

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, 2012 to June 30, 2014



FILED

07/01/2016

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Independent Auditor's Report	3-5
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statement Performed in Accordance with <i>Government Auditing Standards</i>	6-7
Financial Statement and Accompanying Notes:	
Statement of Receipts, Disbursements, Other Financing Sources (Uses), and Cash and Investment Balances - Regulatory Basis.....	11
Notes to Financial Statement	12-17
Other Information - Unaudited:	
Combining Schedules of Receipts, Disbursements, Other Financing Sources (Uses), and Cash and Investment Balances - Regulatory Basis.....	20-29
Schedule of Payables and Receivables	31
Schedule of Leases and Debt	32
Schedule of Capital Assets.....	33
Supplemental Audit of Federal Awards:	
Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance.....	36-37
Schedule of Expenditures of Federal Awards and Accompanying Notes:	
Schedule of Expenditures of Federal Awards.....	41
Notes to Schedule of Expenditures of Federal Awards	42
Schedule of Findings and Questioned Costs	43-48
Auditee Prepared Documents:	
Summary Schedule of Prior Audit Findings.....	50
Corrective Action Plan	51-53
Other Reports.....	54

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Teresa Vester	07-01-12 to 12-31-16
Superintendent of Schools	Dr. Tracy Caddell	07-01-12 to 06-30-16
President of the School Board	Matt Adams	07-01-12 to 12-31-12
	Lisa Manfred	01-01-13 to 12-31-13
	Brian Day	01-01-14 to 12-31-14
	Mark Lantz	01-01-15 to 12-31-15
	Matt Adams	01-01-16 to 12-31-16



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

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

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statement

We have audited the accompanying financial statement of the Eastern Howard 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 as listed in the Table of Contents.

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 March 24, 2016, 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

March 24, 2016



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

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

INDEPENDENT AUDITOR'S REPORT ON 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, 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 Eastern Howard 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 March 24, 2016, 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 a material weakness.

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

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

Compliance and Other Matters


As part of obtaining reasonable assurance about whether the School Corporation's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed 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.

Eastern Howard 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

March 24, 2016

(This page intentionally left blank.)

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.

(This page intentionally left blank.)

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, 2013 and 2014

Fund	Cash and Investments 07-01-12	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-13	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-14
General	\$ 1,667,663	\$ 8,246,404	\$ 8,336,316	\$ 12,237	\$ 1,589,988	\$ 8,601,768	\$ 8,531,544	\$ 27,432	\$ 1,687,644
Debt Service	1,113,522	2,412,041	2,492,350	-	1,033,213	2,737,621	2,492,861	-	1,277,973
Retirement/Severance Bond Debt Service	42,391	96,304	91,305	-	47,390	93,574	95,173	-	45,791
Capital Projects	20,925	825,634	894,650	48,091	-	726,288	797,345	71,057	-
School Transportation	294,353	650,746	611,478	(62,408)	271,213	605,607	613,098	12,408	276,130
School Bus Replacement	223,941	150,034	281,838	-	92,137	165,190	59,582	-	197,745
Rainy Day	475,158	-	132,265	-	342,893	86,399	92,464	(146,175)	190,653
School Lunch	113,066	643,876	736,778	-	20,164	661,076	582,725	-	98,515
Textbook Rental	61,944	149,756	169,747	-	41,953	188,831	240,495	10,776	1,065
Educational License Plates	430	132	354	-	208	131	339	-	-
School Intervention and Career Counseling	-	15,000	13,636	-	1,364	-	1,364	-	-
Sponsorships/Donations	3,979	30,472	16,309	-	18,142	14,227	16,231	-	16,138
Imagination Library	18,740	6,301	286	-	24,755	6,968	805	-	30,918
Cultural Arts	2,241	10,386	8,766	-	3,861	11,700	7,342	-	8,219
Elem Lib/Peters Booki	2,926	1,162	-	-	4,088	1,218	-	-	5,306
Scholarship Funds	90,343	448	-	-	90,791	-	-	-	90,791
Wellness Grant	13,795	-	5,251	-	8,544	22,125	4,293	-	26,376
E-Rate - Tech Rebates	55,909	18,400	20,323	-	53,986	8,482	21,529	-	40,939
Lowe's Toolbox Grant	60	-	-	-	60	-	-	-	60
Gifted/Talented	5,325	29,786	31,499	-	3,612	29,656	24,618	-	8,650
Education Technology	-	100,616	100,616	-	-	305,709	305,709	-	-
Drug Free Communities	3,958	-	3,958	-	-	-	-	-	-
School Technology	2,055	8,841	8,580	-	2,316	14,184	5,260	6,400	17,640
Performance Based Awards	-	-	-	-	-	189,464	189,464	-	-
Senator David Ford Technology	-	-	-	-	-	-	57,168	57,168	-
Title I	-	29,958	29,958	-	-	-	-	-	-
Title I 2012-2013	-	44,098	58,415	14,317	-	25,386	11,069	(14,317)	-
Title I 2015-2016	-	-	-	-	-	69,830	75,356	5,526	-
(IDEA, Part B) LEA Capacity Building (Sliver) Grants	-	-	-	-	-	69,245	69,245	-	-
ATOD Prevention	7,799	-	2,701	-	5,098	-	-	-	5,098
Improving Teaching Quality, No Child Left, Title II, Part A	-	42,780	42,780	-	-	78,768	82,324	3,556	-
Education Jobs	-	4,965	4,965	-	-	-	-	-	-
Payroll Clearing Funds	41,244	2,049,582	2,069,428	-	21,398	4,173,266	4,141,804	-	52,860
Totals	\$ 4,261,767	\$ 15,567,722	\$ 16,164,552	\$ 12,237	\$ 3,677,174	\$ 18,886,713	\$ 18,519,207	\$ 33,831	\$ 4,078,511

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 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 may 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.

EASTERN HOWARD 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.

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 may 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.

Other disbursements, which include, but are not limited to the following: interfund loan payments; loans made to other funds; internal service disbursements; and transfers out that are authorized by statute, ordinance, resolution, or court order.

EASTERN HOWARD SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

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:

Proceeds of long-term debt which includes money received in relation to the issuance of bonds or other long-term debt issues.

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

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.

EASTERN HOWARD SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

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.

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

EASTERN HOWARD SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

Funding Policy and Annual Pension Cost

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

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. Holding Corporations

The School Corporation has entered into a capital lease with Eastern Howard Multi-School Building Corporation (the lessor) and Eastern Howard Third Millennium School Building Corporation (the lessor). The lessors were organized as not-for-profit corporations pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. The lessors have been determined to be a related party of the School Corporation. Lease payments during the fiscal years 2013 and 2014 totaled \$0 and \$1,611,000, respectively.

EASTERN HOWARD SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

Note 8. Subsequent Events

On June 9, 2015, a resolution was passed by the School Board authorizing the approval of a lease rental agreement with the Eastern Howard Third Millennium School Building Corporation in the amount of \$2,000,000. The proceeds are to be used for the primary purpose of the renovation of buildings in the School Corporation.

Note 9. Other Postemployment Benefits

The School Corporation provides to eligible retirees and their spouses the following benefit: health insurance. This benefit poses a liability to the School Corporation for this year and in future years. Information regarding this benefit can be obtained by contacting the School Corporation.

(This page intentionally left blank.)

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.

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, 2013

	General	Debt Service	Retirement/ Severance Bond Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day
Cash and investments - beginning	\$ 1,667,663	\$ 1,113,522	\$ 42,391	\$ 20,925	\$ 294,353	\$ 223,941	\$ 475,158
Receipts:							
Local sources	239,192	2,407,041	96,304	786,663	650,746	150,034	-
Intermediate sources	240	-	-	-	-	-	-
State sources	7,997,992	-	-	38,968	-	-	-
Federal sources	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-
Other	8,980	5,000	-	3	-	-	-
Total receipts	<u>8,246,404</u>	<u>2,412,041</u>	<u>96,304</u>	<u>825,634</u>	<u>650,746</u>	<u>150,034</u>	<u>-</u>
Disbursements:							
Current:							
Instruction	5,256,688	-	-	-	-	-	26,000
Support services	2,908,365	-	-	616,842	611,478	85,922	106,265
Noninstructional services	163,213	-	-	-	-	-	-
Facilities acquisition and construction	8,050	-	-	277,808	-	-	-
Debt services	-	2,492,350	91,305	-	-	195,916	-
Nonprogrammed charges	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Total disbursements	<u>8,336,316</u>	<u>2,492,350</u>	<u>91,305</u>	<u>894,650</u>	<u>611,478</u>	<u>281,838</u>	<u>132,265</u>
Excess (deficiency) of receipts over disbursements	<u>(89,912)</u>	<u>(80,309)</u>	<u>4,999</u>	<u>(69,016)</u>	<u>39,268</u>	<u>(131,804)</u>	<u>(132,265)</u>
Other financing sources (uses):							
Proceeds of long-term debt	-	-	-	-	-	-	-
Sale of capital assets	12,237	-	-	-	-	-	-
Transfers in	-	7,449	-	48,091	-	-	-
Transfers out	-	(7,449)	-	-	(62,408)	-	-
Total other financing sources (uses)	<u>12,237</u>	<u>-</u>	<u>-</u>	<u>48,091</u>	<u>(62,408)</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(77,675)</u>	<u>(80,309)</u>	<u>4,999</u>	<u>(20,925)</u>	<u>(23,140)</u>	<u>(131,804)</u>	<u>(132,265)</u>
Cash and investments - ending	<u>\$ 1,589,988</u>	<u>\$ 1,033,213</u>	<u>\$ 47,390</u>	<u>\$ -</u>	<u>\$ 271,213</u>	<u>\$ 92,137</u>	<u>\$ 342,893</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, 2013
 (Continued)

	School Lunch	Textbook Rental	Educational License Plates	School Intervention and Career Counseling	Sponsorships Donations	Imagination Library	Cultural Arts
Cash and investments - beginning	\$ 113,066	\$ 61,944	\$ 430	\$ -	\$ 3,979	\$ 18,740	\$ 2,241
Receipts:							
Local sources	399,278	114,092	-	-	30,387	6,301	10,386
Intermediate sources	-	-	132	15,000	-	-	-
State sources	7,901	35,483	-	-	-	-	-
Federal sources	236,143	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-
Other	554	181	-	-	85	-	-
Total receipts	<u>643,876</u>	<u>149,756</u>	<u>132</u>	<u>15,000</u>	<u>30,472</u>	<u>6,301</u>	<u>10,386</u>
Disbursements:							
Current:							
Instruction	-	-	42	-	-	286	-
Support services	15,463	169,747	312	13,636	8,778	-	8,766
Noninstructional services	657,027	-	-	-	7,531	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Nonprogrammed charges	64,288	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Total disbursements	<u>736,778</u>	<u>169,747</u>	<u>354</u>	<u>13,636</u>	<u>16,309</u>	<u>286</u>	<u>8,766</u>
Excess (deficiency) of receipts over disbursements	<u>(92,902)</u>	<u>(19,991)</u>	<u>(222)</u>	<u>1,364</u>	<u>14,163</u>	<u>6,015</u>	<u>1,620</u>
Other financing sources (uses):							
Proceeds of long-term debt	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(92,902)</u>	<u>(19,991)</u>	<u>(222)</u>	<u>1,364</u>	<u>14,163</u>	<u>6,015</u>	<u>1,620</u>
Cash and investments - ending	<u>\$ 20,164</u>	<u>\$ 41,953</u>	<u>\$ 208</u>	<u>\$ 1,364</u>	<u>\$ 18,142</u>	<u>\$ 24,755</u>	<u>\$ 3,861</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, 2013
 (Continued)

	Elem Lib Peters Book	Scholarship Funds	Wellness Grant	E-Rate Tech Rebates	Lowe's Toolbox Grant	Gifted Talented	Education Technology
Cash and investments - beginning	\$ 2,926	\$ 90,343	\$ 13,795	\$ 55,909	\$ 60	\$ 5,325	\$ -
Receipts:							
Local sources	1,162	448	-	18,400	-	-	-
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	-	-	-	29,786	-
Federal sources	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	100,616
Other	-	-	-	-	-	-	-
Total receipts	<u>1,162</u>	<u>448</u>	<u>-</u>	<u>18,400</u>	<u>-</u>	<u>29,786</u>	<u>100,616</u>
Disbursements:							
Current:							
Instruction	-	-	-	-	-	31,499	-
Support services	-	-	-	20,323	-	-	100,616
Noninstructional services	-	-	5,251	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Total disbursements	<u>-</u>	<u>-</u>	<u>5,251</u>	<u>20,323</u>	<u>-</u>	<u>31,499</u>	<u>100,616</u>
Excess (deficiency) of receipts over disbursements	<u>1,162</u>	<u>448</u>	<u>(5,251)</u>	<u>(1,923)</u>	<u>-</u>	<u>(1,713)</u>	<u>-</u>
Other financing sources (uses):							
Proceeds of long-term debt	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	7,449	-
Transfers out	-	-	-	-	-	(7,449)	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>1,162</u>	<u>448</u>	<u>(5,251)</u>	<u>(1,923)</u>	<u>-</u>	<u>(1,713)</u>	<u>-</u>
Cash and investments - ending	<u>\$ 4,088</u>	<u>\$ 90,791</u>	<u>\$ 8,544</u>	<u>\$ 53,986</u>	<u>\$ 60</u>	<u>\$ 3,612</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, 2013
 (Continued)

	Drug Free Communities	School Technology	Performance Based Awards	Senator David Ford Technology	Title I	Title I 2012-2013	Title I 2015-2016
Cash and investments - beginning	\$ 3,958	\$ 2,055	\$ -	\$ -	\$ -	\$ -	\$ -
Receipts:							
Local sources	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-
State sources	-	8,841	-	-	-	-	-
Federal sources	-	-	-	-	29,958	44,098	-
Temporary loans	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Total receipts	<u>-</u>	<u>8,841</u>	<u>-</u>	<u>-</u>	<u>29,958</u>	<u>44,098</u>	<u>-</u>
Disbursements:							
Current:							
Instruction	3,958	-	-	-	28,549	58,198	-
Support services	-	8,580	-	-	1,409	217	-
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Total disbursements	<u>3,958</u>	<u>8,580</u>	<u>-</u>	<u>-</u>	<u>29,958</u>	<u>58,415</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>(3,958)</u>	<u>261</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(14,317)</u>	<u>-</u>
Other financing sources (uses):							
Proceeds of long-term debt	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	14,317	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,317</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(3,958)</u>	<u>261</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ 2,316</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</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, 2013
 (Continued)

	(IDEA, Part B) LEA Capacity Building (Sliver) Grants	ATOD Prevention	Improving Teaching Quality, No Child Left, Title II, Part A	Education Jobs	Payroll Clearing Funds	Totals
Cash and investments - beginning	\$ -	\$ 7,799	\$ -	\$ -	\$ 41,244	\$ 4,261,767
Receipts:						
Local sources	-	-	-	-	-	4,910,434
Intermediate sources	-	-	-	-	-	15,372
State sources	-	-	-	-	-	8,118,971
Federal sources	-	-	42,780	4,965	-	357,944
Temporary loans	-	-	-	-	-	100,616
Other	-	-	-	-	2,049,582	2,064,385
Total receipts	-	-	42,780	4,965	2,049,582	15,567,722
Disbursements:						
Current:						
Instruction	-	-	38,882	4,965	-	5,449,067
Support services	-	2,701	3,898	-	-	4,683,318
Noninstructional services	-	-	-	-	-	833,022
Facilities acquisition and construction	-	-	-	-	-	285,858
Debt services	-	-	-	-	-	2,779,571
Nonprogrammed charges	-	-	-	-	-	64,288
Other	-	-	-	-	2,069,428	2,069,428
Total disbursements	-	2,701	42,780	4,965	2,069,428	16,164,552
Excess (deficiency) of receipts over disbursements	-	(2,701)	-	-	(19,846)	(596,830)
Other financing sources (uses):						
Proceeds of long-term debt	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	12,237
Transfers in	-	-	-	-	-	77,306
Transfers out	-	-	-	-	-	(77,306)
Total other financing sources (uses)	-	-	-	-	-	12,237
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	(2,701)	-	-	(19,846)	(584,593)
Cash and investments - ending	\$ -	\$ 5,098	\$ -	\$ -	\$ 21,398	\$ 3,677,174

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, 2014

	General	Debt Service	Retirement/ Severance Bond Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day
Cash and investments - beginning	\$ 1,589,988	\$ 1,033,213	\$ 47,390	\$ -	\$ 271,213	\$ 92,137	\$ 342,893
Receipts:							
Local sources	206,775	2,732,621	93,574	726,288	605,607	165,190	80,597
Intermediate sources	253	-	-	-	-	-	-
State sources	8,374,740	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-
Other	20,000	5,000	-	-	-	-	5,802
Total receipts	<u>8,601,768</u>	<u>2,737,621</u>	<u>93,574</u>	<u>726,288</u>	<u>605,607</u>	<u>165,190</u>	<u>86,399</u>
Disbursements:							
Current:							
Instruction	5,325,338	-	-	-	-	-	-
Support services	3,031,734	-	-	594,651	612,298	-	-
Noninstructional services	168,152	-	-	-	-	-	-
Facilities acquisition and construction	6,320	-	-	202,694	800	-	92,464
Debt services	-	2,492,861	95,173	-	-	59,582	-
Nonprogrammed charges	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Total disbursements	<u>8,531,544</u>	<u>2,492,861</u>	<u>95,173</u>	<u>797,345</u>	<u>613,098</u>	<u>59,582</u>	<u>92,464</u>
Excess (deficiency) of receipts over disbursements	<u>70,224</u>	<u>244,760</u>	<u>(1,599)</u>	<u>(71,057)</u>	<u>(7,491)</u>	<u>105,608</u>	<u>(6,065)</u>
Other financing sources (uses):							
Proceeds of long-term debt	6,047	-	-	-	-	-	-
Sale of capital assets	21,385	-	-	-	-	-	-
Transfers in	28,544	-	-	119,148	62,408	-	50,000
Transfers out	<u>(28,544)</u>	<u>-</u>	<u>-</u>	<u>(48,091)</u>	<u>(50,000)</u>	<u>-</u>	<u>(196,175)</u>
Total other financing sources (uses)	<u>27,432</u>	<u>-</u>	<u>-</u>	<u>71,057</u>	<u>12,408</u>	<u>-</u>	<u>(146,175)</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>97,656</u>	<u>244,760</u>	<u>(1,599)</u>	<u>-</u>	<u>4,917</u>	<u>105,608</u>	<u>(152,240)</u>
Cash and investments - ending	<u>\$ 1,687,644</u>	<u>\$ 1,277,973</u>	<u>\$ 45,791</u>	<u>\$ -</u>	<u>\$ 276,130</u>	<u>\$ 197,745</u>	<u>\$ 190,653</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, 2014
 (Continued)

	School Lunch	Textbook Rental	Educational License Plates	School Intervention and Career Counseling	Sponsorships Donations	Imagination Library	Cultural Arts
Cash and investments - beginning	\$ 20,164	\$ 41,953	\$ 208	\$ 1,364	\$ 18,142	\$ 24,755	\$ 3,861
Receipts:							
Local sources	410,986	139,532	-	-	14,192	6,968	11,700
Intermediate sources	-	-	131	-	-	-	-
State sources	9,034	48,252	-	-	-	-	-
Federal sources	241,005	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-
Other	51	1,047	-	-	35	-	-
Total receipts	<u>661,076</u>	<u>188,831</u>	<u>131</u>	<u>-</u>	<u>14,227</u>	<u>6,968</u>	<u>11,700</u>
Disbursements:							
Current:							
Instruction	-	-	-	-	-	805	-
Support services	18,714	240,495	339	1,364	12,372	-	7,342
Noninstructional services	560,490	-	-	-	1,843	-	-
Facilities acquisition and construction	3,521	-	-	-	2,016	-	-
Debt services	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Total disbursements	<u>582,725</u>	<u>240,495</u>	<u>339</u>	<u>1,364</u>	<u>16,231</u>	<u>805</u>	<u>7,342</u>
Excess (deficiency) of receipts over disbursements	<u>78,351</u>	<u>(51,664)</u>	<u>(208)</u>	<u>(1,364)</u>	<u>(2,004)</u>	<u>6,163</u>	<u>4,358</u>
Other financing sources (uses):							
Proceeds of long-term debt	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-
Transfers in	-	10,776	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>10,776</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>78,351</u>	<u>(40,888)</u>	<u>(208)</u>	<u>(1,364)</u>	<u>(2,004)</u>	<u>6,163</u>	<u>4,358</u>
Cash and investments - ending	<u>\$ 98,515</u>	<u>\$ 1,065</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,138</u>	<u>\$ 30,918</u>	<u>\$ 8,219</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, 2014
 (Continued)

	Elem Lib Peters Book	Scholarship Funds	Wellness Grant	E-Rate Tech Rebates	Lowe's Toolbox Grant	Gifted Talented	Education Technology
Cash and investments - beginning	\$ 4,088	\$ 90,791	\$ 8,544	\$ 53,986	\$ 60	\$ 3,612	\$ -
Receipts:							
Local sources	1,218	-	22,125	8,482	-	-	-
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	-	-	-	29,656	-
Federal sources	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	305,709
Other	-	-	-	-	-	-	-
Total receipts	<u>1,218</u>	<u>-</u>	<u>22,125</u>	<u>8,482</u>	<u>-</u>	<u>29,656</u>	<u>305,709</u>
Disbursements:							
Current:							
Instruction	-	-	-	-	-	24,618	-
Support services	-	-	-	21,529	-	-	305,709
Noninstructional services	-	-	4,293	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Total disbursements	<u>-</u>	<u>-</u>	<u>4,293</u>	<u>21,529</u>	<u>-</u>	<u>24,618</u>	<u>305,709</u>
Excess (deficiency) of receipts over disbursements	<u>1,218</u>	<u>-</u>	<u>17,832</u>	<u>(13,047)</u>	<u>-</u>	<u>5,038</u>	<u>-</u>
Other financing sources (uses):							
Proceeds of long-term debt	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	6,528	-
Transfers out	-	-	-	-	-	(6,528)	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>1,218</u>	<u>-</u>	<u>17,832</u>	<u>(13,047)</u>	<u>-</u>	<u>5,038</u>	<u>-</u>
Cash and investments - ending	<u>\$ 5,306</u>	<u>\$ 90,791</u>	<u>\$ 26,376</u>	<u>\$ 40,939</u>	<u>\$ 60</u>	<u>\$ 8,650</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, 2014
 (Continued)

	Drug Free Communities	School Technology	Performance Based Awards	Senator David Ford Technology	Title I	Title I 2012-2013	Title I 2015-2016
Cash and investments - beginning	\$ -	\$ 2,316	\$ -	\$ -	\$ -	\$ -	\$ -
Receipts:							
Local sources	-	6,216	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-
State sources	-	7,968	189,464	-	-	-	-
Federal sources	-	-	-	-	-	25,386	69,830
Temporary loans	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Total receipts	-	14,184	189,464	-	-	25,386	69,830
Disbursements:							
Current:							
Instruction	-	-	189,464	-	-	4,906	72,096
Support services	-	5,260	-	57,168	-	4,608	1,000
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	1,555	2,260
Other	-	-	-	-	-	-	-
Total disbursements	-	5,260	189,464	57,168	-	11,069	75,356
Excess (deficiency) of receipts over disbursements	-	8,924	-	(57,168)	-	14,317	(5,526)
Other financing sources (uses):							
Proceeds of long-term debt	-	-	-	-	-	-	-
Sale of capital assets	-	6,400	-	-	-	-	-
Transfers in	-	-	-	57,168	-	-	15,183
Transfers out	-	-	-	-	-	(14,317)	(9,657)
Total other financing sources (uses)	-	6,400	-	57,168	-	(14,317)	5,526
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	15,324	-	-	-	-	-
Cash and investments - ending	\$ -	\$ 17,640	\$ -	\$ -	\$ -	\$ -	\$ -

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, 2014
 (Continued)

	(IDEA, Part B) LEA Capacity Building (Sliver) Grants	ATOD Prevention	Improving Teaching Quality, No Child Left, Title II, Part A	Education Jobs	Payroll Clearing Funds	Totals
Cash and investments - beginning	\$ -	\$ 5,098	\$ -	\$ -	\$ 21,398	\$ 3,677,174
Receipts:						
Local sources	-	-	-	-	-	5,232,071
Intermediate sources	-	-	-	-	-	384
State sources	-	-	-	-	-	8,659,114
Federal sources	69,245	-	78,768	-	-	484,234
Temporary loans	-	-	-	-	-	305,709
Other	-	-	-	-	4,173,266	4,205,201
Total receipts	69,245	-	78,768	-	4,173,266	18,886,713
Disbursements:						
Current:						
Instruction	69,245	-	32,170	-	-	5,718,642
Support services	-	-	49,335	-	-	4,963,918
Noninstructional services	-	-	-	-	-	734,778
Facilities acquisition and construction	-	-	-	-	-	307,815
Debt services	-	-	-	-	-	2,647,616
Nonprogrammed charges	-	-	819	-	-	4,634
Other	-	-	-	-	4,141,804	4,141,804
Total disbursements	69,245	-	82,324	-	4,141,804	18,519,207
Excess (deficiency) of receipts over disbursements	-	-	(3,556)	-	31,462	367,506
Other financing sources (uses):						
Proceeds of long-term debt	-	-	-	-	-	6,047
Sale of capital assets	-	-	-	-	-	27,785
Transfers in	-	-	15,915	-	-	365,670
Transfers out	-	-	(12,359)	-	-	(365,671)
Total other financing sources (uses)	-	-	3,556	-	-	33,831
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	-	-	31,462	401,337
Cash and investments - ending	\$ -	\$ 5,098	\$ -	\$ -	\$ 52,860	\$ 4,078,511

(This page intentionally left blank.)

EASTERN HOWARD 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>\$ 70,130</u>	<u>\$ 2,120</u>

EASTERN HOWARD SCHOOL CORPORATION
SCHEDULE OF LEASES AND DEBT
June 30, 2014

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities:				
EASTERN HOWARD MULTI-SCHOOL BLDG CORPORATION SERIES 2012a	ENERGY SAVINGS & BUILDING RENOVATION	\$ 112,000	1/15/2013	7/15/2032
EASTERN HOWARD MULTI-SCHOOL BLDG CORPORATION SERIES 2012b	ENERGY SAVINGS & BUILDING RENOVATION	112,000	1/15/2013	7/15/2032
EASTERN HOWARD MULTI-SCHOOL BLDG CORPORATION SERIES 2012c	BUIDLING RENOVATONS- JR/SR HIGH SCHOOL AND ELEMENTARY	138,000	7/15/2013	7/15/2032
EASTERN HOWARD MULTI-SCHOOL BLDG CORPORATION SERIES 2012d	BUIDLING RENOVATONS- JR/SR HIGH SCHOOL AND ELEMENTARY	138,000	7/15/2013	7/15/2032
EASTERN HOWARD MULTI-SCHOOL BLDG CORPORATION SERIES 2012e	BUIDLING RENOVATONS- JR/SR HIGH SCHOOL AND ELEMENTARY	156,000	7/15/2014	1/15/2033
EASTERN HOWARD MULTI-SCHOOL BLDG CORPORATION SERIES 2012f	BUIDLING RENOVATONS- JR/SR HIGH SCHOOL AND ELEMENTARY	156,000	7/15/2014	1/15/2033
EASTERN HOWARD THIRD MILLENNIUM BLDG CORPORATION SERIES 2013	REFINANCE SERIES 2005 - BUILDING RENOVATION	<u>1,432,500</u>	5/16/2013	1/15/2022
Total governmental activities		<u>2,244,500</u>		
Total of annual lease payments		<u>\$ 2,244,500</u>		

Type	Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:			
General obligation bonds	SCHOOL SEVERANCE BONDS SERIES 2012	\$ 665,000	\$ 91,899
Notes and loans payable	COMMON SCHOOL LOAN 1627	101,851	26,417
Notes and loans payable	COMMON SCHOOL LOAN 1546	76,130	26,074
Notes and loans payable	COMMON SCHOOL LOAN 1554	30,251	20,419
Notes and loans payable	COMMON SCHOOL LOAN 1583	88,817	26,201
Notes and loans payable	COMMON SCHOOL LOAN 1524	76,130	26,074
Notes and loans payable	COMMON SCHOOL LOAN 1468	48,840	24,847
Notes and loans payable	COMMON SCHOOL LOAN 1681	114,580	26,544
Notes and loans payable	COMMON SCHOOL LOAN 1740	117,466	27,213
Notes and loans payable	COMMON SCHOOL LOAN 1430	48,840	24,847
Notes and loans payable	COMMON SCHOOL LOAN 1759	35,195	9,103
Notes and loans payable	COMMON SCHOOL LOAN 1673	23,640	15,957
Notes and loans payable	COMMON SCHOOL LOAN 1378	<u>25,270</u>	<u>25,460</u>
Total governmental activities		<u>1,452,010</u>	<u>371,055</u>
Totals		<u>\$ 1,452,010</u>	<u>\$ 371,055</u>

EASTERN HOWARD 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	\$ 1,697,020
Buildings	47,009,789
Improvements other than buildings	2,132,507
Machinery, equipment, and vehicles	2,965,010
Construction in progress	10,678,125
Total governmental activities	64,482,451
Total capital assets	\$ 64,482,451

(This page intentionally left blank.)

SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

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

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

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

Report on Compliance for Each Major Federal Program

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, 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)

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, 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 items 2013-003 and 2014-004. Our opinion on each major federal program is not modified with respect to these matters.

Report on Internal Control Over Compliance

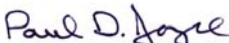
Management of the School Corporation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School Corporation's internal control over 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 items 2014-002, 2014-003, and 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

March 24, 2016

(This page intentionally left blank.)

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.

(This page intentionally left blank.)

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

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 06-30-13	Total Federal Awards Expended 06-30-14
<u>Department of Agriculture</u>					
Child Nutrition Cluster					
School Breakfast Program	Indiana Department of Education	10.553	3480	\$ 31,030	\$ 32,860
National School Lunch Program	Indiana Department of Education	10.555	3480	236,648	239,820
Total - Child Nutrition Cluster				<u>267,678</u>	<u>272,680</u>
Total - Department of Agriculture				<u>267,678</u>	<u>272,680</u>
<u>Department of Education</u>					
Special Education Cluster					
Special Education_Grants to States	Indiana Department of Education	84.027	14211-035-PN01	25,267	-
			14212-035-PN01	205,809	-
			14213-035-PN01	84,269	180,479
			14214-035-PN01	-	85,313
Total - Special Education_Grants to States				<u>315,345</u>	<u>265,792</u>
Special Education_Grants to States Technical Assistance	Indiana Department of Education	84.027	99914-035-TA01	-	1,822
Special Education_Grants to States Special Education Improvement	Indiana Department of Education	84.027	A58-3-13DL-1514	-	69,245
Special Education_Preschool Grants	Indiana Department of Education	84.173	45711-35-PN01	1,521	-
			45712-35-PN01	4,652	1,697
			45713-35-PN01	8,820	1,969
			45714-35-PN01	-	4,539
Total - Special Education_Preschool Grants				<u>14,993</u>	<u>8,205</u>
Total - Special Education Cluster				<u>330,338</u>	<u>345,064</u>
Title I, Part A Cluster					
Title I Grants to Local Educational Agencies	Indiana Department of Education	84.010	14-3480	74,056	95,215
Total - Title I, Part A Cluster				<u>74,056</u>	<u>95,215</u>
Improving Teacher Quality State Grants	Indiana Department of Education	84.367	5367A130013	42,780	78,768
Education Jobs Fund	Indiana Department of Education	84.410	248111.44	4,965	-
Total - Department of Education				<u>452,139</u>	<u>519,047</u>
Total federal awards expended				<u>\$ 719,817</u>	<u>\$ 791,727</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 (SEFA), 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 SEFA.

Program Title	Federal CFDA Number	2013	2014
National School Lunch Program	10.555	\$ 31,534	\$ 31,673

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; Unmodified as to Regulatory Basis
Internal control over financial reporting:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Noncompliance material to financial statement noted?	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

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 - SEGREGATION OF DUTIES OVER FINANCIAL TRANSACTIONS AND REPORTING AND PREPARATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

There were deficiencies in the internal control system of the School Corporation related to financial transactions and reporting.

1. Lack of Segregation of Duties: The School Corporation has not separated incompatible activities related to cash reconcilements. The School Corporation Treasurer completed all aspects of the bank reconcilements of School Corporation funds without any additional monitoring or other controls in place. 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.

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

2. Preparation of the SEFA: 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. The Treasurer prepares the SEFA without any oversight, review, or approval process or other control to ensure its accuracy.

During the audit of the SEFA, we noted the following errors: federal expenditures were incorrectly reported; and for some federal grant awards, expenditures and information such as grantor agency, program title, pass-through entity, Catalog of Federal Domestic Assistance (CFDA) number, and pass-through identifying number were omitted. Audit adjustments were proposed, accepted by the School Corporation, and made to the SEFA presented in this report.

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.

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

- (3) Provide 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."

Section III - Federal Award Findings and Questioned Costs

FINDING 2014-002 - ACTIVITIES ALLOWED OR UNALLOWED, ALLOWABLE COSTS/COST PRINCIPLES, CASH MANAGEMENT, ELIGIBILITY, PROGRAM INCOME

Federal Agency: Department of Agriculture

Federal Programs: School Breakfast Program, National School Lunch Program

CFDA Numbers: 10.553, 10.555

Federal Award Numbers and Years (or Other Identifying Number): 3480, FY 12-13, 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: Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Cash Management, Eligibility, and Program Income.

Activities Allowed or Unallowed and Allowable Costs/Cost Principles

For fiscal years 2012-2013 and 2013-2014, there was no review of payroll that showed the individual employees paid from each fund in order to verify that all employees paid from the School Lunch fund were allowed.

Cash Management

The School Corporation had no review or other control in place to ensure that the School Lunch fund did not exceed three months' average of expenditures.

Eligibility

During fiscal years 2012-2013 and 2013-2014, the Elementary Secretary and the High School ECA Treasurer were responsible for determining Eligibility for Free and Reduced Price meals, but determinations were performed independently, without oversight or review.

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

Program Income

School lunch fees were collected at the individual schools and kept by the ECA Treasurers until the end of the month when it was transferred to the Corporation Treasurer, who did not review the bank deposits of school lunch fees.

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 programs.

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

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

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

The failure to establish internal controls could enable material noncompliance to go undetected. Non-compliance with 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.

FINDING 2014-003 - ALLOWABLE COSTS/COST PRINCIPLES

Federal Agency: Department of Education

Federal Program: Special Education_Grants to States

CFDA Number: 84.027

Federal Award Numbers and Years (or Other Identifying Number): 14211-035-PN01, 14212-035-PN01,
14213-035-PN01, 14214-035-PN01

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 its grant agreements and the Allowable Costs/Cost Principles compliance requirements. The School Corporation is a member of the Kokomo Area Special Education Cooperative (KASEC), and they provide oversight of KASEC through the School Corporation Superintendent of Schools who serves as a member of the KASEC board. However, KASEC has not established an effective internal control system in relation to Allowable Costs/Cost Principles.

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

The failure to establish an effective internal control system resulted in the School Corporation being in noncompliance with Allowable Costs/Cost Principles compliance requirements related to its Special Education grants. Semi-Annual Certifications for fiscal year 2014 could not be located by KASEC, and therefore were not presented for audit. For those employees that were paid from Special Education funds, KASEC should have included their names on Semi-Annual Certification Activity Reports, and retained the reports.

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

OMB Circular A-87, Attachment B, paragraph 8(h)(3) states:

"Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi annually and will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee."

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 enabled material noncompliance to go undetected. Non-compliance with 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 requirement listed above.

FINDING 2014-004 - REPORTING

Federal Agency: Department of Agriculture

Federal Programs: School Breakfast Program, National School Lunch Program

CFDA Numbers: 10.553, 10.555

Federal Award Numbers and Years (or Other Identifying Number): 3480, FY 12-13, FY 13-14

Pass-Through Entity: Indiana Department of Education

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

Management of the School Corporation has not established an effective internal control system, which would include segregation of duties, related to the Reporting compliance requirements. The failure to establish an effective internal control system places the School Corporation at risk of noncompliance with 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 programs.

The Requests for Reimbursement, Annual Financial Report (AFR), and Verification Summary are required reports that are being prepared by the School Corporation Treasurer; however, there was no documented control over the required reports to ensure their accuracy before being submitted.

For fiscal year 2014, the income and expenses reported on the National School Lunch Program AFR did not match the income and expenses presented in the financial statement or the supporting documents issued from the School Corporation. Total income on the National School Lunch Program AFR was \$623,426.12. Total income on the financial statement was \$661,025.84. This resulted in an under reported difference of \$37,599.72. Total expenses on the National School Lunch Program AFR were \$623,710.89. Total expenses on the financial statement was \$582,408.53. This resulted in an over reported difference of \$41,302.36.

7 CFR 3016.20(b) states in part:

"The financial management systems of other grantees and subgrantees must meet the following standards:

- (1) *Financial reporting.* Accurate, current, and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant. . . .
- (6) *Source documentation.* Accounting records must be supported by such source documentation as cancelled checks, paid bills, payrolls, time and attendance records, contract and subgrant award documents, etc. . . . "

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

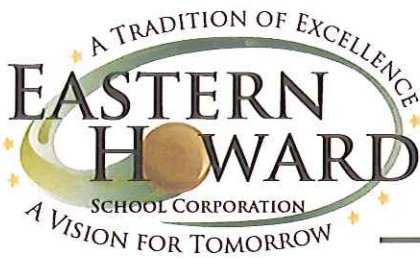
"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal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

The failure to establish internal controls enabled material noncompliance to go undetected. Non-compliance with 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. We recommended that the School Corporation officials ensure that all required reports are prepared on an accurate basis, in accordance with the Reporting requirements, and that all records are retained in accordance with retention requirements.

AUDITEE PREPARED DOCUMENTS

The subsequent documents were provided by management of the School Corporation. The documents are presented as intended by the School Corporation.



Dr. Tracy A. Caddell
Superintendent of Schools

221 West Main Street
Suite One
Greentown, IN 46936-1455

☎: 765.628.3391
☎: 765.628.5017
✉: tracy.caddell@eastern.k12.in.us
🌐: www.eastern.k12.in.us

January 29, 2016

Summary schedule of prior audit findings

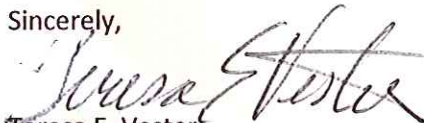
Finding Number 2012-1,
Eligibility and Special Tests and Provisions

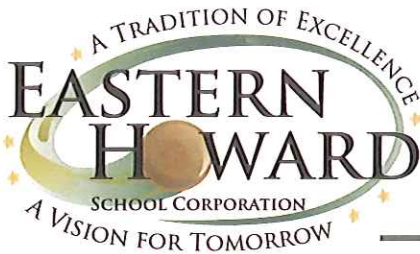
Original SBA Audit Report Number	B41857
Fiscal Year	2012
Auditee Contract Person	Teresa Vester
Title of Contact Person	Business Manager/Treasurer
Phone Number	765-628-3391

Corrective Action Plan: 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. Our correction plan stated that we would have additional review of all applications pulled for verification prior to sending change in status notices to the families affected.

We have since, (2013 – 2014 School Year), implemented Skyward for Student Management which includes module for School Lunch. This software/program includes auto approval for Free & Reduced Lunch Application and Textbook Assistance. In addition, this past summer, the Division of School Food did complete audit of the entire lunch program here which included an audit of Free & Reduce Applications and processes. There were no findings.

Sincerely,


Teresa E. Vester
Business Manager/Treasurer



Dr. Tracy A. Caddell
Superintendent of Schools

221 West Main Street
Suite One
Greentown, IN 46936-1455

☎: 765.628.3391

☎: 765.628.5017

✉: tracy.caddell@eastern.k12.in.us

🌐: www.eastern.k12.in.us

CORRECTIVE ACTION PLAN

FINDING 2014-001

Contact Person Responsible for Corrective Action: Dr. Tracy Caddell, Superintendent
Contact Phone Number: 765-628-3391

Views of Responsible Official:

We concur with findings.

Description of Corrective Action Plan:

- ***We feel the duties of the Administration Office are pretty well segregated and checks and balances are done as they become a part of the financials, and the Superintendent has always reviewed the monthly bank statement & financial reports, he just did not sign off on the reports. To correct this finding, the Superintendent will sign off on these reports so we will have a written record of his review.***

Anticipated Completion Date:

- ***Updated controls were put in to place during this audit. It is our goal to also cross-train with the Deputy Treasurer and other staff on the bank reconciliation process provided in our accounting software.***

Description of Corrective Action Plan:

- ***Preparation of the SEFA is a new responsibility for school corporation offices. Preparation of this information will be shared with other staff for review and verification and sign off.***

Anticipated Completion Date:

- ***Corrective processes will be implemented immediately moving forward.***

FINDING 2014-002

Contact Person Responsible for Corrective Action: Dr. Tracy Caddell, Superintendent
Contact Phone Number: 765-628-3391

Views of Responsible Official:

We concur with findings.

Description of Corrective Action Plan:

- ***Activities Allowed or Not Allowed and Allowable Costs/Cost Principles – A review of payroll distribution has been implemented per audit findings. A detail list of individuals***

paid from the school lunch fund, as well as all other funds, is provided to Corporation Treasurer for review and signs off before going to the School Board for approval at the monthly meeting. I think it should also be noted that we are also using True Time in our Skyward Software. Time sheets are electronically submitted to the Director of School Food and then to the Building Principal prior to going to our payroll clerk for payroll processing

Anticipated Completion Date:

- *Immediate implementation and sharing of processing information.*

Description of Corrective Action Plan:

- *Cash Management controls will be communicated to the Food Service Director and Head Cooks. A monthly report will be established to check monthly cash balance to ensure that the cash balance does not exceed three months' worth of expenditures.*

Anticipated Completion Date:

- *Immediate implementation. First report regarding Cash Management will be generated at the end of March 2016.*

Description of Corrective Action Plan:

- *Eligibility for lunch & book assistance – continued use of the Skyward Software for eligibility determination will be used as reviewed by building administration. The software is updated with the formula to calculate eligibility.*

Anticipated Completion Date:

- *Already implemented*

Description of Corrective Action:

- *We will develop internal controls that will allow effective oversight of this federal program. Controls such as monthly detail of student paid lunches to be submitted with monthly transfer of these funds to the Corporation Account. Also a review of the ECA Bank Reconciliation.*

Anticipated Completion Date:

- *Completion Date is set for the end of the school year and no later than June 30, 2016*

FINDING 2014-003

Contact Person Responsible for Corrective Action: Dr. Tracy Caddell, Superintendent
Contact Phone Number: 765-628-3391

Views of Responsible Official:

- *We concur with findings.*

Description of Corrective Action:

- *The co-op board, made up of Superintendents for each participating school, will clarify with the Special Education Co-OP Management Team that they are maintaining effective internal controls. The board will together determine the appropriate segregation of duties and identify reports which will allow individual schools to be in compliance on segregation of duties and oversight of this grant.*

Anticipated Completion Date:

- *Immediate*

FINDING 2014-004

Contact Person Responsible for Corrective Action: Dr. Tracy Caddell, Superintendent
Contact Phone Number: 765-628-3391

Views of Responsible Official:

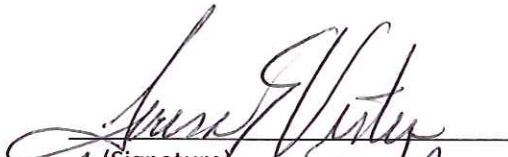
- *We concur with the findings.*

Description of Corrective Action:

- *A review will need to be done to better identify who is doing what and where the information is coming from. Currently, the monthly requests for Reimbursements are done at the building levels by the Food Service Director now. For this Audit Period, we had Sodexo as Food Management Service, and I believe that caused opportunities with our financial reports. The AFR will be done by the Corporation Treasurer going forward as it had been prior to Sodexo. Procedures will be set up for review prior to submission.*

Anticipated Completion Date:

- *Completion date is set for the end of the school year and no later than June 30, 2016.*


(Signature)
Business Mgr/Treasurer
Title
3/28/16
Date

OTHER REPORTS

In addition to this report, other reports may have been issued for the School Corporation. All reports can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>.