

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, 2015 to June 30, 2017



FILED
12/21/2018

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Carrie Alford	01-01-15 to 12-31-18
Superintendent of Schools	Dr. Daniel Roach	07-01-15 to 06-30-19
President of the School Board	Steven K. Frette	01-01-15 to 12-31-18



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, 2015 to June 30, 2017, 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, 2015 to June 30, 2017.

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, 2015 to June 30, 2017, 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 Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 November 7, 2018, 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 solely 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 effectiveness of the School Corporation's 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

November 7, 2018



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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, 2015 to June 30, 2017, and the related notes to the financial statement, and have issued our report thereon dated November 7, 2018, 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.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the School Corporation's financial statement will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as items 2017-001 and 2017-002, that we consider to be material weaknesses.

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

Compliance and Other Matters


As part of obtaining reasonable assurance about whether the School Corporation's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2017-001.

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

November 7, 2018

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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.

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, 2016 and 2017

Fund	Cash and	Receipts	Disbursements	Other	Cash and	Receipts	Disbursements	Other	Cash and
	Investments			Financing	Investments			Financing	Investments
	07-01-15			Sources (Uses)	06-30-16			Sources (Uses)	06-30-17
General	\$ 6,536,332	\$ 22,886,246	\$ 22,896,300	\$ (120,963)	\$ 6,405,315	\$ 21,559,205	\$ 23,417,273	\$ (5,508)	\$ 4,541,739
Debt Service	1,121,362	2,479,746	2,480,640	-	1,120,468	2,487,382	2,545,710	-	1,062,140
Retirement/Severance Bond Debt Service	215,944	971,235	1,186,805	-	374	1,088,256	1,178,610	90,000	20
Capital Projects	1,599	877,078	663,342	(30,000)	185,335	1,598,340	707,091	-	1,076,584
School Transportation	7,485	929,528	716,425	107	220,695	1,638,603	849,816	-	1,009,482
School Bus Replacement	4,556	-	-	-	4,556	-	-	-	4,556
Rainy Day	184,657	51,530	-	-	236,187	-	-	(90,000)	146,187
Retirement/Severance Bond	128,648	-	10,900	-	117,748	-	39,470	-	78,278
Construction	-	-	-	-	-	-	983,491	1,517,480	533,989
School Lunch	251,251	1,465,594	1,388,125	-	328,720	1,469,805	1,715,587	-	82,938
Textbook Rental	532,223	339,418	308,720	6,999	569,920	337,847	196,933	-	710,834
Self-Insurance	1,000,000	2,410,646	2,031,646	100,000	1,479,000	2,629,610	1,986,958	-	2,121,652
Levy Excess	107	-	-	(107)	-	-	-	-	-
Educational License Plates	113	206	-	-	319	225	-	-	544
Alternative Education	12,469	7,930	-	-	20,399	9,801	-	-	30,200
Drug Free Community Grant - Daviess County	3,711	3,593	1,220	-	6,084	700	637	-	6,147
Pay It Forward Grant Fund	1,027	-	210	-	817	-	32	-	785
McMurray DCFC Grant	-	4,000	4,000	-	-	-	-	-	-
Riker DCEDF Donation	-	1,571	1,571	-	-	-	-	-	-
Economic Development Grant	-	1,979	3,341	-	(1,362)	-	368	-	(1,730)
Perdue Elem Volleyball Fund	-	2,000	1,500	-	500	-	500	-	-
Miscellaneous Programs	503	-	503	-	-	-	-	-	-
Excellence In Performance 12-13	-	11,018	11,095	-	(77)	-	-	77	-
Formative Assessment	-	-	-	-	-	33,503	33,503	-	-
High Ability 2014-15	4,404	-	4,404	-	-	-	-	-	-
High Ability 2015-16	-	36,634	38,320	-	(1,686)	-	-	1,686	-
High Ability 2016-17	-	-	-	-	-	36,203	25,416	-	10,787
Teacher Quality Improvement Program	1,169	-	-	-	1,169	-	-	-	1,169
NESP 14-15	968	48,714	35	(33,943)	15,704	-	-	(14,771)	933
NESP 15-16	-	-	33,943	33,943	-	-	16,325	14,771	(1,554)
NESP 16-17	-	-	-	-	-	45,600	16,280	-	29,320
Career and Technical Performance Grant	-	-	-	-	-	4,782	-	-	4,782
Performance Based Awards	-	-	43,554	43,964	410	49,183	50,506	-	(913)

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, 2016 and 2017

Fund	Cash and Investments 07-01-15	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-16	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-17
Indiana School Academic Improvement Program (ISAIP)	-	-	-	-	-	10,301	10,301	-	-
Digital Learning Grant	-	3,497	3,497	-	-	54,966	54,966	-	-
Senator David Ford Technology	(1,950)	18,526	16,576	-	-	-	-	-	-
Excess PTRC Distributions	89	175,777	175,778	-	88	81,916	81,917	-	87
Sig Lena Dunn	-	-	-	-	-	24,685	24,685	-	-
Title I 2014-15	(113,185)	182,111	68,926	-	-	-	-	-	-
Title I 2015-16	-	451,780	464,129	-	(12,349)	174,353	162,004	-	-
Title I 2016-17	-	-	-	-	-	316,253	335,406	-	(19,153)
Title I Migrant 2013-14	(2,829)	2,829	-	-	-	-	-	-	-
Local Reading Improvement	1,043	-	-	-	1,043	-	350	-	693
School Resource Officer Fund	27,930	-	-	(27,930)	-	-	-	-	-
School Resource Officer	(66,823)	-	37,500	27,930	(76,393)	25,000	-	-	(51,393)
SRO Secured Schools Grant	-	-	363	-	(363)	-	75,000	-	(75,363)
Vocational and Technology Board Grants	-	-	-	-	-	30,000	-	-	30,000
Title II Part A Summer Tech	-	-	-	-	-	-	6,166	-	(6,166)
Title II A 14-15	(19,734)	44,102	9,807	(14,561)	-	-	-	-	-
Title II A 15-16	-	39,351	56,353	14,561	(2,441)	51,458	49,017	-	-
Title II A 16-17	-	-	-	-	-	-	54,946	-	(54,946)
Rural Schools and Low Income Program - Pass Through State	-	-	-	-	-	-	-	-	-
Rural Schools 2014-15	(10,312)	15,045	4,733	-	-	-	-	-	-
Rural Schools 2015-16	-	54,298	56,870	-	(2,572)	-	-	2,572	-
Rural Schools 2016-17	-	-	-	-	-	45,967	45,967	-	-
Title III 2013-14	-	1,651	-	(1,651)	-	-	-	-	-
Title III 2014-15	(1,125)	17,097	27,696	1,651	(10,073)	14,925	7,760	2,908	-
Title III 2015-17	-	-	-	-	-	39,199	39,780	-	(581)
Title III 2016-18	-	-	-	-	-	13,405	15,438	-	(2,033)
Payroll Withholding & Clearing	(3,535)	3,779,839	3,779,855	-	(3,551)	3,256,742	2,913,501	-	339,690
Self-Insurance Reserve	1,317,036	2,844,487	2,529,932	-	1,631,591	2,204,266	2,913,501	-	922,356
Totals	\$ 11,135,133	\$ 40,159,056	\$ 39,058,614	\$ -	\$ 12,235,575	\$ 39,332,481	\$ 40,555,211	\$ 1,519,215	\$ 12,532,060

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.

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.

F. Other Financing Sources and Uses

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

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

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

Sale of capital assets. Amounts received when land, buildings, or equipment owned by the School Corporation are sold.

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 lien date (March 1 in a year ending before January 1, 2016 and January 1 in a year beginning after December 31, 2015) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100 percent of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which normally become delinquent if not paid by May 10 and November 10, respectively.

Note 4. Deposits and Investments

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

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

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:

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.

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

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.

Note 7. Cash Balance Deficits

The financial statement contains some funds with deficits in cash. Nine of the fund balances (High Ability 2015-16, Title I 2015-16, Title I 2016-17, Title II Part A Summer Tech, Title II A 15-16, Title II A 16-17, Rural Schools 2015-16, Title III 2014-15, and Title III 2016-18) are a result of those funds being set up for reimbursable grants. The reimbursements for expenditures made by the School Corporation were not received by June 30, 2016 and 2017. The Economic Development Grant, Excellence in Performance 12-13, NESP 15-16, Performance Based Awards, School Resource Officer, SRO Secured Schools Grant, Title III 2015-17, and Payroll Withholding & Clearing funds had expenditures in excess of revenues.

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

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 years ended June 30, 2016 and 2017, totaled \$2,396,000 and \$2,397,500, respectively.

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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 Indiana Gateway for Government Units 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, 2016

	General	Debt Service	Retirement/ Severance Bond Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	Retirement/ Severance Bond	Construction
Cash and investments - beginning	\$ 6,536,332	\$ 1,121,362	\$ 215,944	\$ 1,599	\$ 7,485	\$ 4,556	\$ 184,657	\$ 128,648	\$ -
Receipts:									
Local sources	173,713	2,479,746	971,235	876,755	908,531	-	51,530	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	17,564,256	-	-	-	-	-	-	-	-
Federal sources	68,098	-	-	-	-	-	-	-	-
Temporary loans	5,000,000	-	-	-	-	-	-	-	-
Other receipts	80,179	-	-	323	20,997	-	-	-	-
Total receipts	22,886,246	2,479,746	971,235	877,078	929,528	-	51,530	-	-
Disbursements:									
Instruction	12,693,571	-	-	-	-	-	-	-	-
Support services	5,127,515	-	-	473,370	716,425	-	-	10,900	-
Noninstructional services	75,214	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	189,972	-	-	-	-	-
Debt service	5,000,000	2,480,640	1,186,805	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	22,896,300	2,480,640	1,186,805	663,342	716,425	-	-	10,900	-
Excess (deficiency) of receipts over disbursements	(10,054)	(894)	(215,570)	213,736	213,103	-	51,530	(10,900)	-
Other financing sources (uses):									
Transfers in	30,000	-	-	-	107	-	-	-	-
Transfers out	(150,963)	-	-	(30,000)	-	-	-	-	-
Total other financing sources (uses)	(120,963)	-	-	(30,000)	107	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(131,017)	(894)	(215,570)	183,736	213,210	-	51,530	(10,900)	-
Cash and investments - ending	\$ 6,405,315	\$ 1,120,468	\$ 374	\$ 185,335	\$ 220,695	\$ 4,556	\$ 236,187	\$ 117,748	\$ -

WASHINGTON COMMUNITY SCHOOLS, INC.
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
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 For the Year Ended June 30, 2016

	School Lunch	Textbook Rental	Self- Insurance	Levy Excess	Educational License Plates	Alternative Education	Drug Free Community Grant - Davie County	Pay It Forward Grant Fund	McMurray DCFC Grant
Cash and investments - beginning	\$ 251,251	\$ 532,223	\$ 1,000,000	\$ 107	\$ 113	\$ 12,469	\$ 3,711	\$ 1,027	\$ -
Receipts:									
Local sources	434,517	197,795	2,410,646	-	-	-	3,593	-	4,000
Intermediate sources	-	-	-	-	206	-	-	-	-
State sources	7,211	140,923	-	-	-	7,930	-	-	-
Federal sources	1,023,866	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	-
Other receipts	-	700	-	-	-	-	-	-	-
Total receipts	1,465,594	339,418	2,410,646	-	206	7,930	3,593	-	4,000
Disbursements:									
Instruction	-	-	-	-	-	-	-	210	4,000
Support services	6,818	308,720	-	-	-	-	1,220	-	-
Noninstructional services	1,381,307	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	2,031,646	-	-	-	-	-	-
Total disbursements	1,388,125	308,720	2,031,646	-	-	-	1,220	210	4,000
Excess (deficiency) of receipts over disbursements	77,469	30,698	379,000	-	206	7,930	2,373	(210)	-
Other financing sources (uses):									
Transfers in	-	6,999	100,000	-	-	-	-	-	-
Transfers out	-	-	-	(107)	-	-	-	-	-
Total other financing sources (uses)	-	6,999	100,000	(107)	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	77,469	37,697	479,000	(107)	206	7,930	2,373	(210)	-
Cash and investments - ending	\$ 328,720	\$ 569,920	\$ 1,479,000	\$ -	\$ 319	\$ 20,399	\$ 6,084	\$ 817	\$ -

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, 2016

	Riker DCEDF Donation	Economic Development Grant	Perdue Elem Volleyball Fund	Miscellaneous Programs	Excellence In Performance 12-13	Formative Assessment	High Ability 2014-15	High Ability 2015-16	High Ability 2016-17
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ 503	\$ -	\$ -	\$ 4,404	\$ -	\$ -
Receipts:									
Local sources	1,571	1,979	2,000	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	11,018	-	-	36,634	-
Federal sources	-	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-
Total receipts	1,571	1,979	2,000	-	11,018	-	-	36,634	-
Disbursements:									
Instruction	-	3,341	1,500	-	11,095	-	4,404	38,320	-
Support services	1,571	-	-	503	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	1,571	3,341	1,500	503	11,095	-	4,404	38,320	-
Excess (deficiency) of receipts over disbursements	-	(1,362)	500	(503)	(77)	-	(4,404)	(1,686)	-
Other financing sources (uses):									
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	(1,362)	500	(503)	(77)	-	(4,404)	(1,686)	-
Cash and investments - ending	\$ -	\$ (1,362)	\$ 500	\$ -	\$ (77)	\$ -	\$ -	\$ (1,686)	\$ -

WASHINGTON COMMUNITY SCHOOLS, INC.
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
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 For the Year Ended June 30, 2016

	Teacher Quality Improvement Program	NESP 14-15	NESP 15-16	NESP 16-17	Career and Technical Performance Grant	Performance Based Awards	Indiana School Academic Improvement Program (ISAIP)	Digital Learning Grant	Senator David Ford Technology
Cash and investments - beginning	\$ 1,169	\$ 968	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (1,950)
Receipts:									
Local sources	-	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	48,714	-	-	-	-	-	3,497	18,526
Federal sources	-	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-
Total receipts	-	48,714	-	-	-	-	-	3,497	18,526
Disbursements:									
Instruction	-	35	33,943	-	-	43,554	-	-	-
Support services	-	-	-	-	-	-	-	3,497	16,576
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	-	35	33,943	-	-	43,554	-	3,497	16,576
Excess (deficiency) of receipts over disbursements	-	48,679	(33,943)	-	-	(43,554)	-	-	1,950
Other financing sources (uses):									
Transfers in	-	-	33,943	-	-	43,964	-	-	-
Transfers out	-	(33,943)	-	-	-	-	-	-	-
Total other financing sources (uses)	-	(33,943)	33,943	-	-	43,964	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	14,736	-	-	-	410	-	-	1,950
Cash and investments - ending	\$ 1,169	\$ 15,704	\$ -	\$ -	\$ -	\$ 410	\$ -	\$ -	\$ -

WASHINGTON COMMUNITY SCHOOLS, INC.
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
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 For the Year Ended June 30, 2016

	Excess PTRC Distributions	Sig Lena Dunn	Title I 2014-15	Title I 2015-16	Title I 2016-17	Title I Migrant 2013-14	Local Reading Improvement	School Resource Officer Fund	School Resource Officer
Cash and investments - beginning	\$ 89	\$ -	\$ (113,185)	\$ -	\$ -	\$ (2,829)	\$ 1,043	\$ 27,930	\$ (66,823)
Receipts:									
Local sources	-	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	175,777	-	-	-	-	-	-	-	-
Federal sources	-	-	182,111	451,780	-	2,829	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-
Total receipts	175,777	-	182,111	451,780	-	2,829	-	-	-
Disbursements:									
Instruction	175,778	-	63,406	398,040	-	-	-	-	-
Support services	-	-	5,147	65,115	-	-	-	-	-
Noninstructional services	-	-	373	974	-	-	-	-	37,500
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	175,778	-	68,926	464,129	-	-	-	-	37,500
Excess (deficiency) of receipts over disbursements	(1)	-	113,185	(12,349)	-	2,829	-	-	(37,500)
Other financing sources (uses):									
Transfers in	-	-	-	-	-	-	-	-	27,930
Transfers out	-	-	-	-	-	-	-	(27,930)	-
Total other financing sources (uses)	-	-	-	-	-	-	-	(27,930)	27,930
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(1)	-	113,185	(12,349)	-	2,829	-	(27,930)	(9,570)
Cash and investments - ending	\$ 88	\$ -	\$ -	\$ (12,349)	\$ -	\$ -	\$ 1,043	\$ -	\$ (76,393)

WASHINGTON COMMUNITY SCHOOLS, INC.
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND CASH AND
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 For the Year Ended June 30, 2016

	SRO Secured Schools Grant	Vocational and Technology Board Grants	Title II Part A Summer Tech	Title II A 14-15	Title II A 15-16	Title II A 16-17	Rural Schools and Low Income Program - Pass Through State	Rural Schools 2014-15	Rural Schools 2015-16
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ (19,734)	\$ -	\$ -	\$ -	\$ (10,312)	\$ -
Receipts:									
Local sources	-	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-
Federal sources	-	-	-	44,102	39,351	-	-	15,045	54,298
Temporary loans	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-
Total receipts	-	-	-	44,102	39,351	-	-	15,045	54,298
Disbursements:									
Instruction	-	-	-	9,807	56,353	-	-	-	-
Support services	-	-	-	-	-	-	-	4,733	56,870
Noninstructional services	363	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	363	-	-	9,807	56,353	-	-	4,733	56,870
Excess (deficiency) of receipts over disbursements	(363)	-	-	34,295	(17,002)	-	-	10,312	(2,572)
Other financing sources (uses):									
Transfers in	-	-	-	968	15,529	-	-	-	-
Transfers out	-	-	-	(15,529)	(968)	-	-	-	-
Total other financing sources (uses)	-	-	-	(14,561)	14,561	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(363)	-	-	19,734	(2,441)	-	-	10,312	(2,572)
Cash and investments - ending	\$ (363)	\$ -	\$ -	\$ -	\$ (2,441)	\$ -	\$ -	\$ -	\$ (2,572)

WASHINGTON COMMUNITY SCHOOLS, INC.
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
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 For the Year Ended June 30, 2016

	Rural Schools 2016-17	Title III 2013-14	Title III 2014-15	Title III 2015-17	Title III 2016-18	Payroll Withholding & Clearing	Self Insurance Reserve	Totals
Cash and investments - beginning	\$ -	\$ -	\$ (1,125)	\$ -	\$ -	\$ (3,535)	\$ 1,317,036	\$ 11,135,133
Receipts:								
Local sources	-	-	-	-	-	-	2,844,487	11,362,098
Intermediate sources	-	-	-	-	-	-	-	206
State sources	-	-	-	-	-	-	-	18,014,486
Federal sources	-	1,651	17,097	-	-	-	-	1,900,228
Temporary loans	-	-	-	-	-	-	-	5,000,000
Other receipts	-	-	-	-	-	3,779,839	-	3,882,038
Total receipts	-	1,651	17,097	-	-	3,779,839	2,844,487	40,159,056
Disbursements:								
Instruction	-	-	-	-	-	-	-	13,537,357
Support services	-	-	27,696	-	-	-	-	6,826,676
Noninstructional services	-	-	-	-	-	-	-	1,495,731
Facilities acquisition and construction	-	-	-	-	-	-	-	189,972
Debt service	-	-	-	-	-	-	-	8,667,445
Nonprogrammed charges	-	-	-	-	-	3,779,855	2,529,932	8,341,433
Total disbursements	-	-	27,696	-	-	3,779,855	2,529,932	39,058,614
Excess (deficiency) of receipts over disbursements	-	1,651	(10,599)	-	-	(16)	314,555	1,100,442
Other financing sources (uses):								
Transfers in	-	-	1,651	-	-	-	-	261,091
Transfers out	-	(1,651)	-	-	-	-	-	(261,091)
Total other financing sources (uses)	-	(1,651)	1,651	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	(8,948)	-	-	(16)	314,555	1,100,442
Cash and investments - ending	\$ -	\$ -	\$ (10,073)	\$ -	\$ -	\$ (3,551)	\$ 1,631,591	\$ 12,235,575

WASHINGTON COMMUNITY SCHOOLS, INC.
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 For the Year Ended June 30, 2017

	General	Debt Service	Retirement/ Severance Bond Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	Retirement/ Severance Bond	Construction
Cash and investments - beginning	\$ 6,405,315	\$ 1,120,468	\$ 374	\$ 185,335	\$ 220,695	\$ 4,556	\$ 236,187	\$ 117,748	\$ -
Receipts:									
Local sources	190,945	2,487,382	1,088,256	926,425	818,032	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	18,067,853	-	-	-	-	-	-	-	-
Federal sources	468,064	-	-	-	-	-	-	-	-
Temporary loans	2,549,000	-	-	660,000	800,000	-	-	-	-
Other receipts	283,343	-	-	11,915	20,571	-	-	-	-
Total receipts	21,559,205	2,487,382	1,088,256	1,598,340	1,638,603	-	-	-	-
Disbursements:									
Instruction	11,644,082	-	-	-	-	-	-	-	-
Support services	6,689,821	-	-	536,240	849,816	-	-	39,470	983,491
Noninstructional services	83,370	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	170,851	-	-	-	-	-
Debt service	5,000,000	2,545,710	1,178,610	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	23,417,273	2,545,710	1,178,610	707,091	849,816	-	-	39,470	983,491
Excess (deficiency) of receipts over disbursements	(1,858,068)	(58,328)	(90,354)	891,249	788,787	-	-	(39,470)	(983,491)
Other financing sources (uses):									
Proceeds of long-term debt	-	-	-	-	-	-	-	-	1,517,480
Sale of capital assets	1,735	-	-	-	-	-	-	-	-
Transfers in	-	-	90,000	-	-	-	-	-	-
Transfers out	(7,243)	-	-	-	-	-	(90,000)	-	-
Total other financing sources (uses)	(5,508)	-	90,000	-	-	-	(90,000)	-	1,517,480
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(1,863,576)	(58,328)	(354)	891,249	788,787	-	(90,000)	(39,470)	533,989
Cash and investments - ending	\$ 4,541,739	\$ 1,062,140	\$ 20	\$ 1,076,584	\$ 1,009,482	\$ 4,556	\$ 146,187	\$ 78,278	\$ 533,989

WASHINGTON COMMUNITY SCHOOLS, INC.
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 For the Year Ended June 30, 2017

	School Lunch	Textbook Rental	Self-Insurance	Levy Excess	Educational License Plates	Alternative Education	Drug Free Community Grant - Daviess County	Pay It Forward Grant Fund	McMurray DCFC Grant
Cash and investments - beginning	\$ 328,720	\$ 569,920	\$ 1,479,000	\$ -	\$ 319	\$ 20,399	\$ 6,084	\$ 817	\$ -
Receipts:									
Local sources	425,531	212,431	2,624,104	-	-	-	700	-	-
Intermediate sources	-	-	-	-	225	-	-	-	-
State sources	6,593	124,716	-	-	-	9,801	-	-	-
Federal sources	1,034,588	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	-
Other receipts	3,093	700	5,506	-	-	-	-	-	-
Total receipts	1,469,805	337,847	2,629,610	-	225	9,801	700	-	-
Disbursements:									
Instruction	-	-	-	-	-	-	-	32	-
Support services	135	196,933	-	-	-	-	637	-	-
Noninstructional services	1,715,452	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	1,986,958	-	-	-	-	-	-
Total disbursements	1,715,587	196,933	1,986,958	-	-	-	637	32	-
Excess (deficiency) of receipts over disbursements	(245,782)	140,914	642,652	-	225	9,801	63	(32)	-
Other financing sources (uses):									
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(245,782)	140,914	642,652	-	225	9,801	63	(32)	-
Cash and investments - ending	\$ 82,938	\$ 710,834	\$ 2,121,652	\$ -	\$ 544	\$ 30,200	\$ 6,147	\$ 785	\$ -

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, 2017

	Riker DCEDF Donation	Economic Development Grant	Perdue Elem Volleyball Fund	Miscellaneous Programs	Excellence In Performance 12-13	Formative Assessment	High Ability 2014-15	High Ability 2015-16	High Ability 2016-17
Cash and investments - beginning	\$ -	\$ (1,362)	\$ 500	\$ -	\$ (77)	\$ -	\$ -	\$ (1,686)	\$ -
Receipts:									
Local sources	-	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	33,503	-	-	36,203
Federal sources	-	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-
Total receipts	-	-	-	-	-	33,503	-	-	36,203
Disbursements:									
Instruction	-	368	500	-	-	-	-	-	25,416
Support services	-	-	-	-	-	33,503	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	-	368	500	-	-	33,503	-	-	25,416
Excess (deficiency) of receipts over disbursements	-	(368)	(500)	-	-	-	-	-	10,787
Other financing sources (uses):									
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	77	-	-	1,686	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	77	-	-	1,686	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	(368)	(500)	-	77	-	-	1,686	10,787
Cash and investments - ending	\$ -	\$ (1,730)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,787

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, 2017

	Teacher Quality Improvement Program	NESP 14-15	NESP 15-16	NESP 16-17	Career and Technical Performance Grant	Performance Based Awards	Indiana School Academic Improvement Program (ISAIP)	Digital Learning Grant	Senator David Ford Technology
Cash and investments - beginning	\$ 1,169	\$ 15,704	\$ -	\$ -	\$ -	\$ 410	\$ -	\$ -	\$ -
Receipts:									
Local sources	-	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	45,600	-	49,183	10,301	54,966	-
Federal sources	-	-	-	-	4,782	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-
Total receipts	-	-	-	45,600	4,782	49,183	10,301	54,966	-
Disbursements:									
Instruction	-	-	16,325	16,280	-	50,506	-	-	-
Support services	-	-	-	-	-	-	10,301	54,966	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	-	-	16,325	16,280	-	50,506	10,301	54,966	-
Excess (deficiency) of receipts over disbursements	-	-	(16,325)	29,320	4,782	(1,323)	-	-	-
Other financing sources (uses):									
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	-	-	14,771	-	-	-	-	-	-
Transfers out	-	(14,771)	-	-	-	-	-	-	-
Total other financing sources (uses)	-	(14,771)	14,771	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	(14,771)	(1,554)	29,320	4,782	(1,323)	-	-	-
Cash and investments - ending	\$ 1,169	\$ 933	\$ (1,554)	\$ 29,320	\$ 4,782	\$ (913)	\$ -	\$ -	\$ -

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, 2017

	Excess PTRC Distributions	Sig Lena Dunn	Title I 2014-15	Title I 2015-16	Title I 2016-17	Title I Migrant 2013-14	Local Reading Improvement	School Resource Officer Fund	School Resource Officer
Cash and investments - beginning	\$ 88	\$ -	\$ -	\$ (12,349)	\$ -	\$ -	\$ 1,043	\$ -	\$ (76,393)
Receipts:									
Local sources	-	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	81,916	-	-	-	-	-	-	-	25,000
Federal sources	-	24,685	-	174,353	316,253	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-
Total receipts	81,916	24,685	-	174,353	316,253	-	-	-	25,000
Disbursements:									
Instruction	81,917	-	-	113,761	289,860	-	-	-	-
Support services	-	24,600	-	46,457	44,558	-	350	-	-
Noninstructional services	-	85	-	1,786	988	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	81,917	24,685	-	162,004	335,406	-	350	-	-
Excess (deficiency) of receipts over disbursements	(1)	-	-	12,349	(19,153)	-	(350)	-	25,000
Other financing sources (uses):									
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(1)	-	-	12,349	(19,153)	-	(350)	-	25,000
Cash and investments - ending	\$ 87	\$ -	\$ -	\$ -	\$ (19,153)	\$ -	\$ 693	\$ -	\$ (51,393)

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, 2017

	SRO Secured Schools Grant	Vocational and Technology Board Grants	Title II Part A Summer Tech	Title II A 14-15	Title II A 15-16	Title II A 16-17	Rural Schools and Low Income Program - Pass Through State	Rural Schools 2014-15	Rural Schools 2015-16
Cash and investments - beginning	\$ (363)	\$ -	\$ -	\$ -	\$ (2,441)	\$ -	\$ -	\$ -	\$ (2,572)
Receipts:									
Local sources	-	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-
Federal sources	-	30,000	-	-	51,458	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-
Total receipts	-	30,000	-	-	51,458	-	-	-	-
Disbursements:									
Instruction	-	-	-	-	49,017	54,946	-	-	-
Support services	-	-	6,166	-	-	-	-	-	-
Noninstructional services	75,000	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	75,000	-	6,166	-	49,017	54,946	-	-	-
Excess (deficiency) of receipts over disbursements	(75,000)	30,000	(6,166)	-	2,441	(54,946)	-	-	-
Other financing sources (uses):									
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	2,572
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	2,572
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(75,000)	30,000	(6,166)	-	2,441	(54,946)	-	-	2,572
Cash and investments - ending	\$ (75,363)	\$ 30,000	\$ (6,166)	\$ -	\$ -	\$ (54,946)	\$ -	\$ -	\$ -

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, 2017

	Rural Schools 2016-17	Title III 2013-14	Title III 2014-15	Title III 2015-17	Title III 2016-18	Payroll Withholding & Clearing	Self Insurance Reserve	Totals
Cash and investments - beginning	\$ -	\$ -	\$ (10,073)	\$ -	\$ -	\$ (3,551)	\$ 1,631,591	\$ 12,235,575
Receipts:								
Local sources	-	-	-	-	-	-	2,204,266	10,978,072
Intermediate sources	-	-	-	-	-	-	-	225
State sources	-	-	-	-	-	-	-	18,545,635
Federal sources	45,967	-	14,925	39,199	13,405	-	-	2,217,679
Temporary loans	-	-	-	-	-	-	-	4,009,000
Other receipts	-	-	-	-	-	3,256,742	-	3,581,870
Total receipts	45,967	-	14,925	39,199	13,405	3,256,742	2,204,266	39,332,481
Disbursements:								
Instruction	-	-	-	-	-	-	-	12,343,010
Support services	45,967	-	7,760	39,780	15,438	-	-	9,626,389
Noninstructional services	-	-	-	-	-	-	-	1,876,681
Facilities acquisition and construction	-	-	-	-	-	-	-	170,851
Debt service	-	-	-	-	-	-	-	8,724,320
Nonprogrammed charges	-	-	-	-	-	2,913,501	2,913,501	7,813,960
Total disbursements	45,967	-	7,760	39,780	15,438	2,913,501	2,913,501	40,555,211
Excess (deficiency) of receipts over disbursements	-	-	7,165	(581)	(2,033)	343,241	(709,235)	(1,222,730)
Other financing sources (uses):								
Proceeds of long-term debt	-	-	-	-	-	-	-	1,517,480
Sale of capital assets	-	-	-	-	-	-	-	1,735
Transfers in	-	-	2,908	-	-	-	-	112,014
Transfers out	-	-	-	-	-	-	-	(112,014)
Total other financing sources (uses)	-	-	2,908	-	-	-	-	1,519,215
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	10,073	(581)	(2,033)	343,241	(709,235)	296,485
Cash and investments - ending	\$ -	\$ -	\$ -	\$ (581)	\$ (2,033)	\$ 339,690	\$ 922,356	\$ 12,532,060

WASHINGTON COMMUNITY SCHOOLS, INC.
SCHEDULE OF LEASES AND DEBT
June 30, 2017

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	\$ 225,500	01/15/2015	01/15/2024
Washington Indiana Elementary School Building Corporation	QSCB	254,000	01/15/2011	01/15/2027
Washington Indiana Elementary School Building Corporation	Series 2008 Bonds	520,000	07/15/2008	07/15/2020
Washington Community School Building Corporation	Refi Jr Sr Reno	1,348,000	01/15/2016	01/15/2030
Washington Community School Building Corporation	Jr Sr Refi new project monies	<u>52,000</u>	01/15/2016	01/15/2031
Total of annual lease payments		<u>\$ 2,399,500</u>		

Type	Description of Debt	Purpose	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:				
General obligation bonds	GO Bonds for Bus Purchases		\$ 1,520,000	\$ 133,380
General obligation bonds	Pension Bonds		1,511,798	1,203,610
Tax anticipation warrants	Cash Flow Loan		<u>4,009,000</u>	<u>4,070,739</u>
Totals			<u>\$ 7,040,798</u>	<u>\$ 5,407,729</u>

WASHINGTON COMMUNITY SCHOOLS, INC.
SCHEDULE OF CAPITAL ASSETS
June 30, 2017

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	37,073,527
Improvements other than buildings	3,326,397
Machinery, equipment, and vehicles	<u>2,688,281</u>
Total capital assets	<u>\$ 43,451,233</u>

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



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 *OMB Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the period of July 1, 2015 to June 30, 2017. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 below, 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 items 2017-004 and 2017-008 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 Eligibility, Reporting, and Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP). Consequently, we were unable to determine whether the School Corporation complied with those requirements 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 possible effects of the matter described in the *Basis for Qualified Opinion on Child Nutrition Cluster* paragraph, the School Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Child Nutrition Cluster for the period of July 1, 2015 to June 30, 2017.

Basis for Qualified Opinion on Title I Grants to Local Educational Agencies

As described in item 2017-009 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 Title I Grants to Local Educational Agencies program regarding Eligibility and Special Tests and Provisions - Participation of Private School Children. Consequently, we were unable to determine whether the School Corporation complied with those requirements applicable to the program.

Qualified Opinion on Title I Grants to Local Educational Agencies

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion on Title I Grants to Local Educational Agencies* paragraph, the School Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on Title I Grants to Local Educational Agencies for the period of July 1, 2015 to June 30, 2017.

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, 2015 to June 30, 2017.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2017-005, 2017-006, and 2017-011. 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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School Corporation's internal control over compliance.


INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE 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. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as items 2017-003, 2017-004, 2017-005, 2017-006, 2017-007, 2017-008, 2017-009, 2017-010, and 2017-011, that we consider 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.


Paul D. Joyce, CPA
State Examiner

November 7, 2018

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, 2016 and 2017

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	Passed Through to Subrecipient 06-30-16	Total Federal Awards Expended 06-30-16	Passed Through to Subrecipient 06-30-17	Total Federal Awards Expended 06-30-17
<u>Department of Agriculture</u>							
Child Nutrition Cluster							
School Breakfast Program	Indiana Department of Education	10.553					
School Breakfast Program			FY 2016	\$ -	\$ 219,049	\$ -	\$ -
School Breakfast Program			FY 2017	-	-	-	214,361
Total - School Breakfast Program				-	219,049	-	214,361
National School Lunch Program							
National School Lunch Program	Indiana Department of Education	10.555					
National School Lunch Program			FY 2016	-	746,334	-	-
National School Lunch Program			FY 2017	-	-	-	783,807
After School Snack Program			FY 2017	-	-	-	7,315
National School Lunch Program - Commodities			FY 2016	-	81,386	-	-
National School Lunch Program - Commodities			FY 2017	-	-	-	98,312
Total - National School Lunch Program				-	827,720	-	889,434
Summer Food Service Program For Children							
Summer Dinner Program	Indiana Department of Education	10.559					
			FY 2017	-	-	-	8,668
Total - Child Nutrition Cluster				-	1,046,769	-	1,112,463
Child and Adult Care Food Program							
School Snack Program	Indiana Department of Education	10.558					
			FY 2016	-	1,773	-	-
Child Nutrition Discretionary Grants Limited Ability							
Equipment Grant	Indiana Department of Education	10.579					
			EDS #A58-6-16SS-0117	-	27,200	-	-
Fresh Fruit and Vegetable Program							
Fresh Fruit and Vegetable Program	Indiana Department of Education	10.582					
Fresh Fruit and Vegetable Program			FY 2016	-	29,510	-	-
Fresh Fruit and Vegetable Program			FY 2017	-	-	-	20,436
Total - Fresh Fruit and Vegetable Program				-	29,510	-	20,436
Total - Department of Agriculture				-	1,105,252	-	1,132,899
<u>Department of Education</u>							
Special Education Cluster (IDEA)							
Special Education_Grants to States							
Special Education Grant	Indiana Department of Education	84.027					
Special Education Grant			14214-009-PN01	-	8,675	-	-
Special Education Grant			14215-009-PN01	-	244,519	-	34,973
Special Education Grant			14216-007-PN01	-	346,904	-	268,147
Special Education Grant			14217-007-PN01	-	-	-	352,147
Technical Assistance Grant			99914-009-TA01	-	4,163	-	-
Total - Special Education_Grants to States				-	604,261	-	655,267
Special Education_Preschool Grants							
Preschool Grant	Indiana Department of Education	84.173					
Preschool Grant			45715-009-PN01	-	274	-	-
Preschool Grant			45716-007-PN01	-	24,020	-	-
Preschool Grant			45717-007-PN01	-	-	-	23,939
Total - Special Education_Preschool Grants				-	24,294	-	23,939
Total - Special Education Cluster (IDEA)				-	628,555	-	679,206

WASHINGTON COMMUNITY SCHOOLS, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Years Ended June 30, 2016 and 2017

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	Passed Through to Subrecipient 06-30-16	Total Federal Awards Expended 06-30-16	Passed Through to Subrecipient 06-30-17	Total Federal Awards Expended 06-30-17
Title I Grants to Local Educational Agencies	Indiana Department of Education	84.010					
Title I Part A			15-1405	-	182,110.00	-	-
Title I Part A			16-1405	-	451,780.00	-	174,353
Title I Part A			17-1405	-	-	-	316,253
Title I School Improvement Grant 1003(a)			s010a150014	-	-	-	10,301
Total - Title I Grants to Local Educational Agencies				-	633,890	-	500,907
Migrant Education_State Grant Program	Indiana Department of Education	84.011					
			14-1405	-	2,829	-	-
Rural Education	Indiana Department of Education	84.358					
Rural & Low Income Schools Grant			7000s358b150014	-	54,298	-	-
Rural & Low Income Schools Grant			S358B160014	-	-	-	45,967
Rural & Low Income Schools Grant			7000S358B140014	-	15,046	-	-
Total - Rural Education				-	69,344	-	45,967
English Language Acquisition State Grants	Indiana Department of Education	84.365					
Title III			01114-088-PN01	-	1,651	-	-
Title III			01115-013-PN01	-	17,097	-	14,925
Title III			01116-014-PN01	-	-	-	39,199
Title III			01117-012-PN01	-	-	-	13,405
Total - English Language Acquisition State Grants				-	18,748	-	67,529
Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	Indiana Department of Education	84.367					
Improving Teacher Quality			15-1405	-	44,102	-	-
Summer Tech Grant			16-1405	-	-	-	51,458
Improving Teacher Quality			s367a150015	-	39,351	-	-
Total - Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)				-	83,453	-	51,458
School Improvement Grants	Indiana Department of Education	84.377					
School Improvement Grant			s377a00120015	-	-	-	24,685
Total - Department of Education				-	1,436,819	-	1,369,752
Total federal awards expended				\$ -	\$ 2,542,071	\$ -	\$ 2,502,651

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, 2016 and 2017. The information in the SEFA is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). 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.

The Uniform Guidance requires an annual audit of nonfederal entities expending a total amount of federal awards equal to or in excess of \$750,000 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 the Uniform Guidance, 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. The School Corporation has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

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 SEFA 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 deficiencies identified?	no
Noncompliance material to financial statement noted?	yes

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)?	yes

Identification of Major Programs and type of auditor's report issued on compliance for each:

CFDA Number	Name of Federal Program or Cluster	Opinion Issued
84.010	Child Nutrition Cluster Title I Grants to Local Educational Agencies Special Education Cluster (IDEA)	Qualified Qualified Unmodified

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? no

Section II - Financial Statement Findings

FINDING 2017-001

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

Repeat Finding

This is a repeat finding from the immediately prior audit. The prior audit finding number was 2015-001.

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 federal award information within the School Corporation's annual report on the Indiana Gateway for Government Units financial reporting system, which was used to generate the School Corporation's SEFA, was entered by the Treasurer without a control process in place to ensure its accuracy before submission.

Context

Due to the lack of effective controls, the following errors occurred on the SEFA presented for audit:

1. Federal expenditures were not reported for three grants, which totaled \$47,935.
2. Commodities of \$179,698 were not reported for the National School Lunch Program.
3. Federal expenditures were overstated by \$386,405 in total for seven grants and understated by \$11,008 in total for two grants.
4. Program titles for nine grants and the CFDA numbers for four grants were incorrectly reported.

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

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. . . ."

2 CFR 200.508 states in part: "The auditee must: . . . (b) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with § 200.510 Financial statements. . . ."

2 CFR 200.510(b) states:

"*Schedule of expenditures of Federal awards*. The auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with

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

§ 200.502 Basis for determining Federal awards expended. 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 Federal award years, the auditee may list the amount of Federal awards expended for each Federal award year separately. At a minimum, the schedule must:

- (1) List individual Federal programs by Federal agency. For a cluster of programs, provide the cluster name, list individual Federal programs within a cluster of programs, and provide the applicable Federal agency name. For R&D, total Federal awards expended must be shown either by individual Federal 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 must 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. For a cluster of programs also provide the total for the cluster.
- (4) Include the total amount provided to subrecipients from each Federal program.
- (5) For loan or loan guarantee programs described in § 200.502 Basis for determining Federal awards expended, paragraph (b), identify in the notes to the schedule the balances outstanding at the end of the audit period. This is in addition to including the total Federal awards expended for loan or loan guarantee programs in the schedule.
- (6) Include notes that describe that significant accounting policies used in preparing the schedule, and note whether or not the auditee elected to use the 10% de minimis cost rate as covered in § 200.414 Indirect (F&A) costs."

Cause

The School Corporation's management had not established a system of internal control that would have ensured proper reporting of the SEFA.

Effect

The failure to establish and properly implement internal controls enabled material misstatements to go undetected. The SEFA contained the errors identified in the *Context*.

Recommendation

We recommended that the School Corporation's management establish controls to ensure accurate reporting of the SEFA.

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 2017-002

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

Repeat Finding

This is a repeat finding from the immediately prior audit. The prior audit finding number was 2015-002.

Condition

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

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, expenditures, and ending cash balances. The School Corporation used the reconciliation worksheets to record the receipts and disbursements in the Self-Insurance Reserve fund on the financial statement.

There was no evidence of any controls, such as an oversight, review, or approval process 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

The lack of controls was a systemic issue throughout the audit period regarding transactions of the Self-Insurance Reserve fund.

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. . . ."

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

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 establish controls to verify the accuracy of the information received from the administrator and to ensure proper reporting of Self-Insurance Reserve fund transactions in the financial statement.

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 2017-003

Subject: School Breakfast Program and National School Lunch Program - Internal Controls
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 2016, FY 2017
Pass-Through Entity: Indiana Department of Education
Compliance Requirements: Cash Management, Special Tests and Provisions - Paid Lunch Equity
Audit Finding: Material Weakness

Repeat Finding

This is a repeat finding from the immediately prior audit. The prior audit finding number was 2015-003.

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 Cash Management and Special Tests and Provisions - Paid Lunch Equity compliance requirements.

Cash Management

The School Corporation had not designed or implemented an adequate internal control system to ensure that the School Lunch fund monthly cash balances (net cash resources) did not exceed the three months average expenditures. An oversight, review, or monitoring process had not been established.

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. An oversight, review, or approval process had not been established.

Context

The lack of properly designed and implemented controls was a systemic issue throughout 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. . . ."

2 CFR 200.303 states in part:

"The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

Cause

Management of the School Corporation had not developed a system of internal controls to ensure compliance 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 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 related to the grant agreement and the compliance requirements listed above.

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.

FINDING 2017-004

Subject: School Breakfast Program and National School Lunch Program - 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 2016, FY 2017
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Eligibility
Audit Findings: Material Weakness, Modified Opinion

Repeat Finding

This is a repeat finding from the immediately prior audit. The prior audit finding number was 2015-004.

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 Eligibility compliance requirement.

Testing could not be performed on students' eligibility for free and reduced price meals because documentation was not available. The School Corporation used the Harmony online system for free and reduced price applications during the 2015-2016 and 2016-2017 school years. They changed to a new system for the 2017-2018 school year; however, they could not access any of the prior Harmony files for the audit period. The School Corporation was unable to provide evidence that they complied with the eligibility requirements regarding the household notification of eligibility criteria and the parental notification of their students' eligibility for benefits.

Context

The lack of controls and the inability to provide documentation of compliance with the eligibility requirements were systemic issues throughout 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. . . ."

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

2 CFR 200.303 states in part:

"The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

2 CFR 200.333 states in part:

"Financial records, supporting documents, statistical records, and all other non-Federal entity records pertinent to a Federal award must be retained for a period of three years from the date of submission of the final expenditure report or, for Federal awards that are renewed quarterly or annually, from the date of the submission of the quarterly or annual financial report, respectively, as reported to the Federal awarding agency or pass-through entity in the case of a subrecipient. . . ."

Cause

The School Corporation had not developed a system of internal controls to ensure that documentation was maintained and made available for audit related to the Eligibility compliance requirement.

Effect

The inability to retain or provide appropriate supporting documentation prevented the determination of the School Corporation's compliance with the Eligibility compliance requirement.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls to ensure that documentation will be maintained and made available for audit related to the Eligibility compliance requirement.

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 2017-005

Subject: Child Nutrition Cluster - Equipment
Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program,
Summer Food Service Program for Children
CFDA Numbers: 10.553, 10.555, 10.559
Federal Award Numbers and Years (or Other Identifying Numbers): FY 2016, FY 2017
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Equipment and Real Property Management
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 equipment requirements.

The School Corporation did not have adequate policies and procedures to ensure compliance with the requirements that it maintain records of equipment purchased in whole or in part with federal funds and that it perform a physical inventory of equipment.

The School Corporation did not comply with the equipment requirements. Only 2 of 11 pieces of equipment purchased during the audit were recorded in the capital asset ledger; 1 of those was not recorded for the correct amount. In addition, no physical inventory was taken in the last two years.

Context

The lack of controls and noncompliance were systemic issues throughout the audit period. As a result, \$82,494 in equipment purchased with grant funds was not recorded in the School Corporation's capital asset records.

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 200.303 states in part:

"The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

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

2 CFR 200.313(d) states in part:

"Management requirements. Procedures for managing equipment (including replacement equipment), whether acquired in whole or in part under a Federal award, until disposition takes place will, as a minimum, meet the following requirements:

- (1) Property records must be maintained that include a description of the property, a serial number or other identification number, the source of funding for the property (including the FAIN), who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the project costs for the Federal award under which the property was acquired, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property.
- (2) A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years. . . ."

Cause

Management had not developed a system of internal controls that would have ensured compliance with the equipment requirements.

Effect

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

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls to ensure compliance and comply with the grant agreement and the Equipment and Real Property Management compliance requirement.

Views of Responsible Officials

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

FINDING 2017-006

Subject: School Breakfast Program and National School Lunch Program - Program Income
Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program
CFDA Numbers: 10.553, 10.555
Federal Award Number and Year (or Other Identifying Number): FY 2016
Pass-Through Entity: Indiana Department of Indiana
Compliance Requirement: Program Income
Audit Findings: Material Weakness, Other Matters

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

Repeat Finding

This is a repeat finding from the immediately prior audit. The prior audit finding number was 2015-005.

Condition

An effective internal control system was not in place at the School Corporation during the 2015-2016 school year in order to ensure compliance with requirements related to the grant agreement and the Program Income compliance requirement.

For the 2015-2016 school year, the School Corporation did not comply 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. Although the School Corporation maintained prepaid accounts for students, when prepaid funds were received they were receipted 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.

Context

The lack of controls and noncompliance were applicable to the 2015-2016 school year. The School Corporation established a Prepaid School Lunch Fund at the beginning of the 2016-2017 school year to account for prepayments as required.

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 200.303 states in part:

"The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

7 CFR 210.14(c) states:

"*Financial assurances.* The school food authority shall meet the requirements of the State agency for compliance with § 210.19(a) including any separation of records of nonprofit school food service from records of any other food service which may be operated by the school food authority as provided in paragraph (a) of this section."

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

7 CFR 210.14(f)(3) states: "All revenue from the sale of nonprogram foods shall accrue to the nonprofit school food service account of a participating school food authority."

7 CFR 220.13(i) states in part: "Each State agency . . . shall establish a financial management system under which School Food Authorities shall account for all revenues and expenditures of their nonprofit school food service. . . ."

7 CFR 220.7(e) states in part:

"Each school food authority approved to participate in the program shall enter into a written agreement with the State agency or the Department through the FNSRO, as applicable, that may be amended as necessary. . . . Such agreements shall provide that the School Food Authority shall, with respect to participating schools under its jurisdiction: . . .

- (12) Maintain a financial management system as prescribed by the State agency, or FNSRO where applicable; . . ."

Clearing Account Number 8400 - Prepaid Food has been established to account for prepaid food. The collections are to be receipted to 8410 with 8420 representing the transfers out of the clearing account and recognition in the appropriate revenue classifications (1611 to 1614 series) in the School Lunch Fund. The transfer should be made periodically and at the end of each month to appropriately classify meals (breakfast, lunch, etc.) when known (charged by student). Subsidiary records by student should be routinely reconciled to the cash balance and at month end. (The School Administrator and Uniform Compliance Guidelines, September 2008)

2 CFR 200.302(b)(3) states:

"Records that identify adequately the source and application of funds for federally-funded activities. These records must contain information pertaining to Federal awards, authorizations, obligations, unobligated balances, assets, expenditures, income and interest and be supported by source documentation."

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 in order to ensure compliance with the Program Income compliance requirement.

Effect

The failure to establish an effective internal control system enabled material noncompliance to go undetected. Noncompliance with the grant agreement and the program income requirements 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 controls to ensure compliance and comply with the Program Income compliance requirement.

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.

FINDING 2017-007

Subject: Child Nutrition Cluster - Reporting

Federal Agency: Department of Agriculture

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

CFDA Numbers: 10.553, 10.555, 10.559

Federal Award Numbers and Years (or Other Identifying Numbers): FY 2016, FY 2017

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Reporting

Audit Finding: Material Weakness

Repeat Finding

This is a repeat finding from the immediately prior audit. The prior audit finding number was 2015-003.

Condition

An effective internal control system was not in place at the School Corporation in order to ensure compliance with the grant agreement and the Reporting compliance requirement.

One employee was responsible for completing and submitting all required reports, including the Monthly Sponsor Claims and Annual Financial Reports. There was no oversight, review, or approval by anyone else at the School Corporation to ensure the accuracy of the reports prior to submission.

Context

The lack of controls was a systemic issue throughout 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. . . ."

2 CFR 200.303 states in part:

"The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal

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

award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

Cause

Management had not developed a system of internal controls to ensure compliance with the Reporting compliance requirement.

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 programs.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls related to the grant agreement and the Reporting compliance requirement.

Views of Responsible Officials

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

FINDING 2017-008

Subject: School Breakfast Program and National School Lunch Program - Reporting, Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP)

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 2016, FY 2017

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Reporting, Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP)

Audit Findings: Material Weakness, Modified Opinion

Condition

The School Corporation had not established an effective internal control system related to the grant agreement and the Reporting and Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) compliance requirements. The Food Service Director performed the verification of free and reduced price applications and prepared and submitted the School Food Authority (SFA) Verification Collection Reports (Verification Reports). There was no documentation of a control in place, such as an oversight, review, or approval process.

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

The 2015-2016 and 2016-2017 Verification Reports could not be verified, since not all supporting information was retained and presented for audit. No supporting documentation was available for the 2015-2016 Verification Report. No free and reduced price applications were available to support section 4 of the 2016-2017 Verification Report.

For the 2015-2016 school year, the School Corporation did not present the applications which were verified, so compliance with the verification requirements not be determined.

Context

The lack of controls and failure to maintain and provide appropriate supporting documentation were systemic issues 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. . . ."

2 CFR 200.303 states in part:

"The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

2 CFR 200.333 states in part:

"Financial records, supporting documents, statistical records, and all other non-Federal entity records pertinent to a Federal award must be retained for a period of three years from the date of submission of the final expenditure report or, for Federal awards that are renewed quarterly or annually, from the date of the submission of the quarterly or annual financial report, respectively, as reported to the Federal awarding agency or pass-through entity in the case of a subrecipient. . . ."

Cause

The School Corporation had not developed a system of internal controls to ensure that documentation related to the Reporting and Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) compliance requirements was maintained and made available for audit.

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

Effect

The failure to retain or provide appropriate supporting documentation prevented the determination of the School Corporation's compliance with the Reporting and Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) compliance requirements.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls to ensure that documentation related to the Reporting and Special Tests and Provisions - Verification of Free and Reduced Applications (NSLP) compliance requirements will be maintained and made available for audit.

Views of Responsible Officials

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

FINDING 2017-009

Subject: Title I Grants to Local Educational Agencies - Eligibility and Special Tests and Provisions - Participation of Private School Children
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): 16-1405, 17-1405
Pass-Through Entity: Indiana Department of Education
Compliance Requirements: Eligibility, Special Tests and Provisions - Participation of Private School Children
Audit Findings: Material Weakness, Modified Opinion

Condition

An effective internal control was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Eligibility and Special Tests and Provisions - Participation of Private School Children compliance requirements.

The School Corporation did not have an effective system of internal controls over the eligible schools summary portion of the Title I grant applications. The School Corporation had not retained the supporting documentation to support the non-public enrollment and poverty data, as well as the public poverty data for the 2015-2016 and 2016-2017 grant applications. As a result, the accuracy of the non-public set asides for educational services provided to private school children, calculated in the Title I applications, could not be determined.

Context

The lack of an effective internal control system and failure to retain and present supporting documentation for the eligibility summary was a systemic issue throughout the audit period.

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 200.303 states in part:

"The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

2 CFR 200.333 states in part:

"Financial records, supporting documents, statistical records, and all other non-Federal entity records pertinent to a Federal award must be retained for a period of three years from the date of submission of the final expenditure report or, for Federal awards that are renewed quarterly or annually, from the date of the submission of the quarterly or annual financial report, respectively, as reported to the Federal awarding agency or pass-through entity in the case of a subrecipient. . . ."

34 CFR 80.42 states in part:

"(a) *Applicability.*

(1) This section applies to all financial and programmatic records, supporting documents, statistical records, and other records of grantees or subgrantees which are:

(i) Required to be maintained by the terms of this part, program regulations or the grant agreement, or

(ii) Otherwise reasonably considered as pertinent to program regulations or the grant agreement. . . ."

(b) *Length of retention period.*

(1) Except as otherwise provided, records must be retained for three years from the starting date. . . ."

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

2 CFR 200.333 states in part:

"Financial records, supporting documents, statistical records, and all other non-Federal entity records pertinent to a Federal award must be retained for a period of three years from the date of submission of the final expenditure report or, for Federal awards that are renewed quarterly or annually, from the date of the submission of the quarterly or annual financial report, respectively, as reported to the Federal awarding agency or pass-through entity in the case of a subrecipient. . . ."

Cause

The School Corporation had not developed a system of internal controls that would have ensured that records were maintained and made available for audit related to the Eligibility and Special Tests and Provisions - Participation of Private School Children compliance requirements.

Effect

The lack of appropriate documentation prevented the determination of the School Corporation's compliance with the Eligibility and Special Tests and Provisions - Participation of Private School Children compliance requirements.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls to ensure that documentation related to the Eligibility and Special Tests and Provisions - Participation of Private School Children compliance requirements will be maintained and made available for audit.

Views of Responsible Officials

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

FINDING 2017-010

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): 16-1405, 17-1405
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Special Tests and Provisions - Comparability
Audit Finding: Material Weakness

Repeat Finding

This is a repeat finding from the immediately prior audit. The prior audit finding number was 2015-007.

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 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, or approval process.

Context

The lack of controls was a systemic issue throughout 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. . . ."

2 CFR 200.303 states in part:

"The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

Cause

Management of the School Corporation had not developed a system of internal controls to ensure compliance with the Special Tests and Provisions - Comparability compliance requirement.

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.

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

Recommendation

We recommended that the School Corporation's management establish controls, including segregation of duties, related to the grant agreement and the Special Tests and Provisions - Comparability compliance requirement.

Views of Responsible Officials

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

FINDING 2017-011

Subject: Special Education Cluster (IDEA) - Suspension and Debarment

Federal Agency: Department of Education

Federal Programs: Special Education_Grants to States,
Special Education_Preschool Grants

CFDA Numbers: 84.027, 84.173

Federal Award Numbers and Years (or Other Identifying Numbers): 14216-007-PN01, 14217-007-PN01,
45715-009-PN01, 45716-007-PN01,
45717-007-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Procurement and Suspension and Debarment

Audit Findings: Material Weakness, Other Matters

Repeat Finding

This is a repeat finding from the immediately prior audit. The prior audit finding number was 2015-011.

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 suspension and debarment requirements. The School Corporation was a participating member school corporation 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. Because the grant agreements were between the Indiana Department of Education and each member school corporation of the Cooperative, the School Corporation was ultimately responsible for ensuring compliance with the requirements.

The School Corporation did not ensure that the Cooperative had established effective controls to ensure that vendors were not suspended or debarred or otherwise excluded from participation in federal assistance programs.

The School Corporation did not ensure that procedures were performed to verify that vendors were not suspended or debarred from participation in federal programs before entering into a contract.

Context

The lack of controls was a systemic issue throughout the audit period. Four contracted vendors received more than \$25,000 to provide special education services during the audit period.

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 200.303 states in part:

"The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

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 must 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

The School Corporation had not developed a system of internal controls that would have ensured compliance with the grant agreement and the 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 suspension and debarment requirements 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 controls to ensure compliance and comply with the Procurement and Suspension and Debarment compliance requirement.

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.

AUDITEE-PREPARED DOCUMENTS

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



Washington Community Schools

301 East South Street
Washington, IN 47501
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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2015-001

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

Status of Audit Finding:

The 2018 SEFA report was reviewed and signed by both the Superintendent and the Assistant Superintendent.



(Signature)

Business Manager

(Title)

10/22/18

(Date)



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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2015-002

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

Status of Audit Finding:

The reserve dollars that are held in the Washington Community Schools Benefit Trust are not held by Washington Community Schools. The Benefit Trust account has its own Tax-ID number and the funds will never be returned to Washington Community Schools. No one from Washington Community Schools is a signer on the account that holds the funds nor does anyone at Washington Community Schools have access to those funds. Dunn and Associates manages those reserve dollars. Dunn and Associates is audited regularly to ensure all receipts and disbursements are accurate and related to the correct group. This is done by an outside audit firm to ensure Washington Community Schools are in compliance with HIPPA regulations. No one at Washington Community Schools is comfortable with reviewing claims paid for our employees. That information is private and protected.

Del Am

Supt

10/22/18

Carrie Alford
(Signature)

Business Manager
(Title)

10/22/18
(Date)



Washington Community Schools

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2015-003

Fiscal year in which the finding initially occurred: FY15

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:

Since July 1, 2016, all food service expenses and revenues are being handled at the corporation level rather than with an ECA. All expenses are subject to the board approval. With the contracting of Sodexo, came the hiring of a Food Service manager to oversee cash handling, as well as revenue and expenditures.

Beginning in July 2016 when the Treasurer gained control of the Food Service funds, the Treasurer reviews the balance of the Food Service account monthly to ensure it doesn't exceed 3 months expenditures.

For the 2017-2018 school year, notices went home with each student explaining the requirements for free or reduced lunch status. Effective with the 2018-19 school year, parents sign off on the acknowledgement when registering their child for school.

Beginning following the last audit (August 2017) letters are being sent to those parents who filled out a free or reduced application with the results rather than phone calls.

Since our Food Service Director was hired (October 2016) all reports including Paid Lunch Equity reports are reviewed and signed by the Food Service Director.



(Signature)

Business Manager

(Title)

10/29/18

(Date)



Washington Community Schools

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2015-004

Fiscal year in which the finding initially occurred: FY15

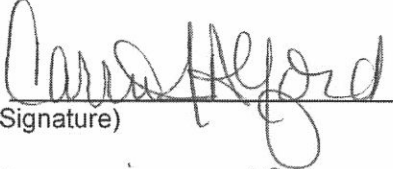
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Indiana Department of Education

Contact Person Responsible for Corrective Action: Carrie Alford

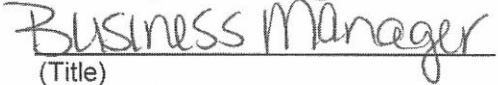
Contact Phone Number: 812-254-5536

Status of Audit Finding:

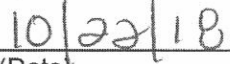
For the 2017-2018 school year, notices went home with each student explaining the requirements for free or reduced lunch status. Effective with the 2018-19 school year, parents sign off of the acknowledgement when registering their child for school.



(Signature)



(Title)



(Date)



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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2015-005

Fiscal year in which the finding initially occurred: FY15

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:

In August of 2016 a separate Prepaid account was established and is maintained with all the internal controls of all other Corporation funds.

Carrie Alford
(Signature)

Business Manager
(Title)

10/22/18
(Date)

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS



Washington Community Schools

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FINDING 2015-006

Fiscal year in which the finding initially occurred: FY15

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

Contact Person Responsible for Corrective Action: Kevin Frank / Carrie Alford

Contact Phone Number: 812-254-5536

Status of Audit Finding:

Beginning the conclusion of the last audit in August of 2017, all new hires have their salaries approved by the board when action is taken to hire them. All non-certified staff submits a time sheet at the end of every pay period.

<u>Kevin Frank</u>	<u>Carrie Alford</u>
(Signature)	(Signature)
<u>Asst Sup't</u>	<u>Business Manager</u>
(Title)	(Title)
<u>10/22/18</u>	<u>10/22/18</u>
(Date)	(Date)

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS



Washington Community Schools

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FINDING 2015-007

Fiscal year in which the finding initially occurred: FY15

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

Contact Person Responsible for Corrective Action: Kevin Frank

Contact Phone Number: 812-254-5536

Status of Audit Finding:

Assistant Superintendent provided the board with a copy of the completed comparability 2017 report for review. This is standard practice going forward.

Kevin Frank
(Signature)

Assistant Superintendent
(Title)

Oct. 22, 2018
(Date)



Washington Community Schools

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2015-008


Fiscal year in which the finding initially occurred: FY15
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Indiana Department of Education
Contact Person Responsible for Corrective Action: Dr. Daniel Roach
Contact Phone Number: 812-254-5536

Status of Audit Finding:

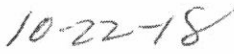
Policy 2623.01 – Test Security Provisions for Statewide Assessments was approved by the board on April 19, 2018



(Signature)



(Title)



(Date)

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS



Washington Community Schools

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FINDING 2015-009

Fiscal year in which the finding initially occurred: FY15

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 no longer administers the Migrant Education State Grant Program. In the future, if the district begins manage the grant, all grant requirements will be fulfilled.

Carrie Alford
(Signature)

Business Manager
(Title)

10/22/18
(Date)



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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2015-010

Fiscal year in which the finding initially occurred: FY15

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 no longer administers the Migrant Education State Grant Program. If the future, if the district begins manage the grant, all grant requirements will be fulfilled.



(Signature)

Business Manager

(Title)

10/22/18

(Date)

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS



Washington Community Schools

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FINDING 2015-011

Fiscal year in which the finding initially occurred: FY15

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

Contact Person Responsible for Corrective Action: Dr. Daniel Roach

Contact Phone Number: 812-254-5536

Status of Audit Finding:

Superintendent began monitoring the Daviess Martin Special Education Director at the conclusion of the last audit, August 2017, and continues to monitor Daviess Martin Special Education Director to ensure compliance with all grant requirements.

(Signature)

(Title)

(Date)



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CORRECTIVE ACTION PLAN

FINDING 2017-001

Contact Person Responsible for Corrective Action: Carrie Alford, Dr. Daniel Roach, Kevin Frank

Contact Phone Number: 812-254-5536

Views of Responsible Official:

Since we were not audited until after the close of the 15-17 biannual period for the previous biannual period, the audited reports were already completed and submitted incorrectly before any officials at WCS were aware of the problems.

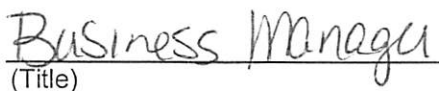
Description of Corrective Action Plan:

Since the close of the last audit in August 2017, the SEFA is reviewed by both the Superintendent and the Asst. Superintendent.

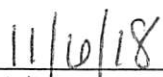
Anticipated Completion Date: August 2017



(Signature)



(Title)



(Date)



Washington Community Schools

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CORRECTIVE ACTION PLAN

FINDING 2017-002

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

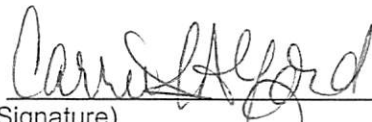
Views of Responsible Official:

Washington Community School officials disagree with this finding. WCS has an 1100 Self Insurance fund that we control. Those funds are subject to the same controls as all other corporation funds. The fund that is being referred to in this finding is a fund that is not owned by Washington Community Schools (Tax ID 351099438), it is owned by Washington Community Schools Benefit Trust with a different Tax-ID number. Once these funds are sent to Dunn and Associates they are no longer under the control or the umbrella of Washington Community Schools. These funds will never be returned to Washington Community Schools, even if Washington Community Schools decides to no longer employ the use the trust account those funds will be sent to the new provider of health coverage. Dunn and Associates is audited regularly by both the DOL and the re-insurance carriers to ensure proper use of funds according to the trust agreement.

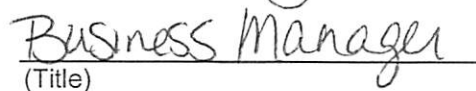
Description of Corrective Action Plan:

Dunn and Associates is audited regularly to ensure all receipts and disbursements are accurate and related to the correct group. To ensure Washington Community Schools is in compliance with HIPPA regulations, we will not be reviewing claims paid for our employees. Dunn and Associates emails a balance each Wednesday to the Business Manager and she forwards to the Superintendent. The Superintendent keeps these weekly balance reports in a binder. This report is used to ensure the check written each month by the Business Manager is received by Dunn and Associates and added to the reserve amount. There are weekly claims paid total is included in this report as well.

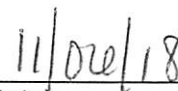
Anticipated Completion Date: Trust agreement 2006



(Signature)



(Title)



(Date)



Washington Community Schools

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CORRECTIVE ACTION PLAN

FINDING 2017-003

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

Views of Responsible Official:

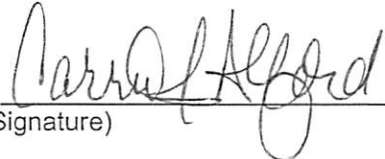
This is a repeat finding due to the fact that the 13-15 audit didn't occur until after the 15-17 period was complete.

Description of Corrective Action Plan:

The Business Manager, Superintendent and the Board monitor the School lunch fund monthly. It is an easy observation that we do not carry a balance that is more than 3 months' worth of expenditures. The balance will continue to be monitored monthly. The Business Manager will initial next to the balance of the School lunch fund on the monthly Fund Report indicating the review has been done.

Since October 2016, all reports including Paid Lunch Equity are reviewed and signed by the Food Service Director.

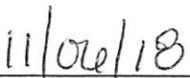
Anticipated Completion Date: October 2016



(Signature)



(Title)



(Date)



CORRECTIVE ACTION PLAN

FINDING 2017-004

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

Views of Responsible Official:

The Business Manager was not made aware that the records were never provided, records in fact may be accessed. This is a repeat finding due to the fact that the 13-15 audit didn't occur until after the 15-17 period was complete.

Description of Corrective Action Plan:

Washington Community Schools has procedures in place that ensure Parents are sent letters letting them know of the decision of their Free/Reduced Application. This process has been reviewed and approved by an IDOE School Nutrition Specialist.

After the last Audit, August 2017, the IDOE required letter was sent home with every student informing them of the eligibility criteria per guidance from SBOA. Beginning with the registration process for students for the 18-19 school year, every parent acknowledged by signing off when enrolling their child into school.

Anticipated Completion Date: August 2017



(Signature)


(Title)


(Date)



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CORRECTIVE ACTION PLAN

FINDING 2017-005

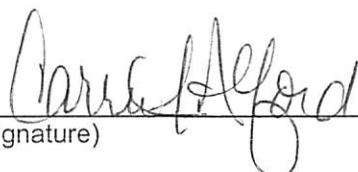
Contact Person Responsible for Corrective Action: Carrie Alford
Contact Phone Number: 812-254-5536

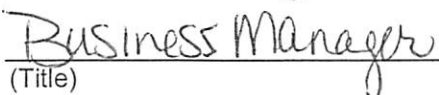
Views of Responsible Official:

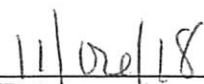
Description of Corrective Action Plan:

Washington Community Schools plans to use the inventory system that Sodexo maintains to track equipment to more effectively track equipment purchases and disposal.

Anticipated Completion Date: Jan 2019


(Signature)


(Title)


(Date)



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CORRECTIVE ACTION PLAN

FINDING 2017-006

Contact Person Responsible for Corrective Action: Carrie Alford
Contact Phone Number:

Views of Responsible Official:

This problem was fixed prior to the previous audit.

Description of Corrective Action Plan:

In August of 2016, a separate Prepaid account was established and is maintained with all the internal controls of all other Corporation Funds.

Anticipated Completion Date: August 2016

Carrie Alford
(Signature)

Business Manager
(Title)

11/02/18
(Date)

CORRECTIVE ACTION PLAN



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FINDING 2017-007

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


Views of Responsible Official:

The Business Manager was not made aware that the information was not provided to the Auditor for verification, records in fact may be accessed. The Food Service Director reviews all Claims and Financial Reports.

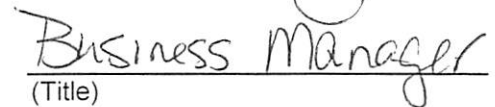
Description of Corrective Action Plan:

Going forward, Washington Community Schools will continue to ensure all reports are reviewed and signed by a supervisor.

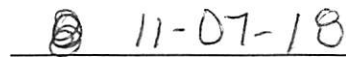
Anticipated Completion Date: December 2018



(Signature)



(Title)



(Date)



CORRECTIVE ACTION PLAN

FINDING 2017-008

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

Views of Responsible Official:

This process was fixed for the 16-17 School year. The Business Manager was not made aware records were not provided, records in fact may be accessed.

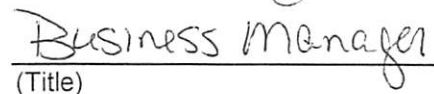
Description of Corrective Action Plan:

The verification process was moved out of the duties of the Food Service Secretary and given to a Building ECA Treasurer. Since that move, the process has been done correctly and proper records have been retained. The Food Service Director review and signs the Verification Reports.

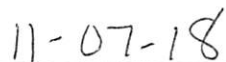
Anticipated Completion Date: August 2016



(Signature)



(Title)



(Date)



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FINDING 2017-009

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

Views of Responsible Official:

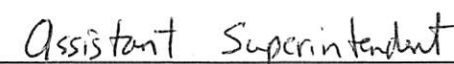
Description of Corrective Action Plan:

Washington Community Schools will maintain documentation of enrollment that will be pulled on the same date of public and non-public schools. Documentation will remain on file to prove enrollment numbers.

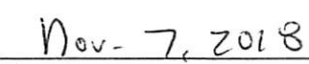
Anticipated Completion Date: November 2018



(Signature)



(Title)



(Date)



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CORRECTIVE ACTION PLAN

FINDING 2017-010

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

Views of Responsible Official:

This process was fixed at the conclusion of the last audit in August of 2017. This however, was after the conclusion of the 15-17 audit period.

Description of Corrective Action Plan:

Beginning in August 2017, all Comparability Reports are prepared by the Assistant Superintendent but reviewed and approved by the Superintendent and the School Board.

Anticipated Completion Date: August 2017

Kevin Frank
(Signature)

Assistant Superintendent
(Title)

Dec. 7, 2018
(Date)



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CORRECTIVE ACTION PLAN

FINDING 2017-011

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

Views of Responsible Official:

This is a repeat finding due to the fact that the 13-15 audit didn't occur until after the 15-17 period was complete.


Description of Corrective Action Plan:

The Superintendent began monitoring the Daviess Martin Special Education Director at the conclusion of the last audit, August 2017, and continues to monitor Daviess Martin Special Education Director to ensure compliance with all grant requirements.

Anticipated Completion Date: August 2017



(Signature)



(Title)



(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/>.