

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

EXAMINATION REPORT
OF
LAWRENCE EARLY COLLEGE HIGH SCHOOL
MARION COUNTY, INDIANA
July 1, 2006 to June 30, 2007



FILED
05/19/2008

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Officials	2
Independent Accountant's Report.....	3
Financial Information:	
Government-Wide Financial Information:	
Schedule of Activities and Net Assets – Cash and Investment Basis	4
Fund Financial Information:	
Governmental Funds:	
Schedule of Assets and Fund Balances and Receipts, Disbursements, and Changes in Fund Balances - Cash and Investment Basis – Governmental Funds	5
Fiduciary Funds:	
Schedule of Additions, Deductions, and Changes in Cash and Investment Balances – Fiduciary Funds	6
Notes to Financial Information	7-10
Supplementary Information:	
Combining Schedule of Assets and Fund Balances and Receipts, Disbursements, and Changes in Fund Balances - Cash and Investments Basis – Other Governmental Funds.....	11
Combining Schedule of Additions, Deductions, and Changes in Cash and Investment Balances – Private-Purpose Trust Funds	12
Schedule of Long-Term Debt	13
Examination Results and Comments:	
Bank Account Reconciliations	14
Official Bond	14
Overdrawn Cash Balances.....	14
Receipt Issuance	14
Nonuse of Form SA-7, Claim for Payment - Supporting Documentation	14-15
Sales Tax.....	15
Prescribed Forms	15
Bank Account Reconciliations	15
Exit Conference.....	16

OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Kay Harmless	07-01-06 to 06-30-08
School Director	Kay Harmless	07-01-06 to 06-30-08
President of the School Board	Alan Rowland	07-01-06 to 06-30-08



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

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

INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF LAWRENCE EARLY COLLEGE
HIGH SCHOOL, MARION COUNTY, INDIANA

We have examined the financial information presented herein of Lawrence Early College High School (School Corporation), for the period of July 1, 2006 to June 30, 2007. The School Corporation's management is responsible for the financial information presented herein. Our responsibility is to express an opinion based on our examination.

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

In our opinion, the financial information referred to above presents fairly, in all material respects, the financial information of the School Corporation for the year ended June 30, 2007, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

The Schedule of Long-Term Debt, as listed in the Table of Contents, is presented for additional analysis and is not a required part of the basic financial information. It has not been subjected to the examination procedures applied to the basic financial information and, accordingly, we express no opinion on it.

STATE BOARD OF ACCOUNTS

April 10, 2008

LAWRENCE EARLY COLLEGE HIGH SCHOOL
SCHEDULE 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	\$ 298,002	\$ -	\$ 4,084	\$ (293,918)
Support services	<u>372,943</u>	<u>5,011</u>	<u>2,604</u>	<u>(365,328)</u>
Total governmental activities	<u>\$ 670,945</u>	<u>\$ 5,011</u>	<u>\$ 6,688</u>	<u>(659,246)</u>
General receipts:				
Other local sources				4,765
State aid				289,001
Bonds and loans				480,982
Grants and contributions not restricted to specific programs				<u>113,489</u>
Total general receipts				<u>888,237</u>
Change in net assets				228,991
Net assets - beginning				<u>-</u>
Net assets - ending				<u>\$ 228,991</u>
<u>Assets</u>				
Cash and investments				<u>\$ 228,991</u>
<u>Net Assets</u>				
Unrestricted				<u>\$ 228,991</u>

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

LAWRENCE EARLY COLLEGE HIGH SCHOOL
SCHEDULE 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

	<u>General</u>	<u>Public Charter School Program</u>	<u>Other</u>	<u>Totals</u>
Receipts:				
Local sources	\$ 4,765	\$ -	\$ 5,011	\$ 9,776
State sources	289,001	-	6,688	295,689
Federal sources	<u>-</u>	<u>75,000</u>	<u>38,489</u>	<u>113,489</u>
Total receipts	<u>293,766</u>	<u>75,000</u>	<u>50,188</u>	<u>418,954</u>
Disbursements:				
Current:				
Instruction	287,542	2,961	7,499	298,002
Support services	<u>356,946</u>	<u>-</u>	<u>15,997</u>	<u>372,943</u>
Total disbursements	<u>644,488</u>	<u>2,961</u>	<u>23,496</u>	<u>670,945</u>
Excess (deficiency) of receipts over disbursements	<u>(350,722)</u>	<u>72,039</u>	<u>26,692</u>	<u>(251,991)</u>
Other financing sources (uses):				
Loans	<u>480,982</u>	<u>-</u>	<u>-</u>	<u>480,982</u>
Excess of receipts and other financing sources over disbursements and other financing uses	130,260	72,039	26,692	228,991
Cash and investments - beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash and investments - ending	<u>\$ 130,260</u>	<u>\$ 72,039</u>	<u>\$ 26,692</u>	<u>\$ 228,991</u>
<u>Cash and Investment Assets - Ending</u>				
Cash and investments	<u>\$ 130,260</u>	<u>\$ 72,039</u>	<u>\$ 26,692</u>	<u>\$ 228,991</u>
<u>Cash and Investment Fund Balance - Ending</u>				
Unrestricted	<u>\$ 130,260</u>	<u>\$ 72,039</u>	<u>\$ 26,692</u>	<u>\$ 228,991</u>

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

LAWRENCE EARLY COLLEGE HIGH SCHOOL
SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
FIDUCIARY FUNDS
For the Year Ended June 30, 2007

	Private-Purpose Trust Funds	Agency Funds
Additions:		
Contributions:		
Other	\$ 310,000	
Total additions	310,000	
Deductions:		
Administration and general	104,486	
Total deductions	104,486	
Excess (deficiency) of total additions over total deductions	205,514	
Cash and investment fund balance - beginning	-	
Cash and investment fund balance - ending	\$ 205,514	\$ (4,098)
Net assets:		
Cash and investments	\$ 205,514	\$ (4,098)
Total net assets - cash and investment basis held in trust	\$ 205,514	\$ (4,098)

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

LAWRENCE EARLY COLLEGE HIGH SCHOOL
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

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

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

Note 2. Fund Accounting

A. Government-Wide and Fund Financial Schedules

Government-Wide Financial Schedules

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

Fund Financial Schedules

Fund financial schedules 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, fund equity, receipts, and disbursements. Separate financial schedules are provided for governmental funds, and fiduciary funds, even though the latter are excluded from the government-wide financial schedules. Major individual governmental funds are reported as separate columns in the fund financial schedules.

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 public charter school program fund accounts for grants and distributions received from the federal government.

Additionally, the School Corporation reports the following fund type:

The private-purpose trust fund reports a trust arrangement under which principal and income benefit the School Corporation and students.

Agency funds account for assets held by the School Corporation as an agent for the federal government, state government, and various employee insurance companies.

LAWRENCE EARLY COLLEGE HIGH SCHOOL
NOTES TO FINANCIAL INFORMATION
(Continued)

B. Measurement Focus and Basis of Accounting

The government-wide, governmental fund, proprietary fund and fiduciary fund financial schedules 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

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 schedules.

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

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the enterprise fund schedules to the extent that those standards do not conflict with, or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their enterprise funds, subject to this same limitation. The School Corporation has elected not to follow subsequent private-sector guidance.

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

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.

Note 3. Budgets

The operating budget is initially prepared and approved at the local level.

Note 4. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the School Corporation in June and December. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15.

LAWRENCE EARLY COLLEGE HIGH SCHOOL
NOTES TO FINANCIAL INFORMATION
(Continued)

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. However, a delay in the approval of taxable property assessments resulted in May 2007 tax bills not being issued until November 2007. This caused a significant decrease in receipts from local sources/property taxes for the year 2006-2007.

Note 5. Deposits and Investments

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

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

Note 6. Pension Plans

A. Public Employees' Retirement Fund

Plan Description

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

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

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

LAWRENCE EARLY COLLEGE HIGH SCHOOL
NOTES TO FINANCIAL INFORMATION
(Continued)

Funding Policy and Annual Pension Cost

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

B. 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 members' contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The School Corporation may elect to make the contributions on behalf of the member.

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

Funding Policy and Annual Pension Cost

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

LAWRENCE EARLY COLLEGE HIGH SCHOOL
 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

	<u>Textbook Rental</u>	<u>Professional Development</u>	<u>Safe and Drug Free</u>	<u>Technical Preparation</u>	<u>Totals</u>
Receipts:					
Local sources	\$ 5,011	\$ -	\$ -	\$ -	\$ 5,011
State sources	2,604	4,084	-	-	6,688
Federal sources	<u>-</u>	<u>-</u>	<u>37,435</u>	<u>1,054</u>	<u>38,489</u>
Total receipts	<u>7,615</u>	<u>4,084</u>	<u>37,435</u>	<u>1,054</u>	<u>50,188</u>
Disbursements:					
Current:					
Instruction	-	-	2,831	4,668	7,499
Support services	<u>-</u>	<u>2,702</u>	<u>13,295</u>	<u>-</u>	<u>15,997</u>
Total disbursements	<u>-</u>	<u>2,702</u>	<u>16,126</u>	<u>4,668</u>	<u>23,496</u>
Excess (deficiency) of receipts over disbursements	<u>7,615</u>	<u>1,382</u>	<u>21,309</u>	<u>(3,614)</u>	<u>26,692</u>
Cash and investments - beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash and investments - ending	<u>\$ 7,615</u>	<u>\$ 1,382</u>	<u>\$ 21,309</u>	<u>\$ (3,614)</u>	<u>\$ 26,692</u>
<u>Cash and Investment Assets - Ending</u>					
Cash and investments	<u>\$ 7,615</u>	<u>\$ 1,382</u>	<u>\$ 21,309</u>	<u>\$ (3,614)</u>	<u>\$ 26,692</u>
<u>Cash and Investment Fund Balance - Ending</u>					
Unrestricted	<u>\$ 7,615</u>	<u>\$ 1,382</u>	<u>\$ 21,309</u>	<u>\$ (3,614)</u>	<u>\$ 26,692</u>

LAWRENCE EARLY COLLEGE HIGH SCHOOL
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 PRIVATE-PURPOSE TRUST FUNDS
 For the Year Ended June 30, 2007

	NESSI Grant	Governor's Grant	Totals
Additions:			
Contributions:			
Other	\$ 260,000	\$ 50,000	\$ 310,000
Deductions:			
Administrative and general	99,648	4,838	104,486
Excess (deficiency) of total additions over total deductions	160,352	45,162	205,514
Cash and investment fund balance - beginning	-	-	-
Cash and investments - ending	\$ 160,352	\$ 45,162	\$ 205,514
Net assets:			
Cash and investments	\$ 160,352	\$ 45,162	\$ 205,514
Total net assets - cash and investment basis held in trust	\$ 160,352	\$ 45,162	\$ 205,514

LAWRENCE EARLY COLLEGE HIGH SCHOOL
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 June 30, 2007

The School Corporation has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental Activities:		
Notes and loans payable	\$ 480,982	\$ -
Total governmental activities debt	<u>\$ 480,982</u>	<u>\$ -</u>

This is the balance from the Form 9 that was prepared by MSDL.
 No payments had been applied against the original note.

LAWRENCE EARLY COLLEGE HIGH SCHOOL
EXAMINATION RESULTS AND COMMENTS

BANK ACCOUNT RECONCILIATIONS

Depository reconciliations of the fund balances to the bank account balances were not presented for examination.

Indiana Code 5-13-6-1(e) states in part: "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."

OFFICIAL BOND

The following official bond was not filed in the Office of the County Recorder:

Kay Harmless, Treasurer

Indiana Code 5-4-1-5.1(b) states in part: "Every elected or appointed officer, official, deputy, or employee of a political subdivision . . . shall file the bond in the office of the county recorder . . ."

OVERDRAWN CASH BALANCES

The Technical Preparation and Clearing Account (Agency) Funds were overdrawn at June 30, 2007.

The cash 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)

RECEIPT ISSUANCE

The receipt books were used for receipting both the Extra-Curricular Account (ECA) and School Corporation monies. Receipts were not always issued, since more money was deposited than was receipted and posted into the ledgers.

Receipts shall be issued and recorded at the time of the transaction; for example, when cash or a check is received, a receipt is to be immediately prepared and given to the person making payment. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporation, Chapter 9) (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

NONUSE OF FORM SA-7, CLAIM FOR PAYMENT – SUPPORTING DOCUMENTATION (Applies to Extra-Curricular Account)

The Extra-Curricular Account Treasurer does not use Form SA-7, Claim for Payment, to support and document the disbursements made. Due to the lack of supporting information, the validity and accountability for some monies disbursed could not be established. No supporting documentation was presented for 30% of the disbursements reviewed.

LAWRENCE EARLY COLLEGE HIGH SCHOOL
EXAMINATION RESULTS AND COMMENTS
(Continued)

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)

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)

SALES TAX (Applies to Extra-Curricular Account)

Sales tax was paid for some purchases.

Governmental funds generally are exempt from the payment of sales tax on qualifying purchases. Respective tax agencies should always be contacted concerning tax exemptions and payments. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

PRESCRIBED FORMS (Applies to Extra-Curricular Account)

The following prescribed or approved forms were not always in use:

- SA-5 - Financial Report
- SA-8 - Detail of Receipts and Disbursements

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)

BANK ACCOUNT RECONCILIATIONS (Applies to Extra-Curricular Account)

Depository reconciliations of the fund balances to the bank account balances were not presented for examination.

Indiana Code 5-13-6-1(e) states in part: "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 Extra-Curricular Accounts, Chapter 7)

LAWRENCE EARLY COLLEGE HIGH SCHOOL
EXIT CONFERENCE

The contents of this report were discussed on April 10, 2008, with Kay Harmless, School Treasurer/Director; Alan Rowland, President of the School Board; and Bonnie Hester, Manager.