

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, 2012 to June 30, 2014



FILED
02/18/2016

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Christi Pruitt (Vacant) Jodi Cole	01-01-12 to 04-24-15 04-25-15 to 05-25-15 05-26-15 to 12-31-15
Superintendent of Schools	Dr. Phyllis L. Amick (Interim) Steve Darnell	07-01-12 to 07-16-12 07-17-12 to 06-30-17
President of the School Board	Theresa Drescher Linda McClellan	01-01-12 to 12-31-12 01-01-13 to 12-31-15



STATE OF INDIANA
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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statement

We have audited the accompanying financial statement of the East Washington School Corporation (School Corporation), which comprises the financial position and results of operations for the period of July 1, 2012 to June 30, 2014, and the related notes to the financial statement as listed in the Table of Contents.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the financial reporting provisions of the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6). Management is responsible for and has determined that the regulatory basis of accounting, as established by the Indiana State Board of Accounts, is an acceptable basis of presentation. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the School Corporation's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School Corporation's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As discussed in Note 1 of the financial statement, the School Corporation prepares its financial statement on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6), which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position and results of operations of the School Corporation for the period of July 1, 2012 to June 30, 2014.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position and results of operations of the School Corporation for the period of July 1, 2012 to June 30, 2014, in accordance with the financial reporting provisions of the Indiana State Board of Accounts described in Note 1.

Other Matters

Supplementary Information

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

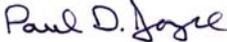
Other Information

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

INDEPENDENT AUDITOR'S REPORT
(Continued)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated December 15, 2015, 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* in considering the School Corporation's internal control over financial reporting and compliance.


Paul D. Joyce, CPA
State Examiner

December 15, 2015



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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statement of the East Washington School Corporation (School Corporation), which comprises the financial position and results of operations for the period of July 1, 2012 to June 30, 2014, and the related notes to the financial statement, and have issued our report thereon dated December 15, 2015, wherein we noted the School Corporation followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the School Corporation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the School Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the School Corporation's internal control.

Our consideration of the internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified 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 items 2014-001 and 2014-002 to be material weaknesses.

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

Compliance and Other Matters

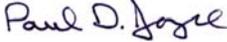
As part of obtaining reasonable assurance about whether the School Corporation's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed 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 2014-001.

East Washington Community School's Response to Findings

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

Purpose of This Report

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


Paul D. Joyce, CPA
State Examiner

December 15, 2015

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FINANCIAL STATEMENT AND ACCOMPANYING NOTES

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

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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, 2013 and 2014

	Cash and Investments 07-01-12	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-13	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-14
General	\$ 4,472,003	\$ 10,802,669	\$ 11,793,053	\$ 59	\$ 3,481,678	\$ 10,784,114	\$ 11,452,120	\$ 8,868	\$ 2,822,540
Debt Service	871,808	1,303,738	1,325,495	(23,366)	826,685	1,328,154	1,410,655	(15,693)	728,491
Retirement/Severance Bond Debt Service	91,195	165,983	160,582	-	96,596	155,966	111,755	-	140,807
Capital Projects	401,048	1,160,162	1,212,815	-	348,395	1,272,336	1,357,059	(139,500)	124,172
Transportation Operating Fund	488,497	803,144	808,121	-	483,520	958,946	1,017,163	(91,943)	333,360
School Bus Replacement	373,465	147,265	277,416	-	243,314	61,026	145,921	(15,500)	142,919
Rainy Day Fund	824,891	-	253,573	-	571,318	-	133,141	264,000	702,177
Retirement/Severance Fund	1,526,363	-	209,112	-	1,317,251	-	309,721	-	1,007,530
GO Bond HVAC Project 2013	-	-	-	-	-	-	738,518	784,000	45,482
School Lunch Fund	177,250	685,345	810,060	-	52,535	759,102	731,667	554	80,524
Textbook Rental Fund	120,218	130,671	69,200	23,366	205,055	140,959	183,244	15,693	178,463
Self-Insurance	86,121	134,532	165,567	-	55,086	121,069	160,848	-	15,307
Educational License Plates	685	113	-	-	798	225	-	-	1,023
Alternative Education MS/HS	-	9,030	9,030	-	-	-	-	-	-
Alternative Ed HS 2014	-	-	-	-	-	7,695	7,695	-	-
Early Intervention	-	-	-	-	-	9,162	9,162	-	-
Miscellaneous Gift	59	6,000	6,000	(59)	-	250	-	-	250
2012 Tornado Distaster Relief	1,050	-	1,050	-	-	-	-	-	-
Generation-On In-Mini 2012-13	-	250	250	-	-	-	-	-	-
In School Counsel Assoc 2012-13	-	250	247	-	3	-	3	-	-
Generation-On In-Mini 2013-14	-	250	250	-	-	-	-	-	-
Mahuron Grant 2012-13	-	670	670	-	-	-	-	-	-
L.E.A.D. Initiative Assessment 2013	-	500	292	-	208	3,500	2,090	-	1,618
Generation-On Mini-Grant Nov. 13	-	-	-	-	-	250	250	-	-
Mahuron Grant 2013-14 SY	-	-	-	-	-	814	814	-	-
Washington Co. Substance Abuse Grant 2014	-	-	-	-	-	2,375	1,129	-	1,246
Wal-Mart Vap Grant	-	-	-	-	-	250	239	-	11
Generation-On Mini-Grant	-	-	-	-	-	250	250	-	-
Leadership Project 2013	-	1,270	200	-	1,070	-	1,070	-	-
Leadership Project 2011-12	1,574	-	1,574	-	-	-	-	-	-
Mahuron Education Grant 2011-12	1	-	1	-	-	-	-	-	-
Leadership Project 2011-12	139	-	86	-	53	-	53	-	-
Generation Indiana Mini-Grant	87	-	87	-	-	-	-	-	-
Volunteer Day Grant 2011-12	181	-	119	-	62	-	62	-	-
High Ability Grant 2011-12	10,035	-	10,035	-	-	-	-	-	-
High Ability Grant	-	30,614	17,513	-	13,101	-	13,101	-	-
High Ability Grant 2013-14 SY	-	-	-	-	-	29,938	24,519	-	5,419
Education Technology	-	-	-	-	-	141,396	141,396	-	-
Secured School Safety Grant	-	-	-	-	-	-	50,000	-	(50,000)
Non-English Speaking Programs	328	-	-	-	328	-	-	(328)	-
Connectivity Grant 2011-12	1	-	1	-	-	-	-	-	-
Connectivity Grant 2012-13	-	4,524	4,147	-	377	-	377	-	-
Connectivity Grant 2013-14	-	-	-	-	-	4,661	4,147	-	514
Senator David Ford Technology	-	38,078	38,078	-	-	-	-	-	-
Excess PTRC Distributions	13,515	4,930	-	-	18,445	-	-	(17,057)	1,388
Title I 2011-12	(22,859)	94,884	72,025	-	-	-	-	-	-
Title I 2012-13	-	244,048	260,882	-	(16,834)	38,319	21,485	-	-
Title I 2013-14 SY	-	-	-	-	-	294,837	317,808	-	(22,971)
(IDEA, Part B) LEA Capacity Building (Sliver) Grants	-	70,000	70,000	-	-	-	-	-	-
Special Education Grant	-	-	-	-	-	70,000	70,000	-	-
Medicaid Reimbursement - Federal	18,781	21,159	24,143	-	15,797	24,695	26,961	-	13,531
Title II A Class Size Reduction	(9,504)	14,214	4,710	-	-	-	-	-	-
Title II A Differ Pay/Prof Dev	(7,214)	17,497	17,601	-	(7,318)	58,068	50,747	-	3
Title II A FY 2012-14	-	-	1,048	-	(1,048)	76,945	76,049	-	(152)
Title II A FY 2013-15	-	-	-	-	-	5,875	6,282	-	(407)
Rural Schools and Low Income Program - Pass Through State	-	31,618	31,618	-	-	-	-	-	-
Title IV Rural low income 2013-15	-	-	-	-	-	16,894	18,310	-	(1,416)
Education Jobs	(21,144)	78,760	57,616	-	-	-	-	-	-
Petty Cash	50	-	-	-	50	-	-	-	50
Clearing Account	16,020	2,923,283	2,933,529	-	5,774	2,867,546	2,816,228	-	57,092
Totals	\$ 9,434,644	\$ 18,925,451	\$ 20,647,796	\$ -	\$ 7,712,299	\$ 19,235,617	\$ 21,412,039	\$ 793,094	\$ 6,328,971

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

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

C. Cash and Investments

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

D. Receipts

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

Local sources 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.

EAST WASHINGTON SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

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.

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.

EAST WASHINGTON SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

F. Other Financing Sources and Uses

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

Proceeds of long-term debt which includes money received in relation to the issuance of bonds or other long-term debt issues.

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

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.

EAST WASHINGTON SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

Note 4. Deposits and Investments

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

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

Note 5. Risk Management

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

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

Note 6. Pension Plans

A. Public Employees' Retirement Fund

Plan Description

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

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

Indiana Public Retirement System
One North Capitol, Suite 001
Indianapolis, IN 46204
Ph. (888) 526-1687

EAST WASHINGTON SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

Funding Policy and Annual Pension Cost

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

B. Teachers' Retirement Fund

Plan Description

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

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

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

Funding Policy and Annual Pension Cost

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

C. Additional Pension Plan

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

Note 7. Cash Balance Deficits

The financial statement contains some funds with deficits in cash. This is a result of funds being set up for reimbursable grants. The reimbursements for expenditures made by the School Corporation were not received by June 30, 2013, and June 30, 2014.

EAST WASHINGTON SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

Note 8. *Holding Corporation*

The School Corporation has entered into a capital lease 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, 2013, and June 30, 2014, totaled \$1,130,000 and \$1,165,000, respectively.

Note 9. *Other Postemployment Benefits*

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

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OTHER INFORMATION - UNAUDITED

The School Corporation's Financial Reports can be found on the Indiana Department of Education website: <http://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. Additionally, some financial information of the School Corporation can be found on the Gateway website: <https://gateway.ifionline.org/>.

Differences may be noted between the financial information presented in the financial statement contained in this report and the financial information presented in the 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 other 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, 2013

	General	Debt Service	Retirement/ Severance Bond Debt Service	Capital Projects	Transportation Operating Fund	School Bus Replacement	Rainy Day Fund	Retirement/ Severance Fund	GO Bond HVAC Project 2013
Cash and investments - beginning	\$ 4,472,003	\$ 871,808	\$ 91,195	\$ 401,048	\$ 488,497	\$ 373,465	\$ 824,891	\$ 1,526,363	\$ -
Receipts:									
Local sources	49,075	1,303,738	165,983	985,162	795,117	147,265	-	-	-
Intermediate sources	12	-	-	-	-	-	-	-	-
State sources	10,236,717	-	-	-	951	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-
Interfund loans	175,000	-	-	175,000	-	-	-	-	-
Other	341,865	-	-	-	7,076	-	-	-	-
Total receipts	10,802,669	1,303,738	165,983	1,160,162	803,144	147,265	-	-	-
Disbursements:									
Current:									
Instruction	8,350,521	-	-	-	-	-	-	148,941	-
Support services	3,260,436	-	-	825,034	808,121	277,416	75,849	60,171	-
Noninstructional services	4,916	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	212,781	-	-	177,724	-	-
Debt services	-	1,325,495	160,582	-	-	-	-	-	-
Nonprogrammed charges	2,180	-	-	-	-	-	-	-	-
Interfund loans	175,000	-	-	175,000	-	-	-	-	-
Total disbursements	11,793,053	1,325,495	160,582	1,212,815	808,121	277,416	253,573	209,112	-
Excess (deficiency) of receipts over disbursements	(990,384)	(21,757)	5,401	(52,653)	(4,977)	(130,151)	(253,573)	(209,112)	-
Other financing sources (uses):									
Transfers in	175,059	-	-	175,000	-	-	-	-	-
Transfers out	(175,000)	(23,366)	-	(175,000)	-	-	-	-	-
Total other financing sources (uses)	59	(23,366)	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(990,325)	(45,123)	5,401	(52,653)	(4,977)	(130,151)	(253,573)	(209,112)	-
Cash and investments - ending	\$ 3,481,678	\$ 826,685	\$ 96,596	\$ 348,395	\$ 483,520	\$ 243,314	\$ 571,318	\$ 1,317,251	\$ -

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, 2013
 (Continued)

	School Lunch Fund	Textbook Rental Fund	Self- Insurance	Educational License Plates	Alternative Education MS/HS	Alternative Ed HS 2014	Early Intervention	Miscellaneous Gift	2012 Tornado Distaster Relief
Cash and investments - beginning	\$ 177,250	\$ 120,218	\$ 86,121	\$ 685	\$ -	\$ -	\$ -	\$ 59	\$ 1,050
Receipts:									
Local sources	273,380	67,891	134,532	-	-	-	-	6,000	-
Intermediate sources	-	-	-	113	-	-	-	-	-
State sources	7,497	62,780	-	-	9,030	-	-	-	-
Federal sources	404,468	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	685,345	130,671	134,532	113	9,030	-	-	6,000	-
Disbursements:									
Current:									
Instruction	-	-	-	-	9,030	-	-	3,089	-
Support services	454	69,200	173	-	-	-	-	-	-
Noninstructional services	770,613	-	-	-	-	-	-	2,911	1,050
Facilities acquisition and construction	38,993	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	165,394	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-
Total disbursements	810,060	69,200	165,567	-	9,030	-	-	6,000	1,050
Excess (deficiency) of receipts over disbursements	(124,715)	61,471	(31,035)	113	-	-	-	-	(1,050)
Other financing sources (uses):									
Transfers in	-	23,366	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	(59)	-
Total other financing sources (uses)	-	23,366	-	-	-	-	-	(59)	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(124,715)	84,837	(31,035)	113	-	-	-	(59)	(1,050)
Cash and investments - ending	\$ 52,535	\$ 205,055	\$ 55,086	\$ 798	\$ -	\$ -	\$ -	\$ -	\$ -

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, 2013
 (Continued)

	Generation-On In-Mini 2012-13	In School Counsel Assoc 2012-13	Generation-On In-Mini 2013-14	Mahuron Grant 2012-13	L.E.A.D. Initiative Assessment 2013	Generation-On Mini-Grant Nov. 13	Mahuron Grant 2013-14 SY	Washington Co. Substance Abuse Grant 2014	Wal-Mart Vap Grant
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Receipts:									
Local sources	250	250	250	670	500	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	250	250	250	670	500	-	-	-	-
Disbursements:									
Current:									
Instruction	250	247	250	670	292	-	-	-	-
Support services	-	-	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-
Total disbursements	250	247	250	670	292	-	-	-	-
Excess (deficiency) of receipts over disbursements	-	3	-	-	208	-	-	-	-
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	-	3	-	-	208	-	-	-	-
Cash and investments - ending	\$ -	\$ 3	\$ -	\$ -	\$ 208	\$ -	\$ -	\$ -	\$ -

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, 2013
 (Continued)

	Generation-On Mini-Grant	Leadership Project 2013	Leadership Project 2011-12	Mahuron Education Grant 2011-12	Leadership Project 2011-12	Generation Indiana Mini-Grant	Volunteer Day Grant 2011-12	High Ability Grant 2011-12	High Ability Grant
Cash and investments - beginning	\$ -	\$ -	\$ 1,574	\$ 1	\$ 139	\$ 87	\$ 181	\$ 10,035	\$ -
Receipts:									
Local sources	-	1,270	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	30,614
Federal sources	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	-	1,270	-	-	-	-	-	-	30,614
Disbursements:									
Current:									
Instruction	-	200	1,012	1	86	87	119	10,035	17,513
Support services	-	-	562	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-
Total disbursements	-	200	1,574	1	86	87	119	10,035	17,513
Excess (deficiency) of receipts over disbursements	-	1,070	(1,574)	(1)	(86)	(87)	(119)	(10,035)	13,101
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	-	1,070	(1,574)	(1)	(86)	(87)	(119)	(10,035)	13,101
Cash and investments - ending	\$ -	\$ 1,070	\$ -	\$ -	\$ 53	\$ -	\$ 62	\$ -	\$ 13,101

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, 2013
 (Continued)

	High Ability Grant 2013-14 SY	Education Technology	Secured School Safety Grant	Non-English Speaking Programs	Connectivity Grant 2011-12	Connectivity Grant 2012-13	Connectivity Grant 2013-14	Senator David Ford Technology	Excess PTRC Distributions
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ 328	\$ 1	\$ -	\$ -	\$ -	\$ 13,515
Receipts:									
Local sources	-	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	4,524	-	38,078	4,930
Federal sources	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	-	-	-	-	-	4,524	-	38,078	4,930
Disbursements:									
Current:									
Instruction	-	-	-	-	-	-	-	-	-
Support services	-	-	-	-	1	4,147	-	38,078	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-
Total disbursements	-	-	-	-	1	4,147	-	38,078	-
Excess (deficiency) of receipts over disbursements	-	-	-	-	(1)	377	-	-	4,930
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)	377	-	-	4,930
Cash and investments - ending	\$ -	\$ -	\$ -	\$ 328	\$ -	\$ 377	\$ -	\$ -	\$ 18,445

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, 2013
 (Continued)

	Title I 2011-12	Title I 2012-13	Title I 2013-14 SY	(IDEA, Part B) LEA Capacity Building (Sliver) Grants	Special Education Grant	Medicaid Reimbursement - Federal	Title II A Class Size Reduction	Title II A Differ Pay/Prof Dev
Cash and investments - beginning	\$ (22,859)	\$ -	\$ -	\$ -	\$ -	\$ 18,781	\$ (9,504)	\$ (7,214)
Receipts:								
Local sources	39,507	298	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-
Federal sources	55,377	243,750	-	70,000	-	21,159	14,214	17,497
Interfund loans	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total receipts	<u>94,884</u>	<u>244,048</u>	<u>-</u>	<u>70,000</u>	<u>-</u>	<u>21,159</u>	<u>14,214</u>	<u>17,497</u>
Disbursements:								
Current:								
Instruction	71,053	248,486	-	70,000	-	15,614	1,399	-
Support services	972	3,964	-	-	-	8,529	3,311	17,601
Noninstructional services	-	8,432	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-
Total disbursements	<u>72,025</u>	<u>260,882</u>	<u>-</u>	<u>70,000</u>	<u>-</u>	<u>24,143</u>	<u>4,710</u>	<u>17,601</u>
Excess (deficiency) of receipts over disbursements	<u>22,859</u>	<u>(16,834)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,984)</u>	<u>9,504</u>	<u>(104)</u>
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>22,859</u>	<u>(16,834)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,984)</u>	<u>9,504</u>	<u>(104)</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ (16,834)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,797</u>	<u>\$ -</u>	<u>\$ (7,318)</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, 2013
 (Continued)

	Title II A FY 2012-14	Title II A FY 2013-15	Rural Schools and Low Income Program - Pass Through State	Title IV Rural Low-Income 2013-15	Education Jobs	Petty Cash	Clearing Account	Totals
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ -	\$ (21,144)	\$ 50	\$ 16,020	\$ 9,434,644
Receipts:								
Local sources	-	-	-	-	-	-	-	3,971,138
Intermediate sources	-	-	-	-	-	-	-	125
State sources	-	-	-	-	-	-	-	10,395,121
Federal sources	-	-	31,618	-	78,760	-	-	936,843
Interfund loans	-	-	-	-	-	-	-	350,000
Other	-	-	-	-	-	-	2,923,283	3,272,224
Total receipts	-	-	31,618	-	78,760	-	2,923,283	18,925,451
Disbursements:								
Current:								
Instruction	-	-	31,618	-	50,482	-	-	9,030,995
Support services	1,048	-	-	-	7,134	-	-	5,462,201
Noninstructional services	-	-	-	-	-	-	-	787,922
Facilities acquisition and construction	-	-	-	-	-	-	-	429,498
Debt services	-	-	-	-	-	-	-	1,486,077
Nonprogrammed charges	-	-	-	-	-	-	2,933,529	3,101,103
Interfund loans	-	-	-	-	-	-	-	350,000
Total disbursements	1,048	-	31,618	-	57,616	-	2,933,529	20,647,796
Excess (deficiency) of receipts over disbursements	(1,048)	-	-	-	21,144	-	(10,246)	(1,722,345)
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	-	373,425
Transfers out	-	-	-	-	-	-	-	(373,425)
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(1,048)	-	-	-	21,144	-	(10,246)	(1,722,345)
Cash and investments - ending	\$ (1,048)	\$ -	\$ -	\$ -	\$ -	\$ 50	\$ 5,774	\$ 7,712,299

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, 2014

	General	Debt Service	Retirement/ Severance Bond Debt Service	Capital Projects	Transportation Operating Fund	School Bus Replacement	Rainy Day Fund	Retirement/ Severance Fund	GO Bond HVAC Project 2013
Cash and investments - beginning	\$ 3,481,678	\$ 826,685	\$ 96,596	\$ 348,395	\$ 483,520	\$ 243,314	\$ 571,318	\$ 1,317,251	\$ -
Receipts:									
Local sources	175,928	1,328,154	155,966	997,336	808,260	61,026	-	-	-
Intermediate sources	26	-	-	-	-	-	-	-	-
State sources	10,125,936	-	-	-	686	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-
Interfund loans	425,000	-	-	275,000	150,000	-	-	-	-
Other	57,224	-	-	-	-	-	-	-	-
Total receipts	10,784,114	1,328,154	155,966	1,272,336	958,946	61,026	-	-	-
Disbursements:									
Current:									
Instruction	7,885,710	-	-	-	-	-	-	257,642	-
Support services	3,132,972	-	-	896,990	867,163	145,921	62,768	52,079	50,000
Noninstructional services	6,258	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	166,224	-	-	70,373	-	688,518
Debt services	-	1,410,655	111,755	18,845	-	-	-	-	-
Nonprogrammed charges	2,180	-	-	-	-	-	-	-	-
Interfund loans	425,000	-	-	275,000	150,000	-	-	-	-
Total disbursements	11,452,120	1,410,655	111,755	1,357,059	1,017,163	145,921	133,141	309,721	738,518
Excess (deficiency) of receipts over disbursements	(668,006)	(82,501)	44,211	(84,723)	(58,217)	(84,895)	(133,141)	(309,721)	(738,518)
Other financing sources (uses):									
Proceeds of long-term debt	-	-	-	-	-	-	-	-	784,000
Sale of capital assets	8,540	-	-	-	-	-	-	-	-
Transfers in	328	-	-	-	17,057	-	264,000	-	-
Transfers out	-	(15,693)	-	(139,500)	(109,000)	(15,500)	-	-	-
Total other financing sources (uses)	8,868	(15,693)	-	(139,500)	(91,943)	(15,500)	264,000	-	784,000
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(659,138)	(98,194)	44,211	(224,223)	(150,160)	(100,395)	130,859	(309,721)	45,482
Cash and investments - ending	\$ 2,822,540	\$ 728,491	\$ 140,807	\$ 124,172	\$ 333,360	\$ 142,919	\$ 702,177	\$ 1,007,530	\$ 45,482

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, 2014
 (Continued)

	School Lunch Fund	Textbook Rental Fund	Self- Insurance	Educational License Plates	Alternative Education MS/HS	Alternative Ed HS 2014	Early Intervention	Miscellaneous Gift	2012 Tornado Distaster Relief
Cash and investments - beginning	\$ 52,535	\$ 205,055	\$ 55,086	\$ 798	\$ -	\$ -	\$ -	\$ -	\$ -
Receipts:									
Local sources	302,695	58,805	121,069	-	-	-	-	250	-
Intermediate sources	-	-	-	225	-	-	-	-	-
State sources	7,659	82,154	-	-	-	7,695	9,162	-	-
Federal sources	448,748	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	759,102	140,959	121,069	225	-	7,695	9,162	250	-
Disbursements:									
Current:									
Instruction	-	-	-	-	-	7,695	9,162	-	-
Support services	96	183,244	158	-	-	-	-	-	-
Noninstructional services	731,116	-	-	-	-	-	-	-	-
Facilities acquisition and construction	455	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	160,690	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-
Total disbursements	731,667	183,244	160,848	-	-	7,695	9,162	-	-
Excess (deficiency) of receipts over disbursements	27,435	(42,285)	(39,779)	225	-	-	-	250	-
Other financing sources (uses):									
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-
Sale of capital assets	554	-	-	-	-	-	-	-	-
Transfers in	-	15,693	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	554	15,693	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	27,989	(26,592)	(39,779)	225	-	-	-	250	-
Cash and investments - ending	\$ 80,524	\$ 178,463	\$ 15,307	\$ 1,023	\$ -	\$ -	\$ -	\$ 250	\$ -

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, 2014
 (Continued)

	Generation-On In-Mini 2012-13	In School Counsel Assoc 2012-13	Generation-On In-Mini 2013-14	Mahuron Grant 2012-13	L.E.A.D. Initiative Assessment 2013	Generation-On Mini-Grant Nov. 13	Mahuron Grant 2013-14 SY	Washington Co. Substance Abuse Grant 2014	Wal-Mart Vap Grant
Cash and investments - beginning	\$ -	\$ 3	\$ -	\$ -	\$ 208	\$ -	\$ -	\$ -	\$ -
Receipts:									
Local sources	-	-	-	-	3,500	250	814	2,375	250
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	-	-	-	-	3,500	250	814	2,375	250
Disbursements:									
Current:									
Instruction	-	3	-	-	2,090	250	344	1,129	239
Support services	-	-	-	-	-	-	470	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-
Total disbursements	-	3	-	-	2,090	250	814	1,129	239
Excess (deficiency) of receipts over disbursements	-	(3)	-	-	1,410	-	-	1,246	11
Other financing sources (uses):									
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-
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	-	(3)	-	-	1,410	-	-	1,246	11
Cash and investments - ending	\$ -	\$ -	\$ -	\$ -	\$ 1,618	\$ -	\$ -	\$ 1,246	\$ 11

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, 2014
 (Continued)

	Generation-On Mini-Grant	Leadership Project 2013	Leadership Project 2011-12	Mahuron Education Grant 2011-12	Leadership Project 2011-12	Generation Indiana Mini-Grant	Volunteer Day Grant 2011-12	High Ability Grant 2011-12	High Ability Grant
Cash and investments - beginning	\$ -	\$ 1,070	\$ -	\$ -	\$ 53	\$ -	\$ 62	\$ -	\$ 13,101
Receipts:									
Local sources	250	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	250	-	-	-	-	-	-	-	-
Disbursements:									
Current:									
Instruction	250	1,070	-	-	53	-	62	-	13,101
Support services	-	-	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-
Total disbursements	250	1,070	-	-	53	-	62	-	13,101
Excess (deficiency) of receipts over disbursements	-	(1,070)	-	-	(53)	-	(62)	-	(13,101)
Other financing sources (uses):									
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-
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	-	(1,070)	-	-	(53)	-	(62)	-	(13,101)
Cash and investments - ending	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

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, 2014
 (Continued)

	High Ability Grant 2013-14 SY	Education Technology	Secured School Safety Grant	Non-English Speaking Programs	Connectivity Grant 2011-12	Connectivity Grant 2012-13	Connectivity Grant 2013-14	Senator David Ford Technology	Excess PTRC Distributions
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ 328	\$ -	\$ 377	\$ -	\$ -	\$ 18,445
Receipts:									
Local sources	-	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	29,938	141,396	-	-	-	-	4,661	-	-
Federal sources	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	29,938	141,396	-	-	-	-	4,661	-	-
Disbursements:									
Current:									
Instruction	24,519	-	-	-	-	-	-	-	-
Support services	-	141,396	50,000	-	-	377	4,147	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-
Total disbursements	24,519	141,396	50,000	-	-	377	4,147	-	-
Excess (deficiency) of receipts over disbursements	5,419	-	(50,000)	-	-	(377)	514	-	-
Other financing sources (uses):									
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	(328)	-	-	-	-	(17,057)
Total other financing sources (uses)	-	-	-	(328)	-	-	-	-	(17,057)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	5,419	-	(50,000)	(328)	-	(377)	514	-	(17,057)
Cash and investments - ending	\$ 5,419	\$ -	\$ (50,000)	\$ -	\$ -	\$ -	\$ 514	\$ -	\$ 1,388

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, 2014
 (Continued)

	Title I 2011-12	Title I 2012-13	Title I 2013-14 SY	(IDEA, Part B) LEA Capacity Building (Sliver) Grants	Special Education Grant	Medicaid Reimbursement - Federal	Title II A Class Size Reduction	Title II A Differ Pay/Prof Dev
Cash and investments - beginning	\$ -	\$ (16,834)	\$ -	\$ -	\$ -	\$ 15,797	\$ -	\$ (7,318)
Receipts:								
Local sources	-	-	-	-	-	55	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-
Federal sources	-	38,319	294,837	-	70,000	24,640	-	58,068
Interfund loans	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total receipts	-	38,319	294,837	-	70,000	24,695	-	58,068
Disbursements:								
Current:								
Instruction	-	21,485	298,038	-	70,000	1,121	-	46,204
Support services	-	-	11,391	-	-	22,088	-	4,543
Noninstructional services	-	-	8,379	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	3,752	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-
Total disbursements	-	21,485	317,808	-	70,000	26,961	-	50,747
Excess (deficiency) of receipts over disbursements	-	16,834	(22,971)	-	-	(2,266)	-	7,321
Other financing sources (uses):								
Proceeds of long-term debt	-	-	-	-	-	-	-	-
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	-	16,834	(22,971)	-	-	(2,266)	-	7,321
Cash and investments - ending	\$ -	\$ -	\$ (22,971)	\$ -	\$ -	\$ 13,531	\$ -	\$ 3

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, 2014
 (Continued)

	Title II A FY 2012-14	Title II A FY 2013-15	Rural Schools and Low Income Program - Pass Through State	Title IV Rural Low-Income 2013-15	Education Jobs	Petty Cash	Clearing Account	Totals
Cash and investments - beginning	\$ (1,048)	\$ -	\$ -	\$ -	\$ -	\$ 50	\$ 5,774	\$ 7,712,299
Receipts:								
Local sources	-	-	-	-	-	-	-	4,016,983
Intermediate sources	-	-	-	-	-	-	-	251
State sources	-	-	-	-	-	-	-	10,409,287
Federal sources	76,945	5,875	-	16,894	-	-	-	1,034,326
Interfund loans	-	-	-	-	-	-	-	850,000
Other	-	-	-	-	-	-	2,867,546	2,924,770
Total receipts	<u>76,945</u>	<u>5,875</u>	<u>-</u>	<u>16,894</u>	<u>-</u>	<u>-</u>	<u>2,867,546</u>	<u>19,235,617</u>
Disbursements:								
Current:								
Instruction	47,024	-	-	-	-	-	-	8,687,191
Support services	29,025	6,282	-	18,310	-	-	-	5,679,420
Noninstructional services	-	-	-	-	-	-	-	745,753
Facilities acquisition and construction	-	-	-	-	-	-	-	929,322
Debt services	-	-	-	-	-	-	-	1,541,255
Nonprogrammed charges	-	-	-	-	-	-	2,816,228	2,979,098
Interfund loans	-	-	-	-	-	-	-	850,000
Total disbursements	<u>76,049</u>	<u>6,282</u>	<u>-</u>	<u>18,310</u>	<u>-</u>	<u>-</u>	<u>2,816,228</u>	<u>21,412,039</u>
Excess (deficiency) of receipts over disbursements	<u>896</u>	<u>(407)</u>	<u>-</u>	<u>(1,416)</u>	<u>-</u>	<u>-</u>	<u>51,318</u>	<u>(2,176,422)</u>
Other financing sources (uses):								
Proceeds of long-term debt	-	-	-	-	-	-	-	784,000
Sale of capital assets	-	-	-	-	-	-	-	9,094
Transfers in	-	-	-	-	-	-	-	297,078
Transfers out	-	-	-	-	-	-	-	(297,078)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>793,094</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>896</u>	<u>(407)</u>	<u>-</u>	<u>(1,416)</u>	<u>-</u>	<u>-</u>	<u>51,318</u>	<u>(1,383,328)</u>
Cash and investments - ending	<u>\$ (152)</u>	<u>\$ (407)</u>	<u>\$ -</u>	<u>\$ (1,416)</u>	<u>\$ -</u>	<u>\$ 50</u>	<u>\$ 57,092</u>	<u>\$ 6,328,971</u>

EAST WASHINGTON SCHOOL CORPORATION
SCHEDULE OF PAYABLES AND RECEIVABLES
June 30, 2014

<u>Government or Enterprise</u>	<u>Accounts Payable</u>	<u>Accounts Receivable</u>
Governmental activities	<u>\$ 251,953</u>	<u>\$ 74,946</u>

EAST WASHINGTON SCHOOL CORPORATION
SCHEDULE OF LEASES AND DEBT
June 30, 2014

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities:				
Crossroads Bank	iPads	\$ 37,689	10/1/2013	4/1/2017
East Washington Multi-School Building Corporation	Buildings	<u>1,200,000</u>	10/2/2001	7/15/2028
Total governmental activities		<u>1,237,689</u>		
Total of annual lease payments		<u>\$ 1,237,689</u>		

Type	Description of Debt Purpose	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:			
General obligation bonds	HVAC Projects - Main/Aux/MS Gymnasiums	\$ 790,000	\$ 63,156
Pension bonds	Retirement/Severance	755,000	155,962
Notes and loans payable	Common School - Technology 2013	127,256	29,481
Notes and loans payable	Common School - ES/MS Loan #A0428	<u>684,000</u>	<u>107,588</u>
Total governmental activities		<u>2,356,256</u>	<u>356,187</u>
Totals		<u>\$ 2,356,256</u>	<u>\$ 356,187</u>

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EAST WASHINGTON SCHOOL CORPORATION
 SCHEDULE OF CAPITAL ASSETS
 June 30, 2014

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

	Ending Balance
Governmental activities:	
Land	\$ 1,281,108
Infrastructure	162,785
Buildings	34,235,983
Improvements other than buildings	2,485,853
Machinery, equipment, and vehicles	4,098,757
Books and other	1,056,098
Total governmental activities	43,320,584
Total capital assets	\$ 43,320,584

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

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

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

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

Report on Compliance for Each Major Federal Program

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, 2012 to June 30, 2014. The School Corporation's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the School Corporation's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the School Corporation's compliance.

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

Basis for Qualified Opinion on Child Nutrition Cluster and Special Education Cluster

As described in items 2014-003, 2014-005, 2014-006, 2014-007, and 2014-009, in the accompanying Schedule of Findings and Questioned Costs, the School Corporation did not comply with requirements regarding Activities Allowed and Unallowed and Allowable Costs/Costs Principles, Eligibility, and Special Tests and Provisions for Verification of Free and Reduced Price Lunch Applications and Paid Lunch Equity that are applicable to its Child Nutrition Cluster and Cash Management and Reporting requirements that are applicable to its Special Education Cluster. Compliance with such requirements is necessary, in our opinion, for the School Corporation to comply with requirements applicable to that program.

Qualified Opinion on Child Nutrition Cluster and Special Education Cluster

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion* paragraph, the School Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Child Nutrition Cluster and the Special Education Cluster for the period of July 1, 2012 to June 30, 2014.

Unmodified Opinion on the Other Major Federal Program

In our opinion, the School Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its other major federal program identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs for the period of July 1, 2012 to June 30, 2014.

Other Matters

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

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2014-003, 2014-004, 2014-005, 2014-006, 2014-007, 2014-008, and 2014-009 to be material weaknesses.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.


Paul D. Joyce, CPA
State Examiner

December 15, 2015

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTES

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

EAST WASHINGTON SCHOOL CORPORATION
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Years Ended June 30, 2013 and 2014

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 06-30-13	Total Federal Awards Expended 06-30-14
<u>Department of Agriculture</u>					
Child Nutrition Cluster					
School Breakfast Program	Indiana Department of Education	10.553			
FY 13			FY13	\$ 74,355	-
FY14			FY14	-	80,241
National School Lunch Program	Indiana Department of Education	10.555			
FY 13			FY13	385,875	-
FY14			FY14	-	414,804
Summer Food Service Program For Children	Indiana Department of Education	10.559			
FY14			FY14	-	3,928
Total - Child Nutrition Cluster				<u>460,230</u>	<u>498,973</u>
<u>Department of Education</u>					
Title I, Part A Cluster					
Title I Grants to Local Educational Agencies	Indiana Department of Education				
Basic Grant FY 12		84.010	12-8215	94,884	-
Basic Grant FY 13		84.010	13-8215	243,750	38,318
Basic Grant FY 14		84.010	14-8215	-	294,837
Total - Title I, Part A Cluster				<u>338,634</u>	<u>333,155</u>
Special Education Cluster					
Special Education_ Grants to States	Indiana Department of Education				
Part B 611 FY 2012		84.027	14212-056-PN01	72,343	-
Part B 611 FY 2013		84.027	14213-056-PN01	326,669	75,607
Part B 611 FY 2014		84.027	14214-056-PN01	-	280,802
Special Education Technical Assistance		84.027	99914-056-PN01	-	3,736
Special Education Improvement Grant		84.027	A58-3-13DL-0119	70,000	-
Special Education Improvement Grant		84.027	A58-3-13DL-1445	-	70,000
Total - Special Education_ Grants to States				<u>469,012</u>	<u>430,145</u>

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

EAST WASHINGTON SCHOOL CORPORATION
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Years Ended June 30, 2013 and 2014
 (Continued)

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 06-30-13	Total Federal Awards Expended 06-30-14
Department of Education (continued)					
Special Education Cluster (continued)					
Special Education_Preschool Grants	Indiana Department of Education				
FY 2011-13		84.173	45712-056-PN01	4,994	-
FY 2012-14		84.173	45713-056-PN01	4,684	6,479
FY 2013-15		84.173	45714-056-PN01	-	5,565
Total - Special Education_Preschool Grants				<u>9,678</u>	<u>12,044</u>
Total - Special Education Cluster				<u>478,690</u>	<u>442,189</u>
Rural Education					
Rural and Low-Income School Grant Title VI, Part B, Subpart 2	Indiana Department of Education				
Rural and Low-Income School Grant Title VI, Part B, Subpart 2		84.358	FY 14	31,618	-
		84.358	FY 15	-	16,894
Total - Rural Education				<u>31,618</u>	<u>16,894</u>
Improving Teacher Quality State Grants					
	Indiana Department of Education				
Title II Part A 2010-12		84.367	SY2010-2011	14,214	-
Title II Part A 2011-13		84.367	FY2011	17,497	58,068
Title II Part A 2012-14		84.367	FFY2012	-	76,945
Title II Part A 2013-15		84.367	FFY2013	-	5,874
Total - Improving Teacher Quality State Grants				<u>31,711</u>	<u>140,887</u>
Education Jobs Fund					
Education Jobs Fund	Indiana Department of Education				
		84.410	2011-2013	78,760	-
Total - Department of Education				<u>959,413</u>	<u>933,125</u>
Total federal awards expended				<u>\$ 1,419,643</u>	<u>\$ 1,432,098</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 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 5-11-1-25), 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, 2013 and 2014. This noncash assistance is also included in the federal expenditures presented in the schedule.

Program Title	Federal CFDA Number	2013	2014
Child Nutrition Cluster			
Food Commodities			
National School Lunch Program	10.555	\$ 55,761	\$ 50,225

Note 3. South Central Area Special Education Cooperative

The School Corporation is a member of a Special Education Cooperative. The Special Education Cooperative operates the Special Education programs for the School Corporation. As a result, some activity for the Special Education Cluster that is presented on the Schedule of Expenditures of Federal Awards is not presented as receipts and disbursements in the financial statement.

EAST WASHINGTON COMMUNITY SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I - Summary of Auditor's Results

Financial Statement:

Type of auditor's report issued:	Adverse as to GAAP; Unmodified as to Regulatory Basis
Internal control over financial reporting:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Noncompliance material to financial statement noted?	yes

Federal Awards:

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

Identification of Major Programs:

Name of Federal Program or Cluster

Child Nutrition Cluster
Title I, Part A Cluster
Special Education Cluster

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

Auditee qualified as low-risk auditee?	no
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EAST WASHINGTON COMMUNITY SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Section II - Financial Statement Findings

FINDING 2014-001 - PREPARATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The School Corporation did not have a proper system of internal control in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA). The School Corporation should have proper controls in place over the preparation of the SEFA to ensure accurate reporting of federal awards. Without a proper system of internal control in place that operates effectively, material misstatements of the SEFA could remain undetected.

During the audit of the SEFA, we noted that total federal expenditures for fiscal years 2013 and 2014 were incorrectly reported, with expenditures being understated by \$469,083 and \$941,124, respectively. The under reporting of expenditures was a result of the following errors: (a) the omission of funding for the Child Nutrition Cluster for fiscal year 2014, (b) commodities required to be reported under the National School Lunch Program, CFDA 10.555, were omitted for both fiscal years, (c) Title I expenditures were under reported for both fiscal years, (d) a \$70,000 Special Education grant was not included for fiscal year 2014, and (e) \$850,879 of Special Education grants administered by the South Central Area Special Education Cooperative were not included. In addition, state matching funds for the Child Nutrition Cluster and three state grants were erroneously included.

Audit adjustments were proposed, accepted by the School Corporation, and made to the SEFA presented in this report.

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)

OMB Circular A-133, Subpart C, section .300 states in part: "The auditee shall: . . . (d) Prepare appropriate financial statements, including the schedule of expenditures of Federal Awards in accordance with section .310."

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

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

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

- (1) List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For R&D, total Federal awards expended shall be shown either by individual award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.
- (4) Include notes that describe the significant accounting policies used in preparing the schedule.
- (5) To the extent practical, pass-through entities should identify in the schedule the total amount provided to subrecipients from each Federal program.
- (6) Include, in either the schedule or a note to the schedule, the value of the Federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end. While not required, it is preferable to present this information in the schedule."

FINDING 2014-002 - 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.

The School Corporation Treasurer prepared the bank reconciliations and there was no other review and approval until February of 2013. The School Lunch Treasurer prepared the bank reconciliations for the school lunch program with no other review or approval for the fiscal year July 1, 2012 to June 20, 2013. Some disbursements for payroll withholdings were never listed on the accounts payable register, and; therefore, were never approved by the School Board.

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)

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

Section III - Federal Award Findings and Questioned Costs

**FINDING 2014-003 - ACTIVITIES ALLOWED OR UNALLOWED
AND ALLOWABLE COSTS/COST PRINCIPLES**

Federal Agency: Department of Agriculture
Federal Program: School Breakfast Program, National School Lunch Program,
Summer Food Service Program for Children
CFDA Number: 10.553, 10.555, 10.559
Federal Award Number and Year (or Other Identifying Number): FY13, FY14
Pass-Through Entity: Indiana Department of Education

The School Corporation has a Payroll Clerk that is responsible for the payroll for the entire School Corporation, including payroll for the Child Nutrition Cluster programs. After completing each payroll, the Payroll Clerk sends the detailed information supporting the gross pay to the School Food Treasurer, and the required funds are disbursed to the School Corporation. The amounts required for health insurance, dental insurance, vision insurance, long-term disability, life insurance, and health savings were not supported by any detailed documentation. The Payroll Clerk determined the amount required at the beginning of the school year and requested the amount be reimbursed each month. No supporting documentation was presented for audit regarding how these amounts were calculated.

The total amount of \$111,478 that was charged to the programs for payroll expenses are considered questioned costs because there were no records available to audit.

OMB Circular A-87, Attachment B, Part 8, states in part:

"Compensation for personal services.

a. *General.* Compensation for personnel services includes all remuneration, paid currently or accrued, for services rendered during the period of performance under Federal awards, including but not necessarily limited to wages, salaries, and fringe benefits. The costs of such compensation are allowable to the extent that they satisfy the specific requirements of this Circular, and that the total compensation for individual employees:

- (1) Is reasonable for the services rendered and conforms to the established policy of the governmental unit consistently applied to both Federal and non Federal activities;
- (2) Follows an appointment made in accordance with a governmental unit's laws and rules and meets merit system or other requirements required by Federal law, where applicable; and
- (3) Is determined and supported as provided in subsection h . . .

b. *Reasonableness.* Compensation for employees engaged in work on Federal awards will be considered reasonable to the extent that it is consistent with that paid for similar work in other activities of the governmental unit. In cases where the kinds of employees required for Federal awards are not found in the other activities of the governmental unit, compensation will be considered reasonable to the extent that it is comparable to that paid for similar work in the labor market in which the employing government competes for the kind of employees involved. Compensation surveys providing data representative of the labor market involved will be an acceptable basis for evaluating reasonableness.

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

c. *Unallowable costs.* Costs which are unallowable under other sections of these principles shall not be allowable under this section solely on the basis that they constitute personnel compensation.

d. *Fringe benefits.* . . .

- (5) The cost of fringe benefits in the form of employer contributions or expenses for social security; employee life, health, unemployment, and worker's compensation insurance (except as indicated in section 22, Insurance and indemnification); pension plan costs (see subsection e.); and other similar benefits are allowable, provided such benefits are granted under established written policies. Such benefits, whether treated as indirect costs or as direct costs, shall be allocated to Federal awards and all other activities in a manner consistent with the pattern of benefits attributable to the individuals or group(s) of employees whose salaries and wages are chargeable to such Federal awards and other activities. . . ."

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

The School Corporation did not have controls in place to reduce the risk of noncompliance with Activities Allowed or Unallowed and Allowable Costs/Cost Principles. Noncompliance with the grant agreement or the compliance requirements that have a direct and material effect to the program could result in loss of federal funds to the School Corporation.

We recommended the School Corporation's management establish and implement internal controls and ensure compliance with the grant agreement and compliance requirements pertaining to Activities Allowed or Unallowed and Allowable Costs/Cost Principles.

FINDING 2014-004 - CASH MANAGEMENT AND REPORTING

Federal Agency: Department of Agriculture
Federal Program: School Breakfast Program, National School Lunch Program,
Summer Food Service Program for Children
CFDA Number: 10.553, 10.555, 10.559
Federal Award Number and Year (or Other Identifying Number): FY13, FY14
Pass-Through Entity: Indiana Department of Education

Management of the School Corporation has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the following compliance requirements: Cash Management and Reporting.

The School Corporation has not designed or implemented adequate policies and procedures to ensure that the Annual Financial Report and the Verification Summary are accurately prepared. The School Food Treasurer posts the financial records for the program and does the verification of free and reduced

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

applications. She also completes the Annual Financial Report and the Verification Summary and there is no other review, oversight, or approval process. In addition, no documentation was available to determine that School Corporation officials were monitoring the School Lunch Fund cash balances for cash management purposes.

An internal control system should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement or a compliance requirement of a federal program will be prevented, or detected and corrected, on a timely basis. In order to have an effective internal control system, it is important to have proper segregation of duties. This is accomplished by making sure proper oversight, reviews, and approvals take place and to have a separation of functions over certain activities related to the program. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same activity.

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

The failure to establish an effective internal control system places the School Corporation at risk of noncompliance with the grant agreement and the compliance requirements and could result in the loss of federal funds to the School Corporation.

We recommended that the School Corporation's management establish and implement internal controls, including segregation of duties, related to the grant agreement and compliance requirements pertaining to Cash Management and Reporting.

FINDING 2014-005 - ELIGIBILITY

Federal Agency: Department of Agriculture

Federal Program: School Breakfast Program, National School Lunch Program,
Summer Food Service Program for Children

CFDA Number: 10.553, 10.555, 10.559

Federal Award Number and Year (or Other Identifying Number): FY13, FY14

Pass-Through Entity: Indiana Department of Education

Management of the School Corporation has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the compliance requirement for Eligibility.

The Extra Curricular Treasurer in each building receives the applications for free and reduced lunches and determines the student's eligibility. There was no segregation of duties, such as oversight, review, or approval process to ensure student's eligibility. A review of application for 40 students receiving free and reduced price meals identified that five applications tested for the 2013-2014 school year were missing the signature of the determining official and the eligibility determination of either approved free, approved reduced or denied.

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

The notices distributed to the parents of all children did not include the required statement: "In the operation of child feeding programs, no child will be discriminated against because of race, sex, color, national origin, age or disability;"

7 CFR 245.5(a) states in part:

". . .

(1) Except as provided in § [245.6\(b\)](#), a letter or notice and application distributed on or about the beginning of each school year, to the parents of all children in attendance at school. The letter or notice shall contain the following information: . . .

(viii) The statement: "In the operation of child feeding programs, no child will be discriminated against because of race, sex, color, national origin, age or disability;. . ."

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

The failure to establish and implement internal controls enabled noncompliance to go undetected. Noncompliance of the grant agreement or the compliance requirements that have a direct and material effect to the program could result in the loss of federal funds to the School Corporation.

We recommended that the School Corporation's management establish and implement controls including segregation of duties, related to Eligibility compliance requirements. Additional training should be provided to staff regarding the Eligibility requirements and the required documentation.

FINDING 2014-006 - SPECIAL TESTS AND PROVISIONS - VERIFICATION OF FREE AND REDUCED PRICE LUNCH APPLICATIONS

Federal Agency: Department of Agriculture

Federal Program: School Breakfast Program, National School Lunch Program,
Summer Food Service Program for Children

CFDA Number: 10.553, 10.555, 10.559

Federal Award Number and Year (or Other Identifying Number): FY13, FY14

Pass-Through Entity: Indiana Department of Education

Management of the School Corporation has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the Special Test and Provisions compliance requirement for Verification of Free and Reduced Price Lunch Applications.

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

The School Corporation has not designed or implemented adequate policies or procedures to ensure that the applications for free and reduced priced meals are verified in accordance with program requirements and that the proper eligibility determinations are made. The employee that determines the eligibility for the high school was also the employee that was solely responsible for performing the verification for all applicants. An oversight or review process has not been established to ensure proper verification of the applications.

The School Corporation did not change the children's eligibility status when a change was required as a result of verification activities conducted under §245.6a. Thirteen applications were required to be verified during the audit period. Two applications should have had a change of status from free to reduced, but they were verified as no change. As a result, the applicants were receiving benefits for which they were not eligible. This also resulted in the School Corporation not reporting and claiming reimbursement for meals by the proper categories, i.e., free, reduced, or paid.

An internal control system, including segregation of duties, should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement or a compliance requirement of a federal program will be prevented, or detected and corrected, on a timely basis. In order to have an effective internal control system, it is important to have proper segregation of duties. This is accomplished by making sure proper oversight, reviews, and approvals take place and to have a separation of functions over certain activities related to the programs. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same activity.

7 CFR 245.6(c)(3)(iii) states:

"Changes resulting from verification or administrative reviews. The local educational agency must change the children's eligibility status when a change is required as a result of verification activities conducted under §245.6a or as a result of a review conducted in accordance with §210.18 of this chapter."

7 CFR 245.6a(f)(7) states in part:

"Eligibility changes. Based on the verification activities, the local educational agency shall make appropriate modifications to the eligibility determinations made initially. . . ."

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

The failure to establish internal controls enabled material noncompliance to go undetected. Noncompliance of the grant agreement or the compliance requirements that have a direct and material effect to the program could result in the loss of federal funds to the School Corporation.

We recommended the School Corporation's management establish and implement controls to ensure compliance related to the grant agreement and the Special Tests and Provisions compliance requirement for Verification of Free and Reduced Price Lunch Applications.

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

FINDING 2014-007 - SPECIAL TEST AND PROVISIONS - PAID LUNCH EQUITY

Federal Agency: Department of Agriculture
Federal Program: School Breakfast Program, National School Lunch Program,
Summer Food Service Program for Children
CFDA Number: 10.553, 10.555, 10.559
Federal Award Number and Year (or Other Identifying Number): FY13, FY14
Pass-Through Entity: Indiana Department of Education

Management of the School Corporation has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and Special Tests and Provisions compliance requirement for Paid Lunch Equity.

An internal control system, including segregation of duties, should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement, or a type of compliance requirement of a federal program will be prevented, or detected and corrected, on a timely basis. In order to have an effective internal control system, it is important to have proper segregation of duties. This is accomplished by making sure proper oversight, reviews, and approvals take place and to have a separation of functions over certain activities related to the programs. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same activity.

The failure to establish an effective internal control system resulted in noncompliance with the Paid Lunch Equity requirement for the school year 2012-2013. The weighted average lunch meal price required to be charged for the 2012-2013 school year to comply with the Paid Lunch Equity requirements was \$2.10 and the actual weighted average amount charged was only \$2. The School Corporation did not keep the documentation to prove they had calculated paid lunch equity for 2012-2013 or that any review and approval of that information occurred.

7 CFR 210.23(c) states:

"Retention of records. State agencies and school food authorities may retain necessary records in their original form or on microfilm. State agency records shall be retained for a period of 3 years after the date of submission of the final Financial Status Report for the fiscal year. School food authority records shall be retained for a period of 3 years after submission of the final Claim for Reimbursement for the fiscal year. In either case, if audit findings have not been resolved, the records shall be retained beyond the 3-year period as long as required for the resolution of the issues raised by the audit."

7 CFR 210.14(e) states in part:

"Pricing paid lunches. For each school year beginning July 1, 2011, school food authorities shall establish prices for paid lunches in accordance with this paragraph.

(1) Calculation procedures. Each school food authority shall:

- (i) Determine the average price of paid lunches. The average shall be determined based on the total number of paid lunches claimed for the month of October in the previous school year, at each different price charged by the school food authority.

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

- (ii) Calculate the difference between the per meal Federal reimbursement for paid and free lunches received by the school food authority in the previous school year (i.e., the reimbursement difference);
 - (iii) Compare the average price of a paid lunch under paragraph (e)(1)(i) of this section to the difference between reimbursement rates under paragraph (e)(1)(ii) of this section.
- (2) Average paid lunch price is equal to/greater than the reimbursement difference. When the average paid lunch price from the prior school year is equal to or greater than the difference in reimbursement rates as determined in paragraph (e)(1)(iii) of this section, the school food authority shall establish an average paid lunch price for the current school year that is not less than the difference identified in (e)(1)(iii) of this section; except that, the school food authority may use the procedure in paragraph (e)(4)(ii) of this section when establishing prices of paid lunches.
- (3) Average lunch price is lower than the reimbursement difference. When the average price from the prior school year is lower than the difference in reimbursement rates as determined in paragraph (e)(1)(iii) of this section, the school food authority shall establish an average price for the current school year that is not less than the average price charged in the previous school year as adjusted by a percentage equal to the sum obtained by adding:
- (i) 2 percent; and
 - (ii) The percentage change in the Consumers Price Index for All Urban Consumers used to increase the Federal reimbursement rate under section 11 of the Act for the most recent school year for which data are available. The percentage to be used is found in the annual notice published in the Federal Register announcing the national average payment rates, from the prior year.
- (4) Price Adjustments. (i) Maximum required price increase. The maximum annual average price increase required under this paragraph shall not exceed ten cents.
- (ii) Rounding of paid lunch prices. Any school food authority may round the adjusted price of the paid lunches down to the nearest five cents.
 - (iii) Optional price increases. A school food authority may increase the average price by more than ten cents. . . ."

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

Noncompliance of the grant agreement or the compliance requirements that have a direct and material effect to the program could result in the loss of federal funds to the School Corporation.

We recommended the School Corporation's management establish and implement controls and ensure compliance related to the grant agreement and the Special Tests and Provisions compliance requirement for Paid Lunch Equity.

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

***FINDING 2014-008 - ALLOWABLE COSTS/COST PRINCIPLES,
CASH MANAGEMENT, AND REPORTING***

Federal Agency: Department of Education

Federal Program: Title I Grants to Local Educational Agencies

CFDA Number: 84.010

Federal Award Number and Year (or Other Identifying Number): 12-8215, 13-8215, 14-8215

Pass-Through Entity: Indiana Department of Education

Management of the School Corporation has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the following compliance requirements: Allowable Costs, Cash Management, and Reporting.

The Title I Director prepared the Semi-Annual Certification Activity Report listing all employees paid solely from Title I funds as required, but there was no other review and approval of these reports by any other individuals. The Treasurer completes and submits the reimbursement requests. There was no evidence of any other review and approval of these reports.

The failure to establish an effective internal control system places the School Corporation at risk of noncompliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system could also allow noncompliance with compliance requirements and allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the program.

An internal control system, including segregation of duties, should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement or a compliance requirement of a federal program will be prevented, or detected and corrected, on a timely basis. In order to have an effective internal control system, it is important to have proper segregation of duties. This is accomplished by making sure proper oversight, reviews, and approvals take place and to have a separation of functions over certain activities related to the program. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same activity.

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

The failure to establish internal controls could enable material noncompliance to go undetected. Noncompliance of the grant agreement or the compliance requirements could result in the loss of federal funds to the School Corporation.

We recommended that the School Corporation's management establish controls, including segregation of duties, related to the grant agreement and compliance requirements pertaining to Allowable Costs/Cost Principles, Cash Management, and Reporting.

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

FINDING 2014-009 - CASH MANAGEMENT AND REPORTING

Federal Agency: Department of Education
Federal Program: Special Education_Grants to States and Special Education_Preschool Grants
CFDA Number: 84.027 and 84.173
Federal Award Number and Year (or Other Identifying Number): 14212-056-PN01; 14213-056-PN01;
14214-056-PN01; 99914-056-PN01; 45712-056-PN01; 45713-056-PN01; 45714-056-PN01;
Pass-Through Entity: Indiana Department of Education

The School Corporation is a member of the South Central Area Special Education Cooperative (Cooperative). The Cooperative operates the Special Education program on behalf of the School Corporation and manages the Special Education grant funds.

Management of the Cooperative has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the following compliance requirements: Cash Management and Reporting.

Cash Management

The Cooperative had established procedures to ensure expenditures were incurred and/or paid prior to requesting the reimbursement. The procedures were that the reimbursement request was to be supported by an expenditure or appropriation report and reviewed by the Director. However, these controls were not properly implemented or effective because the Cooperative claimed and received reimbursement of expenditures which were not incurred and/or paid to the date of claiming the reimbursement. Instances were noted where expenditure reports generated for the period were either for more or less than amounts claimed for reimbursement. Also, the Total Expenses to Date shown on the reimbursement request forms were all more than the amount of shown on the expenditure reports. Examination of supporting documentation for six reimbursement claims showed all six where the supporting documentation did not agree with the amounts requested. Inaccurate reimbursement requests resulted in unexpended grant funds being on hand at months end during the audit period for the various Special Education grants.

Reporting

The Cooperative had established procedures to ensure that reports were filed accurately. The procedures when submitting a report were that the report was to be supported by an expenditure or appropriation report and reviewed by the Director. However, these controls were not properly implemented or effective because the Cooperative submitted Reimbursement Request Forms requesting a reimbursement for expenses for each month and Final Reports for the completion of the grants that were not accurate and they did not have reports to back up the total expenditures reported on the final reports. Supporting documentation for four out of four reimbursement requests tested and one out of two final reports tested did not agree with the Cooperative's records. Inaccurate reimbursement requests resulted in unexpended grant funds being on hand.

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

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

34 CFR 80.21 states in part:

"(b) *Basic standard.* Methods and procedures for payment shall minimize the time elapsing between the transfer of funds and disbursement by the grantee or subgrantee, in accordance with Treasury regulations at 31 CFR part 205. . . .

(d) *Reimbursement.* Reimbursement shall be the preferred method when the requirements in paragraph (c) of this section are not met. . . ."

31 CFR 205.12(b)(5) states:

"Reimbursable funding means that a Federal Program Agency transfers Federal funds to a State after that State has already paid out the funds for Federal assistance program purposes."

34 CFR 80.20(b) states in part:

"The financial management systems of other grantees and subgrantees must meet the following standards:

- (1) *Financial reporting.* Accurate, current, and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant.
- (2) *Accounting records.* Grantees and subgrantees must maintain records which adequately identify the source and application of funds provided for financially-assisted activities. These records must contain information pertaining to grant or subgrant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income. . . ."

The failure to establish internal controls enabled material noncompliance to go undetected. Noncompliance of the grant agreement or the compliance requirements that have a direct and material effect to the program could result in the loss of federal funds to the School Corporation.

We recommended that the School Corporation's management develop and implement procedures and establish controls to monitor the Cooperative to ensure that reimbursement basis grant expenditures are paid prior to the date that the reimbursement is claimed and amounts claimed and reported agree to supporting documentation in accordance with Cash Management and Reporting requirements.

AUDITEE PREPARED DOCUMENT

The subsequent document was provided by management of the School Corporation. The document is presented as intended by the 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

FINDING 2014-001

Contact Person Responsible for Corrective Action: Jodi Cole
Contact Phone Number: 812-967-3926

Description of Corrective Action Plan:

The corporation Treasurer prepares the Schedule of Expenditures of Federal Awards (SEFA). In order to improve the corporation's system of internal controls, the SEFA will be reviewed by the Superintendent to ensure assurance regarding the reliability of financial information maintained on the SEFA.

Anticipated Completion Date: Effective Immediately



(Signature)

Corporation Treasurer
(Title)

December 18, 2015
(Date)

FINDING 2014-002

Contact Person Responsible for Corrective Action: Greg Hopkins
Contact Phone Number: 812-967-3926

Description of Corrective Action Plan:

The corporation Treasurer prepares monthly bank reconciliations. Statements are sent directly from the bank to the Superintendent who opens the statements, reviews and verifies receipts and expenditures, and then forwards bank statements to the corporation Treasurer for reconciliation. This internal control practice will be replicated for school lunch bank accounts to ensure reasonable financial oversight of the school lunch accounts.

Anticipated Completion Date: Effective Immediately



(Signature)

Assistant to the Superintendent
(Title)

December 18, 2015
(Date)

FINDING 2014-003

Contact Person Responsible for Corrective Action: Jodi Cole
Contact Phone Number: 812-967-3926

Description of Corrective Action Plan:

Actual costs for Child Nutrition Cluster programs are computed monthly and documented for employee benefits. During the period of time audited, there were not adequate records of amounts charged for employee benefits in Food Service. The previous Human Resource Director did not keep adequate records. In fact, \$111,879.17 has been documented as verified expenses that were charged to Food Service. From the audit period ending to the current time, we now have benefits on a spreadsheet and charge those costs monthly to the school lunch account accordingly. This practice was implemented October 2013.

Anticipated Completion Date: October 2013

Jodi Cole
(Signature)

Corporation Treasurer
(Title)

December 18, 2015
(Date)

FINDING 2014-004

Contact Person Responsible for Corrective Action: Greg Hopkins
Contact Phone Number: 812-967-3926

Description of Corrective Action Plan:

Additional internal controls will be added to ensure the Annual Financial Report and the Verification Summary will be verified and accurately prepared. Steps will be taken internally to provide reasonable assurance that financial requirements of the federal program are completed as defined in OMB Circular A-133, Subpart C, section 300.

Anticipated Completion Date: Effective Immediately

Greg Hopkins
(Signature)

Assistant to the Superintendent
(Title)

December 18, 2015
(Date)

FINDING 2015-005

Contact Person Responsible for Corrective Action: Greg Hopkins
Contact Phone Number: 812-967-3926

Description of Corrective Action Plan:

Additional internal controls will be added to ensure applications for free and reduced status are verified and student's eligibility is clearly signed by the determining official with eligibility determination of other approved free, approved reduced, or denied noted. Steps will be taken internally to provide reasonable assurance that financial requirements of the federal program are completed as defined in OMB Circular A-133, Subpart C, section 300.

Anticipated Completion Date: Effective Immediately

Greg Hopkins
(Signature)

Assistant to the Superintendent
(Title)

December 18, 2015
(Date)

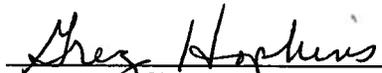
FINDING 2014-006

Contact Person Responsible for Corrective Action: Greg Hopkins
Contact Phone Number: 812-967-3926

Description of Corrective Action Plan:

The school corporation will implement adequate policies and procedures to ensure applications for free and reduced priced meals are verified in accordance with program requirements and that proper eligibility determination is made on each application. Steps will be taken internally to provide reasonable assurance that financial requirements of the federal program are completed as defined in OMB Circular A-133, Subpart C, section 300.

Anticipated Completion Date: Effective Immediately


(Signature)

Assistant to the Superintendent
(Title)

December 18, 2015
(Date)

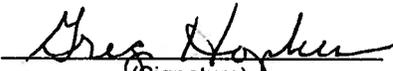
FINDING 2014-007

Contact Person Responsible for Corrective Action: Greg Hopkins
Contact Phone Number: 812-967-3926

Description of Corrective Action Plan:

Internal control procedures will be put in place to ensure paid lunch equity requirements are followed annually. This practice began in 2013 and will continue to ensure the weighted average lunch meal price required to be charged will comply with the paid lunch equity requirements. Documentation through School Board of Trustees minutes will reflect action taken. Steps will be taken internally to provide reasonable assurance that financial requirements of the federal program are completed as defined in OMB Circular A-133, Subpart C, section 300.

Anticipated Completion Date: Effective Immediately


(Signature)

Assistant to the Superintendent
(Title)

December 18, 2015
(Date)

FINDING 2014-008

Contact Person Responsible for Corrective Action: Jodi Cole
Contact Phone Number: 812-967-3926

Description of Corrective Action Plan:

Additional internal control procedures will be implemented to ensure review and approval of Semi-Annual Certification Activity Reports is completed by the building principal in addition to the Title I Director. Reimbursement requests prepared by the corporation Treasurer are reviewed and verified by the Superintendent and Title I Director to ensure program expenses charges to the federal program are reasonable and within program parameters.

Anticipated Completion Date: Effective Immediately



(Signature)

Corporation Treasurer
(Title)

December 18, 2015
(Date)

FINDING 2014-009

Contact Person Responsible for Corrective Action: Jodi Cole
Contact Phone Number: 812-967-3926

Description of Corrective Action Plan:

Additional internal control procedures will be implemented to ensure the Cooperative complies with requirements that reimbursement basis grant expenditures are paid prior to the date that the reimbursement is claimed and amounts claimed and reported agree to supporting documentation in accordance with federal requirements.

Anticipated Completion Date: Effective Immediately



(Signature)

Corporation Treasurer
(Title)

December 18, 2015
(Date)

OTHER REPORTS

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