

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, 2014 to June 30, 2016



FILED
05/30/2018

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Teresa Vester	07-01-14 to 06-05-17
	Jennifer Smith	06-06-17 to 07-17-17
	Travis Hueston	07-18-17 to 12-31-18
Superintendent of Schools	Dr. Tracy Cadell	07-01-14 to 06-23-17
	(Vacant)	06-24-17 to 06-25-17
	Dr. Keith Richie	06-26-17 to 12-31-18
President of the School Board	Brian Day	01-01-14 to 12-31-14
	Mark Lantz	01-01-15 to 12-31-15
	Matthew J. Adams	01-01-16 to 12-31-16
	Brian Day	01-01-17 to 12-31-17
	Aimee Romero	01-01-18 to 12-31-18



STATE OF INDIANA
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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, 2014 to June 30, 2016, 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 from 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 to 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, 2014 to June 30, 2016.

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, 2014 to June 30, 2016, 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 May 1, 2018, 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 solely 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 effectiveness of the School Corporation's 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

May 1, 2018



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

TO: THE OFFICIALS OF THE 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, 2014 to June 30, 2016, and the related notes to the financial statement, and have issued our report thereon dated May 1, 2018, 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 a certain deficiency 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the School Corporation's financial statement will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 2016-001 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 from 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 2016-001.

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

May 1, 2018

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FINANCIAL STATEMENT AND ACCOMPANYING NOTES

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

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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, 2015 and 2016

Fund	Cash and Investments 07-01-14	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-15	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-16
General	\$ 1,687,644	\$ 8,651,388	\$ 8,973,882	\$ 15,287	\$ 1,380,437	\$ 9,077,222	\$ 8,823,477	\$ 5,745	\$ 1,639,927
Debt Service	1,277,973	2,791,892	2,596,963	(415,276)	1,057,626	2,942,248	2,522,334	(266,388)	1,211,152
Retirement/Severance Bond Debt Service	45,791	93,743	91,899	(13,418)	34,217	100,117	88,566	(9,007)	36,761
Capital Projects	-	652,207	516,516	89,116	224,807	670,406	870,579	144,455	169,089
School Transportation	276,130	556,765	636,516	101,590	297,969	582,899	654,172	16,734	243,430
School Bus Replacement	197,745	131,543	176,670	43,840	196,458	115,320	261,044	23,419	74,153
Rainy Day	190,653	-	127,975	198,893	261,571	-	156,506	172,282	277,347
School Lunch	98,515	596,822	691,423	117	4,031	674,221	619,935	(117)	58,200
Textbook Rental	1,065	184,794	30,566	(10,776)	144,517	281,845	247,845	130,936	309,453
Levy Excess	-	29	-	-	29	-	-	-	29
Educational License Plates	-	94	94	-	-	94	-	-	94
SAFE School Haven	-	4,694	6,101	1,407	-	8,870	9,831	(1,407)	(2,368)
Sponsorships/Donations	16,138	24,578	20,104	-	20,612	21,498	18,284	-	23,826
Imagination Library	30,918	7,189	812	-	37,295	6,856	5,162	-	38,989
Instructional Support	-	-	-	-	-	10,000	9,749	-	251
Cultural Arts	8,219	14,755	16,543	-	6,431	5,766	12,197	-	-
Scholarships and Awards	-	4,100	-	-	4,100	150	4,250	-	-
Elm Lib/Peters Booki	5,306	1,265	-	-	6,571	979	5,443	-	2,107
Scholarship Funds	90,791	-	5,001	-	85,790	-	5,000	-	80,790
Wellness Grant	26,376	-	3,141	-	23,235	-	5,062	-	18,173
E-Rate - Tech Rebates	40,939	-	29,987	-	10,952	-	10,952	-	-
Lowe's Toolbox Grant	60	-	60	-	-	-	-	-	-
Central Indiana Ethanol, LLC	-	20,000	-	-	20,000	-	17,988	-	2,012
Formative Assessment	-	-	-	-	-	851	-	-	851
Gifted/Talented	8,650	31,348	39,809	-	189	31,914	7,836	-	24,267
Education Technology	-	131,390	202,264	70,874	-	350,474	181,079	(211,024)	(41,629)
Secured Schools Safety Grant	-	-	-	-	-	-	5,369	-	(5,369)
School Technology	17,640	13,526	-	-	31,166	20,421	18,563	-	33,024
Performance Based Awards	-	-	-	-	-	28	28	-	-
Construction, Remodeling, and Equipping Buildings	-	100,000	100,000	-	-	-	-	-	-
Senator David Ford Technology	-	82,812	25,644	(57,168)	-	4,830	4,830	-	-
Title I 2012-2013	-	68,636	68,636	-	-	47,052	47,052	-	-
Title I 2015-2016	-	22,157	16,631	(5,526)	-	91,365	91,365	-	-
ATOD Prevention	5,098	-	-	-	5,098	-	1,691	-	3,407
Improving Teacher Quality, No Child Left, Title II, Part A	-	36,520	32,964	(3,556)	-	38,519	38,519	-	-
Prepaid School Meal Accounts	-	-	-	-	-	10,224	-	-	10,224
Payroll Clearing	52,860	5,495,053	5,498,333	-	49,580	6,259,414	6,253,236	-	55,758
Totals	\$ 4,078,511	\$ 19,717,300	\$ 19,908,534	\$ 15,404	\$ 3,902,681	\$ 21,353,583	\$ 20,997,944	\$ 5,628	\$ 4,263,948

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, the following: school townships, school towns, school cities, consolidated school corporations, joint schools, metropolitan school districts, township school districts, county schools, united schools, school districts, cooperatives, educational service centers, community schools, community school corporations, and charter schools.

The School Corporation was established under the laws of the State of Indiana. The School Corporation operates under a Board of School Trustees form of government and provides educational services.

The accompanying financial statement presents the financial information for the School Corporation.

B. Basis of Accounting

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

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

C. Cash and Investments

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

D. Receipts

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

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

Intermediate sources. Amounts received as distributions from the County for fees collected for or on behalf of the School Corporation including, but not limited to, the following: educational license plate fees, congressional interest, riverboat distributions, and other similar fees.

EASTERN HOWARD SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

State sources. Amounts received as distributions from the State of Indiana that are to be used by the School Corporation for various purposes, including, but not limited to, the following: unrestricted grants, restricted grants, revenue in lieu of taxes, and revenue for or on behalf of the School Corporation.

Federal sources. Amounts received as distributions from the federal government that are to be used by the School Corporation for various purposes, including, but not limited to, the following: unrestricted grants, restricted grants, revenue in lieu of taxes, and revenue for or on behalf of the School Corporation.

Temporary loans. Amounts 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. Amounts received from various sources, including, but not limited to, the following: 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. Amounts disbursed for regular programs, special programs, adult and continuing education programs, summer school programs, enrichment programs, remediation, and payments to other governmental units.

Support services. Amounts disbursed for support services related to students, instruction, general administration, school administration, outflows for central services, operation and maintenance of plant services, and student transportation.

Noninstructional services. Amounts disbursed for food service operations and community service operations.

Facilities acquisition and construction. Amounts disbursed for the acquisition, development, construction, and improvement of new and existing facilities.

Debt service. Amounts disbursed for fixed obligations resulting from financial transactions previously entered into by the School Corporation, including: all expenditures for the reduction of the principal and interest of the School Corporation's general obligation indebtedness.

Nonprogrammed charges. Amounts disbursed for donations to foundations, securities purchased, indirect costs, scholarships, and self-insurance payments.

Interfund loans. Amounts temporarily transferred from one fund to a depleted fund for use in paying current operating expenses. Such advancement shall not be made for a period extending beyond the budget year.

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:

Sale of capital assets. Amounts received when land, buildings, or equipment owned by the School Corporation are sold.

Transfers in. Amounts 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. Amounts 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 amounts 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 amounts 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 lien date (March 1 in a year ending before January 1, 2016 and January 1 in a year beginning after December 31, 2015) 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, the following: 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 Corporation

The School Corporation has entered into capital leases 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 years 2015 and 2016 totaled \$2,296,000 and \$2,392,000, respectively.

EASTERN HOWARD SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

Note 8. Other Postemployment Benefits

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

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OTHER INFORMATION - UNAUDITED

The School Corporation's Financial Reports can be found on the Indiana Department of Education website: <http://www.doe.in.gov/finance/school-financial-reports>. 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 Indiana Gateway for Government Units 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 School Corporation's Financial Reports 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.

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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, 2015

	General	Debt Service	Retirement/ Severance Bond Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	School Lunch	Textbook Rental	Levy Excess
Cash and investments - beginning	\$ 1,687,644	\$ 1,277,973	\$ 45,791	\$ -	\$ 276,130	\$ 197,745	\$ 190,653	\$ 98,515	\$ 1,065	\$ -
Receipts:										
Local sources	170,704	2,791,792	93,743	652,207	556,715	131,543	-	338,571	125,095	-
Intermediate sources	240	-	-	-	-	-	-	-	-	29
State sources	8,451,714	-	-	-	-	-	-	8,140	59,193	-
Federal sources	-	-	-	-	-	-	-	249,911	-	-
Temporary loans	-	-	-	-	-	-	-	-	-	-
Other receipts	28,730	100	-	-	50	-	-	200	506	-
Total receipts	8,651,388	2,791,892	93,743	652,207	556,765	131,543	-	596,822	184,794	29
Disbursements:										
Instruction	5,309,039	-	-	-	-	-	-	-	-	-
Support services	3,473,222	-	-	328,869	636,516	27,517	25,000	15,942	30,566	-
Noninstructional services	191,395	-	-	-	-	-	-	675,481	-	-
Facilities acquisition and construction	226	-	-	187,647	-	-	102,975	-	-	-
Debt service	-	2,596,963	91,899	-	-	149,153	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	8,973,882	2,596,963	91,899	516,516	636,516	176,670	127,975	691,423	30,566	-
Excess (deficiency) of receipts over disbursements	(322,494)	194,929	1,844	135,691	(79,751)	(45,127)	(127,975)	(94,601)	154,228	29
Other financing sources (uses):										
Sale of capital assets	15,404	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	208,264	176,590	43,840	376,077	117	-	-
Transfers out	(117)	(415,276)	(13,418)	(119,148)	(75,000)	-	(177,184)	-	(10,776)	-
Total other financing sources (uses)	15,287	(415,276)	(13,418)	89,116	101,590	43,840	198,893	117	(10,776)	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(307,207)	(220,347)	(11,574)	224,807	21,839	(1,287)	70,918	(94,484)	143,452	29
Cash and investments - ending	\$ 1,380,437	\$ 1,057,626	\$ 34,217	\$ 224,807	\$ 297,969	\$ 196,458	\$ 261,571	\$ 4,031	\$ 144,517	\$ 29

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, 2015

	Educational License Plates	SAFE School Haven	Sponsorships/ Donations	Imagination Library	Instructional Support	Cultural Arts	Scholarships and Awards	Elm Lib/ Peters Booki	Scholarship Funds	Wellness Grant
Cash and investments - beginning	\$ -	\$ -	\$ 16,138	\$ 30,918	\$ -	\$ 8,219	\$ -	\$ 5,306	\$ 90,791	\$ 26,376
Receipts:										
Local sources	-	-	24,578	7,189	-	14,755	4,100	1,265	-	-
Intermediate sources	94	-	-	-	-	-	-	-	-	-
State sources	-	4,694	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-	-
Total receipts	94	4,694	24,578	7,189	-	14,755	4,100	1,265	-	-
Disbursements:										
Instruction	94	-	395	812	-	-	-	-	-	-
Support services	-	6,101	13,874	-	-	16,131	-	-	5,001	-
Noninstructional services	-	-	5,835	-	-	412	-	-	-	3,141
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	94	6,101	20,104	812	-	16,543	-	-	5,001	3,141
Excess (deficiency) of receipts over disbursements	-	(1,407)	4,474	6,377	-	(1,788)	4,100	1,265	(5,001)	(3,141)
Other financing sources (uses):										
Sale of capital assets	-	-	-	-	-	-	-	-	-	-
Transfers in	-	1,407	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	1,407	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	4,474	6,377	-	(1,788)	4,100	1,265	(5,001)	(3,141)
Cash and investments - ending	\$ -	\$ -	\$ 20,612	\$ 37,295	\$ -	\$ 6,431	\$ 4,100	\$ 6,571	\$ 85,790	\$ 23,235

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, 2015

	E-Rate - Tech Rebates	Lowe's Toolbox Grant	Central Indiana Ethanol, LLC	Formative Assessment	Gifted/ Talented	Education Technology	Secured Schools Safety Grant	School Technology	Performance Based Awards	Construction, Remodeling, and Equipping Buildings
Cash and investments - beginning	\$ 40,939	\$ 60	\$ -	\$ -	\$ 8,650	\$ -	\$ -	\$ 17,640	\$ -	\$ -
Receipts:										
Local sources	-	-	20,000	-	-	-	-	5,507	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	31,348	-	-	8,019	-	100,000
Federal sources	-	-	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	131,390	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-	-
Total receipts	-	-	20,000	-	31,348	131,390	-	13,526	-	100,000
Disbursements:										
Instruction	-	-	-	-	39,809	-	-	-	-	-
Support services	29,987	60	-	-	-	202,264	-	-	-	100,000
Noninstructional services	-	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	29,987	60	-	-	39,809	202,264	-	-	-	100,000
Excess (deficiency) of receipts over disbursements	(29,987)	(60)	20,000	-	(8,461)	(70,874)	-	13,526	-	-
Other financing sources (uses):										
Sale of capital assets	-	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	4,903	70,874	-	-	-	100,000
Transfers out	-	-	-	-	(4,903)	-	-	-	-	(100,000)
Total other financing sources (uses)	-	-	-	-	-	70,874	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(29,987)	(60)	20,000	-	(8,461)	-	-	13,526	-	-
Cash and investments - ending	\$ 10,952	\$ -	\$ 20,000	\$ -	\$ 189	\$ -	\$ -	\$ 31,166	\$ -	\$ -

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, 2015

	Senator David Ford Technology	Title I 2012-2013	Title I 2015-2016	ATOD Prevention	Improving Teacher Quality, No Child Left, Title II, Part A	Prepaid School Meal Accounts	Payroll Clearing	Totals
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ 5,098	\$ -	\$ -	\$ 52,860	\$ 4,078,511
Receipts:								
Local sources	-	-	-	-	-	-	-	4,937,764
Intermediate sources	-	-	-	-	-	-	-	363
State sources	82,812	-	-	-	-	-	-	8,745,920
Federal sources	-	68,636	22,157	-	36,520	-	-	377,224
Temporary loans	-	-	-	-	-	-	-	131,390
Other receipts	-	-	-	-	-	-	5,495,053	5,524,639
Total receipts	<u>82,812</u>	<u>68,636</u>	<u>22,157</u>	<u>-</u>	<u>36,520</u>	<u>-</u>	<u>5,495,053</u>	<u>19,717,300</u>
Disbursements:								
Instruction	25,644	66,350	16,631	-	32,964	-	-	5,491,738
Support services	-	2,286	-	-	-	-	-	4,913,336
Noninstructional services	-	-	-	-	-	-	-	876,264
Facilities acquisition and construction	-	-	-	-	-	-	-	290,848
Debt service	-	-	-	-	-	-	-	2,838,015
Nonprogrammed charges	-	-	-	-	-	-	5,498,333	5,498,333
Total disbursements	<u>25,644</u>	<u>68,636</u>	<u>16,631</u>	<u>-</u>	<u>32,964</u>	<u>-</u>	<u>5,498,333</u>	<u>19,908,534</u>
Excess (deficiency) of receipts over disbursements	<u>57,168</u>	<u>-</u>	<u>5,526</u>	<u>-</u>	<u>3,556</u>	<u>-</u>	<u>(3,280)</u>	<u>(191,234)</u>
Other financing sources (uses):								
Sale of capital assets	-	-	-	-	-	-	-	15,404
Transfers in	-	-	-	-	-	-	-	982,072
Transfers out	(57,168)	-	(5,526)	-	(3,556)	-	-	(982,072)
Total other financing sources (uses)	<u>(57,168)</u>	<u>-</u>	<u>(5,526)</u>	<u>-</u>	<u>(3,556)</u>	<u>-</u>	<u>-</u>	<u>15,404</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,280)</u>	<u>(175,830)</u>
Cash and investments - ending	\$ -	\$ -	\$ -	\$ 5,098	\$ -	\$ -	\$ 49,580	\$ 3,902,681

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, 2016

	General	Debt Service	Retirement/ Severance Bond Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	School Lunch	Textbook Rental	Levy Excess
Cash and investments - beginning	\$ 1,380,437	\$ 1,057,626	\$ 34,217	\$ 224,807	\$ 297,969	\$ 196,458	\$ 261,571	\$ 4,031	\$ 144,517	\$ 29
Receipts:										
Local sources	106,656	2,942,148	100,117	670,406	568,188	115,320	-	372,525	240,189	-
Intermediate sources	240	-	-	-	-	-	-	-	-	-
State sources	8,881,711	-	-	-	-	-	-	7,607	40,581	-
Federal sources	-	-	-	-	-	-	-	279,852	-	-
Temporary loans	-	-	-	-	-	-	-	-	-	-
Other receipts	88,615	100	-	-	14,711	-	-	14,237	1,075	-
Total receipts	9,077,222	2,942,248	100,117	670,406	582,899	115,320	-	674,221	281,845	-
Disbursements:										
Instruction	5,714,328	-	-	-	-	-	-	-	-	-
Support services	2,932,859	-	-	576,747	653,818	89,637	51,937	33,437	116,909	-
Noninstructional services	175,592	-	-	-	-	-	-	582,603	-	-
Facilities acquisition and construction	698	-	-	293,832	354	-	104,569	3,895	-	-
Debt service	-	2,522,334	88,566	-	-	171,407	-	-	130,936	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-	-
Total disbursements	8,823,477	2,522,334	88,566	870,579	654,172	261,044	156,506	619,935	247,845	-
Excess (deficiency) of receipts over disbursements	253,745	419,914	11,551	(200,173)	(71,273)	(145,724)	(156,506)	54,286	34,000	-
Other financing sources (uses):										
Sale of capital assets	5,628	-	-	-	-	-	-	-	-	-
Transfers in	117	-	-	144,455	116,734	23,419	175,210	-	130,936	-
Transfers out	-	(266,388)	(9,007)	-	(100,000)	-	(2,928)	(117)	-	-
Total other financing sources (uses)	5,745	(266,388)	(9,007)	144,455	16,734	23,419	172,282	(117)	130,936	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	259,490	153,526	2,544	(55,718)	(54,539)	(122,305)	15,776	54,169	164,936	-
Cash and investments - ending	\$ 1,639,927	\$ 1,211,152	\$ 36,761	\$ 169,089	\$ 243,430	\$ 74,153	\$ 277,347	\$ 58,200	\$ 309,453	\$ 29

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, 2016

	Educational License Plates	SAFE School Haven	Sponsorships/ Donations	Imagination Library	Instructional Support	Cultural Arts	Scholarships and Awards	Elm Lib/ Peters Booki	Scholarship Funds	Wellness Grant
Cash and investments - beginning	\$ -	\$ -	\$ 20,612	\$ 37,295	\$ -	\$ 6,431	\$ 4,100	\$ 6,571	\$ 85,790	\$ 23,235
Receipts:										
Local sources	-	-	21,498	6,856	10,000	5,766	150	979	-	-
Intermediate sources	94	-	-	-	-	-	-	-	-	-
State sources	-	8,870	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-	-
Total receipts	94	8,870	21,498	6,856	10,000	5,766	150	979	-	-
Disbursements:										
Instruction	-	-	-	5,162	372	-	-	-	-	-
Support services	-	9,831	15,804	-	9,377	12,197	4,100	5,443	5,000	-
Noninstructional services	-	-	2,480	-	-	-	-	-	-	5,062
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	150	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-	-
Total disbursements	-	9,831	18,284	5,162	9,749	12,197	4,250	5,443	5,000	5,062
Excess (deficiency) of receipts over disbursements	94	(961)	3,214	1,694	251	(6,431)	(4,100)	(4,464)	(5,000)	(5,062)
Other financing sources (uses):										
Sale of capital assets	-	-	-	-	-	-	-	-	-	-
Transfers in	-	1,922	-	-	-	-	-	-	-	-
Transfers out	-	(3,329)	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	(1,407)	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	94	(2,368)	3,214	1,694	251	(6,431)	(4,100)	(4,464)	(5,000)	(5,062)
Cash and investments - ending	\$ 94	\$ (2,368)	\$ 23,826	\$ 38,989	\$ 251	\$ -	\$ -	\$ 2,107	\$ 80,790	\$ 18,173

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, 2016

	E-Rate - Tech Rebates	Lowe's Toolbox Grant	Central Indiana Ethanol, LLC	Formative Assessment	Gifted/ Talented	Education Technology	Secured Schools Safety Grant	School Technology	Performance Based Awards	Construction, Remodeling, and Equipping Buildings
Cash and investments - beginning	\$ 10,952	\$ -	\$ 20,000	\$ -	\$ 189	\$ -	\$ -	\$ 31,166	\$ -	\$ -
Receipts:										
Local sources	-	-	-	-	-	-	-	18,177	28	-
Intermediate sources	-	-	-	-	-	-	-	-	-	-
State sources	-	-	-	851	31,914	-	-	2,244	-	-
Federal sources	-	-	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	350,474	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-	-
Total receipts	-	-	-	851	31,914	350,474	-	20,421	28	-
Disbursements:										
Instruction	-	-	-	-	5,761	-	-	-	28	-
Support services	10,952	-	4,770	-	2,075	181,079	5,369	18,563	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	13,218	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-	-
Total disbursements	10,952	-	17,988	-	7,836	181,079	5,369	18,563	28	-
Excess (deficiency) of receipts over disbursements	(10,952)	-	(17,988)	851	24,078	169,395	(5,369)	1,858	-	-
Other financing sources (uses):										
Sale of capital assets	-	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	707	-	300	-	-	-
Transfers out	-	-	-	-	(707)	(211,024)	(300)	-	-	-
Total other financing sources (uses)	-	-	-	-	-	(211,024)	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(10,952)	-	(17,988)	851	24,078	(41,629)	(5,369)	1,858	-	-
Cash and investments - ending	\$ -	\$ -	\$ 2,012	\$ 851	\$ 24,267	\$ (41,629)	\$ (5,369)	\$ 33,024	\$ -	\$ -

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, 2016

	Senator David Ford Technology	Title I 2012-2013	Title I 2015-2016	ATOD Prevention	Improving Teacher Quality, No Child Left, Title II, Part A	Prepaid School Meal Accounts	Payroll Clearing	Totals
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ 5,098	\$ -	\$ -	\$ 49,580	\$ 3,902,681
Receipts:								
Local sources	-	-	-	-	-	10,224	-	5,189,227
Intermediate sources	-	-	-	-	-	-	-	334
State sources	4,830	-	-	-	-	-	-	8,978,608
Federal sources	-	47,052	91,365	-	38,519	-	-	456,788
Temporary loans	-	-	-	-	-	-	-	350,474
Other receipts	-	-	-	-	-	-	6,259,414	6,378,152
Total receipts	4,830	47,052	91,365	-	38,519	10,224	6,259,414	21,353,583
Disbursements:								
Instruction	4,830	44,792	88,971	488	38,519	-	-	5,903,251
Support services	-	-	2,394	1,203	-	-	-	4,743,501
Noninstructional services	-	-	-	-	-	-	-	765,737
Facilities acquisition and construction	-	-	-	-	-	-	-	416,566
Debt service	-	-	-	-	-	-	-	2,913,243
Nonprogrammed charges	-	2,260	-	-	-	-	-	2,410
Interfund loans	-	-	-	-	-	-	6,253,236	6,253,236
Total disbursements	4,830	47,052	91,365	1,691	38,519	-	6,253,236	20,997,944
Excess (deficiency) of receipts over disbursements	-	-	-	(1,691)	-	10,224	6,178	355,639
Other financing sources (uses):								
Sale of capital assets	-	-	-	-	-	-	-	5,628
Transfers in	-	-	-	-	-	-	-	593,800
Transfers out	-	-	-	-	-	-	-	(593,800)
Total other financing sources (uses)	-	-	-	-	-	-	-	5,628
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	-	(1,691)	-	10,224	6,178	361,267
Cash and investments - ending	\$ -	\$ -	\$ -	\$ 3,407	\$ -	\$ 10,224	\$ 55,758	\$ 4,263,948

EASTERN HOWARD SCHOOL CORPORATION
SCHEDULE OF PAYABLES AND RECEIVABLES
June 30, 2016

Government	Accounts Payable	Accounts Receivable
Governmental activities	<u>\$ 132,545</u>	<u>\$ 161,279</u>

EASTERN HOWARD SCHOOL CORPORATION
SCHEDULE OF LEASES AND DEBT
June 30, 2016

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities:				
Eastern Howard Mult-School Building Corporation	Energy Savings & Building Removal	\$ 137,000	01/15/2013	01/15/2032
Eastern Howard Mult-School Building Corporation	Energy Savings & Building Removal	137,000	01/15/2013	07/15/2032
Eastern Howard Mult-School Building Corporation	Energy Savings & Building Removal	136,000	07/15/2013	01/15/2032
Eastern Howard Mult-School Building Corporation	Energy Savings & Building Removal	136,000	07/15/2013	01/15/2032
Eastern Howard Mult-School Building Corporation	Energy Savings & Building Removal	154,000	01/15/2014	01/15/2033
Eastern Howard Mult-School Building Corporation	Energy Savings & Building Removal	154,000	01/15/2014	01/15/2033
Eastern Howard Mult-School Building Corporation	Energy Savings & Building Removal	144,000	01/15/2015	01/15/2034
Eastern Howard Third Millennium School Building Corporation	Refinance Series 2005 - Building Renovation	1,440,000	07/15/2013	01/15/2022
Eastern Howard Third Millennium School Building Corporation	HVAC at EHS	37,000	08/20/2015	07/15/2035
Cross Roads Bank	School Bus Lease	42,806	12/31/2013	12/31/2017
Cross Roads Bank	School Bus Lease	22,255	07/15/2015	07/15/2018
Cross Roads Bank	School Bus Lease	23,150	07/01/2016	07/01/2019
Cross Roads Bank	School Bus Lease	<u>23,098</u>	07/01/2016	07/01/2019
Total of annual lease payments		<u>\$ 2,586,308</u>		

Type	Description of Debt Purpose	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:			
General obligation bonds	School Severance Bonds Series 2012	\$ 545,000	\$ 90,173
Notes and loans payable	Common School Loan 1627	50,925	25,908
Notes and loans payable	Common School Loan 1546	25,378	25,567
Notes and loans payable	Common School Loan 1583	38,066	25,694
Notes and loans payable	Common School Loan 1524	25,376	25,567
Notes and loans payable	Common School Loan 1681	63,656	26,035
Notes and loans payable	Common School Loan 1740	65,258	26,691
Notes and loans payable	Common School Loan 1759	8,799	8,843
Notes and loans payable	Common School Loan 1812	125,505	29,075
Notes and loans payable	Common School Loan 1865	52,345	21,409
Notes and loans payable	Common School Loan 1888	125,505	29,075
Notes and loans payable	Common School Loan 1922	<u>140,150</u>	<u>15,013</u>
Totals		<u>\$ 1,265,963</u>	<u>\$ 349,050</u>

EASTERN HOWARD SCHOOL CORPORATION
SCHEDULE OF CAPITAL ASSETS
June 30, 2016

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

	<u>Ending Balance</u>
Governmental activities:	
Land	\$ 1,697,020
Buildings	33,722,874
Improvements other than buildings	636,674
Machinery, equipment, and vehicles	996,714
Construction in progress	<u>2,000,000</u>
Total capital assets	<u>\$ 39,053,282</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
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE

TO: THE OFFICIALS OF THE 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, 2014 to June 30, 2016. 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. Except as discussed in the following paragraph, 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.

Basis for Qualified Opinion on Child Nutrition Cluster

As described in items 2016-003, 2016-004, and 2016-005 in the accompanying Schedule of Findings and Questioned Costs, we were unable to obtain sufficient appropriate audit evidence supporting the compliance of the School Corporation with its Child Nutrition Cluster regarding Procurement and Suspension and Debarment, Program Income, and Reporting. Consequently, we were unable to determine whether the School Corporation complied with these requirements applicable to the program.

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

Qualified Opinion on Child Nutrition Cluster

In our opinion, except for the effects of such noncompliance, if any, as might have been determined had we been able to examine sufficient evidence regarding the School Corporation's compliance with the requirements of its Child Nutrition Cluster regarding Procurement and Suspension and Debarment, Program Income, and Reporting, described in the *Basis for Qualified Opinion on Child Nutrition Cluster* paragraph the School Corporation complied, in all material respects, with the requirements referred to above that could have a direct and material effect on the Child Nutrition Cluster for the period of July 1, 2014 to June 30, 2016.

Unmodified Opinion on Special Education Cluster (IDEA)

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 its Special Education Cluster (IDEA) for the period of July 1, 2014 to June 30, 2016.

Other Matters

The School Corporation's response to the noncompliance 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.

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 a 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 2016-002, 2016-003, 2016-004, and 2016-005 to be material weaknesses.

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

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

May 1, 2018

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTES

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

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EASTERN HOWARD SCHOOL CORPORATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Years Ended June 30, 2015 and 2016

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	Passed Through to Subrecipient 06-30-15	Total Federal Awards Expended 06-30-15	Passed Through to Subrecipient 06-30-16	Total Federal Awards Expended 06-30-16
<u>Department of Agriculture</u>							
Child Nutrition Cluster							
School Breakfast Program	Indiana Department of Education	10.553					
			FY 2014/2015	\$ -	\$ 37,399	\$ -	\$ -
			FY 2015/2016	-	-	-	42,132
Total - School Breakfast Program				-	37,399	-	42,132
National School Lunch Program	Indiana Department of Education	10.555					
			FY 2014/2015	-	212,512	-	-
			FY 2015/2016	-	-	-	237,720
School Lunch - Commodities			FY 2014/2015	-	42,111	-	-
			FY 2015/2016	-	-	-	43,111
Total - National School Lunch Program				-	254,623	-	280,831
Total - Child Nutrition Cluster				-	292,022	-	322,963
Total - Department of Agriculture				-	292,022	-	322,963
<u>Department of Education</u>							
Special Education Cluster (IDEA)							
Special Education Grants to States	Indiana Department of Education	84.027					
			14213-035-PN01	-	1,315	-	-
			14214-035-PN01	-	171,189	-	1,439
			14215-035-PN01	-	120,381	-	174,683
			14216-035-PN01	-	-	-	107,613
			99914-035-TA01	-	-	-	2,463
Total - Special Education Grants to States				-	292,885	-	286,198
Special Education Preschool Grants	Indiana Department of Education	84.173					
			45713-035-PN01	-	950	-	-
			45714-035-PN01	-	6,600	-	8,215
			45715-035-PN01	-	5,852	-	11,582
			45716-035-PN01	-	-	-	1,329
Total - Special Education Preschool Grants				-	13,402	-	21,126
Total - Special Education Cluster (IDEA)				-	306,287	-	307,324
Title I Grants to Local Educational Agencies	Indiana Department of Education	84.010					
			14-3480	-	90,793	-	-
			16-3480	-	-	-	138,417
Total - Title I Grants to Local Educational Agencies				-	90,793	-	138,417
Supporting Effective Instruction State Grant	Indiana Department of Education	84.367					
			S367A140013	-	36,520	-	-
			S367A150013	-	-	-	38,519
Total - Supporting Effective Instruction State Grant				-	36,520	-	38,519
Total - Department of Education				-	433,600	-	484,260
Total federal awards expended				\$ -	\$ 725,622	\$ -	\$ 807,223

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 under programs of the federal government for the years ended June 30, 2015 and 2016. The information in the SEFA is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the SEFA presents only a select portion of the operations of the School Corporation, it is not intended to and does not present the financial position of the School Corporation.

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. *Summary of Significant Accounting Policies*

Expenditures reported on the SEFA are reported on the cash basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowed or are limited as to reimbursement. When federal grants are received on a reimbursement basis, the federal awards are considered expended when the reimbursement is received.

Note 3. *Special Education Cooperative*

The School Corporation is a member of Kokomo Area Special Education Cooperative (KASEC). As a result, the activity for the Special Education Cluster (IDEA) presented as federal awards expended in the SEFA is not presented as receipts and disbursements in the financial statement for the School Corporation. This activity is reported on the financial statement of the fiscal agent for the KASEC, Western School Corporation.

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 deficiency identified?	none reported
Noncompliance material to financial statement noted?	yes

Federal Awards:

Internal control over major program:	
Material weakness identified?	yes
Significant deficiency identified?	none reported
Type of auditor's report issued on compliance for major programs:	Unmodified - Special Education Cluster (IDEA); Qualified - Child Nutrition Cluster
Any audit findings disclosed that are required to be reported in accordance with section .510(a) of OMB Circular A-133?	yes

Identification of Major Programs:

_____ Name of Federal Program or Cluster _____
Child Nutrition Cluster
Special Education Cluster (IDEA)

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

Auditee qualified as low-risk auditee? no

Section II - Financial Statement Findings

FINDING 2016-001

Subject: Schedule of Expenditures of Federal Awards
Audit Findings: Material Weakness, Noncompliance

Repeat Finding

This is a repeat of finding from the immediately prior audit. The prior audit finding number was 2014-001.

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

Condition

The School Corporation had not established or implemented an effective system of internal controls to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA).

Context

Due to the lack of controls, the SEFA contained the following errors:

1. The Special Education Cluster (IDEA) was understated \$189,678 and \$925 for school years 2014-2015 and 2015-2016, respectively.
2. The National School Lunch Program was understated \$42,111 and \$43,111 for school years 2014-2015 and 2015-2016, respectively.
3. The Title I Grants to Local Educational Agencies were understated \$47,053 for school year 2015-2016.
4. The Special Education Cluster (IDEA) pass through was overstated \$301,780 for school year 2014-2015.
5. The Supporting Effective Instruction State Grant was understated \$6,153 for school year 2015-2016.

Audit adjustments were proposed, accepted by the School Corporation, and made to the SEFA.

Criteria

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

An integral part of the control activity component is segregation of duties. . . .

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . ."

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 § __.310. . . ."

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

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

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

- (1) List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For R&D, total Federal awards expended shall be shown either by individual award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included.
- (3) Provide 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."

Cause

Management had not established a system of internal control that would have ensured proper reporting of the SEFA.

Effect

Without a proper system of internal control in place that operated effectively, material misstatements of the SEFA remained undetected. The SEFA contained the errors identified in the *Context*.

Recommendation

We recommended that the School Corporation's management establish controls to prevent, or detect and correct, errors related to the SEFA.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

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

Section III - Federal Award Findings and Questioned Costs

FINDING 2016-002

Subject: Child Nutrition Cluster - Cash Management, Eligibility,
Special Tests and Provisions - Verification of Free
and Reduced Price Applications (NSLP)

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 Numbers): FY 2014/2015, FY 2015/2016

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Cash Management, Eligibility, Special Tests
and Provisions - Verification of Free and
Reduced Price Applications (NSLP)

Audit Finding: Material Weakness

Repeat Finding

This is a repeat finding from the immediately prior report regarding Cash Management and Eligibility. The prior audit finding number was 2014-002.

Condition

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the following compliance requirements: Cash Management, Eligibility, Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP).

Cash Management

Management of the School Corporation had not established procedures to ensure that the School Lunch fund cash balances were less than or equal to the three months average expenditures.

Eligibility

Management of the School Corporation had not established an effective control to ensure that the eligibility determinations were properly determined.

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 on paper submitted applications.

Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP)

Management of the School Corporation had not established effective controls to ensure that verifications were properly performed. The Food Service Director performed the verifications of free and reduced price meal applications and made the determination of whether or not a change in eligibility was necessary without a proper system of oversight or review.

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

Context

The lack of controls was a systemic problem, which occurred throughout the audit period.

Criteria

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. . . ."

2 CFR 200.303 states in part:

"The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

Cause

Management of the School Corporation had not developed a system of internal controls that would have ensured compliance with the Cash Management, Eligibility, Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) compliance requirements.

Effect

The failure to establish an effective internal control system placed 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 have also allowed noncompliance with the compliance requirements and allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the programs.

Questioned Costs

There were no questioned costs identified.

Recommendation

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

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

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

FINDING 2016-003

Subject: Child Nutrition Cluster - Procurement and Suspension and Debarment
Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, Nation School Lunch Program
CFDA Numbers: 10.553, 10.555
Federal Award Numbers or Years (or Other Identifying Numbers): FY 2014/2015, FY 2015/2016
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Procurement and Suspension and Debarment
Audit Findings: Material Weakness, Modified Opinion

Condition

The School Corporation had not established an effective internal control system related to the grant agreement and the requirements for the Procurement and Suspension and Debarment compliance requirement. The School Corporation did not perform, nor did they obtain documentation that its purchasing service performed the required Procurement and Suspension and Debarment compliance requirement procedures.

Context

The lack of controls was a systemic issue throughout the audit period. The procedures for obtaining and documenting the procurement and suspension and debarment was not provided to support the Procurement and Suspension and Debarment compliance requirement.

Criteria

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. . . ."

2 CFR 200.303 states in part:

"The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

7 CFR 210.21(c) states in part:

"*Procedures.* . . . A school food authority may use its own procurement procedures which reflect applicable State and local laws and regulations, provided that procurements made with nonprofit school food service account funds adhere to the standards set forth in this part and §§ 3016.36(b) through 3016.36(i), 3016.60 and 3019.40 through 3019.48 of this title, as

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

applicable, and in the applicable Office of Management and Budget Circulars. School food authority procedures must include a written code of standards of conduct meeting the minimum standards of § 3016.36(b)(3) or § 3019.42 of this title, as applicable.

- (1) *Pre-issuance review requirement.* . . . The school food authority must make available, upon request by the State agency, its procurement documents, including but not limited to solicitation documents, specifications, evaluation criteria, procurement procedures, proposed contracts and contract terms. . . ."

7 CFR 220.16(c) states in part:

"*Procedures.* . . . The school food authority may use its own procurement procedures which reflect applicable State and local laws and regulations, provided that procurements made with nonprofit school food service account funds adhere to the standards set forth in this part and §§ 3016.36(b) through 3016.36(i), 3016.60 and 3019.40 through 3019.48 of this title, as applicable, and in the applicable Office of Management and Budget Circulars. School food authority procedures must include a written code of standards of conduct meeting the minimum standards of § 3016.36(b)(3) or § 3019.42 of this title, as applicable.

- (1) *Pre-issuance review requirement.* . . . The school food authority must make available, upon request by the State agency, its procurement documents, including but not limited to solicitation documents, specifications, evaluation criteria, procurement procedures, proposed contracts and contract terms. . . ."

2 CFR 180.300 states:

"When you enter into a covered transaction with another person at the next lower tier, you must verify that the person with whom you intend to do business is not excluded or disqualified.

You do this by:

- (a) Checking SAM Exclusions; or
- (b) Collecting a certification from that person; or
- (c) Adding a clause or condition to the covered transaction with that person."

7 CFR 3016.20(b)(2) states:

"*Accounting records.* Grantees and subgrantees must maintain records which adequately identify the source and application of funds provided for financially-assisted activities. These records must contain information pertaining to grant or subgrant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income."

7 CFR 3016.42 states in part:

"(a) *Applicability.* (1) This section applies to all financial and programmatic records, supporting documents, statistical records, and other records of grantees or subgrantees which are:

- (i) Required to be maintained by the terms of this part, program regulations or the grant agreement, or

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

(ii) Otherwise reasonably considered as pertinent to the program regulations or the grant agreement. . . .

(b) *Length of retention period.* (1) Except as otherwise provided, records must be retained for three years . . ."

2 CFR 200.333 states in part:

"Financial records, supporting documents, statistical records, and all other non-Federal entity records pertinent to a Federal award must be retained for a period of three years from the date of submission of the final expenditure report or, for Federal awards that are renewed quarterly or annually, from the date of the submission of the quarterly or annual financial report, respectively, as reported to the Federal awarding agency or pass-through entity in the case of a subrecipient. . . ."

Cause

The School Corporation had not developed a system of internal controls to ensure that documentation was maintained and made available for audit relating to the Procurement and Suspension and Debarment compliance requirement.

Effect

The failure to establish an effective internal control system, which would have ensured that procurement and suspension and debarment was properly identified prevented the determination of the School Corporation's compliance with the Procurement and Suspension and Debarment compliance requirement.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls to enable the determination on the School Corporation's compliance with the Procurement and Suspension and Debarment compliance requirement.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

FINDING 2016-004

Subject: Child Nutrition Cluster - 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 or Years (or Other Identifying Numbers): FY 2014/2015, FY 2015/2016
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Program Income
Audit Findings: Material Weakness, Modified Opinion

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

Repeat Finding

This is a repeat finding from the immediately prior audit. The prior finding number was 2014-002.

Condition

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Program Income compliance requirement.

It could not be determined if the School Corporation complied with requirements for accounting of program income generated from the operation of the food service programs. The School Corporation established a single fund, the School Lunch fund, to account for all activity of the food service programs. Due to the method of recordkeeping, it could not be verified whether the School Corporation met the requirements for the Program Income compliance requirement.

Context

The lack of internal controls was a systemic issue throughout the audit period. The procedures for collecting and recording program income prevented the determination of the School Corporation's compliance with the Program Income compliance requirement.

Criteria

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. . . ."

2 CFR 200.303 states in part:

"The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

7 CFR 210.14(c) states:

"*Financial assurances.* The school food authority shall meet the requirements of the State agency for compliance with § 210.19(a) including any separation of records of nonprofit school food service from records of any other food service which may be operated by the school food authority as provided in paragraph (a) of this section."

7 CFR 220.13(i) states in part: "Each State agency . . . shall establish a financial management system under which School Food Authorities shall account for all revenues and expenditures of their nonprofit school food service. . . ."

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

2 CFR 200.302(b)(3) states:

"Records that identify adequately the source and application of funds for federally-funded activities. These records must contain information pertaining to Federal awards, authorizations, obligations, unobligated balances, assets, expenditures, income and interest and be supported by source documentation."

7 CFR 3016.20(b)(2) states:

"*Accounting records.* Grantees and subgrantees must maintain records which adequately identify the source and application of funds provided for financially-assisted activities. These records must contain information pertaining to grant or subgrant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income."

7 CFR 3016.42 states in part:

"(a) *Applicability.* (1) This section applies to all financial and programmatic records, supporting documents, statistical records, and other records of grantees or subgrantees which are:

- (i) Required to be maintained by the terms of this part, program regulations or the grant agreement, or
- (ii) Otherwise reasonably considered as pertinent to the program regulations or the grant agreement. . . .

(b) *Length of retention period.* (1) Except as otherwise provided, records must be retained for three years . . ."

2 CFR 200.33 states in part:

"Financial records, supporting documents, statistical records, and all other non-Federal entity records pertinent to a Federal award must be retained for a period of three years from the date of submission of the final expenditure report or, for Federal awards that are renewed quarterly or annually, from the date of the submission of the quarterly or annual financial report, respectively, as reported to the Federal awarding agency or pass-through entity in the case of a subrecipient. . . ."

Cause

Management of the School Corporation had not developed a system of internal controls that would have enabled the determination of the School Corporation's compliance with the Program Income compliance requirement.

Effect

The failure to establish an effective internal control system, which would have ensured that program income was properly identified prevented the determination of the School Corporation's compliance with the Program Income compliance requirement.

Questioned Costs

There were no questioned costs identified.

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

Recommendation

We recommended that the School Corporation's management establish controls to ensure proper collecting and recording of program income to enable the determination on the School Corporation's compliance with the Program Income compliance requirement.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

FINDING 2016-005

Subject: Child Nutrition Cluster - Reporting
Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program
CFDA Numbers: 10.553, 10.555
Federal Award Number and Years (or Other Identifying Numbers): FY 2014/2015, FY 2015/2016
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Reporting
Audit Findings: Material Weakness, Modified Opinion

Repeat Finding

This is a repeat finding from the immediately prior report. The prior audit finding number was 2014-004.

Condition

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Reporting compliance requirement.

There were no controls in place to ensure that required reports were complete and accurate prior to submission or that supporting documentation for certain reports was maintained.

The Sponsor Claim (claims for reimbursement), Annual Financial Report (AFR), and School Food Authority (SFA) Verification Collection Report were required reports that were prepared by the Treasurer or Food Service Director; however, there was no documented control over the required reports to ensure its accuracy before being submitted.

The School Corporation did not provide documentation to support the information on the Annual Financial Reports for fiscal year 2015 and fiscal year 2016. The School Corporation did not provide documentation to support the information on the School Food Authority (SFA) Verification Collection Reports for fiscal year 2015 and fiscal year 2016.

Context

The lack of controls was a systemic issue throughout the audit period. The procedures for documenting the Annual Financial Reports and the School Food Authority (SFA) Verification Collection Reports prevented the determination of the School Corporation's compliance with the Reporting compliance requirement.

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

Criteria

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. . . ."

2 CFR 200.303 states in part:

"The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

7 CFR 3016.20(b)(2) states:

"*Accounting records.* Grantees and subgrantees must maintain records which adequately identify the source and application of funds provided for financially-assisted activities. These records must contain information pertaining to grant or subgrant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income."

7 CFR 3016.42 states in part:

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- (i) Required to be maintained by the terms of this part, program regulations or the grant agreement, or
- (ii) Otherwise reasonably considered as pertinent to the program regulations or the grant agreement. . . .

(b) *Length of retention period.* (1) Except as otherwise provided, records must be retained for three years . . ."

2 CFR 200.333 states in part:

"Financial records, supporting documents, statistical records, and all other non-Federal entity records pertinent to a Federal award must be retained for a period of three years from the date of submission of the final expenditure report or, for Federal awards that are renewed quarterly or annually, from the date of the submission of the quarterly or annual financial report, respectively, as reported to the Federal awarding agency or pass-through entity in the case of a subrecipient. . . ."

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

Cause

The School Corporation had not developed a system of internal controls to ensure that documentation was maintained and made available for audit relating to the Reporting compliance requirement.

Effect

The failure to retain or provide appropriate supporting documentation prevented the determination of the School Corporation's compliance with the Reporting compliance requirement.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls to ensure that documentation was maintained and made available for audit relating to the Reporting compliance requirement.

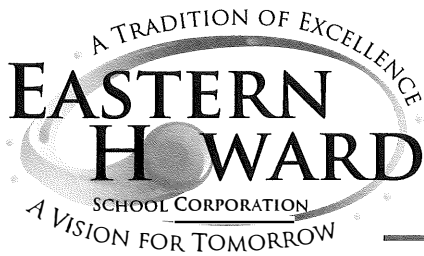
Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

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AUDITEE-PREPARED DOCUMENTS

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



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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2014-001

Segregation of Duties over Financial Transactions and Reporting and Preparation of the Schedule of Expenditures of Federal Awards

Fiscal year in which the finding initially occurred: 2014
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Indiana DOE
Contact Person Responsible for Corrective Action: Travis Hueston, Treasurer
Contact Phone Number: (765) 628-3391

Status of Audit Finding:

This prior finding was included as a 'Repeat Finding' during the most recent audit of the period covering July 1, 2014 – June 30, 2016. A corrective action plan has been completed for the Finding 2016-001 and submitted to the State Board of Accounts.

(Signature)

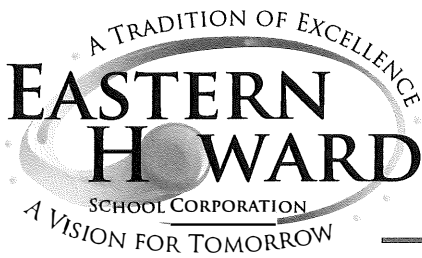
Treasurer

(Title)

5/1/2018

(Date)

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2014-002

Activities Allowed or Unallowed, Allowable Cost/Cost Principles, Cash Management, Eligibility, Program Income

Fiscal year in which the finding initially occurred: 2014
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Indiana DOE
Contact Person Responsible for Corrective Action: Travis Hueston, Treasurer
Contact Phone Number: (765) 628-3391

Status of Audit Finding:

This prior finding was included as a 'Repeat Finding' during the most recent audit of the period covering July 1, 2014 – June 30, 2016. A corrective action plan has been completed for the Finding 2016-002 and submitted to the State Board of Accounts.

(Signature)

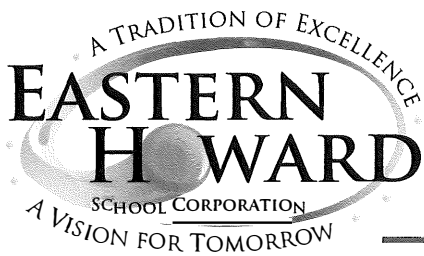
Treasurer

(Title)

5/1/2018

(Date)

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2014-003

Allowable Costs/Cost Principles

Fiscal year in which the finding initially occurred: 2014

Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Indiana DOE

Contact Person Responsible for Corrective Action: Travis Hueston, Treasurer

Contact Phone Number: (765) 628-3391

Status of Audit Finding:

Internal controls and segregation of duties were implemented and will continue to evolve and improve as the new treasurer (as of July 2017) becomes more familiar with the process.



(Signature)

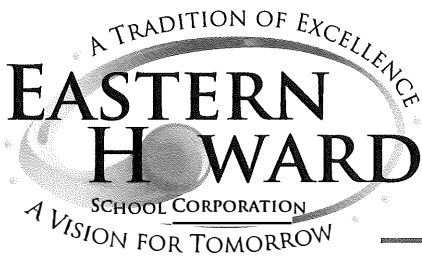
Treasurer

(Title)

5/1/2018

(Date)

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2014-004 **Reporting**

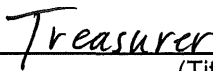
Fiscal year in which the finding initially occurred: 2014
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Indiana DOE
Contact Person Responsible for Corrective Action: Travis Hueston, Treasurer
Contact Phone Number: (765) 628-3391

Status of Audit Finding:

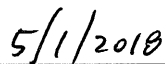
This prior finding was included as a 'Repeat Finding' during the most recent audit of the period covering July 1, 2014 – June 30, 2016. A corrective action plan has been completed for the Finding 2016-005 and submitted to the State Board of Accounts.



(Signature)

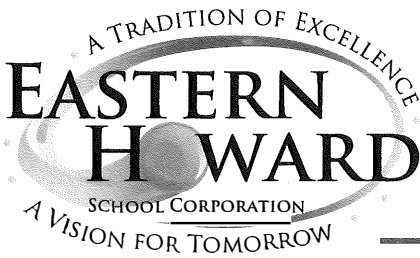


(Title)



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CORRECTIVE ACTION PLAN FOR EASTERN HOWARD SCHOOL CORPORATION

Report Period: 7/1/2014 – 6/30/2016

FINDING 2016-001

SEFA – Material weakness, Noncompliance

Contact Person Responsible for Corrective Action: Travis Hueston, Treasurer
Contact Email/Phone Number: travis.hueston@eastern.k12.in.us/(765) 628-3391

The corporation has not previously had a procedure to verify the amounts reported in the SEFA, resulting in erroneous data being reported.

OMB Circular A-133, Subpart C, section.300
OMB Circular A-133, Subpart C, section .310(b)

We agree with the repeat finding identified

The corporation did not completely understand the importance of a verification process to ensure correct data was being reported, under previous administrators. The Superintendent and Treasurer’s positions have since experienced turnover and current administration understands and accepts the importance of internal control procedures.

Description of Corrective Action Plan:

As the new treasurer of the corporation, preparation of the SEFA is a function I will learn as quickly as possible. Once I have prepared the SEFA, our Deputy Treasurer will review and verify the information reported. The report will be shared with and reviewed by the Superintendent prior to finalization and submission. Treasurer, Deputy Treasurer and Superintendent will all sign/initial after their review is complete.

Anticipated Completion Date: 6/30/2018

Travis Hueston

(Signature)

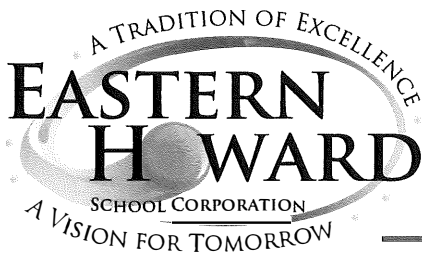
Treasurer

(Title)

5/1/2018

(Date)

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CORRECTIVE ACTION PLAN FOR EASTERN HOWARD SCHOOL CORPORATION

Report Period: 7/1/2014- 6/30/2016

FINDING 2016-002

Child Nutrition Cluster – Cash Management, Eligibility, Special Tests & Provisions-Verification of Free & Reduced Price Applications (NSLP)

Contact Person Responsible for Corrective Action: Travis Hueston, Treasurer
Contact Email/Phone Number: travis.hueston@eastern.k12.in.us/(765) 628-3391

For Cash Management: the corporation needs to implement monthly reports that will verify the school lunch fund is less than or equal to the three month average expenditures in the account.

For Eligibility: the corporation needs to implement a procedure for multiple checks of applications

For Special Tests, etc.: an additional review of the test of 3% of our applications was not performed

OMB Circular A-133, Subpart C, section .300
2 CFR 200.303

We agree with the repeat finding identified

The corporation did not realize the importance of multiple employees checking and verifying applications.

Description of Corrective Action Plan:

-Cash Management

The treasurer will calculate 3 month average expenditures and compare to month end lunch fund balances to ensure compliance. This calculation will be updated and communicated monthly with the Food Services Director.

Anticipated Completion Date: 6/30/2018

-Eligibility

Skyward software system is in place to determine eligibility. The software is updated with the correct formula to calculate eligibility. Following the Skyward determination, the ECA Treasurers will initially review for accuracy. Building Administrators will review for final determination at the beginning of each school year, and throughout the school year as needed.

Anticipated Completion Date: 6/30/2018

-Special Tests & Provisions-Verification of Free and Reduced Price Applications (NSLP)

The Food Service Director will select a sample of 3% of total applications to verify at the beginning of each school year. The ECA Treasurers will recalculate eligibility and the Food Service Director will sign off/initial upon reviewing those recalculations.

Anticipated Completion Date: 8/1/2018

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Justin H. ...

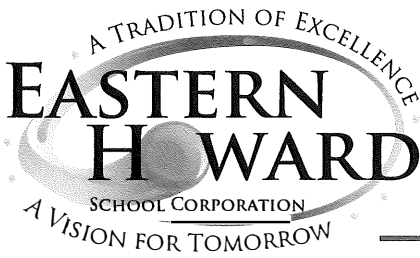
(Signature)

Treasurer

(Title)

5/1/2018

(Date)



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CORRECTIVE ACTION PLAN

FINDING 2016-003

Contact Person Responsible for Corrective Action: Travis Hueston, Treasurer
Contact Phone Number: (765) 628-3391

Views of Responsible Official:
We concur with the findings

Description of Corrective Action Plan:
We will maintain a record related to the Procurement and Suspension and Debarment compliance requirement. Records will be kept either electronically or hardcopies in a centralized location to ensure those records are available upon request.

Anticipated Completion Date: 5/1/2018

(Signature)

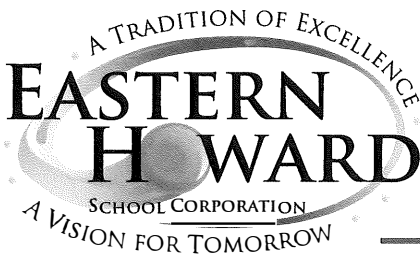
Treasurer

(Title)

5/1/2018

(Date)

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CORRECTIVE ACTION PLAN FOR EASTERN HOWARD SCHOOL CORPORATION

Report Period: 7/1/2014 – 6/30/2016

FINDING 2016-004

Child Nutrition Cluster – Program Income

Contact Person Responsible for Corrective Action: Travis Hueston, Treasurer
Contact Phone Number: (765) 628-3391

The corporation implemented the use of the fund 8400 just as the reporting period ended. This resulted in there not being sufficient evidence that the use of fund 8400 was proper and consistent with set guidelines.

OMB Circular A-133, Subpart C, section .300
2 CFR 200.303
7 CFR 210.14(c)
7 CFR 220.13(i)
2 CFR 200.302(b)(3)
7 CFR 3016.20(b)(2)
7 CFR 3016.42
2 CFR 200.33

We agree with the repeat finding identified

There was not enough evidence by the end of the audit period for examiners to determine, through testing, whether there were any issues present. Presently, we are following the procedures outlined below.

Description of Corrective Action Plan:

ECA Treasurers at each building remit total lunch fund receipts to the business office on a monthly basis. Each report is verified for correct balance per student by the Treasurer. The check is receipted into fund 8400 by the Deputy Treasurer and reviewed/approved by the Treasurer. An accounts payable voucher is produced by Treasurer, submitted to accounts payable for payment of actual lunch sales. The Deputy Treasurer receipts this check into fund 0800 upon review/approval of Treasurer. The Food Service Director inputs monthly data in NSLP website for reimbursement from the Department of Agriculture via the IDOE. This EFT receipt is deposited into fund 0800 by Deputy Treasurer upon review/approval of Treasurer.

Anticipated Completion Date: we are currently following the procedure outlined above

Eastern Howard School Corporation will provide academic, social, and physical opportunities to all students in order to allow them to pursue their fullest potential and to prepare them to be responsible and productive citizens.

Friedman

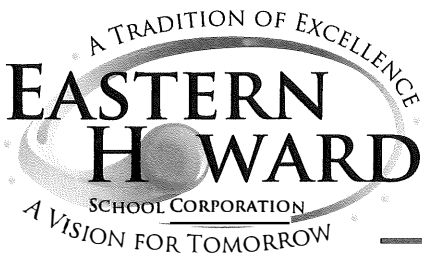
(Signature)

Treasurer

(Title)

5/1/2018

(Date)



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CORRECTIVE ACTION PLAN FOR EASTERN HOWARD SCHOOL CORPORATION

Report Period: 7/1/2014 – 6/30/2016

FINDING 2016-005

Child Nutrition Cluster - Reporting

Contact Person Responsible for Corrective Action: Travis Hueston, Treasurer
Contact Email/Phone Number: travis.hueston@eastern.k12.in.us/(765) 628-3391

The corporation has not previously had a procedure to verify the amounts reported in the various reports. Documentation was not kept in a place in which it could easily be produced for examiners.

OMB Circular A-133, Subpart C, section.300
2 CFR 200.303
7 CFR 3016.20(b)(2)
7 CFR 3016.42

We agree with the repeat finding identified

The corporation did not completely understand the importance of a verification process to ensure correct data was being reported, under previous administrators. The Superintendent and Treasurer's positions have since experienced turnover and current administration understands and accepts the importance of internal control procedures.


Description of Corrective Action Plan:

The corporation will have more control over this process since we no longer employ Sodexo as Food Management Service. The corporation now employs a dedicated Food Service Director. The Food Service Director will provide documentation to the Treasurer for compilation of the AFR and other various reports. The Treasurer will submit required reports following the Food Service Director's review and approval. All records/documentation will kept electronically or hardcopies in a centralized location to ensure those records are available upon request.

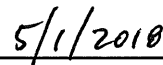
Anticipated Completion Date: 6/30/2018



(Signature)



(Title)



(Date)

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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/>.