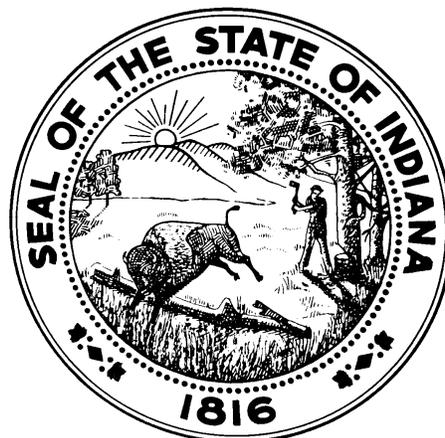


STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

AUDIT REPORT
OF
SCHOOL CITY OF EAST CHICAGO
LAKE COUNTY, INDIANA
July 1, 2005 to June 30, 2007



FILED
03/31/2008

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Nadyne Kokot	07-01-05 to 08-17-05
	Ernest Dittmann	09-01-05 to 04-30-06
	Francisco Ramirez	08-29-06 to 06-30-08
Superintendent of Schools	Dr. John Flores	07-01-05 to 06-30-06
	Frank Kwasny	07-01-06 to 07-31-06
	Dr. Juan Anaya	08-01-06 to 06-30-08
President of the School Board	Fernando Trevino	07-01-05 to 06-30-08



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**INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

TO: THE OFFICIALS OF THE SCHOOL CITY OF EAST CHICAGO, LAKE COUNTY, INDIANA

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the School City of East Chicago (School Corporation), as of and for the years ended June 30, 2006 and 2007, which collectively comprise the School Corporation's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the School Corporation's management. Our responsibility is to express opinions on these financial statements 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 statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note I, the School Corporation prepares its financial statements on the prescribed basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash and investment balances of the governmental activities, each major fund, and the aggregate remaining fund information of the School Corporation as of June 30, 2006 and 2007, and the respective cash receipts and cash disbursements during the years then ended on the basis of accounting described in Note I.

In accordance with Government Auditing Standards, we have also issued a report dated January 30, 2008, 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 and grants. Our report on compliance and on internal control over financial reporting should be read along with this report.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of the School Corporation taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(Continued)

The Schedule of Funding Progress, as listed in the Table of Contents, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The School Corporation has not presented Management's Discussion and Analysis or Budgetary Comparison Schedules that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School Corporation's basic financial statements. The Combining Schedules, as listed in the Table of Contents, and Schedule of Long-Term Debt are presented for additional analysis and are not required parts of the basic financial statements. The Combining Schedules, as listed in the Table of Contents, have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Schedule of Long-Term Debt has not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on it.

STATE BOARD OF ACCOUNTS

January 30, 2008



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

TO: THE OFFICIALS OF THE SCHOOL CITY OF EAST CHICAGO, LAKE COUNTY, INDIANA

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the School City of East Chicago (School Corporation), as of and for the years ended June 30, 2006 and 2007, which collectively comprise the School Corporation's basic financial statements and have issued our report thereon dated January 30, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School Corporation's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School Corporation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School Corporation's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we considered to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in item 2007-1 of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

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

We noted certain matters that we reported to management in a separate letter dated January 30, 2008.

The School Corporation's response to the findings identified in our audit is described in the accompanying section of the report entitled Corrective Action Plan. We did not audit the School Corporation's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the School Corporation's management, Board of School Trustees, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

January 30, 2008

SCHOOL CITY OF EAST CHICAGO
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For the Year Ended June 30, 2006

<u>Functions/Programs</u>	<u>Disbursements</u>	<u>Program Receipts</u>		<u>Totals</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Net (Disbursement) Receipts and Changes in Net Assets</u>
Governmental activities:				
Instruction	\$ 23,030,666	\$ -	\$ 307,973	\$ (22,722,693)
Support services	41,641,618	381,191	2,749,270	(38,511,157)
Community services	345,501	-	-	(345,501)
Nonprogrammed charges	5,210,580	-	-	(5,210,580)
Debt service	<u>21,632,834</u>	<u>-</u>	<u>-</u>	<u>(21,632,834)</u>
Total governmental activities	<u>\$ 91,861,199</u>	<u>\$ 381,191</u>	<u>\$ 3,057,243</u>	<u>(88,422,765)</u>
General receipts:				
Property taxes				35,618,278
Other local sources				1,974,153
State aid				37,325,501
Bonds and loans				6,530,848
Grants and contributions not restricted to specific programs				7,267,196
Sale of property, adjustments, and refunds				1,412,757
Investment earnings				<u>807,357</u>
Total general receipts				<u>90,936,090</u>
Change in net assets				2,513,325
Restated net assets - beginning (Note III.C.)				<u>14,522,550</u>
Net assets - ending				<u>\$ 17,035,875</u>
<u>Assets</u>				
Cash and investments				\$ 12,387,805
Restricted assets:				
Cash and investments				<u>4,648,070</u>
Total assets				<u>\$ 17,035,875</u>
<u>Net Assets</u>				
Restricted for:				
Debt service				\$ 1,957,882
Other purposes				2,690,188
Unrestricted				<u>12,387,805</u>
Total net assets				<u>\$ 17,035,875</u>

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

SCHOOL CITY OF EAST CHICAGO
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For the Year Ended June 30, 2007

<u>Functions/Programs</u>	<u>Disbursements</u>	<u>Program Receipts</u>		<u>Net (Disbursement) Receipts and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Totals</u>
Governmental activities:				
Instruction	\$ 22,495,600	\$ -	\$ 237,128	\$ (22,258,472)
Support services	40,609,141	391,612	2,796,009	(37,421,520)
Community services	501,087	-	-	(501,087)
Nonprogrammed charges	6,668,792	-	-	(6,668,792)
Debt service	<u>26,484,843</u>	<u>-</u>	<u>-</u>	<u>(26,484,843)</u>
Total governmental activities	<u>\$ 96,759,463</u>	<u>\$ 391,612</u>	<u>\$ 3,033,137</u>	<u>(93,334,714)</u>
General receipts:				
Property taxes				24,894,620
Other local sources				2,631,072
State aid				37,388,285
Bonds and loans				9,624,117
Grants and contributions not restricted to specific programs				8,407,035
Sale of property, adjustments, and refunds				5,433,120
Investment earnings				<u>795,693</u>
Total general receipts				<u>89,173,942</u>
Change in net assets				(4,160,772)
Net assets - beginning				<u>17,035,875</u>
Net assets - ending				<u>\$ 12,875,103</u>
<u>Assets</u>				
Cash and investments				\$ 9,055,742
Restricted assets:				
Cash and investments				<u>3,819,361</u>
Total assets				<u>\$ 12,875,103</u>
<u>Net Assets</u>				
Restricted for:				
Other purposes				\$ 3,819,361
Unrestricted				<u>9,055,742</u>
Total net assets				<u>\$ 12,875,103</u>

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

SCHOOL CITY OF EAST CHICAGO
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2006

	General	Transportation Operating	Education Technology	Debt Service	Capital Projects	School Bus Replacement	Other	Totals
Receipts:								
Local sources	\$ 16,839,234	\$ 3,890,412	\$ -	\$ 11,682,811	\$ 4,940,548	\$ 221,828	\$ 993,187	\$ 38,568,020
Intermediate sources	212,044	-	-	-	-	-	-	212,044
State sources	37,531,071	-	1,420,854	-	-	-	597,155	39,549,080
Federal sources	279,076	-	-	-	-	-	7,821,782	8,100,858
Bonds and loans	6,530,848	-	-	-	-	-	-	6,530,848
Sale of property, adjustments and refunds	732,599	-	-	-	-	-	10,827	743,426
Total receipts	62,124,872	3,890,412	1,420,854	11,682,811	4,940,548	221,828	9,422,951	93,704,276
Disbursements:								
Current:								
Instruction	18,811,002	-	-	-	-	-	4,219,664	23,030,666
Support services	29,882,878	2,757,646	1,328,075	-	6,088,783	-	7,124,236	47,181,618
Community services	242,733	-	-	-	-	-	102,768	345,501
Nonprogrammed charges	62,471	-	-	-	-	-	418	62,889
Debt services	10,813,132	-	-	10,232,196	-	-	587,506	21,632,834
Total disbursements	59,812,216	2,757,646	1,328,075	10,232,196	6,088,783	-	12,034,592	92,253,508
Excess (deficiency) of receipts over disbursements	2,312,656	1,132,766	92,779	1,450,615	(1,148,235)	221,828	(2,611,641)	1,450,768
Other financing sources (uses):								
Transfers in	160,960	-	-	-	-	-	1,629,047	1,790,007
Transfers out	(1,980,188)	-	-	(121,041)	-	-	(1,158,778)	(3,260,007)
Total other financing sources (uses)	(1,819,228)	-	-	(121,041)	-	-	470,269	(1,470,000)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	493,428	1,132,766	92,779	1,329,574	(1,148,235)	221,828	(2,141,372)	(19,232)
Restated cash and investments - beginning (Note III.C.)	4,261,402	916,522	(58,710)	628,308	3,474,570	71,396	5,071,431	14,364,919
Cash and investments - ending	\$ 4,754,830	\$ 2,049,288	\$ 34,069	\$ 1,957,882	\$ 2,326,335	\$ 293,224	\$ 2,930,059	14,345,687
Amounts reported for governmental activities in the Statement of Cash Activities and Net Assets - Cash and Investment Basis are different because:								
Internal service funds are used by management to charge the costs of certain services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Activities and Net Assets - Cash and Investment Basis.								
								2,690,188
Net assets of governmental activities								\$ 17,035,875
Cash and Investment Assets - Ending								
Cash and investments	\$ 4,754,830	\$ 2,049,288	\$ 34,069	\$ -	\$ 2,326,335	\$ 293,224	\$ 2,930,059	\$ 12,387,805
Restricted assets:								
Cash and investments	-	-	-	1,957,882	-	-	-	1,957,882
Total cash and investment assets - ending	\$ 4,754,830	\$ 2,049,288	\$ 34,069	\$ 1,957,882	\$ 2,326,335	\$ 293,224	\$ 2,930,059	\$ 14,345,687
Cash and Investment Fund Balance - Ending								
Restricted for:								
Debt service	\$ -	\$ -	\$ -	\$ 1,957,882	\$ -	\$ -	\$ -	\$ 1,957,882
Unrestricted	4,754,830	2,049,288	34,069	-	2,326,335	293,224	2,930,059	12,387,805
Total cash and investment fund balance - ending	\$ 4,754,830	\$ 2,049,288	\$ 34,069	\$ 1,957,882	\$ 2,326,335	\$ 293,224	\$ 2,930,059	\$ 14,345,687

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

SCHOOL CITY OF EAST CHICAGO
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2007

	General	Transportation Operating	Education Technology	Title I 06/07	Debt Service	Capital Projects	School Bus Replacement	Other	Totals
Receipts:									
Local sources	\$ 11,955,284	\$ 2,976,814	\$ -	\$ -	\$ 9,133,792	\$ 2,434,778	\$ 595,707	\$ 1,428,968	\$ 28,525,343
Intermediate sources	191,087	-	-	-	-	-	-	-	191,087
State sources	37,523,880	-	5,790	-	-	-	-	674,464	38,204,134
Federal sources	46,707	-	-	2,748,411	-	-	-	7,829,203	10,624,321
Bonds and loans	2,303,804	-	-	-	7,320,313	-	-	-	9,624,117
Sale of property, adjustments and refunds	125,140	-	4,000,000	-	-	-	-	-	4,125,140
Total receipts	52,145,902	2,976,814	4,005,790	2,748,411	16,454,105	2,434,778	595,707	9,932,635	91,294,142
Disbursements:									
Current:									
Instruction	18,822,746	-	526	1,055,037	-	-	-	2,617,291	22,495,600
Support services	34,676,722	3,497,131	566,681	602,545	-	1,869,810	-	5,696,252	46,909,141
Community services	272,959	-	-	78,981	-	-	-	149,147	501,087
Nonprogrammed charges	61,205	-	-	-	-	-	-	132,211	193,416
Debt services	4,746,298	-	-	-	21,543,746	-	-	194,799	26,484,843
Total disbursements	58,579,930	3,497,131	567,207	1,736,563	21,543,746	1,869,810	-	8,789,700	96,584,087
Excess (deficiency) of receipts over disbursements	(6,434,028)	(520,317)	3,438,583	1,011,848	(5,089,641)	564,968	595,707	1,142,935	(5,289,945)
Other financing sources (uses):									
Transfers in	2,002,167	-	-	425,242	-	-	-	431,578	2,858,987
Transfers out	(2,046,884)	-	-	-	(177,861)	-	-	(634,242)	(2,858,987)
Total other financing sources (uses)	(44,717)	-	-	425,242	(177,861)	-	-	(202,664)	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(6,478,745)	(520,317)	3,438,583	1,437,090	(5,267,502)	564,968	595,707	940,271	(5,289,945)
Cash and investments - beginning	4,754,830	2,049,288	34,069	-	1,957,882	2,326,335	293,224	2,930,059	14,345,687
Cash and investments - ending	<u>\$ (1,723,915)</u>	<u>\$ 1,528,971</u>	<u>\$ 3,472,652</u>	<u>\$ 1,437,090</u>	<u>\$ (3,309,620)</u>	<u>\$ 2,891,303</u>	<u>\$ 888,931</u>	<u>\$ 3,870,330</u>	9,055,742
Amounts reported for governmental activities in the Statement of Cash Activities and Net Assets - Cash and Investment Basis are different because:									
Internal service funds are used by management to charge the costs of certain services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Activities and Net Assets - Cash and Investment Basis.									
									3,819,361
Net assets of governmental activities									<u>\$ 12,875,103</u>
Cash and Investment Assets - Ending									
Cash and investments	<u>\$ (1,723,915)</u>	<u>\$ 1,528,971</u>	<u>\$ 3,472,652</u>	<u>\$ 1,437,090</u>	<u>\$ (3,309,620)</u>	<u>\$ 2,891,303</u>	<u>\$ 888,931</u>	<u>\$ 3,870,330</u>	<u>\$ 9,055,742</u>
Cash and Investment Fund Balance - Ending									
Unrestricted	<u>\$ (1,723,915)</u>	<u>\$ 1,528,971</u>	<u>\$ 3,472,652</u>	<u>\$ 1,437,090</u>	<u>\$ (3,309,620)</u>	<u>\$ 2,891,303</u>	<u>\$ 888,931</u>	<u>\$ 3,870,330</u>	<u>\$ 9,055,742</u>

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

SCHOOL CITY OF EAST CHICAGO
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS, DISBURSEMENTS,
AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
PROPRIETARY FUND
For the Year Ended June 30, 2006

	Internal Service Fund
Operating receipts:	
Employer contributions	\$ 5,540,000
Charges for services	669,334
Miscellaneous	914
Total operating receipts	6,210,248
Operating disbursements:	
Insurance claims and expense	5,147,691
Excess of operating receipts over operating disbursements	1,062,557
Transfers in	1,470,000
Change in net assets	2,532,557
Cash and investment fund balance - beginning	157,631
Cash and investment fund balance - ending	\$ 2,690,188
<u>Cash and Investment Assets - Ending</u>	
Restricted assets:	
Cash and investments	\$ 2,690,188
<u>Cash and Investment Fund Balance - Ending</u>	
Restricted for:	
Other purposes	\$ 2,690,188

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

SCHOOL CITY OF EAST CHICAGO
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS, DISBURSEMENTS,
AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
PROPRIETARY FUND
For the Year Ended June 30, 2007

	Internal Service Fund
Operating receipts:	
Employer contributions	\$ 6,300,000
Charges for services	1,302,669
Miscellaneous	<u>1,880</u>
Total operating receipts	<u>7,604,549</u>
Operating disbursements:	
Insurance claims and expense	<u>6,475,376</u>
Excess of operating receipts over operating disbursements	1,129,173
Transfers in	2,000,000
Transfers out	<u>(2,000,000)</u>
Change in net assets	1,129,173
Cash and investment fund balance - beginning	<u>2,690,188</u>
Cash and investment fund balance - ending	<u>\$ 3,819,361</u>
<u>Cash and Investment Assets - Ending</u>	
Restricted assets:	
Cash and investments	<u>\$ 3,819,361</u>
<u>Cash and Investment Fund Balance - Ending</u>	
Restricted for:	
Other purposes	<u>\$ 3,819,361</u>

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

SCHOOL CITY OF EAST CHICAGO
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
FIDUCIARY FUND
For the Year Ended June 30, 2006

	Pension Trust Fund
Additions:	
Contributions	\$ -
Deductions:	
Benefits	11,306
Deficiency of total additions over total deductions	(11,306)
Cash and investment fund balance - beginning	3,970,889
Cash and investment fund balance - ending	\$ 3,959,583
Net assets:	
Cash and investments	\$ 3,959,583

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

SCHOOL CITY OF EAST CHICAGO
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
FIDUCIARY FUND
For the Year Ended June 30, 2007

	<u>Pension Trust Fund</u>
Additions:	
Contributions	<u>\$ -</u>
Deductions:	
Benefits	<u>3,959,583</u>
Deficiency of total additions over total deductions	(3,959,583)
Cash and investment fund balance - beginning	<u>3,959,583</u>
Cash and investment fund balance - ending	<u><u>\$ -</u></u>
Net assets:	
Cash and investments	<u><u>\$ -</u></u>

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

SCHOOL CITY OF EAST CHICAGO
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

The School Corporation's financial reporting entity is composed of the School Corporation (primary government). There are no significant component units which require inclusion.

In determining the financial reporting entity, the School Corporation complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*.

Joint Venture

The School Corporation is a participant in the Northwest Indiana Public School Study Council (Study Council), a joint school services program established December 10, 1969, for the improvement of education and the study of problems and issues involved in public education. The Study Council is governed by a board composed of a member from each participating school corporation. The School Corporation pays \$1,000 annually to belong to the Study Council. Complete financial statements for the Study Council can be obtained from the Merrillville Community School Corporation, 6701 Delaware Street, Merrillville, Indiana, 46410.

The School Corporation is a participant with 15 other school corporations in a joint venture to operate the Northwest Indiana Educational Service Center (Service Center) which was created to purchase equipment and supplies and to provide staff training and other programs. The Service Center's governing board has full authority to manage the Service Center, including responsibility for fiscal matters. Complete financial statements for the Service Center can be obtained from the Service Center's administrative office at 2939 41st Street, Highland, Indiana, 46322-2790.

The School Corporation is a participant in an interlocal cooperative agency with the East Chicago Public Library and the Civil City of East Chicago known as the East Chicago Government Services Cooperative (Cooperative). The cooperative was created with the purpose of developing programs that benefit the individual entities including educational and training programs, personnel services, joint purchasing programs, administrative support services, data processing and telecommunications services, and operation of facilities or properties.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The Statement of Activities and Net Assets - Cash and Investment Basis displays information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues.

SCHOOL CITY OF EAST CHICAGO
NOTES TO FINANCIAL STATEMENTS
(Continued)

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, liabilities, fund equity, receipts, and disbursements. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. However, at this time, the School Corporation has not established any enterprise funds.

The School Corporation reports the following major governmental funds:

The general fund is the primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The transportation operating fund accounts for financial resources for the transportation of school children to and from school.

The education technology fund accounts for the e-rate reimbursements from the Federal Communications Commission for the purchase of technology equipment.

The debt service fund accounts for debt from funds borrowed or advanced for the purchase or lease of school buildings, school buses, judgments against the corporation, equipment or capital construction, and interest on emergency and temporary loans.

The capital projects fund accounts for planned construction, repair, replacement or remodeling; and the purchase, lease, upgrade, maintenance, or repair of computer equipment.

The school bus replacement fund is used to account for receipts and disbursements concerning the acquisition and disposal of school buses.

The Title I 06/07 fund accounts for federal grant receipts and disbursements received under Title I - Part A.

Additionally, the School Corporation reports the following fund types:

The internal service funds account for workman's compensation and group health insurance provided to School Corporation employees.

The pension trust fund accounts for the activities of the Pension Trust Fund which accumulates resources for pension benefit payments.

C. Measurement Focus and Basis of Accounting

The government-wide, governmental fund, proprietary fund, and fiduciary fund financial statements are reported using the basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recorded when received and disbursements are recorded when paid.

SCHOOL CITY OF EAST CHICAGO
NOTES TO FINANCIAL STATEMENTS
(Continued)

The cash and investment 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. Investment transactions are not presented on the financial statements.

If the School Corporation utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Goods or services from such activities are provided to people outside the government (enterprise funds) or other departments or agencies primarily within the government (internal service funds). The School Corporation does not have any enterprise funds.

When both restricted and unrestricted resources are available for use, the School Corporation's policy is to use restricted resources first, then unrestricted resources as they are needed.

D. Assets and Cash and Investment Balances

1. Cash and Investments

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

2. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the School Corporation in June and in 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. All property taxes collected by the County Treasurer and available for distribution were distributed to the School Corporation on or prior to June 30 of the year collected. For additional information about the property tax collections see Note IV.C.

3. Compensated Absences

a. Sick Leave

Employees earn sick leave at rates from 10 days to 13 days per year based upon the number of years of service. Unused sick leave may be accumulated indefinitely. Accumulated sick leave is paid to employees through cash payments upon termination or retirement.

SCHOOL CITY OF EAST CHICAGO
NOTES TO FINANCIAL STATEMENTS
(Continued)

b. Vacation Leave

Nonteaching or administrative and noncertified School Corporation employees earn vacation leave at rates from 10 days to 25 days per year based upon the number of years of service. Vacation leave does not accumulate from year to year.

c. Personal Leave

School Corporation employees earn personal leave at the rate of 3 days per year. Any remaining personal leave at year end is transferred to the sick leave balance.

4. Capital Assets

Capital assets arising from cash transactions acquired for use in governmental or proprietary fund operations are accounted for as capital outlay disbursements of the fund upon acquisition.

5. Long-Term Debt

Long-term debt arising from cash basis transactions of governmental and proprietary funds is not reported as liabilities in the basic financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as disbursements.

6. Equity Classification

Government-Wide Statements

Equity is classified as net assets and displayed in two components:

- a. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or (2) law through constitutional provisions or enabling legislation.
- b. Unrestricted net assets – All other net assets that do not meet the definition of "restricted."

It is the School Corporation's policy to first use restricted net assets prior to the use of unrestricted net assets when a disbursement is incurred for purposes for which both restricted and unrestricted net assets are available.

Fund Financial Statements

Governmental fund equity is classified as fund balance. Proprietary fund equity is classified the same as in the government-wide statements.

SCHOOL CITY OF EAST CHICAGO
NOTES TO FINANCIAL STATEMENTS
(Continued)

E. Receipts and Disbursements

1. Program Receipts

Amounts reported as program receipts include (1) charges to customers or applicants for goods, services, or privileges provided, and (2) operating grants and contributions. Internally dedicated resources are reported as general receipts rather than as program receipts. Likewise, general receipts include all taxes.

2. Operating Receipts and Disbursements

Operating receipts and disbursements for proprietary funds result from providing services and producing and delivering goods and/or services. They also include all receipts and disbursements not related to capital and related financing, noncapital financing, or investing activities.

F. Internal and Interfund Balances and Activities

In the process of aggregating the financial information for the government-wide Statement of Activities and Net Assets – Cash and Investment Basis, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified.

Fund Financial Statements

1. Interfund services – Sales or purchases of goods and services between funds are reported as receipts and disbursements.
2. Interfund reimbursements – Repayments from funds responsible for certain disbursements to the funds that initially paid for them are reported as reimbursements.
3. Interfund transfers – Flow of assets from one fund to another where repayment is not expected is reported as transfers in and out.

Government-Wide Financial Statements

Interfund activity and balances, if any, are eliminated or reclassified in the government-wide financial statements as follows:

Internal activities – Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis. The effects of interfund services between funds, if any, are not eliminated in the Statement of Activities and Net Assets – Cash and Investment Basis.

II. Stewardship, Compliance and Accountability

A. Budgetary Information

Annual budgets are adopted on the cash basis, which is not consistent with accounting principles generally accepted in the United States of America. All annual appropriations lapse at calendar year end.

SCHOOL CITY OF EAST CHICAGO
NOTES TO FINANCIAL STATEMENTS
(Continued)

Prior to the first required publication, the fiscal officer of the School Corporation submits to the governing board a proposed operating budget for the year commencing the following July 1. Prior to adoption, the budget is advertised and public hearings are conducted by the governing board to obtain taxpayer comments. In September of each year, the governing board, through the passage of a resolution/ordinance, approves the budget for the next year. Copies of the budget resolution/ordinance and the advertisement for funds for which property taxes are levied are sent to the Indiana Department of Local Government Finance. The budget becomes legally enacted after the fiscal officer of the School Corporation receives approval of the Indiana Department of Local Government Finance.

The School Corporation's management cannot transfer budgeted appropriations between object classifications of a budget without approval of the governing board. The Indiana Department of Local Government Finance must approve any revisions to the appropriations for any fund or any department of the General Fund. The legal level of budgetary control is by object and department within the fund for the General Fund and by object within the fund for all other budgeted funds.

B. Cash and Investment Balance Deficits

At June 30, 2006 and 2007, the following funds reported deficits in cash and investments, which are violations of the Uniform Compliance Guidelines and state statute:

Fund	2006	2007
General	\$ -	\$ 1,723,915
Debt Service	-	3,309,620
E-Smile	288	2,753
TCEF Adult Education 2006	2,855	-
SCEC/Valpo Science Part K-6 04/05	688	-
LD 05/06	8,079	-
Carl Perkins 05/06	137,712	-
Carl Perkins 04/05	36,884	-
Health Clinic	27,431	-
Retirement Bond Fund Debt Service	254,029	61,616
L.D. 06/07	-	7,235
Health Clinic 06/07	-	22,818

Cash and investment deficits arose primarily from disbursements exceeding receipts due to the underestimate of current requirements; these deficits are to be repaid from future receipts.

III. Detailed Notes on All Funds

A. Deposits and Investments

1. Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Indiana Code 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state funds and has a principal office or branch that qualifies to

SCHOOL CITY OF EAST CHICAGO
NOTES TO FINANCIAL STATEMENTS
(Continued)

receive public funds of the political subdivision. At June 30, 2007, the bank balances were insured by the Federal Deposit Insurance Corporation or the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

2. Investments

Authorization for investment activity is stated in Indiana Code 5-13. As of June 30, 2007, the School Corporation had no investments.

Investment Policies

Indiana Code 5-13-9 authorizes the School Corporation to invest in securities backed by the full faith and credit of the United States Treasury or fully guaranteed by the United States of America and issued by the United States Treasury, a federal agency, a federal instrumentality, or a federal government sponsored enterprise. Indiana Code also authorizes the School Corporation to invest in securities fully guaranteed and issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise. These investments are required by statute to have a stated final maturity of not more than two years.

Indiana Code also provides for investment in money market mutual funds that are in the form of securities of, or interest in, an open-end, no-load, management-type investment company or investment trust registered under the provision of the federal Investment Company Act of 1940, as amended. Investments in money market mutual funds may not exceed 50% of the funds held by the School Corporation and available for investment. The portfolio of an investment company or investment trust used must be limited to direct obligations of the United States of America, obligations issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise or repurchase agreements fully collateralized by direct obligations of the United States of America or obligations issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise. The form of securities of, or interest in, an investment company or investment trust must be rated as AAA, or its equivalent by Standard and Poor's Corporation or its successor or Aaa, or its equivalent, by Moody's Investors Service, Inc., or its successor. The form of securities in an investment company or investment trust should have a stated final maturity of one day.

Additionally, the School Corporation may enter into repurchase agreements with depositories designated by the State Board of Finance as depositories for state deposits involving the School Corporation's purchase and guaranteed resale of any interest-bearing obligations issued or fully insured or guaranteed by the United States of America, a United States of America government agency, an instrumentality of the United States of America, or a federal government sponsored enterprise. The repurchase agreement is considered to have a stated final maturity of one day. This agreement must be fully collateralized by interest-bearing obligations as determined by their current market value.

Investment Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The School Corporation does not have a formal investment policy for custodial credit risk for investments.

SCHOOL CITY OF EAST CHICAGO
NOTES TO FINANCIAL STATEMENTS
(Continued)

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The School Corporation must follow state statute and limit the stated final maturities of the investments to no more than two years.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The School Corporation does not have a policy in regards to concentration of credit risk. United States of America government and United States of America governmental agency securities are exempt from this policy requirement.

B. Interfund Transfers

Interfund transfers for the years ended June 30, 2006 and 2007, were as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>2006</u>	<u>2007</u>
General Fund	Other governmental funds	\$ 510,188	\$ 46,884
	Internal Service Fund	1,470,000	2,000,000
Debt Service Fund	Other governmental funds	121,041	177,861
	General Fund	160,960	2,167
Other governmental funds	Title I Fund	-	425,242
	Other governmental funds	997,818	206,833
Internal Service Fund	General Fund	-	2,000,000
Totals		<u>\$ 3,260,007</u>	<u>\$ 4,858,987</u>

The School Corporation typically uses transfers for cash flow purposes as provided by various statutory provisions.

C. Restatements and Reclassifications

For the year ended June 30, 2007, certain changes have been made to the financial statements to more appropriately reflect financial activity of the School Corporation. The following schedule presents a summary of restated beginning balances by opinion unit. Prior period adjustments represent the decrease in beginning fund balance due to double reporting.

SCHOOL CITY OF EAST CHICAGO
NOTES TO FINANCIAL STATEMENTS
(Continued)

Opinion Unit	Balance as Reported June 30, 2005	Prior Period Adjustments	Balance as Restated July 1, 2006
Government Wide Financial Statement	\$ 14,643,942	\$ (121,392)	\$ 14,522,550
Fund Financial Statement - Governmental Funds	14,486,311	(121,392)	14,364,919

IV. Other Information

A. Risk Management

The School Corporation is 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 (excluding postemployment benefits); and natural disasters.

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; and natural disasters are covered by commercial insurance from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance by major category of risk.

Medical Benefits to Employees, Retirees, and Dependents

The School Corporation has chosen to establish a risk financing fund for risks associated with medical benefits to employees, retirees, and dependents. The risk financing fund is accounted for in the Self-Insurance and Self-Insurance Reserve Funds, internal service funds, where assets are set aside for claim settlements. An excess policy through commercial insurance covers individual claims in excess of \$235,000, up to \$1,000,000 per year. Settled claims resulting from this risk did not exceed commercial insurance coverage in the past three years. The School Corporation's General Fund pays the assessments necessary to support the Self-Insurance Fund. All other funds with covered employees reimburse the General Fund for their costs. The Self-Insurance Reserve Fund accumulates resources for catastrophic costs and had a balance at June 30, 2007, of \$3,443,523.

Job Related Illnesses or Injuries to Employees

The School Corporation had previously chosen to establish a risk financing fund for risks associated with job related illnesses or injuries to employees prior to October 1, 2005. The risk financing fund is accounted for in the Worker's Compensation Fund, an internal service fund, where assets are set aside for claim settlements for cases which occurred prior to October 1, 2005. The School Corporation's General Fund pays the assessments necessary to support the Worker's Compensation Fund.

SCHOOL CITY OF EAST CHICAGO
NOTES TO FINANCIAL STATEMENTS
(Continued)

B. Holding Corporations

The School Corporation has entered into capital leases with the East Chicago High School Building Corporation, East Chicago Elementary School Building Corporation, and East Chicago Multi 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 year totaled \$9,882,000.

C. Subsequent Events

Reassessment and Property Taxes

In accordance with state statutes, all counties were required to reassess property values prior to billing taxes in 2005 through 2007. Significant delays in the reassessment process have resulted in delays in billing taxes in 2005 through 2007. The late billing has delayed timely property tax distributions to the School Corporation. The 2007 tax bills were not sent out until December 2007, with a due date of January 31, 2008. The School Corporation does not anticipate final property tax distribution until June 2008.

Tax Anticipation Warrants

The outstanding tax anticipation warrants with the Indiana Bond Bank for the General and Debt Service Funds, for \$2,309,917 and \$3,669,868, respectively, were not repaid as of December 31, 2007, in accordance with loan agreements. On January 7, 2008, the School Corporation repaid \$1,120,000 and \$1,350,000 of the 2007 tax anticipation warrants for the General and Debt Service Funds, respectively. The remaining 2007 tax anticipation warrant balances are \$1,189,917 and \$2,319,868 for the General and Debt Service Funds, respectively.

In December 2007, the School Board of Trustees approved 2008 tax anticipation warrants from the Indiana Bond Bank for the General and Debt Service Funds for \$8,869,572 and \$8,079,468, respectively. As of January 2, 2008, the General Fund received \$7,899,685 and the Debt Service Fund received \$7,271,521 of the total tax anticipation warrant, with the balance to be received on January 31, 2008.

Delay of December 28, 2007, Payroll

The School Corporation was unable to pay its employees on December 28, 2007. Employees received their paychecks on January 4, 2008.

Lease Anticipation Warrants

The East Chicago High School Building Corporation has entered into lease anticipation warrants with Peoples Bank to cover the School Corporation's July 2007 to January 2008 lease payments due, in the amount of \$4,941,000. The School Corporation anticipates repaying Peoples Bank for the lease anticipation warrants by June 30, 2008.

Temporary Loans

In December 2007, the School Corporation temporarily loaned \$4,000,000 from the Education Technology and \$4,000,000 from the Internal Service Reserve Funds to the General Fund to cover shortfalls in property tax distributions.

SCHOOL CITY OF EAST CHICAGO
NOTES TO FINANCIAL STATEMENTS
(Continued)

Food Service Contract

In December 2007, the School Corporation approved a food service contract with Sodexo, Inc. As part of the contract, all food service employees will cease to be School Corporation employees and will become Sodexo employees as of February 1, 2008.

Construction of Learning Center

In June 2007, the School Corporation sold the property at 211 East Columbus Drive to the East Chicago High School Building Corporation for \$4,000,000. The School Corporation and the East Chicago High School Building Corporation anticipate constructing a learning center.

D. Noncompliance – Legal/Contractual Provisions

The School Corporation has been named as defendant in various lawsuits for which the outcome cannot be reasonably determined.

E. Postemployment Benefits

In addition to the pension benefits described below, the School Corporation provides postemployment health insurance benefits, as authorized by Indiana Code 5-10-8, to all employees who retire from the School Corporation on or after attaining age 55 with at least 15 years of service. Currently, 50 retirees meet these eligibility requirements. Retirees contribute \$70 to \$250 per month for these postemployment benefits provided through the School Corporation's self-insurance program. Disbursements for those postemployment benefits are recognized on a pay-as-you-go basis. Disbursements for postemployment benefits cannot be reasonably estimated.

F. Pension Plans

1. Agent Multiple-Employer Defined Benefit Pension Plan

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 the 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 member's 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. The report may be obtained by contacting:

SCHOOL CITY OF EAST CHICAGO
NOTES TO FINANCIAL STATEMENTS
(Continued)

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 plan members for PERF are established by the Board of Trustees of PERF. The School Corporation's annual pension cost and related information, as provided by the actuary, is presented in this note.

Actuarial Information for the Above Plan

	PERF
Annual required contribution	\$ 381,206
Interest on net pension obligation	(45,085)
Adjustment to annual required contribution	51,378
Annual pension cost	387,499
Contributions made	450,912
Decrease in net pension obligation	(63,413)
Net pension obligation, beginning of year	(621,866)
Net pension obligation, end of year	\$ (685,279)
Contribution rates:	
School Corporation	5.25%
Plan members	3%
Actuarial valuation date	07-01-06
Actuarial cost method	Entry age
Amortization method	Level percentage of projected payroll, closed
Amortization period	40 years
Amortization period (from date)	07-01-97
Asset valuation method	75% of expected actuarial value plus 25% of market value

SCHOOL CITY OF EAST CHICAGO
NOTES TO FINANCIAL STATEMENTS
(Continued)

Actuarial Assumptions	PERF
Investment rate of return	7.25%
Projected future salary increases:	
Total	5%
Attributed to inflation	4%
Attributed to merit/seniority	1%
Cost-of-living adjustments	2%

Three Year Trend Information

	Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
PERF	06-30-04	\$ 306,585	135%	\$ (560,332)
	06-30-05	338,170	118%	(621,866)
	06-30-06	387,499	116%	(685,279)

2. Cost-Sharing Multiple-Employer Defined Benefit Pension Plan

Teachers' Retirement Fund

Plan Description

The School Corporation contributes to the Indiana Teachers' 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 member's 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.

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:

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

SCHOOL CITY OF EAST CHICAGO
NOTES TO FINANCIAL STATEMENTS
(Continued)

Funding Policy and Annual Pension Costs

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.

Plan members are required to contribute 3% of their salary and the School Corporation is to contribute at an actuarially determined rate. The current rate has been actuarially determined under the entry age normal cost method to be 6.82% of covered wages. The School Corporation's required contributions to the plan for the fiscal years ended June 30, 2007, 2006, and 2005, were \$845,236, \$793,958, and \$1,025,510, respectively. The School Corporation actually contributed 100% of the required contribution for each of the fiscal years, respectively.

SCHOOL CITY OF EAST CHICAGO
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS

Public Employees' Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-04	\$ 10,559,768	\$ 10,616,686	\$ (56,918)	99%	\$ 7,056,791	(1%)
07-01-05	10,876,547	11,190,473	(313,926)	97%	7,196,391	(4%)
07-01-06	11,268,069	11,880,415	(612,346)	95%	7,955,491	(8%)

SCHOOL CITY OF EAST CHICAGO
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2006

	Special Education Preschool	School Lunch	Textbook Rental	Safe Haven 04-SH-167 04/05	Early Intervention Grant 04/05	TCEF 2005 Sky Voyage Program
Receipts:						
Local sources	\$ 45,800	\$ 347,489	\$ 33,703	\$ -	\$ -	\$ -
State sources	179,520	4,452	296,904	-	-	-
Federal sources	-	2,431,308	-	-	-	-
Sale of property, adjustments and refunds	-	-	-	-	-	-
Total receipts	225,320	2,783,249	330,607	-	-	-
Disbursements:						
Current:						
Instruction	236,211	-	-	-	-	-
Support services	24,897	2,894,734	1,189,625	3,054	500	1,236
Community services	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Total disbursements	261,108	2,894,734	1,189,625	3,054	500	1,236
Excess (deficiency) of receipts over disbursements	(35,788)	(111,485)	(859,018)	(3,054)	(500)	(1,236)
Other financing sources (uses):						
Transfers in	-	-	780,935	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	780,935	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(35,788)	(111,485)	(78,083)	(3,054)	(500)	(1,236)
Restated cash and investments - beginning	56,565	516,673	644,310	3,054	500	1,236
Cash and investments - ending	\$ 20,777	\$ 405,188	\$ 566,227	\$ -	\$ -	\$ -
Cash and Investment Assets - Ending						
Cash and investments	\$ 20,777	\$ 405,188	\$ 566,227	\$ -	\$ -	\$ -
Cash and Investment Fund Balance - Ending						
Unrestricted	\$ 20,777	\$ 405,188	\$ 566,227	\$ -	\$ -	\$ -

SCHOOL CITY OF EAST CHICAGO
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2006
 (Continued)

	SS Day Camp/ United Way	Amoco/ Science Olympiad	School Improvement Program	E-Smile	Let's Read CHS	Academic League
Receipts:						
Local sources	\$ 3,094	\$ 2,915	\$ -	\$ -	\$ -	\$ -
State sources	-	-	73,279	-	-	-
Federal sources	-	-	-	-	-	-
Sale of property, adjustments and refunds	-	-	-	-	-	-
Total receipts	3,094	2,915	73,279	-	-	-
Disbursements:						
Current:						
Instruction	4,013	1,450	28,289	94	119	2,125
Support services	307	31	23,397	194	-	-
Community services	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Total disbursements	4,320	1,481	51,686	288	119	2,125
Excess (deficiency) of receipts over disbursements	(1,226)	1,434	21,593	(288)	(119)	(2,125)
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	(1,226)	1,434	21,593	(288)	(119)	(2,125)
Restated cash and investments - beginning	5,614	1,071	-	-	199	2,990
Cash and investments - ending	\$ 4,388	\$ 2,505	\$ 21,593	\$ (288)	\$ 80	\$ 865
Cash and Investment Assets - Ending						
Cash and investments	\$ 4,388	\$ 2,505	\$ 21,593	\$ (288)	\$ 80	\$ 865
Cash and Investment Fund Balance - Ending						
Unrestricted	\$ 4,388	\$ 2,505	\$ 21,593	\$ (288)	\$ 80	\$ 865

SCHOOL CITY OF EAST CHICAGO
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2006
 (Continued)

	Adult Sec. Evening Education Fees	ATS Item Tryout Incentive 2000	TCEF Second Start	TCEF Striving for Excellence	ECCDF Take 5 for Life CD06-109	ECCDF Take 5 for Life CD05-406
Receipts:						
Local sources	\$ -	\$ -	\$ 12,445	\$ 5,000	\$ 52,759	\$ 10,294
State sources	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-
Sale of property, adjustments and refunds	-	-	-	-	-	-
Total receipts	<u>-</u>	<u>-</u>	<u>12,445</u>	<u>5,000</u>	<u>52,759</u>	<u>10,294</u>
Disbursements:						
Current:						
Instruction	-	-	-	649	37,870	10,294
Support services	-	-	-	-	-	-
Community services	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Total disbursements	<u>-</u>	<u>-</u>	<u>-</u>	<u>649</u>	<u>37,870</u>	<u>10,294</u>
Excess (deficiency) of receipts over disbursements	<u>-</u>	<u>-</u>	<u>12,445</u>	<u>4,351</u>	<u>14,889</u>	<u>-</u>
Other financing sources (uses):						
Transfers in	-	-	-	-	-	-
Transfers out	<u>(3,348)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>(3,348)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(3,348)</u>	<u>-</u>	<u>12,445</u>	<u>4,351</u>	<u>14,889</u>	<u>-</u>
Restated cash and investments - beginning	<u>3,348</u>	<u>3,511</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ 3,511</u>	<u>\$ 12,445</u>	<u>\$ 4,351</u>	<u>\$ 14,889</u>	<u>\$ -</u>
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	<u>\$ -</u>	<u>\$ 3,511</u>	<u>\$ 12,445</u>	<u>\$ 4,351</u>	<u>\$ 14,889</u>	<u>\$ -</u>
<u>Cash and Investment Fund Balance - Ending</u>						
Unrestricted	<u>\$ -</u>	<u>\$ 3,511</u>	<u>\$ 12,445</u>	<u>\$ 4,351</u>	<u>\$ 14,889</u>	<u>\$ -</u>

SCHOOL CITY OF EAST CHICAGO
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2006
 (Continued)

	TCEF Adult Education 2006	TCEF Champs Celebration	TCEF 2006 Sky Voyage Program	TCEF School City's 2000 Entitlement	TCEF Frog in the Bog	TCEF Building Bridges
Receipts:						
Local sources	\$ -	\$ 7,816	\$ 14,325	\$ -	\$ 6,800	\$ -
State sources	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-
Sale of property, adjustments and refunds	-	-	-	-	-	-
Total receipts	<u>-</u>	<u>7,816</u>	<u>14,325</u>	<u>-</u>	<u>6,800</u>	<u>-</u>
Disbursements:						
Current:						
Instruction	2,652	-	10,000	-	-	-
Support services	203	-	-	14,092	-	-
Community services	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Total disbursements	<u>2,855</u>	<u>-</u>	<u>10,000</u>	<u>14,092</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>(2,855)</u>	<u>7,816</u>	<u>4,325</u>	<u>(14,092)</u>	<u>6,800</u>	<u>-</u>
Other financing sources (uses):						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	(159,894)	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(159,894)</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(2,855)</u>	<u>7,816</u>	<u>4,325</u>	<u>(173,986)</u>	<u>6,800</u>	<u>-</u>
Restated cash and investments - beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>173,986</u>	<u>-</u>	<u>9</u>
Cash and investments - ending	<u>\$ (2,855)</u>	<u>\$ 7,816</u>	<u>\$ 4,325</u>	<u>\$ -</u>	<u>\$ 6,800</u>	<u>\$ 9</u>
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	<u>\$ (2,855)</u>	<u>\$ 7,816</u>	<u>\$ 4,325</u>	<u>\$ -</u>	<u>\$ 6,800</u>	<u>\$ 9</u>
<u>Cash and Investment Fund Balance - Ending</u>						
Unrestricted	<u>\$ (2,855)</u>	<u>\$ 7,816</u>	<u>\$ 4,325</u>	<u>\$ -</u>	<u>\$ 6,800</u>	<u>\$ 9</u>

SCHOOL CITY OF EAST CHICAGO
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2006
 (Continued)

	TCEF School Improvement Initiative	TCEF Inquiry Based Math 04/05	TCEF Young Hoosier Books 04/05	TCEF Literature Club 04/05	Indiana Next Leadership Training 04/05	Distance Learning 98
Receipts:						
Local sources	\$ 17,000	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-
Sale of property, adjustments and refunds	-	-	-	-	-	-
Total receipts	17,000	-	-	-	-	-
Disbursements:						
Current:						
Instruction	4,833	-	-	348	-	-
Support services	220	1,177	-	-	3,000	1,750
Community services	-	209	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Total disbursements	5,053	1,386	-	348	3,000	1,750
Excess (deficiency) of receipts over disbursements	11,947	(1,386)	-	(348)	(3,000)	(1,750)
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	11,947	(1,386)	-	(348)	(3,000)	(1,750)
Restated cash and investments - beginning	6,227	1,386	769	539	3,000	10,683
Cash and investments - ending	\$ 18,174	\$ -	\$ 769	\$ 191	\$ -	\$ 8,933
Cash and Investment Assets - Ending						
Cash and investments	\$ 18,174	\$ -	\$ 769	\$ 191	\$ -	\$ 8,933
Cash and Investment Fund Balance - Ending						
Unrestricted	\$ 18,174	\$ -	\$ 769	\$ 191	\$ -	\$ 8,933

SCHOOL CITY OF EAST CHICAGO
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2006
 (Continued)

	TCEF CHS Library Update 04/05	IUN Students Lilly Utep 98/99	TCEF CHS Spelling Bee 2004	TCEF Let's Read CHS TC04-308	TCEF 2006 Sky Voyage Program	TCEF 2006 Challenger Program
Receipts:						
Local sources	\$ -	\$ -	\$ 3,000	\$ 10,000	\$ 2,000	\$ 7,550
State sources	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-
Sale of property, adjustments and refunds	-	10,827	-	-	-	-
Total receipts	-	10,827	3,000	10,000	2,000	7,550
Disbursements:						
Current:						
Instruction	-	353	1,912	12,967	115	7,100
Support services	4,135	6,369	-	-	9	1,892
Community services	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Total disbursements	4,135	6,722	1,912	12,967	124	8,992
Excess (deficiency) of receipts over disbursements	(4,135)	4,105	1,088	(2,967)	1,876	(1,442)
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	(4,135)	4,105	1,088	(2,967)	1,876	(1,442)
Restated cash and investments - beginning	4,135	35,267	62	4,525	68	1,892
Cash and investments - ending	\$ -	\$ 39,372	\$ 1,150	\$ 1,558	\$ 1,944	\$ 450
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	\$ -	\$ 39,372	\$ 1,150	\$ 1,558	\$ 1,944	\$ 450
<u>Cash and Investment Fund Balance - Ending</u>						
Unrestricted	\$ -	\$ 39,372	\$ 1,150	\$ 1,558	\$ 1,944	\$ 450

SCHOOL CITY OF EAST CHICAGO
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2006
 (Continued)

	TCEF 2005 School Improvement Initiative/CHS	TCEF Banquet of Champions 2005	TCEF Renovation of Auditorium SS/CHS	TCEF Raising Readers TC04-458	TCEF Milk Vending Machine	Gifted and Talented 04/05
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ 55,000	\$ 15,453	\$ -
State sources	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-
Sale of property, adjustments and refunds	-	-	-	-	-	-
Total receipts	<u>-</u>	<u>-</u>	<u>-</u>	<u>55,000</u>	<u>15,453</u>	<u>-</u>
Disbursements:						
Current:						
Instruction	458	-	-	3,991	-	1,372
Support services	87	-	35,500	33,259	11,877	180
Community services	-	-	-	1,924	-	-
Nonprogrammed charges	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Total disbursements	<u>545</u>	<u>-</u>	<u>35,500</u>	<u>39,174</u>	<u>11,877</u>	<u>1,552</u>
Excess (deficiency) of receipts over disbursements	<u>(545)</u>	<u>-</u>	<u>(35,500)</u>	<u>15,826</u>	<u>3,576</u>	<u>(1,552)</u>
Other financing sources (uses):						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(545)</u>	<u>-</u>	<u>(35,500)</u>	<u>15,826</u>	<u>3,576</u>	<u>(1,552)</u>
Restated cash and investments - beginning	<u>4,885</u>	<u>105</u>	<u>35,500</u>	<u>-</u>	<u>-</u>	<u>1,552</u>
Cash and investments - ending	<u>\$ 4,340</u>	<u>\$ 105</u>	<u>\$ -</u>	<u>\$ 15,826</u>	<u>\$ 3,576</u>	<u>\$ -</u>
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	<u>\$ 4,340</u>	<u>\$ 105</u>	<u>\$ -</u>	<u>\$ 15,826</u>	<u>\$ 3,576</u>	<u>\$ -</u>
<u>Cash and Investment Fund Balance - Ending</u>						
Unrestricted	<u>\$ 4,340</u>	<u>\$ 105</u>	<u>\$ -</u>	<u>\$ 15,826</u>	<u>\$ 3,576</u>	<u>\$ -</u>

SCHOOL CITY OF EAST CHICAGO
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2006
 (Continued)

	TCEF Banquet of Champions 2005	Indiana Respect 03/05	Gifted and Talented 05/06	State Medicaid Reimbursement	Harcourt Testing Donation	IN Inc. Awards CHS 99/00
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	-	-	22,429	6,043	-	-
Federal sources	-	1,180	-	-	-	-
Sale of property, adjustments and refunds	-	-	-	-	-	-
Total receipts	-	1,180	22,429	6,043	-	-
Disbursements:						
Current:						
Instruction	409	-	17,352	-	-	-
Support services	7	-	3,386	-	-	1,363
Community services	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Total disbursements	416	-	20,738	-	-	1,363
Excess (deficiency) of receipts over disbursements	(416)	1,180	1,691	6,043	-	(1,363)
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	(416)	1,180	1,691	6,043	-	(1,363)
Restated cash and investments - beginning	416	(1,180)	-	87,665	1,926	1,363
Cash and investments - ending	\$ -	\$ -	\$ 1,691	\$ 93,708	\$ 1,926	\$ -
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	\$ -	\$ -	\$ 1,691	\$ 93,708	\$ 1,926	\$ -
<u>Cash and Investment Fund Balance - Ending</u>						
Unrestricted	\$ -	\$ -	\$ 1,691	\$ 93,708	\$ 1,926	\$ -

SCHOOL CITY OF EAST CHICAGO
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2006
 (Continued)

	Non-English Speaking Program 06/07	IN Academic Improvement Program Block 97/99	Indiana Incentive Awards 2000	Indiana Incentive Awards 1999	Indiana Next Leadership Field	Indiana Next Leadership Harrison
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ 1,500	\$ 1,500
State sources	9,880	-	-	-	-	-
Federal sources	-	-	-	-	-	-
Sale of property, adjustments and refunds	-	-	-	-	-	-
Total receipts	9,880	-	-	-	1,500	1,500
Disbursements:						
Current:						
Instruction	14,842	-	-	-	-	-
Support services	1,940	11,486	70	125	-	1,473
Community services	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Total disbursements	16,782	11,486	70	125	-	1,473
Excess (deficiency) of receipts over disbursements	(6,902)	(11,486)	(70)	(125)	1,500	27
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	(6,902)	(11,486)	(70)	(125)	1,500	27
Restated cash and investments - beginning	8,219	11,486	70	125	-	-
Cash and investments - ending	\$ 1,317	\$ -	\$ -	\$ -	\$ 1,500	\$ 27
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	\$ 1,317	\$ -	\$ -	\$ -	\$ 1,500	\$ 27
<u>Cash and Investment Fund Balance - Ending</u>						
Unrestricted	\$ 1,317	\$ -	\$ -	\$ -	\$ 1,500	\$ 27

SCHOOL CITY OF EAST CHICAGO
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2006
 (Continued)

	GED	Property Tax Advance	Cultural Competency Grant	Title I 05/06	Title I/Lea School Improvement Field 05/06	Title I/Lea School Improvement Franklin 05/06
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	4,648	-	-	-	-	-
Federal sources	-	-	-	1,571,249	73,006	64,941
Sale of property, adjustments and refunds	-	-	-	-	-	-
Total receipts	4,648	-	-	1,571,249	73,006	64,941
Disbursements:						
Current:						
Instruction	2,400	-	-	1,411,531	2,412	23,700
Support services	-	-	-	546,003	6,219	2,848
Community services	-	-	-	40,129	-	-
Nonprogrammed charges	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Total disbursements	2,400	-	-	1,997,663	8,631	26,548
Excess (deficiency) of receipts over disbursements	2,248	-	-	(426,414)	64,375	38,393
Other financing sources (uses):						
Transfers in	-	-	-	473,060	-	-
Transfers out	-	-	(951)	-	-	-
Total other financing sources (uses)	-	-	(951)	473,060	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	2,248	-	(951)	46,646	64,375	38,393
Restated cash and investments - beginning	-	2	951	-	-	-
Cash and investments - ending	<u>\$ 2,248</u>	<u>\$ 2</u>	<u>\$ -</u>	<u>\$ 46,646</u>	<u>\$ 64,375</u>	<u>\$ 38,393</u>
Cash and Investment Assets - Ending						
Cash and investments	<u>\$ 2,248</u>	<u>\$ 2</u>	<u>\$ -</u>	<u>\$ 46,646</u>	<u>\$ 64,375</u>	<u>\$ 38,393</u>
Cash and Investment Fund Balance - Ending						
Unrestricted	<u>\$ 2,248</u>	<u>\$ 2</u>	<u>\$ -</u>	<u>\$ 46,646</u>	<u>\$ 64,375</u>	<u>\$ 38,393</u>

SCHOOL CITY OF EAST CHICAGO
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2006
 (Continued)

	Title I/Lea School Improvement Gosch 05/06	Title V Part A 03-154 03/05	Title V Part A 04-249 04/06	Insai WS Field	I-Read Rdg. Ex. Act/Lri/Cg/Mck	Title I 03/04
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	-	-	-	-	-	-
Federal sources	90,832	-	44,327	-	-	-
Sale of property, adjustments and refunds	-	-	-	-	-	-
Total receipts	90,832	-	44,327	-	-	-
Disbursements:						
Current:						
Instruction	2,318	21,514	51,230	-	-	-
Support services	35,178	6,559	25,776	-	24,862	-
Community services	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Total disbursements	37,496	28,073	77,006	-	24,862	-
Excess (deficiency) of receipts over disbursements	53,336	(28,073)	(32,679)	-	(24,862)	-
Other financing sources (uses):						
Transfers in	-	-	83,756	-	10,188	-
Transfers out	-	(3,000)	-	-	-	(822)
Total other financing sources (uses)	-	(3,000)	83,756	-	10,188	(822)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	53,336	(31,073)	51,077	-	(14,674)	(822)
Restated cash and investments - beginning	-	31,073	-	9	14,674	822
Cash and investments - ending	\$ 53,336	\$ -	\$ 51,077	\$ 9	\$ -	\$ -
Cash and Investment Assets - Ending						
Cash and investments	\$ 53,336	\$ -	\$ 51,077	\$ 9	\$ -	\$ -
Cash and Investment Fund Balance - Ending						
Unrestricted	\$ 53,336	\$ -	\$ 51,077	\$ 9	\$ -	\$ -

SCHOOL CITY OF EAST CHICAGO
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2006
 (Continued)

	Title I 04/05	Early Childhood Preschool Activities	Preschool	Preschool 04/05	Adult Basic Education 05/06	Adult Basic Education 04/05
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	-	-	-	-	-	-
Federal sources	567,500	-	36,658	-	110,976	-
Sale of property, adjustments and refunds	-	-	-	-	-	-
Total receipts	567,500	-	36,658	-	110,976	-
Disbursements:						
Current:						
Instruction	471,643	-	7,971	3,705	42,501	6,407
Support services	418,507	-	8,937	29,216	48,196	17,282
Community services	10,247	-	-	-	6,159	(3,962)
Nonprogrammed charges	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Total disbursements	900,397	-	16,908	32,921	96,856	19,727
Excess (deficiency) of receipts over disbursements	(332,897)	-	19,750	(32,921)	14,120	(19,727)
Other financing sources (uses):						
Transfers in	-	-	-	-	-	-
Transfers out	(619,018)	(14)	-	(31)	-	-
Total other financing sources (uses)	(619,018)	(14)	-	(31)	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(951,915)	(14)	19,750	(32,952)	14,120	(19,727)
Restated cash and investments - beginning	951,915	14	-	32,952	-	19,727
Cash and investments - ending	\$ -	\$ -	\$ 19,750	\$ -	\$ 14,120	\$ -
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	\$ -	\$ -	\$ 19,750	\$ -	\$ 14,120	\$ -
<u>Cash and Investment Fund Balance - Ending</u>						
Unrestricted	\$ -	\$ -	\$ 19,750	\$ -	\$ 14,120	\$ -

SCHOOL CITY OF EAST CHICAGO
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2006
 (Continued)

	Title IV Part A 03-033 03/05	Non-English Speaking Program 03/04	Title IV Part A Drug Free	SCEC/Valpo Math Part K-9 04/05	SCEC/Valpo Science Part K-6 04/05	Wal-Mart Literacy Program 2005
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,750
State sources	-	-	-	-	-	-
Federal sources	-	-	-	77,026	57,460	-
Sale of property, adjustments and refunds	-	-	-	-	-	-
Total receipts	-	-	-	77,026	57,460	1,750
Disbursements:						
Current:						
Instruction	-	189	-	6,850	18,418	1,262
Support services	29,800	2	41,982	94,958	85,860	97
Community services	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Total disbursements	29,800	191	41,982	101,808	104,278	1,359
Excess (deficiency) of receipts over disbursements	(29,800)	(191)	(41,982)	(24,782)	(46,818)	391
Other financing sources (uses):						
Transfers in	-	-	-	-	-	-
Transfers out	(1,963)	-	-	-	-	-
Total other financing sources (uses)	(1,963)	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(31,763)	(191)	(41,982)	(24,782)	(46,818)	391
Restated cash and investments - beginning	31,763	193	76,267	37,878	46,130	-
Cash and investments - ending	\$ -	\$ 2	\$ 34,285	\$ 13,096	\$ (688)	\$ 391
Cash and Investment Assets - Ending						
Cash and investments	\$ -	\$ 2	\$ 34,285	\$ 13,096	\$ (688)	\$ 391
Cash and Investment Fund Balance - Ending						
Unrestricted	\$ -	\$ 2	\$ 34,285	\$ 13,096	\$ (688)	\$ 391

SCHOOL CITY OF EAST CHICAGO
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2006
 (Continued)

	LD 05/06	LD Carryover 05/06	Title I/Lea School Improvement	Carl Perkins 05/06	Carl Perkins 04/05	Federal Medicaid Reimbursement
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	-	-	-	-	-	-
Federal sources	1,157,738	-	12,000	50,964	8,724	9,876
Sale of property, adjustments and refunds	-	-	-	-	-	-
Total receipts	1,157,738	-	12,000	50,964	8,724	9,876
Disbursements:						
Current:						
Instruction	800,393	26,218	47,448	76,459	2,455	-
Support services	365,006	123,400	13,887	112,217	2,638	4,386
Community services	-	-	3,522	-	-	-
Nonprogrammed charges	418	-	-	-	-	-
Debt services	-	-	-	-	-	-
Total disbursements	1,165,817	149,618	64,857	188,676	5,093	4,386
Excess (deficiency) of receipts over disbursements	(8,079)	(149,618)	(52,857)	(137,712)	3,631	5,490
Other financing sources (uses):						
Transfers in	-	167,112	-	-	-	-
Transfers out	-	-	(3,855)	-	-	-
Total other financing sources (uses)	-	167,112	(3,855)	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(8,079)	17,494	(56,712)	(137,712)	3,631	5,490
Restated cash and investments - beginning	-	-	56,712	-	(40,515)	133,717
Cash and investments - ending	<u>\$ (8,079)</u>	<u>\$ 17,494</u>	<u>\$ -</u>	<u>\$ (137,712)</u>	<u>\$ (36,884)</u>	<u>\$ 139,207</u>
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	<u>\$ (8,079)</u>	<u>\$ 17,494</u>	<u>\$ -</u>	<u>\$ (137,712)</u>	<u>\$ (36,884)</u>	<u>\$ 139,207</u>
<u>Cash and Investment Fund Balance - Ending</u>						
Unrestricted	<u>\$ (8,079)</u>	<u>\$ 17,494</u>	<u>\$ -</u>	<u>\$ (137,712)</u>	<u>\$ (36,884)</u>	<u>\$ 139,207</u>

SCHOOL CITY OF EAST CHICAGO
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2006
 (Continued)

	Mathematics Initiative 97/98	School- to-Work	Empowerment Zone	21st Century Title IV 04/05	Title II Part A Improving Teacher Quality	Title II Part D 06/07
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	-	-	-	-	-	-
Federal sources	32,028	-	-	269,136	-	37,558
Sale of property, adjustments and refunds	-	-	-	-	-	-
Total receipts	32,028	-	-	269,136	-	37,558
Disbursements:						
Current:						
Instruction	43,903	-	1,042	166,674	1,314	-
Support services	12,656	-	419	77,907	271	6,474
Community services	19,154	-	-	25,386	-	-
Nonprogrammed charges	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Total disbursements	75,713	-	1,461	269,967	1,585	6,474
Excess (deficiency) of receipts over disbursements	(43,685)	-	(1,461)	(831)	(1,585)	31,084
Other financing sources (uses):						
Transfers in	113,996	-	-	-	-	-
Transfers out	-	-	-	(113,996)	-	-
Total other financing sources (uses)	113,996	-	-	(113,996)	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	70,311	-	(1,461)	(114,827)	(1,585)	31,084
Restated cash and investments - beginning	14,563	2,214	6,307	114,827	1,585	6,474
Cash and investments - ending	\$ 84,874	\$ 2,214	\$ 4,846	\$ -	\$ -	\$ 37,558
Cash and Investment Assets - Ending						
Cash and investments	\$ 84,874	\$ 2,214	\$ 4,846	\$ -	\$ -	\$ 37,558
Cash and Investment Fund Balance - Ending						
Unrestricted	\$ 84,874	\$ 2,214	\$ 4,846	\$ -	\$ -	\$ 37,558

SCHOOL CITY OF EAST CHICAGO
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2006
 (Continued)

	Title III Part A English Language 04/05	Title II Improving Teacher Quality	Title II Part D 04/06	Title I Part B Reading First 05/06	Sliver	LD Carryover 04/05
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	-	-	-	-	-	-
Federal sources	139,452	400,889	42,355	167,049	18,373	-
Sale of property, adjustments and refunds	-	-	-	-	-	-
Total receipts	<u>139,452</u>	<u>400,889</u>	<u>42,355</u>	<u>167,049</u>	<u>18,373</u>	<u>-</u>
Disbursements:						
Current:						
Instruction	127,213	176,613	-	161,479	861	3,240
Support services	9,322	145,386	60,007	71,498	17,059	12,725
Community services	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Total disbursements	<u>136,535</u>	<u>321,999</u>	<u>60,007</u>	<u>232,977</u>	<u>17,920</u>	<u>15,965</u>
Excess (deficiency) of receipts over disbursements	<u>2,917</u>	<u>78,890</u>	<u>(17,652)</u>	<u>(65,928)</u>	<u>453</u>	<u>(15,965)</u>
Other financing sources (uses):						
Transfers in	-	-	-	-	-	-
Transfers out	-	(83,756)	-	-	-	(1,018)
Total other financing sources (uses)	<u>-</u>	<u>(83,756)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,018)</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>2,917</u>	<u>(4,866)</u>	<u>(17,652)</u>	<u>(65,928)</u>	<u>453</u>	<u>(16,983)</u>
Restated cash and investments - beginning	<u>40,491</u>	<u>50,472</u>	<u>22,649</u>	<u>83,300</u>	<u>-</u>	<u>16,983</u>
Cash and investments - ending	<u>\$ 43,408</u>	<u>\$ 45,606</u>	<u>\$ 4,997</u>	<u>\$ 17,372</u>	<u>\$ 453</u>	<u>\$ -</u>
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	<u>\$ 43,408</u>	<u>\$ 45,606</u>	<u>\$ 4,997</u>	<u>\$ 17,372</u>	<u>\$ 453</u>	<u>\$ -</u>
<u>Cash and Investment Fund Balance - Ending</u>						
Unrestricted	<u>\$ 43,408</u>	<u>\$ 45,606</u>	<u>\$ 4,997</u>	<u>\$ 17,372</u>	<u>\$ 453</u>	<u>\$ -</u>

SCHOOL CITY OF EAST CHICAGO
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2006
 (Continued)

	Title I Part B Reading First Washington	Title III English Language Acquisition 05/06	Title I Part B Reading First Mck/Bas	Health Clinic	Title I Part B Reading First Mck/Add	Retirement Bond Fund Debt Service
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 316,908
State sources	-	-	-	-	-	-
Federal sources	205,986	-	45,719	30,780	66,692	-
Sale of property, adjustments and refunds	-	-	-	-	-	-
Total receipts	<u>205,986</u>	<u>-</u>	<u>45,719</u>	<u>30,780</u>	<u>66,692</u>	<u>316,908</u>
Disbursements:						
Current:						
Instruction	110,483	-	-	-	-	-
Support services	42,368	2,046	24,442	58,211	-	-
Community services	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Debt services	-	-	-	-	-	587,506
Total disbursements	<u>152,851</u>	<u>2,046</u>	<u>24,442</u>	<u>58,211</u>	<u>-</u>	<u>587,506</u>
Excess (deficiency) of receipts over disbursements	<u>53,135</u>	<u>(2,046)</u>	<u>21,277</u>	<u>(27,431)</u>	<u>66,692</u>	<u>(270,598)</u>
Other financing sources (uses):						
Transfers in	-	-	-	-	-	-
Transfers out	(167,112)	-	-	-	-	-
Total other financing sources (uses)	<u>(167,112)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(113,977)</u>	<u>(2,046)</u>	<u>21,277</u>	<u>(27,431)</u>	<u>66,692</u>	<u>(270,598)</u>
Restated cash and investments - beginning	<u>164,941</u>	<u>2,046</u>	<u>(21,277)</u>	<u>-</u>	<u>-</u>	<u>16,569</u>
Cash and investments - ending	<u>\$ 50,964</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (27,431)</u>	<u>\$ 66,692</u>	<u>\$ (254,029)</u>
Cash and Investment Assets - Ending						
Cash and investments	<u>\$ 50,964</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (27,431)</u>	<u>\$ 66,692</u>	<u>\$ (254,029)</u>
Cash and Investment Fund Balance - Ending						
Unrestricted	<u>\$ 50,964</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (27,431)</u>	<u>\$ 66,692</u>	<u>\$ (254,029)</u>

SCHOOL CITY OF EAST CHICAGO
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2006
 (Continued)

	Washington Bonds Construction	Block Bonds Construction	Lincoln Bond Construction	Repair and Maintenance	Indiana School Improvement Awards 2001	Totals
Receipts:						
Local sources	\$ 3,907	\$ 2,215	\$ 12,964	\$ -	\$ -	\$ 993,187
State sources	-	-	-	-	-	597,155
Federal sources	-	-	-	-	-	7,821,782
Sale of property, adjustments and refunds	-	-	-	-	-	10,827
Total receipts	<u>3,907</u>	<u>2,215</u>	<u>12,964</u>	<u>-</u>	<u>-</u>	<u>9,422,951</u>
Disbursements:						
Current:						
Instruction	-	-	-	-	-	4,219,664
Support services	47,362	194,642	24,321	-	1,729	7,124,236
Community services	-	-	-	-	-	102,768
Nonprogrammed charges	-	-	-	-	-	418
Debt services	-	-	-	-	-	587,506
Total disbursements	<u>47,362</u>	<u>194,642</u>	<u>24,321</u>	<u>-</u>	<u>1,729</u>	<u>12,034,592</u>
Excess (deficiency) of receipts over disbursements	<u>(43,455)</u>	<u>(192,427)</u>	<u>(11,357)</u>	<u>-</u>	<u>(1,729)</u>	<u>(2,611,641)</u>
Other financing sources (uses):						
Transfers in	-	-	-	-	-	1,629,047
Transfers out	-	-	-	-	-	(1,158,778)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>470,269</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(43,455)</u>	<u>(192,427)</u>	<u>(11,357)</u>	<u>-</u>	<u>(1,729)</u>	<u>(2,141,372)</u>
Restated cash and investments - beginning	<u>608,253</u>	<u>353,603</u>	<u>557,529</u>	<u>138</u>	<u>1,729</u>	<u>5,071,431</u>
Cash and investments - ending	<u>\$ 564,798</u>	<u>\$ 161,176</u>	<u>\$ 546,172</u>	<u>\$ 138</u>	<u>\$ -</u>	<u>\$ 2,930,059</u>
Cash and Investment Assets - Ending						
Cash and investments	<u>\$ 564,798</u>	<u>\$ 161,176</u>	<u>\$ 546,172</u>	<u>\$ 138</u>	<u>\$ -</u>	<u>\$ 2,930,059</u>
Cash and Investment Fund Balance - Ending						
Unrestricted	<u>\$ 564,798</u>	<u>\$ 161,176</u>	<u>\$ 546,172</u>	<u>\$ 138</u>	<u>\$ -</u>	<u>\$ 2,930,059</u>

SCHOOL CITY OF EAST CHICAGO
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2007

	Special Education Preschool	School Lunch	Textbook Rental	SS Day Camp/ United Way	Amoco/ Science Olympiad	School Improvement Program
Receipts:						
Local sources	\$ 64,278	\$ 351,502	\$ 40,317	\$ 5,698	\$ 2,869	\$ -
State sources	156,531	4,302	220,647	-	-	70,995
Federal sources	-	2,563,510	-	-	-	-
Total receipts	220,809	2,919,314	260,964	5,698	2,869	70,995
Disbursements:						
Current:						
Instruction	214,683	-	-	3,599	1,627	20,805
Support services	24,746	3,249,728	405,776	220	48	25,132
Community services	-	-	-	-	-	-
Nonprogrammed charges	-	111	-	-	-	-
Debt services	-	-	-	-	-	-
Total disbursements	239,429	3,249,839	405,776	3,819	1,675	45,937
Excess (deficiency) of receipts over disbursements	(18,620)	(330,525)	(144,812)	1,879	1,194	25,058
Other financing sources (uses):						
Transfers in	-	-	177,861	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	177,861	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(18,620)	(330,525)	33,049	1,879	1,194	25,058
Cash and investments - beginning	20,777	405,188	566,227	4,388	2,505	21,593
Cash and investments - ending	<u>\$ 2,157</u>	<u>\$ 74,663</u>	<u>\$ 599,276</u>	<u>\$ 6,267</u>	<u>\$ 3,699</u>	<u>\$ 46,651</u>
Cash and Investment Assets - Ending						
Cash and investments	<u>\$ 2,157</u>	<u>\$ 74,663</u>	<u>\$ 599,276</u>	<u>\$ 6,267</u>	<u>\$ 3,699</u>	<u>\$ 46,651</u>
Cash and Investment Fund Balance - Ending						
Unrestricted	<u>\$ 2,157</u>	<u>\$ 74,663</u>	<u>\$ 599,276</u>	<u>\$ 6,267</u>	<u>\$ 3,699</u>	<u>\$ 46,651</u>

SCHOOL CITY OF EAST CHICAGO
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2007
 (Continued)

	E-Smile	Let's Read CHS	Academic League	ATS Item Tryout Incentive 2000	TCEF Second Start	TCEF Striving for Excellence
Receipts:						
Local sources	\$ -	\$ -	\$ 3,475	\$ -	\$ -	\$ -
State sources	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-
Total receipts	-	-	3,475	-	-	-
Disbursements:						
Current:						
Instruction	645	-	2,303	-	-	4,349
Support services	1,820	-	-	-	-	-
Community services	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Total disbursements	2,465	-	2,303	-	-	4,349
Excess (deficiency) of receipts over disbursements	(2,465)	-	1,172	-	-	(4,349)
Other financing sources (uses):						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	(12,445)	-
Total other financing sources (uses)	-	-	-	-	(12,445)	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(2,465)	-	1,172	-	(12,445)	(4,349)
Cash and investments - beginning	(288)	80	865	3,511	12,445	4,351
Cash and investments - ending	<u>\$ (2,753)</u>	<u>\$ 80</u>	<u>\$ 2,037</u>	<u>\$ 3,511</u>	<u>\$ -</u>	<u>\$ 2</u>
Cash and Investment Assets - Ending						
Cash and investments	<u>\$ (2,753)</u>	<u>\$ 80</u>	<u>\$ 2,037</u>	<u>\$ 3,511</u>	<u>\$ -</u>	<u>\$ 2</u>
Cash and Investment Fund Balance - Ending						
Unrestricted	<u>\$ (2,753)</u>	<u>\$ 80</u>	<u>\$ 2,037</u>	<u>\$ 3,511</u>	<u>\$ -</u>	<u>\$ 2</u>

SCHOOL CITY OF EAST CHICAGO
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2007
 (Continued)

	TCEF Music Education by Exposure	ECCDF Take 5 for Life CD06-109	ECCDF Paving Way to a Healthier Lifestyle	ECCDF EC Volleyball Club	TCEF Adult Education 2006	ECCDF EC Central Boys Golf
Receipts:						
Local sources	\$ 10,000	\$ -	\$ 42,713	\$ 17,500	\$ -	\$ 15,000
State sources	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-
Total receipts	<u>10,000</u>	<u>-</u>	<u>42,713</u>	<u>17,500</u>	<u>-</u>	<u>15,000</u>
Disbursements:						
Current:						
Instruction	3,456	14,888	-	7,156	5,536	10,500
Support services	6,363	1	41,214	6,588	630	36
Community services	-	-	-	3,000	-	-
Nonprogrammed charges	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Total disbursements	<u>9,819</u>	<u>14,889</u>	<u>41,214</u>	<u>16,744</u>	<u>6,166</u>	<u>10,536</u>
Excess (deficiency) of receipts over disbursements	<u>181</u>	<u>(14,889)</u>	<u>1,499</u>	<u>756</u>	<u>(6,166)</u>	<u>4,464</u>
Other financing sources (uses):						
Transfers in	-	-	-	-	12,445	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,445</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>181</u>	<u>(14,889)</u>	<u>1,499</u>	<u>756</u>	<u>6,279</u>	<u>4,464</u>
Cash and investments - beginning	<u>-</u>	<u>14,889</u>	<u>-</u>	<u>-</u>	<u>(2,855)</u>	<u>-</u>
Cash and investments - ending	<u>\$ 181</u>	<u>\$ -</u>	<u>\$ 1,499</u>	<u>\$ 756</u>	<u>\$ 3,424</u>	<u>\$ 4,464</u>
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	<u>\$ 181</u>	<u>\$ -</u>	<u>\$ 1,499</u>	<u>\$ 756</u>	<u>\$ 3,424</u>	<u>\$ 4,464</u>
<u>Cash and Investment Fund Balance - Ending</u>						
Unrestricted	<u>\$ 181</u>	<u>\$ -</u>	<u>\$ 1,499</u>	<u>\$ 756</u>	<u>\$ 3,424</u>	<u>\$ 4,464</u>

SCHOOL CITY OF EAST CHICAGO
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2007
 (Continued)

	TCEF Champs Celebration	TCEF Entitlement 06-504	ECCDF Building Healthier Lives	TCEF Enhancing the Library	TCEF Youth Employment Program 2006	TCEF 2006 Sky Voyage Program
Receipts:						
Local sources	\$ -	\$ 150,000	\$ 18,000	\$ 15,320	\$ 20,313	\$ 14,325
State sources	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-
Total receipts	-	150,000	18,000	15,320	20,313	14,325
Disbursements:						
Current:						
Instruction	7,807	-	496	-	17,730	18,325
Support services	-	45,184	17,483	8,751	1,606	-
Community services	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Total disbursements	7,807	45,184	17,979	8,751	19,336	18,325
Excess (deficiency) of receipts over disbursements	(7,807)	104,816	21	6,569	977	(4,000)
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	(7,807)	104,816	21	6,569	977	(4,000)
Cash and investments - beginning	7,816	-	-	-	-	4,325
Cash and investments - ending	<u>\$ 9</u>	<u>\$ 104,816</u>	<u>\$ 21</u>	<u>\$ 6,569</u>	<u>\$ 977</u>	<u>\$ 325</u>
Cash and Investment Assets - Ending						
Cash and investments	<u>\$ 9</u>	<u>\$ 104,816</u>	<u>\$ 21</u>	<u>\$ 6,569</u>	<u>\$ 977</u>	<u>\$ 325</u>
Cash and Investment Fund Balance - Ending						
Unrestricted	<u>\$ 9</u>	<u>\$ 104,816</u>	<u>\$ 21</u>	<u>\$ 6,569</u>	<u>\$ 977</u>	<u>\$ 325</u>

SCHOOL CITY OF EAST CHICAGO
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2007
 (Continued)

	TCEF Astie 06-209	ECCDF Essential Development Program	Special Olympics	TCEF What Now? 07-101	ECCDF Football Training Camps	TCEF School Improvement Initiatives
Receipts:						
Local sources	\$ 100,000	\$ 7,500	\$ 13,902	\$ 55,300	\$ 4,000	\$ 18,000
State sources	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-
Total receipts	100,000	7,500	13,902	55,300	4,000	18,000
Disbursements:						
Current:						
Instruction	1,480	-	8,119	-	3,985	460
Support services	39,251	7,500	-	-	-	-
Community services	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Total disbursements	40,731	7,500	8,119	-	3,985	460
Excess (deficiency) of receipts over disbursements	59,269	-	5,783	55,300	15	17,540
Other financing sources (uses):						
Transfers in	-	-	10,000	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	10,000	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	59,269	-	15,783	55,300	15	17,540
Cash and investments - beginning	-	-	-	-	-	-
Cash and investments - ending	\$ 59,269	\$ -	\$ 15,783	\$ 55,300	\$ 15	\$ 17,540
Cash and Investment Assets - Ending						
Cash and investments	\$ 59,269	\$ -	\$ 15,783	\$ 55,300	\$ 15	\$ 17,540
Cash and Investment Fund Balance - Ending						
Unrestricted	\$ 59,269	\$ -	\$ 15,783	\$ 55,300	\$ 15	\$ 17,540

SCHOOL CITY OF EAST CHICAGO
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2007
 (Continued)

	TCEF Keeping the Beat 06-420	TCEF 2007 Academic Bowl Finale	TCEF Frog in the Bog	TCEF Building Bridges	TCEF School Improvement Initiative	TCEF Young Hoosier Books 04/05
Receipts:						
Local sources	\$ 5,000	\$ 7,816	\$ -	\$ -	\$ -	\$ -
State sources	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-
Total receipts	5,000	7,816	-	-	-	-
Disbursements:						
Current:						
Instruction	-	3,066	-	-	2,023	-
Support services	5,000	-	-	9	16,151	769
Community services	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Total disbursements	5,000	3,066	-	9	18,174	769
Excess (deficiency) of receipts over disbursements	-	4,750	-	(9)	(18,174)	(769)
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	-	4,750	-	(9)	(18,174)	(769)
Cash and investments - beginning	-	-	6,800	9	18,174	769
Cash and investments - ending	\$ -	\$ 4,750	\$ 6,800	\$ -	\$ -	\$ -
Cash and Investment Assets - Ending						
Cash and investments	\$ -	\$ 4,750	\$ 6,800	\$ -	\$ -	\$ -
Cash and Investment Fund Balance - Ending						
Unrestricted	\$ -	\$ 4,750	\$ 6,800	\$ -	\$ -	\$ -

SCHOOL CITY OF EAST CHICAGO
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2007
 (Continued)

	TCEF Literature Club 04/05	Distance Learning 98	IUN Students Lilly Utep 98/99	TCEF CHS Spelling Bee 2004	TCEF Let's Read CHS TC04-308	TCEF 2006 Sky Voyage Program
Receipts:						
Local sources	\$ -	\$ -	\$ 5,313	\$ -	\$ 5,000	\$ -
State sources	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-
Total receipts	-	-	5,313	-	5,000	-
Disbursements:						
Current:						
Instruction	-	-	-	484	1,125	-
Support services	191	4,330	3,828	-	-	994
Community services	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Total disbursements	191	4,330	3,828	484	1,125	994
Excess (deficiency) of receipts over disbursements	(191)	(4,330)	1,485	(484)	3,875	(994)
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	(191)	(4,330)	1,485	(484)	3,875	(994)
Cash and investments - beginning	191	8,933	39,372	1,150	1,558	1,944
Cash and investments - ending	\$ -	\$ 4,603	\$ 40,857	\$ 666	\$ 5,433	\$ 950
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	\$ -	\$ 4,603	\$ 40,857	\$ 666	\$ 5,433	\$ 950
<u>Cash and Investment Fund Balance - Ending</u>						
Unrestricted	\$ -	\$ 4,603	\$ 40,857	\$ 666	\$ 5,433	\$ 950

SCHOOL CITY OF EAST CHICAGO
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2007
 (Continued)

	TCEF 2006 Challenger Program	TCEF 2005 School Improvement Initiative/CHS	TCEF Banquet of Champions 2005	TCEF Raising Readers TC04-458	TCEF Milk Vending Machine	Gifted and Talented 05/06
Receipts:						
Local sources	\$ 15,085	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-
Total receipts	15,085	-	-	-	-	-
Disbursements:						
Current:						
Instruction	8,163	-	-	6,019	-	1,660
Support services	29	4,340	-	1,039	2,419	31
Community services	-	-	-	8,768	-	-
Nonprogrammed charges	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Total disbursements	8,192	4,340	-	15,826	2,419	1,691
Excess (deficiency) of receipts over disbursements	6,893	(4,340)	-	(15,826)	(2,419)	(1,691)
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	6,893	(4,340)	-	(15,826)	(2,419)	(1,691)
Cash and investments - beginning	450	4,340	105	15,826	3,576	1,691
Cash and investments - ending	\$ 7,343	\$ -	\$ 105	\$ -	\$ 1,157	\$ -
Cash and Investment Assets - Ending						
Cash and investments	\$ 7,343	\$ -	\$ 105	\$ -	\$ 1,157	\$ -
Cash and Investment Fund Balance - Ending						
Unrestricted	\$ 7,343	\$ -	\$ 105	\$ -	\$ 1,157	\$ -

SCHOOL CITY OF EAST CHICAGO
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2007
 (Continued)

	Gifted and Talented 06/07	State Medicaid Reimbursement	Harcourt Testing Donation	Non-English Speaking Program 06/07	Technology Plan Grant	Non-English Speaking Program 06/07
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	22,429	2,620	-	-	182,950	8,756
Federal sources	-	-	-	-	-	-
Total receipts	22,429	2,620	-	-	182,950	8,756
Disbursements:						
Current:						
Instruction	14,341	-	-	1,183	-	987
Support services	1,845	-	-	33	1,650	1,388
Community services	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Total disbursements	16,186	-	-	1,216	1,650	2,375
Excess (deficiency) of receipts over disbursements	6,243	2,620	-	(1,216)	181,300	6,381
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	6,243	2,620	-	(1,216)	181,300	6,381
Cash and investments - beginning	-	93,708	1,926	1,317	-	-
Cash and investments - ending	<u>\$ 6,243</u>	<u>\$ 96,328</u>	<u>\$ 1,926</u>	<u>\$ 101</u>	<u>\$ 181,300</u>	<u>\$ 6,381</u>
Cash and Investment Assets - Ending						
Cash and investments	<u>\$ 6,243</u>	<u>\$ 96,328</u>	<u>\$ 1,926</u>	<u>\$ 101</u>	<u>\$ 181,300</u>	<u>\$ 6,381</u>
Cash and Investment Fund Balance - Ending						
Unrestricted	<u>\$ 6,243</u>	<u>\$ 96,328</u>	<u>\$ 1,926</u>	<u>\$ 101</u>	<u>\$ 181,300</u>	<u>\$ 6,381</u>

SCHOOL CITY OF EAST CHICAGO
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2007
 (Continued)

	Indiana Next Leadership Field	Indiana Next Leadership Harrison	GED	Property Tax Advance	Title I School Improvement Field 06/07	Title I 05/06
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	-	-	5,234	-	-	-
Federal sources	-	-	-	-	41,538	935,000
Total receipts	-	-	5,234	-	41,538	935,000
Disbursements:						
Current:						
Instruction	-	-	4,920	-	7,371	299,165
Support services	1,500	27	-	-	268	124,935
Community services	-	-	-	-	-	9,198
Nonprogrammed charges	-	-	-	-	-	123,106
Debt services	-	-	-	-	-	-
Total disbursements	1,500	27	4,920	-	7,639	556,404
Excess (deficiency) of receipts over disbursements	(1,500)	(27)	314	-	33,899	378,596
Other financing sources (uses):						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	(2)	-	(425,242)
Total other financing sources (uses)	-	-	-	(2)	-	(425,242)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(1,500)	(27)	314	(2)	33,899	(46,646)
Cash and investments - beginning	1,500	27	2,248	2	-	46,646
Cash and investments - ending	\$ -	\$ -	\$ 2,562	\$ -	\$ 33,899	\$ -
Cash and Investment Assets - Ending						
Cash and investments	\$ -	\$ -	\$ 2,562	\$ -	\$ 33,899	\$ -
Cash and Investment Fund Balance - Ending						
Unrestricted	\$ -	\$ -	\$ 2,562	\$ -	\$ 33,899	\$ -

SCHOOL CITY OF EAST CHICAGO
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2007
 (Continued)

	Title I/Lea School Improvement Field 05/06	Title I/Lea School Improvement Franklin 05/06	Title I/Lea School Improvement Gosch 05/06	Title I/Lea School Improvement Harrison 06/07	Title I/Lea School Improvement Lincoln 06/07	Title I/Lea School Improvement Gosch 06/07
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	-	-	-	-	-	-
Federal sources	-	-	-	42,267	47,125	37,895
Total receipts	-	-	-	42,267	47,125	37,895
Disbursements:						
Current:						
Instruction	2,716	14,420	20,135	2,574	13,817	6,683
Support services	55,315	21,748	26,989	197	639	9,647
Community services	5,000	-	2,394	-	-	-
Nonprogrammed charges	1,344	2,225	3,818	-	-	-
Debt services	-	-	-	-	-	-
Total disbursements	64,375	38,393	53,336	2,771	14,456	16,330
Excess (deficiency) of receipts over disbursements	(64,375)	(38,393)	(53,336)	39,496	32,669	21,565
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	(64,375)	(38,393)	(53,336)	39,496	32,669	21,565
Cash and investments - beginning	64,375	38,393	53,336	-	-	-
Cash and investments - ending	\$ -	\$ -	\$ -	\$ 39,496	\$ 32,669	\$ 21,565
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	\$ -	\$ -	\$ -	\$ 39,496	\$ 32,669	\$ 21,565
<u>Cash and Investment Fund Balance - Ending</u>						
Unrestricted	\$ -	\$ -	\$ -	\$ 39,496	\$ 32,669	\$ 21,565

SCHOOL CITY OF EAST CHICAGO
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2007
 (Continued)

	Title I School Improvement McKinley 06/07	Title V Part A 05-240 05/07	Title V Part A 04-249 04/06	Insai WS Field	Preschool	Adult Basic Education 05/06
Receipts:						
Local sources	\$ -	\$ 785	\$ -	\$ -	\$ -	\$ -
State sources	-	-	-	-	-	-
Federal sources	49,069	28,891	-	-	51,438	-
Total receipts	49,069	29,676	-	-	51,438	-
Disbursements:						
Current:						
Instruction	5,875	43,826	29,914	-	13,579	9,593
Support services	449	78,420	21,052	-	42,513	4,141
Community services	-	-	-	-	-	386
Nonprogrammed charges	-	-	111	-	-	-
Debt services	-	-	-	-	-	-
Total disbursements	6,324	122,246	51,077	-	56,092	14,120
Excess (deficiency) of receipts over disbursements	42,745	(92,570)	(51,077)	-	(4,654)	(14,120)
Other financing sources (uses):						
Transfers in	-	116,763	-	-	-	-
Transfers out	-	-	-	-	(7,949)	-
Total other financing sources (uses)	-	116,763	-	-	(7,949)	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	42,745	24,193	(51,077)	-	(12,603)	(14,120)
Cash and investments - beginning	-	-	51,077	9	19,750	14,120
Cash and investments - ending	<u>\$ 42,745</u>	<u>\$ 24,193</u>	<u>\$ -</u>	<u>\$ 9</u>	<u>\$ 7,147</u>	<u>\$ -</u>
Cash and Investment Assets - Ending						
Cash and investments	<u>\$ 42,745</u>	<u>\$ 24,193</u>	<u>\$ -</u>	<u>\$ 9</u>	<u>\$ 7,147</u>	<u>\$ -</u>
Cash and Investment Fund Balance - Ending						
Unrestricted	<u>\$ 42,745</u>	<u>\$ 24,193</u>	<u>\$ -</u>	<u>\$ 9</u>	<u>\$ 7,147</u>	<u>\$ -</u>

SCHOOL CITY OF EAST CHICAGO
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2007
 (Continued)

	Adult Basic Education 06/07	Non-English Speaking Program 03/04	Title IV Part A Drug Free	SCEC/Valpo Math Part K-9 04/05	SCEC/Valpo Science Part K-6 04/05	Wal-Mart Literacy Program 2005
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,000
State sources	-	-	-	-	-	-
Federal sources	<u>123,485</u>	<u>-</u>	<u>-</u>	<u>162,721</u>	<u>120,378</u>	<u>-</u>
Total receipts	<u>123,485</u>	<u>-</u>	<u>-</u>	<u>162,721</u>	<u>120,378</u>	<u>1,000</u>
Disbursements:						
Current:						
Instruction	43,508	2	-	115	688	515
Support services	47,031	-	32,785	84,503	56,530	-
Community services	8,230	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Debt services	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total disbursements	<u>98,769</u>	<u>2</u>	<u>32,785</u>	<u>84,618</u>	<u>57,218</u>	<u>515</u>
Excess (deficiency) of receipts over disbursements	<u>24,716</u>	<u>(2)</u>	<u>(32,785)</u>	<u>78,103</u>	<u>63,160</u>	<u>485</u>
Other financing sources (uses):						
Transfers in	-	-	-	-	-	-
Transfers out	<u>-</u>	<u>-</u>	<u>(1,500)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(1,500)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>24,716</u>	<u>(2)</u>	<u>(34,285)</u>	<u>78,103</u>	<u>63,160</u>	<u>485</u>
Cash and investments - beginning	<u>-</u>	<u>2</u>	<u>34,285</u>	<u>13,096</u>	<u>(688)</u>	<u>391</u>
Cash and investments - ending	<u>\$ 24,716</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 91,199</u>	<u>\$ 62,472</u>	<u>\$ 876</u>
Cash and Investment Assets - Ending						
Cash and investments	<u>\$ 24,716</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 91,199</u>	<u>\$ 62,472</u>	<u>\$ 876</u>
Cash and Investment Fund Balance - Ending						
Unrestricted	<u>\$ 24,716</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 91,199</u>	<u>\$ 62,472</u>	<u>\$ 876</u>

SCHOOL CITY OF EAST CHICAGO
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2007
 (Continued)

	LD 05/06	LD Carryover 05/06	Carl Perkins 05/06	Carl Perkins 04/05	Carl Perkins 06/07	Federal Medicaid Reimbursement
Receipts:						
Local sources	\$ 2,153	\$ 53	\$ -	\$ -	\$ -	\$ -
State sources	-	-	-	-	-	-
Federal sources	<u>289,435</u>	<u>-</u>	<u>137,712</u>	<u>-</u>	<u>93,158</u>	<u>4,282</u>
Total receipts	<u>291,588</u>	<u>53</u>	<u>137,712</u>	<u>-</u>	<u>93,158</u>	<u>4,282</u>
Disbursements:						
Current:						
Instruction	106,095	13,908	-	-	18,453	-
Support services	107,738	2,983	-	-	32,785	16,595
Community services	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Debt services	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total disbursements	<u>213,833</u>	<u>16,891</u>	<u>-</u>	<u>-</u>	<u>51,238</u>	<u>16,595</u>
Excess (deficiency) of receipts over disbursements	<u>77,755</u>	<u>(16,838)</u>	<u>137,712</u>	<u>-</u>	<u>41,920</u>	<u>(12,313)</u>
Other financing sources (uses):						
Transfers in	-	-	-	36,884	-	-
Transfers out	<u>(69,676)</u>	<u>(656)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>(69,676)</u>	<u>(656)</u>	<u>-</u>	<u>36,884</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>8,079</u>	<u>(17,494)</u>	<u>137,712</u>	<u>36,884</u>	<u>41,920</u>	<u>(12,313)</u>
Cash and investments - beginning	<u>(8,079)</u>	<u>17,494</u>	<u>(137,712)</u>	<u>(36,884)</u>	<u>-</u>	<u>139,207</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 41,920</u>	<u>\$ 126,894</u>
Cash and Investment Assets - Ending						
Cash and investments	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 41,920</u>	<u>\$ 126,894</u>
Cash and Investment Fund Balance - Ending						
Unrestricted	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 41,920</u>	<u>\$ 126,894</u>

SCHOOL CITY OF EAST CHICAGO
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2007
 (Continued)

	Mathematics Initiative 97/98	School- to-Work	Empowerment Zone	Title IV Drug Free 06/07	Title II Part D 06/07	Title III Part A English Language 04/05
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	-	-	-	-	-	-
Federal sources	370,724	-	-	73,060	17,000	-
Total receipts	370,724	-	-	73,060	17,000	-
Disbursements:						
Current:						
Instruction	161,436	-	754	-	-	30,746
Support services	49,436	-	-	29,698	44,509	12,662
Community services	112,171	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Total disbursements	323,043	-	754	29,698	44,509	43,408
Excess (deficiency) of receipts over disbursements	47,681	-	(754)	43,362	(27,509)	(43,408)
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	47,681	-	(754)	43,362	(27,509)	(43,408)
Cash and investments - beginning	84,874	2,214	4,846	-	37,558	43,408
Cash and investments - ending	\$ 132,555	\$ 2,214	\$ 4,092	\$ 43,362	\$ 10,049	\$ -
Cash and Investment Assets - Ending						
Cash and investments	\$ 132,555	\$ 2,214	\$ 4,092	\$ 43,362	\$ 10,049	\$ -
Cash and Investment Fund Balance - Ending						
Unrestricted	\$ 132,555	\$ 2,214	\$ 4,092	\$ 43,362	\$ 10,049	\$ -

SCHOOL CITY OF EAST CHICAGO
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2007
 (Continued)

	Title II Improving Teacher Quality	Title II Part D 04/06	Title I Part B Reading First 05/06	Sliver	L.D. 06/07	Title I Part B Reading First Washington
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	-	-	-	-	-	-
Federal sources	70,514	-	43,183	-	1,057,445	-
Total receipts	70,514	-	43,183	-	1,057,445	-
Disbursements:						
Current:						
Instruction	54,162	-	23,915	444	727,774	45,093
Support services	61,958	4,997	35,405	-	336,906	5,864
Community services	-	-	-	-	-	-
Nonprogrammed charges	-	-	1,235	-	-	7
Debt services	-	-	-	-	-	-
Total disbursements	116,120	4,997	60,555	444	1,064,680	50,964
Excess (deficiency) of receipts over disbursements	(45,606)	(4,997)	(17,372)	(444)	(7,235)	(50,964)
Other financing sources (uses):						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	(9)	-	-
Total other financing sources (uses)	-	-	-	(9)	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(45,606)	(4,997)	(17,372)	(453)	(7,235)	(50,964)
Cash and investments - beginning	45,606	4,997	17,372	453	-	50,964
Cash and investments - ending	\$ -	\$ -	\$ -	\$ -	\$ (7,235)	\$ -
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	\$ -	\$ -	\$ -	\$ -	\$ (7,235)	\$ -
<u>Cash and Investment Fund Balance - Ending</u>						
Unrestricted	\$ -	\$ -	\$ -	\$ -	\$ (7,235)	\$ -

SCHOOL CITY OF EAST CHICAGO
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2007
 (Continued)

	Title I Part B Reading First Mck/Bas	Health Clinic	Title I Part B Reading First Mck/Add	Title III Part B Reading First 06/07	LD Carryover 06/07	Title I Part B Reading First 06/07
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	-	-	-	-	-	-
Federal sources	266,874	57,476	-	178,564	160,797	154,161
Total receipts	266,874	57,476	-	178,564	160,797	154,161
Disbursements:						
Current:						
Instruction	164,760	-	13,919	109,691	20,405	78,701
Support services	31,318	30,045	52,519	10,974	32,588	31,546
Community services	-	-	-	-	-	-
Nonprogrammed charges	-	-	254	-	-	-
Debt services	-	-	-	-	-	-
Total disbursements	196,078	30,045	66,692	120,665	52,993	110,247
Excess (deficiency) of receipts over disbursements	70,796	27,431	(66,692)	57,899	107,804	43,914
Other financing sources (uses):						
Transfers in	-	-	-	-	69,676	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	69,676	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	70,796	27,431	(66,692)	57,899	177,480	43,914
Cash and investments - beginning	-	(27,431)	66,692	-	-	-
Cash and investments - ending	\$ 70,796	\$ -	\$ -	\$ 57,899	\$ 177,480	\$ 43,914
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	\$ 70,796	\$ -	\$ -	\$ 57,899	\$ 177,480	\$ 43,914
<u>Cash and Investment Fund Balance - Ending</u>						
Unrestricted	\$ 70,796	\$ -	\$ -	\$ 57,899	\$ 177,480	\$ 43,914

SCHOOL CITY OF EAST CHICAGO
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2007
 (Continued)

	Health Clinic 06/07	Title I School Improvement Franklin 06/07	Preschool Carryover 06/07	Title II Part A Improving Teacher Quality	Laura Bush Foundation for Libraries	Retirement Bond Fund Debt Service
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ 5,000	\$ 387,212
State sources	-	-	-	-	-	-
Federal sources	40,627	45,911	-	564,963	-	-
Total receipts	40,627	45,911	-	564,963	5,000	387,212
Disbursements:						
Current:						
Instruction	103	7,375	3,935	125,622	3,584	-
Support services	63,342	564	1,939	118,246	-	-
Community services	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Debt services	-	-	-	-	-	194,799
Total disbursements	63,445	7,939	5,874	243,868	3,584	194,799
Excess (deficiency) of receipts over disbursements	(22,818)	37,972	(5,874)	321,095	1,416	192,413
Other financing sources (uses):						
Transfers in	-	-	7,949	-	-	-
Transfers out	-	-	-	(116,763)	-	-
Total other financing sources (uses)	-	-	7,949	(116,763)	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(22,818)	37,972	2,075	204,332	1,416	192,413
Cash and investments - beginning	-	-	-	-	-	(254,029)
Cash and investments - ending	<u>\$ (22,818)</u>	<u>\$ 37,972</u>	<u>\$ 2,075</u>	<u>\$ 204,332</u>	<u>\$ 1,416</u>	<u>\$ (61,616)</u>
Cash and Investment Assets - Ending						
Cash and investments	<u>\$ (22,818)</u>	<u>\$ 37,972</u>	<u>\$ 2,075</u>	<u>\$ 204,332</u>	<u>\$ 1,416</u>	<u>\$ (61,616)</u>
Cash and Investment Fund Balance - Ending						
Unrestricted	<u>\$ (22,818)</u>	<u>\$ 37,972</u>	<u>\$ 2,075</u>	<u>\$ 204,332</u>	<u>\$ 1,416</u>	<u>\$ (61,616)</u>

SCHOOL CITY OF EAST CHICAGO
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2007
 (Continued)

	Washington Bonds Construction	Block Bonds Construction	Lincoln Bond Construction	Repair and Maintenance	Totals
Receipts:					
Local sources	\$ 3,549	\$ 1,098	\$ 19,892	\$ -	\$ 1,428,968
State sources	-	-	-	-	674,464
Federal sources	-	-	-	-	7,829,203
Total receipts	<u>3,549</u>	<u>1,098</u>	<u>19,892</u>	<u>-</u>	<u>9,932,635</u>
Disbursements:					
Current:					
Instruction	-	-	-	-	2,617,291
Support services	28,564	14,883	3,376	-	5,696,252
Community services	-	-	-	-	149,147
Nonprogrammed charges	-	-	-	-	132,211
Debt services	-	-	-	-	194,799
Total disbursements	<u>28,564</u>	<u>14,883</u>	<u>3,376</u>	<u>-</u>	<u>8,789,700</u>
Excess (deficiency) of receipts over disbursements	<u>(25,015)</u>	<u>(13,785)</u>	<u>16,516</u>	<u>-</u>	<u>1,142,935</u>
Other financing sources (uses):					
Transfers in	-	-	-	-	431,578
Transfers out	-	-	-	-	(634,242)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(202,664)</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(25,015)</u>	<u>(13,785)</u>	<u>16,516</u>	<u>-</u>	<u>940,271</u>
Cash and investments - beginning	<u>564,798</u>	<u>161,176</u>	<u>546,172</u>	<u>138</u>	<u>2,930,059</u>
Cash and investments - ending	<u>\$ 539,783</u>	<u>\$ 147,391</u>	<u>\$ 562,688</u>	<u>\$ 138</u>	<u>\$ 3,870,330</u>
Cash and Investment Assets - Ending					
Cash and investments	<u>\$ 539,783</u>	<u>\$ 147,391</u>	<u>\$ 562,688</u>	<u>\$ 138</u>	<u>\$ 3,870,330</u>
Cash and Investment Fund Balance - Ending					
Unrestricted	<u>\$ 539,783</u>	<u>\$ 147,391</u>	<u>\$ 562,688</u>	<u>\$ 138</u>	<u>\$ 3,870,330</u>

SCHOOL CITY OF EAST CHICAGO
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS, DISBURSEMENTS,
 AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 INTERNAL SERVICE FUNDS
 For the Year Ended June 30, 2006

	Self- Insurance Reserve	Self- Insurance	Worker's Compensation	Totals
Operating receipts:				
Employer contributions	\$ -	\$ 5,400,000	\$ 140,000	\$ 5,540,000
Charges for services	669,334	-	-	669,334
Miscellaneous	-	562	352	914
	<u>669,334</u>	<u>5,400,562</u>	<u>140,352</u>	<u>6,210,248</u>
Total operating receipts				
Operating disbursements:				
Insurance claims and expense	-	5,005,708	141,983	5,147,691
	<u>-</u>	<u>5,005,708</u>	<u>141,983</u>	<u>5,147,691</u>
Excess (deficiency) of operating receipts over operating disbursements	669,334	394,854	(1,631)	1,062,557
Transfers in	1,470,000	-	-	1,470,000
	<u>1,470,000</u>	<u>-</u>	<u>-</u>	<u>1,470,000</u>
Change in net assets	2,139,334	394,854	(1,631)	2,532,557
Cash and investment fund balance - beginning	1,520	121,934	34,177	157,631
	<u>1,520</u>	<u>121,934</u>	<u>34,177</u>	<u>157,631</u>
Cash and investment fund balance - ending	<u>\$ 2,140,854</u>	<u>\$ 516,788</u>	<u>\$ 32,546</u>	<u>\$ 2,690,188</u>
<u>Cash and Investment Assets - Ending</u>				
Restricted assets:				
Cash and investments	<u>\$ 2,140,854</u>	<u>\$ 516,788</u>	<u>\$ 32,546</u>	<u>\$ 2,690,188</u>
<u>Cash and Investment Fund Balance - Ending</u>				
Restricted for:				
Other purposes	<u>\$ 2,140,854</u>	<u>\$ 516,788</u>	<u>\$ 32,546</u>	<u>\$ 2,690,188</u>

SCHOOL CITY OF EAST CHICAGO
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS, DISBURSEMENTS,
 AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 INTERNAL SERVICE FUNDS
 For the Year Ended June 30, 2007

	Self- Insurance Reserve	Self- Insurance	Worker's Compensation	Totals
Operating receipts:				
Employer contributions	\$ -	\$ 6,200,000	\$ 100,000	\$ 6,300,000
Charges for services	1,302,669	-	-	1,302,669
Miscellaneous	-	1,406	474	1,880
	<u>1,302,669</u>	<u>6,201,406</u>	<u>100,474</u>	<u>7,604,549</u>
Total operating receipts				
Operating disbursements:				
Insurance claims and expense	-	6,429,710	45,666	6,475,376
	<u>-</u>	<u>6,429,710</u>	<u>45,666</u>	<u>6,475,376</u>
Excess (deficiency) of operating receipts over operating disbursements	1,302,669	(228,304)	54,808	1,129,173
Transfers in	2,000,000	-	-	2,000,000
Transfers out	(2,000,000)	-	-	(2,000,000)
	<u>2,000,000</u>	<u>-</u>	<u>-</u>	<u>2,000,000</u>
Change in net assets	1,302,669	(228,304)	54,808	1,129,173
Cash and investment fund balance - beginning	<u>2,140,854</u>	<u>516,788</u>	<u>32,546</u>	<u>2,690,188</u>
Cash and investment fund balance - ending	<u>\$ 3,443,523</u>	<u>\$ 288,484</u>	<u>\$ 87,354</u>	<u>\$ 3,819,361</u>
<u>Cash and Investment Assets - Ending</u>				
Restricted assets:				
Cash and investments	<u>\$ 3,443,523</u>	<u>\$ 288,484</u>	<u>\$ 87,354</u>	<u>\$ 3,819,361</u>
<u>Cash and Investment Fund Balance - Ending</u>				
Restricted for:				
Other purposes	<u>\$ 3,443,523</u>	<u>\$ 288,484</u>	<u>\$ 87,354</u>	<u>\$ 3,819,361</u>

SCHOOL CITY OF EAST CHICAGO
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 June 30, 2007

The School Corporation has entered into the following long-term debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental Activities:		
Capital leases:		
East Chicago High School Building Corporation	\$ 25,990,000	\$ 4,575,000
East Chicago Multi-School Building Corporation	10,440,000	1,472,000
East Chicago Elementary School Building Corporation	24,990,000	3,835,000
Loans payable:		
Common school fund loans:		
A0995	229,106	116,558
A1056	209,265	71,673
A1140	395,269	116,604
A1211	527,630	153,467
State Loan	1,684,210	421,053
Bonds payable:		
General obligation bonds:		
Series 2003	3,605,000	389,594
Qualified zone academy bonds:		
Block Junior High - 2000	2,000,000	665,000
Lincoln Elementary - 2000	2,000,000	-
Central High - 2003	2,000,000	-
Total governmental activities debt	<u>\$ 74,070,481</u>	<u>\$ 11,815,949</u>

SCHOOL CITY OF EAST CHICAGO
OTHER REPORT

The audit report presented herein was prepared in addition to the official report prepared for the individual School Corporation office listed below:

West Side Junior High School

SCHOOL CITY OF EAST CHICAGO AUDIT RESULTS AND COMMENTS

TRANSACTION RECORDING

The transactions for the School City of East Chicago's self-insured workers' compensation bank account are not recorded in a fund on the School Corporation's ledger. The activity of the workers' compensation bank account is included as an internal service fund on the biannual financial statement report.

All financial transactions pertaining to the governmental unit should be recorded in the records of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

BANK ACCOUNT RECONCILEMENTS

Bank reconcilements during the audit period were not prepared timely; preparation ranged from 18 to 190 days after month end. Of the 24 reconcilements prepared, 17 were not prepared in the subsequent month. When the bank reconcilements are not prepared timely, the risk of not detecting errors is greatly increased.

Starting with the December 2005 reconciliation, the difference between the School Corporation's adjusted book balance and adjusted bank balance fluctuated between a negative \$22,655.77 and a positive \$82,197.72. The adjusted bank balance as of June 30, 2007, reconciled to the School Corporation's adjusted ledger balance.

Indiana Code 5-13-6-1(c) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

ANNUAL FINANCIAL REPORT - SCHOOL LUNCH

The child nutrition programs are administered by the State of Indiana, Indiana Department of Education, Division of School and Community Nutrition Programs. An Annual Financial Report is required to be submitted to the State which includes all financial transactions from July 1 through June 30 of the school lunch fund. The Department of Education's instructions state in part: "the annual financial report is due within thirty days after June 30." The annual financial report for fiscal 2005-2006 was not submitted until November 9, 2006, and the fiscal year 2006-2007 was not submitted until November 16, 2007 and was still pending as of November 19, 2007. The Department of Education's instructions state in part: "failure to submit the Annual Financial Reports may disrupt receipt of reimbursement payments."

Political subdivisions are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings and filing requirements concerning reports and other procedural matters of federal and state agencies, including opinions of the Attorney General of the State of Indiana, and court decisions. Governmental units should file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

SCHOOL CITY OF EAST CHICAGO
AUDIT RESULTS AND COMMENTS
(Continued)

TRANSPORTATION FUND EXPENDITURES

The School Corporation posted disbursements to the Transportation Fund which were not in accordance with the Master Chart of Expenditure Accounts. Salaries for custodians and security guards were paid from the Transportation Fund. The Master Chart of Expenditure Accounts shows that disbursements for maintenance of buildings are only allowed from the General Fund, Capital Projects, and Special Funds. Disbursements for security services are only allowed from the General Fund and Special Funds.

The School Transportation Fund is to be the exclusive fund used to record all receipts and disbursements of the school corporation for the payment of costs attributable to the transportation of school children to and from school. The cost of transportation listed in IC 21-2-11.5-2 (now IC 20-40-6-6) sections (1) through (7) shall be paid from the School Transportation Fund. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 3)

GUARANTEED ENERGY SAVINGS CONTRACTS

The School Corporation entered into two guaranteed energy savings contracts with Landis & Staefa on April 8, 1997, and April 15, 1998. The contracts totaled \$7,500,000 and \$7,300,000, respectively. The total amount of guaranteed operational savings was \$18,060,050 and \$18,060,050, respectively. The total amount of guaranteed energy savings was \$5,463,700 and \$5,326,060. The contracts were for upgrades to the cooling and heating systems, new building automation, lighting upgrades, and air handling systems. No information was presented for audit to document any actual savings of operating costs achieved by the School Corporation for these items.

A similar comment appeared in the prior Report.

The Public Works Law, Indiana Code 36-1-12-1(e), states in part: "As an alternative to this chapter, the governing body . . . may . . . enter into a guaranteed energy savings contract as permitted under IC 36-1-12.5."

Effective March 21, 2002, Indiana Code 36-1-12.5-1 states in part:

"As used in this chapter, 'energy conservation measure' means a school facility alteration or an alteration of a structure (as defined in IC 36-1-10-2) designed to reduce energy consumption costs or other operating costs . . . including future:

- (A) labor costs;
- (B) costs for contracted services; and
- (C) related capital expenditures."

Indiana Code 36-1-12.5-5(a) concerning energy savings contracts states in part: "The governing body may enter into . . . a guaranteed energy savings contract with a qualified provider to reduce the school corporation's or the political subdivision's energy consumption costs or operating costs if, after review of the report described in section 6 of this chapter, the governing body finds: (1) that the amount the governing body would spend on the energy conservation measures under the contract and that are recommended in the report is not likely to exceed the amount to be saved in energy consumption costs and other operating costs over ten (10) years from the date of installation if the recommendations in the report were followed; and (2) in the case of a guaranteed energy savings contract, the qualified provider provides a written guarantee as described in subsection (d)(2)."

SCHOOL CITY OF EAST CHICAGO
AUDIT RESULTS AND COMMENTS
(Continued)

Indiana Code 36-1-12.5-5(d) states in part: "An agreement to participate in . . . guaranteed energy savings contract under this section must provide that: . . . (2) in the case of the guaranteed energy savings contract: (A) the savings in energy and operating costs due to the energy conservation measures are guaranteed to cover the costs of the payments for the measures; and (B) the qualified provider will reimburse the school corporation or political subdivision for the difference between the guaranteed savings and the actual savings . . ."

Effective March 21, 2002, Indiana Code 36-1-12.5-0.5 states: "As used in this chapter, 'actual savings' includes stipulated savings."

Indiana Code 36-1-12.5-0.7 states: "As used in this chapter, 'causally connected work' means work that is required to properly implement an energy conservation measure."

Indiana Code 36-1-12.5-3.7 states in part: "As used in this chapter, 'stipulated savings' are assumed savings that are documented by industry engineering standards."

Indiana Code 36-1-12.5-11 states in part:

"(a) A guaranteed energy savings contract that includes stipulated savings must specify the methodology used to calculate the savings using industry engineering standards.

(b) Stipulated savings may be used for energy conservation measures including . . . (9) Any work that is causally connected to the energy conservation measures listed in subdivisions (1) through (8).

(c) The guaranteed energy savings contract shall:

(1) describe stipulated savings for:

(A) energy conservation measures; and

(B) work causally connected to the energy conservation measures; and

(2) document assumptions by industry engineering standards."

School Corporation Officials conveyed that the items shown as "agreed upon" or "stipulated savings" have been predetermined. Furthermore, School Corporation Officials do not have available for audit and conveyed they do not plan in the future to have any additional information to document actual operating or energy savings. Accordingly, with due regards for the remaining contract time for which information may be presented to document actual operating and energy savings (effective March 21, 2002 "stipulated savings" documented by "industry engineering standards"), the School Corporation should request reimbursement from Seimens (formally Landis & Staefa, Inc.) for costs which did not result in an actual reduction of energy consumption costs or other operating costs (or effective March 21, 2002, stipulated savings which were not supported by "industry engineering standards") at the end of the contract term in accordance with Indiana Code 36-1-12.5-5(d)(2)(B).

Governmental units have a responsibility to collect amounts owed to the governmental unit pursuant to procedures authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

SCHOOL CITY OF EAST CHICAGO
AUDIT RESULTS AND COMMENTS
(Continued)

CAPITAL ASSET RECORDS

Capital asset records were not provided for audit.

Every governmental unit should have a complete inventory of all capital assets owned which reflect their acquisition value. Such inventory should be recorded on the applicable Capital Assets Ledger. A complete inventory should be taken at least every two years for good internal control and for verifying account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

OVERDRAWN FUND BALANCES

The following funds were overdrawn as of June 30, 2006 and 2007:

Fund	2006	2007
General	\$ -	\$ 1,723,915
Debt Service	-	3,309,620
E-Smile	288	2,753
TCEF Adult Education 2006	2,855	-
SCEC/Valpo Science Part K-6 04/05	688	-
LD 05/06	8,079	-
Carl Perkins 05/06	137,712	-
Carl Perkins 04/05	36,884	-
Health Clinic	27,431	-
Retirement Bond Fund Debt Service	254,029	61,616
L.D. 06/07	-	7,235
Health Clinic 06/07	-	22,818

The balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

OFFICIAL BONDS (Applies to School Corporation and All Schools)

School officials and employees were not bonded for the two year audit period.

For each school year commencing July 1, the treasurer of the school corporation, and the deputy treasurer if one is appointed, shall each give a bond for the faithful performance of duty, written by an insurance company licensed to do business in the State of Indiana, in an amount determined by the governing body. The treasurer shall be responsible under the treasurer's bond for the acts of any deputy treasurer appointed as provided in IC 20-26-4-5. All bonds must be made payable to the State of Indiana, IC 5-4-1-10; approved by the governing body of the school corporation, and filed and recorded in the office of the county recorder within ten (10) days after approval, IC 5-4-1. No charge is made for recording official bonds, IC 36-2-7-10.

SCHOOL CITY OF EAST CHICAGO
AUDIT RESULTS AND COMMENTS
(Continued)

The treasurer of each extra-curricular account shall provide a faithful performance of duty bond for one year, the term of the office. The amount of the bond shall be fixed and approved by the school superintendent and principal approximating the total amount of anticipated funds which will come into the hands of the treasurer at any one time during the regular school year, IC 20-26-6-5. The bond shall be filed in the office of the county recorder, and a new bond shall be issued and filed each year. If either school lunch funds or textbook rental funds are handled through an extra-curricular account, the governing body of the school corporation shall approve the amount of the bond of the treasurer, IC 20-26-5-17. The bond may be either an individual bond for each extra-curricular treasurer or a single blanket position bond for all extra-curricular treasurers, IC 20-26-6-5.

Whenever deemed necessary to bond any other employee of a school corporation, the governing body may bond or cause to be bonded such employee or employees by either individual or blanket bonds conditioned upon faithful performance of duties, and in amounts and with surety approved by the school board. We recommended bond coverage for any employee handling funds. A blanket bond should not include any officer, deputy or employee for whom an individual bond is required by statute. Individual bonds are required for the school corporation treasurer and the deputy treasurer. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 8)

CLAIM DEFICIENCIES (Applies to Field, Gosch, and Washington Elementary Schools)

Field Elementary School (Closed June 2007)

1. Twenty-five percent of the claim forms were not signed by the Treasurer.
2. Twenty percent of the claims did not have an itemized invoice.
3. Eight percent of the disbursements did not have an invoice or claim form.
4. Late fees were paid on a claim.
5. The cancelled checks for April through June 2007 were not available for audit. Also, the September 2006 bank statement was not available for audit.

Gosch Elementary School

1. Claims were not signed by the Treasurer.
2. The dollar amount was written on the duplicate check, which indicates that purchases were made using presigned checks.

Washington Elementary School

1. A \$750 check was issued from the pupil activity fund for a presentation; however, no accounts payable voucher or supporting invoice was available for audit.
2. Copy paper was purchased from the student activity fund.

SCHOOL CITY OF EAST CHICAGO
AUDIT RESULTS AND COMMENTS
(Continued)

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

Inquiries have questioned the use of a general fund or student activity fund for educational expenditures (copy machines, computers, educational materials, supplies, etc.) which would normally be from school corporation funds. The State Board of Accounts' audit position is as stated above. However, we will not take audit exception to a school having disbursements from an extra-curricular "general fund" or "student activity fund" for authorized school corporation type expenditures, such as equipment, supplies, etc., with the following conditions:

1. A policy has been adopted by a school board in a public meeting authorizing these types of expenditures.
2. Providing there are no objections from a majority of an applicable student body to these types of expenditures. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 6)

Indiana Code 5-11-10-1.6 states in part:

"(b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services.

(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

- (1) there is a fully itemized invoice or bill for the claim;
- (2) the invoice or bill is approved by the officer or person receiving the goods and services;
- (3) the invoice or bill is filed with the governmental entity's fiscal officer;
- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim. . . ."

DEPOSITS (Applies to Field, Franklin, and McKinley Elementary Schools)

Field Elementary School (Closed June 2007)

Receipts were deposited from 4 to 29 days after the receipt was written.

SCHOOL CITY OF EAST CHICAGO
AUDIT RESULTS AND COMMENTS
(Continued)

Franklin Elementary School

The receipt composition for several deposits in the 2005-2006 school year was not in agreement with the deposit composition. Checks were included in deposits that were supposed to be included in subsequent deposits.

Textbook rental receipts were not deposited on a timely basis.

McKinley Elementary School

1. Receipts were not deposited in a timely manner. Receipts were deposited up to 13 days after the receipt date.
2. The receipts composition and the deposit composition were not always in agreement.
3. There were checks found on the duplicate deposit slip that were not on the duplicate receipt.

Indiana Code 20-41-1-9 states in part: ". . . receipts shall be deposited without unreasonable delay."

Indiana Code 5-13-6-1(c) states in part: "Public funds deposited . . . shall be deposited in the same form in which they were received."

TEXTBOOK RENTAL DEPOSITS (Applies to Block Junior High and Washington Elementary Schools)

Block Junior High School

Collections for textbook rental were not deposited timely. Fifty-five percent of textbook rental receipts examined were deposited between 7 and 45 days after receipt date.

A similar comment appeared in the prior report.

Washington Elementary School

The textbook rental collections in 2007 were not being deposited timely. Collections were deposited up to 48 days from the receipt date.

Indiana Code 20-41-1-9 states in part: ". . . receipts shall be deposited without unreasonable delay."

PERSONAL EXPENSES (Applies to East Chicago Central High School)

Expenditures for office supplies, refreshments at faculty meetings, polo shirts for security guards, a disc jockey for an office Christmas party, and flowers for staff were paid from the Extra-Curricular Interest Fund.

Public funds may not be used to pay for personal items or for expenses which do not relate to the functions and purposes of the governmental unit. Any personal expenses paid by the governmental entity may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

SCHOOL CITY OF EAST CHICAGO
AUDIT RESULTS AND COMMENTS
(Continued)

REMITTANCE OF TICKET SALES (Applies to Block Junior High School)

Tickets are sold for the admission to various athletic events. Fifty percent of the collections examined were received by the Extra-Curricular Treasurer between 7 and 44 days after the event.

Indiana Code 20-41-1-9 states in part: ". . . receipts shall be deposited without unreasonable delay."

RECEIPTS (Applies to Lincoln Elementary School)

1. Extra-curricular receipts were not always deposited in a timely manner. Textbook rental receipts were deposited up to 33 days after the receipt was written.
2. The method of payment was not always identified on the extra-curricular receipt or the textbook rental receipt.
3. Checks were being cashed for employees.

Indiana Code 5-13-6-1(c) states in part: "Public funds deposited . . . shall be deposited in the same form in which they were received."

Indiana Code 20-41-1-9 states in part: ". . . receipts shall be deposited without unreasonable delay."

INTERNAL CONTROLS (Applies to Lincoln Elementary School)

The detailed ledger and the six month report were not in agreement for some funds. Some postings that should have been made to the detailed ledger were not recorded during the audit period.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

CONDITION OF RECORDS (Applies to McKinley Elementary School)

1. Two different ending ledger balances were reported at June 30, 2007. A balance of \$28,389.32 was reported on the Financial Report (SA-5-1); however, a balance of \$30,304.97 was reported on the Cash Reconciliation (SA-5-2).
2. According to the School's bank reconciliation, the reconciled bank balance at June 30, 2006, was \$320.65 more than the ledger balance. The reconciled bank balance at June 30, 2007, was \$817.61 less than the reported ledger balance. Since the ledger balances were not reliable, we abstracted the detailed duplicate receipts and disbursements to determine a more accurate ledger balance. After completing the abstract, the reconciled bank balance materially agreed with the calculated ledger balance.

SCHOOL CITY OF EAST CHICAGO
AUDIT RESULTS AND COMMENTS
(Continued)

3. The bank reconcilements throughout the year were not completed accurately. Deposits in transit existed at month end which were not reported on the bank reconcilements. The outstanding check total for some months was inaccurate.
4. An amount titled "cash on hand" was reported on the school prepared bank reconciliation. A cash change fund is not maintained at the school; therefore, the "cash on hand" should have a zero balance. We could not determine if the "cash on hand" was deposited subsequent to the bank reconciliation.
5. Not all entries posted to the ledger were calculated in the totals reported on the Financial Report (SA-5-1). A voided transfer totaling \$1,249.40 was not eliminated from both the receipt and disbursement totals reported on the Financial Report.
6. The detailed vending fund ledger for 2005-2006 was not available for audit.
7. A duplicate receipt totaling \$82.65 was not posted to the 2006-2007 School Lunch Ledger.
8. The School Lunch Fund collections are to be remitted to the School Corporation on a weekly basis. A substantial balance remained at June 30, 2006 and 2007, in the School Lunch Fund indicating all collections were not being remitted to the School Corporation.

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



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AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

TO: THE OFFICIALS OF THE SCHOOL CITY OF EAST CHICAGO, LAKE COUNTY, INDIANA

Compliance

We have audited the compliance of the School City of East Chicago (School Corporation) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the years ended June 30, 2006 and 2007. The School Corporation's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the School Corporation's management. Our responsibility is to express an opinion on the School Corporation's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the School Corporation's compliance with those requirements.

As described in item 2007-3, in the accompanying Schedule of Findings and Questioned Costs, the School Corporation did not comply with requirements regarding period of availability that are applicable to its Title I Grants to Local Educational Agencies. Compliance with such requirements is necessary, in our opinion, for the School Corporation to comply with requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the School Corporation complied, in all material respects, with the requirements referred to above that are applicable to each of its other major federal programs for the years ended June 30, 2006 and 2007. The results of our auditing procedures also disclosed other instances of noncompliance with those requirements which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2007-2.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133
(Continued)

Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A control deficiency in a School Corporation's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in items 2007-2 and 2007-3 of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. Of the significant deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs, we consider item 2007-3 to be a material weakness.

The School Corporation's response to the findings identified in our audit is described in the accompanying Corrective Action Plan section of the report. We did not audit the School Corporation's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the School Corporation's management, Board of School Trustees and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

January 30, 2008

SCHOOL CITY OF EAST CHICAGO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Years Ended June 30, 2006 and 2007

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 06-30-06	Total Federal Awards Expended 06-30-07
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
Pass-Through Indiana Department of Education				
Child Nutrition Cluster				
School Breakfast Program	10.553		\$ 535,023	\$ 540,875
National School Lunch Program	10.555		1,905,752	2,071,647
Summer Food Service Program for Children	10.559		<u>122,463</u>	<u>104,881</u>
Total for cluster			<u>2,563,238</u>	<u>2,717,403</u>
Child and Adult Care Food Program	10.558		<u>40,532</u>	<u>39,514</u>
Total for federal grantor agency			<u>2,603,770</u>	<u>2,756,917</u>
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>				
Pass-Through City of Gary				
Empowerment Zones Program	14.244		<u>1,461</u>	<u>754</u>
<u>NATIONAL SCIENCE FOUNDATION</u>				
Pass-Through Indiana University				
Education and Human Resources	47.076		<u>9,916</u>	<u>6,082</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>				
Pass-Through Indiana Department of Education				
Special Education Cluster				
Special Education - Grants to States	84.027	14205-014-PN01	152,851	-
		14206-014-PN01	1,165,817	211,680
		14207-014-PN01	-	1,064,681
		14205-014-DY01	17,919	445
		14204-014-PY02	16,983	-
		14205-014-PY02	149,619	17,493
		14206-014-PY02	-	<u>52,992</u>
Total for program			<u>1,503,189</u>	<u>1,347,291</u>
Special Education - Preschool Grants	84.173	45704-014-PN01	32,952	-
		45706-014-PN01	16,908	31,239
		45707-014-PN01	-	24,853
		45706-014-PY02	-	<u>5,874</u>
Total for program			<u>49,860</u>	<u>61,966</u>
Total for cluster			<u>1,553,049</u>	<u>1,409,257</u>
Adult Education - State Grant Program	84.002	2005-8006	3,690	-
		2006-8006	96,856	14,120
		2007-8006	-	<u>98,768</u>
Total for program			<u>100,546</u>	<u>112,888</u>
Title I Grants to Local Educational Agencies	84.010			
Basic Grants		05-4670	1,046,355	-
		06-4670	1,867,440	556,403
		07-4670	-	1,374,504
School Improvement Grants		2004-2005	59,856	-
		2005-2006	72,675	75,163
		2006-2007	-	55,459
		Impact Fees	<u>37,554</u>	<u>46,707</u>
Total for program			<u>3,083,880</u>	<u>2,108,236</u>

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

SCHOOL CITY OF EAST CHICAGO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Years Ended June 30, 2006 and 2007
(Continued)

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 06-30-06	Total Federal Awards Expended 06-30-07
U.S. DEPARTMENT OF EDUCATION (continued)				
Pass-Through Indiana Department of Education (continued)				
Vocational Education - Basic Grants to States	84.048	06-4700-4670 07-4700-4670	188,677 -	- <u>51,238</u>
Total for program			<u>188,677</u>	<u>51,238</u>
Immigrant Education	84.162	03/04 Redistribution	<u>191</u>	<u>2</u>
Safe and Drug Free Schools and Communities - State Grants	84.186	03-033 04-186 05-201	15,893 41,982 -	- 25,823 <u>29,698</u>
Total for program			<u>57,875</u>	<u>55,521</u>
Twenty-First Century Community Learning Centers	84.287	10-1-04 to 9-30-05 4-1-06 to 9-30-07	269,966 <u>65,797</u>	- <u>316,961</u>
Total for program			<u>335,763</u>	<u>316,961</u>
State Grants for Innovative Programs	84.298	03-154 04-249 05-240	28,073 77,005 -	- 51,078 <u>122,246</u>
Total for program			<u>105,078</u>	<u>173,324</u>
Education Technology State Grants	84.318	7/1/03 to 9/30/05 7/1/04 to 9/30/06 7/1/05 to 9/30/07	6,474 60,007 -	- 3,197 <u>44,509</u>
Total for program			<u>66,481</u>	<u>47,706</u>
Reading First State Grants	84.357	10/1/04 to 9/30/05 10/1/05 to 9/30/06 10/1/05 to 9/30/06 6/15/06 to 9/30/06 10/1/06 to 9/30/07	97,605 134,293 - - -	- 60,554 50,964 66,692 <u>306,325</u>
Total for program			<u>231,898</u>	<u>484,535</u>
English Language Acquisition Grants	84.365	FY 04/05 FY 05/06 FY 06/07	40,491 96,044 -	- 43,408 <u>120,665</u>
Total for program			<u>136,535</u>	<u>164,073</u>
Mathematics and Science Partnerships	84.366	Math 04/05 Science 04/05 Math 05/06 Science 05/06	101,808 104,278 - -	- - 84,618 <u>57,218</u>
Total for program			<u>206,086</u>	<u>141,836</u>
Improving Teacher Quality State Grants	84.367	03-197 04-250 05-289	1,546 405,756 -	- 115,836 <u>360,632</u>
Total for program			<u>407,302</u>	<u>476,468</u>
Total for federal grantor agency			<u>6,473,361</u>	<u>5,542,045</u>

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

SCHOOL CITY OF EAST CHICAGO
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For The Years Ended June 30, 2006 and 2007
 (Continued)

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 06-30-06	Total Federal Awards Expended 06-30-07
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>				
Pass-Through Indiana Department of Health				
Maternal and Child Health Services Block Grant to the States	93.994	10/1/04 to 9/30/05	24,442	-
		10/1/05 to 9/30/06	58,211	30,045
		10/1/06 to 9/30/07	-	63,445
			<u>82,653</u>	<u>93,490</u>
Total for federal grantor agency			<u>82,653</u>	<u>93,490</u>
Total federal awards expended			<u>\$ 9,171,161</u>	<u>\$ 8,399,288</u>

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

SCHOOL CITY OF EAST CHICAGO
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

I. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the School City of East Chicago (School Corporation) and is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Accordingly, the amount of federal awards expended is based on when the activity related to the award occurs. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

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

II. Subrecipients

Of the federal expenditures presented in the schedule, the School Corporation provided federal awards to subrecipients as follows for the years ended June 30, 2006 and 2007:

Program Title	Federal CFDA Number	2006	2007
Special Education – Grants to States	84.027	\$ 168,319	\$ 167,967

III. Noncash Assistance

The School Corporation expended the following amount of noncash assistance for the years ending June 30, 2006 and 2007. This noncash assistance is also included in the federal expenditures presented in the schedule.

Program Title	Federal CFDA Number	2006	2007
School Breakfast Program	10.553	\$ 28,506	\$ 38,843
National School Lunch Program	10.555	96,975	147,132

SCHOOL CITY OF EAST CHICAGO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified?	no
Reportable conditions identified that are not considered to be material weaknesses?	yes

Noncompliance material to financial statements noted? no

Federal Awards:

Internal control over major programs:

Material weaknesses identified?	yes
Reportable conditions identified that are not considered to be material weaknesses?	yes

Type of auditor's report issued on compliance for major programs: Unqualified for all programs except Title I Grants to Local Educational Agencies, which was qualified.

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? Yes

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
	Child Nutrition Cluster
	Special Education Cluster
84.010	Title I Grants to Local Educational Agencies
84.287	Twenty-First Century Community Learning Centers
84.357	Reading First State Grants

Dollar threshold used to distinguish between Type A and Type B programs: \$527,113

Auditee qualified as low-risk auditee? no

Section II – Financial Statement Findings

FINDING 2007-1, BANK ACCOUNT RECONCILEMENTS

Officials are to reconcile bank balances to ledger balances on a monthly basis. However, bank reconcilements were not prepared timely; preparation ranged from 18 to 190 days after month end. Of the 24 reconcilements prepared, 17 were not prepared in the subsequent month.

SCHOOL CITY OF EAST CHICAGO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

The difference between the School Corporation's adjusted book balance and adjusted bank balance fluctuated between a negative \$22,655.77 and a positive \$82,197.72. The adjusted bank balance as of June 30, 2007, reconciled to the School Corporation's adjusted ledger balance.

Indiana Code 5-13-6-1(c) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

When the bank reconciliations are not prepared timely, the risk of not detecting errors is greatly increased.

We recommend that the School Corporation prepare monthly bank reconciliations in accordance with Indiana Code to identify any reconciling items in a timelier manner.

Section III – Federal Award Findings and Questioned Costs

FINDING 2007-2, CASH MANAGEMENT

Federal Agency: U.S. Department of Education

Federal Programs: Special Education Cluster, Title I Grants to Local Educational Agencies, Twenty-First Century Community Learning Centers, Reading First State Grants

CFDA Numbers: 84.027, 84.173, 84.010, 84.287, 84.357

Pass-Through Entity: Indiana Department of Education

The School Corporation determines cash needs for the grants during the application process with the State of Indiana. A cash request schedule is determined and submitted to the State of Indiana at the beginning of the grant period based on anticipated monthly needs. School Corporation Officials are to ensure minimal time elapses between the receipt of funds requested and their subsequent disbursement. However, when actual grant activity does not occur as timely as expected, School Corporation Officials do not have procedures in place to ensure any month end grant balances plus the next scheduled grant drawdown does not exceed the monthly need.

A review of the Special Education Grant (Fund 706), from July 1, 2006 to September 30, 2007, indicated that 5 out of 15 months had an excessive cash balances at month end. The excessive balances ranged from \$17,799.48 to \$182,029.90 as of September 30, 2007, without an amended cash request submitted. Additionally, a review of the Preschool Special Education Grant (Fund 542), from July 1, 2006 to September 30, 2007, indicated that 12 out of 15 (80%) months had an excessive month end cash balance up to \$16,793.67 without an amended cash request submitted. The pass-through entity, as part of the grant application for Special Education Grants, requires the local educational agency to sign off on the provision which states in part: ". . . the amount of the estimated cash requested will not result in a surplus cash position greater than ten percent (10%) of our current monthly expenditures. Further, if any planning district intends to carry-over a portion of its fiscal year 2007 grant award to the 2007-2008 grant period, an adjusted cash request will be filed in order to alleviate an excessive cash balance as of September 30, 2007."

SCHOOL CITY OF EAST CHICAGO
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 (Continued)

A review of the Title I Grants (Funds 411 and 418), from October 1, 2005 to September 30, 2007, indicated that 9 of 12 months during the 2005-2006 grant year and 8 of 12 months during 2006-2007 grant year had an excessive cash balance at month end which ranged from \$322,894.42 to \$1,738,318.76. The pass-through entity, as part of the grant application, requires the local educational agency to sign off on the provision which states in part: ". . . to the best of my knowledge, the amount of the estimated cash request will not result in a cash surplus greater than the estimated expenditures." Additionally, the quarterly reports include a line which states: "Please reduce our next available distribution by." None of the six quarterly reports reviewed indicated a reduction of the next available distribution. Furthermore, the quarterly reports state: "Your cash balance at the end of each quarter should be zero (0) or as near zero (0) as possible." The following schedule reflects the quarterly ending cash balances:

	Title 05/06 Fund 411	Title I 06/07 Fund 418
2nd quarter ending December	\$ 719,041.03	\$ 322,894.42
3rd quarter ending March	370,848.80	545,982.37
4th quarter ending June	46,645.52	1,437,089.16

A review of the Twenty-First Century Community Learning Centers Grants (Funds 662 and 668), from July 1, 2005 to September 30, 2007, indicated that all months had an excessive cash balance at month end when compared to the average monthly disbursements. The pass-through entity, as part of the grant application, requires the local education agency to sign off on the provision which states: "As pursuant to the Cash Management Improvement act of 1990, we hereby certify that procedures have been put into place, which minimize the time elapsing between receipt of funds requested above and their subsequent disbursement." The following schedule reflects the quarter ending balances and the average monthly disbursement determination for the Twenty-First Century Community Learning Centers Grants:

	Fund 662	Fund 668
1st quarter ending June	\$ 80,226.93	\$ 114,825.78
2nd quarter ending September	102,512.51	156,597.40
3rd quarter ending December	149,645.15	120,860.41
4th quarter ending March	204,283.84	113,995.87
Average monthly disbursements	27,240.80	42,662.45

A review of the Reading First State Grants (Funds 711 and 714), from October 1, 2006 to September 30, 2007, indicated that all months from October 2006 until September 2007 had an excessive cash balance at month end when compared to the average monthly disbursements. The pass-through entity, as part of the grant application, requires the local education agency to sign off on the provision which states: "As pursuant to the Cash Management Improvement act of 1990, we hereby certify that procedures have been put into place, which minimize the time elapsing between receipt of funds requested above and their subsequent disbursement." The following schedule reflects the quarter ending balances and the average monthly disbursement determination for the Reading First Grants:

SCHOOL CITY OF EAST CHICAGO
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 (Continued)

	Washington Fund 725	McKinley Fund 714
1st quarter ending December	\$ 41,779.99	\$ 58,985.33
2nd quarter ending March	44,000.45	62,851.97
3rd quarter ending June	43,914.45	70,795.87
4th quarter ending September	44,022.14	57,230.19
 Average monthly disbursements	 12,277.41	 20,768.82

EDGAR 80.20(b)(7) states in part: "Procedures for minimizing the time elapsing between the transfer of funds from the U.S. Treasury and disbursement by grantees and subgrantees must be followed whenever advance payment procedures are used. . . . Grantees must monitor cash drawdowns by their subgrantees to assure that they conform substantially to the same standards of timing and amount as apply to advances to the grantees."

Failure to follow the specific grant guidelines may jeopardize the School Corporation's ability to obtain federal awards in the future.

We recommended the School Corporation implement procedures to match their drawdown requests to the budgeted monthly expenditures, with the goal to minimize the amount of cash on hand at the end of the month.

FINDING 2007-3, PERIOD OF AVAILABILITY

Federal Agency: U.S. Department of Education
 Federal Program: Title I Grants to Local Educational Agencies
 CFDA Numbers: 84.010
 Pass-Through Entity: Indiana Department of Education

Title I funds must be obligated during the 27 months, extending from July 1 of the fiscal year for which the funds were appropriated through September 30 of the second following fiscal year. The maximum period includes a fifteen-month period of initial availability plus a twelve-month period for carryover. The carryover amount is limited to 15% of its basic allocation awarded and is transferred to the following year's grant fund. The State may grant a waiver of the percentage limitation once every three years if the School Corporation's request is reasonable and necessary.

School Corporation Officials were aware of the limited carryover amount. However, procedures were not established to ensure grant funds were obligated and expended timely.

A review of the basic allocation awarded and the amount of carryover from the prior year indicated that the School Corporation is not expending at least 85% of the current year's grant award plus the prior year's carryover amount. The School Corporation set aside the appropriate percentage of funds for highly qualified status training (5%), LEA's in improvement (10%) and parental involvement (1%); however, the set aside funds were not fully expended. The following table illustrates the difference between the amount which was required to be expended and the amount actually expended:

SCHOOL CITY OF EAST CHICAGO
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 (Continued)

	<u>2004-2005</u>	<u>2005-2006</u>	<u>2006-2007</u>
Basic Allocation	\$ 2,808,704.73	\$ 2,781,879.63	\$ 2,952,668.36
85% of Allocations	2,387,399.02	2,364,597.69	2,509,768.11
Prior Grants Carryover Funds	<u>658,282.28</u>	<u>551,528.54</u>	<u>779,341.92</u>
Amount to be expended	3,045,681.30	2,916,126.23	3,289,110.03
Amount actually expended	<u>(2,915,458.47)</u>	<u>(2,554,066.25)</u>	<u>(2,974,389.49)</u>
Excess amount	<u>\$ 130,222.83</u>	<u>\$ 362,059.98</u>	<u>\$ 314,720.54</u>

Section 1127 of the Elementary and Secondary Education Act (ESEA) states in part: "(a) LIMITATION ON CARRYOVER- Notwithstanding section 421(b) of the General Education Provisions Act or any other provision of law, not more than 15 percent of the funds allocated to a local educational agency for any fiscal year under this subpart (but not including funds received through any reallocation under this subpart) may remain available for obligation by such agency for one additional fiscal year. (b) WAIVER- A State educational agency may, once every 3 years, waive the percentage limitation in subsection (a) if — (1) the agency determines that the request of a local educational agency is reasonable and necessary; or (2) supplemental appropriations for this subpart become available."

Failure to expend grant funds within the period of availability has resulted in the refund of grant funds back to the Indiana Department of Education from the 2004-2005, 2005-2006, 2006-2007 grants for \$130,222.83, \$362,059.98, and \$314,720.54, respectively.

We recommended the School Corporation implement procedures to ensure that grant funds are obligated within the period of availability so that the amount of carryover does not exceed the 15% limitation.

School City of East Chicago



210 E. Columbus Drive
East Chicago, Indiana 46312
(219) 391-4100

Frank Ramirez
Director of Support Services/Treasurer

Juan M. Anaya, Ph.D.
Superintendent

January 7, 2008

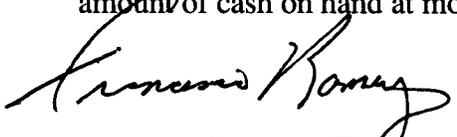
Summary Schedule of Prior Audit Findings

Finding Number 2005-1

Original SBA Audit Report Number	B 26668
Fiscal Year	7/1/03-6/30/05
Auditee Contact Person	Francisco Ramirez
Title of Contact Person	Treasurer
Phone Number	(219) 391-4100 x 312
Status of Finding	In Process

We have reviewed the Schedule of Findings and Questioned Costs in Section III, Finding Number 2005-1, Cash Management of the July 1, 2003 through June 30, 2005 audit report.

The School City of East Chicago is continuing to implement procedures within the Treasurer's staff and work with the Federal Program Directors in order to match the drawn down requests to the monthly expenditures. The goal will be to minimize the amount of cash on hand at month end.



Francisco Ramirez, Treasurer

School City of East Chicago



210 E. Columbus Drive
East Chicago, Indiana 46312
(219) 391-4100

Frank Ramirez
Director of Support Services/Treasurer

Juan M. Anaya, Ph.D.
Superintendent

Corrective Action Plan

January 29, 2008

Indiana State Board of Accounts
302 W. Washington St., Room E 418
Indianapolis, IN 46204-2765

Dear Gentlemen:

We have reviewed the Schedule of Findings and Questioned Costs in Section II, Finding Number 2007-1, Bank Account Reconcilements of the July 1, 2005 through June 30, 2007 audit report.

The School City of East Chicago will implement procedures within the Treasurer's staff to prepare monthly bank reconcilements in accordance with Indiana Code to identify any reconciling item in a timelier manner.

Very truly yours,

Francisco Ramirez, Treasurer

FR/jr

School City of East Chicago



210 E. Columbus Drive
East Chicago, Indiana 46312
(219) 391-4100

Frank Ramirez
Director of Support Services/Treasurer

Juan M. Anaya, Ph.D.
Superintendent

Corrective Action Plan

January 29, 2008

Indiana State Board of Accounts
302 W. Washington St., Room E 418
Indianapolis, IN 46204-2765

Dear Gentlemen:

We have reviewed the Schedule of Findings and Questioned Costs in Section III, Finding Number 2007-2, Cash Management of the July 1, 2005 through June 30, 2007 audit report.

The School City of East Chicago will implement procedures within the Treasurer's staff and work with the Federal Program Directors in order to match the drawn down requests to the monthly expenditures. The goal will be to minimize the amount of cash on hand at month end.

Very truly yours,

A handwritten signature in cursive script that reads "Francisco Ramirez".

Francisco Ramirez, Treasurer

FR/jr

- 95 -

Fernando M. Treviño • **Ruby P. Flowers** • **Henry L. Gillis** • **Rudolph P. Lopez** • **Scott J. Prewitt**
President Vice-President Secretary Member Member

School City of East Chicago



210 E. Columbus Drive
East Chicago, Indiana 46312
(219) 391-4100

Frank Ramirez
Director of Support Services/Treasurer

Juan M. Anaya, Ph.D.
Superintendent

Corrective Action Plan

January 29, 2008

Indiana State Board of Accounts
302 W. Washington St., Room E 418
Indianapolis, IN 46204-2765

Dear Gentlemen:

We have reviewed the Schedule of Findings and Questioned Costs in Section III, Finding Number 2007-3, Period of Availability of the July 1, 2005 through June 30, 2007 audit report.

The School City of East Chicago will implement procedures within the Treasurer's staff and work with the Federal Program Directors to implement procedures to ensure that grant funds are obligated within the period of availability so that the amount of carryover does not exceed the 15% limitation.

Very truly yours,

Francisco Ramirez, Treasurer

FR/jr

SCHOOL CITY OF EAST CHICAGO
EXIT CONFERENCE

The contents of this report were discussed on January 30, 2008, with Dr. Juan Anaya, Superintendent of Schools; Fernando Trevino, President of the School Board; Francisco Ramirez, Treasurer; Dawn Greene, Assistant Superintendent of Schools; and Ernest Dittmann, Consultant.