

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

FINANCIAL STATEMENT AND  
FEDERAL SINGLE AUDIT REPORT  
OF

EAST GIBSON SCHOOL CORPORATION  
GIBSON COUNTY, INDIANA

July 1, 2012 to June 30, 2014



**FILED**  
05/14/2015



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#### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	E. Jean Krieg	07-01-12 to 06-30-15
Superintendent of Schools	Dr. Henry M. Brewster	07-01-12 to 06-30-15
President of the School Board	Doug Meiring Steve Heldt	01-01-12 to 07-07-13 07-08-13 to 12-31-15



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**INDEPENDENT AUDITOR'S REPORT**

TO: THE OFFICIALS OF THE EAST GIBSON SCHOOL CORPORATION, GIBSON COUNTY, INDIANA

***Report on the Financial Statement***

We have audited the accompanying financial statement of the East Gibson 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.

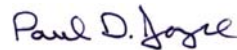
*Other Information*

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 April 2, 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

April 2, 2015



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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 EAST GIBSON SCHOOL CORPORATION, GIBSON 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 East Gibson 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 April 2, 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 and significant deficiencies.

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 items 2014-001 and 2014-002 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)

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as item 2014-003 to be significant deficiencies.

***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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2014-001.

***East Gibson 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

April 2, 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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EAST GIBSON 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

	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	\$ 1,152,426	\$ 6,452,722	\$ 6,618,702	\$ 6,928	\$ 993,374	\$ 6,031,211	\$ 6,216,046	\$ 2,681	\$ 811,220
Debt Service	264,000	459,961	390,840	-	333,121	351,670	381,228	7,586	311,149
Retirement/Severance Bond Debt Service	14,172	181,989	176,013	-	20,148	232,496	180,028	-	72,616
Capital Projects	4,585	849,177	715,044	(50,000)	88,718	902,908	704,704	(7,586)	279,336
School Transportation	532,122	908,508	672,895	(275,000)	492,735	932,787	684,230	(200,000)	541,292
School Bus Replacement	167,718	53,766	50,437	(75,000)	96,047	14,446	50,676	-	59,817
Rainy Day	635,769	-	46,407	400,000	989,362	-	15,672	200,000	1,173,690
Construction	-	649,212	674,924	-	(25,712)	109,197	84,642	-	(1,157)
New Gym Floor	-	-	-	-	-	4,550	-	-	4,550
School Lunch	5,997	443,726	425,415	-	24,308	393,374	388,913	-	28,769
Levy Excess	70,007	-	-	-	70,007	-	-	-	70,007
Educational License Plates	225	150	-	-	375	131	440	-	66
Welborn Baptist Fund Grant	1,961	-	1,959	-	2	-	2	-	-
Welborn Grant 1st Year	-	24,970	14,504	-	10,466	29,020	34,427	-	5,059
Community Transformation Grant	-	6,085	6,428	-	(343)	4,036	3,693	-	-
Community Foundation Alliance	-	-	-	-	-	1,890	1,890	-	-
Wellness Grant **HHST	-	-	-	-	-	730	730	-	-
High Ability Grant 2011/2012	10,727	-	10,727	-	-	-	-	-	-
High Ability Grant 2012/2013	-	27,047	26,983	-	64	-	64	-	-
High Ability Gifted & Talented	-	-	-	-	-	26,937	20,738	-	6,199
Homeland Security Grant	-	-	-	-	-	3,474	5,190	-	(1,716)
Scholarships and Awards	-	-	-	793	793	-	-	-	793
Non-English Speaking Programs P.L. 273-1999	793	94	94	(793)	-	182	182	-	-
School Technology	1,399	6,057	6,913	-	543	5,357	4,457	-	1,443
Innovative School Improvement Grant	-	-	-	-	-	8,009	8,009	-	-
Title I 2011/2012	(20,336)	76,335	55,999	-	-	-	-	-	-
Title I 2012/2013	-	115,041	140,402	-	(25,361)	66,703	41,342	-	-
Title I 2013/2014	-	-	-	-	-	108,980	115,726	-	(6,746)
Special Education Part B 2011/2012	(19,536)	24,936	5,400	-	-	-	-	-	-
Special Education Part B 2012/2013	-	173,306	181,013	-	(7,707)	41,098	33,391	-	-
Special Education Part B 2013/2014	-	-	-	-	-	163,681	170,403	-	(6,722)
(IDEA, Part B) LEA Capacity Building (Sliver) Grants	-	-	-	-	-	67,545	67,545	-	-
Technical Assistance for Special Ed	-	-	-	-	-	-	40	-	(40)
Special Education Preschool	-	7,357	7,644	-	(287)	1,573	1,286	-	-
Special Ed Part B (2013-2014)	-	-	-	-	-	8,585	8,585	-	-
Improving Teaching Quality, No Child Left, Title II, Part A FFY 2010	(5,737)	6,286	549	-	-	30,869	26,371	(6,339)	(1,841)
Improving Teaching Quality, No Child Left, Title II, Part A FFY 2011	-	39,398	39,398	-	-	-	-	-	-
Improving Teaching Quality, No Child Left, Title II, Part A FFY 2012	-	37,443	37,443	-	-	-	-	-	-
Improving Teaching Quality, No Child Left, Title II, Part A FFY 2013	-	-	-	-	-	-	6,339	6,339	-
Safe Schools Healthy Students Year 1	932	5,677	6,609	-	-	-	-	-	-
Safe Schools Healthy Students Year 2	-	3,925	3,925	-	-	-	-	-	-
Education Jobs	(104,345)	113,877	9,532	-	-	-	-	-	-
Payroll Withholding Clearing	7,601	1,483,176	1,482,376	(6,928)	1,473	1,484,996	1,485,428	-	1,041
Totals	\$ 2,720,480	\$ 12,150,221	\$ 11,808,575	\$ -	\$ 3,062,126	\$ 11,026,435	\$ 10,742,417	\$ 2,681	\$ 3,348,825

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

EAST GIBSON 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.

EAST GIBSON 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, 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:

Sale of capital assets which includes money received when land, buildings, or equipment owned by the School Corporation is sold.

EAST GIBSON SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENT  
(Continued)

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.

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.



EAST GIBSON SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENT  
(Continued)

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.

**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.

EAST GIBSON 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. The Construction fund is negative due to an insurance claim. The School Corporation had to immediately make the repairs to the buildings and then waited for an insurance reimbursement. The School Corporation was hit with a succession of thunderstorms, resulting in multiple claims, including an amended claim. This damage occurred at Francisco and Barton Township Schools. The deficit balance in the remaining funds is a result of the funds being set up for reimbursable grants. The reimbursement for expenditures made by the School Corporation was not received by June 30 for each fiscal year.

**Note 8. Other Postemployment Benefits**

The School Corporation provides to eligible retirees and their spouses the following benefits: post-employment health insurance and bridge to retirement benefits, as authorized by Indiana Code 5-10-8. The School Corporation also provides termination benefits to eligible retirees. These benefits pose a liability to the School Corporation for this year and in future years. Information regarding the benefits can be obtained by contacting the School Corporation.

#### 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.

EAST GIBSON 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	Construction	New Gym Floor
Cash and investments - beginning	\$ 1,152,426	\$ 264,000	\$ 14,172	\$ 4,585	\$ 532,122	\$ 167,718	\$ 635,769	\$ -	\$ -
Receipts:									
Local sources	32,504	459,961	181,989	837,345	898,109	53,766	-	-	-
Intermediate sources	211	-	-	-	5,153	-	-	-	-
State sources	6,273,064	-	-	11,832	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-
Other	146,943	-	-	-	5,246	-	-	649,212	-
Total receipts	6,452,722	459,961	181,989	849,177	908,508	53,766	-	649,212	-
Disbursements:									
Current:									
Instruction	4,663,844	-	-	-	-	-	42,948	-	-
Support services	1,954,858	-	-	458,665	637,933	50,437	3,459	117,025	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	256,379	34,962	-	-	557,899	-
Debt services	-	390,840	176,013	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	6,618,702	390,840	176,013	715,044	672,895	50,437	46,407	674,924	-
Excess (deficiency) of receipts over disbursements	(165,980)	69,121	5,976	134,133	235,613	3,329	(46,407)	(25,712)	-
Other financing sources (uses):									
Transfers in	2,285,641	-	-	-	-	-	400,000	-	-
Transfers out	(2,278,713)	-	-	(50,000)	(275,000)	(75,000)	-	-	-
Total other financing sources (uses)	6,928	-	-	(50,000)	(275,000)	(75,000)	400,000	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(159,052)	69,121	5,976	84,133	(39,387)	(71,671)	353,593	(25,712)	-
Cash and investments - ending	\$ 993,374	\$ 333,121	\$ 20,148	\$ 88,718	\$ 492,735	\$ 96,047	\$ 989,362	\$ (25,712)	\$ -

EAST GIBSON 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	Levy Excess	Educational License Plates	Welborn Babtist Fund Grant	Welborn Grant 1st Year	Community Transformation Grant	Community Foundation Alliance	Welness Grant **HHST	High Ability Grant 2011/2012
Cash and investments - beginning	\$ 5,997	\$ 70,007	\$ 225	\$ 1,961	\$ -	\$ -	\$ -	\$ -	\$ 10,727
Receipts:									
Local sources	227,561	-	-	-	24,970	6,085	-	-	-
Intermediate sources	-	-	150	-	-	-	-	-	-
State sources	4,910	-	-	-	-	-	-	-	-
Federal sources	210,451	-	-	-	-	-	-	-	-
Other	804	-	-	-	-	-	-	-	-
Total receipts	443,726	-	150	-	24,970	6,085	-	-	-
Disbursements:									
Current:									
Instruction	-	-	-	-	65	6,428	-	-	7,849
Support services	-	-	-	-	-	-	-	-	2,878
Noninstructional services	425,359	-	-	1,959	14,439	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	56	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	425,415	-	-	1,959	14,504	6,428	-	-	10,727
Excess (deficiency) of receipts over disbursements	18,311	-	150	(1,959)	10,466	(343)	-	-	(10,727)
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	18,311	-	150	(1,959)	10,466	(343)	-	-	(10,727)
Cash and investments - ending	\$ 24,308	\$ 70,007	\$ 375	\$ 2	\$ 10,466	\$ (343)	\$ -	\$ -	\$ -

EAST GIBSON 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)

	High Ability Grant 2012/2013	High Ability Gifted & Talented	Homeland Security Grant	Scholarships and Awards	Non-English Speaking Programs P.L. 273-1999	School Technology	Innovative School Improvement Grant	Title I 2011/2012	Title I 2012/2013
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ -	\$ 793	\$ 1,399	\$ -	\$ (20,336)	\$ -
Receipts:									
Local sources	-	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	27,047	-	-	-	94	6,057	-	-	-
Federal sources	-	-	-	-	-	-	-	76,335	115,041
Other	-	-	-	-	-	-	-	-	-
Total receipts	27,047	-	-	-	94	6,057	-	76,335	115,041
Disbursements:									
Current:									
Instruction	26,983	-	-	-	94	-	-	50,880	128,996
Support services	-	-	-	-	-	6,913	-	4,910	10,125
Noninstructional services	-	-	-	-	-	-	-	209	1,281
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	26,983	-	-	-	94	6,913	-	55,999	140,402
Excess (deficiency) of receipts over disbursements	64	-	-	-	-	(856)	-	20,336	(25,361)
Other financing sources (uses):									
Transfers in	-	-	-	793	-	-	-	-	-
Transfers out	-	-	-	-	(793)	-	-	-	-
Total other financing sources (uses)	-	-	-	793	(793)	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	64	-	-	793	(793)	(856)	-	20,336	(25,361)
Cash and investments - ending	\$ 64	\$ -	\$ -	\$ 793	\$ -	\$ 543	\$ -	\$ -	\$ (25,361)

EAST GIBSON 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)

	Title I 2013/2014	Special Education Part B 2011/2012	Special Education Part B 2012/2013	Special Education Part B 2013/2014	(IDEA, Part B) LEA Capacity Building (Sliver) Grants	Technical Assistance for Special Ed	Special Education Preschool	Special Ed Part B (2013-2014)	Improving Teaching Quality, No Child Left, Title II, Part A FFY 2010
Cash and investments - beginning	\$ -	\$ (19,536)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (5,737)
Receipts:									
Local sources	-	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-
Federal sources	-	24,936	173,306	-	-	-	7,357	-	6,286
Other	-	-	-	-	-	-	-	-	-
Total receipts	-	24,936	173,306	-	-	-	7,357	-	6,286
Disbursements:									
Current:									
Instruction	-	5,400	159,393	-	-	-	6,294	-	549
Support services	-	-	21,620	-	-	-	1,350	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	-	5,400	181,013	-	-	-	7,644	-	549
Excess (deficiency) of receipts over disbursements	-	19,536	(7,707)	-	-	-	(287)	-	5,737
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	-	19,536	(7,707)	-	-	-	(287)	-	5,737
Cash and investments - ending	\$ -	\$ -	\$ (7,707)	\$ -	\$ -	\$ -	\$ (287)	\$ -	\$ -

EAST GIBSON 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)

	Improving Teaching Quality, No Child Left, Title II, Part A FFY 2011	Improving Teaching Quality, No Child Left, Title II, Part A FFY 2012	Improving Teaching Quality, No Child Left, Title II, Part A FFY 2013	Safe Schools Healthy Students Year 1	Safe Schools Healthy Students Year 2	Education Jobs	Payroll Withholding Clearing	Totals
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ 932	\$ -	\$ (104,345)	\$ 7,601	\$ 2,720,480
Receipts:								
Local sources	-	-	-	5,677	3,925	-	-	2,731,892
Intermediate sources	-	-	-	-	-	-	-	5,514
State sources	-	-	-	-	-	-	-	6,323,004
Federal sources	39,398	37,443	-	-	-	113,877	-	804,430
Other	-	-	-	-	-	-	1,483,176	2,285,381
Total receipts	39,398	37,443	-	5,677	3,925	113,877	1,483,176	12,150,221
Disbursements:								
Current:								
Instruction	39,398	37,443	-	932	3,925	21,815	-	5,203,236
Support services	-	-	-	5,677	-	(12,283)	-	3,263,567
Noninstructional services	-	-	-	-	-	-	-	443,247
Facilities acquisition and construction	-	-	-	-	-	-	-	849,240
Debt services	-	-	-	-	-	-	-	566,909
Nonprogrammed charges	-	-	-	-	-	-	1,482,376	1,482,376
Total disbursements	39,398	37,443	-	6,609	3,925	9,532	1,482,376	11,808,575
Excess (deficiency) of receipts over disbursements	-	-	-	(932)	-	104,345	800	341,646
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	-	2,686,434
Transfers out	-	-	-	-	-	-	(6,928)	(2,686,434)
Total other financing sources (uses)	-	-	-	-	-	-	(6,928)	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	-	(932)	-	104,345	(6,128)	341,646
Cash and investments - ending	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,473	\$ 3,062,126



EAST GIBSON 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	Construction	New Gym Floor
Cash and investments - beginning	\$ 993,374	\$ 333,121	\$ 20,148	\$ 88,718	\$ 492,735	\$ 96,047	\$ 989,362	\$ (25,712)	\$ -
Receipts:									
Local sources	27,668	351,670	232,496	902,908	922,699	14,446	-	-	4,550
Intermediate sources	141	-	-	-	8,416	-	-	-	-
State sources	6,004,352	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-
Other	(950)	-	-	-	1,672	-	-	109,197	-
Total receipts	6,031,211	351,670	232,496	902,908	932,787	14,446	-	109,197	4,550
Disbursements:									
Current:									
Instruction	4,412,377	-	-	-	-	-	15,672	55	-
Support services	1,803,669	-	-	488,400	684,230	50,676	-	88,148	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	216,304	-	-	-	(3,561)	-
Debt services	-	381,228	180,028	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	6,216,046	381,228	180,028	704,704	684,230	50,676	15,672	84,642	-
Excess (deficiency) of receipts over disbursements	(184,835)	(29,558)	52,468	198,204	248,557	(36,230)	(15,672)	24,555	4,550
Other financing sources (uses):									
Sale of capital assets	2,681	-	-	-	-	-	-	-	-
Transfers in	-	7,586	-	-	-	-	200,000	-	-
Transfers out	-	-	-	(7,586)	(200,000)	-	-	-	-
Total other financing sources (uses)	2,681	7,586	-	(7,586)	(200,000)	-	200,000	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(182,154)	(21,972)	52,468	190,618	48,557	(36,230)	184,328	24,555	4,550
Cash and investments - ending	\$ 811,220	\$ 311,149	\$ 72,616	\$ 279,336	\$ 541,292	\$ 59,817	\$ 1,173,690	\$ (1,157)	\$ 4,550

EAST GIBSON 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	Levy Excess	Educational License Plates	Welborn Babtist Fund Grant	Welborn Grant 1st Year	Community Transformation Grant	Community Foundation Alliance	Welness Grant **HHST	High Ability Grant 2011/2012
Cash and investments - beginning	\$ 24,308	\$ 70,007	\$ 375	\$ 2	\$ 10,466	\$ (343)	\$ -	\$ -	\$ -
Receipts:									
Local sources	208,106	-	-	-	29,020	4,036	1,890	730	-
Intermediate sources	-	-	131	-	-	-	-	-	-
State sources	4,310	-	-	-	-	-	-	-	-
Federal sources	180,958	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	393,374	-	131	-	29,020	4,036	1,890	730	-
Disbursements:									
Current:									
Instruction	-	-	-	-	-	3,105	-	342	-
Support services	-	-	440	-	66	500	120	-	-
Noninstructional services	388,897	-	-	2	34,361	88	-	388	-
Facilities acquisition and construction	-	-	-	-	-	-	1,770	-	-
Debt services	16	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	388,913	-	440	2	34,427	3,693	1,890	730	-
Excess (deficiency) of receipts over disbursements	4,461	-	(309)	(2)	(5,407)	343	-	-	-
Other financing sources (uses):									
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	4,461	-	(309)	(2)	(5,407)	343	-	-	-
Cash and investments - ending	\$ 28,769	\$ 70,007	\$ 66	\$ -	\$ 5,059	\$ -	\$ -	\$ -	\$ -

EAST GIBSON 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)

	High Ability Grant 2012/2013	High Ability Gifted & Talented	Homeland Security Grant	Scholarships and Awards	Non-English Speaking Programs P.L. 273-1999	School Technology	Innovative School Improvement Grant	Title I 2011/2012	Title I 2012/2013
Cash and investments - beginning	\$ 64	\$ -	\$ -	\$ 793	\$ -	\$ 543	\$ -	\$ -	\$ (25,361)
Receipts:									
Local sources	-	-	-	-	-	-	8,009	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	26,937	3,474	-	182	5,357	-	-	-
Federal sources	-	-	-	-	-	-	-	-	66,703
Other	-	-	-	-	-	-	-	-	-
Total receipts	-	26,937	3,474	-	182	5,357	8,009	-	66,703
Disbursements:									
Current:									
Instruction	-	20,738	-	-	182	-	8,009	-	41,342
Support services	64	-	5,190	-	-	4,457	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	64	20,738	5,190	-	182	4,457	8,009	-	41,342
Excess (deficiency) of receipts over disbursements	(64)	6,199	(1,716)	-	-	900	-	-	25,361
Other financing sources (uses):									
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(64)	6,199	(1,716)	-	-	900	-	-	25,361
Cash and investments - ending	\$ -	\$ 6,199	\$ (1,716)	\$ 793	\$ -	\$ 1,443	\$ -	\$ -	\$ -

EAST GIBSON 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)

	Title I 2013/2014	Special Education Part B 2011/2012	Special Education Part B 2012/2013	Special Education Part B 2013/2014	(IDEA, Part B) LEA Capacity Building (Sliver) Grants	Technical Assistance for Special Ed	Special Education Preschool	Special Ed Part B (2013-2014)	Improving Teaching Quality, No Child Left, Title II, Part A FFY 2010
Cash and investments - beginning	\$ -	\$ -	\$ (7,707)	\$ -	\$ -	\$ -	\$ (287)	\$ -	\$ -
Receipts:									
Local sources	-	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-
Federal sources	108,980	-	41,098	163,681	67,545	-	1,573	8,585	30,869
Other	-	-	-	-	-	-	-	-	-
Total receipts	108,980	-	41,098	163,681	67,545	-	1,573	8,585	30,869
Disbursements:									
Current:									
Instruction	105,640	-	33,391	157,318	67,545	-	1,149	7,529	26,371
Support services	10,086	-	-	13,085	-	-	137	1,056	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	40	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	115,726	-	33,391	170,403	67,545	40	1,286	8,585	26,371
Excess (deficiency) of receipts over disbursements	(6,746)	-	7,707	(6,722)	-	(40)	287	-	4,498
Other financing sources (uses):									
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	(6,339)
Total other financing sources (uses)	-	-	-	-	-	-	-	-	(6,339)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(6,746)	-	7,707	(6,722)	-	(40)	287	-	(1,841)
Cash and investments - ending	\$ (6,746)	\$ -	\$ -	\$ (6,722)	\$ -	\$ (40)	\$ -	\$ -	\$ (1,841)

EAST GIBSON 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)

	Improving Teaching Quality, No Child Left, Title II, Part A FFY 2011	Improving Teaching Quality, No Child Left, Title II, Part A FFY 2012	Improving Teaching Quality, No Child Left, Title II, Part A FFY 2013	Safe Schools Healthy Students Year 1	Safe Schools Healthy Students Year 2	Education Jobs	Payroll Withholding Clearing	Totals
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,473	\$ 3,062,126
Receipts:								
Local sources	-	-	-	-	-	-	-	2,708,228
Intermediate sources	-	-	-	-	-	-	-	8,688
State sources	-	-	-	-	-	-	-	6,044,612
Federal sources	-	-	-	-	-	-	-	669,992
Other	-	-	-	-	-	-	1,484,996	1,594,915
Total receipts	-	-	-	-	-	-	1,484,996	11,026,435
Disbursements:								
Current:								
Instruction	-	-	6,339	-	-	-	-	4,907,104
Support services	-	-	-	-	-	-	-	3,150,324
Noninstructional services	-	-	-	-	-	-	-	423,736
Facilities acquisition and construction	-	-	-	-	-	-	-	214,553
Debt services	-	-	-	-	-	-	-	561,272
Nonprogrammed charges	-	-	-	-	-	-	1,485,428	1,485,428
Total disbursements	-	-	6,339	-	-	-	1,485,428	10,742,417
Excess (deficiency) of receipts over disbursements	-	-	(6,339)	-	-	-	(432)	284,018
Other financing sources (uses):								
Sale of capital assets	-	-	-	-	-	-	-	2,681
Transfers in	-	-	6,339	-	-	-	-	213,925
Transfers out	-	-	-	-	-	-	-	(213,925)
Total other financing sources (uses)	-	-	6,339	-	-	-	-	2,681
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	-	-	-	-	(432)	286,699
Cash and investments - ending	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,041	\$ 3,348,825

EAST GIBSON 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>\$ 350</u>	<u>\$ 15,350</u>

EAST GIBSON SCHOOL CORPORATION  
SCHEDULE OF LEASES AND DEBT  
June 30, 2014

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities:				
Financial Services Educational Services	Apple Equipment Lease	\$ 58,147	4/16/2014	5/15/2016
Total of annual lease payments		<u>\$ 58,147</u>		

Description of Debt		Ending Principal Balance	Principal and Interest Due Within One Year
Type	Purpose		
Governmental activities:			
General obligation bonds	Common School Loan	\$ 2,176,947	\$ 361,747
General obligation bonds	Pension Bonds	<u>835,000</u>	<u>178,505</u>
Total governmental activities		<u>3,011,947</u>	<u>540,252</u>
Totals		<u>\$ 3,011,947</u>	<u>\$ 540,252</u>

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EAST GIBSON 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	\$ 446,000
Buildings	12,443,658
Improvements other than buildings	824,442
Machinery, equipment, and vehicles	<u>1,410,363</u>
Total governmental activities	<u>15,124,463</u>
Total capital assets	<u><u>\$ 15,124,463</u></u>

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SUPPLEMENTAL AUDIT OF  
FEDERAL AWARDS



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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

TO: THE OFFICIALS OF THE EAST GIBSON SCHOOL CORPORATION, GIBSON COUNTY, INDIANA

***Report on Compliance for Each Major Federal Program***

We have audited the East Gibson 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 2014-004 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

April 2, 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.

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EAST GIBSON 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	Entity (or Other) Identifying Number	Federal Awards Expended 06-30-13	Federal Awards Expended 06-30-14
<u>Department of Agriculture</u>					
Child Nutrition Cluster					
School Breakfast Program	Indiana Department of Education	10.553	FY 12/13	\$ 49,301	\$ -
			FY 13/14	-	39,790
National School Lunch Program		10.555	FY 12/13	189,136	-
			FY 13/14	-	169,123
Total - Child Nutrition Cluster				238,437	208,913
Total - Department of Agriculture				238,437	208,913
<u>Department of Education</u>					
Special Education Cluster (IDEA)					
Special Education - Grants to States	Indiana Department of Education	84.027	Project # 14212-007-PN01	24,936	-
			Project # 14213-077-PN01	173,306	41,098
			Project # 14214-077-PN01	-	163,681
			EDS #A58-13DL-1451	-	67,545
Total Special Education - Grants to States				198,242	272,324
Special Education - Preschool Grants		84.173	Project # 45713-077-	7,357	1,573
			Project # 45714-077-	-	8,585
Total Special Education - Preschool Grants				7,357	10,158
Total - Special Education Cluster (IDEA)				205,599	282,482
Title I, Part A Cluster					
Title I Grants to Local Educational Agencies	Indiana Department of Education				
Title I Grant to Local Educational Agencies		84.010	Project # 12-2725	76,335	-
Title I Grant to Local Educational Agencies			Project # 13-2725	115,041	66,703
Title I Grant to Local Educational Agencies			Project # 14-2725	-	108,980
Total - Title I, Part A Cluster				191,376	175,683
Safe and Drug Free Schools and Communities - National Programs	Metropolitan School District of Mount Vernon	84.184	Q184L080320	5,677	-
			Q184L080320	3,925	-
Total - Safe and Drug Free Schools and Communities - National Programs				9,602	-
Improving Teacher Quality State Grants	Indiana Department of Education				
Title IIA		84.367	FFY 2010	6,286	-
Title IIA		84.367	FFY 2011	39,398	-
Title IIA		84.367	FFY 2012	37,443	-
Title IIA		84.367	FFY2013	-	30,869
Total - Improving Teacher Quality State Grants				83,127	30,869
Education Jobs Fund		84.410	2725	113,877	-
Total - Department of Education				489,704	489,034
Total federal awards expended				\$ 842,018	\$ 697,947

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

EAST GIBSON 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.

<u>Program Title</u>	<u>2013</u>	<u>2014</u>
Child Nutrition Cluster	<u>\$ 27,986</u>	<u>\$ 27,955</u>

EAST GIBSON 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?	yes
Noncompliance material to financial statement noted?	yes

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  
Special Education Cluster (IDEA)

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

Auditee qualified as low-risk auditee?	no
--	----

**Section II - Financial Statement Findings**

**FINDING 2014-001 - 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.

During the audit of the SEFA, we noted the following errors: two misstated program expenditures, one state match that was incorrectly included, and one grant that was not reported. Audit adjustments were proposed, accepted by the School Corporation, and made to the SEFA presented in this report.

EAST GIBSON 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)

OMB Circular A-133, Subpart C, section .300 states in part: "The auditee shall: . . . (d) Prepare appropriate financial statements, including the schedule of expenditures of Federal Awards in accordance with section .310."

OMB Circular A-133, Subpart C, section .310(b) states:

"Schedule of expenditures of Federal awards: The auditee shall also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple award years, the auditee may list the amount of Federal awards expended for each award year separately. At a minimum, the schedule shall:

- (1) List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For R&D, total Federal awards expended shall be shown either by individual award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included.
- (3) Provide the total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.
- (4) Include notes that describe the significant accounting policies used in preparing the schedule.
- (5) To the extent practical, pass-through entities should identify in the schedule the total amount provided to subrecipients from each Federal program.
- (6) Include, in either the schedule or a note to the schedule, the value of the Federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end. While not required, it is preferable to present this information in the schedule."

EAST GIBSON SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

***FINDING 2014-002 - INTERNAL CONTROLS OVER RECEIPTS***

We noted several deficiencies in the internal control system of the School Corporation related to receipts.

1. Lack of Segregation of Duties: The School Corporation has not separated incompatible activities related to receipts. The Treasurer handles all of the activities for receipts related to authorization, recording, custody, and comparison. The failure to establish these controls could enable material misstatements or irregularities to remain undetected. Control activities should be in place to reduce the risks of errors in financial reporting.
2. Monitoring of Controls: An evaluation of the School Corporation's system of internal control has not been conducted. The failure to monitor the internal control system places the School Corporation at risk that controls may not be either designed properly or operating effectively to provide reasonable assurance that controls will prevent, or detect and correct, material misstatements in a timely manner. Additionally, the School Corporation has no process to identify or communicate corrective actions to improve controls. Effective internal controls over financial reporting requires the School Corporation to monitor and assess the quality of the system of internal control.

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)

***FINDING 2014-003 - INTERNAL CONTROLS OVER TRAVEL DISBURSEMENTS***

We noted deficiencies in the internal control system of the School Corporation related to travel disbursements.

Of the 16 travel claims tested, four were not signed by the Treasurer as required by the School Corporation's control procedures. An evaluation of the School Corporation's system of internal control has not been conducted. The failure to monitor the internal control system places the School Corporation at risk that controls may not be either designed properly or operating effectively to provide reasonable assurance that controls will prevent, or detect and correct, misstatements in a timely manner. Additionally, the School Corporation has no process to identify or communicate corrective actions to improve controls. Effective internal controls over financial reporting require the School Corporation to monitor and assess the quality of the system of internal control.

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.

EAST GIBSON SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

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 2014-004 - INTERNAL CONTROL OVER CHILD NUTRITION  
CLUSTER - LACK OF SEGREGATION OF DUTIES***

Federal Agency: Department of Agriculture

Federal Program: National School Lunch Program and School Breakfast Program

CFDA Numbers: 10.555 and 10.553

Federal Award Number and Year (or Other Identifying Number): FY 12-13 and FY 13-14

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 following compliance requirements: Allowable Activities, Allowable Costs, and Cash Management.

The School Corporation lacked controls necessary to ensure that allowable costs and activities were necessary, reasonable, and/or allocable, legal under state and local law, and in conformance with federal law, regulations, and grant terms. The School Corporation contracts with a food service management company to operate the National School Lunch Program and the School Breakfast Program. The food service management company pays all the bills and then submits an invoice to the School Corporation for reimbursements that only summarizes the type of expenses. While the claims for reimbursement were reviewed, no detailed information was requested by the School Corporation to be able to determine if the reimbursements were for allowable activities and allowable costs.

The school lunch program must manage net cash resources in such a way that the balance does not exceed 3 months average expenditures for its nonprofit school food service. The School Corporation lacked controls related to the monitoring of net cash resources to ensure the amount does not exceed 3 months' average expenditures.

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.

EAST GIBSON SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

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."

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.

Dr. Henry M  
Brewster  
Superintendent

David Edwards  
Director of  
Maintenance/  
Transportation

**East Gibson School Corporation**

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Oakland City, IN 47660

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Ginger Schenks  
Executive Secretary  
Payroll/Personnel

Jean Krieg  
Treasurer

**CORRECTIVE ACTION PLAN**

AUDITEE CONTACT PERSON: Dr Henry M Brewster  
TITLE OF CONTACT PERSON: Superintendent  
PHONE NUMBER OF CONTACT PERSON: 812-749-4755

EXPECTED COMPLETION DATE: 9/1/2015

**FINDING NO. 2014-001, Preparation of the Schedule of Expenditures of Federal Awards**

We will review and adjust the office procedures, and implement internal controls to prevent or detect and correct, errors on the Schedule of Expenditure of Federal Awards(SEFA) to the best of our manpower abilities. The School Corporation will strive to have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records. We will look at segregation of duties to improve our internal control effectiveness and efficiency of operations, proper, execution of management's objectives compliance with laws and regulations.

**FINDING NO. 2014-002, Internal Controls Over Receipts**

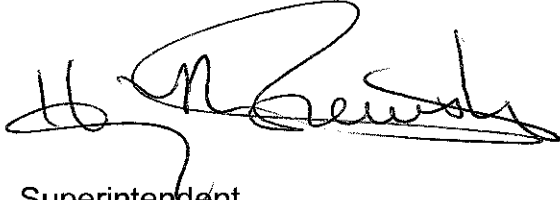
We will look at segregation of duties to improve our internal control effectiveness and efficiency. The receipts will be reviewed and compared to the revenue of the Bank Reconciliation each month by the Superintendent.

**FINDING NO. 2014-003, Internal Controls Over Travel Disbursements**

We will review and adjust the office procedures, and implement internal controls to prevent or detect and correct, errors to the best of our manpower abilities. We have already thrown out the old travel forms that did not have the signature information on the back. Also, The Corporation Travel Policy will be developed and implemented during the 2015-16 school year.

FINDING NO. 2014-004, Internal Control Over Child Nutrition Cluster--Lack of Segregation of Duties

Aramark will be providing a more detailed invoice so we can distribute the expense to better represent the reliability of financial information. Ginger will monitor the invoices and sign off on them. These changes should better follow compliance requirements.

A handwritten signature in black ink, appearing to read "H. M. [unclear]", written over a horizontal line.

Superintendent

4/2/2015

#### 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/>.