

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

AUDIT REPORT
OF
WASHINGTON COMMUNITY SCHOOLS, INC.
DAVISS COUNTY, INDIANA
July 1, 2007 to June 30, 2009



FILED
03/03/2010

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Jean Kane	07-01-07 to 06-30-10
Superintendent of Schools	Dr. Bruce Hatton	07-01-07 to 06-30-10
President of the School Board	Gary Williams Steve Frette	07-01-07 to 06-30-09 07-01-09 to 06-30-10



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

TO: THE OFFICIALS OF THE WASHINGTON COMMUNITY
SCHOOLS, INC., DAVIESS COUNTY, INDIANA

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Washington Community Schools, Inc. (School Corporation), as of and for the years ended June 30, 2008 and 2009, which collectively comprise the School Corporation's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the School Corporation's management. Our responsibility is to express opinions on these financial statements 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 statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note I, the School Corporation prepares its financial statements on the prescribed basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective cash and investment balances of the governmental activities, each major fund, and the aggregate remaining fund information of the School Corporation as of June 30, 2008 and 2009, and the respective cash receipts and cash disbursements during the years then ended on the basis of accounting described in Note I.

In accordance with Government Auditing Standards, we have also issued a report dated February 14, 2010, on our consideration of the School Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(Continued)

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School Corporation's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The Schedule of Funding Progress, as listed in the Table of Contents, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The School Corporation has not presented Management's Discussion and Analysis or Budgetary Comparison Schedules that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School Corporation's basic financial statements. The Combining Schedules, as listed in the Table of Contents, Schedule of Capital Assets, and Schedule of Long-Term Debt are presented for additional analysis and are not required parts of the basic financial statements. The Combining Schedules, as listed in the Table of Contents, have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Schedule of Capital Assets and Schedule of Long-Term Debt have not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

February 14, 2010



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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

TO: THE OFFICIALS OF THE WASHINGTON COMMUNITY
SCHOOLS, INC., DAVIESS COUNTY, INDIANA

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Washington Community Schools, Inc. (School Corporation), as of and for the years ended June 30, 2008 and 2009, which collectively comprise the School Corporation's basic financial statements and have issued our report thereon dated February 14, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

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

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
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 statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

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

STATE BOARD OF ACCOUNTS

February 14, 2010

WASHINGTON COMMUNITY SCHOOLS, INC.
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For the Year Ended June 30, 2008

<u>Functions/Programs</u>	<u>Disbursements</u>	<u>Program Receipts</u>		<u>Totals</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Net (Disbursement) Receipts and Changes in Net Assets</u>
Governmental activities:				
Instruction	\$ 11,480,948	\$ -	\$ 290,164	\$ (11,190,784)
Support services	5,799,287	333,048	619,897	(4,846,342)
Noninstructional services	974,636	-	-	(974,636)
Facilities acquisition and construction	1,381,416	-	-	(1,381,416)
Debt service	8,713,962	-	-	(8,713,962)
Nonprogrammed charges	<u>1,852,081</u>	<u>-</u>	<u>-</u>	<u>(1,852,081)</u>
Total governmental activities	<u>\$ 30,202,330</u>	<u>\$ 333,048</u>	<u>\$ 910,061</u>	<u>(28,959,221)</u>
General receipts:				
Property taxes				5,195,235
Other local sources				1,470,079
State aid				10,958,295
Bonds and loans				6,000,000
Grants and contributions not restricted to specific programs				892,371
Sale of property				10,227
Investment earnings				305,384
Other				<u>12,557</u>
Total general receipts				<u>24,844,148</u>
Change in net assets				(4,115,073)
Net assets - beginning				<u>10,409,771</u>
Net assets - ending				<u>\$ 6,294,698</u>
Assets				
Cash and investments				<u>\$ 6,294,698</u>
Net Assets				
Unrestricted				<u>\$ 6,294,698</u>

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

WASHINGTON COMMUNITY SCHOOLS, INC.
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For the Year Ended June 30, 2009

<u>Functions/Programs</u>	<u>Disbursements</u>	<u>Program Receipts</u>		<u>Net (Disbursement) Receipts and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Totals</u>
Governmental activities:				
Instruction	\$ 10,649,987	\$ -	\$ 394,781	\$ (10,255,206)
Support services	7,488,926	336,835	669,698	(6,482,393)
Noninstructional services	1,059,323	-	-	(1,059,323)
Facilities acquisition and construction	1,970,324	-	-	(1,970,324)
Debt service	8,993,978	-	-	(8,993,978)
Nonprogrammed charges	1,983,756	-	-	(1,983,756)
Total governmental activities	<u>\$ 32,146,294</u>	<u>\$ 336,835</u>	<u>\$ 1,064,479</u>	<u>(30,744,980)</u>
General receipts:				
Property taxes				7,491,331
Other local sources				1,146,803
State aid				11,933,828
Bonds and loans				6,000,000
Grants and contributions not restricted to specific programs				2,299,189
Sale of property				339
Investment earnings				96,030
Other				305,374
Total general receipts				<u>29,272,894</u>
Change in net assets				(1,472,086)
Net assets - beginning				<u>6,294,698</u>
Net assets - ending				<u>\$ 4,822,612</u>
<u>Assets</u>				
Cash and investments				<u>\$ 4,822,612</u>
<u>Net Assets</u>				
Unrestricted				<u>\$ 4,822,612</u>

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

WASHINGTON COMMUNITY SCHOOLS, INC.
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2008

	General	Rainy Day	Construction	Other	Totals
Receipts:					
Local sources	\$ 2,995,028	\$ -	\$ -	\$ 4,307,887	\$ 7,302,915
Intermediate sources	306	-	-	525	831
State sources	11,186,743	-	-	278,079	11,464,822
Federal sources	52,019	-	-	1,243,886	1,295,905
Temporary loans	6,000,000	-	-	-	6,000,000
Other	11,944	-	-	613	12,557
Total receipts	20,246,040	-	-	5,830,990	26,077,030
Disbursements:					
Current:					
Instruction	10,291,166	540,398	-	649,384	11,480,948
Support services	3,570,352	-	-	2,228,935	5,799,287
Noninstructional services	99,605	-	-	875,031	974,636
Facilities acquisition and construction	-	-	818,765	562,651	1,381,416
Debt services	6,000,000	-	-	2,713,962	8,713,962
Nonprogrammed charges	1,769,581	-	-	82,500	1,852,081
Total disbursements	21,730,704	540,398	818,765	7,112,463	30,202,330
Deficiency of receipts over disbursements	(1,484,664)	(540,398)	(818,765)	(1,281,473)	(4,125,300)
Other financing sources (uses):					
Sale of capital assets	9,409	-	-	818	10,227
Transfers in	3,000	800,000	-	64,426	867,426
Transfers out	-	-	-	(867,426)	(867,426)
Total other financing sources (uses)	12,409	800,000	-	(802,182)	10,227
Deficiency of receipts and other financing sources over disbursements and other financing uses	(1,472,255)	259,602	(818,765)	(2,083,655)	(4,115,073)
Cash and investments - beginning	6,258,768	1,174,086	1,820,414	1,156,503	10,409,771
Cash and investments - ending	\$ 4,786,513	\$ 1,433,688	\$ 1,001,649	\$ (927,152)	\$ 6,294,698
Cash and Investment Assets - Ending					
Cash and investments	\$ 4,786,513	\$ 1,433,688	\$ 1,001,649	\$ (927,152)	\$ 6,294,698
Cash and Investment Fund Balance - Ending					
Unrestricted	\$ 4,786,513	\$ 1,433,688	\$ 1,001,649	\$ (927,152)	\$ 6,294,698

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

WASHINGTON COMMUNITY SCHOOLS, INC.
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2009

	General	Rainy Day	Fiscal Stabilization	Construction	Other	Totals
Receipts:						
Local sources	\$ 3,174,506	\$ -	\$ -	\$ 93	\$ 5,895,475	\$ 9,070,074
Intermediate sources	306	-	-	-	619	925
State sources	12,269,147	-	-	-	272,318	12,541,465
Federal sources	25,197	-	1,273,790	-	1,457,044	2,756,031
Temporary loans	6,000,000	-	-	-	-	6,000,000
Other	40,711	-	-	-	264,663	305,374
Total receipts	21,509,867	-	1,273,790	93	7,890,119	30,673,869
Disbursements:						
Current:						
Instruction	9,936,510	4,543	-	-	708,934	10,649,987
Support services	4,279,076	709,978	-	-	2,499,872	7,488,926
Noninstructional services	100,912	-	-	-	958,411	1,059,323
Facilities acquisition and construction	-	-	-	1,001,742	968,582	1,970,324
Debt services	6,000,000	-	-	-	2,993,978	8,993,978
Nonprogrammed charges	1,569,486	-	312,520	-	101,750	1,983,756
Total disbursements	21,885,984	714,521	312,520	1,001,742	8,231,527	32,146,294
Excess (deficiency) of receipts over disbursements	(376,117)	(714,521)	961,270	(1,001,649)	(341,408)	(1,472,425)
Other financing sources (uses):						
Sale of capital assets	-	-	-	-	339	339
Transfers in	162,489	500,000	-	-	83,449	745,938
Transfers out	(7,620)	(192,489)	-	-	(545,829)	(745,938)
Total other financing sources (uses)	154,869	307,511	-	-	(462,041)	339
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(221,248)	(407,010)	961,270	(1,001,649)	(803,449)	(1,472,086)
Cash and investments - beginning	4,786,513	1,433,688	-	1,001,649	(927,152)	6,294,698
Cash and investments - ending	\$ 4,565,265	\$ 1,026,678	\$ 961,270	\$ -	\$ (1,730,601)	\$ 4,822,612
Cash and Investment Assets - Ending						
Cash and investments	\$ 4,565,265	\$ 1,026,678	\$ 961,270	\$ -	\$ (1,730,601)	\$ 4,822,612
Cash and Investment Fund Balance - Ending						
Unrestricted	\$ 4,565,265	\$ 1,026,678	\$ 961,270	\$ -	\$ (1,730,601)	\$ 4,822,612

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

WASHINGTON COMMUNITY SCHOOLS, INC.
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
FIDUCIARY FUNDS
For the Year Ended June 30, 2008

	Pension Trust Fund	Agency Funds
Additions:		
Investment earnings:		
Interest	\$ 40,920	
Deductions:		
Benefits	334,266	
Deficiency of total additions over total deductions	(293,346)	
Cash and investment fund balance - beginning	823,431	
Cash and investment fund balance - ending	\$ 530,085	\$ 13
Net assets:		
Cash and investments	\$ 530,085	
Total net assets - cash and investment basis held in trust	\$ 530,085	

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

WASHINGTON COMMUNITY SCHOOLS, INC.
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
FIDUCIARY FUNDS
For the Year Ended June 30, 2009

	Pension Trust Fund	Agency Funds
Additions:		
Investment earnings:		
Interest	\$ 22,118	
Deductions:		
Benefits	251,518	
Deficiency of total additions over total deductions	(229,400)	
Cash and investment fund balance - beginning	530,085	
Cash and investment fund balance - ending	<u>\$ 300,685</u>	<u>\$ 26</u>
Net assets:		
Cash and investments	<u>\$ 300,685</u>	
Total net assets - cash and investment basis held in trust	<u>\$ 300,685</u>	

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

WASHINGTON COMMUNITY SCHOOLS, INC.
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

School Corporation, as used herein, shall include, but is not limited to, school townships, school towns, school cities, consolidated school corporations, joint schools, metropolitan school districts, township school districts, county schools, united schools, school districts, cooperatives, educational service centers, community schools, community school corporations, and charter schools.

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

The School Corporation's financial reporting entity is composed of the following:

Primary Government: Washington Community Schools, Inc.

In determining the financial reporting entity, the School Corporation complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*.

Joint Venture

The School Corporation is a participant with 3 other school corporations in a joint venture to operate Daviess-Martin Special Education Cooperative which was created to provide instruction for handicapped children. The Cooperative's continued existence depends on continued funding by the School Corporation. Complete financial statements for the Daviess-Martin Special Education Cooperative can be obtained from the Cooperative's administrative office at P.O. Box 637, Washington, IN 47501.

The School Corporation is a participant with 12 other school corporations in a joint venture to operate Twin Rivers Career and Technical Area which was created to provide for the development and operation of vocational programs for students and citizens within the jurisdiction of the participating school corporations. The Vocational Area's continued existence depends on continued funding by the School Corporation. Complete financial statements for Twin Rivers Career Technical Area can be obtained from 20 N 3rd Street, Vincennes, IN 47591.

The School Corporation is a participant with 39 other school corporations in a joint venture to operate the Southern Indiana School Education Center (SIEC) which was created to operate and maintain an educational service center in order to allow participating school corporations to cooperate and share certain programs and services. The School Corporation is obligated by contract to remit annually a fee for membership in an amount determined by the governing board of the SIEC. The SIEC's continued existence depends on continued funding by the School Corporation. Complete financial statements for the SIEC can be obtained from Southwest Dubois County School Corporation, 113 N. Jackson St., Huntingburg, IN 47542.

The School Corporation is a participant with 9 other school corporations in a joint venture to operate Southern Indiana School Trust which was created to provide a program of group insurance. The Southwest Dubois County School Corporation provides the treasury function for the trust and has the responsibility for the accountability of all fiscal matters. Complete financial statements can be obtained from Southwest Dubois County School Corporation, 113 N. Jackson St., Huntingburg, IN 47542.

WASHINGTON COMMUNITY SCHOOLS, INC.
NOTES TO FINANCIAL STATEMENTS
(Continued)

Related Organizations

The School Corporation's officials are also responsible for appointing the members of the boards of other organizations, but the School Corporation's accountability for these organizations does not extend beyond making the appointments. The School Corporation appoints a board member of the Carnegie Public Library.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The Statements of Activities and Net Assets – Cash and Investment Basis display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, fund equity, receipts, and disbursements. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. However, at this time, the School Corporation has not established any enterprise funds.

The School Corporation reports the following major governmental funds:

The general fund is the primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The rainy day fund is used to accounts for funds in accordance with IC 36-1-8-5.1 and a locally adopted resolution.

Fiscal stabilization-education (stimulus) fund accounts for receipts and disbursements of cash received from the federal government to be used to supplement funding of local, state, and federal programs.

The construction fund is used to account for receipts and disbursements concerning the remodeling of the high school and junior high renovation project.

Additionally, the School Corporation reports the following fund types:

The pension trust fund accounts for the bonds and payments anticipated to be made to employees on or after the termination of employment or to pay post retirement or severance benefits held by the School Corporation in a trustee capacity.

Agency funds account for assets held by the School Corporation as an agent for payroll withholdings and serve as control of accounts for certain cash transactions during the time they are a liability to the School Corporation.

WASHINGTON COMMUNITY SCHOOLS, INC.
NOTES TO FINANCIAL STATEMENTS
(Continued)

C. Measurement Focus and Basis of Accounting

The government-wide, governmental fund, and fiduciary fund financial statements are reported using the basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recorded when received and disbursements are recorded when paid.

The cash and investment 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. Investment transactions are not presented on the financial statements.

If the School Corporation utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

When both restricted and unrestricted resources are available for use, the School Corporation's policy is to use restricted resources first, then unrestricted resources as they are needed.

D. Assets and Cash and Investment Balances

1. Cash and Investments

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

2. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the School Corporation in June and in December. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100% 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 become delinquent if not paid by May 10 and November 10, respectively. All property taxes collected by the County Treasurer and available for distribution were distributed to the School Corporation on or prior to June 30 of the year collected.

3. Capital Assets

Capital assets arising from cash transactions acquired for use in governmental fund operations are accounted for as capital outlay disbursements of the fund upon acquisition.

WASHINGTON COMMUNITY SCHOOLS, INC.
NOTES TO FINANCIAL STATEMENTS
(Continued)

4. Long-Term Debt

Long-term debt arising from cash basis transactions of governmental funds is not reported as liabilities in the basic financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as disbursements.

5. Equity Classification

Government-Wide Statements

Equity is classified as net assets and displayed in two components:

- a. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or (2) law through constitutional provisions or enabling legislation.
- b. Unrestricted net assets – All other net assets that do not meet the definition of "restricted."

It is the School Corporation's policy to first use restricted net assets prior to the use of unrestricted net assets when a disbursement is incurred for purposes for which both restricted and unrestricted net assets are available.

Fund Financial Statements

Governmental fund equity is classified as fund balance.

E. Program Receipts

Amounts reported as program receipts include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general receipts rather than as program receipts. Likewise, general receipts include all taxes.

F. Internal and Interfund Balances and Activities

In the process of aggregating the financial information for the government-wide Statement of Activities and Net Assets – Cash and Investment Basis, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified.

Fund Financial Statements

1. Interfund services – Sales or purchases of goods and services between funds are reported as receipts and disbursements.
2. Interfund reimbursements – Repayments from funds responsible for certain disbursements to the funds that initially paid for them are not reported as reimbursements but as adjustments to disbursements in the respective funds.
3. Interfund transfers – Flow of assets from one fund to another where repayment is not expected is reported as transfers in and out.

WASHINGTON COMMUNITY SCHOOLS, INC.
 NOTES TO FINANCIAL STATEMENTS
 (Continued)

Government-Wide Financial Statements

Interfund activity and balances, if any, are eliminated or reclassified in the government-wide financial statements as follows:

Internal activities – Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis except for the net amount of transfers between governmental and business-type activities, which are reported as Transfers – Internal Activities. The effects of interfund services between funds, if any, are not eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis.

II. Stewardship, Compliance and Accountability

A. Budgetary Information

Annual budgets are adopted on the cash basis, which is not consistent with accounting principles generally accepted in the United States of America. All annual appropriations lapse at calendar year end.

Prior to the first required publication, the fiscal officer of the School Corporation submits to the governing board a proposed operating budget for the year commencing the following July 1. Prior to adoption, the budget is advertised and public hearings are conducted by the governing board to obtain taxpayer comments. In September of each year, the governing board, through the passage of a resolution/ordinance, approves the budget for the next year. Copies of the budget resolution/ordinance and the advertisement for funds for which property taxes are levied or highway use taxes are received are sent to the Indiana Department of Local Government Finance. The budget becomes legally enacted after the fiscal officer of the School Corporation receives approval of the Indiana Department of Local Government Finance.

The School Corporation's management cannot transfer budgeted appropriations between object classifications of a budget without approval of the governing board. The Indiana Department of Local Government Finance must approve any revisions to the appropriations for any fund or any department of the General Fund. The legal level of budgetary control is by object and department within the fund for the General Fund and by object within the fund for all other budgeted funds.

B. Cash and Investment Balance Deficits

At June 30, 2008 and 2009, the following funds reported deficits in cash and investments, which are violations of the Uniform Compliance Guidelines as authorized by state statute:

Fund	06-30-08	06-30-09
Transportation Operating	\$ (263,112)	\$ (360,774)
Debt Service	(477,293)	(573,516)
Retirement Severance Bond	(202,895)	(289,246)
Capital Projects	(500,059)	(904,099)
School Bus Replacement	(49,872)	-

WASHINGTON COMMUNITY SCHOOLS, INC.
NOTES TO FINANCIAL STATEMENTS
(Continued)

Cash and investment deficits arose primarily from disbursements exceeding receipts due to the underestimate of current requirements; these deficits are to be repaid from future receipts.

III. Detailed Notes on All Funds

A. Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Indiana Code 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state funds and has a principal office or branch that qualifies to receive public funds of the political subdivision. The School Corporation does not have a deposit policy for custodial credit risk. At June 30, 2009, the School Corporation had deposit balances in the amount of \$5,202,746. The bank balances were insured by the Federal Deposit Insurance Corporation or the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

B. Interfund Transfers

Interfund transfers for the years ended June 30, 2008 and 2009, were as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>2008</u>	<u>2009</u>
General Fund	Rainy Day	\$ -	\$ 7,620
Rainy Day	General	-	162,489
	Other governmental funds	-	30,000
Other governmental funds	General Fund	3,000	-
	Rainy Day	800,000	492,380
	Other governmental funds	<u>64,426</u>	<u>53,449</u>
Totals		<u>\$ 867,426</u>	<u>\$ 745,938</u>

The School Corporation typically uses transfers for cash flow purposes as provided by various statutory provisions.

IV. Other Information

A. Risk Management

The School Corporation is 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; and natural disasters.

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; and natural disasters are covered by commercial insurance from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance by major category of risk.

WASHINGTON COMMUNITY SCHOOLS, INC.
NOTES TO FINANCIAL STATEMENTS
(Continued)

B. Holding Corporations

The School Corporation has entered into capital leases with Washington Indiana Elementary School Building Corporation, North School Building Corporation, and Washington Community School Building Corporation (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 for the year ended June 30, 2009, totaled \$1,994,000.

C. Postemployment Benefits

During the current year, the School Corporation provides, in addition to the pension benefits described below, postemployment health benefits, as authorized by Indiana Code 5-10-8, to all employees who retire from the School Corporation on or after attaining age 55 with at least 30 years of service. Currently, 19 retirees meet these eligibility requirements. The School Corporation provides 100% of these postemployment benefits. Disbursements for those benefits are recognized on a pay-as-you-go basis. During the year ended June 30, 2009, disbursements of \$251,517 were recognized for postemployment benefits.

D. Pension Plans

1. Agent Multiple-Employer Defined Benefit Pension Plan

Public Employees' Retirement Fund

Plan Description

The School Corporation contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in the defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the PERF 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 member's contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

PERF 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. The report may be obtained by contacting:

Public Employees' Retirement Fund
Harrison Building, Room 800
143 West Market Street
Indianapolis, IN 46204
Ph. (317) 233-4162

WASHINGTON COMMUNITY SCHOOLS, INC.
NOTES TO FINANCIAL STATEMENTS
(Continued)

Funding Policy and Annual Pension Cost

The contribution requirements of plan members for PERF are established by the Board of Trustees of PERF. The School Corporation's annual pension cost and related information, as provided by the actuary, is presented in this note.

Actuarial Information for the Above Plan

	PERF
Annual required contribution	\$ 141,230
Interest on net pension obligation	(98)
Adjustment to annual required contribution	111
Annual pension cost	141,243
Contributions made	110,302
Increase in net pension obligation	30,941
Net pension obligation, beginning of year	(1,345)
Net pension obligation, end of year	\$ 29,596

	PERF
Contribution rates:	
School Corporation	5%
Plan members	3%
Actuarial valuation date	07-01-08
Actuarial cost method	Entry age
Amortization method	Level percentage of projected payroll, closed
Amortization period	30 years
Amortization period (from date)	07-01-97
Asset valuation method	75% of expected actuarial value plus 25% of market value

Actuarial Assumptions	PERF
Investment rate of return	7.25%
Projected future salary increases:	
Total	5%
Attributed to inflation	4%
Attributed to merit/seniority	1%
Cost-of-living adjustments	2%

WASHINGTON COMMUNITY SCHOOLS, INC.
NOTES TO FINANCIAL STATEMENTS
(Continued)

Three Year Trend Information

	Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
PERF	06-30-06	\$ 103,859	87%	\$ (33,742)
	06-30-07	128,468	75%	(1,345)
	06-30-08	141,243	78%	29,596

2. Cost-Sharing Multiple-Employer Defined Benefit Pension Plan

Teachers' Retirement Fund

Plan Description

The School Corporation contributes to the Indiana Teachers' Retirement Fund (TRF), 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 TRF 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 member's contributions, set by state statute at 3% 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.

TRF 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:

Teachers' Retirement Fund
150 West Market Street
Indianapolis, IN 46204
Ph. (317) 232-3860

Funding Policy and Annual Pension Costs

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

The School Corporation is to contribute at an actuarially determined rate. The current rate has been actuarially determined under the entry age normal cost method to be 6.82% of covered wages. The School Corporation's required contributions to the plan for the fiscal years ended June 30, 2009, 2008, and 2007, were \$268,635, \$259,897, and \$231,021, respectively. The School Corporation actually contributed 100% of the required contribution for each of the fiscal years.

WASHINGTON COMMUNITY SCHOOLS, INC.
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS

Public Employees' Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-06	\$ 1,518,674	\$ 2,041,520	\$ (522,846)	74%	\$ 1,420,302	(37%)
07-01-07	1,741,472	2,294,272	(552,800)	76%	1,522,191	(36%)
07-01-08	1,977,254	2,432,046	(454,792)	81%	1,391,839	(33%)

WASHINGTON COMMUNITY SCHOOLS, INC.
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2008

	Drug Free Community Grant	Transportation Operating	Special Education Preschool	School Lunch	Textbook Rental	Education Plate Fee	Alternative Education
Receipts:							
Local sources	\$ -	\$ 557,198	\$ 7,912	\$ 303,839	\$ 203,161	\$ -	\$ -
Intermediate sources	-	-	-	-	-	525	-
State sources	-	-	82,179	6,597	90,354	-	5,913
Federal sources	2,881	-	-	522,946	-	-	-
Other	-	13	-	-	600	-	-
Total receipts	2,881	557,211	90,091	833,382	294,115	525	5,913
Disbursements:							
Current:							
Instruction	-	-	-	-	-	-	5,913
Support services	4,492	829,152	-	-	212,214	694	-
Noninstructional services	-	-	-	862,867	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	82,500	-	-	-	-
Total disbursements	4,492	829,152	82,500	862,867	212,214	694	5,913
Excess (deficiency) of receipts over disbursements	(1,611)	(271,941)	7,591	(29,485)	81,901	(169)	-
Other financing sources (uses):							
Sale of capital assets	-	-	-	388	22	-	-
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	(3,000)	-	-	-	-
Total other financing sources (uses)	-	-	(3,000)	388	22	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(1,611)	(271,941)	4,591	(29,097)	81,923	(169)	-
Cash and investments - beginning	3,000	8,829	293	186,554	162,577	1,519	-
Cash and investments - ending	\$ 1,389	\$ (263,112)	\$ 4,884	\$ 157,457	\$ 244,500	\$ 1,350	\$ -
Cash and Investment Assets - Ending							
Cash and investments	\$ 1,389	\$ (263,112)	\$ 4,884	\$ 157,457	\$ 244,500	\$ 1,350	\$ -
Cash and Investment Fund Balance - Ending							
Unrestricted	\$ 1,389	\$ (263,112)	\$ 4,884	\$ 157,457	\$ 244,500	\$ 1,350	\$ -

WASHINGTON COMMUNITY SCHOOLS, INC.
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2008
 (Continued)

	Safe School Haven 2007-08	Gifted/Talented 2005-06	High Ability (G/T) 2007-08	Non-English Speaking Grant 2007-08	Tech Plan Grant 2007	Model School SINE 2007	Ruby Payne Mini-Grant (SINE)
Receipts:							
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-	-
State sources	5,591	-	35,927	25,789	-	-	-
Federal sources	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Total receipts	5,591	-	35,927	25,789	-	-	-
Disbursements:							
Current:							
Instruction	-	2,671	34,130	21,563	-	-	-
Support services	5,591	-	-	-	33,735	7,190	728
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	5,591	2,671	34,130	21,563	33,735	7,190	728
Excess (deficiency) of receipts over disbursements	-	(2,671)	1,797	4,226	(33,735)	(7,190)	(728)
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	-	(2,671)	1,797	4,226	(33,735)	(7,190)	(728)
Cash and investments - beginning	-	2,671	-	-	97,092	7,190	728
Cash and investments - ending	\$ -	\$ -	\$ 1,797	\$ 4,226	\$ 63,357	\$ -	\$ -
Cash and Investment Assets - Ending							
Cash and investments	\$ -	\$ -	\$ 1,797	\$ 4,226	\$ 63,357	\$ -	\$ -
Cash and Investment Fund Balance - Ending							
Unrestricted	\$ -	\$ -	\$ 1,797	\$ 4,226	\$ 63,357	\$ -	\$ -

WASHINGTON COMMUNITY SCHOOLS, INC.
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2008
 (Continued)

	Title I School Improvement Grant 2007-08	Title I 2006-07	Title I School Improvement Grant 2006-07	Title I 2007-08	Drug Free Schools 2006-07	Drug Free Schools 2007-08
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-
State sources	-	-	-	-	-	-
Federal sources	56,956	49,400	-	430,725	-	12,255
Other	-	-	-	-	-	-
	<u>56,956</u>	<u>49,400</u>	<u>-</u>	<u>430,725</u>	<u>-</u>	<u>12,255</u>
Total receipts						
Disbursements:						
Current:						
Instruction	35,931	67,578	-	315,854	-	-
Support services	-	3,070	2,676	78,171	3,150	7,370
Noninstructional services	9,392	-	-	1,972	400	400
Facilities acquisition and construction	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
	<u>45,323</u>	<u>70,648</u>	<u>2,676</u>	<u>395,997</u>	<u>3,550</u>	<u>7,770</u>
Total disbursements						
Excess (deficiency) of receipts over disbursements	<u>11,633</u>	<u>(21,248)</u>	<u>(2,676)</u>	<u>34,728</u>	<u>(3,550)</u>	<u>4,485</u>
Other financing sources (uses):						
Sale of capital assets	-	-	-	408	-	-
Transfers in	-	-	-	14,810	-	-
Transfers out	-	(14,810)	-	-	-	-
	<u>-</u>	<u>(14,810)</u>	<u>-</u>	<u>15,218</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)						
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	11,633	(36,058)	(2,676)	49,946	(3,550)	4,485
Cash and investments - beginning	<u>-</u>	<u>36,058</u>	<u>2,676</u>	<u>-</u>	<u>3,550</u>	<u>-</u>
Cash and investments - ending	<u>\$ 11,633</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 49,946</u>	<u>\$ -</u>	<u>\$ 4,485</u>
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	<u>\$ 11,633</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 49,946</u>	<u>\$ -</u>	<u>\$ 4,485</u>
<u>Cash and Investment Fund Balance - Ending</u>						
Unrestricted	<u>\$ 11,633</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 49,946</u>	<u>\$ -</u>	<u>\$ 4,485</u>

WASHINGTON COMMUNITY SCHOOLS, INC.
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2008
 (Continued)

	Tech Prep Career Majors 2007-08	Tech Prep 2006-07	Title II Part B Math and Science Partnership	Title III English Profession 2007-08	Title II Improving Teacher Quality 2006-07	Title II Improving Teacher Quality 2007-08
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-
State sources	23,400	2,329	-	-	-	-
Federal sources	-	-	138,258	25,885	-	-
Other	-	-	-	-	-	-
Total receipts	<u>23,400</u>	<u>2,329</u>	<u>138,258</u>	<u>25,885</u>	<u>-</u>	<u>-</u>
Disbursements:						
Current:						
Instruction	19,270	7,346	72,395	2,000	15,117	49,616
Support services	-	-	2,240	20,967	1,670	-
Noninstructional services	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Total disbursements	<u>19,270</u>	<u>7,346</u>	<u>74,635</u>	<u>22,967</u>	<u>16,787</u>	<u>49,616</u>
Excess (deficiency) of receipts over disbursements	<u>4,130</u>	<u>(5,017)</u>	<u>63,623</u>	<u>2,918</u>	<u>(16,787)</u>	<u>(49,616)</u>
Other financing sources (uses):						
Sale of capital assets	-	-	-	-	-	-
Transfers in	-	-	-	-	-	49,616
Transfers out	-	-	(49,616)	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(49,616)</u>	<u>-</u>	<u>-</u>	<u>49,616</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>4,130</u>	<u>(5,017)</u>	<u>14,007</u>	<u>2,918</u>	<u>(16,787)</u>	<u>-</u>
Cash and investments - beginning	<u>-</u>	<u>5,017</u>	<u>-</u>	<u>-</u>	<u>16,787</u>	<u>-</u>
Cash and investments - ending	<u>\$ 4,130</u>	<u>\$ -</u>	<u>\$ 14,007</u>	<u>\$ 2,918</u>	<u>\$ -</u>	<u>\$ -</u>
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	<u>\$ 4,130</u>	<u>\$ -</u>	<u>\$ 14,007</u>	<u>\$ 2,918</u>	<u>\$ -</u>	<u>\$ -</u>
<u>Cash and Investment Fund Balance - Ending</u>						
Unrestricted	<u>\$ 4,130</u>	<u>\$ -</u>	<u>\$ 14,007</u>	<u>\$ 2,918</u>	<u>\$ -</u>	<u>\$ -</u>

WASHINGTON COMMUNITY SCHOOLS, INC.
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2008
 (Continued)

	Title V Part A 2007-08	Debt Service	Retirement Severance Bond	Capital Projects	School Bus Replacement	Totals
Receipts:						
Local sources	\$ -	\$ 1,370,217	\$ 470,815	\$ 1,342,663	\$ 52,082	\$ 4,307,887
Intermediate sources	-	-	-	-	-	525
State sources	-	-	-	-	-	278,079
Federal sources	4,580	-	-	-	-	1,243,886
Other	-	-	-	-	-	613
Total receipts	<u>4,580</u>	<u>1,370,217</u>	<u>470,815</u>	<u>1,342,663</u>	<u>52,082</u>	<u>5,830,990</u>
Disbursements:						
Current:						
Instruction	-	-	-	-	-	649,384
Support services	4,580	-	-	937,732	73,513	2,228,935
Noninstructional services	-	-	-	-	-	875,031
Facilities acquisition and construction	-	-	-	562,651	-	562,651
Debt services	-	2,008,962	705,000	-	-	2,713,962
Nonprogrammed charges	-	-	-	-	-	82,500
Total disbursements	<u>4,580</u>	<u>2,008,962</u>	<u>705,000</u>	<u>1,500,383</u>	<u>73,513</u>	<u>7,112,463</u>
Excess (deficiency) of receipts over disbursements	<u>-</u>	<u>(638,745)</u>	<u>(234,185)</u>	<u>(157,720)</u>	<u>(21,431)</u>	<u>(1,281,473)</u>
Other financing sources (uses):						
Sale of capital assets	-	-	-	-	-	818
Transfers in	-	-	-	-	-	64,426
Transfers out	-	(420,000)	-	(350,000)	(30,000)	(867,426)
Total other financing sources (uses)	<u>-</u>	<u>(420,000)</u>	<u>-</u>	<u>(350,000)</u>	<u>(30,000)</u>	<u>(802,182)</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>-</u>	<u>(1,058,745)</u>	<u>(234,185)</u>	<u>(507,720)</u>	<u>(51,431)</u>	<u>(2,083,655)</u>
Cash and investments - beginning	<u>-</u>	<u>581,452</u>	<u>31,290</u>	<u>7,661</u>	<u>1,559</u>	<u>1,156,503</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ (477,293)</u>	<u>\$ (202,895)</u>	<u>\$ (500,059)</u>	<u>\$ (49,872)</u>	<u>\$ (927,152)</u>
Cash and Investment Assets - Ending						
Cash and investments	<u>\$ -</u>	<u>\$ (477,293)</u>	<u>\$ (202,895)</u>	<u>\$ (500,059)</u>	<u>\$ (49,872)</u>	<u>\$ (927,152)</u>
Cash and Investment Fund Balance - Ending						
Unrestricted	<u>\$ -</u>	<u>\$ (477,293)</u>	<u>\$ (202,895)</u>	<u>\$ (500,059)</u>	<u>\$ (49,872)</u>	<u>\$ (927,152)</u>

WASHINGTON COMMUNITY SCHOOLS, INC.
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2009

	Drug Free Community Grant	Transportation Operating	Special Education Preschool	School Lunch	Textbook Rental	Levy Excess	Education Plate Fee
Receipts:							
Local sources	\$ -	\$ 725,358	\$ 8,663	\$ 292,959	\$ 169,800	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-	619
State sources	-	-	94,946	6,926	99,070	-	-
Federal sources	3,328	-	-	563,702	-	-	-
Other	-	-	-	-	600	-	-
Total receipts	3,328	725,358	103,609	863,587	269,470	-	619
Disbursements:							
Current:							
Instruction	-	-	-	-	-	-	-
Support services	2,532	826,367	-	-	307,928	-	1,200
Noninstructional services	-	-	-	950,239	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	101,750	-	-	-	-
Total disbursements	2,532	826,367	101,750	950,239	307,928	-	1,200
Excess (deficiency) of receipts over disbursements	796	(101,009)	1,859	(86,652)	(38,458)	-	(581)
Other financing sources (uses):							
Sale of capital assets	-	-	-	-	339	-	-
Transfers in	-	5,000	-	-	-	18,499	-
Transfers out	-	(1,653)	(23)	-	-	-	-
Total other financing sources (uses)	-	3,347	(23)	-	339	18,499	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	796	(97,662)	1,836	(86,652)	(38,119)	18,499	(581)
Cash and investments - beginning	1,389	(263,112)	4,884	157,457	244,500	-	1,350
Cash and investments - ending	\$ 2,185	\$ (360,774)	\$ 6,720	\$ 70,805	\$ 206,381	\$ 18,499	\$ 769
Cash and Investment Assets - Ending							
Cash and investments	\$ 2,185	\$ (360,774)	\$ 6,720	\$ 70,805	\$ 206,381	\$ 18,499	\$ 769
Cash and Investment Fund Balance - Ending							
Unrestricted	\$ 2,185	\$ (360,774)	\$ 6,720	\$ 70,805	\$ 206,381	\$ 18,499	\$ 769

WASHINGTON COMMUNITY SCHOOLS, INC.
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2009
 (Continued)

	Alternative Education 2008-09	Safe Haven School 2008-09	High Ability (G/T) 2007-08	High Ability (G/T) 2008-09	Non-English Speaking Grant 2007-08	Non-English Speaking Grant 2008-09
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-
State sources	6,564	3,750	-	35,927	-	23,535
Federal sources	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total receipts	<u>6,564</u>	<u>3,750</u>	<u>-</u>	<u>35,927</u>	<u>-</u>	<u>23,535</u>
Disbursements:						
Current:						
Instruction	6,564	-	1,797	35,927	4,226	23,535
Support services	-	3,750	-	-	-	-
Noninstructional services	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Total disbursements	<u>6,564</u>	<u>3,750</u>	<u>1,797</u>	<u>35,927</u>	<u>4,226</u>	<u>23,535</u>
Excess (deficiency) of receipts over disbursements	-	-	(1,797)	-	(4,226)	-
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>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	(1,797)	-	(4,226)	-
Cash and investments - beginning	-	-	1,797	-	4,226	-
Cash and investments - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>Cash and Investment Fund Balance - Ending</u>						
Unrestricted	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

WASHINGTON COMMUNITY SCHOOLS, INC.
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2009
 (Continued)

	Tech Plan Grant 2007	Title I School Improvement Grant 2006-07	Title I 2008-09	Title I 2007-08	Drug Free Schools 2007-08	Drug Free Schools 2008-09
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-
State sources	-	-	-	-	-	-
Federal sources	-	-	541,972	39,000	-	8,493
Other	-	-	-	-	-	-
Total receipts	-	-	541,972	39,000	-	8,493
Disbursements:						
Current:						
Instruction	-	9,025	430,942	60,238	-	-
Support services	63,357	-	78,620	7,578	3,281	6,493
Noninstructional services	-	2,608	4,777	187	600	-
Facilities acquisition and construction	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Total disbursements	63,357	11,633	514,339	68,003	3,881	6,493
Excess (deficiency) of receipts over disbursements	(63,357)	(11,633)	27,633	(29,003)	(3,881)	2,000
Other financing sources (uses):						
Sale of capital assets	-	-	-	-	-	-
Transfers in	-	-	20,943	-	-	-
Transfers out	-	-	-	(20,943)	-	-
Total other financing sources (uses)	-	-	20,943	(20,943)	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(63,357)	(11,633)	48,576	(49,946)	(3,881)	2,000
Cash and investments - beginning	63,357	11,633	-	49,946	4,485	-
Cash and investments - ending	\$ -	\$ -	\$ 48,576	\$ -	\$ 604	\$ 2,000
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	\$ -	\$ -	\$ 48,576	\$ -	\$ 604	\$ 2,000
<u>Cash and Investment Fund Balance - Ending</u>						
Unrestricted	\$ -	\$ -	\$ 48,576	\$ -	\$ 604	\$ 2,000

WASHINGTON COMMUNITY SCHOOLS, INC.
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2009
 (Continued)

	Tech Prep Career Majors 2007-08	Title II Part B Math and Science Partnership	Title II Ed Tech Grant 2008-09	Title III English Profession 2006-07	Title III English Profession 2008-09	Title II Improving Teacher Quality 2007-08
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-
State sources	1,600	-	-	-	-	-
Federal sources	-	-	134,231	-	23,850	-
Other	-	-	-	-	-	-
Total receipts	<u>1,600</u>	<u>-</u>	<u>134,231</u>	<u>-</u>	<u>23,850</u>	<u>-</u>
Disbursements:						
Current:						
Instruction	5,730	-	-	-	-	14,007
Support services	-	-	129,171	2,918	21,818	-
Noninstructional services	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Total disbursements	<u>5,730</u>	<u>-</u>	<u>129,171</u>	<u>2,918</u>	<u>21,818</u>	<u>14,007</u>
Excess (deficiency) of receipts over disbursements	<u>(4,130)</u>	<u>-</u>	<u>5,060</u>	<u>(2,918)</u>	<u>2,032</u>	<u>(14,007)</u>
Other financing sources (uses):						
Sale of capital assets	-	-	-	-	-	-
Transfers in	-	-	-	-	-	14,007
Transfers out	-	(14,007)	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>(14,007)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,007</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(4,130)</u>	<u>(14,007)</u>	<u>5,060</u>	<u>(2,918)</u>	<u>2,032</u>	<u>-</u>
Cash and investments - beginning	<u>4,130</u>	<u>14,007</u>	<u>-</u>	<u>2,918</u>	<u>-</u>	<u>-</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,060</u>	<u>\$ -</u>	<u>\$ 2,032</u>	<u>\$ -</u>
Cash and Investment Assets - Ending						
Cash and investments	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,060</u>	<u>\$ -</u>	<u>\$ 2,032</u>	<u>\$ -</u>
Cash and Investment Fund Balance - Ending						
Unrestricted	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,060</u>	<u>\$ -</u>	<u>\$ 2,032</u>	<u>\$ -</u>

WASHINGTON COMMUNITY SCHOOLS, INC.
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2009
 (Continued)

	Title II Improving Teacher Quality 2008-09	Debt Service	Retirement Severance Bond	Capital Projects	School Bus Replacement	Totals
Receipts:						
Local sources	\$ -	\$ 2,171,469	\$ 695,036	\$ 1,797,279	\$ 34,911	\$ 5,895,475
Intermediate sources	-	-	-	-	-	619
State sources	-	-	-	-	-	272,318
Federal sources	142,468	-	-	-	-	1,457,044
Other	-	-	-	264,063	-	264,663
Total receipts	142,468	2,171,469	695,036	2,061,342	34,911	7,890,119
Disbursements:						
Current:						
Instruction	116,943	-	-	-	-	708,934
Support services	1,969	-	-	1,042,890	-	2,499,872
Noninstructional services	-	-	-	-	-	958,411
Facilities acquisition and construction	-	-	-	968,582	-	968,582
Debt services	-	2,213,978	780,000	-	-	2,993,978
Nonprogrammed charges	-	-	-	-	-	101,750
Total disbursements	118,912	2,213,978	780,000	2,011,472	-	8,231,527
Excess (deficiency) of receipts over disbursements	23,556	(42,509)	(84,964)	49,870	34,911	(341,408)
Other financing sources (uses):						
Sale of capital assets	-	-	-	-	-	339
Transfers in	-	-	-	-	25,000	83,449
Transfers out	-	(53,714)	(1,387)	(453,910)	(192)	(545,829)
Total other financing sources (uses)	-	(53,714)	(1,387)	(453,910)	24,808	(462,041)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	23,556	(96,223)	(86,351)	(404,040)	59,719	(803,449)
Cash and investments - beginning	-	(477,293)	(202,895)	(500,059)	(49,872)	(927,152)
Cash and investments - ending	\$ 23,556	\$ (573,516)	\$ (289,246)	\$ (904,099)	\$ 9,847	\$ (1,730,601)
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	\$ 23,556	\$ (573,516)	\$ (289,246)	\$ (904,099)	\$ 9,847	\$ (1,730,601)
<u>Cash and Investment Fund Balance - Ending</u>						
Unrestricted	\$ 23,556	\$ (573,516)	\$ (289,246)	\$ (904,099)	\$ 9,847	\$ (1,730,601)

WASHINGTON COMMUNITY SCHOOLS, INC.
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 AGENCY FUNDS
 For the Year Ended June 30, 2008

	<u>Athletic Workers</u>	<u>Federal Withholding Tax</u>	<u>Social Security</u>	<u>Indiana State Tax</u>	<u>County Tax</u>	<u>Teacher Retirement</u>
Additions:						
Agency fund additions	\$ 4,832	\$ 1,271,464	\$ 797,840	\$ 340,604	\$ 162,439	\$ 161
Deductions:						
Agency fund deductions	4,832	1,271,464	797,840	340,604	162,439	161
Deficiency of total additions over total deductions	-	-	-	-	-	-
Cash and investment fund balance - beginning	-	-	-	-	-	-
Cash and investment fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

WASHINGTON COMMUNITY SCHOOLS, INC.
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 AGENCY FUNDS
 For the Year Ended June 30, 2008
 (Continued)

	PERF	Group Insurance	Annuities	Savings Bonds	Medical Reimbursement Dependent Care	United Way
Additions:						
Agency fund additions	\$ 45,726	\$ 361,943	\$ 462,479	\$ 4,950	\$ 62,660	\$ 8,103
Deductions:						
Agency fund deductions	45,726	361,979	462,479	4,950	62,660	8,103
Deficiency of total additions over total deductions	-	(36)	-	-	-	-
Cash and investment fund balance - beginning	-	49	-	-	-	-
Cash and investment fund balance - ending	\$ -	\$ 13	\$ -	\$ -	\$ -	\$ -

WASHINGTON COMMUNITY SCHOOLS, INC.
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 AGENCY FUNDS
 For the Year Ended June 30, 2008
 (Continued)

	Credit Union	Union Dues	Court Order	TERF Voluntary	PERF Voluntary Contributions	Totals
Additions:						
Agency fund additions	\$ 399,418	\$ 90,568	\$ 31,127	\$ 1,353	\$ 1,132	\$ 4,046,799
Deductions:						
Agency fund deductions	399,418	90,568	31,127	1,353	1,132	4,046,835
Deficiency of total additions over total deductions	-	-	-	-	-	(36)
Cash and investment fund balance - beginning	-	-	-	-	-	49
Cash and investment fund balance - ending	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13

WASHINGTON COMMUNITY SCHOOLS, INC.
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 AGENCY FUNDS
 For the Year Ended June 30, 2009

	<u>Athletic Workers</u>	<u>Federal Withholding Tax</u>	<u>Social Security</u>	<u>Indiana State Tax</u>	<u>County Tax</u>	<u>Teacher Retirement</u>
Additions:						
Agency fund additions	<u>\$ 3,213</u>	<u>\$ 1,090,319</u>	<u>\$ 814,177</u>	<u>\$ 349,533</u>	<u>\$ 165,747</u>	<u>\$ 220</u>
Deductions:						
Agency fund deductions	<u>3,213</u>	<u>1,090,319</u>	<u>814,177</u>	<u>349,533</u>	<u>165,747</u>	<u>220</u>
Excess of total additions over total deductions	-	-	-	-	-	-
Cash and investment fund balance - beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash and investment fund balance - ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

WASHINGTON COMMUNITY SCHOOLS, INC.
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 AGENCY FUNDS
 For the Year Ended June 30, 2009
 (Continued)

	<u>PERF</u>	<u>Group Insurance</u>	<u>Annuities</u>	<u>Savings Bonds</u>	<u>Medical Reimbursement Dependent Care</u>	<u>United Way</u>
Additions:						
Agency fund additions	<u>\$ 48,153</u>	<u>\$ 400,759</u>	<u>\$ 449,678</u>	<u>\$ 3,900</u>	<u>\$ 66,576</u>	<u>\$ 8,019</u>
Deductions:						
Agency fund deductions	<u>48,153</u>	<u>400,746</u>	<u>449,678</u>	<u>3,900</u>	<u>66,576</u>	<u>8,019</u>
Excess of total additions over total deductions	-	13	-	-	-	-
Cash and investment fund balance - beginning	<u>-</u>	<u>13</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash and investment fund balance - ending	<u>\$ -</u>	<u>\$ 26</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

WASHINGTON COMMUNITY SCHOOLS, INC.
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 AGENCY FUNDS
 For the Year Ended June 30, 2009
 (Continued)

	Credit Union	Union Dues	Court Order	PERF Voluntary Contributions	Totals
Additions:					
Agency fund additions	\$ 394,349	\$ 63,506	\$ 38,989	\$ 2,576	\$ 3,899,714
Deductions:					
Agency fund deductions	394,349	63,506	38,989	2,576	3,899,701
Excess of total additions over total deductions	-	-	-	-	13
Cash and investment fund balance - beginning	-	-	-	-	13
Cash and investment fund balance - ending	\$ -	\$ -	\$ -	\$ -	\$ 26

WASHINGTON COMMUNITY SCHOOLS, INC.
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS

For The Year Ended June 30, 2009

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

	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 774,351
Buildings	18,359,208
Improvements other than buildings	3,461,178
Machinery and equipment	<u>1,939,052</u>
 Total governmental activities, capital assets not being depreciated	 <u>\$ 24,533,789</u>

WASHINGTON COMMUNITY SCHOOLS, INC.
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 June 30, 2009

The School has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental Activities:		
Capital leases:		
Griffith Elementary	\$ 4,431,498	\$ 310,000
Jr./Sr. High Renovation	18,660,000	585,000
Bonds payable:		
General obligation bonds:		
Retirement Bonds Series 8A	<u>6,923,866</u>	<u>686,720</u>
Total governmental activities debt	<u>\$ 30,015,364</u>	<u>\$ 1,581,720</u>

WASHINGTON COMMUNITY SCHOOLS, INC.
AUDIT RESULT AND COMMENT

OVERDRAWN CASH BALANCES

The cash balance of the School Bus Replacement Fund was overdrawn at June 30, 2008. The cash balances of the Transportation Operating, Debt Service, Retirement Severance Bond and Capital Projects funds were overdrawn at June 30, 2008 and 2009.

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

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

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

TO: THE OFFICIALS OF THE WASHINGTON COMMUNITY
SCHOOLS, INC., DAVIESS COUNTY, INDIANA

Compliance

We have audited the compliance of the Washington Community Schools, Inc. (School Corporation) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the years ended June 30, 2008 and 2009. The School Corporation's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the School Corporation's management. Our responsibility is to express an opinion on the School Corporation's compliance based on our audit.

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

In our opinion, the School Corporation complied in all material respects with the requirements referred to above that are applicable to each of its major federal programs for the years ended June 30, 2008 and 2009.

Internal Control Over Compliance

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

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133
(Continued)

A control deficiency in a School Corporation's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

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

STATE BOARD OF ACCOUNTS

February 14, 2010

WASHINGTON COMMUNITY SCHOOLS, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Years Ended June 30, 2008 and 2009

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 06-30-08	Total Federal Awards Expended 06-30-09
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
Pass-Through Indiana Department of Education				
Child Nutrition Cluster				
School Breakfast Program	10.553		\$ 125,703	\$ 135,265
National School Lunch Program	10.555		<u>434,472</u>	<u>478,419</u>
Total for federal grantor agency			<u>560,175</u>	<u>613,684</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>				
Pass-Through Indiana Department of Education				
Title I, Part A Cluster				
Title I Grants to Local Educational Agencies	84.010			
FY 06-07		07-1405	85,458	-
FY 07-08		08-1405	395,997	88,946
FY 08-09		09-1405	-	514,340
School Improvement 06-07			2,676	-
School Improvement 07-08			<u>45,323</u>	<u>11,633</u>
Total for cluster			<u>529,454</u>	<u>614,919</u>
State Fiscal Stabilization Fund Cluster				
ARRA State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act				
FY 08-09	84.394		-	<u>312,520</u>
Safe and Drug-Free Schools and Communities - State Grants				
FY 06-07	84.186	1405-06	3,549	-
FY 07-08		1405-07	7,770	3,881
FY 08-09		1405-08	-	<u>6,493</u>
Total for program			<u>11,319</u>	<u>10,374</u>
Tech-Prep Education				
FY 06-07	84.243	TP-6-201	7,346	-
FY 07-08		TP-7-201	<u>19,270</u>	<u>5,730</u>
Total for program			<u>26,616</u>	<u>5,730</u>
State Grants for Innovative Programs				
FY 06-07	84.298	07-1405	<u>4,580</u>	-
Education Technology State Grants				
FY 07-08	84.318	S318x070014	-	<u>129,171</u>
English Language Acquisition Grants				
FY 07-08	84.365		22,967	2,918
FY 08-09			-	<u>21,818</u>
Total for program			<u>22,967</u>	<u>24,736</u>
Improving Teacher Quality State Grants				
FY 06-07	84.367	06-1405	16,788	-
FY 07-08		07-1405	124,251	14,007
FY 08-09		08-1405	-	<u>118,912</u>
Total for program			<u>141,039</u>	<u>132,919</u>
Total for federal grantor agency			<u>735,975</u>	<u>1,230,369</u>
Total federal awards expended			<u>\$ 1,296,150</u>	<u>\$ 1,844,053</u>

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

WASHINGTON COMMUNITY SCHOOLS, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

I. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Washington Community Schools, Inc. (School Corporation) and is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Accordingly, the amount of federal awards expended is based on when the activity related to the award occurs. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Circular A-133 requires an annual audit of nonfederal entities expending a total amount of federal awards equal to or in excess of \$500,000 in any fiscal year unless by constitution or statute a less frequent audit is required. In accordance with the Indiana Code (IC 5-11-1 et seq.), audits of School Corporations shall be conducted biennially. Such audits shall include both years within the biennial period.

II. Noncash Assistance

The School Corporation expended the following amount of noncash assistance for the years ending June 30, 2008 and 2009. This noncash assistance is also included in the federal expenditures presented in the schedule.

Program Title	Federal CFDA Number	2008	2009
School Breakfast Program	10.553	\$ 8,354	\$ 11,017
National School Lunch Program	10.555	28,875	38,965

WASHINGTON COMMUNITY SCHOOLS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified?	no
Significant deficiencies identified that are not considered to be material weaknesses?	none reported

Noncompliance material to financial statements noted? no

Federal Awards:

Internal control over major programs:

Material weaknesses identified?	no
Significant deficiencies identified that are not considered to be material weaknesses?	none reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? no

Identification of Major Programs:

Name of Federal Program or Cluster

Title I, Part A Cluster
ARRA State Fiscal Stabilization Fund Cluster

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

Auditee qualified as low-risk auditee? no

Section II – Financial Statement Findings

No matters are reportable.

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.

WASHINGTON COMMUNITY SCHOOLS, INC.
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

WASHINGTON COMMUNITY SCHOOLS, INC.
EXIT CONFERENCE

The contents of this report were discussed on February 4, 2010, with Dr. Bruce Hatton, Superintendent of Schools; Jean Kane, Treasurer; and Steve Frette, President of the School Board.