

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

EASTERN-HOWARD SCHOOL CORPORATION
HOWARD COUNTY, INDIANA

July 1, 2010 to June 30, 2012



FILED
02/22/2013

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Business Manager/Treasurer	Teresa Vester	07-01-10 to 06-30-13
Superintendent of Schools	Tracy Caddell	07-01-10 to 06-30-13
President of the School Board	Matt Adams Lisa Manfred	07-01-10 to 12-31-12 01-01-13 to 12-31-13



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statement of the Eastern-Howard School Corporation (School Corporation), for the period of July 1, 2010 to June 30, 2012. This financial statement is the responsibility of the School Corporation's management. 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 includes consideration of internal control over financial reporting as a basis for designing 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 over reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the School Corporation prepares its financial statement on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the State Board of Accounts as allowed by 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 effects on the financial statement of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material. The basis of accounting noted above is a different basis than that used in the prior period.

In our opinion, because of the matter discussed in the preceding paragraph, the financial statement referred to above does not present fairly, in conformity 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, 2010 to June 30, 2012.

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, 2010 to June 30, 2012, on the basis of accounting described in Note 1.

INDEPENDENT AUDITOR'S REPORT
(Continued)

In accordance with Government Auditing Standards, we have also issued a report dated February 5, 2013, on our consideration of the School Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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 reports 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.

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 and Schedule of Leases and Debt, 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.

STATE BOARD OF ACCOUNTS

February 5, 2013



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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 EASTERN-HOWARD SCHOOL
CORPORATION, HOWARD COUNTY, INDIANA

We have audited the financial statement of the Eastern-Howard School Corporation (School Corporation), for the period of July 1, 2010 to June 30, 2012, and have issued our report thereon dated February 5, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A 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.

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

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

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.

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

STATE BOARD OF ACCOUNTS

February 5, 2013

FINANCIAL STATEMENT

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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EASTERN-HOWARD SCHOOL CORPORATION
STATEMENT OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Years Ended June 30, 2011 and 2012

	Cash and Investments 07-01-10		Other Financing Sources (Uses)		Cash and Investments 06-30-11		Other Financing Sources (Uses)		Cash and Investments 06-30-12	
	Receipts	Disbursements	Receipts	Disbursements	Receipts	Disbursements	Receipts	Disbursements	Receipts	Disbursements
General	\$ 2,336,793	\$ 7,828,883	\$ 8,092,626	\$ 74	\$ 2,073,124	\$ 7,864,347	\$ 8,269,808	\$ -	\$ 1,667,663	
Debt Service	1,226,881	2,328,820	2,363,291	-	1,192,410	2,342,739	2,421,627	-	1,113,522	
Retirement/Severance Bond Debt Service	51,414	95,213	99,791	-	46,836	92,805	97,250	-	42,391	
Capital Projects	317,935	864,695	939,592	-	243,038	808,959	1,031,072	-	20,925	
School Transportation	356,005	635,076	582,810	(64,201)	344,070	635,758	545,475	(140,000)	294,353	
School Bus Replacement	98,575	179,149	101,595	-	176,129	155,358	107,546	-	223,941	
Rainy Day	770,040	-	27,430	79,960	822,570	-	487,412	140,000	475,158	
Retirement/Severance Bond	27,814	-	27,814	-	-	-	-	-	-	
School Lunch	72,356	593,349	534,199	-	131,506	598,541	616,981	-	113,066	
Textbook Rental	43,354	95,417	18,590	-	120,181	112,607	170,844	-	61,944	
Levy Excess	15,759	-	-	(15,759)	-	-	-	-	-	
Educational License Plates	149	150	-	-	299	131	-	-	430	
Early Intervention Grant	-	2,373	-	-	2,373	-	2,373	-	-	
School Intervention and Career Counseling	-	-	-	-	-	15,000	15,000	-	-	
Sponsorships/Donation	-	1,300	103	-	1,197	9,384	12,088	5,486	3,979	
Opening Day Donations	176	2,325	1,501	-	1,000	(1,000)	-	-	-	
Imagination Library	11,054	4,637	2,756	-	12,935	4,993	-	812	18,740	
Thanksgiving Dinner Sponsorship	-	8,007	1,774	-	6,233	-	-	(6,233)	-	
Drive 4 Ur School	-	-	-	-	-	-	5,188	5,188	-	
Cultural Arts - PAC	-	4,576	511	-	4,065	9,069	10,893	-	2,241	
Miscellaneous Programs	-	110,000	-	-	110,000	-	-	(110,000)	-	
Elementary Library/Peters Book Fund	682	1,130	-	-	1,812	1,114	-	-	2,926	
Scholarship Funds	-	-	-	-	-	343	-	90,000	90,343	
Wellness Grant	2,788	10,500	5,698	-	7,590	10,750	4,545	-	13,795	
2010 Surplus Reserve Grant	-	10,250	10,250	-	-	-	-	-	-	
E-Rate - Tech Rebates	7,373	9,578	7,082	-	9,869	55,957	9,917	-	55,909	
Lowe's Toolbox Grant	2,700	3,500	5,340	-	860	-	800	-	60	
Central Indiana Ethanol	-	-	-	-	-	-	20,000	20,000	-	
Gifted/Talented	9,270	30,235	35,852	-	3,653	29,487	27,815	-	5,325	
Education Technology	-	432,828	432,828	-	-	350,290	350,290	-	-	
Drug Free Communities	-	-	-	-	-	4,000	42	-	3,958	
School Technology	5,359	8,220	11,524	-	2,055	8,220	8,220	-	2,055	
Title I	12,812	95,580	108,392	-	-	116,440	116,440	-	-	
P.L. Innovative Education Program Strategies Title V (Part A)	16	-	16	-	-	-	-	-	-	
IDEA	-	-	-	-	-	68,107	68,107	-	-	
Drug Free Schools	1,364	1,703	2,993	(74)	-	2,572	2,572	-	-	
ATOD Prevention	11,547	-	2,328	-	9,219	-	1,420	-	7,799	
Improving Teaching Quality, No Child Left, Title II, Part A	-	45,158	45,158	-	-	43,621	43,621	-	-	
Title I - Grants to LEAs	10,731	14,608	23,841	-	1,498	17,013	18,511	-	-	
Special Education - Part B	1,444	132,098	118,290	-	15,252	-	15,252	-	-	
Special Education - Part B - Preschool	-	6,497	6,327	-	170	2,858	3,028	-	-	
Education Jobs	-	239,607	239,607	-	-	3,539	3,539	-	-	
Clearing Accounts	52,520	1,960,518	1,972,945	-	40,093	1,990,171	1,989,020	-	41,244	
Totals	\$ 5,446,911	\$ 15,755,980	\$ 15,822,854	\$ -	\$ 5,380,037	\$ 15,353,173	\$ 16,476,696	\$ 5,253	\$ 4,261,767	

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

EASTERN-HOWARD 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 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. Receipts are recorded when received and disbursements are recorded when paid.

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.

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.

EASTERN-HOWARD SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

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.

Temporary loans which include money received from a loan obtained to pay current expenses prior to the receipt of revenue from taxes levied for that purpose. These loans, sometimes designated tax anticipation warrants, must be repaid from the next semiannual distribution of local property taxes levied for such fund.

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 agent, 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.

EASTERN-HOWARD 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.

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.

EASTERN-HOWARD 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 an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in this defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the 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
1 North Capital Street, 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.

EASTERN-HOWARD SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

B. Teacher's Retirement Fund

Plan Description

The Indiana Teacher's 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
1 North Capital Street, 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.

The School Corporation also contributes to an additional pension plan unique to the School Corporation. Information regarding this plan may be obtained from the School Corporation.

SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, 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.

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

EASTERN-HOWARD SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2011

	General	Debt Service	Retirement/ Severance Bond Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	Retirement/ Severance Bond	School Lunch	Textbook Rental
Cash and investments - beginning	\$ 2,336,793	\$ 1,226,881	\$ 51,414	\$ 317,935	\$ 356,005	\$ 98,575	\$ 770,040	\$ 27,814	\$ 72,356	\$ 43,354
Receipts:										
Local sources	273,996	2,283,326	95,213	864,695	633,079	179,149	-	-	390,328	67,732
Intermediate sources	120	-	-	-	-	-	-	-	-	-
State sources	7,522,681	40,494	-	-	-	-	-	-	6,924	27,485
Federal sources	-	-	-	-	-	-	-	-	195,547	-
Temporary loans	-	-	-	-	-	-	-	-	-	-
Other	32,086	5,000	-	-	1,997	-	-	-	550	200
Total receipts	<u>7,828,883</u>	<u>2,328,820</u>	<u>95,213</u>	<u>864,695</u>	<u>635,076</u>	<u>179,149</u>	<u>-</u>	<u>-</u>	<u>593,349</u>	<u>95,417</u>
Disbursements:										
Current:										
Instruction	5,088,229	-	-	-	-	-	-	27,814	-	-
Support services	2,833,062	-	-	643,009	582,810	101,595	23,020	-	6,440	18,590
Noninstructional services	159,894	-	-	-	-	-	-	-	527,679	-
Facilities acquisition and construction	11,441	-	-	296,583	-	-	4,410	-	80	-
Debt services	-	2,363,291	99,791	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	<u>8,092,626</u>	<u>2,363,291</u>	<u>99,791</u>	<u>939,592</u>	<u>582,810</u>	<u>101,595</u>	<u>27,430</u>	<u>27,814</u>	<u>534,199</u>	<u>18,590</u>
Excess (deficiency) of receipts over disbursements	<u>(263,743)</u>	<u>(34,471)</u>	<u>(4,578)</u>	<u>(74,897)</u>	<u>52,266</u>	<u>77,554</u>	<u>(27,430)</u>	<u>(27,814)</u>	<u>59,150</u>	<u>76,827</u>
Other financing sources (uses):										
Transfers in	30,423	-	-	-	15,759	-	79,960	-	-	-
Transfers out	(30,349)	-	-	-	(79,960)	-	-	-	-	-
Total other financing sources (uses)	<u>74</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(64,201)</u>	<u>-</u>	<u>79,960</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(263,669)</u>	<u>(34,471)</u>	<u>(4,578)</u>	<u>(74,897)</u>	<u>(11,935)</u>	<u>77,554</u>	<u>52,530</u>	<u>(27,814)</u>	<u>59,150</u>	<u>76,827</u>
Cash and investments - ending	<u>\$ 2,073,124</u>	<u>\$ 1,192,410</u>	<u>\$ 46,836</u>	<u>\$ 243,038</u>	<u>\$ 344,070</u>	<u>\$ 176,129</u>	<u>\$ 822,570</u>	<u>\$ -</u>	<u>\$ 131,506</u>	<u>\$ 120,181</u>

EASTERN-HOWARD SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2011
 (Continued)

	Levy Excess	Educational License Plates	Early Intervention Grant	Sponsorships/ Donations	Opening Day Donations	Imagination Library	Thanksgiving Dinner Sponsorship	Cultural Arts - PAC	Miscellaneous Programs	Elementary Library/ Peters Book Fund
Cash and investments - beginning	\$ 15,759	\$ 149	\$ -	\$ -	\$ 176	\$ 11,054	\$ -	\$ -	\$ -	\$ 682
Receipts:										
Local sources	-	-	-	1,300	2,325	4,637	8,007	4,576	90,000	1,130
Intermediate sources	-	150	-	-	-	-	-	-	-	-
State sources	-	-	2,373	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	20,000	-
Total receipts	-	150	2,373	1,300	2,325	4,637	8,007	4,576	110,000	1,130
Disbursements:										
Current:										
Instruction	-	-	-	-	-	2,756	-	-	-	-
Support services	-	-	-	103	1,501	-	1,267	496	-	-
Noninstructional services	-	-	-	-	-	-	507	15	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	-	-	-	103	1,501	2,756	1,774	511	-	-
Excess (deficiency) of receipts over disbursements	-	150	2,373	1,197	824	1,881	6,233	4,065	110,000	1,130
Other financing sources (uses):										
Transfers in	-	-	-	-	-	-	-	-	-	-
Transfers out	(15,759)	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	(15,759)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(15,759)	150	2,373	1,197	824	1,881	6,233	4,065	110,000	1,130
Cash and investments - ending	\$ -	\$ 299	\$ 2,373	\$ 1,197	\$ 1,000	\$ 12,935	\$ 6,233	\$ 4,065	\$ 110,000	\$ 1,812

EASTERN-HOWARD SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2011
 (Continued)

	Wellness Grant	2010 Surplus Reserve Grant	E-Rate - Tech Rebates	Lowe's Toolbox Grant	Gifted/ Talented	Education Technology	School Technology	Title I	P.L. Innovative Education Program Strategies Title V (Part A)
Cash and investments - beginning	\$ 2,788	\$ -	\$ 7,373	\$ 2,700	\$ 9,270	\$ -	\$ 5,359	\$ 12,812	\$ 16
Receipts:									
Local sources	10,500	10,250	9,578	3,500	-	-	-	1,581	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	30,235	-	8,220	-	-
Federal sources	-	-	-	-	-	-	-	93,999	-
Temporary loans	-	-	-	-	-	432,828	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	10,500	10,250	9,578	3,500	30,235	432,828	8,220	95,580	-
Disbursements:									
Current:									
Instruction	-	10,250	-	-	35,852	-	-	104,300	16
Support services	-	-	7,082	76	-	432,828	11,524	74	-
Noninstructional services	5,698	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	5,264	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	4,018	-
Total disbursements	5,698	10,250	7,082	5,340	35,852	432,828	11,524	108,392	16
Excess (deficiency) of receipts over disbursements	4,802	-	2,496	(1,840)	(5,617)	-	(3,304)	(12,812)	(16)
Other financing sources (uses):									
Transfers in	-	-	-	-	11,272	-	-	-	-
Transfers out	-	-	-	-	(11,272)	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	4,802	-	2,496	(1,840)	(5,617)	-	(3,304)	(12,812)	(16)
Cash and investments - ending	\$ 7,590	\$ -	\$ 9,869	\$ 860	\$ 3,653	\$ -	\$ 2,055	\$ -	\$ -

EASTERN-HOWARD SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2011
 (Continued)

	Drug Free Schools	ATOD Prevention	Improving Teaching Quality, No Child Left, Title II, Part A	Title I - Grants to LEAs	Special Education - Part B	Special Education - Part B - Preschool	Education Jobs	Clearing Accounts	Totals
Cash and investments - beginning	\$ 1,364	\$ 11,547	\$ -	\$ 10,731	\$ 1,444	\$ -	\$ -	\$ 52,520	\$ 5,446,911
Receipts:									
Local sources	-	-	-	-	-	-	-	-	4,934,902
Intermediate sources	-	-	-	-	-	-	-	-	270
State sources	-	-	-	-	-	-	-	-	7,638,412
Federal sources	1,703	-	45,158	14,608	132,098	6,497	239,607	-	729,217
Temporary loans	-	-	-	-	-	-	-	-	432,828
Other	-	-	-	-	-	-	-	1,960,518	2,020,351
Total receipts	1,703	-	45,158	14,608	132,098	6,497	239,607	1,960,518	15,755,980
Disbursements:									
Current:									
Instruction	-	-	45,158	12,246	46,828	6,327	237,062	-	5,616,838
Support services	2,993	2,328	-	11,595	71,462	-	2,545	-	4,754,400
Noninstructional services	-	-	-	-	-	-	-	-	693,793
Facilities acquisition and construction	-	-	-	-	-	-	-	-	317,778
Debt services	-	-	-	-	-	-	-	-	2,463,082
Nonprogrammed charges	-	-	-	-	-	-	-	1,972,945	1,976,963
Total disbursements	2,993	2,328	45,158	23,841	118,290	6,327	239,607	1,972,945	15,822,854
Excess (deficiency) of receipts over disbursements	(1,290)	(2,328)	-	(9,233)	13,808	170	-	(12,427)	(66,874)
Other financing sources (uses):									
Transfers in	-	-	19,078	-	-	-	-	-	156,492
Transfers out	(74)	-	(19,078)	-	-	-	-	-	(156,492)
Total other financing sources (uses)	(74)	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(1,364)	(2,328)	-	(9,233)	13,808	170	-	(12,427)	(66,874)
Cash and investments - ending	\$ -	\$ 9,219	\$ -	\$ 1,498	\$ 15,252	\$ 170	\$ -	\$ 40,093	\$ 5,380,037

EASTERN-HOWARD SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2012

	General	Debt Service	Retirement/ Severance Bond Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	School Lunch	Textbook Rental
Cash and investments - beginning	\$ 2,073,124	\$ 1,192,410	\$ 46,836	\$ 243,038	\$ 344,070	\$ 176,129	\$ 822,570	\$ 131,506	\$ 120,181
Receipts:									
Local sources	210,100	2,337,739	92,805	808,959	635,706	155,358	-	383,664	74,205
Intermediate sources	240	-	-	-	-	-	-	-	-
State sources	7,640,469	-	-	-	-	-	-	6,937	38,252
Federal sources	-	-	-	-	-	-	-	207,390	-
Temporary loans	-	-	-	-	-	-	-	-	-
Other	13,538	5,000	-	-	52	-	-	550	150
Total receipts	<u>7,864,347</u>	<u>2,342,739</u>	<u>92,805</u>	<u>808,959</u>	<u>635,758</u>	<u>155,358</u>	<u>-</u>	<u>598,541</u>	<u>112,607</u>
Disbursements:									
Current:									
Instruction	5,320,256	-	-	-	-	-	-	-	-
Support services	2,761,445	-	-	784,220	545,475	107,546	142,478	12,192	170,844
Noninstructional services	152,956	-	-	-	-	-	-	552,215	-
Facilities acquisition and construction	35,151	-	-	246,852	-	-	344,934	10,524	-
Debt services	-	2,421,627	97,250	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	42,050	-
Total disbursements	<u>8,269,808</u>	<u>2,421,627</u>	<u>97,250</u>	<u>1,031,072</u>	<u>545,475</u>	<u>107,546</u>	<u>487,412</u>	<u>616,981</u>	<u>170,844</u>
Excess (deficiency) of receipts over disbursements	<u>(405,461)</u>	<u>(78,888)</u>	<u>(4,445)</u>	<u>(222,113)</u>	<u>90,283</u>	<u>47,812</u>	<u>(487,412)</u>	<u>(18,440)</u>	<u>(58,237)</u>
Other financing sources (uses):									
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	140,000	-	-
Transfers out	-	-	-	-	(140,000)	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(140,000)</u>	<u>-</u>	<u>140,000</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(405,461)</u>	<u>(78,888)</u>	<u>(4,445)</u>	<u>(222,113)</u>	<u>(49,717)</u>	<u>47,812</u>	<u>(347,412)</u>	<u>(18,440)</u>	<u>(58,237)</u>
Cash and investments - ending	<u>\$ 1,667,663</u>	<u>\$ 1,113,522</u>	<u>\$ 42,391</u>	<u>\$ 20,925</u>	<u>\$ 294,353</u>	<u>\$ 223,941</u>	<u>\$ 475,158</u>	<u>\$ 113,066</u>	<u>\$ 61,944</u>

EASTERN-HOWARD SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2012
 (Continued)

	Educational License Plates	Early Intervention Grant	School Intervention and Career Counseling	Sponsorships/ Donations	Opening Day Donations	Imagination Library	Thanksgiving Dinner Sponsorship	Drive 4 Ur School
Cash and investments - beginning	\$ 299	\$ 2,373	\$ -	\$ 1,197	\$ 1,000	\$ 12,935	\$ 6,233	\$ -
Receipts:								
Local sources	-	-	-	9,384	(1,000)	4,993	-	-
Intermediate sources	131	-	15,000	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total receipts	<u>131</u>	<u>-</u>	<u>15,000</u>	<u>9,384</u>	<u>(1,000)</u>	<u>4,993</u>	<u>-</u>	<u>-</u>
Disbursements:								
Current:								
Instruction	-	2,373	-	126	-	-	-	-
Support services	-	-	15,000	7,340	-	-	-	5,188
Noninstructional services	-	-	-	4,622	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	<u>-</u>	<u>2,373</u>	<u>15,000</u>	<u>12,088</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,188</u>
Excess (deficiency) of receipts over disbursements	<u>131</u>	<u>(2,373)</u>	<u>-</u>	<u>(2,704)</u>	<u>(1,000)</u>	<u>4,993</u>	<u>-</u>	<u>(5,188)</u>
Other financing sources (uses):								
Sale of capital assets	-	-	-	5,253	-	-	-	-
Transfers in	-	-	-	233	-	812	-	6,000
Transfers out	-	-	-	-	-	-	(6,233)	(812)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,486</u>	<u>-</u>	<u>812</u>	<u>(6,233)</u>	<u>5,188</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>131</u>	<u>(2,373)</u>	<u>-</u>	<u>2,782</u>	<u>(1,000)</u>	<u>5,805</u>	<u>(6,233)</u>	<u>-</u>
Cash and investments - ending	<u>\$ 430</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,979</u>	<u>\$ -</u>	<u>\$ 18,740</u>	<u>\$ -</u>	<u>\$ -</u>

EASTERN-HOWARD SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2012
 (Continued)

	Cultural Arts - PAC	Miscellaneous Programs	Elementary Library/ Peters Book Fund	Scholarship Funds	Wellness Grant	2010 Surplus Reserve Grant	E-Rate - Tech Rebates	Lowe's Toolbox Grant
Cash and investments - beginning	\$ 4,065	\$ 110,000	\$ 1,812	\$ -	\$ 7,590	\$ -	\$ 9,869	\$ 860
Receipts:								
Local sources	9,012	-	1,114	343	10,750	-	55,957	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-
Other	57	-	-	-	-	-	-	-
Total receipts	9,069	-	1,114	343	10,750	-	55,957	-
Disbursements:								
Current:								
Instruction	-	-	-	-	-	-	-	-
Support services	3,537	-	-	-	-	-	9,917	800
Noninstructional services	356	-	-	-	4,545	-	-	-
Facilities acquisition and construction	7,000	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	10,893	-	-	-	4,545	-	9,917	800
Excess (deficiency) of receipts over disbursements	(1,824)	-	1,114	343	6,205	-	46,040	(800)
Other financing sources (uses):								
Sale of capital assets	-	-	-	-	-	-	-	-
Transfers in	-	-	-	90,000	-	-	-	-
Transfers out	-	(110,000)	-	-	-	-	-	-
Total other financing sources (uses)	-	(110,000)	-	90,000	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(1,824)	(110,000)	1,114	90,343	6,205	-	46,040	(800)
Cash and investments - ending	\$ 2,241	\$ -	\$ 2,926	\$ 90,343	\$ 13,795	\$ -	\$ 55,909	\$ 60

EASTERN-HOWARD SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2012
 (Continued)

	Central Indiana Ethanol	Gifted/ Talented	Education Technology	Drug Free Communities	School Technology	Title I	IDEA	Drug Free Schools
Cash and investments - beginning	\$ -	\$ 3,653	\$ -	\$ -	\$ 2,055	\$ -	\$ -	\$ -
Receipts:								
Local sources	-	-	-	4,000	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	29,487	-	-	8,220	-	-	-
Federal sources	-	-	-	-	-	116,440	68,107	2,572
Temporary loans	-	-	350,290	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total receipts	-	29,487	350,290	4,000	8,220	116,440	68,107	2,572
Disbursements:								
Current:								
Instruction	-	27,650	-	42	-	116,440	68,107	-
Support services	20,000	165	350,290	-	8,220	-	-	2,572
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	20,000	27,815	350,290	42	8,220	116,440	68,107	2,572
Excess (deficiency) of receipts over disbursements	(20,000)	1,672	-	3,958	-	-	-	-
Other financing sources (uses):								
Sale of capital assets	-	-	-	-	-	-	-	-
Transfers in	20,000	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	20,000	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	1,672	-	3,958	-	-	-	-
Cash and investments - ending	\$ -	\$ 5,325	\$ -	\$ 3,958	\$ 2,055	\$ -	\$ -	\$ -

EASTERN-HOWARD SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2012
 (Continued)

	ATOD Prevention	Improving Teaching Quality, No Child Left, Title II, Part A	Title I - Grants to LEAs	Special Education - Part B	Special Education - Part B - Preschool	Education Jobs	Clearing Accounts	Totals
Cash and investments - beginning	\$ 9,219	\$ -	\$ 1,498	\$ 15,252	\$ 170	\$ -	\$ 40,093	\$ 5,380,037
Receipts:								
Local sources	-	-	-	-	-	-	-	4,793,089
Intermediate sources	-	-	-	-	-	-	-	15,371
State sources	-	-	-	-	-	-	-	7,723,365
Federal sources	-	43,621	17,013	-	2,858	3,539	-	461,540
Temporary loans	-	-	-	-	-	-	-	350,290
Other	-	-	-	-	-	-	1,990,171	2,009,518
Total receipts	-	43,621	17,013	-	2,858	3,539	1,990,171	15,353,173
Disbursements:								
Current:								
Instruction	-	43,621	-	3	3,028	3,539	-	5,585,185
Support services	1,420	-	18,511	15,249	-	-	-	4,982,409
Noninstructional services	-	-	-	-	-	-	-	714,694
Facilities acquisition and construction	-	-	-	-	-	-	-	644,461
Debt services	-	-	-	-	-	-	-	2,518,877
Nonprogrammed charges	-	-	-	-	-	-	1,989,020	2,031,070
Total disbursements	1,420	43,621	18,511	15,252	3,028	3,539	1,989,020	16,476,696
Excess (deficiency) of receipts over disbursements	(1,420)	-	(1,498)	(15,252)	(170)	-	1,151	(1,123,523)
Other financing sources (uses):								
Sale of capital assets	-	-	-	-	-	-	-	5,253
Transfers in	-	-	-	-	-	-	-	257,045
Transfers out	-	-	-	-	-	-	-	(257,045)
Total other financing sources (uses)	-	-	-	-	-	-	-	5,253
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(1,420)	-	(1,498)	(15,252)	(170)	-	1,151	(1,118,270)
Cash and investments - ending	\$ 7,799	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 41,244	\$ 4,261,767

EASTERN-HOWARD SCHOOL CORPORATION
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LEASES AND DEBT
 June 30, 2012

The School has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:		
Capital leases:		
2002 Multi-School Building Corporation	\$ 55,368	\$ 310,000
2003 Multi-School Building Corporation	925,000	489,000
2005 Millenium School Building Corporation	11,460,000	1,500,000
Notes and loans payable	736,209	170,775
Bonds payable:		
General obligation bonds:		
Pension Obligation Bonds	775,000	94,625
Total governmental activities debt	<u>\$ 13,951,577</u>	<u>\$ 2,564,400</u>

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

We have audited the Eastern-Howard 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, 2010 to June 30, 2012. The School Corporation's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the School Corporation's management. Our responsibility is to express an opinion on the School Corporation's compliance based on our audit.

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

In our opinion, the School Corporation complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the period of July 1, 2010 to June 30, 2012. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2012-1.

Internal Control Over Compliance

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

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133
(Continued)

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.

A deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect 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.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying Schedule of Findings and Questioned Costs as item 2012-1. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

The School Corporation's response to the findings identified in our audit is described in the accompanying Corrective Action Plan. We did not audit the School Corporation's response and, accordingly, we express no opinion on the response.

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

STATE BOARD OF ACCOUNTS

February 5, 2013

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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.

EASTERN-HOWARD SCHOOL CORPORATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Years Ended June 30, 2011 and 2012

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 06-30-11	Total Federal Awards Expended 06-30-12
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
Pass-Through Indiana Department of Education				
Child Nutrition Cluster				
School Breakfast Program	10.553	3480	\$ 35,813	\$ 32,804
National School Lunch Program	10.555	3480	<u>185,742</u>	<u>207,414</u>
Total for cluster			<u>221,555</u>	<u>240,218</u>
Total for federal grantor agency			<u>221,555</u>	<u>240,218</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>				
Pass-Through Indiana Department of Education				
Title I, Part A Cluster				
Title I Grants to Local Educational Agencies	84.010	3480	108,392	116,440
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	3480	<u>23,841</u>	<u>18,511</u>
Total for cluster			<u>132,233</u>	<u>134,951</u>
Pass-Through Kokomo Area Special Education Cooperative				
Special Education Cluster (IDEA)				
Special Education - Grants to States	84.027	3480	-	68,107
ARRA - Special Education Grants to States, Recovery Act	84.391	3480	118,290	15,252
ARRA - Special Education - Preschool Grants, Recovery Act	84.392	3480	<u>6,327</u>	<u>3,028</u>
Total for cluster			<u>124,617</u>	<u>86,387</u>
Pass-Through Indiana Department of Education				
Safe and Drug-Free Schools and Communities - State Grants	84.186	3480	<u>2,993</u>	<u>2,572</u>
State Grants for Innovative Programs	84.298	3480	<u>16</u>	<u>-</u>
Improving Teacher Quality State Grants	84.367	3480	<u>45,158</u>	<u>43,621</u>
Education Jobs Fund	84.410	3480	<u>239,607</u>	<u>3,539</u>
Total for federal grantor agency			<u>766,179</u>	<u>511,288</u>
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>				
Pass-Through Purdue University, Indiana				
Block Grants for Prevention and Treatment of Substance Abuse	93.959	3480	<u>2,328</u>	<u>1,420</u>
Total for federal grantor agency			<u>2,328</u>	<u>1,420</u>
Total federal awards expended			<u>\$ 768,507</u>	<u>\$ 512,708</u>

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

EASTERN-HOWARD 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 Eastern-Howard School Corporation (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 et seq.), 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, 2011 and 2012. This noncash assistance is also included in the federal expenditures presented in the schedule.

Program Title	Federal CFDA Number	2010/2011	2011/2012
School Breakfast Program	10.553	\$ 4,204	\$ 4,483
National School Lunch Program	10.555	21,804	28,345

EASTERN-HOWARD 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; Unqualified as to Regulatory Basis
Internal control over financial reporting:	
Material weaknesses identified?	no
Significant deficiencies identified?	none reported
Noncompliance material to financial statement noted?	no

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	no
Significant deficiencies identified?	yes
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	yes

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
84.410	Child Nutrition Cluster Education Jobs Fund

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

No matters are reportable.

EASTERN-HOWARD SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Section III – Federal Award Findings and Questioned Costs

FINDING 2012-1 - ELIGIBILITY AND SPECIAL TESTS AND PROVISIONS

Federal Agency: U.S. Department of Agriculture
Pass-Through Agency: Indiana Department of Education
Federal Program: School Breakfast Program, National School Lunch Program
CFDA Number: 10.553, 10.555
Award Number: FY 2010/2011, FY 2011/2012

The School Corporation had established a system requiring that two employees were present to accept and initially review the applications of individuals applying for Free and Reduced Meal Benefits. At a later time, one of the employees would perform the verification of eligibility, after requesting additional information from the household, using the 3 percent sampling method of the applications filed. During the verification process, if it was determined that the selected application was receiving the incorrect benefits, then the individuals on the application would be adjusted to the correct benefit level. No other oversight was established to review the final determination made by this employee. During our audit of the verification process, we discovered two applications (one in each fiscal year), that, after the verification process, were not adjusted to the correct benefit level. In both instances, the applicants should have been adjusted to paid status, but remained at reduced status. We believe the deficiencies noted in internal control constitute a significant deficiency.

7 CFR 245.6a states in part:

"(c) (1) The local educational agency must verify eligibility of children in a sample of household applications approved for free and reduced price meal benefits for that school year . . .

(f) (7) Based on the verification activities, the local educational agency shall make appropriate modifications to the eligibility determinations made initially. The local educational agency must notify the household of any changes. Households must be notified of any reduction in benefits . . ."

7 CFR 245.6 states in part:

"(c) (3) (iii) The local educational agency must change the children's eligibility status when a change is required as a result of verification activities conducted . . ."

OMB Circular A-133 section .300 (b) states:

"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."

Failure to adhere to eligibility and verification requirements may cause the School Corporation to be determined ineligible for future federal funding.

We recommended that School Officials implement controls to ensure that the eligibility and verification processes are completed accurately and in accordance with program requirements.

CORRECTIVE ACTION PLAN

February 5, 2013

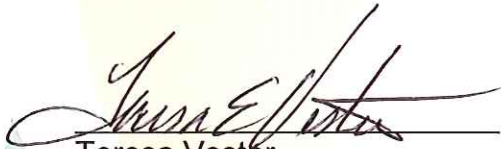
FINDING 2012-1, ELIGIBILITY AND SPECIAL TESTS AND PROVISIONS

Federal Agency: U.S. Department of Agriculture
Pass-Through Agency: Indiana Department of Education
Federal Program: School Breakfast Program, National School Lunch Program
CFDA Number: 10.553, 10.555
Award Number: FY 2010/2011, FY 2011/2012

Auditee Contact Person: Teresa Vester
Contact Person Title: Business Manager/Treasurer
Contact Phone Number: (765) 627-3391

Eastern-Howard School Corporation has controls in place to prevent miscalculations of eligibility for free and reduced school lunch and textbook rental assistance; however, there was one calculation error noted in each of the fiscal years audited.

Eastern-Howard School Corporation will have an additional review of all applications pulled for verification prior to sending change in status notices to the families affected.



Teresa Vester
Business Manager/Treasurer
Eastern-Howard School Corporation

EASTERN-HOWARD SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on February 5, 2013, with Teresa Vester, Business Manager/Treasurer; Tracy Caddell, Superintendent of Schools; and Lisa Manfred, President of the School Board. Our report disclosed no material items that warrant comment at this time.