

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, 2016 to June 30, 2018



FILED
03/29/2019

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Teresa Vester	07-01-16 to 06-05-17
	Jennifer Smith (interim)	06-06-17 to 07-17-17
	Travis Hueston	07-18-17 to 06-30-19
Superintendent of Schools	Dr. Tracy Cadell	07-01-16 to 06-23-17
	(Vacant)	06-24-17 to 06-25-17
	Dr. Keith Richie	06-26-17 to 06-30-19
President of the School Board	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
	Jordan Buckley	01-01-19 to 12-31-19



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, 2016 to June 30, 2018, 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, 2016 to June 30, 2018.

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, 2016 to June 30, 2018, 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 Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statement taken as a whole.

Other Information

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

INDEPENDENT AUDITOR'S REPORT
(Continued)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated March 14, 2019, 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

March 14, 2019



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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, 2016 to June 30, 2018, and the related notes to the financial statement, and have issued our report thereon dated March 14, 2019, 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.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the School Corporation's financial statement will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as item 2018-001, that we consider to be a material weakness.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School Corporation's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2018-001.

Eastern Howard School Corporation's Response to Findings

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

Purpose of This Report

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


Paul D. Joyce, CPA
State Examiner

March 14, 2019

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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, 2017 and 2018

Fund	Cash and Investments 07-01-16	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-17	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-18
General	\$ 1,639,927	\$ 9,587,230	\$ 9,306,383	\$ -	\$ 1,920,774	\$ 9,598,341	\$ 9,030,453	\$ 480	\$ 2,489,142
Debt Service	1,211,152	3,049,487	2,923,940	(281,475)	1,055,224	3,050,064	2,786,352	-	1,318,936
Retirement/Severance Bond Debt Service	36,761	100,303	90,173	(9,210)	37,681	96,940	91,287	-	43,334
Capital Projects	169,089	650,171	528,344	41,777	332,693	643,990	552,821	-	423,862
School Transportation	243,430	589,112	659,001	124,859	298,400	583,144	651,530	-	230,014
School Bus Replacement	74,153	112,195	190,177	24,049	20,220	144,401	101,572	-	63,049
Rainy Day	277,347	-	119,893	117,640	275,094	-	178,246	-	96,848
Construction	-	94,308	7,960	-	86,348	31,019	209,371	-	(92,004)
School Lunch	58,200	660,847	622,826	-	96,221	644,039	577,444	-	162,816
Textbook Rental	309,453	197,398	214,974	-	291,877	183,202	280,171	-	194,908
Levy Excess	29	-	-	-	29	-	-	-	29
Educational License Plates	94	75	169	-	-	56	-	-	56
SAFE School Haven	(2,368)	2,368	-	-	-	-	-	-	-
Lilly Counseling Grant	-	23,000	4,850	-	18,150	-	17,961	-	189
Sponsorships/Donations	23,826	5,832	14,152	-	15,506	9,967	14,282	-	11,191
Imagination Library	38,989	3,712	5,000	-	37,701	309	3,000	-	35,010
Instructional Support	251	10,000	10,244	-	7	-	105	-	(98)
Cultural Arts - PAC	-	1,619	1,619	-	-	-	-	-	-
Elm Lib/Peters Booki	2,107	1,310	-	-	3,417	1,966	-	-	5,383
Scholarship Funds	80,790	410	5,000	-	76,200	-	5,000	-	71,200
Wellness Grant	18,173	-	3,707	-	14,466	-	2,516	-	11,950
Central Indiana Ethanol, LLC	2,012	-	2,012	-	-	-	-	-	-
Early Intervention	-	3,700	-	-	3,700	-	2,810	-	890
Formative Assessment	851	14,742	15,593	-	-	15,171	889	-	14,282
Gifted/Talented	24,267	30,865	35,035	-	20,097	30,539	24,105	-	26,531
Computer Consortium/Ed Tech Advance	(41,629)	329,479	237,828	-	50,022	-	60,546	-	(10,524)
Secured Schools Safety Grant	(5,369)	27,205	28,567	-	(6,731)	18,177	18,976	-	(7,530)
School Technology	33,024	17,206	38,300	-	11,930	14,250	32,279	-	(6,099)
Career and Technical Performance Grant	-	6,496	-	-	6,496	4,703	11,199	-	-
Performance Based Awards	-	-	-	-	-	44,383	44,176	-	207
Misc. Programs Donations	-	-	1,143	-	(1,143)	1,200	-	-	57
Title I 2017-2018	-	77,211	92,600	-	(15,389)	89,113	73,724	-	-
Title I 2018-2019	-	-	-	-	-	-	252	-	(252)
Title I 2019-2020	-	20,988	21,169	-	(181)	-	1,402	-	(1,583)
ATOD Prevention	3,407	-	1,706	-	1,701	-	531	-	1,170
Improving Teacher Quality, No Child Left, Title II, Part A	-	29,147	31,372	-	(2,225)	22,944	18,513	-	2,206
Title II, Part A	-	-	4,449	-	(4,449)	14,999	10,645	-	(95)
Prepaid School Meal Accounts	10,224	380,903	382,880	-	8,247	341,408	332,196	-	17,459
Investment Fund	-	-	200,000	-	(200,000)	200,000	-	-	-
Payroll Clearing	55,758	6,497,939	6,472,346	-	81,351	6,103,946	6,185,274	-	23
Totals	\$ 4,263,948	\$ 22,525,258	\$ 22,273,412	\$ 17,640	\$ 4,533,434	\$ 21,888,271	\$ 21,319,628	\$ 480	\$ 5,102,557

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.

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.

EASTERN HOWARD SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

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.

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.

EASTERN HOWARD SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

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

Funding Policy and Annual Pension Cost

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

EASTERN HOWARD SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

B. Teachers' Retirement Fund

Plan Description

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

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

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

Funding Policy and Annual Pension Cost

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

Note 7. Cash Balance Deficits

The financial statement contains some funds with deficits in cash. This is a result of the funds being set up for reimbursable grants, common school loan funds, insurance reimbursements, or funds that had error corrections. The reimbursements or corrections for expenditures made by the School Corporation were not received or posted by June 30, 2017, and June 30, 2018, respectively.

Note 8. Holding Corporation

The School Corporation has entered into a capital lease with the Eastern Howard Multi-School Bldg Corp and the Eastern Howard Third Millennium School Bldg Corp (the lessors). The lessors were organized as not-for-profit corporations pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. The lessors have been determined to be a related-party of the School Corporation. Lease payments during the years 2017 and 2018 totaled \$2,475,000 and \$2,537,000, respectively.

EASTERN HOWARD SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

Note 9. *Other Postemployment Benefits*

The School Corporation provides health insurance to eligible retirees and their spouses. 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 referenced above. These differences, if any, are due to adjustments made to the financial information during the course of the audit. This is a common occurrence in any financial statement audit. The financial information presented in this report is audited information, and the accuracy of such information can be determined by reading the opinion given in the Independent Auditor's Report.

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

EASTERN HOWARD SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND CASH
 AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2017

	General	Debt Service	Retirement/ Severance Bond Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day
Cash and investments - beginning	\$ 1,639,927	\$ 1,211,152	\$ 36,761	\$ 169,089	\$ 243,430	\$ 74,153	\$ 277,347
Receipts:							
Local sources	112,169	3,049,387	100,303	650,171	583,456	112,195	-
Intermediate sources	240	-	-	-	-	-	-
State sources	9,351,326	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-
Other receipts	123,495	100	-	-	5,656	-	-
Total receipts	9,587,230	3,049,487	100,303	650,171	589,112	112,195	-
Disbursements:							
Instruction	5,910,239	-	-	-	-	-	-
Support services	3,219,328	-	-	450,062	659,001	350	-
Noninstructional services	176,816	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	78,282	-	-	119,893
Debt service	-	2,923,940	90,173	-	-	189,827	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	9,306,383	2,923,940	90,173	528,344	659,001	190,177	119,893
Excess (deficiency) of receipts over disbursements	280,847	125,547	10,130	121,827	(69,889)	(77,982)	(119,893)
Other financing sources (uses):							
Sale of capital assets	-	-	-	-	-	-	17,640
Transfers in	-	-	-	141,777	124,859	24,049	100,000
Transfers out	-	(281,475)	(9,210)	(100,000)	-	-	-
Total other financing sources (uses)	-	(281,475)	(9,210)	41,777	124,859	24,049	117,640
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	280,847	(155,928)	920	163,604	54,970	(53,933)	(2,253)
Cash and investments - ending	\$ 1,920,774	\$ 1,055,224	\$ 37,681	\$ 332,693	\$ 298,400	\$ 20,220	\$ 275,094

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, 2017

	Construction	School Lunch	Textbook Rental	Levy Excess	Educational License Plates	SAFE School Haven	Lilly Counseling Grant
Cash and investments - beginning	\$ -	\$ 58,200	\$ 309,453	\$ 29	\$ 94	\$ (2,368)	\$ -
Receipts:							
Local sources	-	392,447	131,364	-	-	-	23,000
Intermediate sources	-	-	-	-	75	-	-
State sources	94,308	8,417	65,934	-	-	2,368	-
Federal sources	-	259,806	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-
Other receipts	-	177	100	-	-	-	-
Total receipts	<u>94,308</u>	<u>660,847</u>	<u>197,398</u>	<u>-</u>	<u>75</u>	<u>2,368</u>	<u>23,000</u>
Disbursements:							
Instruction	-	-	-	-	169	-	-
Support services	-	7,566	84,038	-	-	-	4,850
Noninstructional services	-	614,567	-	-	-	-	-
Facilities acquisition and construction	7,960	693	-	-	-	-	-
Debt service	-	-	130,936	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	<u>7,960</u>	<u>622,826</u>	<u>214,974</u>	<u>-</u>	<u>169</u>	<u>-</u>	<u>4,850</u>
Excess (deficiency) of receipts over disbursements	<u>86,348</u>	<u>38,021</u>	<u>(17,576)</u>	<u>-</u>	<u>(94)</u>	<u>2,368</u>	<u>18,150</u>
Other financing sources (uses):							
Sale of capital assets	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>86,348</u>	<u>38,021</u>	<u>(17,576)</u>	<u>-</u>	<u>(94)</u>	<u>2,368</u>	<u>18,150</u>
Cash and investments - ending	<u>\$ 86,348</u>	<u>\$ 96,221</u>	<u>\$ 291,877</u>	<u>\$ 29</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,150</u>

EASTERN HOWARD SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND CASH
 AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2017

	Sponsorships/ Donations	Imagination Library	Instructional Support	Cultural Arts - PAC	Elm Lib/ Peters Booki	Scholarship Funds	Wellness Grant
Cash and investments - beginning	\$ 23,826	\$ 38,989	\$ 251	\$ -	\$ 2,107	\$ 80,790	\$ 18,173
Receipts:							
Local sources	5,832	3,712	10,000	-	1,310	410	-
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-
Other receipts	-	-	-	1,619	-	-	-
Total receipts	5,832	3,712	10,000	1,619	1,310	410	-
Disbursements:							
Instruction	-	5,000	8,474	-	-	-	-
Support services	13,395	-	1,770	1,619	-	5,000	-
Noninstructional services	757	-	-	-	-	-	3,707
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	14,152	5,000	10,244	1,619	-	5,000	3,707
Excess (deficiency) of receipts over disbursements	(8,320)	(1,288)	(244)	-	1,310	(4,590)	(3,707)
Other financing sources (uses):							
Sale of capital assets	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(8,320)	(1,288)	(244)	-	1,310	(4,590)	(3,707)
Cash and investments - ending	\$ 15,506	\$ 37,701	\$ 7	\$ -	\$ 3,417	\$ 76,200	\$ 14,466

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, 2017

	Central Indiana Ethanol, LLC	Early Intervention	Formative Assessment	Gifted/ Talented	Computer Consortium/ Ed Tech Advance	Secured Schools Safety Grant	School Technology
Cash and investments - beginning	\$ 2,012	\$ -	\$ 851	\$ 24,267	\$ (41,629)	\$ (5,369)	\$ 33,024
Receipts:							
Local sources	-	-	-	-	-	-	6,578
Intermediate sources	-	-	-	-	-	-	-
State sources	-	3,700	14,742	30,865	-	27,205	10,628
Federal sources	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	329,479	-	-
Other receipts	-	-	-	-	-	-	-
Total receipts	-	3,700	14,742	30,865	329,479	27,205	17,206
Disbursements:							
Instruction	-	-	-	21,254	-	-	-
Support services	2,012	-	15,593	13,781	237,828	10,532	38,300
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	18,035	-
Debt service	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	2,012	-	15,593	35,035	237,828	28,567	38,300
Excess (deficiency) of receipts over disbursements	(2,012)	3,700	(851)	(4,170)	91,651	(1,362)	(21,094)
Other financing sources (uses):							
Sale of capital assets	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(2,012)	3,700	(851)	(4,170)	91,651	(1,362)	(21,094)
Cash and investments - ending	\$ -	\$ 3,700	\$ -	\$ 20,097	\$ 50,022	\$ (6,731)	\$ 11,930

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, 2017

	Career and Technical Performance Grant	Performance Based Awards	Misc. Programs Donations	Title I 2017-2018	Title I 2018-2019	Title I 2019-2020	ATOD Prevention
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,407
Receipts:							
Local sources	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-
State sources	6,496	-	-	-	-	-	-
Federal sources	-	-	-	77,211	-	20,988	-
Temporary loans	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-
Total receipts	6,496	-	-	77,211	-	20,988	-
Disbursements:							
Instruction	-	-	-	90,327	-	16,433	1,706
Support services	-	-	1,143	2,273	-	4,736	-
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	-	-	1,143	92,600	-	21,169	1,706
Excess (deficiency) of receipts over disbursements	6,496	-	(1,143)	(15,389)	-	(181)	(1,706)
Other financing sources (uses):							
Sale of capital assets	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	6,496	-	(1,143)	(15,389)	-	(181)	(1,706)
Cash and investments - ending	\$ 6,496	\$ -	\$ (1,143)	\$ (15,389)	\$ -	\$ (181)	\$ 1,701

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, 2017

	Improving Teacher Quality, No Child Left, Title II, Part A	Title II, Part A	Prepaid School Meal Accounts	Investment Fund	Payroll Clearing	Totals
Cash and investments - beginning	\$ -	\$ -	\$ 10,224	\$ -	\$ 55,758	\$ 4,263,948
Receipts:						
Local sources	-	-	-	-	-	5,182,334
Intermediate sources	-	-	-	-	-	315
State sources	-	-	-	-	-	9,615,989
Federal sources	29,147	-	-	-	-	387,152
Temporary loans	-	-	-	-	-	329,479
Other receipts	-	-	380,903	-	6,497,939	7,009,989
Total receipts	29,147	-	380,903	-	6,497,939	22,525,258
Disbursements:						
Instruction	31,372	-	-	-	-	6,084,974
Support services	-	4,449	-	-	-	4,777,626
Noninstructional services	-	-	-	-	-	795,847
Facilities acquisition and construction	-	-	-	-	-	224,863
Debt service	-	-	-	-	-	3,334,876
Nonprogrammed charges	-	-	382,880	200,000	6,472,346	7,055,226
Total disbursements	31,372	4,449	382,880	200,000	6,472,346	22,273,412
Excess (deficiency) of receipts over disbursements	(2,225)	(4,449)	(1,977)	(200,000)	25,593	251,846
Other financing sources (uses):						
Sale of capital assets	-	-	-	-	-	17,640
Transfers in	-	-	-	-	-	390,685
Transfers out	-	-	-	-	-	(390,685)
Total other financing sources (uses)	-	-	-	-	-	17,640
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(2,225)	(4,449)	(1,977)	(200,000)	25,593	269,486
Cash and investments - ending	\$ (2,225)	\$ (4,449)	\$ 8,247	\$ (200,000)	\$ 81,351	\$ 4,533,434

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, 2018

	General	Debt Service	Retirement/ Severance Bond Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day
Cash and investments - beginning	\$ 1,920,774	\$ 1,055,224	\$ 37,681	\$ 332,693	\$ 298,400	\$ 20,220	\$ 275,094
Receipts:							
Local sources	127,783	3,049,964	96,940	643,990	583,144	144,401	-
Intermediate sources	240	-	-	-	-	-	-
State sources	9,309,667	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-
Other receipts	160,651	100	-	-	-	-	-
Total receipts	9,598,341	3,050,064	96,940	643,990	583,144	144,401	-
Disbursements:							
Instruction	5,623,248	-	-	-	-	-	-
Support services	3,212,479	-	-	473,370	651,530	-	-
Noninstructional services	169,496	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	79,451	-	-	178,246
Debt service	25,230	2,786,352	91,287	-	-	101,572	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	9,030,453	2,786,352	91,287	552,821	651,530	101,572	178,246
Excess (deficiency) of receipts over disbursements	567,888	263,712	5,653	91,169	(68,386)	42,829	(178,246)
Other financing sources (uses):							
Sale of capital assets	480	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	480	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	568,368	263,712	5,653	91,169	(68,386)	42,829	(178,246)
Cash and investments - ending	\$ 2,489,142	\$ 1,318,936	\$ 43,334	\$ 423,862	\$ 230,014	\$ 63,049	\$ 96,848

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, 2018

	Construction	School Lunch	Textbook Rental	Levy Excess	Educational License Plates	SAFE School Haven	Lilly Counseling Grant
Cash and investments - beginning	\$ 86,348	\$ 96,221	\$ 291,877	\$ 29	\$ -	\$ -	\$ 18,150
Receipts:							
Local sources	-	344,428	143,361	-	-	-	-
Intermediate sources	-	-	-	-	56	-	-
State sources	31,019	79,344	39,741	-	-	-	-
Federal sources	-	220,092	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-
Other receipts	-	175	100	-	-	-	-
Total receipts	31,019	644,039	183,202	-	56	-	-
Disbursements:							
Instruction	-	-	-	-	-	-	-
Support services	14,998	8,772	149,235	-	-	-	17,961
Noninstructional services	-	568,672	-	-	-	-	-
Facilities acquisition and construction	194,373	-	-	-	-	-	-
Debt service	-	-	130,936	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	209,371	577,444	280,171	-	-	-	17,961
Excess (deficiency) of receipts over disbursements	(178,352)	66,595	(96,969)	-	56	-	(17,961)
Other financing sources (uses):							
Sale of capital assets	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(178,352)	66,595	(96,969)	-	56	-	(17,961)
Cash and investments - ending	\$ (92,004)	\$ 162,816	\$ 194,908	\$ 29	\$ 56	\$ -	\$ 189

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, 2018

	Sponsorships/ Donations	Imagination Library	Instructional Support	Cultural Arts - PAC	Elm Lib/ Peters Booki	Scholarship Funds	Wellness Grant
Cash and investments - beginning	\$ 15,506	\$ 37,701	\$ 7	\$ -	\$ 3,417	\$ 76,200	\$ 14,466
Receipts:							
Local sources	9,967	309	-	-	1,966	-	-
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-
Total receipts	9,967	309	-	-	1,966	-	-
Disbursements:							
Instruction	-	3,000	105	-	-	-	-
Support services	13,281	-	-	-	-	5,000	-
Noninstructional services	1,001	-	-	-	-	-	2,516
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	14,282	3,000	105	-	-	5,000	2,516
Excess (deficiency) of receipts over disbursements	(4,315)	(2,691)	(105)	-	1,966	(5,000)	(2,516)
Other financing sources (uses):							
Sale of capital assets	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(4,315)	(2,691)	(105)	-	1,966	(5,000)	(2,516)
Cash and investments - ending	\$ 11,191	\$ 35,010	\$ (98)	\$ -	\$ 5,383	\$ 71,200	\$ 11,950

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, 2018

	Central Indiana Ethanol, LLC	Early Intervention	Formative Assessment	Gifted/ Talented	Computer Consortium/ Ed Tech Advance	Secured Schools Safety Grant	School Technology
Cash and investments - beginning	\$ -	\$ 3,700	\$ -	\$ 20,097	\$ 50,022	\$ (6,731)	\$ 11,930
Receipts:							
Local sources	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	15,171	30,539	-	18,177	14,250
Federal sources	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-
Total receipts	-	-	15,171	30,539	-	18,177	14,250
Disbursements:							
Instruction	-	-	-	13,718	-	-	-
Support services	-	2,810	889	10,387	60,546	18,976	32,279
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	-	2,810	889	24,105	60,546	18,976	32,279
Excess (deficiency) of receipts over disbursements	-	(2,810)	14,282	6,434	(60,546)	(799)	(18,029)
Other financing sources (uses):							
Sale of capital assets	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	(2,810)	14,282	6,434	(60,546)	(799)	(18,029)
Cash and investments - ending	\$ -	\$ 890	\$ 14,282	\$ 26,531	\$ (10,524)	\$ (7,530)	\$ (6,099)

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, 2018

	Career and Technical Performance Grant	Performance Based Awards	Misc. Programs Donations	Title I 2017-2018	Title I 2018-2019	Title I 2019-2020	ATOD Prevention
Cash and investments - beginning	\$ 6,496	\$ -	\$ (1,143)	\$ (15,389)	\$ -	\$ (181)	\$ 1,701
Receipts:							
Local sources	-	-	1,200	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-
State sources	-	44,383	-	-	-	-	-
Federal sources	4,703	-	-	89,113	-	-	-
Temporary loans	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-
Total receipts	4,703	44,383	1,200	89,113	-	-	-
Disbursements:							
Instruction	10,230	44,176	-	69,357	252	1,402	531
Support services	969	-	-	4,367	-	-	-
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	11,199	44,176	-	73,724	252	1,402	531
Excess (deficiency) of receipts over disbursements	(6,496)	207	1,200	15,389	(252)	(1,402)	(531)
Other financing sources (uses):							
Sale of capital assets	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(6,496)	207	1,200	15,389	(252)	(1,402)	(531)
Cash and investments - ending	\$ -	\$ 207	\$ 57	\$ -	\$ (252)	\$ (1,583)	\$ 1,170

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, 2018

	Improving Teacher Quality, No Child Left, Title II, Part A	Title II, Part A	Prepaid School Meal Accounts	Investment Fund	Payroll Clearing	Totals
Cash and investments - beginning	\$ (2,225)	\$ (4,449)	\$ 8,247	\$ (200,000)	\$ 81,351	\$ 4,533,434
Receipts:						
Local sources	-	-	-	-	-	5,147,453
Intermediate sources	-	-	-	-	-	296
State sources	-	-	-	-	-	9,582,291
Federal sources	22,944	14,999	-	-	-	351,851
Temporary loans	-	-	-	-	-	-
Other receipts	-	-	341,408	200,000	6,103,946	6,806,380
Total receipts	22,944	14,999	341,408	200,000	6,103,946	21,888,271
Disbursements:						
Instruction	250	-	-	-	-	5,766,269
Support services	18,263	10,645	-	-	-	4,706,757
Noninstructional services	-	-	-	-	-	741,685
Facilities acquisition and construction	-	-	-	-	-	452,070
Debt service	-	-	-	-	-	3,135,377
Nonprogrammed charges	-	-	332,196	-	6,185,274	6,517,470
Total disbursements	18,513	10,645	332,196	-	6,185,274	21,319,628
Excess (deficiency) of receipts over disbursements	4,431	4,354	9,212	200,000	(81,328)	568,643
Other financing sources (uses):						
Sale of capital assets	-	-	-	-	-	480
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	480
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	4,431	4,354	9,212	200,000	(81,328)	569,123
Cash and investments - ending	\$ 2,206	\$ (95)	\$ 17,459	\$ -	\$ 23	\$ 5,102,557

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EASTERN HOWARD SCHOOL CORPORATION
SCHEDULE OF PAYABLES AND RECEIVABLES
June 30, 2018

<u>Government or Enterprise</u>	<u>Accounts Payable</u>	<u>Accounts Receivable</u>
Governmental activities	<u>\$ 78,970</u>	<u>\$ -</u>

EASTERN HOWARD SCHOOL CORPORATION
SCHEDULE OF LEASES AND DEBT
June 30, 2018

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities:				
EASTERN HOWARD MULTI-SCHOOL BLDG CORP SERIES 2012a	ENERGY SAVINGS & BUILDING RENOVATION	\$ 135,000	1/15/2013	1/15/2033
EASTERN HOWARD MULTI-SCHOOL BLDG CORP SERIES 2012b	ENERGY SAVINGS & BUILDING RENOVATION	136,000	1/15/2013	7/15/2032
EASTERN HOWARD MULTI-SCHOOL BLDG CORP SERIES 2012C	ENERGY SAVINGS & BUILDING RENOVATION	134,000	7/15/2014	1/15/2033
EASTERN HOWARD MULTI-SCHOOL BLDG CORP SERIES 2012D	ENERGY SAVINGS & BUILDING RENOVATION	134,000	7/15/2014	1/15/2033
EASTERN HOWARD MULTI-SCHOOL BLDG CORP SERIES 2013 E	ENERGY SAVINGS & BUILDING RENOVATION	152,000	7/15/2014	1/15/2033
EASTERN HOWARD MULTI-SCHOOL BLDG CORP SERIES 2013F	ENERGY SAVINGS & BUILDING RENOVATION	152,000	7/15/2014	1/15/2033
EASTERN HOWARD MULTI-SCHOOL BLDG CORP SERIES 2014G	ENERGY SAVINGS & BUILDING RENOVATION	153,000	7/15/2015	1/15/2034
EASTERN HOWARD THIRD MILLENNIUM SCHOOL BLDG COR SERIES 2013	REFINANCE SERIES 2005 - BUILDING RENOVATION	1,430,000	5/16/2013	1/15/2022
EASTERN HOWARD THIRD MILLENNIUM SCHOOL BLD CORP SERIES 2015	ENERGY SAVINGS & BUILDING RENOVATION	111,000	8/20/2015	1/15/2036
CROSS ROADS BANK # 3	SCHOOL BUS LEASE	22,256	7/15/2015	7/15/2018
CROSS ROADS BANK # 4	SCHOOL BUS LEASE	23,150	7/1/2016	7/1/2019
CROSS ROADS BANK # 5	SCHOOL BUS LEASE	23,098	7/1/2016	7/1/2019
CROSS ROADS BANK # 6	SCHOOL BUS LEASE	<u>15,494</u>	1/1/2017	1/1/2022
Total of annual lease payments		<u>\$ 2,620,998</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	\$ 410,000	\$ 87,189
Notes and loans payable	COMMON SCHOOL LOAN 1681	12,731	12,795
Notes and loans payable	COMMON SCHOOL LOAN 1740	13,050	13,117
Notes and loans payable	COMMON SCHOOL LOAN 1812	69,725	28,518
Notes and loans payable	COMMON SCHOOL LOAN 1865	10,469	10,521
Notes and loans payable	COMMON SCHOOL LOAN 1888	69,725	28,518
Notes and loans payable	COMMON SCHOOL LOAN 1922	98,105	28,941
Notes and loans payable	COMMON SCHOOL LOAN 1968	10,407	10,459
Notes and loans payable	COMMON SCHOOL LOAN 2098	126,045	29,200
Notes and loans payable	COMMON SCHOOL LOAN 2845	133,020	30,816
Notes and loans payable	COMMON SCHOOL LOAN 1524	<u>2,857</u>	<u>-</u>
Totals		<u>\$ 956,134</u>	<u>\$ 280,074</u>

EASTERN HOWARD SCHOOL CORPORATION
 SCHEDULE OF CAPITAL ASSETS
 June 30, 2018

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

	Ending Balance
Governmental activities:	
Land	\$ 1,697,020
Buildings	33,667,562
Improvements other than buildings	519,848
Machinery, equipment, and vehicles	790,339
Construction in progress	<u>3,715,000</u>
Total governmental activities	<u>40,389,769</u>
Total capital assets	<u>\$ 40,389,769</u>

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE 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 the Major Federal Program

We have audited the Eastern Howard School Corporation's (School Corporation) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on its major federal program for the period of July 1, 2016 to June 30, 2018. The School Corporation's major federal program is 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the School Corporation's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 the major federal program. However, our audit does not provide a legal determination of the School Corporation's compliance.

Opinion on the Major Federal Program

In our opinion, the School Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the period of July 1, 2016 to June 30, 2018.

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

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2018-003. Our opinion on the major federal program is not modified with respect to these 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 the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School Corporation's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control 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. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as items 2018-002 and 2018-003, that we consider to be material weaknesses.

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

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

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Paul D. Joyce
Paul D. Joyce, CPA
State Examiner

March 14, 2019

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, 2017 and 2018

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 06-30-17	Total Federal Awards Expended 06-30-17	Passed Through to Subrecipient 06-30-18	Total Federal Awards Expended 06-30-18
<u>Department of Agriculture</u>							
Child Nutrition Cluster							
School Breakfast Program	Indiana Department of Education	10.553					
			FY 2016-2017	\$ -	\$ 37,885	\$ -	\$ -
			FY 2017-2018	-	-	-	43,969
Total - School Breakfast Program				-	37,885	-	43,969
National School Lunch Program							
National School Lunch Program	Indiana Department of Education	10.555					
			FY 2016-2017	-	221,921	-	-
			FY 2017-2018	-	-	-	246,431
National School Lunch Program - Commodities			FY 2016-2017	-	51,940	-	-
			FY 2017-2018	-	-	-	52,741
Total - National School Lunch Program				-	273,861	-	299,172
Total - Child Nutrition Cluster				-	311,746	-	343,141
Total - Department of Agriculture				-	311,746	-	343,141
<u>Department of Education</u>							
Special Education Cluster (IDEA)							
Special Education Grants to States	Indiana Department of Education	84.027					
			14215-035-PN01	-	3,809	-	-
			14216-033-PN01	-	172,298	-	10,046
			14217-033-PN01	-	127,408	-	183,681
			18611-033-PN01	-	-	-	133,116
Total - Special Education Grants to States				-	303,515	-	326,843
Special Education Preschool Grants		84.173					
			18619-033-PN01	-	-	-	12,006
			45716-033-PN01	-	10,937	-	-
			45717-033-PN01	-	12,122	-	706
Total - Special Education Preschool Grants				-	23,059	-	12,712
Total - Special Education Cluster (IDEA)				-	326,574	-	339,555
Title I Grants to Local Educational Agencies	Indiana Department of Education	84.010					
			15-3480	-	27,464	-	-
			16-3480	-	70,735	-	42,498
			17-3480	-	-	-	46,616
Total - Title I Grants to Local Educational Agencies				-	98,199	-	89,114
Supporting Effective Instruction State Grants	Indiana Department of Education	84.367					
			S367A150013	-	4,332	-	362
			S367A160013	-	24,816	-	26,447
			S367A170013	-	-	-	11,134
Total - Supporting Effective Instruction State Grants				-	29,148	-	37,943
Total - Department of Education				-	453,921	-	466,612
Total federal awards expended				\$ -	\$ 765,667	\$ -	\$ 809,753

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, 2017 and 2018. The information in the SEFA is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). 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.

The Uniform Guidance requires an annual audit of nonfederal entities expending a total amount of federal awards equal to or in excess of \$750,000 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 the Uniform Guidance, 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. The School Corporation has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note 3. Special Education Cooperative

The School Corporation is a member of the Kokomo Area Special Education Cooperative (Cooperative). 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 Cooperative, 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 weakness identified?	yes
Significant deficiency identified?	none reported
Noncompliance material to financial statement noted?	yes

Federal Awards:

Internal control over major program:	
Material weaknesses identified?	yes
Significant deficiency identified?	none reported
Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)?	yes

Identification of Major Program and type of auditor's report issued on compliance for it:

<u>Name of Federal Program or Cluster</u>	<u>Opinion Issued</u>
Child Nutrition Cluster	Unmodified

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

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

Section II - Financial Statement Findings

FINDING 2018-001

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

Repeat Finding

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2016-001.

Condition

The School Corporation did not have a proper system of internal control in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA).

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

The School Corporation had not established effective internal controls over the federal award information entered into the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source of the School Corporation's SEFA. The Treasurer prepared the federal award information entered into Gateway without an effective system of internal control in place to prevent, or detect and correct, errors prior to submission.

Context

The SEFA presented for audit contained the following errors:

1. The School Breakfast Program was overstated by \$15,683 for the 2016-2017 school year and understated by \$9,828 for the 2017-2018 school year.
2. The National School Lunch Program was overstated by \$81,632 for the 2016-2017 school year and understated by \$17,808 for the 2017-2018 school year. The National School Lunch Program Commodities were understated by \$51,940 and \$52,741 for the 2016-2017 and 2017-2018 school years, respectively.
3. The Title I Grants to Local Educational Agencies program was understated by \$54,912 for the 2016-2017 school year.
4. The Supporting Effective Instruction State Grants program was understated by \$4,332 and \$14,999 for the 2016-2017 and 2017-2018 school years, respectively.

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. . . ."

2 CFR 200.508 states in part: "The auditee must: . . . (b) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with § 200.510 Financial statements. . . ."

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

2 CFR 200.510(b) states:

"Schedule of expenditures of Federal awards. The auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with § 200.502 Basis for determining Federal awards expended. 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 Federal award years, the auditee may list the amount of Federal awards expended for each Federal award year separately. At a minimum, the schedule must:

- (1) List individual Federal programs by Federal agency. For a cluster of programs, provide the cluster name, list individual Federal programs within the cluster of programs, and provide the applicable Federal agency name. For R&D, total Federal awards expended must be shown either by individual Federal 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 must 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. For a cluster of programs also provide the total for the cluster.
- (4) Include the total amount provided to subrecipients from each Federal program.
- (5) For loan or loan guarantee programs described in § 200.502 Basis for determining Federal awards expended, paragraph (b), identify in the notes to the schedule the balances outstanding at the end of the audit period. This is in addition to including the total Federal awards expended for loan or loan guarantee programs in the schedule.
- (6) Include notes that describe that significant accounting policies used in preparing the schedule, and note whether or not the auditee elected to use the 10% de minimis cost rate as covered in § 200.414 Indirect (F&A) costs."

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 effective controls related to the preparation of the SEFA.

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

Views of Responsible Officials

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

Section III - Federal Award Findings and Questioned Costs

FINDING 2018-002

Subject: Child Nutrition Cluster - Eligibility, Special Tests and Provisions -
Verification of Free and Reduced Price Applications

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 2016-2017, FY 2017-2018

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Eligibility, Special Tests and Provisions - Verification
of Free and Reduced Price Applications

Audit Finding: Material Weakness

Repeat Finding

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2016-002.

Condition

An effective internal control system was not in place at the School Corporation to ensure compliance with requirements related to the grant agreement and the following compliance requirements:

Eligibility

The School Corporation had not established an effective system of internal controls to ensure that participant eligibility was properly determined. The Elementary Secretary and High School ECA Treasurer were responsible for determining eligibility for free and reduced price meals, but those were performed independently, without any oversight or review of the determinations made.

Special Tests and Provisions - Verification of Free and Reduced Price Applications

The School Corporation had not established an effective system of internal controls to ensure that verifications were properly performed. The Food Service Director was responsible for the verifications of free and reduced price meal applications, but made the determination of changes in eligibility without any oversight or review process.

Context

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

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

Criteria

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 had not developed a system of internal controls to ensure compliance with the grant agreement and the Eligibility and Special Tests and Provisions - Verification of Free and Reduced Price Applications compliance requirements.

Effect

The failure to establish an effective internal control system, which would include segregation of duties, placed the School Corporation at risk of noncompliance with the grant agreement and the Eligibility and Special Tests and Provisions - Verification of Free and Reduced Price Applications compliance requirements.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish an effective system of internal controls to ensure compliance with the grant agreement and the Eligibility and Special Tests and Provisions - Verification of Free and Reduced Price Applications compliance requirements.

Views of Responsible Officials

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

FINDING 2018-003

Subject: Child Nutrition Cluster - Allowable Costs/Cost Principles

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 2016-2017, FY 2017-2018

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Allowable Costs/Cost Principles

Audit Findings: Material Weakness, Other Matters

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

Condition

An effective internal control system was not in place at the School Corporation to ensure compliance with requirements related to the grant agreement and the Allowable Costs/Cost Principles compliance requirement.

An effective internal control system was not in place to ensure that only applicable employees were paid proper amounts from program funds. The School Corporation paid a portion of the wages of the Middle School Principal (5 percent), the High School Assistant Principal (5 percent), and the Family and Consumer Sciences/Food Service Director (50 percent) from the School Lunch fund. The wages charged were based on fixed percentages. There was no supporting documentation to indicate how the payment amounts were determined.

Context

The lack of controls and noncompliance were systemic issues, which occurred throughout the audit period.

Criteria

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). . . ."

2 CFR 200.403 states in part:

"Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards: . . .

- (g) Be adequately documented. . . ."

2 CFR 200.430(i) states in part:

"Standards for Documentation of Personnel Expenses (1) Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed.

These records must:

- (i) Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated;
- (ii) Be incorporated into the official records of the non-Federal entity;

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

- (iii) Reasonably reflect the total activity for which the employee is compensated by the non-Federal entity, not exceeding 100% of compensated activities (for IHE, this per the IHE's definition of IBS); . . .

- (vii) Support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one Federal award; a Federal award and non-Federal award; an indirect cost activity and a direct cost activity; two or more indirect activities which are allocated using different allocation bases; or an unallowable activity and a direct or indirect cost activity. . . ."

Cause

Management had not developed an effective system of internal controls that would have ensured compliance with the Allowable Costs/Cost Principles compliance requirement.

Effect

The failure to establish an effective system of internal controls enabled noncompliance with the grant agreement and the Allowable Costs/Cost Principles compliance requirement.

Questioned Costs

There were no questioned costs during the audit period.

Recommendation

We recommended that the School Corporation's management establish an effective system of internal controls to ensure compliance with the grant agreement and the Allowable Costs/Cost Principles compliance requirement.

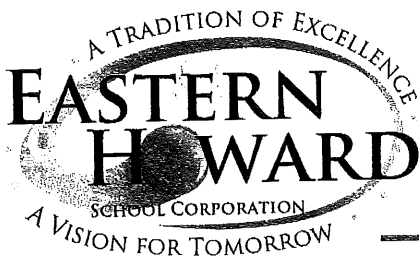
Views of Responsible Officials

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.



Dr. Keith Richie
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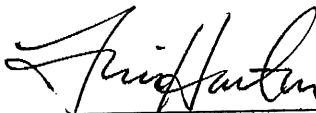
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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2016-001 (Auditor Assigned Reference Number)

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

Status of Audit Finding: We have implemented the reviews as described in the Corrective Action Plan. The Treasurer prepares the SEFA, the Deputy Treasurer reviews and verifies the information being reported and the Superintendent reviews the report before submission by the Treasurer. Each position initials and dates the data reports used for completion of the SEFA. It has recently come to the attention of the Treasurer that the data used needs to be segregated and some of the data used to complete the most recent SEFA was inaccurate. We will make every effort to secure the correct information to compile and submit the next SEFA via Gateway.



(Signature)

Treasurer

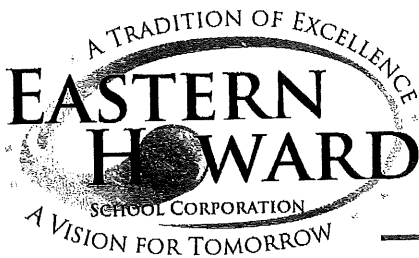
(Title)

2/7/2019

(Date)

(Note to Officials: To determine what audit findings are required to be reported in the Summary Schedule of Prior Audit Findings, please see U.S. Office of Management and Budget (OMB), Circular A-133, Subpart C, section .315(b) for audit periods beginning before December 26, 2014. For audit periods beginning after December 26, 2014, please see 2 CFR §200.511(b).)

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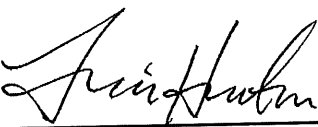
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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2016-002 (Auditor Assigned Reference Number)

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

Status of Audit Finding: Cash Management- We have implemented the 3 month average calculation review. The Treasurer calculates the 3 month average expense for the current school year. At each month end, the Treasurer updates the report with month end balance and monthly expenditures for the month just ended. Treasurer initials, dates and sends to the Food Service Director for review and acknowledgment. Eligibility- ECA Treasurers continue to review Skyward's eligibility documentation and the Food Service Director reviewed the documentation at the beginning of the 2018-19 school year. Special Tests & Provisions-Verification of Free and Reduced Price Applications (NSLP)- The Food Service Director reviewed and verified selected applications at the beginning of the 2018-19 school year. The Treasurer reviewed and acknowledged the selected applications.



(Signature)

Treasurer

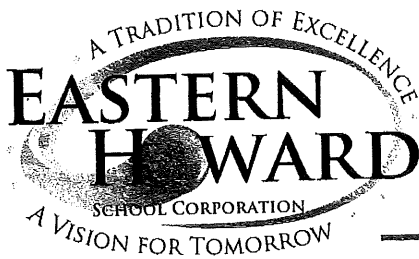
(Title)

2/7/2019

(Date)

(Note to Officials: To determine what audit findings are required to be reported in the Summary Schedule of Prior Audit Findings, please see U.S. Office of Management and Budget (OMB), Circular A-133, Subpart C, section .315(b) for audit periods beginning before December 26, 2014. For audit periods beginning after December 26, 2014, please see 2 CFR §200.511(b).)

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2016-003 (Auditor Assigned Reference Number)

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

Status of Audit Finding: Records related to Procurement and Suspension and Debarment are kept in an electronic file by the Food Service Director.



(Signature)

Treasurer

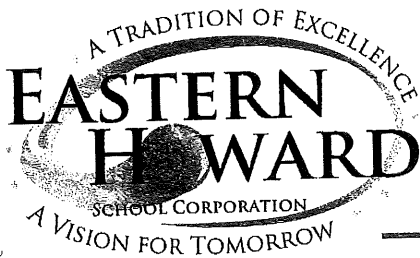
(Title)

2/8/2019

(Date)

(Note to Officials: To determine what audit findings are required to be reported in the Summary Schedule of Prior Audit Findings, please see U.S. Office of Management and Budget (OMB), Circular A-133, Subpart C, section .315(b) for audit periods beginning before December 26, 2014. For audit periods beginning after December 26, 2014, please see 2 CFR §200.511(b).)

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

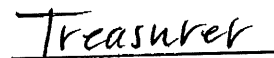
FINDING 2016-004 (Auditor Assigned Reference Number)

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

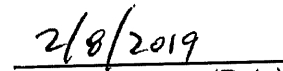
Status of Audit Finding: We continue to follow the procedures as outlined in the Corrective Action Plan, and as noted on the CAP, we have been since the corporation moved away from employing Sodexo as the Food Service contractor and employed an in-house Food Service Director. The timing of the previous audit (Feb-May 2018) for the period of 7/1/2014-6/30/2016 was more of an issue than the procedures put in place.



(Signature)



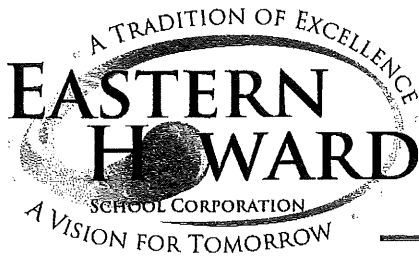
(Title)



(Date)

(Note to Officials: To determine what audit findings are required to be reported in the Summary Schedule of Prior Audit Findings, please see U.S. Office of Management and Budget (OMB), Circular A-133, Subpart C, section .315(b) for audit periods beginning before December 26, 2014. For audit periods beginning after December 26, 2014, please see 2 CFR §200.511(b).)

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

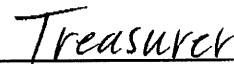
FINDING 2016-005 (Auditor Assigned Reference Number)

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

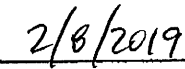
Status of Audit Finding: The Food Service Director compiles monthly claim data for the IDOE/NSLP report. Data is reviewed and verified by the cafeteria managers prior to submission. NSLP Claim report is forwarded to Treasurer for review and acknowledgment. The annual School Lunch Annual Financial Report for 2017-18 program year was compiled by the Treasurer. The data was reviewed and acknowledged by the Food Service Director prior to submission.



(Signature)



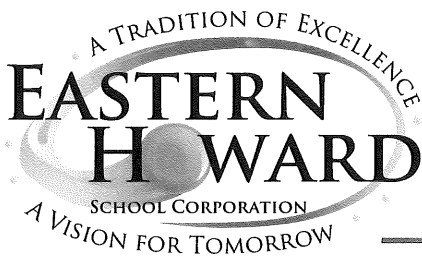
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(Date)

(Note to Officials: To determine what audit findings are required to be reported in the Summary Schedule of Prior Audit Findings, please see U.S. Office of Management and Budget (OMB), Circular A-133, Subpart C, section .315(b) for audit periods beginning before December 26, 2014. For audit periods beginning after December 26, 2014, please see 2 CFR §200.511(b).)

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CORRECTIVE ACTION PLAN FOR EASTERN HOWARD SCHOOL CORPORATION

Report Period: 7/1/2016 – 6/30/2018

FINDING 2018-001

Material weakness - Preparation of Schedule of Expenditures of Federal Awards

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.

2 CFR 200.508
2 CFR 200.510(b)

We agree with the repeat finding identified

The corporation has implemented internal control procedures since the findings of the 2014-16 SBoA audit, completed in May of 2018. As a result of the completion of the 2016-18 audit, the Treasurer has learned the correct procedure to obtain the correct data to include in the SEFA report. This data will segregate state funds from federal funds, for the School Lunch fund, specifically, and the SEFA report should accurately reflect only the federal funds received, in the future.

Description of Corrective Action Plan:

The internal control procedure is currently in place, and is as follows: The Corporation Treasurer will prepare 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. It is my understanding currently that I may receive a breakdown of federal vs. state funds received from the Indiana Department of Education that will ensure that the corporation correctly report only federal funds received for the School Lunch program on future SEFA submissions.

Anticipated Completion Date: 8/30/2019



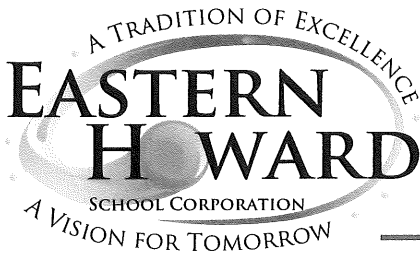
(Signature)

Treasurer

(Title)

3/13/2019

(Date)



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CORRECTIVE ACTION PLAN FOR EASTERN HOWARD SCHOOL CORPORATION

Report Period: 7/1/2016- 6/30/2018

FINDING 2018-002

Child Nutrition Cluster –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 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

2 CFR 200.303

We agree with the repeat finding identified

The corporation has implemented internal control procedures since the completion of the previous SBoA audit in May of 2018 for the period of July 1, 2014-June 30, 2016. There has been one new school year between the completion of the 2014-16 and 2016-18 audits for the corporation to establish the control procedures. We will continue to assess and revamp the process from the guidance we have received from the State Board of Accounts.

-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: 3/31/2019

-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: 3/31/2019



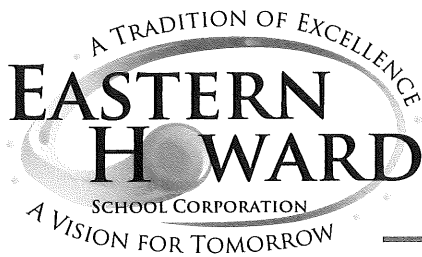
(Signature)

Treasurer

(Title)

3/13/2019

(Date)



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CORRECTIVE ACTION PLAN FOR EASTERN HOWARD SCHOOL CORPORATION

FINDING 2018-003

Child Nutrition Cluster-Allowable Costs/Cost Principles

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

The corporation has been paying a portion of administrators' salaries from the School Lunch fund without proper time and effort logs submitted, per federal guidelines.

2 CFR 200.303
2 CFR 200.403
2 CFR 200.430(i)
34 CFR 76.730

We concur with the findings

The corporation has changed the payroll accounts used for the three administrators that were previously being paid 5% of their salaries from the School Lunch Fund (0800), effective January 1, 2019. The Food Service Director will continue to receive a percentage of her salary based on the portion of her time that is devoted to the Food Service department. This documentation will be added to the Food Service Director's personnel file, as a supplement to their current and future teacher contracts.

Anticipated Completion Date: 3/1/2019



(Signature)

Treasurer

(Title)

3/13/2019

(Date)

OTHER REPORTS

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