

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

EASTBROOK COMMUNITY SCHOOL CORPORATION
GRANT COUNTY, INDIANA

July 1, 2012 to June 30, 2014



FILED
03/06/2015

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Independent Auditor's Report	3-5
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statement Performed in Accordance With <i>Government Auditing Standards</i>	6-7
Financial Statement and Accompanying Notes:	
Statement of Receipts, Disbursements, Other Financing Sources (Uses), and Cash and Investment Balances - Regulatory Basis	11
Notes to Financial Statement	12-16
Other Information - Unaudited:	
Combining Schedules of Receipts, Disbursements, Other Financing Sources (Uses), and Cash and Investment Balances - Regulatory Basis	18-25
Schedule of Payables and Receivables	26
Schedule of Leases and Debt	27
Schedule of Capital Assets	29
Supplemental Audit of Federal Awards:	
Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance	32-33
Schedule of Expenditures of Federal Awards and Accompanying Notes:	
Schedule of Expenditures of Federal Awards	36-37
Notes to Schedule of Expenditures of Federal Awards	38
Schedule of Findings and Questioned Costs	39-41
Auditee Prepared Document:	
Corrective Action Plan	44-45
Other Report	46

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Linda J. Embry Lisa M. Baker	07-01-12 to 06-30-13 07-01-13 to 06-30-15
Superintendent of Schools	Brett T. Garrett	07-01-12 to 06-30-15
President of the School Board	Steve Greene Roger Richards Greg Brankle	07-01-12 to 12-31-12 01-01-13 to 12-31-13 01-01-14 to 12-31-15



INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statement

We have audited the accompanying financial statement of the Eastbrook Community School Corporation (School Corporation), which comprises the financial position and results of operations for the period of July 1, 2012 to June 30, 2014, and the related notes to the financial statement.

Management's Responsibility for the Financial Statement

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

Auditor's Responsibility

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

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

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

INDEPENDENT AUDITOR'S REPORT
(Continued)

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position and results of operations of the School Corporation for the period of July 1, 2012 to June 30, 2014.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position and results of operations of the School Corporation for the period of July 1, 2012 to June 30, 2014, in accordance with the financial reporting provisions of the Indiana State Board of Accounts described in Note 1.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the School Corporation's financial statement. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by 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 financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statement taken as a whole.

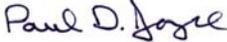
Other Information

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

INDEPENDENT AUDITOR'S REPORT
(Continued)

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated February 9, 2015, 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* in considering the School Corporation's internal control over financial reporting and compliance.


Paul D. Joyce, CPA
State Examiner

February 9, 2015



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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statement of the Eastbrook Community School Corporation (School Corporation), which comprises the financial position and results of operations for the period of July 1, 2012 to June 30, 2014, and the related notes to the financial statement, and have issued our report thereon dated February 9, 2015, wherein we noted the School Corporation followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

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

Our consideration of the internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as item 2014-001 to be material weaknesses.

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

Compliance and Other Matters

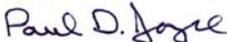
As part of obtaining reasonable assurance about whether the School Corporation's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material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

Eastbrook Community School Corporation's Response to Findings

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

Purpose of This Report

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


Paul D. Joyce, CPA
State Examiner

February 9, 2015

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FINANCIAL STATEMENT AND ACCOMPANYING NOTES

The financial statement and accompanying notes were approved by management of the School Corporation. The financial statement and notes are presented as intended by the School Corporation.

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EASTBROOK COMMUNITY SCHOOL CORPORATION
STATEMENT OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Years Ended June 30, 2013 and 2014

Fund	Cash and Investments 07-01-12	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-13	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-14
General	\$ 1,430,045	\$ 9,727,618	\$ 9,954,791	\$ -	\$ 1,202,872	\$ 9,395,620	\$ 9,555,652	\$ -	\$ 1,042,840
Debt Service	186,148	1,111,090	868,985	-	428,253	1,040,591	823,238	-	645,606
Retirement/Severance Bond Debt Service	86,572	437,280	356,539	-	167,313	307,042	345,603	-	128,752
Capital Projects	371,514	639,918	617,138	-	394,294	985,838	943,888	-	436,244
School Transportation	63,397	626,091	554,235	-	135,253	622,985	596,937	-	161,301
School Bus Replacement	98,093	48,184	53,188	-	93,089	97,797	210,120	-	(19,234)
Rainy Day	276,440	-	-	-	276,440	-	163,000	-	113,440
Retirement/Severance Bond	60,853	-	45,834	-	15,019	-	15,019	-	-
School Lunch	164,170	711,164	783,914	-	91,420	710,749	763,905	-	38,264
Textbook Rental	276,622	248,842	365,577	-	159,887	143,372	210,224	-	93,035
Educational License Plates	75	188	-	-	263	150	-	-	413
Early Intervention Grant	-	3,918	3,918	-	-	-	-	-	-
Various Gifts, Donations, and Grants	8,324	256,320	236,129	-	28,515	29,484	18,629	-	39,370
Boren Foundation Grant	19,158	102,000	35,803	-	85,355	-	78,438	-	6,917
High Ability Grant	2,867	30,866	26,489	-	7,244	29,986	29,899	-	7,331
Non-English Speaking Programs P.L. 273-1999	-	660	-	-	660	-	660	-	-
Non-English Speaking Programs	-	-	-	-	-	909	710	-	199
State Connectivity	2,796	6,057	8,712	-	141	5,880	4,449	-	1,572
Title I - Federal Program	(11,219)	162,506	153,640	-	(2,353)	141,629	148,966	-	(9,690)
Part B Special Education FY12	(26,853)	90,802	63,949	-	-	-	-	-	-
Part B Special Education FY13	-	226,881	275,140	-	(48,259)	137,346	89,087	-	-
Part B Special Education FY14	-	-	-	-	-	213,248	309,000	-	(95,752)
(IDEA, Part B) LEA Capacity Building (Sliver) Grants	-	-	-	-	-	69,803	69,803	-	-
Special Ed Tech Assistant Grant	-	-	-	-	-	930	930	-	-
Drug Free Schools	(8,369)	-	1,658	10,027	-	-	-	-	-
Improving Teaching Quality, No Child Left, Title II, Part A	-	10,027	-	(10,027)	-	-	-	-	-
Title II, Part A FY11	(6,369)	37,764	31,395	-	-	-	-	-	-
Title II, Part A FY12	-	14,707	17,702	-	(2,995)	16,455	13,460	-	-
Title II, Part A FY13	-	-	-	-	-	20,527	20,527	-	-
Education Jobs	-	6,580	6,580	-	-	-	-	-	-
Clearing	103,444	2,554,845	2,530,195	-	128,094	2,481,482	2,486,754	-	122,822
Totals	\$ 3,097,708	\$ 17,054,308	\$ 16,991,511	\$ -	\$ 3,160,505	\$ 16,451,823	\$ 16,898,898	\$ -	\$ 2,713,430

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

EASTBROOK COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT

Note 1. 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 accompanying financial statement presents the financial information for the School Corporation.

B. Basis of Accounting

The financial statement is reported on a regulatory basis of accounting prescribed by the Indiana State Board of Accounts in accordance with state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The basis of accounting involves the reporting of only cash and investments and the changes therein resulting from cash inflows (receipts) and cash outflows (disbursements) reported in the period in which they occurred.

The regulatory basis of accounting differs from accounting principles generally accepted in the United States of America in that receipts are recognized when received in cash, rather than when earned, and disbursements are recognized when paid, rather than when a liability is incurred.

C. Cash and Investments

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

D. Receipts

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

Local sources which include taxes, revenue from local governmental units other than school corporations, transfer tuition, transportation fees, investment income, food services, School Corporation activities, revenue from community services activities, and other revenue from local sources.

Intermediate sources which include distributions from the County for fees collected for or on behalf of the School Corporation including educational license plate fees, congressional interest, riverboat distributions, and other similar fees.

EASTBROOK COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

State sources include distributions from the State of Indiana and are to be used by the School Corporation for various purposes. Included in state sources are unrestricted grants, restricted grants, revenue in lieu of taxes, and revenue for or on behalf of the School Corporation.

Federal sources include distributions from the federal government and are to be used by the School Corporation for various purposes. Included in federal sources are unrestricted grants, restricted grants, revenue in lieu of taxes, and revenue for or on behalf of the School Corporation.

Other receipts which include amounts received from various sources which include return of petty cash, return of cash change, insurance claims for losses, sale of securities, and other receipts not listed in another category above.

E. Disbursements

Disbursements are presented in the aggregate on the face of the financial statement. The aggregate disbursements include the following uses:

Instruction which includes outflows for regular programs, special programs, adult and continuing education programs, summer school programs, enrichment programs, remediation, and payments to other governmental units.

Support services which include outflows for support services related to students, instruction, general administration, and school administration. It also includes outflows for central services, operation and maintenance of plant services, and student transportation.

Noninstructional services which include outflows for food service operations and community service operations.

Facilities acquisition and construction which includes outflows for the acquisition, development, construction, and improvement of new and existing facilities.

Debt services which include fixed obligations resulting from financial transactions previously entered into by the School Corporation. It includes all expenditures for the reduction of the principal and interest of the School Corporation's general obligation indebtedness.

Nonprogrammed charges which include outflows for donations to foundations, securities purchased, indirect costs, scholarships, funds held temporarily for an authorized recipient, and self-insurance payments.

F. Other Financing Sources and Uses

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

Transfers in which includes money received by one fund as a result of transferring money from another fund. The transfers are used for cash flow purposes as provided by various statutory provisions.

EASTBROOK COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

Transfers out which includes money paid by one fund to another fund. The transfers are used for cash flow purposes as provided by various statutory provisions.

G. Fund Accounting

Separate funds are established, maintained, and reported by the School Corporation. Each fund is used to account for money received from and used for specific sources and uses as determined by various regulations. Restrictions on some funds are set by statute while other funds are internally restricted by the School Corporation. The money accounted for in a specific fund may only be available for use for certain, legally restricted purposes. Additionally, some funds are used to account for assets held by the School Corporation in a trustee capacity as an agent of individuals, private organizations, other funds, or other governmental units and therefore the funds cannot be used for any expenditures of the unit itself.

Note 2. Budgets

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

Note 3. Property Taxes

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

Note 4. Deposits and Investments

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

State statutes authorize the School Corporation to invest in securities including, but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

EASTBROOK COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

Note 5. Risk Management

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

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

Note 6. Pension Plans

A. Public Employees' Retirement Fund

Plan Description

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

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

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

Funding Policy and Annual Pension Cost

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

EASTBROOK COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

B. Teachers' Retirement Fund

Plan Description

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

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

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

Funding Policy and Annual Pension Cost

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

Note 7. Cash Balance Deficits

The financial statement contains some funds with deficits in cash. This is a result of grant expenditure reimbursements not being received by the end of the fiscal year and disbursements exceeding available funds for school bus replacement.

Note 8. Holding Corporations

The School Corporation has entered into a capital lease with Eastbrook Multi-School Building Corporation and Eastbrook School Building Corporation (the 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. The lessors have been determined to be a related party of the School Corporation. Lease payments during the years 2013 and 2014 totaled \$717,000 and \$679,000, respectively.

OTHER INFORMATION - UNAUDITED

The School Corporation's Financial Reports can be found on the Indiana Department of Education website: <http://mustang.doe.state.in.us/TRENDS/fin.cfm>. This website is maintained by the Indiana Department of Education. More current financial information is available from the School Corporation Treasurer's Office. Additionally, some financial information of the School Corporation can be found on the Gateway website: <https://gateway.ifionline.org/>.

Differences may be noted between the financial information presented in the financial statement contained in this report and the financial information presented in the Financial Reports of the School Corporation which are referenced above. These differences, if any, are due to adjustments made to the financial information during the course of the audit. This is a common occurrence in any financial statement audit. The financial information presented in this report is audited information, and the accuracy of such information can be determined by reading the opinion given in the Independent Auditor's Report.

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

EASTBROOK COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2013

	General	Debt Service	Retirement/ Severance Bond Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	Retirement/ Severance Bond
Cash and investments - beginning	\$ 1,430,045	\$ 186,148	\$ 86,572	\$ 371,514	\$ 63,397	\$ 98,093	\$ 276,440	\$ 60,853
Receipts:								
Local sources	62,316	1,111,090	437,280	604,389	626,091	48,184	-	-
Intermediate sources	15	-	-	-	-	-	-	-
State sources	9,665,195	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-
Other	92	-	-	35,529	-	-	-	-
Total receipts	<u>9,727,618</u>	<u>1,111,090</u>	<u>437,280</u>	<u>639,918</u>	<u>626,091</u>	<u>48,184</u>	<u>-</u>	<u>-</u>
Disbursements:								
Current:								
Instruction	6,406,703	-	-	-	-	-	-	-
Support services	3,386,161	-	-	432,209	554,235	53,188	-	45,834
Noninstructional services	161,927	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	148,756	-	-	-	-
Debt services	-	868,985	356,539	36,173	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	<u>9,954,791</u>	<u>868,985</u>	<u>356,539</u>	<u>617,138</u>	<u>554,235</u>	<u>53,188</u>	<u>-</u>	<u>45,834</u>
Excess (deficiency) of receipts over disbursements	<u>(227,173)</u>	<u>242,105</u>	<u>80,741</u>	<u>22,780</u>	<u>71,856</u>	<u>(5,004)</u>	<u>-</u>	<u>(45,834)</u>
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</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>(227,173)</u>	<u>242,105</u>	<u>80,741</u>	<u>22,780</u>	<u>71,856</u>	<u>(5,004)</u>	<u>-</u>	<u>(45,834)</u>
Cash and investments - ending	<u>\$ 1,202,872</u>	<u>\$ 428,253</u>	<u>\$ 167,313</u>	<u>\$ 394,294</u>	<u>\$ 135,253</u>	<u>\$ 93,089</u>	<u>\$ 276,440</u>	<u>\$ 15,019</u>

EASTBROOK COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2013
 (Continued)

	School Lunch	Textbook Rental	Educational License Plates	Early Intervention Grant	Various Gifts, Donations, and Grants	Boren Foundation Grant	High Ability Grant	Non-English Speaking Programs P.L. 273-1999
Cash and investments - beginning	\$ 164,170	\$ 276,622	\$ 75	\$ -	\$ 8,324	\$ 19,158	\$ 2,867	\$ -
Receipts:								
Local sources	359,475	203,374	-	-	256,320	102,000	-	-
Intermediate sources	-	-	188	-	-	-	-	-
State sources	10,579	45,468	-	3,918	-	-	30,866	660
Federal sources	341,110	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total receipts	711,164	248,842	188	3,918	256,320	102,000	30,866	660
Disbursements:								
Current:								
Instruction	-	-	-	-	4,028	35,803	26,489	-
Support services	-	365,577	-	3,918	230,646	-	-	-
Noninstructional services	783,914	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	1,455	-	-	-
Total disbursements	783,914	365,577	-	3,918	236,129	35,803	26,489	-
Excess (deficiency) of receipts over disbursements	(72,750)	(116,735)	188	-	20,191	66,197	4,377	660
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	(72,750)	(116,735)	188	-	20,191	66,197	4,377	660
Cash and investments - ending	\$ 91,420	\$ 159,887	\$ 263	\$ -	\$ 28,515	\$ 85,355	\$ 7,244	\$ 660

EASTBROOK COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2013
 (Continued)

	Non-English Speaking Programs	State Connectivity	Title I - Federal Program	Part B Special Education FY12	Part B Special Education FY13	Part B Special Education FY14	(IDEA, Part B) LEA Capacity Building (Sliver) Grants	Special Ed Tech Assistant Grant
Cash and investments - beginning	\$ -	\$ 2,796	\$ (11,219)	\$ (26,853)	\$ -	\$ -	\$ -	\$ -
Receipts:								
Local sources	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	6,057	-	-	-	-	-	-
Federal sources	-	-	162,506	90,802	226,881	-	-	-
Other	-	-	-	-	-	-	-	-
Total receipts	-	6,057	162,506	90,802	226,881	-	-	-
Disbursements:								
Current:								
Instruction	-	-	151,149	25,493	245,552	-	-	-
Support services	-	8,712	2,059	38,456	29,588	-	-	-
Noninstructional services	-	-	432	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	-	8,712	153,640	63,949	275,140	-	-	-
Excess (deficiency) of receipts over disbursements	-	(2,655)	8,866	26,853	(48,259)	-	-	-
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	-	(2,655)	8,866	26,853	(48,259)	-	-	-
Cash and investments - ending	\$ -	\$ 141	\$ (2,353)	\$ -	\$ (48,259)	\$ -	\$ -	\$ -

EASTBROOK COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2013
 (Continued)

	Drug Free Schools	Improving Teaching Quality, No Child Left, Title II, Part A	Title II, Part A FY11	Title II, Part A FY12	Title II, Part A FY13	Education Jobs	Clearing	Totals
Cash and investments - beginning	\$ (8,369)	\$ -	\$ (6,369)	\$ -	\$ -	\$ -	\$ 103,444	\$ 3,097,708
Receipts:								
Local sources	-	-	-	-	-	-	-	3,810,519
Intermediate sources	-	-	-	-	-	-	-	203
State sources	-	-	-	-	-	-	-	9,762,743
Federal sources	-	10,027	37,764	14,707	-	6,580	-	890,377
Other	-	-	-	-	-	-	2,554,845	2,590,466
Total receipts	-	10,027	37,764	14,707	-	6,580	2,554,845	17,054,308
Disbursements:								
Current:								
Instruction	1,658	-	-	16,473	-	6,580	-	6,919,928
Support services	-	-	31,395	1,229	-	-	-	5,183,207
Noninstructional services	-	-	-	-	-	-	-	946,273
Facilities acquisition and construction	-	-	-	-	-	-	-	148,756
Debt services	-	-	-	-	-	-	-	1,261,697
Nonprogrammed charges	-	-	-	-	-	-	2,530,195	2,531,650
Total disbursements	1,658	-	31,395	17,702	-	6,580	2,530,195	16,991,511
Excess (deficiency) of receipts over disbursements	(1,658)	10,027	6,369	(2,995)	-	-	24,650	62,797
Other financing sources (uses):								
Transfers in	10,027	-	-	-	-	-	-	10,027
Transfers out	-	(10,027)	-	-	-	-	-	(10,027)
Total other financing sources (uses)	10,027	(10,027)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	8,369	-	6,369	(2,995)	-	-	24,650	62,797
Cash and investments - ending	\$ -	\$ -	\$ -	\$ (2,995)	\$ -	\$ -	\$ 128,094	\$ 3,160,505

EASTBROOK COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2014

	General	Debt Service	Retirement/ Severance Bond Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	Retirement/ Severance Bond
Cash and investments - beginning	\$ 1,202,872	\$ 428,253	\$ 167,313	\$ 394,294	\$ 135,253	\$ 93,089	\$ 276,440	\$ 15,019
Receipts:								
Local sources	71,752	1,040,591	307,042	985,838	622,985	97,797	-	-
Intermediate sources	32	-	-	-	-	-	-	-
State sources	9,323,734	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-
Other	102	-	-	-	-	-	-	-
Total receipts	9,395,620	1,040,591	307,042	985,838	622,985	97,797	-	-
Disbursements:								
Current:								
Instruction	6,086,513	-	-	-	-	-	-	-
Support services	3,302,683	-	-	616,077	596,937	210,120	163,000	15,019
Noninstructional services	166,456	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	253,947	-	-	-	-
Debt services	-	823,238	345,603	73,864	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	9,555,652	823,238	345,603	943,888	596,937	210,120	163,000	15,019
Excess (deficiency) of receipts over disbursements	(160,032)	217,353	(38,561)	41,950	26,048	(112,323)	(163,000)	(15,019)
Other financing sources (uses):								
Transfers in	-	231,000	48,000	-	-	-	279,000	-
Transfers out	-	(231,000)	(48,000)	-	-	-	(279,000)	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(160,032)	217,353	(38,561)	41,950	26,048	(112,323)	(163,000)	(15,019)
Cash and investments - ending	\$ 1,042,840	\$ 645,606	\$ 128,752	\$ 436,244	\$ 161,301	\$ (19,234)	\$ 113,440	\$ -

EASTBROOK COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2014
 (Continued)

	School Lunch	Textbook Rental	Educational License Plates	Early Intervention Grant	Various Gifts, Donations, and Grants	Boren Foundation Grant	High Ability Grant	Non-English Speaking Programs P.L. 273-1999
Cash and investments - beginning	\$ 91,420	\$ 159,887	\$ 263	\$ -	\$ 28,515	\$ 85,355	\$ 7,244	\$ 660
Receipts:								
Local sources	358,466	97,001	-	-	29,484	-	-	-
Intermediate sources	-	-	150	-	-	-	-	-
State sources	10,234	46,371	-	-	-	-	29,986	-
Federal sources	342,049	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total receipts	<u>710,749</u>	<u>143,372</u>	<u>150</u>	<u>-</u>	<u>29,484</u>	<u>-</u>	<u>29,986</u>	<u>-</u>
Disbursements:								
Current:								
Instruction	-	-	-	-	4,826	-	29,899	660
Support services	-	210,224	-	-	13,803	78,438	-	-
Noninstructional services	763,905	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	<u>763,905</u>	<u>210,224</u>	<u>-</u>	<u>-</u>	<u>18,629</u>	<u>78,438</u>	<u>29,899</u>	<u>660</u>
Excess (deficiency) of receipts over disbursements	<u>(53,156)</u>	<u>(66,852)</u>	<u>150</u>	<u>-</u>	<u>10,855</u>	<u>(78,438)</u>	<u>87</u>	<u>(660)</u>
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</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>(53,156)</u>	<u>(66,852)</u>	<u>150</u>	<u>-</u>	<u>10,855</u>	<u>(78,438)</u>	<u>87</u>	<u>(660)</u>
Cash and investments - ending	<u>\$ 38,264</u>	<u>\$ 93,035</u>	<u>\$ 413</u>	<u>\$ -</u>	<u>\$ 39,370</u>	<u>\$ 6,917</u>	<u>\$ 7,331</u>	<u>\$ -</u>

EASTBROOK COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2014
 (Continued)

	Non-English Speaking Programs	State Connectivity	Title I - Federal Program	Part B Special Education FY12	Part B Special Education FY13	Part B Special Education FY14	(IDEA, Part B) LEA Capacity Building (Sliver) Grants	Special Ed Tech Assistant Grant
Cash and investments - beginning	\$ -	\$ 141	\$ (2,353)	\$ -	\$ (48,259)	\$ -	\$ -	\$ -
Receipts:								
Local sources	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	909	5,880	-	-	-	-	-	-
Federal sources	-	-	141,629	-	137,346	213,248	69,803	930
Other	-	-	-	-	-	-	-	-
Total receipts	909	5,880	141,629	-	137,346	213,248	69,803	930
Disbursements:								
Current:								
Instruction	710	-	144,659	-	50,539	231,117	-	-
Support services	-	4,449	4,307	-	38,548	77,883	69,803	930
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	710	4,449	148,966	-	89,087	309,000	69,803	930
Excess (deficiency) of receipts over disbursements	199	1,431	(7,337)	-	48,259	(95,752)	-	-
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	199	1,431	(7,337)	-	48,259	(95,752)	-	-
Cash and investments - ending	\$ 199	\$ 1,572	\$ (9,690)	\$ -	\$ -	\$ (95,752)	\$ -	\$ -

EASTBROOK COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2014
 (Continued)

	Drug Free Schools	Improving Teaching Quality, No Child Left, Title II, Part A	Title II, Part A FY11	Title II, Part A FY12	Title II, Part A FY13	Education Jobs	Clearing	Totals
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ (2,995)	\$ -	\$ -	\$ 128,094	\$ 3,160,505
Receipts:								
Local sources	-	-	-	-	-	-	-	3,610,956
Intermediate sources	-	-	-	-	-	-	-	182
State sources	-	-	-	-	-	-	-	9,417,114
Federal sources	-	-	-	16,455	20,527	-	-	941,987
Other	-	-	-	-	-	-	2,481,482	2,481,584
Total receipts	-	-	-	16,455	20,527	-	2,481,482	16,451,823
Disbursements:								
Current:								
Instruction	-	-	-	3,527	20,527	-	-	6,572,977
Support services	-	-	-	9,933	-	-	-	5,412,154
Noninstructional services	-	-	-	-	-	-	-	930,361
Facilities acquisition and construction	-	-	-	-	-	-	-	253,947
Debt services	-	-	-	-	-	-	-	1,242,705
Nonprogrammed charges	-	-	-	-	-	-	2,486,754	2,486,754
Total disbursements	-	-	-	13,460	20,527	-	2,486,754	16,898,898
Excess (deficiency) of receipts over disbursements	-	-	-	2,995	-	-	(5,272)	(447,075)
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	-	558,000
Transfers out	-	-	-	-	-	-	-	(558,000)
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	-	2,995	-	-	(5,272)	(447,075)
Cash and investments - ending	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 122,822	\$ 2,713,430

EASTBROOK COMMUNITY SCHOOL CORPORATION
SCHEDULE OF PAYABLES AND RECEIVABLES
June 30, 2014

<u>Government or Enterprise</u>	<u>Accounts Payable</u>	<u>Accounts Receivable</u>
Governmental activities	<u>\$ 341,214</u>	<u>\$ -</u>

EASTBROOK COMMUNITY SCHOOL CORPORATION
SCHEDULE OF LEASES AND DEBT
June 30, 2014

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities:				
Eastbrook Multi-School Building Corporation	2002 School Construction	\$ 473,000	3/19/2002	12/31/2022
Eastbrook School Building Corporation	2010 School Construction	<u>267,500</u>	9/1/2009	6/30/2026
Total of annual lease payments		<u>\$ 740,500</u>		

Description of Debt	Purpose	Ending Principal Balance	Principal and Interest Due Within One Year
Type			
Governmental activities:			
General obligation bonds	2004 Pension Bonds	\$ 1,665,000	\$ 351,595
Notes and loans payable	2012 Digital Learning Device	1,080,677	443,158
Notes and loans payable	2004 Common School Loan	<u>1,361,341</u>	<u>142,941</u>
Totals		<u>\$ 4,107,018</u>	<u>\$ 937,694</u>

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EASTBROOK COMMUNITY SCHOOL CORPORATION
 SCHEDULE OF CAPITAL ASSETS
 June 30, 2014

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

	Ending Balance
Governmental activities:	
Land	\$ 20,378
Buildings	22,467,825
Improvements other than buildings	1,063,757
Machinery, equipment, and vehicles	3,345,449
Construction in progress	2,000,000
Books and other	274,166
Total capital assets	\$ 29,171,575

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



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

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

Report on Compliance for Each Major Federal Program

We have audited the Eastbrook Community School Corporation's (School Corporation) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the period of July 1, 2012 to June 30, 2014. The School Corporation's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the School Corporation's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the School Corporation's compliance.

Opinion on Each Major Federal Program

In our opinion, the School Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the period of July 1, 2012 to June 30, 2014.

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

Report on Internal Control Over Compliance

Management of the School Corporation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School Corporation's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2014-002 to be material weaknesses.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.


Paul D. Joyce, CPA
State Examiner

February 9, 2015

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTES

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

EASTBROOK COMMUNITY SCHOOL CORPORATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Years Ended June 30, 2013 and 2014

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 6/30/2013	Total Federal Awards Expended 6/30/2014
<u>Department of Agriculture</u>					
Child Nutrition Cluster					
School Breakfast Program	Indiana Department of Education	10.553	FY 12-13 FY 13-14	\$ 46,406 -	\$ - 48,086
Total - School Breakfast Program				46,406	48,086
National School Lunch Program	Indiana Department of Education	10.555	FY 12-13 FY 13-14	346,895 -	- 350,073
Total - National School Lunch Program				346,895	350,073
Summer Food Service Program for Children	Indiana Department of Education	10.559	FY 12-13 FY 13-14	7,472 -	- 6,294
Total - Summer Food Service Program for Children				7,472	6,294
Total - Child Nutrition Cluster				400,773	404,453
Child and Adult Care Food Program	Indiana Department of Education	10.558	FY 12-13 FY 13-14	3,811 -	- 438
Total - Child and Adult Care Food Program				3,811	438
Total - Department of Agriculture				404,584	404,891
<u>Department of Education</u>					
Title I, Part A Cluster					
Title I Grants to Local Educational Agencies	Indiana Department of Education	84.010	12-2815 13-2815 14-2815	19,473 143,033 -	- 19,657 121,971
Total - Title I, Part A Cluster				162,506	141,628

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

EASTBROOK COMMUNITY SCHOOL CORPORATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Years Ended June 30, 2013 and 2014
(Continued)

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 6/30/2013	Total Federal Awards Expended 6/30/2014
<u>Department of Education (continued)</u>					
Special Education Cluster (IDEA)					
Special Education - Grants to States	Indiana Department of Education	84.027	14212-021-PN01	90,802	-
			14213-021-PN01	226,881	137,346
			14214-021-PN01	-	213,248
			99914-21-TA01	-	930
			A58-3-13DL-1478	-	69,803
				<u>317,683</u>	<u>421,327</u>
Total - Special Education - Grants to States					
Special Education - Preschool Grants	Indiana Department of Education	84.173	45712-021-PN01	9,059	-
			45713-021-PN01	-	11,467
				<u>9,059</u>	<u>11,467</u>
Total - Special Education - Preschool Grants					
Total - Special Education Cluster (IDEA)				<u>326,742</u>	<u>432,794</u>
Safe and Drug Free Schools and Communities - State Grants	Indiana Department of Education	84.186	10-2815	10,027	-
Improving Teacher Quality State Grants	Indiana Department of Education	84.367	11-2815	37,764	-
			12-2815	14,707	16,455
			13-2815	-	20,527
				<u>52,471</u>	<u>36,982</u>
Total - Improving Teacher Quality State Grants					
Education Jobs Fund	Indiana Department of Education	84.410	11-2815	6,580	-
Total - Department of Education				<u>558,326</u>	<u>611,404</u>
Total federal awards expended				<u>\$ 962,910</u>	<u>\$ 1,016,295</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

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the School Corporation and is presented in accordance with the cash and investment basis of accounting used in the preparation of the financial statement. 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 Indiana Code (IC 5-11-1-25), audits of school corporations shall be conducted biennially. Such audits shall include both years within the biennial period.

Note 2. Noncash Assistance

The School Corporation expended the following amount of noncash assistance for the years ending June 30, 2013 and 2014. 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, 2013	For the Year Ended June 30, 2014
Child Nutrition Cluster:			
Food Commodities:			
National School Lunch Program	10.555	\$ 56,002	\$ 56,777

EASTBROOK COMMUNITY SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I - Summary of Auditor's Results

Financial Statement:

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

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?	yes

Identification of Major Programs:

Name of Federal Program or Cluster

Child Nutrition Cluster
Title I, Part A Cluster

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

Auditee qualified as low-risk auditee?	no
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Section II - Financial Statement Findings

FINDING 2014-001 - INTERNAL CONTROLS OVER THE PREPARATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The School Corporation did not have a proper system of internal control in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA). The School Corporation should have proper controls in place over the preparation of the SEFA to ensure accurate reporting of federal awards. Without a proper system of internal control in place that operates effectively, material misstatements of the SEFA could remain undetected.

EASTBROOK COMMUNITY SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets, and all forms of information processing are necessary for proper internal control.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

Section III - Federal Award Findings and Questioned Costs

FINDING 2014-002 - INTERNAL CONTROLS OVER ELIGIBILITY

Federal Agency: Department of Agriculture

Federal Program: School Breakfast Program, National School Lunch Program, Summer Food Service Program for Children

CFDA Number: 10.553, 10.555, 10.559

Federal Award Number and Year (or Other Identifying Number): FY 2012-13, FY 2013-14

Pass-Through Entity: Indiana Department of Education

Management of the School Corporation has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the eligibility compliance requirements.

The School Lunch Director is the only School Corporation official who processes and reviews school lunch free and reduced applications.

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

An internal control system, including segregation of duties, should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement or a compliance requirement of a federal program will be prevented, or detected and corrected, on a timely basis. In order to have an effective internal control system, it is important to have proper segregation of duties. This is accomplished by making sure proper oversight, reviews, and approvals take place and to have a separation of functions over certain activities related to the program. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same activity.

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

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

EASTBROOK COMMUNITY SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

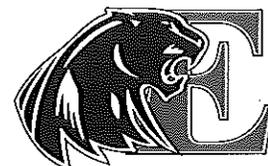
The failure to establish internal controls could enable material noncompliance to go undetected. Noncompliance of the grant agreement or the compliance requirements could result in the loss of federal funds to the School Corporation.

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

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AUDITEE PREPARED DOCUMENT

The subsequent document was provided by management of the School Corporation. The document is presented as intended by the School Corporation.



EASTBROOK COMMUNITY SCHOOLS CORP.

Brett T. Garrett, Ed. S., Superintendent
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CORRECTIVE ACTION PLAN

FINDING 2014-001 INTERNAL CONTROLS OVER THE PREPARATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Contact Person Responsible for Corrective Action: Lisa Baker, Business Manager
Contract Phone Number: 765-664-0624

Description of Corrective Action Plan:

Each year, a list of all federal awards will be compiled with the assistance of the Special Services Director, the Curriculum Coordinator, and the Food Service Director.

The Business Manager will prepare the Schedule of Expenditures of Federal Awards as required at the end of each fiscal year. The Deputy Treasurer will be provided with the list of all federal awards for the fiscal year and will review all documentation supporting the Schedule's contents for accuracy and completeness prior to the Schedule's submission.

Anticipated Completion Date: July 31, 2015

Lisa M Baker

Signature

BUSINESS MANAGER

Title

FEBRUARY 9, 2015

Date



EASTBROOK COMMUNITY SCHOOLS CORP.

Brett T. Garrett, Ed. S., Superintendent
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CORRECTIVE ACTION PLAN

FINDING 2014-002 – INTERNAL CONTROLS OVER ELIGIBILITY

Federal Agency: Department of Agriculture

Federal Program: School Breakfast Program, National School Lunch Program, Summer Food Service Program for Children

CFDA Number: 10.553, 10.555, 10.559

Federal Award Number and Year (or Other Identifying Number): FY 2012-13, FY 2013-14

Pass-Through Entity: Indiana Department of Education

Contact Person Responsible for Corrective Action: Lisa Baker, Business Manager

Contract Phone Number: 765-664-0624

Description of Correction Action Plan:

The Food Service Director will train a Kitchen Manager on the processing of the Free and Reduced Meal application. The Food Service Director will continue to process the applications and the manager will review the completed applications for accuracy.

Anticipated Completion Date: August 1, 2015

Lisa M Baker

Signature

BUSINESS MANAGER

Title

FEBRUARY 9, 2015

Date

OTHER REPORT

In addition to this report, a Supplemental Compliance Report has been issued for the School Corporation. That report can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>.