

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

FINANCIAL STATEMENT AND  
FEDERAL SINGLE AUDIT REPORT  
OF

WASHINGTON COMMUNITY SCHOOLS, INC.  
DAVISS COUNTY, INDIANA

July 1, 2013 to June 30, 2015



**FILED**  
09/19/2017



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### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Carrie Alford	07-01-13 to 12-31-17
Superintendent of Schools	Dr. Daniel Roach	07-01-13 to 06-30-19
President of the School Board	Steven K. Frette	07-01-13 to 12-31-17



**STATE OF INDIANA**  
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INDEPENDENT AUDITOR'S REPORT

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

**Report on the Financial Statement**

We have audited the accompanying financial statement of the Washington Community Schools, Inc. (School Corporation), which comprises the financial position and results of operations for the period of July 1, 2013 to June 30, 2015, and the related notes to the financial statement as listed in the Table of Contents.

***Management's Responsibility for the Financial Statement***

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

***Auditor's Responsibility***

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

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

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

INDEPENDENT AUDITOR'S REPORT  
(Continued)

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

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

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

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position and results of operations of the School Corporation for the period of July 1, 2013 to June 30, 2015.

***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, 2013 to June 30, 2015, 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 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 August 31, 2017, 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

August 31, 2017



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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 WASHINGTON COMMUNITY  
SCHOOLS, INC., DAVIESS 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 Washington Community Schools, Inc. (School Corporation), which comprises the financial position and results of operations for the period of July 1, 2013 to June 30, 2015, and the related notes to the financial statement, and have issued our report thereon dated August 31, 2017, 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the School Corporation's financial statement will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2015-001 and 2015-002 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 from 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 2015-001.

**Washington Community Schools, Inc.'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

August 31, 2017

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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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WASHINGTON COMMUNITY SCHOOLS, INC.  
STATEMENT OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
REGULATORY BASIS  
For the Years Ended June 30, 2014 and 2015

Fund	Cash and Investments			Other Financing		Cash and Investments			Other Financing		Cash and Investments
	07-01-13	Receipts	Disbursements	Sources (Uses)	06-30-14	Receipts	Disbursements	Sources (Uses)	06-30-15		
General	\$ 5,877,077	\$ 23,304,582	\$ 21,591,567	\$ (4,869)	\$ 7,585,223	\$ 23,528,714	\$ 23,449,013	\$ (1,128,592)	\$ 6,536,332		
Debt Service	810,640	2,623,245	2,340,697	(90,063)	1,003,125	2,867,551	2,479,515	(269,799)	1,121,362		
Retirement/Severance Bond Debt Service	4,978	1,496,743	1,279,978	(129,539)	92,204	1,490,064	1,190,000	(176,324)	215,944		
Capital Projects	445,698	907,514	1,224,039	(111,901)	17,272	724,636	1,006,710	266,401	1,599		
School Transportation	56	704,574	899,186	194,921	365	636,601	898,354	268,873	7,485		
School Bus Replacement	4,556	-	-	-	4,556	-	-	-	4,556		
Rainy Day	4,657	-	120,000	300,000	184,657	-	-	-	184,657		
Retirement/Severance Bond	-	-	-	-	-	-	-	128,648	128,648		
School Lunch	99,390	1,280,357	1,204,738	-	175,009	1,396,159	1,319,917	-	251,251		
Textbook Rental	355,482	351,384	258,984	-	447,882	360,581	276,240	-	532,223		
Self-Insurance	-	-	-	-	-	-	-	1,000,000	1,000,000		
Levy Excess	-	-	-	-	-	107	-	-	107		
Educational License Plates	189	224	244	-	169	206	262	-	113		
Alternative Education	41,026	5,843	41,026	-	5,843	6,626	-	-	12,469		
Early Intervention	56	-	-	-	56	-	-	(56)	-		
Early Intervention E Davis	-	9,966	6,552	-	3,414	-	3,414	-	-		
Early Intervention 2015	-	-	-	-	-	9,945	9,945	-	-		
Drug Free Community Grant - Daviess County	1,900	4,863	4,391	-	2,372	3,900	2,561	-	3,711		
Pay It Forward Grant Fund	-	-	-	-	-	1,500	473	-	1,027		
Perdue Elementary Volleyball Fund	-	-	-	-	-	2,000	2,000	-	-		
Donation to Lena Dunn	229	-	229	-	-	-	-	-	-		
Community Foundation Grants	-	19,860	17,785	-	2,075	-	1,572	-	503		
High Ability 2012-13	8,735	-	9,340	605	-	-	-	-	-		
High Ability 2013-14	-	34,651	16,100	-	18,551	-	18,551	-	-		
High Ability 2014-15	-	-	-	-	-	35,573	31,169	-	4,404		
Teacher Quality Improvement Program	1,419	-	250	-	1,169	-	-	-	1,169		
Non Eng Speaking Program 2010-11	(441)	-	-	441	-	-	-	-	-		
NESP 12-13	588	-	835	247	-	-	-	-	-		
NESP 13-14	-	21,581	4,351	-	17,230	-	17,230	-	-		
NESP 14-15	-	-	-	-	-	20,887	19,919	-	968		
Excellence In Performance	-	-	-	-	-	18,933	18,933	-	-		
Senator David Ford Technology	-	-	-	-	-	10,149	12,099	-	(1,950)		
Excess PTRC Distributions	89	163,418	-	(163,417)	90	183,011	93,861	(89,151)	89		
Title 1 2011-12	(1,001)	-	-	1,001	-	-	-	-	-		
Title 1 2012-13	(22,023)	107,912	85,889	-	-	-	-	-	-		
Title 1 2013-14	-	433,451	460,090	-	(26,639)	153,449	126,810	-	-		
Title 1 2014-15	-	-	-	-	-	302,513	415,698	-	(113,185)		
Title 1 Migrant 2012-13	1,349	-	-	(1,349)	-	-	-	-	-		
Title 1 C Migrant (SY&Summer)	(7,097)	93,569	86,609	-	(137)	19,937	19,800	-	-		
Title I Migrant 2013-14	-	60,694	63,098	-	(2,404)	26,977	27,402	-	(2,829)		
Title I C Migrant Refresh	-	150,000	150,000	-	-	-	-	-	-		
Local Reading Improvement	6,387	-	5,124	-	1,263	-	220	-	1,043		
Special Ed Tech Grant	-	42,377	42,377	-	-	-	-	-	-		
Drug Free Schools 2009-10	(1,848)	-	-	1,848	-	-	-	-	-		
School Resource Officer Fund	-	-	25,000	-	(25,000)	127,952	75,022	-	27,930		
School Resource Officer	-	-	-	-	-	-	66,823	-	(66,823)		
Title II-A Imp Teacher Quality	(2,382)	62,222	49,329	(10,511)	-	-	-	-	-		
Title II A	-	69,099	84,376	12,161	(3,116)	29,754	26,638	-	-		
Title II A 14-15	-	-	-	-	-	82,470	102,204	-	(19,734)		
Rural Schools and Low Income Program	-	48,585	49,505	-	(920)	1,157	237	-	-		
Rural Schools 2014-15	-	-	-	-	-	34,452	44,764	-	(10,312)		
Title III Lang Prof 2011-12	(408)	-	-	408	-	-	-	-	-		
Title III 2012-13	(3,158)	14,134	10,993	17	-	-	-	-	-		
Title III 2013-14	-	17,097	19,503	-	(2,406)	17,618	15,212	-	-		
Title III 2014-15	-	-	-	-	-	-	1,125	-	(1,125)		
Payroll Withholding & Clearing	7,037	3,848,884	3,857,396	-	(1,475)	3,793,954	3,796,014	-	(3,535)		
Self-Insurance Reserve	781,449	2,470,143	2,511,153	-	740,439	2,817,405	2,240,808	-	1,317,036		
<b>Totals</b>	<b>\$ 8,414,629</b>	<b>\$ 38,346,972</b>	<b>\$ 36,520,734</b>	<b>\$ -</b>	<b>\$ 10,240,867</b>	<b>\$ 38,704,781</b>	<b>\$ 37,810,515</b>	<b>\$ -</b>	<b>\$ 11,135,133</b>		

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

WASHINGTON COMMUNITY SCHOOLS, INC.  
NOTES TO FINANCIAL STATEMENT

**Note 1. Summary of Significant Accounting Policies**

*A. Reporting Entity*

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

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

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

*B. Basis of Accounting*

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

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

*C. Cash and Investments*

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

*D. Receipts*

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

*Local sources.* Amounts received from taxes, revenue from local governmental units other than school corporations, transfer tuition, transportation fees, investment income, food services, School Corporation activities, revenue from community service activities, and other revenue from local sources.

*Intermediate sources.* Amounts received as distributions from the County for fees collected for or on behalf of the School Corporation including, but not limited to, the following: educational license plate fees, congressional interest, riverboat distributions, and other similar fees.

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

*State sources.* Amounts received as distributions from the State of Indiana that are to be used by the School Corporation for various purposes, including, but not limited to, the following: unrestricted grants, restricted grants, revenue in lieu of taxes, and revenue for or on behalf of the School Corporation.

*Federal sources.* Amounts received as distributions from the federal government that are to be used by the School Corporation for various purposes, including, but not limited to, the following: unrestricted grants, restricted grants, revenue in lieu of taxes, and revenue for or on behalf of the School Corporation.

*Temporary loans.* Amounts received from a loan obtained to pay current expenses prior to the receipt of revenue from taxes levied for that purpose. These loans, sometimes designated tax anticipation warrants, must be repaid from the next semiannual distribution of local property taxes levied for such fund.

*Interfund loans.* Amounts 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.* Amounts received from various sources, including, but not limited to, the following: return of petty cash, return of cash change, insurance claims for losses, sale of securities, and other receipts not listed in another category above.

*E. Disbursements*

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

*Instruction.* Amounts disbursed for regular programs, special programs, adult and continuing education programs, summer school programs, enrichment programs, remediation, and payments to other governmental units.

*Support services.* Amounts disbursed for support services related to students, instruction, general administration, school administration, outflows for central services, operation and maintenance of plant services, and student transportation.

*Noninstructional services.* Amounts disbursed for food service operations and community service operations.

*Facilities acquisition and construction.* Amounts disbursed for the acquisition, development, construction, and improvement of new and existing facilities.

*Debt service.* Amounts disbursed for fixed obligations resulting from financial transactions previously entered into by the School Corporation, including: all expenditures for the reduction of the principal and interest of the School Corporation's general obligation indebtedness.

*Nonprogrammed charges.* Amounts disbursed for donations to foundations, securities purchased, indirect costs, scholarships, and self-insurance payments.

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

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

**F. Other Financing Sources and Uses**

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

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

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

**G. Fund Accounting**

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

**Note 2. Budgets**

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

**Note 3. Property Taxes**

Property taxes levied are collected by the County Treasurer and are scheduled to be distributed to the School Corporation in June and December; however, situations can arise which would delay the distributions. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's 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.

WASHINGTON COMMUNITY SCHOOLS, INC.  
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, the following: federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

**Note 5. Risk Management**

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

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

**Note 6. Pension Plans**

*A. Public Employees' Retirement Fund*

*Plan Description*

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

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

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

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

*Funding Policy and Annual Pension Cost*

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

*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 Plans*

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

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

**Note 7. Cash Balance Deficits**

The financial statement contains some funds with deficits in cash. This is a result of the funds being set up for reimbursable grants and payroll clearing accounts for which the reimbursement for expenditures made by the School Corporation was not received from the grantor agencies and other School Corporation funds by June 30.

**Note 8. Holding Corporations**

The School Corporation has entered into capital leases with Washington Indiana Elementary School Building Corporation and Washington Community School Building Corporation (the lessors). The lessors were organized as not-for-profit corporations pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. The lessors have been determined to be related-parties of the School Corporation. Lease payments during the school years 2014 and 2015 totaled \$2,170,000 and \$2,390,500, respectively.

**Note 9. Short-Term Loans Outstanding**

The School Corporation obtained a \$6,000,000 short-term loan in January 2014 and \$5,000,000 in January 2015 for the General fund to pay for current expenses. The loans were repaid in December of each year. As of June 30 of each year, the loan for that year was still outstanding.

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## OTHER INFORMATION - UNAUDITED

The School Corporation's Financial Reports can be found on the Indiana Department of Education website: <http://www.doe.in.gov/finance/school-financial-reports>. This website is maintained by the Indiana Department of Education. More current financial information is available from the School Corporation Treasurer's office. Additionally, some financial information of the School Corporation can be found on the 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 School Corporation's Financial Reports referenced above. These differences, if any, are due to adjustments made to the financial information during the course of the audit. This is a common occurrence in any financial statement audit. The financial information presented in this report is audited information, and the accuracy of such information can be determined by reading the opinion given in the Independent Auditor's Report.

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

WASHINGTON COMMUNITY SCHOOLS, INC.  
 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	School Transportation	School Bus Replacement	Rainy Day	Retirement/ Severance Bond
Cash and investments - beginning	\$ 5,877,077	\$ 810,640	\$ 4,978	\$ 445,698	\$ 56	\$ 4,556	\$ 4,657	\$ -
Receipts:								
Local sources	76,100	2,456,245	1,496,743	907,504	628,617	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	17,029,415	-	-	-	-	-	-	-
Federal sources	66,380	-	-	-	-	-	-	-
Temporary loans	6,000,000	-	-	-	-	-	-	-
Interfund loans	-	167,000	-	-	62,000	-	-	-
Other receipts	132,687	-	-	10	13,957	-	-	-
Total receipts	<u>23,304,582</u>	<u>2,623,245</u>	<u>1,496,743</u>	<u>907,514</u>	<u>704,574</u>	<u>-</u>	<u>-</u>	<u>-</u>
Disbursements:								
Instruction	11,566,707	-	-	-	-	-	-	-
Support services	3,915,053	-	-	963,137	897,186	-	120,000	-
Noninstructional services	109,807	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	260,902	-	-	-	-
Debt service	6,000,000	2,278,697	1,114,978	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Interfund loans	-	62,000	165,000	-	2,000	-	-	-
Total disbursements	<u>21,591,567</u>	<u>2,340,697</u>	<u>1,279,978</u>	<u>1,224,039</u>	<u>899,186</u>	<u>-</u>	<u>120,000</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>1,713,015</u>	<u>282,548</u>	<u>216,765</u>	<u>(316,525)</u>	<u>(194,612)</u>	<u>-</u>	<u>(120,000)</u>	<u>-</u>
Other financing sources (uses):								
Transfers in	-	90,118	-	188,099	194,921	-	300,000	-
Transfers out	(4,869)	(180,181)	(129,539)	(300,000)	-	-	-	-
Total other financing sources (uses)	<u>(4,869)</u>	<u>(90,063)</u>	<u>(129,539)</u>	<u>(111,901)</u>	<u>194,921</u>	<u>-</u>	<u>300,000</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>1,708,146</u>	<u>192,485</u>	<u>87,226</u>	<u>(428,426)</u>	<u>309</u>	<u>-</u>	<u>180,000</u>	<u>-</u>
Cash and investments - ending	<u>\$ 7,585,223</u>	<u>\$ 1,003,125</u>	<u>\$ 92,204</u>	<u>\$ 17,272</u>	<u>\$ 365</u>	<u>\$ 4,556</u>	<u>\$ 184,657</u>	<u>\$ -</u>

WASHINGTON COMMUNITY SCHOOLS, INC.  
 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	Textbook Rental	Self- Insurance	Levy Excess	Educational License Plates	Alternative Education	Early Intervention	Early Intervention E Davis
Cash and investments - beginning	\$ 99,390	\$ 355,482	\$ -	\$ -	\$ 189	\$ 41,026	\$ 56	\$ -
Receipts:								
Local sources	394,076	219,197	-	-	-	-	-	-
Intermediate sources	-	-	-	-	224	-	-	-
State sources	7,385	131,487	-	-	-	5,843	-	9,966
Federal sources	878,896	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-
Other receipts	-	700	-	-	-	-	-	-
Total receipts	<u>1,280,357</u>	<u>351,384</u>	<u>-</u>	<u>-</u>	<u>224</u>	<u>5,843</u>	<u>-</u>	<u>9,966</u>
Disbursements:								
Instruction	-	-	-	-	-	41,026	-	-
Support services	5,663	258,984	-	-	244	-	-	6,552
Noninstructional services	1,199,075	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-
Total disbursements	<u>1,204,738</u>	<u>258,984</u>	<u>-</u>	<u>-</u>	<u>244</u>	<u>41,026</u>	<u>-</u>	<u>6,552</u>
Excess (deficiency) of receipts over disbursements	<u>75,619</u>	<u>92,400</u>	<u>-</u>	<u>-</u>	<u>(20)</u>	<u>(35,183)</u>	<u>-</u>	<u>3,414</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>75,619</u>	<u>92,400</u>	<u>-</u>	<u>-</u>	<u>(20)</u>	<u>(35,183)</u>	<u>-</u>	<u>3,414</u>
Cash and investments - ending	<u>\$ 175,009</u>	<u>\$ 447,882</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 169</u>	<u>\$ 5,843</u>	<u>\$ 56</u>	<u>\$ 3,414</u>

WASHINGTON COMMUNITY SCHOOLS, INC.  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2014  
 (Continued)

	Early Intervention 2015	Drug Free Community Grant - Davie's County	Pay It Forward Grant Fund	Perdue Elementary Volleyball Fund	Donation to Lena Dunn	Community Foundation Grants	High Ability 2012-13
Cash and investments - beginning	\$ -	\$ 1,900	\$ -	\$ -	\$ 229	\$ -	\$ 8,735
Receipts:							
Local sources	-	4,863	-	-	-	19,860	-
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-
Total receipts	-	4,863	-	-	-	19,860	-
Disbursements:							
Instruction	-	-	-	-	-	-	9,340
Support services	-	4,391	-	-	229	17,785	-
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-
Total disbursements	-	4,391	-	-	229	17,785	9,340
Excess (deficiency) of receipts over disbursements	-	472	-	-	(229)	2,075	(9,340)
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	605
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	605
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	472	-	-	(229)	2,075	(8,735)
Cash and investments - ending	\$ -	\$ 2,372	\$ -	\$ -	\$ -	\$ 2,075	\$ -

WASHINGTON COMMUNITY SCHOOLS, INC.  
 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 2013-14	High Ability 2014-15	Teacher Quality Improvement Program	Non Eng Speaking Program 2010-11	NESP 12-13	NESP 13-14	NESP 14-15
Cash and investments - beginning	\$ -	\$ -	\$ 1,419	\$ (441)	\$ 588	\$ -	\$ -
Receipts:							
Local sources	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-
State sources	34,651	-	-	-	-	21,581	-
Federal sources	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-
Total receipts	<u>34,651</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>21,581</u>	<u>-</u>
Disbursements:							
Instruction	16,100	-	250	-	835	4,351	-
Support services	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-
Total disbursements	<u>16,100</u>	<u>-</u>	<u>250</u>	<u>-</u>	<u>835</u>	<u>4,351</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>18,551</u>	<u>-</u>	<u>(250)</u>	<u>-</u>	<u>(835)</u>	<u>17,230</u>	<u>-</u>
Other financing sources (uses):							
Transfers in	-	-	-	441	247	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>441</u>	<u>247</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>18,551</u>	<u>-</u>	<u>(250)</u>	<u>441</u>	<u>(588)</u>	<u>17,230</u>	<u>-</u>
Cash and investments - ending	<u>\$ 18,551</u>	<u>\$ -</u>	<u>\$ 1,169</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,230</u>	<u>\$ -</u>

WASHINGTON COMMUNITY SCHOOLS, INC.  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2014  
 (Continued)

	Excellence In Performance	Senator David Ford Technology	Excess PTRC Distributions	Title 1 2011-12	Title 1 2012-13	Title 1 2013-14	Title 1 2014-15
Cash and investments - beginning	\$ -	\$ -	\$ 89	\$ (1,001)	\$ (22,023)	\$ -	\$ -
Receipts:							
Local sources	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	163,418	-	-	-	-
Federal sources	-	-	-	-	107,912	433,451	-
Temporary loans	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-
Total receipts	-	-	163,418	-	107,912	433,451	-
Disbursements:							
Instruction	-	-	-	-	63,030	354,431	-
Support services	-	-	-	-	22,859	101,705	-
Noninstructional services	-	-	-	-	-	3,954	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-
Total disbursements	-	-	-	-	85,889	460,090	-
Excess (deficiency) of receipts over disbursements	-	-	163,418	-	22,023	(26,639)	-
Other financing sources (uses):							
Transfers in	-	-	-	1,001	-	-	-
Transfers out	-	-	(163,417)	-	-	-	-
Total other financing sources (uses)	-	-	(163,417)	1,001	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	1	1,001	22,023	(26,639)	-
Cash and investments - ending	\$ -	\$ -	\$ 90	\$ -	\$ -	\$ (26,639)	\$ -

WASHINGTON COMMUNITY SCHOOLS, INC.  
 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 1 Migrant 2012-13	Title 1 C Migrant (SY&Summer)	Title 1 Migrant 2013-14	Title I C Migrant Refresh	Local Reading Improvement	Special Ed Tech Grant	Drug Free Schools 2009-10
Cash and investments - beginning	\$ 1,349	\$ (7,097)	\$ -	\$ -	\$ 6,387	\$ -	\$ (1,848)
Receipts:							
Local sources	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-
Federal sources	-	93,569	60,694	150,000	-	42,377	-
Temporary loans	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-
Total receipts	-	93,569	60,694	150,000	-	42,377	-
Disbursements:							
Instruction	-	-	-	-	-	42,377	-
Support services	-	85,103	63,098	150,000	5,124	-	-
Noninstructional services	-	1,506	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-
Total disbursements	-	86,609	63,098	150,000	5,124	42,377	-
Excess (deficiency) of receipts over disbursements	-	6,960	(2,404)	-	(5,124)	-	-
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	1,848
Transfers out	(1,349)	-	-	-	-	-	-
Total other financing sources (uses)	(1,349)	-	-	-	-	-	1,848
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(1,349)	6,960	(2,404)	-	(5,124)	-	1,848
Cash and investments - ending	\$ -	\$ (137)	\$ (2,404)	\$ -	\$ 1,263	\$ -	\$ -

WASHINGTON COMMUNITY SCHOOLS, INC.  
 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 Resource Officer Fund	School Resource Officer	Title II-A Imp Teacher Quality	Title II A	Title II A 14-15	Rural Schools and Low Income Program	Rural Schools 2014-15
Cash and investments - beginning	\$ -	\$ -	\$ (2,382)	\$ -	\$ -	\$ -	\$ -
Receipts:							
Local sources	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-
Federal sources	-	-	62,222	69,099	-	48,585	-
Temporary loans	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-
Total receipts	-	-	62,222	69,099	-	48,585	-
Disbursements:							
Instruction	-	-	49,329	84,376	-	-	-
Support services	-	-	-	-	-	49,505	-
Noninstructional services	25,000	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-
Total disbursements	25,000	-	49,329	84,376	-	49,505	-
Excess (deficiency) of receipts over disbursements	(25,000)	-	12,893	(15,277)	-	(920)	-
Other financing sources (uses):							
Transfers in	-	-	10,096	20,607	-	-	-
Transfers out	-	-	(20,607)	(8,446)	-	-	-
Total other financing sources (uses)	-	-	(10,511)	12,161	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(25,000)	-	2,382	(3,116)	-	(920)	-
Cash and investments - ending	\$ (25,000)	\$ -	\$ -	\$ (3,116)	\$ -	\$ (920)	\$ -

WASHINGTON COMMUNITY SCHOOLS, INC.  
 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 III Lang Prof 2011-12	Title III 2012-13	Title III 2013-14	Title III 2014-15	Payroll Withholding & Clearing	Self- Insurance Reserve	Totals
Cash and investments - beginning	\$ (408)	\$ (3,158)	\$ -	\$ -	\$ 7,037	\$ 781,449	\$ 8,414,629
Receipts:							
Local sources	-	-	-	-	-	2,470,143	8,673,348
Intermediate sources	-	-	-	-	-	-	224
State sources	-	-	-	-	-	-	17,403,746
Federal sources	-	14,134	17,097	-	-	-	2,044,416
Temporary loans	-	-	-	-	-	-	6,000,000
Interfund loans	-	-	-	-	-	-	229,000
Other receipts	-	-	-	-	3,848,884	-	3,996,238
Total receipts	-	14,134	17,097	-	3,848,884	2,470,143	38,346,972
Disbursements:							
Instruction	-	-	-	-	-	-	12,232,152
Support services	-	10,993	19,503	-	-	-	6,697,114
Noninstructional services	-	-	-	-	-	-	1,339,342
Facilities acquisition and construction	-	-	-	-	-	-	260,902
Debt service	-	-	-	-	-	-	9,393,675
Nonprogrammed charges	-	-	-	-	3,857,396	2,511,153	6,368,549
Interfund loans	-	-	-	-	-	-	229,000
Total disbursements	-	10,993	19,503	-	3,857,396	2,511,153	36,520,734
Excess (deficiency) of receipts over disbursements	-	3,141	(2,406)	-	(8,512)	(41,010)	1,826,238
Other financing sources (uses):							
Transfers in	408	17	-	-	-	-	808,408
Transfers out	-	-	-	-	-	-	(808,408)
Total other financing sources (uses)	408	17	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	408	3,158	(2,406)	-	(8,512)	(41,010)	1,826,238
Cash and investments - ending	\$ -	\$ -	\$ (2,406)	\$ -	\$ (1,475)	\$ 740,439	\$ 10,240,867

WASHINGTON COMMUNITY SCHOOLS, INC.  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2015

	General	Debt Service	Retirement/ Severance Bond Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	Retirement/ Severance Bond
Cash and investments - beginning	\$ 7,585,223	\$ 1,003,125	\$ 92,204	\$ 17,272	\$ 365	\$ 4,556	\$ 184,657	\$ -
Receipts:								
Local sources	182,921	2,805,551	1,490,064	637,029	617,428	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	17,724,215	-	-	-	-	-	-	-
Federal sources	441,425	-	-	-	-	-	-	-
Temporary loans	5,000,000	-	-	-	-	-	-	-
Interfund loans	-	62,000	-	30,000	-	-	-	-
Other receipts	180,153	-	-	57,607	19,173	-	-	-
Total receipts	<u>23,528,714</u>	<u>2,867,551</u>	<u>1,490,064</u>	<u>724,636</u>	<u>636,601</u>	<u>-</u>	<u>-</u>	<u>-</u>
Disbursements:								
Instruction	13,273,504	-	-	-	-	-	-	-
Support services	4,041,985	-	-	630,423	836,354	-	-	-
Noninstructional services	103,524	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	376,287	-	-	-	-
Debt service	6,030,000	2,479,515	1,190,000	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	62,000	-	-	-
Total disbursements	<u>23,449,013</u>	<u>2,479,515</u>	<u>1,190,000</u>	<u>1,006,710</u>	<u>898,354</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>79,701</u>	<u>388,036</u>	<u>300,064</u>	<u>(282,074)</u>	<u>(261,753)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other financing sources (uses):								
Transfers in	56	54,572	-	266,401	268,873	-	-	128,648
Transfers out	(1,128,648)	(324,371)	(176,324)	-	-	-	-	-
Total other financing sources (uses)	<u>(1,128,592)</u>	<u>(269,799)</u>	<u>(176,324)</u>	<u>266,401</u>	<u>268,873</u>	<u>-</u>	<u>-</u>	<u>128,648</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(1,048,891)</u>	<u>118,237</u>	<u>123,740</u>	<u>(15,673)</u>	<u>7,120</u>	<u>-</u>	<u>-</u>	<u>128,648</u>
Cash and investments - ending	<u>\$ 6,536,332</u>	<u>\$ 1,121,362</u>	<u>\$ 215,944</u>	<u>\$ 1,599</u>	<u>\$ 7,485</u>	<u>\$ 4,556</u>	<u>\$ 184,657</u>	<u>\$ 128,648</u>

WASHINGTON COMMUNITY SCHOOLS, INC.  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2015  
 (Continued)

	School Lunch	Textbook Rental	Self- Insurance	Levy Excess	Educational License Plates	Alternative Education	Early Intervention	Early Intervention E Davis
Cash and investments - beginning	\$ 175,009	\$ 447,882	\$ -	\$ -	\$ 169	\$ 5,843	\$ 56	\$ 3,414
Receipts:								
Local sources	428,505	219,124	-	107	-	-	-	-
Intermediate sources	-	-	-	-	206	-	-	-
State sources	6,895	140,757	-	-	-	6,626	-	-
Federal sources	960,759	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-
Other receipts	-	700	-	-	-	-	-	-
Total receipts	<u>1,396,159</u>	<u>360,581</u>	<u>-</u>	<u>107</u>	<u>206</u>	<u>6,626</u>	<u>-</u>	<u>-</u>
Disbursements:								
Instruction	-	-	-	-	-	-	-	-
Support services	6,479	276,240	-	-	262	-	-	3,414
Noninstructional services	1,313,438	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-
Total disbursements	<u>1,319,917</u>	<u>276,240</u>	<u>-</u>	<u>-</u>	<u>262</u>	<u>-</u>	<u>-</u>	<u>3,414</u>
Excess (deficiency) of receipts over disbursements	<u>76,242</u>	<u>84,341</u>	<u>-</u>	<u>107</u>	<u>(56)</u>	<u>6,626</u>	<u>-</u>	<u>(3,414)</u>
Other financing sources (uses):								
Transfers in	-	-	1,000,000	-	-	-	-	-
Transfers out	-	-	-	-	-	-	(56)	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>1,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(56)</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>76,242</u>	<u>84,341</u>	<u>1,000,000</u>	<u>107</u>	<u>(56)</u>	<u>6,626</u>	<u>(56)</u>	<u>(3,414)</u>
Cash and investments - ending	<u>\$ 251,251</u>	<u>\$ 532,223</u>	<u>\$ 1,000,000</u>	<u>\$ 107</u>	<u>\$ 113</u>	<u>\$ 12,469</u>	<u>\$ -</u>	<u>\$ -</u>

WASHINGTON COMMUNITY SCHOOLS, INC.  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2015  
 (Continued)

	Early Intervention 2015	Drug Free Community Grant - Davie's County	Pay It Forward Grant Fund	Perdue Elementary Volleyball Fund	Donation to Lena Dunn	Community Foundation Grants	High Ability 2012-13
Cash and investments - beginning	\$ -	\$ 2,372	\$ -	\$ -	\$ -	\$ 2,075	\$ -
Receipts:							
Local sources	-	3,900	1,500	2,000	-	-	-
Intermediate sources	-	-	-	-	-	-	-
State sources	9,945	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-
Total receipts	<u>9,945</u>	<u>3,900</u>	<u>1,500</u>	<u>2,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Disbursements:							
Instruction	-	-	473	2,000	-	-	-
Support services	9,945	2,561	-	-	-	1,572	-
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-
Total disbursements	<u>9,945</u>	<u>2,561</u>	<u>473</u>	<u>2,000</u>	<u>-</u>	<u>1,572</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>-</u>	<u>1,339</u>	<u>1,027</u>	<u>-</u>	<u>-</u>	<u>(1,572)</u>	<u>-</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>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>-</u>	<u>1,339</u>	<u>1,027</u>	<u>-</u>	<u>-</u>	<u>(1,572)</u>	<u>-</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ 3,711</u>	<u>\$ 1,027</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 503</u>	<u>\$ -</u>

WASHINGTON COMMUNITY SCHOOLS, INC.  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2015  
 (Continued)

	High Ability 2013-14	High Ability 2014-15	Teacher Quality Improvement Program	Non Eng Speaking Program 2010-11	NESP 12-13	NESP 13-14	NESP 14-15
Cash and investments - beginning	\$ 18,551	\$ -	\$ 1,169	\$ -	\$ -	\$ 17,230	\$ -
Receipts:							
Local sources	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-
State sources	-	35,573	-	-	-	-	20,887
Federal sources	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-
Total receipts	-	35,573	-	-	-	-	20,887
Disbursements:							
Instruction	18,551	31,169	-	-	-	17,230	19,919
Support services	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-
Total disbursements	18,551	31,169	-	-	-	17,230	19,919
Excess (deficiency) of receipts over disbursements	(18,551)	4,404	-	-	-	(17,230)	968
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	(18,551)	4,404	-	-	-	(17,230)	968
Cash and investments - ending	\$ -	\$ 4,404	\$ 1,169	\$ -	\$ -	\$ -	\$ 968

WASHINGTON COMMUNITY SCHOOLS, INC.  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2015  
 (Continued)

	Excellence In Performance	Senator David Ford Technology	Excess PTRC Distributions	Title 1 2011-12	Title 1 2012-13	Title 1 2013-14	Title 1 2014-15
Cash and investments - beginning	\$ -	\$ -	\$ 90	\$ -	\$ -	\$ (26,639)	\$ -
Receipts:							
Local sources	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-
State sources	18,933	10,149	183,011	-	-	-	-
Federal sources	-	-	-	-	-	153,449	302,513
Temporary loans	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-
Total receipts	<u>18,933</u>	<u>10,149</u>	<u>183,011</u>	<u>-</u>	<u>-</u>	<u>153,449</u>	<u>302,513</u>
Disbursements:							
Instruction	18,933	-	93,861	-	-	74,746	319,615
Support services	-	12,099	-	-	-	50,927	91,630
Noninstructional services	-	-	-	-	-	1,137	4,453
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-
Total disbursements	<u>18,933</u>	<u>12,099</u>	<u>93,861</u>	<u>-</u>	<u>-</u>	<u>126,810</u>	<u>415,698</u>
Excess (deficiency) of receipts over disbursements	<u>-</u>	<u>(1,950)</u>	<u>89,150</u>	<u>-</u>	<u>-</u>	<u>26,639</u>	<u>(113,185)</u>
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	(89,151)	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(89,151)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>-</u>	<u>(1,950)</u>	<u>(1)</u>	<u>-</u>	<u>-</u>	<u>26,639</u>	<u>(113,185)</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ (1,950)</u>	<u>\$ 89</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (113,185)</u>

WASHINGTON COMMUNITY SCHOOLS, INC.  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2015  
 (Continued)

	Title 1 Migrant 2012-13	Title 1 C Migrant (SY&Summer)	Title 1 Migrant 2013-14	Title I C Migrant Refresh	Local Reading Improvement	Special Ed Tech Grant	Drug Free Schools 2009-10
Cash and investments - beginning	\$ -	\$ (137)	\$ (2,404)	\$ -	\$ 1,263	\$ -	\$ -
Receipts:							
Local sources	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-
Federal sources	-	19,937	26,977	-	-	-	-
Temporary loans	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-
Total receipts	-	19,937	26,977	-	-	-	-
Disbursements:							
Instruction	-	-	-	-	-	-	-
Support services	-	19,800	27,402	-	220	-	-
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-
Total disbursements	-	19,800	27,402	-	220	-	-
Excess (deficiency) of receipts over disbursements	-	137	(425)	-	(220)	-	-
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	-	137	(425)	-	(220)	-	-
Cash and investments - ending	\$ -	\$ -	\$ (2,829)	\$ -	\$ 1,043	\$ -	\$ -

WASHINGTON COMMUNITY SCHOOLS, INC.  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2015  
 (Continued)

	School Resource Officer Fund	School Resource Officer	Title II-A Imp Teacher Quality	Title II A	Title II A 14-15	Rural Schools and Low Income Program	Rural Schools 2014-15
Cash and investments - beginning	\$ (25,000)	\$ -	\$ -	\$ (3,116)	\$ -	\$ (920)	\$ -
Receipts:							
Local sources	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-
State sources	127,952	-	-	-	-	-	-
Federal sources	-	-	-	29,754	82,470	1,157	34,452
Temporary loans	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-
Total receipts	<u>127,952</u>	<u>-</u>	<u>-</u>	<u>29,754</u>	<u>82,470</u>	<u>1,157</u>	<u>34,452</u>
Disbursements:							
Instruction	-	-	-	26,638	102,204	-	-
Support services	-	-	-	-	-	237	44,764
Noninstructional services	75,022	66,823	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-
Total disbursements	<u>75,022</u>	<u>66,823</u>	<u>-</u>	<u>26,638</u>	<u>102,204</u>	<u>237</u>	<u>44,764</u>
Excess (deficiency) of receipts over disbursements	<u>52,930</u>	<u>(66,823)</u>	<u>-</u>	<u>3,116</u>	<u>(19,734)</u>	<u>920</u>	<u>(10,312)</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>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>52,930</u>	<u>(66,823)</u>	<u>-</u>	<u>3,116</u>	<u>(19,734)</u>	<u>920</u>	<u>(10,312)</u>
Cash and investments - ending	<u>\$ 27,930</u>	<u>\$ (66,823)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (19,734)</u>	<u>\$ -</u>	<u>\$ (10,312)</u>

WASHINGTON COMMUNITY SCHOOLS, INC.  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2015  
 (Continued)

	Title III Lang Prof 2011-12	Title III 2012-13	Title III 2013-14	Title III 2014-15	Payroll Withholding & Clearing	Self- Insurance Reserve	Totals
Cash and investments - beginning	\$ -	\$ -	\$ (2,406)	\$ -	\$ (1,475)	\$ 740,439	\$ 10,240,867
Receipts:							
Local sources	-	-	-	-	-	2,817,405	9,205,534
Intermediate sources	-	-	-	-	-	-	206
State sources	-	-	-	-	-	-	18,284,943
Federal sources	-	-	17,618	-	-	-	2,070,511
Temporary loans	-	-	-	-	-	-	5,000,000
Interfund loans	-	-	-	-	-	-	92,000
Other receipts	-	-	-	-	3,793,954	-	4,051,587
Total receipts	-	-	17,618	-	3,793,954	2,817,405	38,704,781
Disbursements:							
Instruction	-	-	-	-	-	-	13,998,843
Support services	-	-	15,212	1,125	-	-	6,072,651
Noninstructional services	-	-	-	-	-	-	1,564,397
Facilities acquisition and construction	-	-	-	-	-	-	376,287
Debt service	-	-	-	-	-	-	9,699,515
Nonprogrammed charges	-	-	-	-	3,796,014	2,240,808	6,036,822
Interfund loans	-	-	-	-	-	-	62,000
Total disbursements	-	-	15,212	1,125	3,796,014	2,240,808	37,810,515
Excess (deficiency) of receipts over disbursements	-	-	2,406	(1,125)	(2,060)	576,597	894,266
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	1,718,550
Transfers out	-	-	-	-	-	-	(1,718,550)
Total other financing sources (uses)	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	2,406	(1,125)	(2,060)	576,597	894,266
Cash and investments - ending	\$ -	\$ -	\$ -	\$ (1,125)	\$ (3,535)	\$ 1,317,036	\$ 11,135,133

WASHINGTON COMMUNITY SCHOOLS, INC.  
SCHEDULE OF LEASES AND DEBT  
June 30, 2015

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities:				
Washington Indiana Elementary School Building Corporation	1.9 Ad Valorem Property Tax First Mortgage Bonds Series 2014	\$ 224,000	1/15/2015	1/15/2024
Washington Indiana Elementary School Building Corporation	QSCB	254,000	1/15/2011	1/15/2027
Washington Indiana Elementary School Building Corporation	Refinance 2002 Bonds	520,000	7/15/2008	7/15/2020
Washington Community School Building Corporation	Jr/Sr High Renovation	<u>1,397,500</u>	7/15/2007	1/15/1930
Total governmental activities		<u>2,395,500</u>		
Total of annual lease payments		<u>\$ 2,395,500</u>		

Type	Description of Debt Purpose	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:			
General obligation bonds	Pension Bonds	\$ 2,841,638	\$ 610,000
Tax anticipation warrants	Cash Flow	<u>5,000,000</u>	<u>5,073,500</u>
Total governmental activities		<u>7,841,638</u>	<u>5,683,500</u>
Totals		<u>\$ 7,841,638</u>	<u>\$ 5,683,500</u>

WASHINGTON COMMUNITY SCHOOLS, INC.  
SCHEDULE OF CAPITAL ASSETS  
June 30, 2015

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

	<u>Ending Balance</u>
Governmental activities:	
Land	\$ 363,028
Buildings	37,047,975
Improvements other than buildings	3,312,534
Machinery, equipment, and vehicles	<u>2,191,554</u>
Total governmental activities	<u>42,915,091</u>
Total capital assets	<u>\$ 42,915,091</u>

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SUPPLEMENTAL AUDIT OF  
FEDERAL AWARDS



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

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

**Report on Compliance for Each Major Federal Program**

We have audited the Washington Community Schools, Inc.'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, 2013 to June 30, 2015. 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. Except as discussed in the following paragraph, 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.

***Basis for Qualified Opinion on Child Nutrition Cluster***

As described in item 2015-005 in the accompanying Schedule of Findings and Questioned Costs, we were unable to obtain sufficient appropriate audit evidence supporting the compliance of the School Corporation with the Child Nutrition Cluster regarding Program Income. Consequently, we were unable to determine whether the School Corporation complied with this requirement applicable to the program.

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

***Qualified Opinion on Child Nutrition Cluster***

In our opinion, except for the effects of such noncompliance, if any, as might have been determined had we been able to examine sufficient evidence regarding the School Corporation's compliance with the requirements of the Child Nutrition Cluster regarding Program Income, described in the *Basis for Qualified Opinion on Child Nutrition Cluster* paragraph, the School Corporation complied, in all material respects, with the requirements referred to above that could have a direct and material effect on the Child Nutrition Cluster for the period of July 1, 2013 to June 30, 2015.

***Unmodified Opinion on Each of the Other Major Federal Programs***

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 each of its other major federal programs identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs for the period of July 1, 2013 to June 30, 2015.

***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2015-004, 2015-006, 2015-008, 2015-009, and 2015-011. Our opinion on each major federal program is not modified with respect to these matters.

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

**Report on Internal Control over Compliance**

Management of the School Corporation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School Corporation's internal control over compliance with the types of requirements that could have a direct and material effect on 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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2015-003, 2015-006, 2015-007, 2015-008, 2015-009, 2015-010, and 2015-011 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

August 31, 2017

#### 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.

WASHINGTON COMMUNITY SCHOOLS, INC.  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 For the Years Ended June 30, 2014 and 2015

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	Pass-Through To Subrecipient 06-30-14	Total Federal Awards Expended 06-30-14	Pass-Through To Subrecipient 06-30-15	Total Federal Awards Expended 06-30-15
<u>Department of Agriculture</u>							
Child Nutrition Cluster							
School Breakfast Program	Indiana Department of Education	10.553					
School Breakfast Program			FY 2013-14	\$ -	\$ 176,592	\$ -	\$ -
School Breakfast Program			FY 2014-15	-	-	-	201,121
Total - School Breakfast Program				-	176,592	-	201,121
National School Lunch Program							
School Lunch Program	Indiana Department of Education	10.555					
School Lunch Program			FY 2013-14	-	676,201	-	-
Commodities			FY 2014-15	-	-	-	730,313
Commodities			FY 2013-14	-	76,349	-	-
Commodities			FY 2014-15	-	-	-	85,446
Total - National School Lunch Program				-	752,550	-	815,759
Total - Child Nutrition Cluster				-	929,142	-	1,016,880
Child and Adult Care Food Program	Indiana Department of Education	10.558					
			FY 2014-15	-	-	-	1,754
Fresh Fruit and Vegetable Program	Indiana Department of Education	10.582					
			FY 2013-14	-	26,103	-	-
			FY 2014-15	-	-	-	27,571
Total - Fresh Fruit and Vegetable Program				-	26,103	-	27,571
Total - Department of Agriculture				-	955,245	-	1,046,205
<u>Department of Education</u>							
Special Education Cluster (IDEA)							
Special Education_Grants to States	Indiana Department of Education	84.027					
			14213-009-PN01	-	222,384	-	10,377
			14214-009-PN01	-	416,410	-	252,056
			99914-09-TA01	-	4,795	-	7,070
			14215-009-PN01	-	-	-	385,471
			14-1405	-	42,377	-	-
Total - Special Education_Grants to States				-	685,966	-	654,974
Special Education_Preschool Grants	Indiana Department of Education	84.173					
			45714-009-PN01	-	24,053	-	-
			45715-009-PN01	-	-	-	23,686
Total - Special Education_Preschool Grants				-	24,053	-	23,686
Total - Special Education Cluster (IDEA)				-	710,019	-	678,660

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

WASHINGTON COMMUNITY SCHOOLS, INC.  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 For the Years Ended June 30, 2014 and 2015  
 (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	Pass-Through To Subrecipient 06-30-14	Total Federal Awards Expended 06-30-14	Pass-Through To Subrecipient 06-30-15	Total Federal Awards Expended 06-30-15
<b>Department of Education (continued)</b>							
Title I Grants to Local Educational Agencies	Indiana Department of Education	84.010					
Title I Part A			13-1405	-	107,912	-	-
Title I Part A			14-1405	-	433,451	-	153,449
Title I Part A			15-1405	-	-	-	301,953
Total - Title I Grants to Local Educational Agencies				-	541,363	-	455,402
Migrant Education_State Grant Program	Indiana Department of Education	84.011					
Migrant Education			38212-015-PN01	-	93,569	-	19,937
Migrant Education			38213-009-PN01	-	60,694	-	-
Migrant Education			38213-009-PN01	-	-	-	26,977
Migrant Refresh Grant			38212-003-MR01	-	150,000	-	-
Total - Migrant Education_State Grant Program				-	304,263	-	46,914
Rural Education	Indiana Department of Education	84.358					
Rural & Low Income Schools Grant			700S358B120014	-	48,585	-	1,157
			700S358B140014	-	-	-	34,452
Total - Rural Education				-	48,585	-	35,609
English Language Acquisition State Grants	Indiana Department of Education	84.365					
English Language Acquisition			51113-030	-	14,134	-	-
English Language Acquisition			51114-030	-	17,097	-	17,618
Total - English Language Acquisition State Grants				-	31,231	-	17,618
Improving Teacher Quality State Grants	Indiana Department of Education	84.367					
Improving Teacher Quality			13-1405	-	61,136	-	-
Improving Teacher Quality			14-1405	-	69,099	-	29,754
Improving Teacher Quality			15-1405	-	-	-	82,470
Total - Improving Teacher Quality State Grants				-	130,235	-	112,224
Preventive Health and Health Services Block Grant	Indiana State Department of Health	93.991	400361014660013	-	100	-	-
Total - Department of Education				-	1,765,796	-	1,346,427
Total federal awards expended				\$ -	\$ 2,721,041	\$ -	\$ 2,392,632

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

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

**Note 1. Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes the federal grant activity of the School Corporation under programs of the federal government for the years ended June 30, 2014 and 2015. The information in the SEFA is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the SEFA presents only a select portion of the operations of the School Corporation, it is not intended to and does not present the financial position of the School Corporation.

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. Summary of Significant Accounting Policies**

Expenditures reported on the SEFA are reported on the cash basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowed or are limited as to reimbursement. When federal grants are received on a reimbursement basis, the federal awards are considered expended when the reimbursement is received.

**Note 3. Special Education Cooperative**

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

WASHINGTON COMMUNITY SCHOOLS, INC.  
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 deficiency identified?	none reported
Noncompliance material to financial statement noted?	yes

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	yes
Significant deficiency identified?	none reported
Type of auditor's report issued on compliance for major programs:	
Child Nutrition Cluster	Qualified
Migrant Education_State Grant Program	Unmodified
Title I Grants to Local Educational Agencies	Unmodified
Special Education Cluster (IDEA)	Unmodified
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:

CFDA Number	Name of Federal Program or Cluster
84.010	Child Nutrition Cluster
84.011	Title I Grants to Local Educational Agencies
	Migrant Education_State Grant Program
	Special Education Cluster (IDEA)

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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**Section II - Financial Statement Findings**

**FINDING 2015-001**

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

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

*Condition*

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

The following errors were identified: federal expenditures were not reported for eleven grants totaling \$1,707,939; federal expenditures were overstated \$20,482 in total for three grants and were understated \$68,998 in total for six grants that were reported. In addition, the program titles for six grants and the CFDA numbers for two grants were incorrectly reported.

Audit adjustments were proposed, accepted by the School Corporation, and made to the SEFA.

*Context*

This was a systemic problem as controls over preparation of the SEFA did not exist during the audit period.

*Criteria*

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

An integral part of the control activity component is segregation of duties. . . .

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . ."

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 § \_\_.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:

WASHINGTON COMMUNITY SCHOOLS, INC.  
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."

*Cause*

Management of the School Corporation had not established a system of internal control that would have ensured accurate and complete reporting of federal awards on the SEFA.

*Effect*

Without a proper system of internal control in place that operated effectively, material misstatements of the SEFA remained undetected. The SEFA contained the errors identified in the *Condition*.

*Recommendation*

We recommended that the School Corporation's management establish controls to prevent, or detect and correct, errors on the SEFA and to ensure accurate and complete reporting of federal awards.

*Views of Responsible Officials*

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

**FINDING 2015-002**

Subject: Internal Controls over Financial Transactions and Reporting  
Audit Finding: Material Weakness

*Condition*

Management of the School Corporation had not established an adequate internal control system related to financial transactions and reporting of the Self-Insurance Reserve fund.

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

The School Corporation utilized a third-party Administrator to administer the Washington Community Schools Employee Benefit Trust (Self-Insurance Reserve fund). The Administrator provided the School Corporation with a detailed reconciliation worksheet showing the trust's monthly income and expenditures and ending cash balances. The School Corporation used the reconciliation worksheets to enter the receipts and disbursements to the Self-Insurance Reserve fund on the financial statement.

There was no evidence of any controls to verify that the information received from the Administrator was accurate or to ensure that the receipts and disbursements reflected in the Self-Insurance Reserve fund on the financial statement were accurate.

*Context*

This was a systemic problem as controls over the Self-Insurance Reserve fund did not exist during the audit period.

*Criteria*

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

An integral part of the control activity component is segregation of duties. . . .

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . ."

*Cause*

Management of the School Corporation had not established a proper system of internal control to ensure proper reporting of the receipts, disbursements, and cash balances of the Self-Insurance Reserve fund.

*Effect*

The failure to establish a proper system of internal control could have enabled material misstatements within the Self-Insurance Reserve fund to occur and remain undetected.

*Recommendation*

We recommended that the School Corporation's management establish controls to verify the accuracy of the information received from the administrator to ensure proper reporting of Self-Insurance Reserve fund transactions in the financial statement.

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

*Views of Responsible Officials*

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

**Section III - Federal Award Findings and Questioned Costs**

**FINDING 2015-003**

Subject: Internal Controls over Child Nutrition Cluster

Federal Agency: Department of Agriculture

Federal Programs: School Breakfast Program, National School Lunch Program

CFDA Numbers: 10.553, 10.555

Federal Award Numbers and Years (or Other Identifying Numbers): FY 2013-14, FY 2014-15

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Cash Management, Eligibility, Program Income, Reporting,  
Special Tests and Provisions - Paid Lunch Equity

Audit Finding: Material Weakness

*Condition*

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the following compliance requirements: Cash Management, Eligibility, Program Income, Reporting, and Special Tests and Provisions - Paid Lunch Equity.

*Cash Management*

An effective internal control system was not in place to ensure that the School Lunch fund monthly net cash resources did not exceed the three months average expenditures.

*Eligibility*

An effective internal control system was not in place to ensure that written communications were made to applicants whose applications for free/reduced meal prices were denied, that the eligibility calculations as determined by the School Corporation's software system were accurate, and that a public announcement of the eligibility criteria was made as required.

*Program Income*

An effective internal control system was not in place to ensure that program income was properly receipted and recorded into the School Lunch fund.

*Reporting*

An effective internal control system was not in place to ensure that the monthly Sponsor Claim (claims for reimbursement), Annual Financial Reports, and School Food Authority (SFA) Verification Collection Reports were accurately prepared and submitted.

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

*Special Tests and Provisions - Paid Lunch Equity (National School Lunch Program only)*

An effective internal control system was not in place to ensure that the paid lunch equity calculations were accurate.

*Context*

This was a systemic problem within the School Breakfast Program and National School Lunch Program. Controls did not exist over the compliance requirements listed above during the audit period.

*Criteria*

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. . . ."

*Cause*

Management of the School Corporation had not developed a system of internal controls, including segregation of duties, that would have ensured that the School Corporation complied with the compliance requirements listed above.

*Effect*

The failure to establish an effective internal control system placed 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 have also allowed noncompliance with the compliance requirements and allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the programs.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation's management establish controls, including segregation of duties, related to the grant agreement and the compliance requirements listed above.

*Views of Responsible Officials*

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

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

**FINDING 2015-004**

Subject: Child Nutrition Cluster - Eligibility  
Federal Agency: Department of Agriculture  
Federal Programs: School Breakfast Program, National School Lunch Program  
CFDA Numbers: 10.553, 10.555  
Federal Award Numbers and Years (or Other Identifying Numbers): FY 2013-14, FY 2014-15  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Eligibility  
Audit Finding: Other Matters

*Condition*

The School Corporation did not provide written notice to applicants whose applications for free and reduced price meals were denied nor did they publicly announce the criteria for determining the eligibility of children for free and reduced price meals during the audit period.

*Context*

These were systemic issues and occurred throughout the audit period.

*Criteria*

7 CFR 245.6(c)(7) states:

*"Denied applications and the notice of denial.* When the application furnished by a family is not complete or does not meet the eligibility criteria for free or reduced price benefits, the local educational agency must document and retain the reasons for ineligibility and must retain the denied application. In addition, the local educational agency must promptly provide written notice to each family denied benefits. As a minimum, this notice shall include:

- (i) The reason for the denial of benefits, e.g. income in excess of allowable limits or incomplete application;
- (ii) Notification of the right to appeal;
- (iii) Instructions on how to appeal; and
- (iv) A statement reminding parents that they may reapply for free or reduced price benefits at any time during the school year."

7 CFR 245.5(a) states in part:

"After the State agency, or FNSRO where applicable, notifies the local educational agency (as defined in § 245.2) that its criteria for determining the eligibility of children for free and reduced meals and for free milk have been approved, the local educational agency (as defined in § 245.2) shall publicly announce such criteria: *Provided however*, that no such public announcement shall be required for boarding schools, residential child care institutions (see § 210.2 of this chapter, definition of *Schools*), or a school which includes food service fees in its tuition, where all attending children are provided the same meals or milk. Such announcements shall be made at the beginning of the school year or, if notice of approval is given thereafter, within 10 days after the notice is received. The public announcement of such criteria, as a minimum, shall include the following:

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

- (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:
- (i) In schools participating in a meal service program, the eligibility criteria for *reduced price* benefits with an explanation that households with incomes less than or equal to the reduced price criteria would be eligible for either free or reduced price meals, or in schools participating in the free milk option, the eligibility criteria for *free* milk benefits;
  - (ii) How a household may make applications for free or reduced price meals or for free milk for its children;
  - (iii) An explanation that an application for free or reduced price benefits cannot be approved unless it contains complete information as described in paragraph (1)(i) of the definition of *Documentation* in § 245.2;
  - (iv) An explanation that households with children who are members of currently certified SNAP, FDPIR or TANF households may submit applications for these children with the abbreviated information described in paragraph (2)(ii) of the definition of *Documentation* in § 245.2;
  - (v) An explanation that the information on the application may be verified at any time during the school year;
  - (vi) How a household may apply for benefits at any time during the school year as circumstances change;
  - (vii) A statement to the effect that children having parents or guardians who become unemployed are eligible for free or reduced price meals or for free milk during the period of unemployment, *Provided*, that the loss of income causes the household income during the period of unemployment to be within the eligibility criteria;
  - (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;'
  - (ix) An explanation that Head Start enrollees and foster, migrant, and runaway children, as defined in § 245.2, are categorically eligible for free meals and free milk and their families should contact the school for more information;
  - (x) How a household may appeal the decision of the local educational agency with respect to the application under the hearing procedure set forth in § 245.7. The letter or notice shall be accompanied by a copy of the application form required under § 245.6.
  - (xi) A statement to the effect that the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) participants may be eligible for free or reduced price meals. . . ."

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

*Cause*

Management of the School Corporation had not developed a system of internal controls that would have ensured that the School Corporation provided written notice to applicants whose applications were denied and that the eligibility criteria were publicly announced.

*Effect*

The failure to establish an effective internal control system enabled noncompliance to occur. Non-compliance with the compliance requirement could have resulted in the loss of federal funds to the School Corporation.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation implement procedures to ensure compliance with the Eligibility requirements.

*Views of Responsible Officials*

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

**FINDING 2015-005**

Subject: Child Nutrition Cluster - Program Income

Federal Agency: Department of Agriculture

Federal Programs: School Breakfast Program, National School Lunch Program

CFDA Numbers: 10.553, 10.555

Federal Award Numbers and Years (or Other Identifying Numbers): FY 2013-14, FY 2014-15

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Program Income

Audit Finding: Scope Limitation/Modified Opinion

*Condition*

It could not be determined if the School Corporation complied with requirements for accounting for program income generated from the operation of the school food service program. A single fund, the School Lunch fund, was used to account for all activity of the school food service program.

The School Corporation maintained prepaid accounts for students. When prepaid funds were received they were receipted with the program income into the School Lunch fund as revenue, with no distinction between the prepaid accounts and the program income generated from the school food service program.

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

*Context*

This was a systemic problem. The School Corporation's procedures for recording receipts in the School Lunch fund prevented the ability to determine whether the School Corporation was in compliance with the Program Income compliance requirement.

*Criteria*

7 CFR 3016.20 (b)(2) states:

"*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."

*Cause*

Management of the School Corporation had not developed a system of internal controls that would have ensured that prepaid receipts and program income receipts were properly identified and accounted for.

*Effect*

The failure to establish a system of internal controls that would have ensured proper receipting and recording of program income prevented the determination of the School Corporation's compliance with Program Income requirements.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation comply with the Program Income requirements and segregate the prepaid receipts from the program income receipts.

*Views of Responsible Officials*

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

**FINDING 2015-006**

Subject: Title I Grants to Local Educational Agencies - Allowable Costs/Cost Principles  
Federal Agency: Department of Education  
Federal Program: Title I Grants to Local Educational Agencies  
CFDA Number: 84.010  
Federal Award Numbers and Years (or Other Identifying Numbers): 13-1405, 14-1405, 15-1405  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Allowable Costs/Cost Principles  
Audit Findings: Material Weakness, Other Matters

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

*Condition*

Management of the School Corporation had not established an effective internal control system that would have ensured compliance with the grant agreement and the Allowable Costs/Cost Principles compliance requirement.

The School Corporation did not maintain the documentation necessary to support the employees' salaries and wages charged to the federal program. Semi-Annual Certifications and Personnel Activity Reports were not maintained for all employees that were paid from the program.

*Context*

During the audit period, Semi-Annual Certifications were not maintained for four employees and Personnel Activity Reports were not maintained for twenty-three employees.

*Criteria*

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

". . . (3) Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi annually and will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee.

(4) Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection (5) unless a statistical sampling system (see subsection (6)) or other substitute system has been approved by the cognizant Federal agency. Such documentary support will be required where employees work on:

- (a) More than one Federal award,
- (b) A Federal award and a non-Federal award,
- (c) An indirect cost activity and a direct cost activity,
- (d) Two or more indirect activities which are allocated using different allocation bases, or
- (e) An unallowable activity and a direct or indirect cost 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. . . ."

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

*Cause*

Management of the School Corporation had not developed a system of internal controls that would have ensured that the School Corporation complied with the Allowable Costs/Cost Principles requirements.

*Effect*

The failure to establish an effective internal control system enabled noncompliance to occur. Non-compliance with the compliance requirement could have resulted in the loss of federal funds to the School Corporation.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation's management establish internal controls and implement procedures to ensure compliance with the grant agreement and the Allowable Costs/Cost Principles requirements.

*Views of Responsible Officials*

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

**FINDING 2015-007**

Subject: Title I Grants to Local Educational Agencies - Special Tests and Provisions - Comparability  
Federal Agency: Department of Education  
Federal Program: Title I Grants to Local Educational Agencies  
CFDA Number: 84.010  
Federal Award Numbers and Years (or Other Identifying Numbers): 13-1405, 14-1405, 15-1405  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Special Tests and Provisions - Comparability  
Audit Finding: Material Weakness

*Condition*

Management of the School Corporation had not established an effective internal control system related to the grant agreement and the Special Tests and Provisions - Comparability compliance requirement.

The School Corporation had not designed or implemented adequate policies or procedures to ensure that the comparability report was accurate. One person was responsible for preparing and submitting the comparability report. There was no segregation of duties, such as an oversight, review, approval process, or other compensating control.

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

*Context*

Internal Controls, including segregation of duties, did not exist over the compliance requirement listed above during the audit period.

*Criteria*

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. . . ."

*Cause*

Management of the School Corporation had not developed a system of internal controls, including segregation of duties, that would have ensured that the School Corporation complied with the compliance requirement listed above.

*Effect*

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

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation's management establish controls, including segregation of duties, related to the grant agreement and the compliance requirement listed above.

*Views of Responsible Officials*

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

**FINDING 2015-008**

Subject: Title I Grants to Local Educational Agencies - Special  
Tests and Provisions - Assessment System Security  
Federal Agency: Department of Education  
Federal Program: Title I Grants to Local Educational Agencies  
CFDA Number: 84.010  
Federal Award Numbers and Years (or Other Identifying Numbers): 14-1405, 15-1405  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Special Tests and Provisions - Assessment System Security  
Audit Findings: Material Weakness, Other Matters

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

*Condition*

An effective internal control system was not in place to ensure that a written test security policy, describing the School Corporation's policies and procedures for ensuring the security of assessment testing, was developed and implemented.

The School Corporation developed a written test security policy; however, it does not adequately describe the School Corporation's specific policies and procedures for assessment system security.

*Context*

The School Corporation's written policy on Assessment System Security did not adequately describe specific policies and procedures for assessment system security.

*Criteria*

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. . . ."

2 CFR 200.207(a) states in part: "The Federal awarding agency or pass-through entity may impose additional specific award conditions as needed . . ."

Indiana Assessment Program Manual, Chapter 10, Part D states in part:

"Every school corporation . . . that administers tests under the Indiana Assessment System **MUST** have a locally developed written test security policy. The test security policy developed by the entity should:

- Specify that secured test material should not be delivered to school buildings more than one week (preferably less) in advance of the test administration;
- Specify that teachers and other school staff members are not allowed access to secure materials (except for the *Examiner's Manual*) more than 24 hours in advance of test administration; and
- Describe the entity's plan for ensuring the security of assessment materials during the testing and storage of all secure assessment materials before, during, and after testing. All test materials should be stored at a central location under lock and key. . . ."

*Cause*

Management of the School Corporation had not developed a system of internal controls that would have ensured compliance with the Special Tests and Provisions - Assessment System Security requirements.

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

*Effect*

The failure to establish a system of internal controls that would have ensured that an adequately detailed written test security policy was developed and implemented, resulted in the School Corporation's noncompliance with the Special Tests and Provisions - Assessment System Security requirements.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation's management establish controls to ensure compliance and to comply with the grant agreement and the compliance requirements listed above.

*Views of Responsible Officials*

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

**FINDING 2015-009**

Subject: Migrant Education\_State Grant Program - Allowable Costs/Cost Principles  
Federal Agency: Department of Education  
Federal Program: Migrant Education\_State Grant Program  
CFDA Number: 84.011  
Federal Award Numbers and Years (or Other Identifying Numbers): 38212-015-PN01, 38213-009-PN01  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Allowable Costs/Cost Principles  
Audit Findings: Material Weakness, Other Matters

*Condition*

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

Semi-Annual Certifications and Personal Activity Reports were not prepared for employees paid from the program.

*Context*

There were no Semi-Annual Certifications or Personal Activity Reports for any employees paid from the Migrant Education\_State Grant Program for either of the two years under audit.

*Criteria*

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. . . ."

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

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

". . . (3) Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi annually and will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee.

(4) Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection (5) unless a statistical sampling system (see subsection (6)) or other substitute system has been approved by the cognizant Federal agency. Such documentary support will be required where employees work on:

- (a) More than one Federal award,
- (b) A Federal award and a non-Federal award,
- (c) An indirect cost activity and a direct cost activity,
- (d) Two or more indirect activities which are allocated using different allocation bases, or
- (e) An unallowable activity and a direct or indirect cost activity. . . ."

*Cause*

Management of the School Corporation had not developed a system of internal controls that would have ensured that the use of Semi-Annual Certifications and Personal Activity Reports was implemented.

*Effect*

The failure to establish a system of internal controls that would have ensured the use of Semi-Annual Certifications and Personal Activity Reports, resulted in the School Corporation's noncompliance with the Allowable Costs/Cost Principals requirements.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation's management establish controls to ensure compliance and to comply with the grant agreement and the compliance requirement listed above.

*Views of Responsible Officials*

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

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

***FINDING 2015-010***

Subject: Migrant Education\_State Grant Program - Special Tests and Provisions -  
Comparability and Special Tests and Provisions - Priority for Services  
Federal Agency: Department of Education  
Federal Program: Migrant Education\_State Grant Program  
CFDA Number: 84.011  
Federal Award Numbers and Years (or Other Identifying Numbers): 38212-015-PN01, 38213-009-PN01  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirements: Special Tests and Provisions - Comparability,  
Special Tests and Provisions - Priority for Services  
Audit Finding: Material Weakness

*Condition*

Management of the School Corporation had not established an effective internal control system related to the grant agreement and the Special Tests and Provisions - Comparability and Special Tests and Provisions - Priority for Services compliance requirements.

*Special Tests and Provisions - Comparability*

An effective internal control system was not in place to ensure that the comparability reports were accurately prepared and submitted.

*Special Tests and Provisions - Priority for Services*

An effective internal control system was not in place to ensure that the priority for services determination was accurately completed.

*Context*

Internal Controls, including segregation of duties, over the compliance requirements listed above, did not exist during the audit period.

*Criteria*

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. . . ."

*Cause*

Management of the School Corporation had not developed a system of internal controls, including segregation of duties, that would have ensured that the School Corporation complied with the compliance requirements listed above.

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

*Effect*

The failure to establish an effective internal control system could have enabled material noncompliance with the grant agreement and the compliance requirements to occur.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation's management establish controls, including segregation of duties, related to the grant agreement and the compliance requirements listed above.

*Views of Responsible Officials*

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

**FINDING 2015-011**

Subject: Special Education\_Preschool Grants - Procurement and Suspension and Debarment  
Federal Agency: Department of Education  
Federal Program: Special Education\_Preschool Grants  
CFDA Number: 84.173  
Federal Award Number and Year (or Other Identifying Number): 45715-009-PN01  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Procurement and Suspension and Debarment  
Audit Findings: Material Weakness, Other Matters

*Condition*

The School Corporation was a member of the Daviess-Martin Special Education Cooperative (Cooperative). The Cooperative operated the Special Education program on behalf of the School Corporation and managed the Special Education grant funds. There was no oversight of the Cooperative by the School Corporation. Each member school is ultimately responsible for ensuring compliance with the requirements.

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Procurement and Suspension and Debarment compliance requirement.

The School Corporation did not have procedures in place to verify that vendors were not suspended or debarred or otherwise excluded from or ineligible to participate in a federal assistance program prior to entering into a contract with the vendor.

*Context*

There was no evidence that the School Corporation verified that the vendors were not suspended or debarred prior to awarding the contracts.

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

*Criteria*

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. . . ."

2 CFR 180.300 states:

"When you enter into a covered transaction with another person at the next lower tier, you must verify that the person with whom you intend to do business is not excluded or disqualified. You do this by:

- (a) Checking SAM Exclusions; or
- (b) Collecting a certification from that person; or
- (c) Adding a clause or condition to the covered transaction with that person."

*Cause*

Management of the School Corporation had not developed a system of internal controls that would have ensured that the Cooperative complied with the grant agreement and the Procurement and Suspension and Debarment requirements.

*Effect*

The failure to establish an effective internal control system enabled material noncompliance to go undetected. Noncompliance with the grant agreement or the compliance requirement could have resulted in the loss of federal funds to the School Corporation.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommend that the School Corporation's management develop and implement procedures and establish controls to monitor the Cooperative to ensure compliance with the grant agreement and the Procurement and Suspension and Debarment requirements listed above.

*Views of Responsible Officials*

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

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#### AUDITEE-PREPARED DOCUMENTS

The subsequent documents were provided by management of the School Corporation. The documents are presented as intended by the School Corporation.



## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

### FINDING 2013-1- ALLOWABLE ACTIVITIES AND ALLOWABLE COSTS

Fiscal year in which the finding initially occurred: 2011-2013

Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Indiana Department of Education

Contact Person responsible for Corrective Action: Carrie Alford

Contact Phone Number: 812-254-5536

Status of Audit Finding:

Washington Community Schools reimbursed the Title I grant program for the \$4950.00 paid for crossing guards. Washington Community Schools no longer pays for crossing guards from Title I funds.

*Carrie Alford*

(Signature)

*Bus. Manager*

(Title)

*8/14/17*

(Date)



**FINDING 2013-2- INTERNAL CONTROLS/CASH MENAGEMENT AND REPORTING**

Fiscal year in which the finding initially occurred: 2011-2013

Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Indiana Department of Education

Contact Person responsible for Corrective Action: Carrie Alford

Contact Phone Number: 812-254-5536

Status of Audit Finding:

Title I funds are only requested for reimbursement after Washington Community Schools has expended the dollars. Reimbursement requests are submitted online, printed and signed by both the Corp Treasurer and by the Assistant Superintendent. Supporting Documentation for the amount requested is also attached to the signed reimbursement.

Carrie Alford  
(Signature)  
Business Manager  
(Title)  
8/16/17  
(Date)



**FINDING 2013-3- INTERNAL CONTROLS OVER ALLOWABLE ACTIVITIES, ALLOWABLE COSTS, AND PROGRAM INCOME FOR THE CHILD NUTRITION CLUSTER**

Fiscal year in which the finding initially occurred: 2011-2013

Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Indiana Department of Education

Contact Person responsible for Corrective Action: Carrie Alford

Contact Phone Number: 812-254-5536

Status of Audit Finding:

For Fiscal years 2013-2015, the school lunch secretary Barbara Graf had her supervisor, Gary Puckett, Assistant to the Superintendent, review and sign all claims and the bank reconciliation monthly. Mrs. Graf included all payroll claims in the review process established. Effecting 07-1-2016, Washington Community Schools outsourced the School Lunch program to Sodexo. Since that transition, the School Lunch program claims have been included in the regular board approval process and are no longer operated separately from all other corporation claims.

Carrie Alford  
(Signature)  
Business Manager  
(Title)  
8/16/17  
(Date)



CORRECTIVE ACTION PLAN

**FINDING 2015-001**

Contact Person Responsible for Corrective Action: Carrie Alford  
Contact Phone Number: 812-254-5536

Views of Responsible Official:

In 2013-15 the SEFA report was a very new requirement. Upon implementation, little guidance or training associated with how to complete this report was provided.

Description of Corrective Action Plan:

Corporation Treasurer will have Superintendent as well as Assistant Superintendent review the SEFA prior to submission.

Anticipated Completion Date: 08/31/2017

Carrie Alford  
(Signature)  
Business Manager  
(Title)  
8/29/17  
(Date)



**CORRECTIVE ACTION PLAN**

**FINDING 2015-002**

Contact Person Responsible for Corrective Action: Carrie Alford / Dr. Daniel Roach  
Contact Phone Number: 812-254-5536

Views of Responsible Official:

After the 2013 Audit, Washington Community Schools developed an 1100 fund for monies that the district controls. At that time, and after learning that the trust account is operating under a different Tax-ID number and has its own regulations separate from those of the corporation controlled Self Insurance Fund, the district stopped reporting that money on our Form 9. Once this money is paid to the vendor we no longer have control or access to these funds. Also, after reviewing financial records of other corporations with the same setup as Washington Community Schools, the district found none of them have audit notes or findings requiring the reporting of those dollars on their financial reports.

Description of Corrective Action Plan:

Due to the sensitive nature and HIPPA regulations associated with the Trust, Washington Community Schools will continue to ensure Dunn and Associates follows all requirements set forth in the trust agreement. Dunn and Associates has had several different agencies audit and review their records. They will continue to submit to these audits and inform Washington Community Schools immediately if there are any findings associated with funds related to the Washington Community Schools Benefit Trust.

The true Self Insurance Reserve fund (1100) is reported and maintained by Washington Community Schools. The district will continue to ensure all transactions associated with that fund are subject to the regular approval process per board policy.

Anticipated Completion Date: 08/22/2017

Carrie Alford  
(Signature)

Business Manager  
(Title)

8/29/17  
(Date)

[Signature]  
(Signature)

Superintendent  
(Title)

8-29-17  
(Date)

## RE: Audit



Cathy Dunn &lt;cdunn@dunnbenefit.com&gt;

Thu 8/3, 4:28 PM

Carrie Alford &lt;calford@wcs.k12.in.us&gt; ↵

↻ Reply all | ▾

Yes, we do!

We have had an extensive DOL audit this past year involving a specific account, Sunright America. Dunn fully cooperated with this audit. Due to our willingness to cooperate, the DOL expanded this audit to include all of our accounts. This audit emphasized financial controls and processes and covered ALL of the ACA requirements on health plans. It has been very extensive.

We are also audited by Reinsurance Companies that provide Stop-Loss coverage to our self-funded accounts (including WCS). These audits include auditing of financial transactions (accounting) and accuracy/appropriateness of claims payments in accordance to plan provisions.

We are also in the process of a SOC audit (not complete as yet).

If the SBOA wants to discuss our procedures or processes, please feel free to ask them to call me.

Cathy

*Cathy S. Dunn*

*Cathy S. Dunn*

*President*

*Dunn and Associates Benefit Administrators, Inc.*

*Phone: 812-378-9960*

*Fax: 812-378-9967*

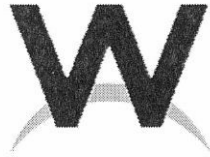
*[cdunn@dunnbenefit.com](mailto:cdunn@dunnbenefit.com)*

**From:** Carrie Alford [mailto:calford@wcs.k12.in.us]

**Sent:** Thursday, August 03, 2017 2:59 PM

**To:** Cathy Dunn <cdunn@dunnbenefit.com>

**Subject:** Audit



CORRECTIVE ACTION PLAN

**FINDING 2015-003**

Contact Person Responsible for Corrective Action: Carrie Alford  
Contact Phone Number: 812-254-5536

Views of Responsible Official:

Description of Corrective Action Plan:

Effective July 1, 2016, Washington Community Schools contracted with Sodexo to manage the School Lunch Program. At that time, all School Lunch expenses began being processed in the same capacity as all other Corporation expenses. Controls are in place to segregate duties and monitor expenses and revenues.

Building Secretaries have been trained on denied free or reduced applications. They will send letters to anyone who has a denied application.

Sodexo will work with Washington Community Schools to maintain all state and federal regulations.

Anticipated Completion Date: 08/31/2017

Carrie Alford  
(Signature)  
Business Manager  
(Title)  
8/29/17  
(Date)



**WASHINGTON  
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**CORRECTIVE ACTION PLAN**

***FINDING 2015-004***

Contact Person Responsible for Corrective Action: Carrie Alford  
Contact Phone Number: 812-254-5536

Views of Responsible Official:

Description of Corrective Action Plan:

Beginning with the 2017-18 school year, each student received a written notice announcing the criteria for determining the eligibility of children for free and reduced price meals.

Building Secretaries have been trained on denied free or reduced applications. They will send letters to anyone who has a denied application.

Anticipated Completion Date: 08/31/2017

Carrie Alford  
(Signature)

Business Manager  
(Title)

8/29/17  
(Date)



CORRECTIVE ACTION PLAN

**FINDING 2015-005**

Contact Person Responsible for Corrective Action: Carrie Alford  
Contact Phone Number: 812-254-5536

Views of Responsible Official:

Description of Corrective Action Plan:

Effective with the Sodexo outsource, the Corp Treasurer gained control of the School Lunch Fund and Pre-paid fund. A Pre-paid fund was established at that time and is maintained with all the internal controls of all other Corporation funds.

Anticipated Completion Date: 08/31/2017

Carrie Alford  
(Signature)  
Business Manager  
(Title)  
8/29/17  
(Date)



CORRECTIVE ACTION PLAN

**FINDING 2015-006**

Contact Person Responsible for Corrective Action: Kevin Frank / Carrie Alford  
Contact Phone Number: 812-254-5536

Views of Responsible Official:

Description of Corrective Action Plan:

Going forward, Washington Community Schools will not only have the employee wage amounts listed in the Grant documents but also approved by the School Board.

Periodic Certifications and Personnel Activity Reports will be maintained by the Assistant Superintendent.

Anticipated Completion Date: 08/31/2017

Kevin Frank  
(Signature)

Assistant Superintendent  
(Title)

8/29/17  
(Date)

Carrie Alford  
(Signature)

Business Manager  
(Title)

8/29/17  
(Date)



CORRECTIVE ACTION PLAN

***FINDING 2015-007***

Contact Person Responsible for Corrective Action: Kevin Frank  
Contact Phone Number: 812-254-5536

Views of Responsible Official:

Description of Corrective Action Plan:

The Assistant Superintendent will continue to prepare the Comparability report. The report will be included in the School Board documents to ensure proper segregation of duties and oversight.

Anticipated Completion Date: 08/31/2017

Kevin Frank  
(Signature)

Assistant Superintendent  
(Title)

8/29/17  
(Date)



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CORRECTIVE ACTION PLAN

***FINDING 2015-008***

Contact Person Responsible for Corrective Action: Dr. Daniel Roach  
Contact Phone Number: 812-254-5536

Views of Responsible Official:

Description of Corrective Action Plan:

The Superintendent will work with Neola to revise our policy on Assessment System Security.

Anticipated Completion Date: 12/31/2017

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Title)

\_\_\_\_\_  
(Date)



CORRECTIVE ACTION PLAN

**FINDING 2015-009**

Contact Person Responsible for Corrective Action: Carrie Alford  
Contact Phone Number: 812-254-5536

Views of Responsible Official:

Description of Corrective Action Plan:

Washington Community Schools no longer administers the Migrant Grant. In the future, if the district began managing the grant, the Assistant Superintendent would ensure Semi-annual certifications or personal activity reports were completed.

Anticipated Completion Date: 08/31/2017

Carrie Alford  
(Signature)  
Business Manager  
(Title)  
8/29/17  
(Date)



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## CORRECTIVE ACTION PLAN

***FINDING 2015-010***

Contact Person Responsible for Corrective Action: Carrie Alford  
Contact Phone Number: 812-254-5536

Views of Responsible Official:

Description of Corrective Action Plan:

Washington Community Schools no longer administers the Migrant Grant. In the future, if the district began managing the grant, the Assistant Superintendent would ensure proper segregation of duties and compliance with all laws, regulations and provisions of the grant agreements.

Anticipated Completion Date: 08/31/2017

*Carrie Alford*  
\_\_\_\_\_  
(Signature)

*Business Manager*  
\_\_\_\_\_  
(Title)

*8/29/17*  
\_\_\_\_\_  
(Date)



**WASHINGTON  
COMMUNITY SCHOOLS**  
Academic Excellence with a Competitive Edge

## CORRECTIVE ACTION PLAN

***FINDING 2015-011***

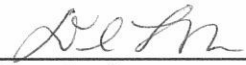
Contact Person Responsible for Corrective Action: Dr. Daniel Roach  
Contact Phone Number: 812-254-5536

Views of Responsible Official:

Description of Corrective Action Plan:

Superintendent will work with the Special Education Director to coordinate and monitor the Daviess Martin Special Education Cooperative to ensure compliance with all grant requirements.

Anticipated Completion Date: 08/31/2017

  
\_\_\_\_\_  
(Signature)

*Superintendent*  
\_\_\_\_\_  
(Title)

*8-29-17*  
\_\_\_\_\_  
(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/>.