

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

EXAMINATION REPORT

OF

EAST CHICAGO URBAN ENTERPRISE ACADEMY

LAKE COUNTY, INDIANA

July 1, 2006 to June 30, 2008



**FILED**

07/21/2009



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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Director of Finance	Vito Bianco Kathleen Kansfield Vito Bianco	07-01-06 to 08-07-07 08-08-07 to 02-01-08 02-02-08 to 06-30-09
Principal of the School	Charlotte Jackson	07-01-06 to 06-30-09
Chair of the School Advisory Board	Rita Jacque-Gillis	07-01-06 to 06-30-09



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

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

We have examined the financial information presented herein of the East Chicago Urban Enterprise Academy (School Corporation), for the period of July 1, 2006 to June 30, 2008. 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 years ended June 30, 2007 and 2008, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

The Combining Schedules, Schedule of Capital Assets and Schedule of Long-Term Debt, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the basic financial information. The Combining Schedules have been subjected to the examination procedures applied to the basic financial information and, in our opinion, are fairly stated in all material respects in relation to the financial information taken as a whole. The Schedule of Capital Assets and Schedule of Long-Term Debt have not been subjected to the examination procedures applied to the basic financial information, and accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

June 16, 2009

EAST CHICAGO URBAN ENTERPRISE ACADEMY  
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	\$ 1,289,357	\$ -	\$ 30,799	\$ (1,258,558)
Support services	862,825	6,439	141,890	(714,496)
Nonprogrammed charges	9,242	-	-	(9,242)
Debt service	<u>148,558</u>	<u>-</u>	<u>-</u>	<u>(148,558)</u>
Total governmental activities	<u>\$ 2,309,982</u>	<u>\$ 6,439</u>	<u>\$ 172,689</u>	<u>(2,130,854)</u>
General receipts:				
Property taxes				474,831
Other local sources				1,602
State aid				1,064,438
Bonds and loans				370,638
Grants and contributions not restricted to specific programs				<u>269,560</u>
Total general receipts				<u>2,181,069</u>
Change in net assets				50,215
Net assets - beginning				<u>96,566</u>
Net assets - ending				<u>\$ 146,781</u>
<u>Assets</u>				
Cash and investments				<u>\$ 146,781</u>
<u>Net Assets</u>				
Unrestricted				<u>\$ 146,781</u>

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

EAST CHICAGO URBAN ENTERPRISE ACADEMY  
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS  
For the Year Ended June 30, 2008

<u>Functions/Programs</u>	<u>Disbursements</u>	Program Receipts		<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	\$ 1,463,553	\$ -	\$ 45,113	\$ (1,418,440)
Support services	971,811	15,567	180,054	(776,190)
Debt service	<u>137,130</u>	<u>-</u>	<u>-</u>	<u>(137,130)</u>
Total governmental activities	<u>\$ 2,572,494</u>	<u>\$ 15,567</u>	<u>\$ 225,167</u>	<u>(2,331,760)</u>
General receipts:				
Property taxes				347,362
Other local sources				350,013
State aid				1,321,213
Bonds and loans				218,695
Grants and contributions not restricted to specific programs				<u>236,082</u>
Total general receipts				<u>2,473,365</u>
Change in net assets				141,605
Net assets - beginning				<u>146,781</u>
Net assets - ending				<u>\$ 288,386</u>
<u>Assets</u>				
Cash and investments				<u>\$ 288,386</u>
<u>Net Assets</u>				
Unrestricted				<u>\$ 288,386</u>

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

EAST CHICAGO URBAN ENTERPRISE ACADEMY  
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	School Lunch	Other	Totals
<b>Receipts:</b>				
Local sources	\$ 475,240	\$ 6,439	\$ 1,193	\$ 482,872
State sources	1,095,237	328	24,491	1,120,056
Federal sources	-	117,071	269,560	386,631
Bonds and loans	370,638	-	-	370,638
	<u>1,941,115</u>	<u>123,838</u>	<u>295,244</u>	<u>2,360,197</u>
<b>Disbursements:</b>				
<b>Current:</b>				
Instruction	1,036,567	-	252,790	1,289,357
Support services	644,215	121,578	97,032	862,825
Nonprogrammed charges	-	-	9,242	9,242
Debt services	148,558	-	-	148,558
	<u>1,829,340</u>	<u>121,578</u>	<u>359,064</u>	<u>2,309,982</u>
Excess (deficiency) of receipts over disbursements	<u>111,775</u>	<u>2,260</u>	<u>(63,820)</u>	<u>50,215</u>
<b>Other financing sources (uses):</b>				
Transfers in	125,318	-	85,639	210,957
Transfers out	(85,639)	-	(125,318)	(210,957)
	<u>39,679</u>	<u>-</u>	<u>(39,679)</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	151,454	2,260	(103,499)	50,215
Cash and investments - beginning	<u>(6,840)</u>	<u>-</u>	<u>103,406</u>	<u>96,566</u>
Cash and investments - ending	<u>\$ 144,614</u>	<u>\$ 2,260</u>	<u>\$ (93)</u>	<u>\$ 146,781</u>
<b><u>Cash and Investment Assets - Ending</u></b>				
Cash and investments	<u>\$ 144,614</u>	<u>\$ 2,260</u>	<u>\$ (93)</u>	<u>\$ 146,781</u>
<b><u>Cash and Investment Fund Balance - Ending</u></b>				
Unrestricted	<u>\$ 144,614</u>	<u>\$ 2,260</u>	<u>\$ (93)</u>	<u>\$ 146,781</u>

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

EAST CHICAGO URBAN ENTERPRISE ACADEMY  
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, 2008

	General	School Lunch	Other	Totals
<b>Receipts:</b>				
Local sources	\$ 698,438	\$ 13,364	\$ 1,140	\$ 712,942
State sources	1,366,326	-	36,488	1,402,814
Federal sources	-	143,566	236,082	379,648
Bonds and loans	218,695	-	-	218,695
	<u>2,283,459</u>	<u>156,930</u>	<u>273,710</u>	<u>2,714,099</u>
<b>Disbursements:</b>				
<b>Current:</b>				
Instruction	1,207,836	-	255,717	1,463,553
Support services	834,684	130,184	6,943	971,811
Debt services	137,130	-	-	137,130
	<u>2,179,650</u>	<u>130,184</u>	<u>262,660</u>	<u>2,572,494</u>
Excess (deficiency) of receipts over disbursements	<u>103,809</u>	<u>26,746</u>	<u>11,050</u>	<u>141,605</u>
<b>Other financing sources (uses):</b>				
Transfers in	-	-	1,361	1,361
Transfers out	(1,361)	-	-	(1,361)
	<u>(1,361)</u>	<u>-</u>	<u>1,361</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	102,448	26,746	12,411	141,605
Cash and investments - beginning	<u>144,614</u>	<u>2,260</u>	<u>(93)</u>	<u>146,781</u>
Cash and investments - ending	<u>\$ 247,062</u>	<u>\$ 29,006</u>	<u>\$ 12,318</u>	<u>\$ 288,386</u>
<u>Cash and Investment Assets - Ending</u>				
Cash and investments	<u>\$ 247,062</u>	<u>\$ 29,006</u>	<u>\$ 12,318</u>	<u>\$ 288,386</u>
<u>Cash and Investment Fund Balance - Ending</u>				
Unrestricted	<u>\$ 247,062</u>	<u>\$ 29,006</u>	<u>\$ 12,318</u>	<u>\$ 288,386</u>

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

EAST CHICAGO URBAN ENTERPRISE ACADEMY  
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

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

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

Note 2. Fund Accounting

A. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The Statement of Cash and Investments and the Statement of Cash Activities display 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.

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 and proprietary 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 school lunch fund accounts for financial resources for the operation of the school lunch program.

B. Measurement Focus and Basis of Accounting

The government-wide and governmental 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.

EAST CHICAGO URBAN ENTERPRISE ACADEMY  
NOTES TO FINANCIAL INFORMATION  
(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. 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.

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. Property Taxes

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

Note 4. Deposits and Investments

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

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

Note 5. Interfund Transfers

Interfund transfers for the years ended June 30, 2007 and 2008, were as follows:

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

<u>Transfer From</u>	<u>Transfer To</u>	<u>2006-2007</u>	<u>2007-2008</u>
General Fund	Other governmental funds	\$ 85,639	\$ 1,361
Other governmental funds	General Fund	<u>125,318</u>	<u>-</u>
Totals		<u>\$ 210,957</u>	<u>\$ 1,361</u>

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

Note 6. Pension Plan

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

Funding Policy and Annual Pension Cost

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

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

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.

Note 7. Subsequent Event

In accordance with state statutes, all counties were required to reassess property values prior to billing taxes in 2008. Taxes are normally billed in two installments, the first is due in May, and the second in November. Significant delays in the reassessment process have resulted in delays in billing taxes in 2008. Provisional bills for 50% of 2006 pay 2007 taxes were due October 29, 2008. Lake County 2007 pay 2008 tax rates were approved on November 14, 2008. County officials sent the final reconciliation bill for taxes payable in 2008 in January 2009 with payment due February 6, 2009. The 2008 property taxes were received in April 2009.

EAST CHICAGO URBAN ENTERPRISE ACADEMY  
 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

	Textbook Rental	Student Activity	Title I 05/06	Title I 06/07	Title V	Title II 06/07	Title II 05/06	Federal Planning	Totals
<b>Receipts:</b>									
Local sources	\$ 1,193	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,193
State sources	24,491	-	-	-	-	-	-	-	24,491
Federal sources	-	-	19,200	85,360	-	-	-	165,000	269,560
<b>Total receipts</b>	<b>25,684</b>	<b>-</b>	<b>19,200</b>	<b>85,360</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>165,000</b>	<b>295,244</b>
<b>Disbursements:</b>									
<b>Current:</b>									
Instruction	115,915	-	29,082	85,550	-	10,927	-	11,316	252,790
Support services	-	-	-	1,595	-	8,527	1,605	85,305	97,032
Nonprogrammed charges	-	9,242	-	-	-	-	-	-	9,242
<b>Total disbursements</b>	<b>115,915</b>	<b>9,242</b>	<b>29,082</b>	<b>87,145</b>	<b>-</b>	<b>19,454</b>	<b>1,605</b>	<b>96,621</b>	<b>359,064</b>
Excess (deficiency) of receipts over disbursements	(90,231)	(9,242)	(9,882)	(1,785)	-	(19,454)	(1,605)	68,379	(63,820)
<b>Other financing sources (uses):</b>									
Transfers in	85,277	-	362	-	-	-	-	-	85,639
Transfers out	-	-	(9,147)	-	-	-	-	(116,171)	(125,318)
<b>Total other financing sources (uses)</b>	<b>85,277</b>	<b>-</b>	<b>(8,785)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(116,171)</b>	<b>(39,679)</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(4,954)	(9,242)	(18,667)	(1,785)	-	(19,454)	(1,605)	(47,792)	(103,499)
Cash and investments - beginning	4,954	9,242	18,667	-	914	19,454	1,605	48,570	103,406
Cash and investments - ending	\$ -	\$ -	\$ -	\$ (1,785)	\$ 914	\$ -	\$ -	\$ 778	\$ (93)
<b>Cash and Investment Assets - Ending</b>									
Cash and investments	\$ -	\$ -	\$ -	\$ (1,785)	\$ 914	\$ -	\$ -	\$ 778	\$ (93)
<b>Cash and Investment Fund Balance - Ending</b>									
Unrestricted	\$ -	\$ -	\$ -	\$ (1,785)	\$ 914	\$ -	\$ -	\$ 778	\$ (93)

EAST CHICAGO URBAN ENTERPRISE ACADEMY  
 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, 2008

	Textbook Rental	Title I 06/07	Title I 07/08	Title V	Title II 06/07	Federal Planning	Totals
Receipts:							
Local sources	\$ 1,140	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,140
State sources	36,488	-	-	-	-	-	36,488
Federal sources	-	7,701	170,785	-	27,596	30,000	236,082
Total receipts	<u>37,628</u>	<u>7,701</u>	<u>170,785</u>	<u>-</u>	<u>27,596</u>	<u>30,000</u>	<u>273,710</u>
Disbursements:							
Current:							
Instruction	38,811	6,094	159,946	-	27,596	23,270	255,717
Support services	-	-	-	-	-	6,943	6,943
Total disbursements	<u>38,811</u>	<u>6,094</u>	<u>159,946</u>	<u>-</u>	<u>27,596</u>	<u>30,213</u>	<u>262,660</u>
Excess (deficiency) of receipts over disbursements	<u>(1,183)</u>	<u>1,607</u>	<u>10,839</u>	<u>-</u>	<u>-</u>	<u>(213)</u>	<u>11,050</u>
Other financing sources (uses):							
Transfers in	<u>1,183</u>	<u>178</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,361</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>-</u>	<u>1,785</u>	<u>10,839</u>	<u>-</u>	<u>-</u>	<u>(213)</u>	<u>12,411</u>
Cash and investments - beginning	<u>-</u>	<u>(1,785)</u>	<u>-</u>	<u>914</u>	<u>-</u>	<u>778</u>	<u>(93)</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,839</u>	<u>\$ 914</u>	<u>\$ -</u>	<u>\$ 565</u>	<u>\$ 12,318</u>
<u>Cash and Investment Assets - Ending</u>							
Cash and investments	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,839</u>	<u>\$ 914</u>	<u>\$ -</u>	<u>\$ 565</u>	<u>\$ 12,318</u>
<u>Cash and Investment Fund Balance - Ending</u>							
Unrestricted	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,839</u>	<u>\$ 914</u>	<u>\$ -</u>	<u>\$ 565</u>	<u>\$ 12,318</u>

EAST CHICAGO URBAN ENTERPRISE ACADEMY  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF CAPITAL ASSETS

For The Year Ended June 30, 2008

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

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Improvements other than buildings	\$ 2,341,502
Machinery and equipment	242,622
Furniture and fixtures	<u>105,639</u>
Total governmental activities, capital assets not being depreciated	<u>\$ 2,689,763</u>

EAST CHICAGO URBAN ENTERPRISE ACADEMY  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF LONG-TERM DEBT  
 June 30, 2008

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:		
Indiana Common School Loan	\$ 1,414,586	\$ 128,027
Peoples Bank Leasehold Improvement Loan	1,496,522	137,130
ECUE Association Loan	<u>860,630</u>	<u>66,212</u>
Total governmental activities debt	<u>\$ 3,771,738</u>	<u>\$ 331,369</u>

EAST CHICAGO URBAN ENTERPRISE ACADEMY  
EXAMINATION RESULTS AND COMMENTS

INTERNAL CONTROLS OVER RECEIPTS (FORM SA-3)

Receipts can be issued by the financial management company, whose offices are located in Chicago, or they can be issued at the local school building. The financial management company generally issues the receipts for electronic transfers of funds based upon notification from the bank that the funds have been deposited. Receipts written for these items were not provided for audit.

The composition of the collections, for many of the receipts issued locally, was not indicated (i.e. cash, check, or money order).

Numerous amounts posted to the ledgers were for receipts not identified by a receipt number, and there was a lack of correlation among the receipts deposited to the receipts issued causing difficulties to trace individual receipts to deposits, especially those issued for textbook rental and gym uniforms.

IC 5-15-6-3(f) concerning destruction of public records, states in part: "Original records may be disposed of only with the approval of the commission according to guidelines established by the commission."

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 Indiana Public School Corporations, Chapter 9)

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

TEXTBOOK RENTAL RECEIPTS (TBR-2)

General Receipts (Form 517) were used for textbook rental instead of the prescribed Textbook Rental Receipts (TBR-2) or an approved alternative receipt.

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 Indiana Public School Corporations, Chapter 9)

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

The information presented for examination indicates enrollment figures on Form 30A, Report of Average Daily Membership (ADM) for State Support, were incorrect for the school year ending June 30, 2007.

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

The difference between the count reported on the ADM and the verified figures are shown below:

<u>School Year</u>	<u>Grade</u>	<u>Count as Reported on Form Number 30A</u>	<u>Actual Enrollment Figures</u>	<u>Difference</u>
2006-2007	Kindergarten	24.5	24.0	.50

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

CLAIMS

Claims were not approved by the board prior to the disbursement of the checks and a few claims were not provided for examination.

IC 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."

ADVANCE PAYMENTS FOR COMPENSATION

Dates of pay checks when compared to the pay period dates indicate that payments were made for payroll in advance of hours worked. The pay check dated April 30, 2008, for example, was for the pay period April 16, 2008 to April 30, 2008.

Compensation and any other payments for goods and services should not be paid in advance of receipt of the goods or services unless specifically authorized by statute. Payments made for goods or services which are not received may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

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

EMPLOYEE SERVICE RECORD

The Employee's Service Record (General Payroll Form 99A) is a prescribed form that should be used to document the hours worked and leave time. The School is using a non-prescribed electronic version of the Employee's Service Record (General Payroll Form 99A) that does not include all the required information. The dates employees accrue leave and a monthly balance of unused sick and personal days cannot be determined from the electronic version.

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 Indiana Public School Corporations, Chapter 9)

The Employee's Service Record (General Form 99A) is designed for use by the school principals in providing the business office the attendance information for preparing Payroll Form 99. A page should be prepared for each employee other than teaching personnel (see use of Form 514). The space for each scheduled work day should be marked per the code on the lower margin to indicate whether the employee worked, lost time or was on authorized leave of absence. Space is provided for a twelve month record on each side of the page. IC 5-11-9-4(b) states in part: ". . . shall require that records be maintained showing which hours were worked each day by employees employed by more than one (1) public agency or in more than one (1) position by the same public agency . . ." Form 99A may be used for providing the information. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 2)

OFFICIAL BOND

The recorded official bond for 2007-2008 school year and the employee dishonesty insurance coverage for 2006-2007 and 2007-2008 were not presented for examination.

IC 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. . . ."

EAST CHICAGO URBAN ENTERPRISE ACADEMY  
EXIT CONFERENCE

The contents of this report were discussed on June 16, 2009, with Vito Bianco, Director of Finance; Charlotte Jackson, Principal of the School; Kathleen Kansfield, Accounting Controller; Valerie Johnson, Corporation Director; and Tifani Lyons, Business Manager of Indiana Campuses. The official response has been made a part of this report and may be found on pages 20 and 21.