

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

AUDIT REPORT
OF
EAST WASHINGTON SCHOOL CORPORATION
WASHINGTON COUNTY, INDIANA
July 1, 2008 to June 30, 2010



FILED
03/08/2011

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Independent Auditor's Report on Financial Statements and Supplementary Schedule of Expenditures of Federal Awards	3-4
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	5-6
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Activities and Net Assets – Cash and Investment Basis	7-8
Fund Financial Statements:	
Governmental Funds:	
Statement of Assets and Fund Balances and Receipts, Disbursements, and Changes in Fund Balances – Cash and Investment Basis – Governmental Funds	9-10
Proprietary Fund:	
Statement of Assets and Fund Balances and Receipts, Disbursements, and Changes in Fund Balances – Cash and Investment Basis – Proprietary Fund	11-12
Fiduciary Funds:	
Statement of Additions, Deductions, and Changes in Cash and Investment Balances – Fiduciary Funds	13-14
Notes to Financial Statements	15-24
Supplementary Information:	
Combining Schedule of Assets and Fund Balances and Receipts, Disbursements, and Changes in Fund Balances – Cash and Investment Basis – Other Governmental Funds.....	25-32
Combining Schedule of Additions, Deductions, and Changes in Cash and Investment Balances – Pension Trust Funds	33-34
Combining Schedule of Additions, Deductions, and Changes in Cash and Investment Balances – Private-Purpose Trust Funds	35-36
Schedule of Capital Assets.....	37
Schedule of Long-Term Debt	38
Audit Results and Comments:	
Deficiency in Internal Control – Segregation of Duties.....	39
Advance Payments.....	39-40
Appropriations.....	40
Supplemental Audit of Federal Awards:	
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.....	42-43
Schedule of Expenditures of Federal Awards	44
Notes to Schedule of Expenditures of Federal Awards.....	45
Schedule of Findings and Questioned Costs	46-49
Auditee Prepared Schedules:	
Summary Schedule of Prior Audit Findings	50
Corrective Action Plan.....	51
Exit Conference.....	52

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Judith S. Lincks Christi Pruitt	07-01-08 to 12-11-09 12-12-09 to 06-30-11
Superintendent of Schools	Richard Kerby (Interim) Dr. Phyllis L. Amick Cathy Egolf	07-01-08 to 07-13-08 07-14-08 to 08-08-10 08-09-10 to 08-13-13
President of the School Board	Eric Albertson Linda McClellan Eric Albertson	07-01-08 to 06-30-09 07-01-09 to 06-30-10 07-01-10 to 06-30-11



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 FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

TO: THE OFFICIALS OF THE EAST WASHINGTON SCHOOL
CORPORATION, WASHINGTON COUNTY, INDIANA

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the East Washington School Corporation (School Corporation), as of and for the years ended June 30, 2009 and 2010, 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, 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, 2009 and 2010, 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 January 27, 2011, on our consideration of the School Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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 School Corporation has not presented Management's Discussion and Analysis, Schedules of Funding Progress, Schedule of Contributions From the Employer and Other Contributing Entities, 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

January 27, 2011



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

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 EAST WASHINGTON SCHOOL
CORPORATION, WASHINGTON COUNTY, INDIANA

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the East Washington School Corporation (School Corporation), as of and for the years ended June 30, 2009 and 2010, which collectively comprise the School Corporation's basic financial statements and have issued our report thereon dated January 27, 2011. 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.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we considered to be significant deficiencies.

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. We consider the deficiencies described in item 2010-2 of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

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.

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)

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. However, of the significant deficiencies described above, we consider item 2010-2 to be a material weakness.

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 instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2010-1.

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

This report is intended solely for the information and use of the School Corporation's management, the East Washington School Board of Trustees, 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

January 27, 2011

EAST WASHINGTON SCHOOL CORPORATION
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>Totals</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Net (Disbursements) Receipts and Changes in Net Assets</u>
Governmental activities:				
Instruction	\$ 7,972,053	\$ -	\$ 207,726	\$ (7,764,327)
Support services	4,871,698	362,755	246,826	(4,262,117)
Noninstructional services	676,729	-	-	(676,729)
Facilities acquisition and construction	362,674	-	-	(362,674)
Debt service	1,583,792	-	-	(1,583,792)
Nonprogrammed charges	553,610	-	-	(553,610)
<u>Total governmental activities</u>	<u>\$ 16,020,556</u>	<u>\$ 362,755</u>	<u>\$ 454,552</u>	<u>(15,203,249)</u>
General receipts:				
Property taxes				4,774,050
Other local sources				888,648
State aid				9,402,029
Grants and contributions not restricted to specific programs				1,654,476
Sale of property				21,189
Investment earnings				70,282
<u>Total general receipts</u>				<u>16,810,674</u>
Change in net assets				1,607,425
Net assets - beginning				<u>4,874,561</u>
Net assets - ending				<u>\$ 6,481,986</u>
<u>Assets</u>				
Cash and investments				\$ 5,994,305
Restricted assets:				
Cash and investments				<u>487,681</u>
<u>Total assets</u>				<u>\$ 6,481,986</u>
<u>Net Assets</u>				
Restricted for:				
Debt service				\$ 33,700
Other purposes				453,981
Unrestricted				<u>5,994,305</u>
<u>Total net assets</u>				<u>\$ 6,481,986</u>

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

EAST WASHINGTON SCHOOL CORPORATION
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For the Year Ended June 30, 2010

<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 (Disbursements) Receipts and Changes in Net Assets</u>
Governmental activities:				
Instruction	\$ 8,280,187	\$ -	\$ 204,637	\$ (8,075,550)
Support services	5,228,483	337,055	551,371	(4,340,057)
Noninstructional services	749,227	-	-	(749,227)
Facilities acquisition and construction	598,941	-	-	(598,941)
Debt service	1,517,399	-	-	(1,517,399)
Nonprogrammed charges	1,260,408	-	-	(1,260,408)
Total governmental activities	\$ 17,634,645	\$ 337,055	\$ 756,008	(16,541,582)
General receipts:				
Property taxes				4,795,847
Other local sources				602,226
State aid				10,932,916
Grants and contributions not restricted to specific programs				970,190
Sale of property				33,813
Investment earnings				121,978
Total general receipts				17,456,970
Change in net assets				915,388
Net assets - beginning				6,481,986
Net assets - ending				\$ 7,397,374
<u>Assets</u>				
Cash and investments				\$ 6,296,353
Restricted assets:				
Cash and investments				1,101,021
Total assets				\$ 7,397,374
<u>Net Assets</u>				
Restricted for:				
Debt service				\$ 831,241
Other purposes				269,780
Unrestricted				6,296,353
Total net assets				\$ 7,397,374

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

EAST WASHINGTON SCHOOL CORPORATION
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	Fiscal Stabilization- Education	Debt Service	Other	Totals
Receipts:					
Local sources	\$ 2,141,540	\$ -	\$ 1,424,214	\$ 2,529,551	\$ 6,095,305
Intermediate sources	129	-	-	300	429
State sources	9,576,955	-	-	110,502	9,687,457
Federal sources	-	967,353	-	856,248	1,823,601
Interfund loans	<u>471,952</u>	-	-	<u>483,314</u>	<u>955,266</u>
Total receipts	<u>12,190,576</u>	<u>967,353</u>	<u>1,424,214</u>	<u>3,979,915</u>	<u>18,562,058</u>
Disbursements:					
Current:					
Instruction	7,624,973	-	-	347,080	7,972,053
Support services	3,049,591	1,954	-	1,820,153	4,871,698
Noninstructional services	5,848	-	-	670,881	676,729
Facilities acquisition and construction	10,568	-	-	352,106	362,674
Debt services	-	-	1,425,154	158,638	1,583,792
Nonprogrammed charges	671,730	-	-	73,684	745,414
Interfund loans	<u>483,314</u>	-	-	<u>471,952</u>	<u>955,266</u>
Total disbursements	<u>11,846,024</u>	<u>1,954</u>	<u>1,425,154</u>	<u>3,894,494</u>	<u>17,167,626</u>
Excess (deficiency) of receipts over disbursements	<u>344,552</u>	<u>965,399</u>	<u>(940)</u>	<u>85,421</u>	<u>1,394,432</u>
Other financing sources (uses):					
Sale of capital assets	-	-	-	21,189	21,189
Transfers in	18,288	-	-	64,395	82,683
Transfers out	-	-	(18,288)	(64,395)	(82,683)
Total other financing sources (uses)	<u>18,288</u>	<u>-</u>	<u>(18,288)</u>	<u>21,189</u>	<u>21,189</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	362,840	965,399	(19,228)	106,610	1,415,621
Cash and investments - beginning	<u>3,171,945</u>	-	<u>52,280</u>	<u>1,388,159</u>	<u>4,612,384</u>
Cash and investments - ending	<u>\$ 3,534,785</u>	<u>\$ 965,399</u>	<u>\$ 33,052</u>	<u>\$ 1,494,769</u>	<u>6,028,005</u>
Amounts reported for governmental activities in the Statement of Cash Activities and Net Assets - Cash and Investment Basis are different because:					
Internal service funds are used by management to charge the costs of certain services to individual funds. The receipts and disbursements of the internal service funds are included in governmental activities in the Statement of Activities and Net Assets - Cash and Investment Basis.					
					<u>453,981</u>
Net assets of governmental activities					<u>\$ 6,481,986</u>
Cash and Investment Assets - Ending					
Cash and investments	\$ 3,534,785	\$ 965,399	\$ -	\$ 1,494,121	\$ 5,994,305
Restricted assets:					
Cash and investments	-	-	33,052	648	33,700
Total cash and investment assets - ending	<u>\$ 3,534,785</u>	<u>\$ 965,399</u>	<u>\$ 33,052</u>	<u>\$ 1,494,769</u>	<u>\$ 6,028,005</u>
Cash and Investment Fund Balance - Ending					
Restricted for:					
Debt service	\$ -	\$ -	\$ 33,052	\$ 648	\$ 33,700
Unrestricted	<u>3,534,785</u>	<u>965,399</u>	<u>-</u>	<u>1,494,121</u>	<u>5,994,305</u>
Total cash and investment fund balance - ending	<u>\$ 3,534,785</u>	<u>\$ 965,399</u>	<u>\$ 33,052</u>	<u>\$ 1,494,769</u>	<u>\$ 6,028,005</u>

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

EAST WASHINGTON SCHOOL CORPORATION
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, 2010

	General	Fiscal Stabilization- Education	Debt Service	Other	Totals
Receipts:					
Local sources	\$ 97,681	\$ -	\$ 2,051,142	\$ 3,706,295	\$ 5,855,118
Intermediate sources	1,710	-	-	281	1,991
State sources	11,106,527	-	-	73,901	11,180,428
Federal sources	-	347,244	-	1,131,439	1,478,683
Interfund loans	97,904	-	-	51,000	148,904
Total receipts	11,303,822	347,244	2,051,142	4,962,916	18,665,124
Disbursements:					
Current:					
Instruction	7,521,526	194,830	-	563,831	8,280,187
Support services	2,988,154	247,770	-	1,992,559	5,228,483
Noninstructional services	3,913	1,990	-	743,324	749,227
Facilities acquisition and construction	-	-	-	598,941	598,941
Debt services	-	-	1,352,694	164,705	1,517,399
Nonprogrammed charges	147,466	868,053	-	60,688	1,076,207
Interfund loans	51,000	-	-	97,904	148,904
Total disbursements	10,712,059	1,312,643	1,352,694	4,221,952	17,599,348
Excess (deficiency) of receipts over disbursements	591,763	(965,399)	698,448	740,964	1,065,776
Other financing sources (uses):					
Sale of capital assets	-	-	-	33,813	33,813
Transfers in	-	-	-	100,663	100,663
Transfers out	(3,854)	-	-	(96,809)	(100,663)
Total other financing sources (uses)	(3,854)	-	-	37,667	33,813
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	587,909	(965,399)	698,448	778,631	1,099,589
Cash and investments - beginning	3,534,785	965,399	33,052	1,494,769	6,028,005
Cash and investments - ending	<u>\$ 4,122,694</u>	<u>\$ -</u>	<u>\$ 731,500</u>	<u>\$ 2,273,400</u>	<u>7,127,594</u>
Amounts reported for governmental activities in the Statement of Cash Activities and Net Assets - Cash and Investment Basis are different because:					
Internal service funds are used by management to charge the costs of certain services to individual funds. The receipts and disbursements of the internal service funds are included in governmental activities in the Statement of Activities and Net Assets - Cash and Investment Basis.					
					<u>269,780</u>
Net assets of governmental activities					<u>\$ 7,397,374</u>
Cash and Investment Assets - Ending					
Cash and investments	\$ 4,122,694	\$ -	\$ -	\$ 2,173,659	\$ 6,296,353
Restricted assets:					
Cash and investments	-	-	731,500	99,741	831,241
Total cash and investment assets - ending	\$ 4,122,694	\$ -	\$ 731,500	\$ 2,273,400	\$ 7,127,594
Cash and Investment Fund Balance - Ending					
Restricted for:					
Debt service	\$ -	\$ -	\$ 731,500	\$ 99,741	\$ 831,241
Unrestricted	4,122,694	-	-	2,173,659	6,296,353
Total cash and investment fund balance - ending	\$ 4,122,694	\$ -	\$ 731,500	\$ 2,273,400	\$ 7,127,594

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

EAST WASHINGTON SCHOOL CORPORATION
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS, DISBURSEMENTS,
AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
PROPRIETARY FUND
For the Year Ended June 30, 2009

	Internal Service Fund
Operating receipts:	
Charges for services	\$ 1,959,580
Operating disbursements:	
Insurance claims and expense	1,767,776
Change in net assets	191,804
Cash and investment fund balance - beginning	262,177
Cash and investment fund balance - ending	\$ 453,981
<u>Cash and Investment Assets - Ending</u>	
Restricted assets:	
Cash and investments	\$ 453,981
<u>Cash and Investment Fund Balance - Ending</u>	
Restricted for:	
Other purposes	\$ 453,981
Total cash and investment fund balance - ending	\$ 453,981

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

EAST WASHINGTON SCHOOL CORPORATION
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS, DISBURSEMENTS,
AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
PROPRIETARY FUND
For the Year Ended June 30, 2010

	Internal Service Fund
Operating receipts:	
Charges for services	\$ 1,902,535
Operating disbursements:	
Insurance claims and expense	<u>2,086,736</u>
Change in net assets	(184,201)
Cash and investment fund balance - beginning	<u>453,981</u>
Cash and investment fund balance - ending	<u><u>\$ 269,780</u></u>
 <u>Cash and Investment Assets - Ending</u>	
Restricted assets:	
Cash and investments	<u><u>\$ 269,780</u></u>
 <u>Cash and Investment Fund Balance - Ending</u>	
Restricted for:	
Other purposes	<u>\$ 269,780</u>
Total cash and investment fund balance - ending	<u><u>\$ 269,780</u></u>

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

EAST WASHINGTON SCHOOL CORPORATION
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
FIDUCIARY FUNDS
For the Year Ended June 30, 2009

	<u>Pension Trust Fund</u>	<u>Private-Purpose Trust Funds</u>
Additions:		
Contributions:		
Other	\$ -	\$ 20,729
Investment earnings:		
Interest	43,110	-
Total additions	<u>43,110</u>	<u>20,729</u>
Deductions:		
Benefits	128,791	-
Administrative and general	-	17,116
Total deductions	<u>128,791</u>	<u>17,116</u>
Excess (deficiency) of total additions over total deductions	(85,681)	3,613
Cash and investment fund balance - beginning	<u>1,731,501</u>	<u>3,607</u>
Cash and investment fund balance - ending	<u>\$ 1,645,820</u>	<u>\$ 7,220</u>
Net assets:		
Cash and investments	<u>\$ 1,645,820</u>	<u>\$ 7,220</u>
Total net assets - cash and investment basis held in trust	<u>\$ 1,645,820</u>	<u>\$ 7,220</u>

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

EAST WASHINGTON SCHOOL CORPORATION
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
FIDUCIARY FUNDS
For the Year Ended June 30, 2010

	<u>Pension Trust Fund</u>	<u>Private-Purpose Trust Funds</u>
Additions:		
Contributions:		
Employer	\$ 125,000	\$ -
Other	<u>-</u>	<u>2,183</u>
Total contributions	<u>125,000</u>	<u>2,183</u>
Investment earnings:		
Interest	<u>14,671</u>	<u>-</u>
Total additions	<u>139,671</u>	<u>2,183</u>
Deductions:		
Benefits	162,477	-
Administrative and general	<u>-</u>	<u>9,344</u>
Total deductions	<u>162,477</u>	<u>9,344</u>
Deficiency of total additions over total deductions	(22,806)	(7,161)
Cash and investment fund balance - beginning	<u>1,645,820</u>	<u>7,220</u>
Cash and investment fund balance - ending	<u>\$ 1,623,014</u>	<u>\$ 59</u>
Net assets:		
Cash and investments	<u>\$ 1,623,014</u>	<u>\$ 59</u>
Total net assets - cash and investment basis held in trust	<u>\$ 1,623,014</u>	<u>\$ 59</u>

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

EAST WASHINGTON SCHOOL CORPORATION
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: East Washington School Corporation

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

Joint Ventures

The School Corporation is a participant with several other school corporations in a joint venture to operate South Central Area Special Education Cooperative (Co-op) which was created to provide instruction for handicapped children. The School Corporation is obligated by contract to remit its prorated share of actual costs each school year in monthly installments. The Co-op's continued existence depends on continued funding by the School Corporation. Complete financial statements for the Co-op can be obtained from the joint venture's administrative office at 600 Elm Street, Suite 2, Paoli, IN 47454.

The School Corporation is a participant with several other school corporations in a joint venture for educational services provided by Wilson Education Center Interlocal (Center). Each School Corporation pays an annual fee per student based on their current average daily membership. These fees are only a small portion of the funding used to operate the Center. Complete financial statements for the Center can be obtained from the joint venture's administrative office at 2101 Grace Avenue, Charlestown, IN 47111.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The Statement of Activities and Net Assets – Cash and Investment Basis displays information about the reporting government as a whole. It includes all funds of the reporting entity except for fiduciary funds. The statement distinguishes between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

EAST WASHINGTON SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

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, proprietary 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 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 debt service fund accounts for debt from funds borrowed or advanced for the purchase or lease of school buildings, school buses, judgments against the corporation, equipment or capital construction, and interest on emergency and temporary loans

Additionally, the School Corporation reports the following fund types:

The internal service fund accounts for medical, dental, and vision benefits provided to employees, retirees, and dependents on a cost reimbursement basis.

The pension trust funds account for the activities of the retirement severance bond and postretirement/severance future benefit fund, which accumulates resources for pension benefit payments.

The private-purpose trust funds report trust arrangements under which principal and income benefit the students and teachers.

C. Measurement Focus and Basis of Accounting

The government-wide, governmental fund, proprietary 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.

EAST WASHINGTON SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

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.

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Goods or services from such activities are provided to people outside the government (enterprise funds) or other departments or agencies primarily within the government (internal service funds). The School Corporation does not have any enterprise funds.

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. Restricted Assets

All restricted assets, as presented in the accompanying financial statements, are restricted due to enabling legislation.

2. 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.

3. Property Taxes

Normally, 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. 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 may 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.

4. Capital Assets

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

EAST WASHINGTON SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

5. Long-Term Debt

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

6. 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."

Fund Financial Statements

Governmental fund equity is classified as fund balance. Proprietary fund equity is classified the same as in the government-wide statements.

E. Receipts and Disbursements

1. Program Receipts

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

2. Operating Receipts and Disbursements

Operating receipts and disbursements for proprietary funds result from providing services and producing and delivering goods and/or services. They also include all receipts and disbursements not related to capital and related financing, noncapital financing, or investing activities.

F. Internal and Interfund 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 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.

EAST WASHINGTON SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

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.
4. Interfund loans – Flow of assets from one fund to another where repayment is expected is reported as interfund loans.

Government-Wide Financial Statements

Interfund activity, if any, is 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.

G. Rounding Differences

The financial statements may contain immaterial differences due to rounding of amounts when the statements were compiled. These differences are considered trivial and do not affect the overall presentation of the financial statements.

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 January 1. Prior to adoption, the budget is advertised and public hearings are conducted by the governing board to obtain taxpayer comments. Prior to November 1, 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 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.

EAST WASHINGTON SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

B. Disbursements in Excess of Appropriations

For the years ended June 30, 2009 and 2010, disbursements exceeded budgeted appropriations in the following fund by the amount below:

Fund	2008
Preschool Special Education	\$ <u>16,125</u>

These disbursements were funded by available fund balances.

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. IC 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, 2010, the School Corporation had deposit balances in the amount of \$9,374,739.

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, 2009 and 2010, were as follows:

Transfer From	Transfer To	2008-2009	2009-2010
General Fund	Other Governmental Funds	\$ -	\$ 3,854
Debt Service Fund	General Fund	18,288	-
Other Governmental Funds	Other Governmental Funds	64,395	96,809
Totals		\$ 82,683	\$ 100,663

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

EAST WASHINGTON SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

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; medical benefits to employees, retirees, and dependents; 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; medical benefits to; and natural disasters are covered by commercial insurance from independent third parties.

Settled claims from risks covered by commercial insurance have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance by major category of risk.

Medical Benefits to Employees

The School Corporation has chosen to establish a risk financing fund for risks associated with Medical benefits to employees. The risk financing fund is accounted for in the Self-Insurance Fund, an internal service fund, where assets are set aside for claim settlements. The School Corporation purchases commercial insurance for claims in excess of coverage provided by the fund. Interfund premiums are paid into the fund by all affected funds and are available to pay claims, claim reserves, and administrative costs of the program. Interfund premiums are based upon an overall premium percentage which is applied to each affected fund's gross wages and are reported as quasi-external interfund transactions.

B. Holding Corporations

The School Corporation has entered into a capital lease with the East Washington Elementary School Building Corporation (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. The lessor has been determined to be a related party of the School Corporation. Lease payments during the audit period totaled \$640,000.

The School Corporation has entered into a capital lease with the East Washington Multi-School Building Corporation (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. The lessor has been determined to be a related party of the School Corporation. Lease payments during the audit period totaled \$1,580,000.

C. Termination Benefits

The School Corporation provided health insurance benefits as authorized by Indiana Code 5-10-8, to all employees who retire from the School Corporation on or after attaining age 55. Currently nine retirees met these eligibility requirements. The School Corporation and retirees provide 77% and 23%, respectively, of this termination benefit. Disbursements for this termination benefit are recognized on a pay-as-you-go basis. During the year ended June 30, 2010, disbursements of \$49,105 were recognized for this termination benefit.

EAST WASHINGTON SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

In addition to the termination benefits described above, the School Corporation provided a one-time early retirement incentive payment of \$25,000 to all certified teachers who retire from the School Corporation on or after attaining age 55 and their age plus years of service equals 85. Currently four retirees met and accepted the incentive. Disbursements for this termination benefit are recognized on a pay-as-you-go basis. During the year ended June 30, 2010, disbursements of \$100,000 were recognized for this termination benefit.

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

Funding Policy

The contribution requirements of plan members for PERF are established by the Board of Trustees of PERF. The total contributions made to PERF by the School Corporation during the period were \$147,446.

EAST WASHINGTON SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

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's contributions to the plan during the period were \$445,703.

3. Defined Contribution Pension Plan

East Washington School Corporation Matching Annuity Plan

Plan Description

The School Corporation has a defined contribution pension plan administered by Variable Life Insurance Company (VALIC) as authorized by Section 401(a) of the Internal Revenue Code of 1986. The plan was established by written agreement between the School Corporation and the Plan Administrator. The Plan Administrator issues a publicly available financial report that includes financial statements and required supplementary information of the plan. That report may be obtained by contacting:

EAST WASHINGTON SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

The Variable Life Insurance Company (VALIC)
AIG VALIC, Implementation
2929 Allen Parkway
Houston, TX 77019

Funding Policy

The contribution requirements of plan members are established by the written agreement between the School Corporation and the Plan Administrator. The School Corporation is required to contribute a matching contribution up to 3.5% of the annual contract/salary of all employees. For the year ended June 30, 2010, employer contributions to the plan were \$235,406.

EAST WASHINGTON SCHOOL CORPORATION
 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

	Transportation Operating	Preschool Special Education	Rainy Day	School Lunch	Textbook Rental	Education License Plates
Receipts:						
Local sources	\$ 666,344	\$ 22,446	\$ -	\$ 310,810	\$ 91,208	\$ -
Intermediate sources	-	-	-	-	-	300
State sources	-	21,945	-	13,638	41,620	-
Federal sources	-	-	-	233,190	-	-
Interfund loans	-	26,000	-	-	-	-
Total receipts	666,344	70,391	-	557,638	132,828	300
Disbursements:						
Current:						
Instruction	-	-	-	-	-	-
Support services	804,354	-	-	110	168,030	-
Noninstructional services	-	-	-	665,590	-	-
Facilities acquisition and construction	-	-	-	3,499	-	-
Debt services	-	-	-	-	-	-
Nonprogrammed charges	-	51,612	-	-	-	-
Interfund loans	-	18,508	-	-	-	-
Total disbursements	804,354	70,120	-	669,199	168,030	-
Excess (deficiency) of receipts over disbursements	(138,010)	271	-	(111,561)	(35,202)	300
Other financing sources (uses):						
Sale of capital assets	-	-	-	(3,620)	24,809	-
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	(3,620)	24,809	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(138,010)	271	-	(115,181)	(10,393)	300
Cash and investments - beginning	233,087	-	500,000	181,428	98,770	75
Cash and investments - ending	\$ 95,077	\$ 271	\$ 500,000	\$ 66,247	\$ 88,377	\$ 375
Cash and Investment Assets - Ending						
Cash and investments	\$ 95,077	\$ 271	\$ 500,000	\$ 66,247	\$ 88,377	\$ 375
Restricted assets:						
Cash and investments	-	-	-	-	-	-
Total cash and investment assets - ending	\$ 95,077	\$ 271	\$ 500,000	\$ 66,247	\$ 88,377	\$ 375
Cash and Investment Fund Balance - Ending						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	95,077	271	500,000	66,247	88,377	375
Total cash and investment fund balance - ending	\$ 95,077	\$ 271	\$ 500,000	\$ 66,247	\$ 88,377	\$ 375

EAST WASHINGTON SCHOOL CORPORATION
 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)

	Early Intervention	Gifted and Talented 2008-09	Gifted and Talented 2007-08	Non English Speaking Program	Title I 2007-08	Title I 2008-09
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 350
Intermediate sources	-	-	-	-	-	-
State sources	500	32,799	-	-	-	-
Federal sources	-	-	-	-	-	340,617
Interfund loans	-	-	-	-	-	-
Total receipts	500	32,799	-	-	-	340,967
Disbursements:						
Current:						
Instruction	500	32,799	12,572	-	17,894	236,024
Support services	-	-	-	-	-	71,646
Noninstructional services	-	-	-	-	-	5,291
Facilities acquisition and construction	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-
Total disbursements	500	32,799	12,572	-	17,894	312,961
Excess (deficiency) of receipts over disbursements	-	-	(12,572)	-	(17,894)	28,006
Other financing sources (uses):						
Sale of capital assets	-	-	-	-	-	-
Transfers in	-	-	-	-	-	23,210
Transfers out	-	-	-	-	(23,210)	-
Total other financing sources (uses)	-	-	-	-	(23,210)	23,210
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	(12,572)	-	(41,104)	51,216
Cash and investments - beginning	-	-	12,572	1,591	41,104	-
Cash and investments - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,591</u>	<u>\$ -</u>	<u>\$ 51,216</u>
Cash and Investment Assets - Ending						
Cash and investments	\$ -	\$ -	\$ -	\$ 1,591	\$ -	\$ 51,216
Restricted assets:						
Cash and investments	-	-	-	-	-	-
Total cash and investment assets - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,591</u>	<u>\$ -</u>	<u>\$ 51,216</u>
Cash and Investment Fund Balance - Ending						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	-	-	-	1,591	-	51,216
Total cash and investment fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,591</u>	<u>\$ -</u>	<u>\$ 51,216</u>

EAST WASHINGTON SCHOOL CORPORATION
 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 V, Part A Alternate School 2007-08	Title V, Part A Innovative	Drug-Free Schools 2008-09	Federal Medicaid Reimbursement	School to Work Implementation 2007-08	School to Work Implementation 2008-09
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-
State sources	-	-	-	-	-	-
Federal sources	-	531	7,247	-	37,927	20,561
Interfund loans	-	-	-	-	-	7,014
Total receipts	-	531	7,247	-	37,927	27,575
Disbursements:						
Current:						
Instruction	-	-	-	118	-	-
Support services	-	-	9,421	-	28,426	26,464
Noninstructional services	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Nonprogrammed charges	22,072	-	-	-	-	-
Interfund loans	-	-	-	-	-	1,110
Total disbursements	22,072	-	9,421	118	28,426	27,574
Excess (deficiency) of receipts over disbursements	(22,072)	531	(2,174)	(118)	9,501	1
Other financing sources (uses):						
Sale of capital assets	-	-	-	-	-	-
Transfers in	-	38,185	3,000	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	38,185	3,000	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(22,072)	38,716	826	(118)	9,501	1
Cash and investments - beginning	22,072	2,722	-	14,054	(9,501)	-
Cash and investments - ending	\$ -	\$ 41,438	\$ 826	\$ 13,936	\$ -	\$ 1
Cash and Investment Assets - Ending						
Cash and investments	\$ -	\$ 41,438	\$ 826	\$ 13,936	\$ -	\$ 1
Restricted assets:						
Cash and investments	-	-	-	-	-	-
Total cash and investment assets - ending	\$ -	\$ 41,438	\$ 826	\$ 13,936	\$ -	\$ 1
Cash and Investment Fund Balance - Ending						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	-	41,438	826	13,936	-	1
Total cash and investment fund balance - ending	\$ -	\$ 41,438	\$ 826	\$ 13,936	\$ -	\$ 1

EAST WASHINGTON SCHOOL CORPORATION
 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 Class Size Reduction	ARRA Title I	Retirement Severance Bond Debt Service	Capital Projects	School Bus Replacement	Totals
Receipts:						
Local sources	\$ -	\$ -	\$ 161,320	\$ 1,058,985	\$ 218,088	\$ 2,529,551
Intermediate sources	-	-	-	-	-	300
State sources	-	-	-	-	-	110,502
Federal sources	119,185	96,990	-	-	-	856,248
Interfund loans	-	-	96,100	354,200	-	483,314
Total receipts	119,185	96,990	257,420	1,413,185	218,088	3,979,915
Disbursements:						
Current:						
Instruction	47,173	-	-	-	-	347,080
Support services	16,404	-	-	441,854	253,444	1,820,153
Noninstructional services	-	-	-	-	-	670,881
Facilities acquisition and construction	-	-	-	348,607	-	352,106
Debt services	-	-	158,638	-	-	158,638
Nonprogrammed charges	-	-	-	-	-	73,684
Interfund loans	-	-	98,134	354,200	-	471,952
Total disbursements	63,577	-	256,772	1,144,661	253,444	3,894,494
Excess (deficiency) of receipts over disbursements	55,608	96,990	648	268,524	(35,356)	85,421
Other financing sources (uses):						
Sale of capital assets	-	-	-	-	-	21,189
Transfers in	-	-	-	-	-	64,395
Transfers out	(41,185)	-	-	-	-	(64,395)
Total other financing sources (uses)	(41,185)	-	-	-	-	21,189
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	14,423	96,990	648	268,524	(35,356)	106,610
Cash and investments - beginning	28,735	-	-	139,549	121,901	1,388,159
Cash and investments - ending	\$ 43,158	\$ 96,990	\$ 648	\$ 408,073	\$ 86,545	\$ 1,494,769
Cash and Investment Assets - Ending						
Cash and investments	\$ 43,158	\$ 96,990	\$ -	\$ 408,073	\$ 86,545	\$ 1,494,121
Restricted assets:						
Cash and investments	-	-	648	-	-	648
Total cash and investment assets - ending	\$ 43,158	\$ 96,990	\$ 648	\$ 408,073	\$ 86,545	\$ 1,494,769
Cash and Investment Fund Balance - Ending						
Restricted for:						
Debt service	\$ -	\$ -	\$ 648	\$ -	\$ -	\$ 648
Unrestricted	43,158	96,990	-	408,073	86,545	1,494,121
Total cash and investment fund balance - ending	\$ 43,158	\$ 96,990	\$ 648	\$ 408,073	\$ 86,545	\$ 1,494,769

EAST WASHINGTON SCHOOL CORPORATION
 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, 2010

	Transportation Operating	Preschool Special Education	Rainy Day	School Lunch	Textbook Rental	Education License Plates	Gifted and Talented 2009-10
Receipts:							
Local sources	\$ 1,128,836	\$ -	\$ -	\$ 296,428	\$ 78,523	\$ -	\$ -
Intermediate sources	-	-	-	-	-	281	-
State sources	-	15,125	-	9,071	17,257	-	32,448
Federal sources	-	-	-	542,300	-	-	-
Interfund loans	-	-	-	-	-	-	-
Total receipts	1,128,836	15,125	-	847,799	95,780	281	32,448
Disbursements:							
Current:							
Instruction	-	-	-	-	-	-	31,258
Support services	790,879	-	-	255	132,990	159	-
Noninstructional services	-	-	-	738,324	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Nonprogrammed charges	-	19,250	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-
Total disbursements	790,879	19,250	-	738,579	132,990	159	31,258
Excess (deficiency) of receipts over disbursements	337,957	(4,125)	-	109,220	(37,210)	122	1,190
Other financing sources (uses):							
Sale of capital assets	-	-	-	-	33,813	-	-
Transfers in	-	3,854	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	-	3,854	-	-	33,813	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	337,957	(271)	-	109,220	(3,397)	122	1,190
Cash and investments - beginning	95,077	271	500,000	66,247	88,377	375	-
Cash and investments - ending	\$ 433,034	\$ -	\$ 500,000	\$ 175,467	\$ 84,980	\$ 497	\$ 1,190
Cash and Investment Assets - Ending							
Cash and investments	\$ 433,034	\$ -	\$ 500,000	\$ 175,467	\$ 84,980	\$ 497	\$ 1,190
Restricted assets:							
Cash and investments	-	-	-	-	-	-	-
Total cash and investment assets - ending	\$ 433,034	\$ -	\$ 500,000	\$ 175,467	\$ 84,980	\$ 497	\$ 1,190
Cash and Investment Fund Balance - Ending							
Restricted for:							
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	433,034	-	500,000	175,467	84,980	497	1,190
Total cash and investment fund balance - ending	\$ 433,034	\$ -	\$ 500,000	\$ 175,467	\$ 84,980	\$ 497	\$ 1,190

EAST WASHINGTON SCHOOL CORPORATION
 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, 2010
 (Continued)

	Non English Speaking Program	Title I 2008-09	Title I 2009-10	Title V, Part A Innovative	Drug-Free Schools 2008-09	Drug-Free Schools 2009-10
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-
State sources	-	-	-	-	-	-
Federal sources	-	33,000	343,604	531	-	5,135
Interfund loans	-	-	-	-	-	-
Total receipts	-	33,000	343,604	531	-	5,135
Disbursements:						
Current:						
Instruction	1,263	24,624	270,017	531	-	40,408
Support services	-	3,968	68,585	-	826	3,889
Noninstructional services	-	-	5,000	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	41,438	-	-
Interfund loans	-	-	-	-	-	-
Total disbursements	1,263	28,592	343,602	41,969	826	44,297
Excess (deficiency) of receipts over disbursements	(1,263)	4,408	2	(41,438)	(826)	(39,162)
Other financing sources (uses):						
Sale of capital assets	-	-	-	-	-	-
Transfers in	-	-	55,624	-	-	41,185
Transfers out	-	(55,624)	-	-	-	-
Total other financing sources (uses)	-	(55,624)	55,624	-	-	41,185
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(1,263)	(51,216)	55,626	(41,438)	(826)	2,023
Cash and investments - beginning	1,591	51,216	-	41,438	826	-
Cash and investments - ending	\$ 328	\$ -	\$ 55,626	\$ -	\$ -	\$ 2,023
Cash and Investment Assets - Ending						
Cash and investments	\$ 328	\$ -	\$ 55,626	\$ -	\$ -	\$ 2,023
Restricted assets:						
Cash and investments	-	-	-	-	-	-
Total cash and investment assets - ending	\$ 328	\$ -	\$ 55,626	\$ -	\$ -	\$ 2,023
Cash and Investment Fund Balance - Ending						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	328	-	55,626	-	-	2,023
Total cash and investment fund balance - ending	\$ 328	\$ -	\$ 55,626	\$ -	\$ -	\$ 2,023

EAST WASHINGTON SCHOOL CORPORATION
 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, 2010
 (Continued)

	Federal Medicaid Reimbursement	School to Work Implementation 2008-09	Tech-Prep Education 2009-10	Title II Class Size Reduction	Title II Enhancing Education Technology	ARRA Title I
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-
State sources	-	-	-	-	-	-
Federal sources	-	5,903	20,942	(33,000)	89,543	32,200
Interfund loans	-	-	15,000	-	-	-
Total receipts	-	5,903	35,942	(33,000)	89,543	32,200
Disbursements:						
Current:						
Instruction	-	-	-	10,158	41,029	58,941
Support services	-	-	29,403	-	-	36,328
Noninstructional services	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Interfund loans	-	5,904	-	-	-	-
Total disbursements	-	5,904	29,403	10,158	41,029	95,269
Excess (deficiency) of receipts over disbursements	-	(1)	6,539	(43,158)	48,514	(63,069)
Other financing sources (uses):						
Sale of capital assets	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	(41,185)	-
Total other financing sources (uses)	-	-	-	-	(41,185)	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	(1)	6,539	(43,158)	7,329	(63,069)
Cash and investments - beginning	13,936	1	-	43,158	-	96,990
Cash and investments - ending	\$ 13,936	\$ -	\$ 6,539	\$ -	\$ 7,329	\$ 33,921
Cash and Investment Assets - Ending						
Cash and investments	\$ 13,936	\$ -	\$ 6,539	\$ -	\$ 7,329	\$ 33,921
Restricted assets:						
Cash and investments	-	-	-	-	-	-
Total cash and investment assets - ending	\$ 13,936	\$ -	\$ 6,539	\$ -	\$ 7,329	\$ 33,921
Cash and Investment Fund Balance - Ending						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	13,936	-	6,539	-	7,329	33,921
Total cash and investment fund balance - ending	\$ 13,936	\$ -	\$ 6,539	\$ -	\$ 7,329	\$ 33,921

EAST WASHINGTON SCHOOL CORPORATION
 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, 2010
 (Continued)

	ARRA Special Education	ARRA Education for Homeless Children	Retirement Severance Bond Debt Service	Capital Projects	School Bus Replacement	Totals
Receipts:						
Local sources	\$ -	\$ -	\$ 339,798	\$ 1,604,200	\$ 258,510	\$ 3,706,295
Intermediate sources	-	-	-	-	-	281
State sources	-	-	-	-	-	73,901
Federal sources	87,644	3,637	-	-	-	1,131,439
Interfund loans	20,000	-	16,000	-	-	51,000
Total receipts	107,644	3,637	355,798	1,604,200	258,510	4,962,916
Disbursements:						
Current:						
Instruction	85,602	-	-	-	-	563,831
Support services	11,469	300	-	750,362	163,146	1,992,559
Noninstructional services	-	-	-	-	-	743,324
Facilities acquisition and construction	-	-	-	598,941	-	598,941
Debt services	-	-	164,705	-	-	164,705
Nonprogrammed charges	-	-	-	-	-	60,688
Interfund loans	-	-	92,000	-	-	97,904
Total disbursements	97,071	300	256,705	1,349,303	163,146	4,221,952
Excess (deficiency) of receipts over disbursements	10,573	3,337	99,093	254,897	95,364	740,964
Other financing sources (uses):						
Sale of capital assets	-	-	-	-	-	33,813
Transfers in	-	-	-	-	-	100,663
Transfers out	-	-	-	-	-	(96,809)
Total other financing sources (uses)	-	-	-	-	-	37,667
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	10,573	3,337	99,093	254,897	95,364	778,631
Cash and investments - beginning	-	-	648	408,073	86,545	1,494,769
Cash and investments - ending	\$ 10,573	\$ 3,337	\$ 99,741	\$ 662,970	\$ 181,909	\$ 2,273,400
Cash and Investment Assets - Ending						
Cash and investments	\$ 10,573	\$ 3,337	\$ -	\$ 662,970	\$ 181,909	\$ 2,173,659
Restricted assets:						
Cash and investments	-	-	99,741	-	-	99,741
Total cash and investment assets - ending	\$ 10,573	\$ 3,337	\$ 99,741	\$ 662,970	\$ 181,909	\$ 2,273,400
Cash and Investment Fund Balance - Ending						
Restricted for:						
Debt service	\$ -	\$ -	\$ 99,741	\$ -	\$ -	\$ 99,741
Unrestricted	10,573	3,337	-	662,970	181,909	2,173,659
Total cash and investment fund balance - ending	\$ 10,573	\$ 3,337	\$ 99,741	\$ 662,970	\$ 181,909	\$ 2,273,400

EAST WASHINGTON SCHOOL CORPORATION
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 PENSION TRUST FUNDS
 For the Year Ended June 30, 2009

	Retirement/ Severance Bond	Post-Retirement/ Severance Future Benefit	Totals
Additions:			
Contributions:			
Employer	\$ -	\$ -	\$ -
Plan members	-	-	-
State	-	-	-
Other	-	-	-
	-	-	-
Total contributions	-	-	-
Investment earnings:			
Net increase (decrease) in fair value of investments	-	-	-
Interest	43,110	-	43,110
Dividends	-	-	-
	-	-	-
Total investment earnings	43,110	-	43,110
Less investment disbursements	-	-	-
	-	-	-
Net investment earnings	43,110	-	43,110
Total additions	43,110	-	43,110
Deductions:			
Benefits	128,790	-	128,790
Refunds of contributions	-	-	-
Administrative and general	-	-	-
	-	-	-
Total deductions	128,790	-	128,790
Excess (deficiency) of total additions over total deductions	(85,680)	-	(85,680)
Cash and investment fund balance - beginning	1,731,501	-	1,731,501
Cash and investment fund balance - ending	\$ 1,645,821	\$ -	\$ 1,645,821
Net assets:			
Cash and investments	\$ 1,645,821	\$ -	\$ 1,645,821
Total net assets - cash and investment basis held in trust	\$ 1,645,821	\$ -	\$ 1,645,821

EAST WASHINGTON SCHOOL CORPORATION
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 PENSION TRUST FUNDS
 For the Year Ended June 30, 2010

	Retirement/ Severance Bond	Post-Retirement/ Severance Future Benefit	Totals
Additions:			
Contributions:			
Employer	\$ -	\$ 125,000	\$ 125,000
Investment earnings:			
Interest	14,671	-	14,671
Total additions	14,671	125,000	139,671
Deductions:			
Benefits	62,477	100,000	162,477
Excess (deficiency) of total additions over total deductions	(47,806)	25,000	(22,806)
Cash and investment fund balance - beginning	1,645,820	-	1,645,820
Cash and investment fund balance - ending	\$ 1,598,014	\$ 25,000	\$ 1,623,014
Net assets:			
Cash and investments	\$ 1,598,014	\$ 25,000	\$ 1,623,014
Total net assets - cash and investment basis held in trust	\$ 1,598,014	\$ 25,000	\$ 1,623,014

EAST WASHINGTON SCHOOL CORPORATION
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 PRIVATE-PURPOSE TRUST FUNDS
 For the Year Ended June 30, 2009

	Career Grant 2008-09	Miscellaneous Gift	CAPE Grant Staff	Mahuron Education Grant 2007-08	Mahuron Education Grant 2008-09	Totals
Additions:						
Contributions:						
Other	\$ 18,000	\$ -	\$ -	\$ -	\$ 2,729	\$ 20,729
Deductions:						
Administrative and general	10,839	-	3,359	189	2,729	17,116
Excess (deficiency) of total additions over total deductions	7,161	-	(3,359)	(189)	-	3,613
Cash and investment fund balance - beginning	-	59	3,359	189	-	3,607
Cash and Investment fund balance - ending	<u>\$ 7,161</u>	<u>\$ 59</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,220</u>
Net assets:						
Cash and investments	<u>\$ 7,161</u>	<u>\$ 59</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,220</u>
Total net assets - cash and investment basis held in trust	<u>\$ 7,161</u>	<u>\$ 59</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,220</u>

EAST WASHINGTON SCHOOL CORPORATION
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 PRIVATE-PURPOSE TRUST FUNDS
 For the Year Ended June 30, 2010

	Career Grant 2008-09	Miscellaneous Gift	Mahuron Education Grant 2009-10	Totals
Additions:				
Contributions:				
Other	\$ -	\$ -	\$ 2,183	\$ 2,183
Deductions:				
Administrative and general	7,161	-	2,183	9,344
Deficiency of total additions over total deductions	(7,161)	-	-	(7,161)
Cash and investment fund balance - beginning	7,161	59	-	7,220
Cash and Investment fund balance - ending	<u>\$ -</u>	<u>\$ 59</u>	<u>\$ -</u>	<u>\$ 59</u>
Net assets:				
Cash and investments	<u>\$ -</u>	<u>\$ 59</u>	<u>\$ -</u>	<u>\$ 59</u>
Total net assets - cash and investment basis held in trust	<u>\$ -</u>	<u>\$ 59</u>	<u>\$ -</u>	<u>\$ 59</u>

EAST WASHINGTON SCHOOL CORPORATION
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS
 For The Year Ended June 30, 2010

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>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 946,000
Buildings	32,998,320
Improvements other than buildings	1,970,291
Machinery and equipment	<u>2,383,401</u>
 Total governmental activities, capital assets not being depreciated	 <u><u>\$ 38,298,012</u></u>

EAST WASHINGTON SCHOOL CORPORATION
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 June 30, 2010

The School Corporation has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:		
Capital leases:		
Elementary school building lease	\$ 298,346	\$ 315,000
2002 school lease	14,445,000	800,000
Notes and loans payable:		
Common school loan of 1992	262,500	87,188
Common school loan of 1998	988,000	122,028
Bonds payable:		
General obligation bonds:		
Pension bonds of 2004	<u>1,185,000</u>	<u>160,282</u>
Total governmental activities debt	<u>\$ 17,178,846</u>	<u>\$ 1,484,498</u>

EAST WASHINGTON SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS

DEFICIENCY IN INTERNAL CONTROL - SEGREGATION OF DUTIES

We noted a deficiency in the internal control system of the School Corporation related to financial transactions and reporting. We believe the following deficiency constitutes a material weakness:

Lack of Segregation of Duties: Control activities were not selected and developed at various levels of the School Corporation to reduce risks of errors and/or fraud of the financial statements. The School Corporation has not separated incompatible activities related to receipts, vendor disbursements, and cash and investment balances. The failure to establish these controls could enable material misstatements or irregularities to be undetected.

One employee is responsible for posting receipt transactions, preparing the monthly bank reconciliations, preparing vendor checks, and posting the disbursement transactions to the financial records.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objections, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control.

Controls over the receipting, disbursing, recording and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

ADVANCE PAYMENTS

We noted several payments made in advance from federal funds:

1. The School Corporation normally pays the employer's portion of medical, dental, vision, and life insurance to the Self-Insurance Fund at the end of each month for that month's payroll. The School Corporation issued Check 686 on October 29, 2009, for the employer's portion of insurance for the October, November, and December 2009's payroll. Advance payments for November and December employer's portion of insurance from the ARRA - Fiscal Stabilization Fund totaled \$160,752.47. Check 686 also included the employer's portion of insurance for the November and December's payroll from Title I 2009-10; Title V, Part A Innovative; Title II Class Size Reduction; and ARRA - Special Education, Grants to States for \$3,499.77, \$731.33, \$778.40, and \$1,564.21, respectively.
2. The School Corporation is billed quarterly for vocational education services performed by another school corporation. The School Corporation issued Check 465 on September 8, 2009, for \$101,032.50 for the quarters beginning Jan. 2010 and April 2010.

EAST WASHINGTON SCHOOL CORPORATION
 AUDIT RESULTS AND COMMENTS
 (Continued)

3. The School Corporation is billed monthly for special education services performed by another school corporation. The School Corporation issued Check 494 on September 8, 2009, for \$353,222.19 for nine months of services from September 2009 through May 2010 at \$39,246.91 per month. Seven months of payments totaling \$274,728.37 for November 2009 through May 2010 were advance payments for special education services.

4. The School Corporation is billed monthly for special education services performed by another school corporation. The School Corporation issued Check 1616 on June 16, 2010, for \$221,996.83 for services to be rendered in the following school year 2010-2011.

Compensation and any other payments for goods and services should not be paid in advance of receipt of the goods or services unless specifically authorized by statute. Payments made for goods or services which are not received may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

APPROPRIATIONS

The records presented for audit indicated the following expenditures in excess of budgeted appropriations:

Fund	Year	Excess Amount Expended
Preschool Special Education	2008	\$ <u>16,125</u>

IC 6-1.1-18-4 states in part: ". . . the proper officers of a political subdivision shall appropriate funds in such a manner that the expenditures for a year do not exceed its budget for that year as finally determined under this article."

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 EAST WASHINGTON SCHOOL
CORPORATION, WASHINGTON COUNTY, INDIANA

Compliance

We have audited the compliance of the East Washington School Corporation (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, 2009 and 2010. 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, 2009 and 2010. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2010-3.

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

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)

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.

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.

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

This report is intended solely for the information and use of the School Corporation's management, the East Washington School Board of Trustees, 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

January 27, 2011

EAST WASHINGTON SCHOOL CORPORATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Years Ended June 30, 2009 and 2010

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 06-30-09	Total Federal Awards Expended 06-30-10
U.S. DEPARTMENT OF AGRICULTURE				
Pass-Through Indiana Department of Education Child Nutrition Cluster				
School Breakfast Program	10.553		\$ 60,293	\$ 96,389
National School Lunch Program	10.555		<u>298,470</u>	<u>406,471</u>
Total for federal grantor agency			<u>358,763</u>	<u>502,860</u>
U.S. DEPARTMENT OF EDUCATION				
Pass-Through Indiana Department of Education Title I, Part A Cluster				
Title I Grants to Local Educational Agencies	84.010			
FY 2007-08		08-8215	17,894	-
FY 2008-09		09-8215	312,961	28,592
FY 2009-10		10-8215	<u>-</u>	<u>343,602</u>
Total for program			<u>330,855</u>	<u>372,194</u>
ARRA - Title I Grants to Local Educational Agencies, Recovery Act FY 2009-10, Part A	84.389	10-8215	<u>-</u>	<u>95,269</u>
Total for cluster			<u>330,855</u>	<u>467,463</u>
Pass-Through South Central Area Special Education Cooperative Special Education Cluster				
ARRA - Special Education Grants to States, Recovery Act FY 2009-10	84.391	10-8215	<u>-</u>	<u>87,644</u>
Pass-Through Indiana Department of Education State Fiscal Stabilization Fund Cluster				
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grant, Recovery Act	84.394			
FY 2008-09		09-8215	1,954	965,399
FY 2009-10		10-8215	<u>-</u>	<u>347,244</u>
Total for cluster			<u>1,954</u>	<u>1,312,643</u>
Safe and Drug-Free Schools and Communities - State Grants	84.186			
FY 2007-09		07-8215	9,421	826
FY 2008-10		08-8215	<u>-</u>	<u>44,297</u>
Total for program			<u>9,421</u>	<u>45,123</u>
Pass-Through Indiana Department of Workforce Development Tech-Prep Education	84.243			
FY 2007-08		TP-7-358	28,426	-
FY 2008-09		TP-8-358	20,561	5,903
FY 2009-10		TP-9-358	<u>-</u>	<u>20,942</u>
Total for program			<u>48,987</u>	<u>26,845</u>
Pass-Through Indiana Department of Education State Grants for Innovative Programs	84.298			
FY 2006-08		06-8215	22,072	-
FY 2007-09		07-8215	<u>-</u>	<u>41,969</u>
Total for program			<u>22,072</u>	<u>41,969</u>
Improving Teacher Quality State Grants	84.367			
FY 2006-08		06-8215	28,735	-
FY 2007-09		07-8215	34,843	10,157
FY 2008-10		08-8215	<u>-</u>	<u>41,029</u>
Total for program			<u>63,578</u>	<u>51,186</u>
ARRA - Education for Homeless Children and Youth, Recovery Act SY 2009-10	84.387	8215	<u>-</u>	<u>300</u>
Total for federal grantor agency			<u>476,867</u>	<u>2,033,173</u>
Total federal awards expended			<u>\$ 835,630</u>	<u>\$ 2,536,033</u>

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

EAST WASHINGTON SCHOOL CORPORATION
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 East Washington School Corporation (School Corporation) and is presented in accordance with the cash and investment basis of accounting used in the preparation of the financial statements. Accordingly, the amount of federal awards expended is based on when the disbursement related to the award occurs except when the federal award is received on a reimbursement basis. In these instances the federal awards are considered expended when the reimbursement is received.

Circular A-133 requires an annual audit of nonfederal entities expending a total amount of federal awards equal to or in excess of \$500,000 in any fiscal year unless by constitution or statute a less frequent audit is required. In accordance with 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, 2009 and 2010. This noncash assistance is also included in the federal expenditures presented in the schedule.

Program Title	Federal CFDA Number	2009	2010
Child Nutrition Cluster:			
Food Commodities:			
School Breakfast Program	10.553	\$ 7,487	\$ 7,975
National School Lunch Program	10.555	38,610	34,702

EAST WASHINGTON SCHOOL CORPORATION
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?	yes
Significant deficiencies identified that are not considered to be material weaknesses?	none reported

Noncompliance material to financial statements noted? yes

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? yes

Identification of Major Programs:

Name of Federal Program or Cluster

Title I, Part A Cluster
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? yes

Section II – Financial Statement Findings

FINDING 2010-1, ADVANCE PAYMENTS

We noted several payments made in advance from federal funds:

1. The School Corporation normally pays the employer's portion of medical, dental, vision, and life insurance to the Self-Insurance Fund at the end of each month for that month's payroll. The School Corporation issued Check 686 on October 29, 2009, for the employer's portion of insurance for the October, November, and December 2009's payroll. Advance payments for November and December employer's portion of insurance from the ARRA - Fiscal Stabilization Fund totaled \$160,752.47. Check 686 also included the employer's portion of insurance for the November and December's payroll

EAST WASHINGTON SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

from Title I 2009-10; Title V, Part A Innovative; Title II Class Size Reduction; and ARRA - Special Education, Grants to States for \$3,499.77, \$731.33, \$778.40, and \$1,564.21, respectively.

2. The School Corporation is billed quarterly for vocational education services performed by another school corporation. The School Corporation issued Check 465 on September 8, 2009, for \$101,032.50 for the quarters beginning Jan. 2010 and April 2010.
3. The School Corporation is billed monthly for special education services performed by another school corporation. The School Corporation issued Check 494 on September 8, 2009, for \$353,222.19 for nine months of services from September 2009 through May 2010 at \$39,246.91 per month. Seven months of payments totaling \$274,728.37 for November 2009 through May 2010 were advance payments for special education services.
4. The School Corporation is billed monthly for special education services performed by another school corporation. The School Corporation issued Check 1616 on June 16, 2010, for \$221,996.83 for services to be rendered in the following school year 2010-2011.

Compensation and any other payments for goods and services should not be paid in advance of receipt of the goods or services unless specifically authorized by statute. Payments made for goods or services which are not received may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

We recommended that the School Corporation disburse funds for current obligations.

FINDING 2010-2, INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

We noted a deficiency in the internal control system of the School Corporation related to financial transactions and reporting. We believe the following deficiency constitutes a material weakness:

Lack of Segregation of Duties: Control activities were not selected and developed at various levels of the School Corporation to reduce risks of errors and/or fraud of the financial statements. The School Corporation has not separated incompatible activities related to receipts, vendor disbursements, and cash and investment balances. The failure to establish these controls could enable material misstatements or irregularities to be undetected.

One employee is responsible for posting receipt transactions, preparing the monthly bank reconciliations, preparing vendor checks, and posting the disbursement transactions to the financial records.

We recommend the School Corporation segregate the duties of posting of transactions and preparation of the monthly bank reconciliation.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objections, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control.

EAST WASHINGTON SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Controls over the receipting, disbursing, recording and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

Section III – Federal Award Findings and Questioned Costs

FINDING 2010-3, ADVANCE PAYMENTS

Federal Agency: Department of Education
Pass-Through Entity: Indiana Department of Education
Federal Program: ARRA - State Fiscal Stabilization - Education State Grant, Recovery Act
CFDA Number: 84.394
Federal Award Number: FY 2008-09 and FY 2009-10

We noted several payments made in advance from federal funds:

1. The School Corporation normally pays the employer's portion of medical, dental, vision, and life insurance to the Self-Insurance Fund at the end of each month for that month's payroll. The School Corporation issued Check 686 on October 29, 2009, for the employer's portion of insurance for the October, November, and December 2009's payroll. Advance payments for November and December employer's portion of insurance from the ARRA - Fiscal Stabilization Fund totaled \$160,752.47. Check 686 also included the employer's portion of insurance for the November and December's payroll from Title I 2009-10; Title V, Part A Innovative; Title II Class Size Reduction; and ARRA - Special Education, Grants to States for \$3,499.77, \$731.33, \$778.40, and \$1,564.21, respectively.
2. The School Corporation is billed quarterly for vocational education services performed by another school corporation. The School Corporation issued Check 465 on September 8, 2009, for \$101,032.50 for the quarters beginning Jan. 2010 and April 2010.
3. The School Corporation is billed monthly for special education services performed by another school corporation. The School Corporation issued Check 494 on September 8, 2009, for \$353,222.19 for nine months of services from September 2009 through May 2010 at \$39,246.91 per month. Seven months of payments totaling \$274,728.37 for November 2009 through May 2010 were advance payments for special education services.
4. The School Corporation is billed monthly for special education services performed by another school corporation. The School Corporation issued Check 1616 on June 16, 2010, for \$221,996.83 for services to be rendered in the following school year 2010-2011.

OMB Circular A-87, Appendix A, Section C states in part: "1. Factors affecting allowability of costs. To be allowable under Federal awards, costs must meet the following criteria: . . . c. Be authorized or not prohibited under State or local laws and regulations. . . ."

EAST WASHINGTON SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Compensation and any other payments for goods and services should not be paid in advance of receipt of the goods or services unless specifically authorized by statute. Payments made for goods or services which are not received may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

Disbursements for noncurrent obligations resulted in reporting disbursements in periods other than the periods the services were received.

We recommended that the School Corporation make proper payments for current obligations.

EAST WASHINGTON SCHOOL CORPORATION
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

East Washington School Corporation



"All for one and one for all"

1050 North Eastern School Road ♦ Pekin, IN 47165

Phone 812-967-3926 ♦ Fax 812-967-5797

Date: January 19, 2011

To: Whom it may concern

From: Cathy Egolf, Supt.

Re: Corrective Action Plan for the following:
Federal Finding 2010-1, Advance Payments
Federal Finding 2010-2, Internal Controls over Financial Transactions and Reporting
Federal Finding 2010-3, Advance Payments

Federal Finding 2010-1, Advance Payments

East Washington School Corporation's corrective action plan will be to only pre-pay salary from any stimulus monies received. We will no longer pre-pay any portion of medical, dental, vision and life insurance into our self-insurance fund.

Federal Finding 2010-2, Internal Controls over Financial Transactions and Reporting

East Washington School Corporation acknowledges and accepts the fact that we have a lack of segregation of duties.

Federal Finding 2010-3, Advance Payments

East Washington School Corporation's corrective action plan will be to only pre-pay salary from any stimulus monies received. We will no longer pre-pay any portion of medical, dental, vision and life insurance into our self-insurance fund.

A handwritten signature in black ink, appearing to read "Cathy Egolf". The signature is written in a cursive, flowing style.

EAST WASHINGTON SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on January 27, 2011, with Theresa Drescher, School Board member; Cathy Egolf, Superintendent of Schools; and Christi Pruitt, Treasurer. The officials concurred with our audit findings.