

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

EXAMINATION REPORT

OF

EAST CHICAGO URBAN ENTERPRISE ACADEMY

LAKE COUNTY, INDIANA

July 1, 2005 to June 30, 2006



FILED
02/26/2007

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Officials	2
Independent Accountant's Report	3
Financial Information:	
Government-Wide Financial Statements:	
Statement of Cash and Investments	4
Statement of Cash Activities	5
Fund Financial Statements:	
Governmental Funds:	
Statement of Receipts, Disbursements, and Cash and Investment Balances – Governmental Funds.....	6
Notes to Financial Information.....	7-9
Examination Results and Comments:	
Receipt Issuance and Deposit	10
Internal Controls Over Compensated Absences	10
Extra-Curricular Account.....	10-11
Average Daily Membership (ADM) – Incorrect Reporting to the State	11
Exit Conference	12
Official Response	13-14

OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Director of Finance	Vito C. Bianco	07-01-05 to 06-30-07
Principal of the School	Charlotte Jackson	07-01-05 to 06-30-07
Chair of the School Board	Rita Jacque-Gillis	07-01-05 to 06-30-07



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

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

INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF EAST THE CHICAGO URBAN
ENTERPRISE ACADEMY, LAKE COUNTY, INDIANA

We have examined the financial information presented herein of the East Chicago Urban Enterprise Academy (School Corporation), for the period of July 1, 2005 to June 30, 2006. The School Corporation's management is responsible for the financial information presented herein. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the financial information presented herein and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the financial information referred to above presents fairly, in all material respects, the financial information of the School Corporation for the year ended June 30, 2006, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

STATE BOARD OF ACCOUNTS

November 29, 2006

EAST CHICAGO URBAN ENTERPRISE ACADEMY
STATEMENT OF CASH AND INVESTMENTS
June 30, 2006

<u>Assets</u>	<u>Governmental Activities</u>
Current assets:	
Cash and investments	\$ <u>96,567</u>
<u>Net Assets</u>	
Unrestricted	\$ <u>96,567</u>

The accompanying notes are an integral part of the financial information.

EAST CHICAGO URBAN ENTERPRISE ACADEMY
STATEMENT OF CASH ACTIVITIES
For the Year Ended June 30, 2006

Functions/Programs	Disbursements	Program Receipts		Net (Disbursement) Receipts
		Charges for Services	Operating Grants and Contributions	Total
Governmental activities:				
Instruction	\$ 860,828	\$ -	\$ 1,649	\$ (859,179)
Support services	3,102,517	33,416	113,431	(2,955,670)
Debt service	<u>52,855</u>	<u>-</u>	<u>-</u>	<u>(52,855)</u>
Total governmental activities	<u>\$ 4,016,200</u>	<u>\$ 33,416</u>	<u>\$ 115,080</u>	<u>(3,867,704)</u>
General receipts:				
State aid				416,062
Grants and contributions not restricted				155,396
Bonds and loans				<u>3,392,813</u>
Total general receipts				<u>3,964,271</u>
Change in cash and investments				96,567
Net assets - beginning				<u>-</u>
Net assets - ending				<u>\$ 96,567</u>

The accompanying notes are an integral part of the financial information.

EAST CHICAGO URBAN ENTERPRISE ACADEMY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
GOVERNMENTAL FUNDS
For The Year Ended June 30, 2006

	<u>General</u>	<u>Title I</u>	<u>Title II</u>	<u>Public Charter School Planning</u>	<u>Other</u>	<u>Totals</u>
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ 33,416	\$ 33,416
State sources	417,711	-	-	-	41,193	458,904
Federal sources	-	67,423	19,454	66,000	74,757	227,634
Bonds and loans	3,392,813	-	-	-	-	3,392,813
Intergovernmental transfers	246	-	-	-	45,969	46,215
	<u>3,810,770</u>	<u>67,423</u>	<u>19,454</u>	<u>66,000</u>	<u>195,335</u>	<u>4,158,982</u>
Total receipts						
Disbursements:						
Current:						
Instruction	724,978	40,969	-	7,592	87,289	860,828
Support services	2,993,808	7,787	-	9,837	91,085	3,102,517
Nonprogrammed charges	45,969	-	-	-	246	46,215
Debt services	52,855	-	-	-	-	52,855
	<u>3,817,610</u>	<u>48,756</u>	<u>-</u>	<u>17,429</u>	<u>178,620</u>	<u>4,062,415</u>
Total disbursements						
Excess (deficiency) of total receipts over (under) total disbursements	(6,840)	18,667	19,454	48,571	16,715	96,567
Cash and investments - beginning	-	-	-	-	-	-
Cash and investments - ending	<u>\$ (6,840)</u>	<u>\$ 18,667</u>	<u>\$ 19,454</u>	<u>\$ 48,571</u>	<u>\$ 16,715</u>	<u>\$ 96,567</u>

The accompanying notes are an integral part of the financial information.

EAST CHICAGO URBAN ENTERPRISE ACADEMY
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

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

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

Note 2. Fund Accounting

The School Corporation uses funds to report on its cash and investments and the results of its operations on a cash basis. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities.

Note 3. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the School Corporation in June and December. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100% 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 become delinquent if not paid by May 10 and November 10, respectively.

Note 4. Deposits and Investments

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

State statute (IC 5-13-9) authorizes the School Corporation to invest in securities including, but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

EAST CHICAGO URBAN ENTERPRISE ACADEMY
NOTES TO FINANCIAL INFORMATION
(Continued)

Note 5. Pension Plans

Public Employees' Retirement Fund

Plan Description

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

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

Public Employees' Retirement Fund
Harrison Building, Room 800
143 West Market Street
Indianapolis, IN 46204
Ph. (317) 233-4162

Funding Policy and Annual Pension Cost

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

Teacher's Retirement Fund

Plan Description

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

EAST CHICAGO URBAN ENTERPRISE ACADEMY
NOTES TO FINANCIAL INFORMATION
(Continued)

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

Teacher's Retirement Fund
150 West Market Street
Indianapolis, IN 46204
Ph. (317) 232-3860

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.

Note 6. Subsequent Events

On July 6, 2006, the School Corporation received a Common School Loan for school construction for \$370,638 at 4% annually for twenty years.

EAST CHICAGO URBAN ENTERPRISE ACADEMY
EXAMINATION RESULTS AND COMMENTS

RECEIPT ISSUANCE AND DEPOSIT

The Student Activity Fund showed \$25,247 in receipts posted to the ledger, however only \$2,677 in receipts were written. Therefore, we could not determine the timeliness of deposits.

Receipts shall be issued and recorded at the time of the transaction; for example, when cash or a check is received, a receipt is to be immediately prepared and given to the person making payment. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

Indiana Code 5-13-6-1(c) states in part: ". . . all local officers . . . who collect public funds of their respective political subdivisions shall deposit funds not later than the business day following the receipt of funds on business days of the depository in the depository or depositories selected by the . . . local boards of finance . . ."

INTERNAL CONTROLS OVER COMPENSATED ABSENCES

A cumulative balance of unused sick days is not maintained.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

EXTRA-CURRICULAR ACCOUNT

The East Chicago Urban Enterprise Academy collected \$25,681 in 2005-2006 for various student activities which was included in the School Corporation Account rather than an Extra-Curricular Account.

EAST CHICAGO URBAN ENTERPRISE ACADEMY
EXAMINATION RESULTS AND COMMENTS
(Continued)

Activity or activities as used herein has reference to conducting any athletic, social, class, or other school function and the collection, custody and disbursement of any money in connection therewith, other than functions conducted solely by any organization of parents and teachers, which does not include public money. The collection, custody, and disbursement of the money for an activity are represented in the accounting records by a fund and the control account for all of the activity funds is designated as the "School Extra-Curricular Account." (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 1)

AVERAGE DAILY MEMBERSHIP (ADM) - INCORRECT REPORTING TO THE STATE

The information presented for audit indicates enrollment figures on Form Number 30A, Report of Average Daily Membership (ADM) for State Support, were incorrect for the school year ending June 30, 2006.

The enrollment count dates for 2005-2006 was September 23, 2006. The difference between the count reported on the ADM and the verified figures are shown below:

<u>School Year</u>	<u>Grade</u>	<u>Count as Reported on Form Number 30A</u>	<u>Actual Enrollment Figures</u>	<u>Difference</u>
2005-2006	1 Through 4	157	160	(3)

School Officials should contact the Indiana Department of Education, Division of School Finance, to determine possible steps to be taken to correct any overpayment/underpayment applicable to the School Corporation because of incorrect reporting. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 8)

EAST CHICAGO URBAN ENTERPRISE ACADEMY
EXIT CONFERENCE

The contents of this report were discussed on December 7, 2006, with Vito C. Bianco, Director of Finance; Rita Jacque-Gillis, Chairmain of the School Board; Charlotte Jackson, Principal of the School; and Kathleen A. Kansfield, Accounting Controller. The official response has been made a part of this report and may be found on pages 13 and 14.



The American Quality Schools Corporation

850 W. Jackson Boulevard • Suite 275 • Chicago, IL 60607
(312) 226-3355 • Fax (312) 226-1027

State Board of Accounts
302 Washington St. Room E418
Indianapolis, IN 46204-2765

December 19, 2006

School: East Chicago Urban Enterprise Academy
Response by Management Company to Audit Examination Results and Comments

Average Daily Membership (ADM) – Incorrect Reporting to the State

The enrollment count date used by director for submission was several days earlier than the actual enrollment count date of September 23, 2005. The Indiana Department of Education, Division of School Finance will be contacted to correct any possible underpayment due to the School Corporation due to this error.

The director will use the specific enrollment count dates for all future ADM reports due.

Receipt Issuance

The School Corporation will be diligent in issuing receipts any time funds are received or collected. A separate receipt will be prepared for each individual indicating form, cash or check, and purpose of payment received.

A separate receipt book is maintained at the management company office for all electronic funds transferred, interest earnings, and any other deposit items not received directly by the school office.

Extra-Curricular Account

The School Corporation has student activities receipts and disbursements now reported under a separate fund code. However, as a result of the audit comments, these funds will be maintained and reported separately from the School Corporation operating activities.

State Board of Accounts
302 Washington St. Room E418
Indianapolis, IN 46204-2765

December 19, 2006
Page 2

School: East Chicago Urban Enterprise Academy
Response by Management Company to Audit Examination Results and Comments

Internal Controls over Compensated Absences

The School Corporation running attendance reports will be modified to report cumulative balance of remaining sick days. However, any reported sick time is verified for payroll eligibility for each employee at the time each payroll is processed.

The above responses reflect the School Corporation and Management Company's commitment to accurate reporting and documentation as required by the Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations.

Sincerely,



Vito Bianco, Treasurer