122</u>
 Total governmental activities, capital assets not being depreciated	 <u>\$ 27,771,001</u>

EASTBROOK COMMUNITY SCHOOL CORPORATION
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 June 30, 2010

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:		
Eastbrook Multi-School Building	\$ 5,045,000	\$ 275,500
Eastbrook School Building	1,853,206	206,000
Common School Fund Loan	1,897,947	148,127
Bonds payable:		
General obligation bonds:		
Pension Bonds	<u>2,615,000</u>	<u>177,594</u>
Total governmental activities debt	<u>\$ 11,411,153</u>	<u>\$ 807,221</u>

EASTBROOK COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS

OVERDRAWN CASH BALANCE

The cash balance of the Retirement/Severance Bond Fund was overdrawn at June 30, 2010.

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)

INVESTMENTS IN CERTIFICATES OF DEPOSIT

School Corporation Officials did not request quotes of the specific rates of interest when purchasing certificates of deposit from local depositories.

IC 5-13-9-4(b) states:

"The investing officer making a deposit in a certificate of deposit shall obtain quotes of the specific rates of interest for the term of that certificate of deposit that each designated depository will pay on the certificate of deposit. Quotes may be solicited and taken by telephone. A memorandum of all quotes solicited and taken shall be retained by the investing officer as a public record of the political subdivision under IC 5-14-3. If the deposit is not placed in the designated depository quoting the highest rate of interest, the investing officer shall: (1) place the deposit in the depository quoting the second or third highest rate of interest; and (2) note the reason for placing the deposit on the memorandum of quotes."

EASTBROOK COMMUNITY SCHOOL CORPORATION
 AUDIT RESULTS AND COMMENTS
 (Continued)

FUND SOURCES AND USES (Applies to Upland Elementary School)

During the audit period, the following student generated funds were either receipted into or transferred to the Teacher Lounge Fund:

Description	School Year	Amounts
School picture sales commission	2008-2009	\$ 1,547
School picture sales commission	2009-2010	1,389
Library Fund	2008-2009	563
Total		<u>\$ 3,499</u>

The following items were purchased from the Teacher Lounge Fund and were given to staff members or teachers.

Description	Amounts
Gift cards	\$ 736
Miscellaneous gifts	716
Massage Therapist	300
Substitute teacher pay during massage time	129
Refreshments and other miscellaneous lounge supplies	1,545

\$2,425 was transferred on November 22, 2010, from the Teacher Lounge Fund to the Upland Elementary School Extra-Curricular Proprietary Fund. The former principal, on that same date, reimbursed the Proprietary Fund \$1,000.

Sources and uses of funds should be limited to those authorized by the enabling statute, ordinance, resolution, or grant agreement. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

Public funds may not be used to pay for personal items or for expenses which do not relate to the functions and purposes of the governmental unit. Any personal expenses paid by the governmental unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

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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 THE EASTBROOK COMMUNITY
SCHOOL CORPORATION, GRANT COUNTY, INDIANA

Compliance

We have audited the compliance of the 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 each of its major federal programs for the years ended June 30, 2009 and 2010. The School Corporation's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs 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 each of its major federal programs for the years ended June 30, 2009 and 2010.

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

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)

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.

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

December 16, 2010

EASTBROOK COMMUNITY SCHOOL CORPORATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Years Ended June 30, 2009 and 2010

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 06-30-09	Total Federal Awards Expended 06-30-10
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
Pass-Through Indiana Department of Education				
Child Nutrition Cluster				
School Breakfast Program	10.553	FY 08-09 FY 09-10	\$ 42,203 -	\$ - 51,697
Total for program			<u>42,203</u>	<u>51,697</u>
National School Lunch Program	10.555	FY 08-09 FY 09-10	259,041 -	- 299,870
Total for program			<u>259,041</u>	<u>299,870</u>
Total for federal grantor agency			<u>301,244</u>	<u>351,567</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>				
Pass-Through Indiana Department of Education				
Title I, Part A Cluster				
Title I Grants to Local Educational Agencies	84.010	08-2815 09-2815 10-2815	26,233 174,408 -	- 5,272 169,816
Total for program			<u>200,641</u>	<u>175,088</u>
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	FY 09-10	-	34,844
Total for cluster			<u>200,641</u>	<u>209,932</u>
Pass-Through Mississinewa Community School Corporation				
Special Education Cluster				
Special Education - Grants to States	84.027	14208-021-PN01 14209-021-PN01 14210-021-PN01	34,211 270,937 -	- 75,564 321,040
Total for program			<u>305,148</u>	<u>396,604</u>
ARRA - Special Education - Grants to States, Recovery Act	84.391	FY 09-10	-	143,204
ARRA - Special Education - Preschool Grants, Recovery Act	84.392	FY 09-10	-	5,934
Total for cluster			<u>305,148</u>	<u>545,742</u>
Pass-Through Indiana Department of Education				
State Fiscal Stabilization Fund Cluster				
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	FY 09-10	-	1,197,081
Safe and Drug-Free Schools and Communities - State Grants	84.186	07-2815 08-2815	20,287 -	10,274 28,565
Total for program			<u>20,287</u>	<u>38,839</u>
State Grants for Innovative Programs	84.298	07-2815	269	3,444
Improving Teacher Quality State Grants	84.367	06-2815 07-2815 08-2815	10,943 13,617 -	- 11,928 17,518
Total for program			<u>24,560</u>	<u>29,446</u>
Total for federal grantor agency			<u>550,905</u>	<u>2,024,484</u>
Total federal awards expended			<u>\$ 852,149</u>	<u>\$ 2,376,051</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 cash and investment basis of accounting used in the preparation of the financial statements. Accordingly, the amount of federal awards expended is based on when the disbursement related to the award occurs except when the federal award is received on a reimbursement basis. In these instances the federal awards are considered expended when the reimbursement is received.

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, 2009 and 2010. 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, 2009	For the Year Ended June 30, 2010
Child Nutrition Cluster:			
Food Commodities:			
School Breakfast Program	10.553	\$ 5,779	\$ 6,380
National School Lunch Program	10.555	<u>35,470</u>	<u>37,009</u>
Total for Cluster		<u>\$ 41,249</u>	<u>\$ 43,389</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

Title I, Part A Cluster
Special Education Cluster
State Fiscal Stabilization Fund 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 December 16, 2010, with Linda J. Embry, Treasurer; Jerry L. Harshman, Superintendent of Schools; and Daniel E. Spencer, President of the School Board. The officials concurred with our audit findings.