

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

EAST WASHINGTON SCHOOL CORPORATION
WASHINGTON COUNTY, INDIANA

July 1, 2010 to June 30, 2012



FILED
03/08/2013

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Independent Auditor's Report	3-4
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statement Performed in Accordance With Government Auditing Standards	5-6
Financial Statement:	
Statement of Receipts, Disbursements, Other Financing Sources (Uses), and Cash and Investment Balances – Regulatory Basis	9
Notes to Financial Statement	10-15
Supplementary Information - Unaudited:	
Combining Schedules of Receipts, Disbursements, Other Financing Sources (Uses), and Cash and Investment Balances – Regulatory Basis	18-29
Schedule of Payables and Receivables	30
Schedule of Leases and Debt	31
Schedule of Capital Assets	33
Audit Results and Comments:	
Average Daily Membership (ADM) – Lack of Records	34
Internal Controls Over Financial Transactions and Reporting	34
Collective Bargaining Agreement	34-35
Supplemental Audit of Federal Awards:	
Independent Auditor's Report on Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133	38-39
Schedule of Expenditures of Federal Awards	42
Notes to Schedule of Expenditures of Federal Awards	43
Schedule of Findings and Questioned Costs	44-45
Auditee Prepared Schedules:	
Summary Schedule of Prior Audit Finding	46
Corrective Action Plan	47
Exit Conference	48

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Christi Pruitt	07-01-10 to 06-30-13
Superintendent of Schools	Dr. Phyllis L. Amick	07-01-10 to 08-08-10
	Cathy Egolf	08-09-10 to 05-29-12
	Dr. Phyllis L. Amick (Interim)	05-30-12 to 07-16-12
	Steve Darnell	07-17-12 to 06-30-15
President of the School Board	Eric Albertson	07-01-10 to 06-30-11
	Brian Motsinger	07-01-11 to 06-30-12
	Theresa Drescher	07-01-12 to 12-31-12
	Linda McClellan	01-01-13 to 12-31-13



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

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

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statement of the East Washington School Corporation (School Corporation), for the period of July 1, 2010 to June 30, 2012. This financial statement is the responsibility of the School Corporation's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School Corporation's internal control over reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. 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 opinion.

As discussed in Note 1, the School Corporation prepares its financial statement on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the State Board of Accounts as allowed by state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statement of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material. The basis of accounting noted above is a different basis than that used in the prior period.

In our opinion, because of the matter discussed in the preceding paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position and results of operations of the School Corporation for the period of July 1, 2010 to June 30, 2012.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position and results of operations of the School Corporation for the period of July 1, 2010 to June 30, 2012, on the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued a report dated February 25, 2013, 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

INDEPENDENT AUDITOR'S REPORT
(Continued)

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.

Our audit was conducted for the purpose of forming an opinion on the School Corporation's financial statement. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other reports used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statement taken as a whole.

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



Bruce Hartman
State Examiner

February 25, 2013



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

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

We have audited the financial statement of the East Washington School Corporation (School Corporation), for the period of July 1, 2010 to June 30, 2012, and have issued our report thereon dated February 25, 2013, wherein we noted the School Corporation followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America. 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

Management of the School Corporation is responsible for establishing and maintaining effective 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 opinion on the financial statement, 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as item 2012-1 to be material weaknesses.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School Corporation's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

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 School Board, others within the entity, 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.



Bruce Hartman
State Examiner

February 25, 2013

FINANCIAL STATEMENT

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

(This page intentionally left blank.)

EAST WASHINGTON SCHOOL CORPORATION
STATEMENT OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Years Ended June 30, 2011 2012

	Cash and Investments		Other Financing		Cash and Investments		Other Financing		Cash and Investments
	07-01-10	Receipts	Disbursements	Sources (Uses)	06-30-11	Receipts	Disbursements	Sources (Uses)	06-30-12
General	\$ 4,122,644	\$ 11,621,077	\$ 10,810,529	\$ (1,000,000)	\$ 3,933,192	\$ 10,819,417	\$ 10,433,220	\$ 152,614	\$ 4,472,003
Debt Service	731,500	1,432,687	1,328,215	(1,317)	834,655	1,387,128	1,329,465	(20,510)	871,808
Retirement/Severance Bond Debt Service	99,741	160,801	160,282	-	100,260	151,617	160,682	-	91,195
Capital Projects	662,970	1,098,320	1,371,792	-	389,498	959,759	948,209	-	401,048
School Transportation Operating	433,034	758,400	756,727	14,215	448,922	810,681	771,106	-	488,497
School Bus Replacement	181,909	312,488	357,167	-	137,230	236,235	-	-	373,465
Rainy Day	500,000	-	-	1,000,000	1,500,000	-	675,109	-	824,891
Retirement/Severance Bond	1,598,014	-	45,427	-	1,552,587	39,498	65,722	-	1,526,363
Early Retirement Buy Out	25,000	-	-	-	25,000	-	25,000	-	-
School Lunch	175,467	738,166	697,483	-	216,150	714,354	753,254	-	177,250
Textbook Rental	84,980	129,214	151,432	2,456	65,218	138,414	103,924	20,510	120,218
Self-Insurance	269,780	2,681,795	2,484,909	-	466,666	1,240,469	1,471,014	(150,000)	86,121
Levy Excess	-	14,215	-	(14,215)	-	-	-	-	-
Educational License Plates	497	57	-	-	554	131	-	-	685
Miscellaneous Gift	59	-	-	-	59	-	-	-	59
2012 Tornado Disaster Relief	-	-	-	-	-	31,655	30,605	-	1,050
In School Counselor Association Grant	-	-	-	-	-	250	250	-	-
Leadership Project 2011-12	-	-	-	-	-	1,574	-	-	1,574
Mahuron Education Grant 2010-11	-	1,250	1,250	-	-	-	-	-	-
Mahuron Education Grant 2011-12	-	-	-	-	-	989	988	-	1
Leadership Project Grant 2010-11	-	984	819	-	165	-	165	-	-
Leadership Project Grant 2011-12	-	-	-	-	-	350	211	-	139
McDonald's MAC Grant 2011-12	-	-	-	-	-	432	432	-	-
Generation Indiana Mini-Grant	-	-	-	-	-	250	163	-	87
Volunteer Day Grant 2011-12	-	-	-	-	-	320	139	-	181
High Ability Grant 2010-11	-	31,961	26,963	-	4,998	-	4,998	-	-
G/T High Ability Grant 2009-10	1,190	-	1,190	-	-	-	-	-	-
ACS-HACH Chemistry Grant	-	-	-	-	-	1,471	1,471	-	-
High Ability Grant 2011-12	-	-	-	-	-	30,792	20,757	-	10,035
Non-English Speaking Programs P.L. 273-1999	328	-	-	-	328	-	-	-	328
Connectivity Grant 2010-11	-	4,439	4,439	-	-	-	-	-	-
Connectivity Grant 2011-12	-	-	-	-	-	3,781	3,780	-	1
Classroom Innovation Grant	-	-	6,339	-	(6,339)	163,121	156,782	-	-
Excess PTRC Distributions	-	-	-	-	-	13,515	-	-	13,515
Title I 2010-11	-	283,216	319,718	29,472	(7,030)	35,606	28,576	-	-
Title I 2011-12	-	-	-	-	-	323,471	346,330	-	(22,859)
Title I 2009-10	55,626	14,413	40,567	(29,472)	-	-	-	-	-
Title IV A Drug Free 2009-10	2,023	-	2,023	-	-	-	-	-	-
Title IV A Drug Free 2010-11	-	7,478	40,799	33,704	383	1,157	6,836	5,296	-
Tech Prep Stern 2010-11	-	16,015	16,015	-	-	-	-	-	-
Medicaid Reimbursement - Federal	13,936	-	-	-	13,936	7,459	-	(2,614)	18,781
Tech-Prep Education 2009-10	6,539	8,462	15,001	-	-	-	-	-	-
Title II A Class Size Reduction	-	5,173	10,454	-	(5,281)	71,996	76,219	-	(9,504)
Title II A Differential Pay/Professional Development	-	-	-	-	-	1,147	8,361	-	(7,214)
Title II A Class Size Reduction 2009-10	7,329	-	7,329	-	-	-	-	-	-
Title II A Class Size Reduction 2010-11	-	80,905	50,201	(33,704)	(3,000)	11,028	2,732	(5,296)	-
ARRA Title I - Grants to LEAs	33,921	49,653	86,314	-	(2,740)	14,747	12,007	-	-
ARRA Special Education Part B	10,573	88,350	98,947	-	(24)	9,624	9,600	-	-
ARRA McKinney Homeless Children	3,337	-	3,205	-	132	-	132	-	-
Education Jobs	-	17,853	20,910	-	(3,057)	272,412	290,499	-	(21,144)
Petty Cash	50	-	-	-	50	-	-	-	50
Payroll	11,394	2,618,322	2,617,249	-	12,467	2,694,628	2,691,075	-	16,020
Totals	\$ 9,031,841	\$ 22,175,694	\$ 21,533,695	\$ 1,139	\$ 9,674,979	\$ 20,189,478	\$ 20,429,813	\$ -	\$ 9,434,644

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

EAST WASHINGTON SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

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

B. Basis of Accounting

The financial statement is reported on a regulatory basis of accounting prescribed by the State Board of Accounts in accordance with state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recorded when received and disbursements are recorded when paid.

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

C. Cash and Investments

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

D. Receipts

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

Local sources which include taxes, revenue from local governmental units other than school corporations, transfer tuition, transportation fees, investment income, food services, school corporation activities, revenue from community services activities, and other revenue from local sources.

Intermediate sources which include distributions from the County for fees collected for or on behalf of the School Corporation including educational license plate fees, congressional interest, riverboat distributions, and other similar fees.

State sources include distributions from the State of Indiana and are to be used by the School Corporation for various purposes. Included in state sources are unrestricted grants, restricted grants, revenue in lieu of taxes, and revenue for or on behalf of the School Corporation.

EAST WASHINGTON SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

Federal sources include distributions from the federal government and are to be used by the School Corporation for various purposes. Included in federal sources are unrestricted grants, restricted grants, revenue in lieu of taxes, and revenue for or on behalf of the School Corporation.

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

Other receipts which include amounts received from various sources which include return of petty cash, return of cash change, insurance claims for losses, sale of securities, and other receipts not listed in another category above.

E. Disbursements

Disbursements are presented in the aggregate on the face of the financial statement. The aggregate disbursements include the following uses:

Instruction which includes outflows for regular programs, special programs, adult and continuing education programs, summer school programs, enrichment programs, remediation, and payments to other governmental units.

Support services which include outflows for support services related to students, instruction, general administration, and school administration. It also includes outflows for central services, operation and maintenance of plant services, and student transportation.

Noninstructional services which include outflows for food service operations and community service operations.

Facilities acquisition and construction which includes outflows for the acquisition, development, construction, and improvement of new and existing facilities.

Debt services which include fixed obligations resulting from financial transactions previously entered into by the School Corporation. It includes all expenditures for the reduction of the principal and interest of the School Corporation's general obligation indebtedness.

Nonprogrammed charges which include outflows for donations to foundations, securities purchased, indirect costs, scholarships, funds held temporarily for an authorized recipient, and self-insurance payments.

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

F. Other Financing Sources and Uses

Other financing sources and uses are presented in the aggregate on the face of the financial statement. The aggregate other financing sources and uses include the following:

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

EAST WASHINGTON SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

Transfers in which includes money received by one fund as a result of transferring money from another fund. The transfers are used for cash flow purposes as provided by various statutory provisions.

Transfers out which includes money paid by one fund to another fund. The transfers are used for cash flow purposes as provided by various statutory provisions.

G. Fund Accounting

Separate funds are established, maintained, and reported by the School Corporation. Each fund is used to account for money received from and used for specific sources and uses as determined by various regulations. Restrictions on some funds are set by statute while other funds are internally restricted by the School Corporation. The money accounted for in a specific fund may only be available for use for certain, legally restricted purposes. Additionally, some funds are used to account for assets held by the School Corporation in a trustee capacity as an agent of individuals, private organizations, other funds, or other governmental units and therefore the funds cannot be used for any expenditures of the unit itself.

Note 2. Budgets

The operating budget is initially prepared and approved at the local level. The fiscal officer of the School Corporation submits a proposed operating budget to the governing board for the following calendar year. The budget is advertised as required by law. Prior to adopting the budget, the governing board conducts public hearings and obtains taxpayer comments. Prior to November 1, the governing board approves the budget for the next year. The budget for funds for which property taxes are levied or highway use taxes are received is subject to final approval by the Indiana Department of Local Government Finance.

Note 3. Property Taxes

Property taxes levied are collected by the County Treasurer and are scheduled to be distributed to the School Corporation in June and December; however, situations can arise which would delay the distributions. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100 percent of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which normally become delinquent if not paid by May 10 and November 10, respectively.

Note 4. Deposits and Investments

Deposits, made in accordance with state statute (IC 5-13), with financial institutions in the State of Indiana at year end should be entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

State statutes authorize the School Corporation to invest in securities including, but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

EAST WASHINGTON SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

Note 5. Risk Management

The School Corporation may be exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; medical benefits to employees, retirees, and dependents; and natural disasters.

These risks can be mitigated through the purchase of insurance, establishment of a self-insurance fund, and/or participation in a risk pool. The purchase of insurance transfers the risk to an independent third party. The establishment of a self-insurance fund allows the School Corporation to set aside money for claim settlements. The self-insurance fund would be included in the financial statement. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks.

Note 6. Pension Plans

A. Public Employees' Retirement Fund

Plan Description

The Indiana Public Employees' Retirement Fund (PERF) is a defined benefit pension plan. PERF is 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 this defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the Indiana Public Retirement System (INPRS) Board, most requirements of the system, and give the School Corporation authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3 percent of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

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

Indiana Public Retirement System
1 North Capital Street, Suite 001
Indianapolis, IN 46204
Ph. (888) 526-1687

Funding Policy and Annual Pension Cost

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

EAST WASHINGTON SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

B. Teacher's Retirement Fund

Plan Description

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

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

Indiana Public Retirement System
1 North Capital Street, Suite 001
Indianapolis, IN 46204
Ph. (888) 286-3544

Funding Policy and Annual Pension Cost

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

The School Corporation also contributes to additional pension plan unique to the School Corporation. Information regarding this plan may be obtained from the School Corporation.

Note 7. Cash Balance Deficits

The financial statement contains funds with deficits in cash. This is a result of the funds being set up for reimbursable grants. The reimbursement for expenditures made by the School Corporation were not received by June 30, 2011, and June 30, 2012.

Note 8. Other Postemployment Benefits

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

EAST WASHINGTON SCHOOL CORPORATION
 NOTES TO FINANCIAL STATEMENT
 (Continued)

Note 9. Restatements and Reclassifications

For the year ended June 30, 2010, certain changes have been made to some of the beginning balances of the financial statement to more appropriately reflect financial activity of the School Corporation. The following schedule presents a summary of restated and reclassified beginning balances by fund. The new funds are payroll withholding accounts that have not been reflected on the School Corporation's financial statements until the current reporting period.

Fund	Balance as Reported June 30, 2010	Fund Reclassification	New Funds	Balance as Restated July 1, 2010
General	\$4,122,694	\$ (50)	\$ -	\$ 4,122,644
Petty Cash	-	50	-	50
Payroll	-	-	11,394	11,394

Note 10. Holding Corporation

The School Corporation has entered into capital leases with 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 years ending June 30, 2011, and June 30, 2012, totaled \$1,115,000 and \$1,125,555, respectively.

Note 11. Subsequent Event

The School Corporation offered an early retirement buyout to certified staff. During the current period, seven (7) staff members accepted the one-time payment of \$25,000 that will be made into their 403(b) account at the end of the 2012-2013 school year.

(This page intentionally left blank.)

SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the School Corporation's Financial Reports can be found on the Indiana Department of Education website: <http://mustang.doe.state.in.us/TRENDS/fin.cfm>. This website is maintained by the Indiana Department of Education. More current financial information is available from the School Corporation Treasurer's office.

Differences may be noted between the financial information presented in the financial statement contained in this report and the financial information presented in the Financial Reports of the School Corporation which are referenced above. These differences, if any, are due to adjustments made to the financial information during the course of the audit. This is a common occurrence in any financial statement audit. The financial information presented in this report is audited information, and the accuracy of such information can be determined by reading the opinion given in the Independent Auditor's Report.

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

EAST WASHINGTON SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2011

	General	Debt Service	Retirement/ Severance Bond Debt Service	Capital Projects	School Transportation Operating	School Bus Replacement	Rainy Day	Retirement/ Severance Bond	Early Retirement Buy Out
Cash and investments - beginning	\$ 4,122,644	\$ 731,500	\$ 99,741	\$ 662,970	\$ 433,034	\$ 181,909	\$ 500,000	\$ 1,598,014	\$ 25,000
Receipts:									
Local sources	235,843	1,432,687	160,801	998,320	758,170	287,408	-	-	-
Intermediate sources	41	-	-	-	-	-	-	-	-
State sources	11,059,750	-	-	-	230	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-
Interfund loans	325,443	-	-	100,000	-	25,080	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	11,621,077	1,432,687	160,801	1,098,320	758,400	312,488	-	-	-
Disbursements:									
Current:									
Instruction	7,751,892	-	-	-	-	-	-	28,093	-
Support services	2,766,194	-	-	846,105	756,727	332,087	-	17,334	-
Noninstructional services	2,000	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	425,687	-	-	-	-	-
Debt services	-	1,328,215	160,282	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Interfund loans	290,443	-	-	100,000	-	25,080	-	-	-
Total disbursements	10,810,529	1,328,215	160,282	1,371,792	756,727	357,167	-	45,427	-
Excess (deficiency) of receipts over disbursements	810,548	104,472	519	(273,472)	1,673	(44,679)	-	(45,427)	-
Other financing sources (uses):									
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	125,000	-	-	-	14,215	-	1,000,000	-	125,000
Transfers out	(1,125,000)	(1,317)	-	-	-	-	-	-	(125,000)
Total other financing sources (uses)	(1,000,000)	(1,317)	-	-	14,215	-	1,000,000	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(189,452)	103,155	519	(273,472)	15,888	(44,679)	1,000,000	(45,427)	-
Cash and investments - ending	\$ 3,933,192	\$ 834,655	\$ 100,260	\$ 389,498	\$ 448,922	\$ 137,230	\$ 1,500,000	\$ 1,552,587	\$ 25,000

EAST WASHINGTON SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2011
 (Continued)

	School Lunch	Textbook Rental	Self-Insurance	Levy Excess	Educational License Plates	Miscellaneous Gift	2012 Tornado Disaster Relief	In School Counselor Association Grant	Leadership Project 2011-12
Cash and investments - beginning	\$ 175,467	\$ 84,980	\$ 269,780	\$ -	\$ 497	\$ 59	\$ -	\$ -	\$ -
Receipts:									
Local sources	291,196	73,055	2,516,432	14,215	-	-	-	-	-
Intermediate sources	-	-	-	-	57	-	-	-	-
State sources	8,092	56,159	-	-	-	-	-	-	-
Federal sources	438,878	-	-	-	-	-	-	-	-
Interfund loans	-	-	165,363	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	738,166	129,214	2,681,795	14,215	57	-	-	-	-
Disbursements:									
Current:									
Instruction	-	-	-	-	-	-	-	-	-
Support services	286	151,432	1,061	-	-	-	-	-	-
Noninstructional services	697,197	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	2,318,485	-	-	-	-	-	-
Interfund loans	-	-	165,363	-	-	-	-	-	-
Total disbursements	697,483	151,432	2,484,909	-	-	-	-	-	-
Excess (deficiency) of receipts over disbursements	40,683	(22,218)	196,886	14,215	57	-	-	-	-
Other financing sources (uses):									
Sale of capital assets	-	1,139	-	-	-	-	-	-	-
Transfers in	-	1,317	-	-	-	-	-	-	-
Transfers out	-	-	-	(14,215)	-	-	-	-	-
Total other financing sources (uses)	-	2,456	-	(14,215)	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	40,683	(19,762)	196,886	-	57	-	-	-	-
Cash and investments - ending	\$ 216,150	\$ 65,218	\$ 466,666	\$ -	\$ 554	\$ 59	\$ -	\$ -	\$ -

EAST WASHINGTON SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2011
 (Continued)

	Mahuron Education Grant 2010-11	Mahuron Education Grant 2011-12	Leadership Project Grant 2010-11	Leadership Project Grant 2011-12	McDonald's MAC Grant 2011-12	Generation Indiana Mini-Grant	Volunteer Day Grant 2011-12	High Ability Grant 2010-11	G/T High Ability Grant 2009-10
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,190
Receipts:									
Local sources	1,250	-	984	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	31,961	-
Federal sources	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	1,250	-	984	-	-	-	-	31,961	-
Disbursements:									
Current:									
Instruction	900	-	819	-	-	-	-	26,963	1,190
Support services	350	-	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-
Total disbursements	1,250	-	819	-	-	-	-	26,963	1,190
Excess (deficiency) of receipts over disbursements	-	-	165	-	-	-	-	4,998	(1,190)
Other financing sources (uses):									
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	165	-	-	-	-	4,998	(1,190)
Cash and investments - ending	\$ -	\$ -	\$ 165	\$ -	\$ -	\$ -	\$ -	\$ 4,998	\$ -

EAST WASHINGTON SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2011
 (Continued)

	ACS-HACH Chemistry Grant	High Ability Grant 2011-12	Non-English Speaking Programs P.L. 273-1999	Connectivity Grant 2010-11	Connectivity Grant 2011-12	Classroom Innovation Grant	Excess PTRC Distributions	Title I 2010-11	Title I 2011-12
Cash and investments - beginning	\$ -	\$ -	\$ 328	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Receipts:									
Local sources	-	-	-	-	-	-	-	224	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	4,439	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	282,992	-
Interfund loans	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	-	-	-	4,439	-	-	-	283,216	-
Disbursements:									
Current:									
Instruction	-	-	-	-	-	-	-	244,195	-
Support services	-	-	-	4,439	-	6,339	-	70,523	-
Noninstructional services	-	-	-	-	-	-	-	5,000	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-
Total disbursements	-	-	-	4,439	-	6,339	-	319,718	-
Excess (deficiency) of receipts over disbursements	-	-	-	-	-	(6,339)	-	(36,502)	-
Other financing sources (uses):									
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	29,472	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	29,472	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	-	-	-	(6,339)	-	(7,030)	-
Cash and investments - ending	\$ -	\$ -	\$ 328	\$ -	\$ -	\$ (6,339)	\$ -	\$ (7,030)	\$ -

EAST WASHINGTON SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2011
 (Continued)

	Title I 2009-10	Title IV A Drug Free 2009-10	Title IV A Drug Free 2010-11	Tech Prep Stem 2010-11	Medicaid Reimbursement Federal	Tech-Prep Education 2009-10	Title II A Class Size Reduction	Title II A Differential Pay/Professional Development	Title II A Class Size Reduction 2009-10
Cash and investments - beginning	\$ 55,626	\$ 2,023	\$ -	\$ -	\$ 13,936	\$ 6,539	\$ -	\$ -	\$ 7,329
Receipts:									
Local sources	-	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-
Federal sources	14,413	-	7,478	16,015	-	8,462	5,173	-	-
Interfund loans	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	14,413	-	7,478	16,015	-	8,462	5,173	-	-
Disbursements:									
Current:									
Instruction	33,604	2,023	40,799	-	-	-	-	-	7,329
Support services	6,963	-	-	16,015	-	1	10,454	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	15,000	-	-	-
Total disbursements	40,567	2,023	40,799	16,015	-	15,001	10,454	-	7,329
Excess (deficiency) of receipts over disbursements	(26,154)	(2,023)	(33,321)	-	-	(6,539)	(5,281)	-	(7,329)
Other financing sources (uses):									
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	-	-	33,704	-	-	-	-	-	-
Transfers out	(29,472)	-	-	-	-	-	-	-	-
Total other financing sources (uses)	(29,472)	-	33,704	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(55,626)	(2,023)	383	-	-	(6,539)	(5,281)	-	(7,329)
Cash and investments - ending	\$ -	\$ -	\$ 383	\$ -	\$ 13,936	\$ -	\$ (5,281)	\$ -	\$ -

EAST WASHINGTON SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2011
 (Continued)

	Title II A Class Size Reduction 2010-11	ARRA Title I Grants to LEAs	ARRA Special Education Part B	ARRA McKinney Homeless Children	Education Jobs	Petty Cash	Payroll	Totals
Cash and investments - beginning	\$ -	\$ 33,921	\$ 10,573	\$ 3,337	\$ -	\$ 50	\$ 11,394	\$ 9,031,841
Receipts:								
Local sources	-	-	-	-	-	-	-	6,770,585
Intermediate sources	-	-	-	-	-	-	-	98
State sources	-	-	-	-	-	-	-	11,160,631
Federal sources	80,905	49,653	88,350	-	17,853	-	-	1,010,172
Interfund loans	-	-	-	-	-	-	-	615,886
Other	-	-	-	-	-	-	2,618,322	2,618,322
Total receipts	80,905	49,653	88,350	-	17,853	-	2,618,322	22,175,694
Disbursements:								
Current:								
Instruction	50,201	85,349	75,790	-	12,696	-	-	8,361,843
Support services	-	965	3,157	3,205	8,214	-	-	5,001,851
Noninstructional services	-	-	-	-	-	-	-	704,197
Facilities acquisition and construction	-	-	-	-	-	-	-	425,687
Debt services	-	-	-	-	-	-	-	1,488,497
Nonprogrammed charges	-	-	-	-	-	-	2,617,249	4,935,734
Interfund loans	-	-	20,000	-	-	-	-	615,886
Total disbursements	50,201	86,314	98,947	3,205	20,910	-	2,617,249	21,533,695
Excess (deficiency) of receipts over disbursements	30,704	(36,661)	(10,597)	(3,205)	(3,057)	-	1,073	641,999
Other financing sources (uses):								
Sale of capital assets	-	-	-	-	-	-	-	1,139
Transfers in	-	-	-	-	-	-	-	1,328,708
Transfers out	(33,704)	-	-	-	-	-	-	(1,328,708)
Total other financing sources (uses)	(33,704)	-	-	-	-	-	-	1,139
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(3,000)	(36,661)	(10,597)	(3,205)	(3,057)	-	1,073	643,138
Cash and investments - ending	\$ (3,000)	\$ (2,740)	\$ (24)	\$ 132	\$ (3,057)	\$ 50	\$ 12,467	\$ 9,674,979

EAST WASHINGTON SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2012

	General	Debt Service	Retirement/ Severance Bond Debt Service	Capital Projects	School Transpiration Operating	School Bus Replacement	Rainy Day	Retirement/ Severance Bond	Early Retirement Buy Out
Cash and investments - beginning	\$ 3,933,192	\$ 834,655	\$ 100,260	\$ 389,498	\$ 448,922	\$ 137,230	\$ 1,500,000	\$ 1,552,587	\$ 25,000
Receipts:									
Local sources	149,972	1,387,128	151,617	959,759	766,313	236,235	-	39,498	-
Intermediate sources	22	-	-	-	-	-	-	-	-
State sources	10,658,205	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-
Other	11,218	-	-	-	44,368	-	-	-	-
Total receipts	10,819,417	1,387,128	151,617	959,759	810,681	236,235	-	39,498	-
Disbursements:									
Current:									
Instruction	7,606,687	-	-	-	-	-	-	39,565	25,000
Support services	2,801,763	-	-	783,081	771,106	-	174,151	26,157	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	20,410	-	-	165,128	-	-	958	-	-
Debt services	-	1,329,465	160,682	-	-	-	-	-	-
Nonprogrammed charges	4,360	-	-	-	-	-	500,000	-	-
Total disbursements	10,433,220	1,329,465	160,682	948,209	771,106	-	675,109	65,722	25,000
Excess (deficiency) of receipts over disbursements	386,197	57,663	(9,065)	11,550	39,575	236,235	(675,109)	(26,224)	(25,000)
Other financing sources (uses):									
Transfers in	152,614	-	-	-	-	-	-	-	-
Transfers out	-	(20,510)	-	-	-	-	-	-	-
Total other financing sources (uses)	152,614	(20,510)	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	538,811	37,153	(9,065)	11,550	39,575	236,235	(675,109)	(26,224)	(25,000)
Cash and investments - ending	\$ 4,472,003	\$ 871,808	\$ 91,195	\$ 401,048	\$ 488,497	\$ 373,465	\$ 824,891	\$ 1,526,363	\$ -

EAST WASHINGTON SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2012
 (Continued)

	School Lunch	Textbook Rental	Self-Insurance	Levy Excess	Educational License Plates	Miscellaneous Gift	2012 Tornado Disaster Relief	In School Counselor Association Grant	Leadership Project 2011-12
Cash and investments - beginning	\$ 216,150	\$ 65,218	\$ 466,666	\$ -	\$ 554	\$ 59	\$ -	\$ -	\$ -
Receipts:									
Local sources	283,781	74,735	1,240,469	-	-	-	31,655	250	1,574
Intermediate sources	-	-	-	-	131	-	-	-	-
State sources	7,615	63,679	-	-	-	-	-	-	-
Federal sources	422,958	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	<u>714,354</u>	<u>138,414</u>	<u>1,240,469</u>	<u>-</u>	<u>131</u>	<u>-</u>	<u>31,655</u>	<u>250</u>	<u>1,574</u>
Disbursements:									
Current:									
Instruction	-	-	-	-	-	-	-	250	-
Support services	316	103,924	240	-	-	-	-	-	-
Noninstructional services	703,631	-	-	-	-	-	30,605	-	-
Facilities acquisition and construction	49,307	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	1,470,774	-	-	-	-	-	-
Total disbursements	<u>753,254</u>	<u>103,924</u>	<u>1,471,014</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>30,605</u>	<u>250</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>(38,900)</u>	<u>34,490</u>	<u>(230,545)</u>	<u>-</u>	<u>131</u>	<u>-</u>	<u>1,050</u>	<u>-</u>	<u>1,574</u>
Other financing sources (uses):									
Transfers in	-	20,510	-	-	-	-	-	-	-
Transfers out	-	-	(150,000)	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>20,510</u>	<u>(150,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(38,900)</u>	<u>55,000</u>	<u>(380,545)</u>	<u>-</u>	<u>131</u>	<u>-</u>	<u>1,050</u>	<u>-</u>	<u>1,574</u>
Cash and investments - ending	<u>\$ 177,250</u>	<u>\$ 120,218</u>	<u>\$ 86,121</u>	<u>\$ -</u>	<u>\$ 685</u>	<u>\$ 59</u>	<u>\$ 1,050</u>	<u>\$ -</u>	<u>\$ 1,574</u>

EAST WASHINGTON SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2012
 (Continued)

	Mahuron Education Grant 2010-11	Mahuron Education Grant 2011-12	Leadership Project Grant 2010-11	Leadership Project Grant 2011-12	McDonald's MAC Grant 2011-12	Generation Indiana Mini-Grant	Volunteer Day Grant 2011-12	High Ability Grant 2010-11	G/T High Ability Grant 2009-10
Cash and investments - beginning	\$ -	\$ -	\$ 165	\$ -	\$ -	\$ -	\$ -	\$ 4,998	\$ -
Receipts:									
Local sources	-	989	-	350	432	250	320	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	-	989	-	350	432	250	320	-	-
Disbursements:									
Current:									
Instruction	-	988	165	211	432	163	139	4,998	-
Support services	-	-	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	-	988	165	211	432	163	139	4,998	-
Excess (deficiency) of receipts over disbursements	-	1	(165)	139	-	87	181	(4,998)	-
Other financing sources (uses):									
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	1	(165)	139	-	87	181	(4,998)	-
Cash and investments - ending	\$ -	\$ 1	\$ -	\$ 139	\$ -	\$ 87	\$ 181	\$ -	\$ -

EAST WASHINGTON SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2012
 (Continued)

	ACS-HACH Chemistry Grant	High Ability Grant 2011-12	Non-English Speaking Programs P.L. 273-1999	Connectivity Grant 2010-11	Connectivity Grant 2011-12	Classroom Innovation Grant	Excess PTRC Distributions	Title I 2010-11	Title I 2011-12
Cash and investments - beginning	\$ -	\$ -	\$ 328	\$ -	\$ -	\$ (6,339)	\$ -	\$ (7,030)	\$ -
Receipts:									
Local sources	1,471	-	-	-	-	-	-	-	28
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	30,792	-	-	3,781	163,121	13,515	-	-
Federal sources	-	-	-	-	-	-	-	35,606	323,443
Other	-	-	-	-	-	-	-	-	-
Total receipts	1,471	30,792	-	-	3,781	163,121	13,515	35,606	323,471
Disbursements:									
Current:									
Instruction	1,471	20,757	-	-	-	-	-	19,646	289,109
Support services	-	-	-	-	3,780	156,782	-	8,930	48,536
Noninstructional services	-	-	-	-	-	-	-	-	8,685
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	1,471	20,757	-	-	3,780	156,782	-	28,576	346,330
Excess (deficiency) of receipts over disbursements	-	10,035	-	-	1	6,339	13,515	7,030	(22,859)
Other financing sources (uses):									
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	10,035	-	-	1	6,339	13,515	7,030	(22,859)
Cash and investments - ending	\$ -	\$ 10,035	\$ 328	\$ -	\$ 1	\$ -	\$ 13,515	\$ -	\$ (22,859)

EAST WASHINGTON SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2012
 (Continued)

	Title I 2009-10	Title IV A Drug Free 2009-10	Title IV A Drug Free 2010-11	Tech Prep Stem 2010-11	Medicaid Reimbursement Federal	Tech-Prep Education 2009-10	Title II A Class Size Reduction	Title II A Differential Pay/Professional Development	Title II A Class Size Reduction 2009-10
Cash and investments - beginning	\$ -	\$ -	\$ 383	\$ -	\$ 13,936	\$ -	\$ (5,281)	\$ -	\$ -
Receipts:									
Local sources	-	-	-	-	-	-	449	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-
Federal sources	-	-	1,157	-	7,459	-	71,547	1,147	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	-	-	1,157	-	7,459	-	71,996	1,147	-
Disbursements:									
Current:									
Instruction	-	-	6,836	-	-	-	49,536	-	-
Support services	-	-	-	-	-	-	26,683	8,361	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	-	-	6,836	-	-	-	76,219	8,361	-
Excess (deficiency) of receipts over disbursements	-	-	(5,679)	-	7,459	-	(4,223)	(7,214)	-
Other financing sources (uses):									
Transfers in	-	-	5,296	-	-	-	-	-	-
Transfers out	-	-	-	-	(2,614)	-	-	-	-
Total other financing sources (uses)	-	-	5,296	-	(2,614)	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	(383)	-	4,845	-	(4,223)	(7,214)	-
Cash and investments - ending	\$ -	\$ -	\$ -	\$ -	\$ 18,781	\$ -	\$ (9,504)	\$ (7,214)	\$ -

EAST WASHINGTON SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2012
 (Continued)

	Title II A Class Size Reduction 2010-11	ARRA Title I Grants to LEAs	ARRA Special Education Part B	ARRA McKinney Homeless Children	Education Jobs	Petty Cash	Payroll	Totals
Cash and investments - beginning	\$ (3,000)	\$ (2,740)	\$ (24)	\$ 132	\$ (3,057)	\$ 50	\$ 12,467	\$ 9,674,979
Receipts:								
Local sources	-	-	-	-	-	-	-	5,327,275
Intermediate sources	-	-	-	-	-	-	-	153
State sources	-	-	-	-	-	-	-	10,940,708
Federal sources	11,028	14,747	9,624	-	272,412	-	-	1,171,128
Other	-	-	-	-	-	-	2,694,628	2,750,214
Total receipts	11,028	14,747	9,624	-	272,412	-	2,694,628	20,189,478
Disbursements:								
Current:								
Instruction	2,732	12,007	-	-	187,631	-	-	8,268,323
Support services	-	-	9,600	132	102,868	-	-	5,026,410
Noninstructional services	-	-	-	-	-	-	-	742,921
Facilities acquisition and construction	-	-	-	-	-	-	-	235,803
Debt services	-	-	-	-	-	-	-	1,490,147
Nonprogrammed charges	-	-	-	-	-	-	2,691,075	4,666,209
Total disbursements	2,732	12,007	9,600	132	290,499	-	2,691,075	20,429,813
Excess (deficiency) of receipts over disbursements	8,296	2,740	24	(132)	(18,087)	-	3,553	(240,335)
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	-	178,420
Transfers out	(5,296)	-	-	-	-	-	-	(178,420)
Total other financing sources (uses)	(5,296)	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	3,000	2,740	24	(132)	(18,087)	-	3,553	(240,335)
Cash and investments - ending	\$ -	\$ -	\$ -	\$ -	\$ (21,144)	\$ 50	\$ 16,020	\$ 9,434,644

EAST WASHINGTON SCHOOL CORPORATION
SCHEDULE OF PAYABLES AND RECEIVABLES
JUNE 30, 2012

<u>School Corporation</u>	<u>Accounts Payable</u>	<u>Accounts Receivable</u>
Governmental activities	<u>\$ 539,917</u>	<u>\$ 60,722</u>

EAST WASHINGTON SCHOOL CORPORATION
SCHEDULE OF LEASES AND DEBT
JUNE 30, 2012

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities:				
East Washington Multi-School Building Corporation	School Facilities	<u>\$ 1,130,000</u>	07-15-06	07-15-28

Description of Debt	Purpose	Ending Principal Balance	Principal and Interest Due Within One Year
Type			
Governmental activities:			
Notes and loans payable:			
Common School Loan of 1992	Elementary/Middle School	\$ 112,500	\$ 79,688
Common School Loan of 1998	Middle School	836,000	114,808
General obligation bonds:			
Pension bonds	2004 Retirement/Severance	<u>980,000</u>	<u>160,582</u>
Totals		<u>\$ 1,928,500</u>	<u>\$ 355,078</u>

(This page intentionally left blank.)

EAST WASHINGTON SCHOOL CORPORATION
SCHEDULE OF CAPITAL ASSETS
JUNE 30, 2012

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

	<u>Ending Balance</u>
Governmental activities:	
Land	\$ 1,269,017
Buildings	33,479,279
Improvements other than buildings	2,499,969
Machinery, equipment and vehicles	<u>3,277,982</u>
Total capital assets	<u>\$ 40,526,247</u>

EAST WASHINGTON SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS

AVERAGE DAILY MEMBERSHIP (ADM) - LACK OF RECORDS

Records were not presented for audit to support the ADM claimed by the School Corporation.

Officials should maintain records (enrollment cards, rosters, reporting forms, etc.) which substantiate the number of students claimed for ADM.

The building level Official (Principal, Assistant Principal, etc.) is responsible for reporting ADM to the School Corporation Central Office should provide a written certification of ADM (written or electronic which is retained for audit) to properly document responsibility. The certification should at a minimum include a statement detailing the names and location of the records used (these records must be retained for public inspection and audit) to substantiate ADM claimed. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 8)

INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

We noted several deficiencies in the internal control system of the School Corporation related to financial transactions and reporting. We believe the following deficiencies constitute material weaknesses:

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 statement. 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 was responsible for collection of monies, issuing receipts, making deposits, posting receipt transactions, and preparing the monthly bank reconciliations. The same employee was also responsible for 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 objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

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)

COLLECTIVE BARGAINING AGREEMENT

The collective bargaining agreement for the period July 1, 2012 to June 30, 2013 was ratified by the board on October 18, 2012, and contained the following items prohibited by Indiana Code 20-29-6-4.5:

1. Negotiation/discussion procedures.
2. Boilerplate contract terms not authorized by statute including Supremacy, amendment to agreement, and Severability Clause.

EAST WASHINGTON SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

Indiana Code 20-29-6-4 states:

"(a) A school employer shall bargain collectively with the exclusive representative on the following:

- (1) Salary.
- (2) Wages.
- (3) Salary and wage related fringe benefits, including accident, sickness, health, dental, vision, life, disability, retirement benefits, and paid time off as permitted to be bargained under IC 20-28-9-11.

(b) Salary and wages include the amounts of pay increases available to employees under the salary scale adopted under IC 20-28-9-1, but do not include the teacher evaluation procedures and criteria, or any components of the teacher evaluation plan, rubric, or tool."

Indiana Code 20-29-6-4.5 states:

"(a) For a contract entered into after June 30, 2011, a school employer may not bargain collectively with the exclusive representative on the following:

- (1) The school calendar.
- (2) Teacher dismissal procedures and criteria.
- (3) Restructuring options available to a school employer under federal or state statutes, regulations, or rules because of the failure of the school corporation or a school to meet federal or state accountability standards.
- (4) The ability of a school employer to contract, partner, or operate jointly with an educational entity that provides postsecondary credits to students of the school employer or dual credits from the school employer and the educational entity.
- (5) Any subject not expressly listed in section 4 of this chapter.

(b) A subject set forth in subsection (a) that may not be bargained collectively may not be included in an agreement entered into under this article."

SBOA will review corporations' collective bargaining agreements during the audit process to determine whether the agreements contained prohibited subjects of bargaining. . . . Financial losses related to a corporation's inclusion of prohibited subjects may be the personal obligation of the responsible school official or employee. (The School Administrator and Uniform Compliance Guidelines Volume 198, June 2012)

(This page intentionally left blank.)

SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

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

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON
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 East Washington School Corporation's (School Corporation) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of its major federal programs for the period of July 1, 2010 to June 30, 2012. 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 could have a direct and material effect on each of its major federal programs for the period of July 1, 2010 to June 30, 2012.

Internal Control Over Compliance

Management of the School Corporation is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the School Corporation's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School Corporation's internal control over compliance.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133
(Continued)

A deficiency in 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 and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

This report is intended solely for the information and use of the School Corporation's management, the School Board, others within the entity, 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.



Bruce Hartman
State Examiner

February 25, 2013

(This page intentionally left blank.)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

EAST WASHINGTON SCHOOL CORPORATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Years Ended June 30, 2011 and 2012

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 06-30-11	Total Federal Awards Expended 06-30-12
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
Pass-Through Indiana Department of Education				
Child Nutrition Cluster				
School Breakfast Program	10.553		\$ 89,224	\$ 84,166
National School Lunch Program	10.555		<u>401,255</u>	<u>398,673</u>
Total for federal grantor agency			<u>490,479</u>	<u>482,839</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>				
Pass-Through Indiana Department of Education				
Title I, Part A Cluster				
Title I Grants to Local Educational Agencies				
FY 2009-10	84.010	10-8215	40,567	-
FY 2010-11		11-8215	312,689	35,606
FY 2011-12		12-8215	<u>-</u>	<u>323,471</u>
Total for program			<u>353,256</u>	<u>359,077</u>
ARRA - Title I Grants to Local Educational Agencies, Recovery Act				
FY 2010-11, Part A	84.389	11-8215	<u>83,574</u>	<u>14,747</u>
Total for cluster			<u>436,830</u>	<u>373,824</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>98,947</u>	<u>9,600</u>
Total for cluster			<u>98,947</u>	<u>9,600</u>
Pass-Through Indiana Department of Education				
Safe and Drug Free Schools and Communities - State Grants				
FY 2008-10	84.186	08-8215	2,023	-
FY 2009-11		09-8215	<u>40,799</u>	<u>6,836</u>
Total for program			<u>42,822</u>	<u>6,836</u>
Tech-Prep Education				
FY 2009-10	84.243	TP-09-358	1	-
FY 2010-11		TP-10-358	<u>16,015</u>	<u>-</u>
Total for program			<u>16,016</u>	<u>-</u>
Improving Teacher Quality State Grants				
FY 2008-10	84.367	08-8215	7,329	-
FY 2009-11		09-8215	50,201	3,000
FY 2010-12		10-8215	-	71,996
FY 2011-13		11-8215	<u>-</u>	<u>1,147</u>
Total for program			<u>57,530</u>	<u>76,143</u>
Education of Homeless Children and Youth Cluster				
ARRA - Education for Homeless Children and Youth, Recovery Act				
SY 2010-11	84.387	8215	<u>3,205</u>	<u>132</u>
Total for cluster			<u>3,205</u>	<u>132</u>
Education Jobs Fund				
FY 2010-12	84.410	8215	<u>17,853</u>	<u>272,412</u>
Total for federal grantor agency			<u>775,355</u>	<u>748,679</u>
Total federal awards expended			<u>\$ 1,163,682</u>	<u>\$ 1,221,786</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

Note 1. 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 statement. Accordingly, the amount of federal awards expended is based on when the disbursement related to the award occurs except when the federal award is received on a reimbursement basis. In these instances the federal awards are considered expended when the reimbursement is received.

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

Note 2. Noncash Assistance

The School Corporation expended the following amount of noncash assistance for the years ending June 30, 2011 and 2012. This noncash assistance is also included in the federal expenditures presented in the schedule.

Program Title	Federal CFDA Number	2011	2012
Child Nutrition Cluster:			
Food Commodities:			
School Breakfast Program	10.553	\$ 9,387	\$ 9,977
National School Lunch Program	10.555	42,214	49,904

EAST WASHINGTON SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statement:

Type of auditor's report issued:	Adverse as to GAAP; Unqualified as to Regulatory Basis
Internal control over financial reporting:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Noncompliance material to financial statement noted?	no

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	no
Significant deficiencies identified?	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 OMB Circular A-133?	no

Identification of Major Programs:

Name of Federal Program or Cluster

Child Nutrition Cluster
Title I, Part A Cluster

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

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

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

Section II – Financial Statement Finding

FINDING 2012-1 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

We noted several deficiencies in the internal control system of the School Corporation related to financial transactions and reporting. We believe the following deficiencies constitute material weaknesses:

Lack of Segregation of Duties: Control activities should be selected and developed at various levels of the School Corporation to reduce risks to the achievement of financial reporting objectives. 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 remain undetected.

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

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

We recommended the School Corporation segregate the duties of collections, posting of transactions, preparation of the bank deposits, and preparation of the monthly bank reconciliements.

Section III – Federal Award Findings and Questioned Costs

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

February 12, 2013

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Federal Finding 2010-3, Advance Payments

Original SBA Audit Report Number:	B38516
Fiscal Year:	2008-2010
Auditee Contact Person:	Christi Pruitt
Title of Contact Person:	Corporation Treasurer
Phone Number:	812-967-3926
Federal Agency:	US Department of Education
CFDA Number:	84.394
Pass Through Entity:	Indiana Department of Education
Federal Award Number:	FY 2008-09 and FY 2009-10
Status of Finding:	Because stimulus monies are no longer applicable for this finding no further action was taken. If future stimulus monies become available, those funds would be disbursed for current obligations only.

Steve Darnell
Superintendent
East Washington School Corporation

Christi Pruitt
Corporation Treasurer
East Washington School Corporation

Linda McClellan
President, School Board of Trustees
East Washington School Corporation

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

February 12, 2013

CORRECTIVE ACTION PLAN

Federal Finding 2012-1, Internal Controls over Financial Transactions and Reporting

Fiscal Year:	2010-2012
Auditee Contact Person:	Christi Pruitt
Title of Contact Person:	Corporation Treasurer
Phone Number:	812-967-3926
Status of Finding:	Due to the size and financials of the corporation, it is not feasible to hire additional staff for the administration office at this time. The administration office is continually searching for ways to diversify job duties to the best of its ability so that some internal controls can be implemented.

A handwritten signature in cursive script that reads "Steve Darnell".

Steve Darnell
Superintendent
East Washington School Corporation

A handwritten signature in cursive script that reads "Christi Pruitt".

Christi Pruitt
Corporation Treasurer
East Washington School Corporation

A handwritten signature in cursive script that reads "Linda McClellan".

Linda McClellan
President, School Board of Trustees
East Washington School Corporation

EAST WASHINGTON SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on February 25, 2013, with Linda McClellan, President of the School Board; Steve Darnell, Superintendent of Schools; and Christi Pruitt, Treasurer.