

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

SCHOOL CITY OF EAST CHICAGO
LAKE COUNTY, INDIANA

July 1, 2013 to June 30, 2015



FILED
08/03/2017

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Nelson Pena (interim)	07-01-13 to 10-06-13
	Kathleen Dowling	10-07-13 to 06-19-15
	Nelson Pena (interim)	06-20-15 to 08-09-15
	Robert Doctor	08-10-15 to 11-29-16
	Nelson Pena (interim)	11-30-16 to 04-12-17
	Lela Simmons	04-13-17 to 12-31-17
Superintendent of Schools	Michael Harding	07-01-13 to 10-06-13
	Mary Dywan (interim)	10-07-13 to 06-30-14
	Dr. Youssef Yomtoob	07-01-14 to 06-30-16
	Dr. Paige McNulty	07-01-16 to 12-31-17
President of the School Board	Jessie Gomez	07-01-13 to 12-31-14
	Terence Hill	01-01-15 to 12-31-15
	Joel Rodriguez	01-01-16 to 12-31-16
	Stacy Winfield	01-01-17 to 12-31-17



INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statement

We have audited the accompanying financial statement of the School City of East Chicago (School Corporation), which comprises the financial position and results of operations for the period of July 1, 2013 to June 30, 2015, and the related notes to the financial statement as listed in the Table of Contents.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the financial reporting provisions of the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6). Management is responsible for and has determined that the regulatory basis of accounting, as established by the Indiana State Board of Accounts, is an acceptable basis of presentation. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the School Corporation's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School Corporation's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As discussed in Note 1 to the financial statement, the School Corporation prepares its financial statement on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6), which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position and results of operations of the School Corporation for the period of July 1, 2013 to June 30, 2015.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position and results of operations of the School Corporation for the period of July 1, 2013 to June 30, 2015, in accordance with the financial reporting provisions of the Indiana State Board of Accounts described in Note 1.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the School Corporation's financial statement. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by 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 financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statement taken as a whole.

Other Information

Our audit was conducted for the purpose of forming an opinion on the School Corporation's financial statement. The Combining Schedules of Receipts, Disbursements, Other Financing Sources (Uses), and Cash and Investment Balances - Regulatory Basis, Schedule of Payables and Receivables, Schedule of Leases and Debt, and Schedule of Capital Assets, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the financial statement. They have not been subjected to the auditing procedures applied by us in the audit of the financial statement and, accordingly, we express no opinion on them.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated May 25, 2017, on our consideration of the School Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School Corporation's internal control over financial reporting and compliance.


Paul D. Joyce, CPA
State Examiner

May 25, 2017



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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statement of the School City of East Chicago (School Corporation), which comprises the financial position and results of operations for the period of July 1, 2013 to June 30, 2015, and the related notes to the financial statement, and have issued our report thereon dated May 25, 2017, wherein we noted the School Corporation followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statement, we considered the School Corporation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the School Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the School Corporation's internal control.

Our consideration of the internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the School Corporation's financial statement will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as item 2015-001 to be a material weakness.

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

Compliance and Other Matters


As part of obtaining reasonable assurance about whether the School Corporation's financial statement is free from 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*.

School City of East Chicago's Response to Findings

The School Corporation's response to the findings identified in our audit is described in the accompanying Corrective Action Plan. The School Corporation's response was not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on it.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School Corporation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


Paul D. Joyce, CPA
State Examiner

May 25, 2017

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FINANCIAL STATEMENT AND ACCOMPANYING NOTES

The financial statement and accompanying notes were approved by management of the School Corporation. The financial statement and notes are presented as intended by the School Corporation.

SCHOOL CITY OF EAST CHICAGO
STATEMENT OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Years Ended June 30, 2014 and 2015

Fund	Cash and Investments 07-01-13	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-14	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-15
General	\$ (1,680,807)	\$ 42,304,354	\$ 43,133,810	\$ 1,288,947	\$ (1,221,316)	\$ 38,396,128	\$ 40,111,527	\$ 6,601,549	\$ 3,664,834
Debt Service	(13,954)	1,489,817	426,300	-	1,049,563	1,323,898	378,000	(761,044)	1,234,417
Exempt Debt	578,693	7,089,852	5,977,000	-	1,691,545	4,790,930	4,571,000	-	1,911,475
Exempt Retirement/Severance Bond Debt Service	241,541	366,032	389,299	-	218,274	324,390	196,703	-	345,961
Capital Projects	175,524	2,850,519	1,898,647	-	1,127,396	2,807,277	1,684,874	(900,000)	1,349,799
School Transportation	287,567	2,823,689	2,276,864	5,757	840,149	2,999,616	2,406,153	10,647	1,444,259
School Bus Replacement	42,733	122,778	-	-	165,511	180,567	150,717	-	195,361
Retirement/Severance Bond	20,257	-	-	-	20,257	-	-	-	20,257
Post-Retirement/Severance Future Benefits	1,329,441	-	-	-	1,329,441	-	-	-	1,329,441
Lincoln Bond/Building Corporation Proceeds	495,283	866	-	-	496,149	867	5	-	497,011
Central High School Building Corp	-	162,395	-	-	162,395	-	145,451	-	16,944
School Lunch	368,868	3,246,933	3,613,769	-	2,032	3,868,164	3,356,327	-	513,869
Textbook Rental	866,599	335,860	865,309	-	337,150	336,199	1,074,171	761,044	360,222
Repair and Replacement	1,063,359	6,000	368,124	-	701,235	-	420,374	900,000	1,180,861
Self-Insurance	3,012,252	-	3,000,000	-	12,252	-	-	3,000,000	3,012,252
Dropout Prevention & Alternative Education	(3,229)	38,881	30,091	-	5,561	6,472	1,737	-	10,296
Back Packs	7,440	2,500	-	-	9,940	-	-	-	9,940
Scholarship	6,000	2,000	-	-	8,000	-	-	-	8,000
Youth Inv Award	1,276	-	134	-	1,142	80	1,195	-	27
School Improvement	51,409	-	4,171	-	47,238	-	3,797	-	43,441
Commission	-	-	-	-	-	5,000	208	-	4,792
State ABE Grant 12-13	(16,849)	16,849	-	-	-	-	-	-	-
State - Adult 13-14	-	50,615	51,948	-	(1,333)	18,593	17,260	-	-
State - Adult 14-15	-	-	-	-	-	39,203	39,928	-	(725)
Education Collaboration FEC08-835	572	-	-	-	572	-	-	-	572
Printing and Binding	144	-	-	-	144	-	-	-	144
Kids in Need Foundation 12-13	1	-	-	-	1	-	-	-	1
Twin Cities Education Foundation Youth Employment Program	977	-	-	-	977	-	-	-	977
Cultural Arts	-	-	-	-	-	10,000	10,000	-	-
FEC - General Operations	-	-	-	-	-	11,100	6,600	-	4,500
David Yomtoob	-	-	-	-	-	1,000	-	-	1,000
Special Olympics	10,541	13,928	21,011	-	3,458	27,497	11,842	-	19,113
Rally	4,517	1,580	1,581	-	4,516	1,900	2,904	-	3,512
Parent University	213	-	-	-	213	-	-	-	213
Vision Athena Grant	1,958	-	-	-	1,958	-	-	-	1,958
Arcelormittal - Project Lead the Way 2009	25,014	-	-	-	25,014	-	-	-	25,014
IUN Urban Teacher Education Program Grant	46,605	-	-	-	46,605	-	-	-	46,605
Oral Health Survey	-	100	-	(100)	-	-	-	-	-
MHS Health and Enrollment Fair Sponsorship	510	-	-	-	510	-	-	-	510
Tobacco Survey Central	-	-	-	-	-	250	-	(250)	-
High Ability - Bldg. Blocks	-	7,252	14,992	-	(7,740)	7,740	-	-	-
Education Technology	509,122	802,029	725,635	(435,175)	150,341	476,987	409,131	-	218,197
High Ability 12-13	14,031	-	14,031	-	-	-	-	-	-
High Ability 13-14	-	44,193	26,844	-	17,349	-	17,349	-	-
High Ability 14-15	-	-	-	-	-	44,587	27,604	-	16,983
Medicaid Reimbursement	190,919	44,620	-	-	235,539	30,698	-	-	266,237
Minority Awareness	950	-	-	-	950	-	-	-	950
Harcourt Testing Donation	1,686	-	-	-	1,686	-	-	-	1,686
Non-English Speaking 12-13	16,175	-	16,175	-	-	-	-	-	-

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

SCHOOL CITY OF EAST CHICAGO
STATEMENT OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Years Ended June 30, 2014 and 2015
(Continued)

Fund	Cash and Investments 07-01-13	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-14	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-15
Non-English Speaking 13-14	-	64,180	51,455	-	12,725	-	12,725	-	-
Non-English Speaking 14-15	-	-	-	-	-	65,684	46,711	-	18,973
21st Century Scholars	-	433,049	433,049	-	-	-	-	-	-
Adult Basic Education - Workone	532	-	-	-	532	-	100	(90)	342
Medical Insurance	803,275	5,252,179	4,966,109	(851,781)	237,564	5,696,087	5,689,134	-	244,517
Worker's Comp	-	236,345	236,345	-	-	308,618	308,618	-	-
GED	323	3,316	1,038	(1,992)	609	1,636	580	(1,459)	206
Title I LEA/SCH. Block Middle School	-	-	-	-	-	11,000	11,000	-	-
Title I Basic Grant 12-13	(114,189)	540,382	426,193	-	-	-	-	-	-
Title I - NCLB 13-14	-	2,603,759	2,891,695	(5,757)	(293,693)	927,018	627,381	(5,944)	-
Title I - NCLB 14-15	-	-	-	-	-	2,549,849	3,050,668	(4,702)	(505,521)
Title I LEA/SCH. Franklin	-	28,113	30,459	-	(2,346)	12,150	9,804	-	-
Spec. Education 10-12	-	5,140	5,140	-	-	-	-	-	-
IDEA 11-13	(21,166)	124,844	103,678	-	-	-	-	-	-
IDEA 12-14	(66,727)	285,636	229,232	-	(10,323)	215,124	204,801	-	-
Spec. Education 13-15	-	670,226	708,585	-	(38,359)	277,649	423,546	-	(184,256)
Spec. Education 14-16	-	-	-	-	-	686,185	797,897	-	(111,712)
Spec. Ed. Technical	-	4,277	6,476	-	(2,199)	2,541	342	-	-
Preschool 12-14	(419)	7,458	7,378	-	(339)	537	198	-	-
Preschool 13-15	-	42,616	45,215	-	(2,599)	6,616	4,017	-	-
Preschool 14-16	-	-	-	-	-	25,274	28,400	-	(3,126)
Adult Education 12-13	(9,090)	11,766	2,676	-	-	-	-	-	-
Adult Education 13-14	-	494	5,534	-	(5,040)	7,710	2,670	-	-
Adult Education 14-15	-	-	-	-	-	2,897	15,622	-	(12,725)
Empowerment Zone	296	-	-	-	296	-	-	-	296
Vocational and Technical Education Grant 12-13	(24,475)	57,485	33,010	-	-	-	-	-	-
Carl Perkins 13-14	-	131,093	134,213	-	(3,120)	28,847	25,727	-	-
Carl Perkins 14-15	-	-	-	-	-	120,523	135,881	-	(15,358)
Diesel Emissions Reduction Act	10,491	-	-	-	10,491	-	-	-	10,491
Medicaid Reimbursement - Federal	191,984	123,077	110,220	-	204,841	84,664	52,662	-	236,843
School to Work Development Act	2,214	-	-	-	2,214	-	-	-	2,214
Title II - Part A FY 11-13	(11,314)	77,295	65,981	-	-	-	-	-	-
Title II - Part A FY 12-14	(3,088)	267,243	271,472	-	(7,317)	166,172	158,855	-	-
Title II Part A, Improving Teacher Quality 13-15	-	20,339	26,667	-	(6,328)	217,245	240,221	-	(29,304)
Title II Part A, Improving Teacher Quality 14-16	-	-	-	-	-	-	1,564	-	(1,564)
Title III Part A 11-13	-	1,833	1,833	-	-	-	-	-	-
Title III Language Instruction 12-14	(1,395)	15,269	13,874	-	-	6,832	6,832	-	-
Title III Part A 13-15	-	79,223	80,006	-	(783)	26,472	25,689	-	-
Title III Part A 14-16	-	-	-	-	-	67,634	70,225	-	(2,591)
Health Clinic 12-13	(11,137)	32,373	21,236	-	-	-	-	-	-
Health Clinic C.L.A.S.S. 13-14	-	49,187	63,274	-	(14,087)	33,563	19,476	-	-
Health Clinic C.L.A.S.S. 14-15	-	-	-	-	-	40,650	57,558	-	(16,908)
United Way Summer Enrichment Grant	6,271	4,801	6,982	-	4,090	10,337	12,607	-	1,820
Withholdings	15,754	11,053,737	11,053,229	-	16,262	9,920,848	9,921,218	-	15,892
Workers Compensation	62,526	14,802	-	-	77,328	2,178	-	(77,275)	2,231
Flex Trust	-	5,431	3,327	-	2,104	3,213	3,156	-	2,161
Totals	\$ 8,488,004	\$ 84,070,610	\$ 84,891,316	\$ (101)	\$ 7,667,197	\$ 77,234,896	\$ 77,010,742	\$ 9,522,476	\$ 17,413,827

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

SCHOOL CITY OF EAST CHICAGO
NOTES TO FINANCIAL STATEMENT

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

The accompanying financial statement presents the financial information for the School Corporation.

B. Basis of Accounting

The financial statement is reported on a regulatory basis of accounting prescribed by the Indiana State Board of Accounts in accordance with state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The basis of accounting involves the reporting of only cash and investments and the changes therein resulting from cash inflows (receipts) and cash outflows (disbursements) reported in the period in which they occurred.

The regulatory basis of accounting differs from accounting principles generally accepted in the United States of America, in that receipts are recognized when received in cash, rather than when earned, and disbursements are recognized when paid, rather than when a liability is incurred.

C. Cash and Investments

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

D. Receipts

Receipts are presented in the aggregate on the face of the financial statement. The aggregate receipts include the following sources:

Local sources. Amounts received from taxes, revenue from local governmental units other than school corporations, transfer tuition, transportation fees, investment income, food services, School Corporation activities, revenue from community service activities, and other revenue from local sources.

Intermediate sources. Amounts received as distributions from the County for fees collected for or on behalf of the School Corporation including, but not limited to, the following: educational license plate fees, congressional interest, riverboat distributions, and other similar fees.

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

State sources. Amounts received as distributions from the State of Indiana that are to be used by the School Corporation for various purposes, including, but not limited to, the following: unrestricted grants, restricted grants, revenue in lieu of taxes, and revenue for or on behalf of the School Corporation.

Federal sources. Amounts received as distributions from the federal government that are to be used by the School Corporation for various purposes, including, but not limited to, the following: unrestricted grants, restricted grants, revenue in lieu of taxes, and revenue for or on behalf of the School Corporation.

Interfund loans. Amounts temporarily transferred from one fund to a depleted fund for use in paying current operating expenses. Such advancement shall not be made for a period extending beyond the budget year.

Other receipts. Amounts received from various sources, including, but not limited to, the following: return of petty cash, return of cash change, insurance claims for losses, sale of securities, and other receipts not listed in another category above.

E. Disbursements

Disbursements are presented in the aggregate on the face of the financial statement. The aggregate disbursements include the following uses:

Instruction. Amounts disbursed for regular programs, special programs, adult and continuing education programs, summer school programs, enrichment programs, remediation, and payments to other governmental units.

Support services. Amounts disbursed for support services related to students, instruction, general administration, school administration, outflows for central services, operation and maintenance of plant services, and student transportation.

Noninstructional services. Amounts disbursed for food service operations and community service operations.

Facilities acquisition and construction. Amounts disbursed for the acquisition, development, construction, and improvement of new and existing facilities.

Debt services. Amounts disbursed for fixed obligations resulting from financial transactions previously entered into by the School Corporation, including: all expenditures for the reduction of the principal and interest of the School Corporation's general obligation indebtedness.

Nonprogrammed charges. Amounts disbursed for donations to foundations, securities purchased, indirect costs, scholarships, and self-insurance payments.

Interfund loans. Amounts temporarily transferred from one fund to a depleted fund for use in paying current operating expenses. Such advancement shall not be made for a period extending beyond the budget year.

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

F. Other Financing Sources and Uses

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

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

Transfers in. Amounts received by one fund as a result of transferring money from another fund. The transfers are used for cash flow purposes as provided by various statutory provisions.

Transfers out. Amounts paid by one fund to another fund. The transfers are used for cash flow purposes as provided by various statutory provisions.

G. Fund Accounting

Separate funds are established, maintained, and reported by the School Corporation. Each fund is used to account for amounts received from and used for specific sources and uses as determined by various regulations. Restrictions on some funds are set by statute while other funds are internally restricted by the School Corporation. The amounts accounted for in a specific fund may only be available for use for certain, legally-restricted purposes. Additionally, some funds are used to account for assets held by the School Corporation in a trustee capacity as an agent of individuals, private organizations, other funds, or other governmental units and, therefore, the funds cannot be used for any expenditures of the unit itself.

Note 2. Budgets

The operating budget is initially prepared and approved at the local level. The fiscal officer of the School Corporation submits a proposed operating budget to the governing board for the following calendar year. The budget is advertised as required by law. Prior to adopting the budget, the governing board conducts public hearings and obtains taxpayer comments. Prior to November 1, the governing board approves the budget for the next year. The budget for funds for which property taxes are levied or highway use taxes are received is subject to final approval by the Indiana Department of Local Government Finance.

Note 3. Property Taxes

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

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

Note 4. Deposits and Investments

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

State statutes authorize the School Corporation to invest in securities including, but not limited to, the following: federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

Note 5. Risk Management

The School Corporation may be exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job-related illnesses or injuries to employees; medical benefits to employees, retirees, and dependents; and natural disasters.

These risks can be mitigated through the purchase of insurance, establishment of a self-insurance fund, and/or participation in a risk pool. The purchase of insurance transfers the risk to an independent third-party. The establishment of a self-insurance fund allows the School Corporation to set aside money for claim settlements. The self-insurance fund would be included in the financial statement. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks.

Note 6. Pension Plans

A. Public Employees' Retirement Fund

Plan Description

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

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

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

Indiana Public Retirement System
One North Capitol, Suite 001
Indianapolis, IN 46204
Ph. (888) 526-1687

Funding Policy and Annual Pension Cost

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

B. Teachers' Retirement Fund

Plan Description

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

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

Indiana Public Retirement System
One North Capitol, Suite 001
Indianapolis, IN 46204
Ph. (888) 286-3544

Funding Policy and Annual Pension Cost

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

Note 7. Cash Balance Deficits

The financial statement contains some funds with deficits in cash. This is largely the result of funds that are set up for reimbursable grants. The General fund is negative due to expenditures exceeding revenues.

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

Note 8. Holding Corporations

The School Corporation has entered into various capital leases with the East Chicago Elementary School Building Corporation and the East Chicago Multi-School Building Corporation. The lessors were organized as not-for-profit corporations pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. The lessors have been determined to be related-parties of the School Corporation. Lease payments during the years ended June 30, 2014 and 2015, totaled \$5,305,000 and \$2,652,125, respectively.

Note 9. Restatements

For the year ended June 30, 2014, certain changes have been made to the beginning cash and investment balance of the Medical Insurance fund of the financial statement to more appropriately reflect financial activity of the School Corporation. The following schedule presents a summary of restated beginning cash and investment balances:

Fund	Balance as of June 30, 2013	Prior Period Adjustment	Balance as of July 1, 2013
Medical Insurance	\$ 1,020,737	\$ (217,462)	\$ 803,275

Note 10. Other Postemployment Benefits

The School Corporation provides to eligible retirees and their spouses the following benefits: 401(A) annuity plan and Veba healthcare reimbursement. These benefits pose a liability to the School Corporation for this year and in future years. Information regarding the benefits can be obtained by contacting the School Corporation.

Note 11. Subsequent Events

The City of East Chicago has a lead problem that the EPA is working on, by doing an abatement of one of our public housing areas. This housing area had approximately 600 of our students in it that attend our schools. The residents were relocated and received housing vouchers. Our school district will be financially impacted due to the relocation of the residents in the upcoming years. The district was forced to close Carrie Gosch School due the safety of our students. Carrie Gosch School was relocated to the closed middle school facility and some renovations had to be completed in a short period of time. We are still obligated to make bond payments and still keep the up keep on the prior Carrie Gosch building. Our ADM counts in February 2017 had decreased by 417 students. With the reduction in ADM, our district will lose over \$5 million dollars. This will not only effect state funding but also federal funding. We as a district, could not have anticipated this and do not have any excess funds to cover this short fall. We are seeking legislative relief to keep our district viable.

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OTHER INFORMATION - UNAUDITED

The School Corporation's Financial Reports can be found on the Indiana Department of Education website: <http://www.doe.in.gov/finance/school-financial-reports>. This website is maintained by the Indiana Department of Education. More current financial information is available from the School Corporation Treasurer's office. Additionally, some financial information of the School Corporation can be found on the Gateway website: <https://gateway.ifionline.org/>.

Differences may be noted between the financial information presented in the financial statement contained in this report and the financial information presented in the School Corporation's Financial Reports referenced above. These differences, if any, are due to adjustments made to the financial information during the course of the audit. This is a common occurrence in any financial statement audit. The financial information presented in this report is audited information, and the accuracy of such information can be determined by reading the opinion given in the Independent Auditor's Report.

The other information presented was approved by management of the School Corporation. It is presented as intended by the School Corporation.

SCHOOL CITY OF EAST CHICAGO
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2014

	General	Debt Service	Exempt Debt	Exempt Retirement/ Severance Bond Debt Service	Capital Projects	School Transportation	School Bus Replacement	Retirement/ Severance Bond
Cash and investments - beginning	\$ (1,680,807)	\$ (13,954)	\$ 578,693	\$ 241,541	\$ 175,524	\$ 287,567	\$ 42,733	\$ 20,257
Receipts:								
Local sources	1,793,440	1,489,817	7,089,852	366,032	2,850,519	2,820,795	122,778	-
Intermediate sources	152,665	-	-	-	-	-	-	-
State sources	37,246,413	-	-	-	-	-	-	-
Federal sources	18,413	-	-	-	-	-	-	-
Interfund loans	3,000,000	-	-	-	-	-	-	-
Other receipts	93,423	-	-	-	-	2,894	-	-
Total receipts	<u>42,304,354</u>	<u>1,489,817</u>	<u>7,089,852</u>	<u>366,032</u>	<u>2,850,519</u>	<u>2,823,689</u>	<u>122,778</u>	<u>-</u>
Disbursements:								
Current:								
Instruction	23,137,115	-	-	-	-	-	-	-
Support services	19,680,697	-	-	-	1,881,757	2,276,864	-	-
Noninstructional services	242,971	-	-	-	-	-	-	-
Facilities acquisition and construction	86,699	-	-	-	16,890	-	-	-
Debt services	-	426,300	5,977,000	389,299	-	-	-	-
Nonprogrammed charges	(13,672)	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-
Total disbursements	<u>43,133,810</u>	<u>426,300</u>	<u>5,977,000</u>	<u>389,299</u>	<u>1,898,647</u>	<u>2,276,864</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>(829,456)</u>	<u>1,063,517</u>	<u>1,112,852</u>	<u>(23,267)</u>	<u>951,872</u>	<u>546,825</u>	<u>122,778</u>	<u>-</u>
Other financing sources (uses):								
Transfers in	1,288,947	-	-	-	-	5,757	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>1,288,947</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,757</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>459,491</u>	<u>1,063,517</u>	<u>1,112,852</u>	<u>(23,267)</u>	<u>951,872</u>	<u>552,582</u>	<u>122,778</u>	<u>-</u>
Cash and investments - ending	<u>\$ (1,221,316)</u>	<u>\$ 1,049,563</u>	<u>\$ 1,691,545</u>	<u>\$ 218,274</u>	<u>\$ 1,127,396</u>	<u>\$ 840,149</u>	<u>\$ 165,511</u>	<u>\$ 20,257</u>

SCHOOL CITY OF EAST CHICAGO
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2014
 (Continued)

	Post- Retirement/ Severance Future Benefits	Lincoln Bond/ Building Corporation Proceeds	Central High School Building Corp	School Lunch	Textbook Rental	Repair and Replacement	Self- Insurance	Dropout Prevention & Alternative Education
Cash and investments - beginning	\$ 1,329,441	\$ 495,283	\$ -	\$ 368,868	\$ 866,599	\$ 1,063,359	\$ 3,012,252	\$ (3,229)
Receipts:								
Local sources	-	866	162,395	108,281	3,559	6,000	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	-	-	3,186	329,861	-	-	37,526
Federal sources	-	-	-	3,135,466	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	2,440	-	-	1,355
Total receipts	-	866	162,395	3,246,933	335,860	6,000	-	38,881
Disbursements:								
Current:								
Instruction	-	-	-	-	-	-	-	30,091
Support services	-	-	-	538	-	368,124	-	-
Noninstructional services	-	-	-	3,613,231	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	865,309	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	3,000,000	-
Total disbursements	-	-	-	3,613,769	865,309	368,124	3,000,000	30,091
Excess (deficiency) of receipts over disbursements	-	866	162,395	(366,836)	(529,449)	(362,124)	(3,000,000)	8,790
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	-	866	162,395	(366,836)	(529,449)	(362,124)	(3,000,000)	8,790
Cash and investments - ending	\$ 1,329,441	\$ 496,149	\$ 162,395	\$ 2,032	\$ 337,150	\$ 701,235	\$ 12,252	\$ 5,561

SCHOOL CITY OF EAST CHICAGO
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2014
 (Continued)

	Back Packs	Scholarship	Youth Inv Award	School Improvement	Commission	State ABE Grant 12-13	State - Adult 13-14	State - Adult 14-15
Cash and investments - beginning	\$ 7,440	\$ 6,000	\$ 1,276	\$ 51,409	\$ -	\$ (16,849)	\$ -	\$ -
Receipts:								
Local sources	2,500	2,000	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	16,849	50,615	-
Federal sources	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-
Total receipts	<u>2,500</u>	<u>2,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,849</u>	<u>50,615</u>	<u>-</u>
Disbursements:								
Current:								
Instruction	-	-	-	1,050	-	-	51,948	-
Support services	-	-	134	3,121	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-
Total disbursements	<u>-</u>	<u>-</u>	<u>134</u>	<u>4,171</u>	<u>-</u>	<u>-</u>	<u>51,948</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>2,500</u>	<u>2,000</u>	<u>(134)</u>	<u>(4,171)</u>	<u>-</u>	<u>16,849</u>	<u>(1,333)</u>	<u>-</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>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>2,500</u>	<u>2,000</u>	<u>(134)</u>	<u>(4,171)</u>	<u>-</u>	<u>16,849</u>	<u>(1,333)</u>	<u>-</u>
Cash and investments - ending	<u>\$ 9,940</u>	<u>\$ 8,000</u>	<u>\$ 1,142</u>	<u>\$ 47,238</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,333)</u>	<u>\$ -</u>

SCHOOL CITY OF EAST CHICAGO
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2014
 (Continued)

	Education Collaboration FEC08-835	Printing and Binding	Kids in Need Foundation 12-13	Twin Cities Education Foundation Youth Employment Program	Cultural Arts	FEC - General Operations	David Yomtoob	Special Olympics
Cash and investments - beginning	\$ 572	\$ 144	\$ 1	\$ 977	\$ -	\$ -	\$ -	\$ 10,541
Receipts:								
Local sources	-	-	-	-	-	-	-	13,928
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-
Total receipts	-	-	-	-	-	-	-	13,928
Disbursements:								
Current:								
Instruction	-	-	-	-	-	-	-	9,353
Support services	-	-	-	-	-	-	-	11,658
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-
Total disbursements	-	-	-	-	-	-	-	21,011
Excess (deficiency) of receipts over disbursements	-	-	-	-	-	-	-	(7,083)
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	-	-	-	-	-	-	-	(7,083)
Cash and investments - ending	\$ 572	\$ 144	\$ 1	\$ 977	\$ -	\$ -	\$ -	\$ 3,458

SCHOOL CITY OF EAST CHICAGO
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2014
 (Continued)

	Rally	Parent University	Vision Athena Grant	Arcelomittal - Project Lead the Way 2009	IUN Urban Teacher Education Program Grant	Oral Health Survey	MHS Health and Enrollment Fair Sponsorship	Tobacco Survey Central
Cash and investments - beginning	\$ 4,517	\$ 213	\$ 1,958	\$ 25,014	\$ 46,605	\$ -	\$ 510	\$ -
Receipts:								
Local sources	1,580	-	-	-	-	100	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-
Total receipts	1,580	-	-	-	-	100	-	-
Disbursements:								
Current:								
Instruction	-	-	-	-	-	-	-	-
Support services	-	-	-	-	-	-	-	-
Noninstructional services	1,581	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-
Total disbursements	1,581	-	-	-	-	-	-	-
Excess (deficiency) of receipts over disbursements	(1)	-	-	-	-	100	-	-
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	(100)	-	-
Total other financing sources (uses)	-	-	-	-	-	(100)	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(1)	-	-	-	-	-	-	-
Cash and investments - ending	\$ 4,516	\$ 213	\$ 1,958	\$ 25,014	\$ 46,605	\$ -	\$ 510	\$ -

SCHOOL CITY OF EAST CHICAGO
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2014
 (Continued)

	High Ability - Bldg. Blocks	Education Technology	High Ability 12-13	High Ability 13-14	High Ability 14-15	Medicaid Reimbursement	Minority Awareness	Harcourt Testing Donation
Cash and investments - beginning	\$ -	\$ 509,122	\$ 14,031	\$ -	\$ -	\$ 190,919	\$ 950	\$ 1,686
Receipts:								
Local sources	-	802,029	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	7,252	-	-	44,193	-	44,620	-	-
Federal sources	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-
Total receipts	<u>7,252</u>	<u>802,029</u>	<u>-</u>	<u>44,193</u>	<u>-</u>	<u>44,620</u>	<u>-</u>	<u>-</u>
Disbursements:								
Current:								
Instruction	14,992	-	13,732	26,844	-	-	-	-
Support services	-	725,635	299	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-
Total disbursements	<u>14,992</u>	<u>725,635</u>	<u>14,031</u>	<u>26,844</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>(7,740)</u>	<u>76,394</u>	<u>(14,031)</u>	<u>17,349</u>	<u>-</u>	<u>44,620</u>	<u>-</u>	<u>-</u>
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	(435,175)	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>(435,175)</u>	<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>(7,740)</u>	<u>(358,781)</u>	<u>(14,031)</u>	<u>17,349</u>	<u>-</u>	<u>44,620</u>	<u>-</u>	<u>-</u>
Cash and investments - ending	<u>\$ (7,740)</u>	<u>\$ 150,341</u>	<u>\$ -</u>	<u>\$ 17,349</u>	<u>\$ -</u>	<u>\$ 235,539</u>	<u>\$ 950</u>	<u>\$ 1,686</u>

SCHOOL CITY OF EAST CHICAGO
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2014
 (Continued)

	Non-English Speaking 12-13	Non-English Speaking 13-14	Non-English Speaking 14-15	21st Century Scholars	Adult Basic Education - Workone	Medical Insurance	Worker's Comp	GED
Cash and investments - beginning	\$ 16,175	\$ -	\$ -	\$ -	\$ 532	\$ 803,275	\$ -	\$ 323
Receipts:								
Local sources	-	-	-	-	-	5,235,194	236,345	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	64,180	-	433,049	-	-	-	3,316
Federal sources	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	16,985	-	-
Total receipts	-	64,180	-	433,049	-	5,252,179	236,345	3,316
Disbursements:								
Current:								
Instruction	7,707	40,737	-	-	-	-	-	1,038
Support services	8,468	10,718	-	433,049	-	4,966,109	236,345	-
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-
Total disbursements	16,175	51,455	-	433,049	-	4,966,109	236,345	1,038
Excess (deficiency) of receipts over disbursements	(16,175)	12,725	-	-	-	286,070	-	2,278
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	(851,781)	-	(1,992)
Total other financing sources (uses)	-	-	-	-	-	(851,781)	-	(1,992)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(16,175)	12,725	-	-	-	(565,711)	-	286
Cash and investments - ending	\$ -	\$ 12,725	\$ -	\$ -	\$ 532	\$ 237,564	\$ -	\$ 609

SCHOOL CITY OF EAST CHICAGO
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2014
 (Continued)

	Title I LEA/SCH. Block Middle School	Title I Basic Grant 12-13	Title I - NCLB 13-14	Title I - NCLB 14-15	Title I LEA/SCH. Franklin	Spec. Education 10-12	IDEA 11-13	IDEA 12-14
Cash and investments - beginning	\$ -	\$ (114,189)	\$ -	\$ -	\$ -	\$ -	\$ (21,166)	\$ (66,727)
Receipts:								
Local sources	-	-	-	-	-	5,140	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-
Federal sources	-	540,382	2,603,483	-	28,113	-	124,844	285,636
Interfund loans	-	-	-	-	-	-	-	-
Other receipts	-	-	276	-	-	-	-	-
Total receipts	-	540,382	2,603,759	-	28,113	5,140	124,844	285,636
Disbursements:								
Current:								
Instruction	-	193,823	1,922,037	-	25,201	-	100,351	171,251
Support services	-	218,472	831,615	-	5,258	5,140	3,327	57,981
Noninstructional services	-	13,898	138,043	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-
Total disbursements	-	426,193	2,891,695	-	30,459	5,140	103,678	229,232
Excess (deficiency) of receipts over disbursements	-	114,189	(287,936)	-	(2,346)	-	21,166	56,404
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	(5,757)	-	-	-	-	-
Total other financing sources (uses)	-	-	(5,757)	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	114,189	(293,693)	-	(2,346)	-	21,166	56,404
Cash and investments - ending	\$ -	\$ -	\$ (293,693)	\$ -	\$ (2,346)	\$ -	\$ -	\$ (10,323)

SCHOOL CITY OF EAST CHICAGO
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2014
 (Continued)

	Spec. Education 13-15	Spec. Education 14-16	Spec. Ed. Technical	Preschool 12-14	Preschool 13-15	Preschool 14-16	Adult Education 12-13	Adult Education 13-14
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ (419)	\$ -	\$ -	\$ (9,090)	\$ -
Receipts:								
Local sources	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-
Federal sources	670,226	-	4,277	7,458	42,616	-	11,766	494
Interfund loans	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-
Total receipts	<u>670,226</u>	<u>-</u>	<u>4,277</u>	<u>7,458</u>	<u>42,616</u>	<u>-</u>	<u>11,766</u>	<u>494</u>
Disbursements:								
Current:								
Instruction	561,865	-	-	7,378	45,215	-	2,676	5,534
Support services	146,720	-	6,476	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-
Total disbursements	<u>708,585</u>	<u>-</u>	<u>6,476</u>	<u>7,378</u>	<u>45,215</u>	<u>-</u>	<u>2,676</u>	<u>5,534</u>
Excess (deficiency) of receipts over disbursements	<u>(38,359)</u>	<u>-</u>	<u>(2,199)</u>	<u>80</u>	<u>(2,599)</u>	<u>-</u>	<u>9,090</u>	<u>(5,040)</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>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(38,359)</u>	<u>-</u>	<u>(2,199)</u>	<u>80</u>	<u>(2,599)</u>	<u>-</u>	<u>9,090</u>	<u>(5,040)</u>
Cash and investments - ending	<u>\$ (38,359)</u>	<u>\$ -</u>	<u>\$ (2,199)</u>	<u>\$ (339)</u>	<u>\$ (2,599)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (5,040)</u>

SCHOOL CITY OF EAST CHICAGO
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2014
 (Continued)

	Adult Education 14-15	Empowerment Zone	Vocational and Technical Education Grant 12-13	Carl Perkins 13-14	Carl Perkins 14-15	Diesel Emissions Reduction Act	Medicaid Reimbursement - Federal	School to Work Development Act
Cash and investments - beginning	\$ -	\$ 296	\$ (24,475)	\$ -	\$ -	\$ 10,491	\$ 191,984	\$ 2,214
Receipts:								
Local sources	-	-	19	-	-	-	15	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-
Federal sources	-	-	57,466	130,721	-	-	123,062	-
Interfund loans	-	-	-	-	-	-	-	-
Other receipts	-	-	-	372	-	-	-	-
Total receipts	-	-	57,485	131,093	-	-	123,077	-
Disbursements:								
Current:								
Instruction	-	-	32,683	125,937	-	-	29,205	-
Support services	-	-	327	-	-	-	81,015	-
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	8,276	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-
Total disbursements	-	-	33,010	134,213	-	-	110,220	-
Excess (deficiency) of receipts over disbursements	-	-	24,475	(3,120)	-	-	12,857	-
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	-	-	24,475	(3,120)	-	-	12,857	-
Cash and investments - ending	\$ -	\$ 296	\$ -	\$ (3,120)	\$ -	\$ 10,491	\$ 204,841	\$ 2,214

SCHOOL CITY OF EAST CHICAGO
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2014
 (Continued)

	Title II - Part A FY 11-13	Title II - Part A FY 12-14	Title II Part A, Improving Teacher Quality 13-15	Title II Part A, Improving Teacher Quality 14-16	Title III Part A 11-13	Title III Language Instruction 12-14	Title III Part A 13-15	Title III Part A 14-16
Cash and investments - beginning	\$ (11,314)	\$ (3,088)	\$ -	\$ -	\$ -	\$ (1,395)	\$ -	\$ -
Receipts:								
Local sources	336	589	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-
Federal sources	76,609	266,304	20,339	-	1,833	15,269	79,223	-
Interfund loans	-	-	-	-	-	-	-	-
Other receipts	350	350	-	-	-	-	-	-
Total receipts	77,295	267,243	20,339	-	1,833	15,269	79,223	-
Disbursements:								
Current:								
Instruction	-	102,708	10,485	-	-	11,540	77,922	-
Support services	65,981	168,764	16,182	-	1,833	135	2,084	-
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	2,199	-	-
Interfund loans	-	-	-	-	-	-	-	-
Total disbursements	65,981	271,472	26,667	-	1,833	13,874	80,006	-
Excess (deficiency) of receipts over disbursements	11,314	(4,229)	(6,328)	-	-	1,395	(783)	-
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	11,314	(4,229)	(6,328)	-	-	1,395	(783)	-
Cash and investments - ending	\$ -	\$ (7,317)	\$ (6,328)	\$ -	\$ -	\$ -	\$ (783)	\$ -

SCHOOL CITY OF EAST CHICAGO
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2014
 (Continued)

	Health Clinic 12-13	Health Clinic C.L.A.S.S. 13-14	Health Clinic C.L.A.S.S. 14-15	United Way Summer Enrichment Grant	Withholdings	Workers Compensation	Flex Trust	Totals
Cash and investments - beginning	\$ (11,137)	\$ -	\$ -	\$ 6,271	\$ 15,754	\$ 62,526	\$ -	\$ 8,488,004
Receipts:								
Local sources	-	-	-	4,801	-	14,802	-	23,133,712
Intermediate sources	-	-	-	-	-	-	-	152,665
State sources	-	-	-	-	-	-	-	38,281,060
Federal sources	32,373	49,187	-	-	-	-	-	8,325,560
Interfund loans	-	-	-	-	-	-	-	3,000,000
Other receipts	-	-	-	-	11,053,737	-	5,431	11,177,613
Total receipts	<u>32,373</u>	<u>49,187</u>	<u>-</u>	<u>4,801</u>	<u>11,053,737</u>	<u>14,802</u>	<u>5,431</u>	<u>84,070,610</u>
Disbursements:								
Current:								
Instruction	-	-	-	6,982	-	-	-	26,767,400
Support services	21,236	63,274	-	-	-	-	-	32,299,336
Noninstructional services	-	-	-	-	-	-	-	4,009,724
Facilities acquisition and construction	-	-	-	-	-	-	-	103,589
Debt services	-	-	-	-	-	-	-	7,657,908
Nonprogrammed charges	-	-	-	-	11,053,229	-	3,327	11,053,359
Interfund loans	-	-	-	-	-	-	-	3,000,000
Total disbursements	<u>21,236</u>	<u>63,274</u>	<u>-</u>	<u>6,982</u>	<u>11,053,229</u>	<u>-</u>	<u>3,327</u>	<u>84,891,316</u>
Excess (deficiency) of receipts over disbursements	<u>11,137</u>	<u>(14,087)</u>	<u>-</u>	<u>(2,181)</u>	<u>508</u>	<u>14,802</u>	<u>2,104</u>	<u>(820,706)</u>
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	-	1,294,704
Transfers out	-	-	-	-	-	-	-	(1,294,805)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(101)</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>11,137</u>	<u>(14,087)</u>	<u>-</u>	<u>(2,181)</u>	<u>508</u>	<u>14,802</u>	<u>2,104</u>	<u>(820,807)</u>
Cash and investments - ending	\$ -	\$ (14,087)	\$ -	\$ 4,090	\$ 16,262	\$ 77,328	\$ 2,104	\$ 7,667,197

SCHOOL CITY OF EAST CHICAGO
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2015

	General	Debt Service	Exempt Debt	Exempt Retirement/ Severance Bond Debt Service	Capital Projects	School Transportation	School Bus Replacement	Retirement/ Severance Bond
Cash and investments - beginning	\$ (1,221,316)	\$ 1,049,563	\$ 1,691,545	\$ 218,274	\$ 1,127,396	\$ 840,149	\$ 165,511	\$ 20,257
Receipts:								
Local sources	1,874,761	1,323,898	4,790,930	324,390	2,807,277	2,999,616	180,567	-
Intermediate sources	177,476	-	-	-	-	-	-	-
State sources	36,234,917	-	-	-	-	-	-	-
Federal sources	24,297	-	-	-	-	-	-	-
Other receipts	84,677	-	-	-	-	-	-	-
Total receipts	<u>38,396,128</u>	<u>1,323,898</u>	<u>4,790,930</u>	<u>324,390</u>	<u>2,807,277</u>	<u>2,999,616</u>	<u>180,567</u>	<u>-</u>
Disbursements:								
Current:								
Instruction	20,159,617	-	-	-	-	-	-	-
Support services	19,636,362	-	-	-	1,498,150	2,088,653	150,717	-
Noninstructional services	249,635	-	-	-	-	-	-	-
Facilities acquisition and construction	65,913	-	-	-	186,724	317,500	-	-
Debt services	-	378,000	4,571,000	196,703	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	<u>40,111,527</u>	<u>378,000</u>	<u>4,571,000</u>	<u>196,703</u>	<u>1,684,874</u>	<u>2,406,153</u>	<u>150,717</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>(1,715,399)</u>	<u>945,898</u>	<u>219,930</u>	<u>127,687</u>	<u>1,122,403</u>	<u>593,463</u>	<u>29,850</u>	<u>-</u>
Other financing sources (uses):								
Sale of capital assets	9,600,000	-	-	-	-	-	-	-
Transfers in	1,549	-	-	-	-	10,647	-	-
Transfers out	<u>(3,000,000)</u>	<u>(761,044)</u>	<u>-</u>	<u>-</u>	<u>(900,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>6,601,549</u>	<u>(761,044)</u>	<u>-</u>	<u>-</u>	<u>(900,000)</u>	<u>10,647</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>4,886,150</u>	<u>184,854</u>	<u>219,930</u>	<u>127,687</u>	<u>222,403</u>	<u>604,110</u>	<u>29,850</u>	<u>-</u>
Cash and investments - ending	<u>\$ 3,664,834</u>	<u>\$ 1,234,417</u>	<u>\$ 1,911,475</u>	<u>\$ 345,961</u>	<u>\$ 1,349,799</u>	<u>\$ 1,444,259</u>	<u>\$ 195,361</u>	<u>\$ 20,257</u>

SCHOOL CITY OF EAST CHICAGO
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2015
 (Continued)

	Post- Retirement/ Severance Future Benefits	Lincoln Bond/ Building Corporation Proceeds	Central High School Building Corp	School Lunch	Textbook Rental	Repair and Replacement	Self- Insurance	Dropout Prevention & Alternative Education
Cash and investments - beginning	\$ 1,329,441	\$ 496,149	\$ 162,395	\$ 2,032	\$ 337,150	\$ 701,235	\$ 12,252	\$ 5,561
Receipts:								
Local sources	-	867	-	276,281	2,162	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	-	-	4,432	333,352	-	-	6,472
Federal sources	-	-	-	3,587,451	-	-	-	-
Other receipts	-	-	-	-	685	-	-	-
Total receipts	-	867	-	3,868,164	336,199	-	-	6,472
Disbursements:								
Current:								
Instruction	-	5	-	-	-	-	-	1,737
Support services	-	-	32,757	752	208,863	420,374	-	-
Noninstructional services	-	-	-	3,355,575	-	-	-	-
Facilities acquisition and construction	-	-	112,694	-	-	-	-	-
Debt services	-	-	-	-	865,308	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	-	5	145,451	3,356,327	1,074,171	420,374	-	1,737
Excess (deficiency) of receipts over disbursements	-	862	(145,451)	511,837	(737,972)	(420,374)	-	4,735
Other financing sources (uses):								
Sale of capital assets	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	761,044	900,000	3,000,000	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	761,044	900,000	3,000,000	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	862	(145,451)	511,837	23,072	479,626	3,000,000	4,735
Cash and investments - ending	\$ 1,329,441	\$ 497,011	\$ 16,944	\$ 513,869	\$ 360,222	\$ 1,180,861	\$ 3,012,252	\$ 10,296

SCHOOL CITY OF EAST CHICAGO
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2015
 (Continued)

	Back Packs	Scholarship	Youth Inv Award	School Improvement	Commission	State ABE Grant 12-13	State - Adult 13-14	State - Adult 14-15
Cash and investments - beginning	\$ 9,940	\$ 8,000	\$ 1,142	\$ 47,238	\$ -	\$ -	\$ (1,333)	\$ -
Receipts:								
Local sources	-	-	80	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	-	-	-	5,000	-	18,593	39,203
Federal sources	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-
Total receipts	-	-	80	-	5,000	-	18,593	39,203
Disbursements:								
Current:								
Instruction	-	-	-	382	208	-	17,260	39,928
Support services	-	-	1,195	3,415	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	-	-	1,195	3,797	208	-	17,260	39,928
Excess (deficiency) of receipts over disbursements	-	-	(1,115)	(3,797)	4,792	-	1,333	(725)
Other financing sources (uses):								
Sale of capital assets	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	(1,115)	(3,797)	4,792	-	1,333	(725)
Cash and investments - ending	\$ 9,940	\$ 8,000	\$ 27	\$ 43,441	\$ 4,792	\$ -	\$ -	\$ (725)

SCHOOL CITY OF EAST CHICAGO
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2015
 (Continued)

	Education Collaboration FEC08-835	Printing and Binding	Kids in Need Foundation 12-13	Twin Cities Education Foundation Youth Employment Program	Cultural Arts	FEC - General Operations	David Yomtoob	Special Olympics
Cash and investments - beginning	\$ 572	\$ 144	\$ 1	\$ 977	\$ -	\$ -	\$ -	\$ 3,458
Receipts:								
Local sources	-	-	-	-	10,000	11,100	1,000	27,497
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-
Total receipts	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,000</u>	<u>11,100</u>	<u>1,000</u>	<u>27,497</u>
Disbursements:								
Current:								
Instruction	-	-	-	-	10,000	-	-	2,918
Support services	-	-	-	-	-	6,600	-	8,924
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,000</u>	<u>6,600</u>	<u>-</u>	<u>11,842</u>
Excess (deficiency) of receipts over disbursements	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,500</u>	<u>1,000</u>	<u>15,655</u>
Other financing sources (uses):								
Sale of capital assets	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<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>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,500</u>	<u>1,000</u>	<u>15,655</u>
Cash and investments - ending	<u>\$ 572</u>	<u>\$ 144</u>	<u>\$ 1</u>	<u>\$ 977</u>	<u>\$ -</u>	<u>\$ 4,500</u>	<u>\$ 1,000</u>	<u>\$ 19,113</u>

SCHOOL CITY OF EAST CHICAGO
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2015
 (Continued)

	Rally	Parent University	Vision Athena Grant	Arcelomittal - Project Lead the Way 2009	IUN Urban Teacher Education Program Grant	Oral Health Survey	MHS Health and Enrollment Fair Sponsorship	Tobacco Survey Central
Cash and investments - beginning	\$ 4,516	\$ 213	\$ 1,958	\$ 25,014	\$ 46,605	\$ -	\$ 510	\$ -
Receipts:								
Local sources	1,900	-	-	-	-	-	-	250
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-
Total receipts	1,900	-	-	-	-	-	-	250
Disbursements:								
Current:								
Instruction	-	-	-	-	-	-	-	-
Support services	-	-	-	-	-	-	-	-
Noninstructional services	2,904	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	2,904	-	-	-	-	-	-	-
Excess (deficiency) of receipts over disbursements	(1,004)	-	-	-	-	-	-	250
Other financing sources (uses):								
Sale of capital assets	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	(250)
Total other financing sources (uses)	-	-	-	-	-	-	-	(250)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(1,004)	-	-	-	-	-	-	-
Cash and investments - ending	\$ 3,512	\$ 213	\$ 1,958	\$ 25,014	\$ 46,605	\$ -	\$ 510	\$ -

SCHOOL CITY OF EAST CHICAGO
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2015
 (Continued)

	High Ability - Bldg. Blocks	Education Technology	High Ability 12-13	High Ability 13-14	High Ability 14-15	Medicaid Reimbursement	Minority Awareness	Harcourt Testing Donation
Cash and investments - beginning	\$ (7,740)	\$ 150,341	\$ -	\$ 17,349	\$ -	\$ 235,539	\$ 950	\$ 1,686
Receipts:								
Local sources	-	476,987	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	7,740	-	-	-	44,587	30,698	-	-
Federal sources	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-
Total receipts	<u>7,740</u>	<u>476,987</u>	<u>-</u>	<u>-</u>	<u>44,587</u>	<u>30,698</u>	<u>-</u>	<u>-</u>
Disbursements:								
Current:								
Instruction	-	-	-	17,125	27,604	-	-	-
Support services	-	409,131	-	224	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	<u>-</u>	<u>409,131</u>	<u>-</u>	<u>17,349</u>	<u>27,604</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>7,740</u>	<u>67,856</u>	<u>-</u>	<u>(17,349)</u>	<u>16,983</u>	<u>30,698</u>	<u>-</u>	<u>-</u>
Other financing sources (uses):								
Sale of capital assets	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<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>7,740</u>	<u>67,856</u>	<u>-</u>	<u>(17,349)</u>	<u>16,983</u>	<u>30,698</u>	<u>-</u>	<u>-</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ 218,197</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,983</u>	<u>\$ 266,237</u>	<u>\$ 950</u>	<u>\$ 1,686</u>

SCHOOL CITY OF EAST CHICAGO
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2015
 (Continued)

	Non-English Speaking 12-13	Non-English Speaking 13-14	Non-English Speaking 14-15	21st Century Scholars	Adult Basic Education - Workone	Medical Insurance	Worker's Comp	GED
Cash and investments - beginning	\$ -	\$ 12,725	\$ -	\$ -	\$ 532	\$ 237,564	\$ -	\$ 609
Receipts:								
Local sources	-	-	-	-	-	5,691,326	308,618	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	-	65,684	-	-	-	-	1,636
Federal sources	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	4,761	-	-
Total receipts	-	-	65,684	-	-	5,696,087	308,618	1,636
Disbursements:								
Current:								
Instruction	-	8,966	46,475	-	100	-	-	580
Support services	-	3,759	236	-	-	5,689,134	308,618	-
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	-	12,725	46,711	-	100	5,689,134	308,618	580
Excess (deficiency) of receipts over disbursements	-	(12,725)	18,973	-	(100)	6,953	-	1,056
Other financing sources (uses):								
Sale of capital assets	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	90
Transfers out	-	-	-	-	(90)	-	-	(1,549)
Total other financing sources (uses)	-	-	-	-	(90)	-	-	(1,459)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	(12,725)	18,973	-	(190)	6,953	-	(403)
Cash and investments - ending	\$ -	\$ -	\$ 18,973	\$ -	\$ 342	\$ 244,517	\$ -	\$ 206

SCHOOL CITY OF EAST CHICAGO
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2015
 (Continued)

	Title I LEA/SCH. Block Middle School	Title I Basic Grant 12-13	Title I - NCLB 13-14	Title I - NCLB 14-15	Title I LEA/SCH. Franklin	Spec. Education 10-12	IDEA 11-13	IDEA 12-14
Cash and investments - beginning	\$ -	\$ -	\$ (293,693)	\$ -	\$ (2,346)	\$ -	\$ -	\$ (10,323)
Receipts:								
Local sources	-	-	-	124	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-
Federal sources	11,000	-	927,018	2,549,725	12,150	-	-	215,124
Other receipts	-	-	-	-	-	-	-	-
Total receipts	11,000	-	927,018	2,549,849	12,150	-	-	215,124
Disbursements:								
Current:								
Instruction	-	-	357,227	1,951,041	9,804	-	-	195,178
Support services	11,000	-	254,877	957,961	-	-	-	9,623
Noninstructional services	-	-	15,277	141,666	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	11,000	-	627,381	3,050,668	9,804	-	-	204,801
Excess (deficiency) of receipts over disbursements	-	-	299,637	(500,819)	2,346	-	-	10,323
Other financing sources (uses):								
Sale of capital assets	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	(5,944)	(4,702)	-	-	-	-
Total other financing sources (uses)	-	-	(5,944)	(4,702)	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	293,693	(505,521)	2,346	-	-	10,323
Cash and investments - ending	\$ -	\$ -	\$ -	\$ (505,521)	\$ -	\$ -	\$ -	\$ -

SCHOOL CITY OF EAST CHICAGO
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2015
 (Continued)

	Spec. Education 13-15	Spec. Education 14-16	Spec. Ed. Technical	Preschool 12-14	Preschool 13-15	Preschool 14-16	Adult Education 12-13	Adult Education 13-14
Cash and investments - beginning	\$ (38,359)	\$ -	\$ (2,199)	\$ (339)	\$ (2,599)	\$ -	\$ -	\$ (5,040)
Receipts:								
Local sources	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-
Federal sources	277,649	686,185	2,541	537	6,616	25,274	-	7,710
Other receipts	-	-	-	-	-	-	-	-
Total receipts	<u>277,649</u>	<u>686,185</u>	<u>2,541</u>	<u>537</u>	<u>6,616</u>	<u>25,274</u>	<u>-</u>	<u>7,710</u>
Disbursements:								
Current:								
Instruction	347,212	679,296	-	198	4,017	28,400	-	2,670
Support services	76,334	118,601	342	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	<u>423,546</u>	<u>797,897</u>	<u>342</u>	<u>198</u>	<u>4,017</u>	<u>28,400</u>	<u>-</u>	<u>2,670</u>
Excess (deficiency) of receipts over disbursements	<u>(145,897)</u>	<u>(111,712)</u>	<u>2,199</u>	<u>339</u>	<u>2,599</u>	<u>(3,126)</u>	<u>-</u>	<u>5,040</u>
Other financing sources (uses):								
Sale of capital assets	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<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>(145,897)</u>	<u>(111,712)</u>	<u>2,199</u>	<u>339</u>	<u>2,599</u>	<u>(3,126)</u>	<u>-</u>	<u>5,040</u>
Cash and investments - ending	<u>\$ (184,256)</u>	<u>\$ (111,712)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (3,126)</u>	<u>\$ -</u>	<u>\$ -</u>

SCHOOL CITY OF EAST CHICAGO
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2015
 (Continued)

	Adult Education 14-15	Empowerment Zone	Vocational and Technical Education Grant 12-13	Carl Perkins 13-14	Carl Perkins 14-15	Diesel Emissions Reduction Act	Medicaid Reimbursement - Federal	School to Work Development Act
Cash and investments - beginning	\$ -	\$ 296	\$ -	\$ (3,120)	\$ -	\$ 10,491	\$ 204,841	\$ 2,214
Receipts:								
Local sources	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-
Federal sources	2,897	-	-	28,847	120,245	-	84,664	-
Other receipts	-	-	-	-	278	-	-	-
Total receipts	<u>2,897</u>	<u>-</u>	<u>-</u>	<u>28,847</u>	<u>120,523</u>	<u>-</u>	<u>84,664</u>	<u>-</u>
Disbursements:								
Current:								
Instruction	15,622	-	-	25,727	128,327	-	38,706	-
Support services	-	-	-	-	-	-	13,956	-
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	7,554	-	-	-
Total disbursements	<u>15,622</u>	<u>-</u>	<u>-</u>	<u>25,727</u>	<u>135,881</u>	<u>-</u>	<u>52,662</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>(12,725)</u>	<u>-</u>	<u>-</u>	<u>3,120</u>	<u>(15,358)</u>	<u>-</u>	<u>32,002</u>	<u>-</u>
Other financing sources (uses):								
Sale of capital assets	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<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>(12,725)</u>	<u>-</u>	<u>-</u>	<u>3,120</u>	<u>(15,358)</u>	<u>-</u>	<u>32,002</u>	<u>-</u>
Cash and investments - ending	<u>\$ (12,725)</u>	<u>\$ 296</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (15,358)</u>	<u>\$ 10,491</u>	<u>\$ 236,843</u>	<u>\$ 2,214</u>

SCHOOL CITY OF EAST CHICAGO
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2015
 (Continued)

	Title II - Part A FY 11-13	Title II - Part A FY 12-14	Title II Part A, Improving Teacher Quality 13-15	Title II Part A, Improving Teacher Quality 14-16	Title III Part A 11-13	Title III Language Instruction 12-14	Title III Part A 13-15	Title III Part A 14-16
Cash and investments - beginning	\$ -	\$ (7,317)	\$ (6,328)	\$ -	\$ -	\$ -	\$ (783)	\$ -
Receipts:								
Local sources	-	450	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-
Federal sources	-	165,722	204,990	-	-	6,832	26,472	67,634
Other receipts	-	-	12,255	-	-	-	-	-
Total receipts	-	166,172	217,245	-	-	6,832	26,472	67,634
Disbursements:								
Current:								
Instruction	-	-	101,740	1,564	-	4,074	23,574	54,790
Support services	-	141,929	120,810	-	-	2,758	-	13,058
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	16,926	17,671	-	-	-	2,115	2,377
Total disbursements	-	158,855	240,221	1,564	-	6,832	25,689	70,225
Excess (deficiency) of receipts over disbursements	-	7,317	(22,976)	(1,564)	-	-	783	(2,591)
Other financing sources (uses):								
Sale of capital assets	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	7,317	(22,976)	(1,564)	-	-	783	(2,591)
Cash and investments - ending	\$ -	\$ -	\$ (29,304)	\$ (1,564)	\$ -	\$ -	\$ -	\$ (2,591)

SCHOOL CITY OF EAST CHICAGO
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2015
 (Continued)

	Health Clinic 12-13	Health Clinic C.L.A.S.S. 13-14	Health Clinic C.L.A.S.S. 14-15	United Way Summer Enrichment Grant	Withholdings	Workers Compensation	Flex Trust	Totals
Cash and investments - beginning	\$ -	\$ (14,087)	\$ -	\$ 4,090	\$ 16,262	\$ 77,328	\$ 2,104	\$ 7,667,197
Receipts:								
Local sources	-	-	-	10,337	-	2,178	-	21,122,596
Intermediate sources	-	-	-	-	-	-	-	177,476
State sources	-	-	-	-	-	-	-	36,792,314
Federal sources	-	33,563	40,650	-	-	-	-	9,115,793
Other receipts	-	-	-	-	9,920,848	-	3,213	10,026,717
Total receipts	-	33,563	40,650	10,337	9,920,848	2,178	3,213	77,234,896
Disbursements:								
Current:								
Instruction	-	-	-	12,607	-	-	-	24,314,679
Support services	-	19,476	57,558	-	-	-	-	32,266,147
Noninstructional services	-	-	-	-	-	-	-	3,765,057
Facilities acquisition and construction	-	-	-	-	-	-	-	682,831
Debt services	-	-	-	-	-	-	-	6,011,011
Nonprogrammed charges	-	-	-	-	9,921,218	-	3,156	9,971,017
Total disbursements	-	19,476	57,558	12,607	9,921,218	-	3,156	77,010,742
Excess (deficiency) of receipts over disbursements	-	14,087	(16,908)	(2,270)	(370)	2,178	57	224,154
Other financing sources (uses):								
Sale of capital assets	-	-	-	-	-	-	-	9,600,000
Transfers in	-	-	-	-	-	-	-	4,673,330
Transfers out	-	-	-	-	-	(77,275)	-	(4,750,854)
Total other financing sources (uses)	-	-	-	-	-	(77,275)	-	9,522,476
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	14,087	(16,908)	(2,270)	(370)	(75,097)	57	9,746,630
Cash and investments - ending	\$ -	\$ -	\$ (16,908)	\$ 1,820	\$ 15,892	\$ 2,231	\$ 2,161	\$ 17,413,827

SCHOOL CITY OF EAST CHICAGO
SCHEDULE OF PAYABLES AND RECEIVABLES
June 30, 2015

<u>Government or Enterprise</u>	<u>Accounts Payable</u>	<u>Accounts Receivable</u>
Governmental activities	<u>\$ 1,790,504</u>	<u>\$ 883,790</u>

SCHOOL CITY OF EAST CHICAGO
SCHEDULE OF LEASES AND DEBT
June 30, 2015

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities:				
East Chicago Multi-School Building Corporation	School renovations	\$ 1,472,000	07/15/2008	01/15/2018
East Chicago Multi-School Building Corporation	Refinance	756,000	11/25/2014	07/15/2034
East Chicago Elementary School Building Corporation	School renovations	3,835,000	07/01/1996	12/31/2015
GE Capital Solutions	District-wide copiers	<u>234,108</u>	08/01/2013	08/01/2018
Total of annual lease payments		<u>\$ 6,297,108</u>		

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Type	Purpose	
Governmental activities:		
General obligation bonds	Pension Bonds	\$ 1,675,000
Notes and loans payable	Common School Fund Loan A1441	95,597
Notes and loans payable	Common School Fund Loan A1377	52,698
Notes and loans payable	Common School Fund Loan A1565	58,813
Notes and loans payable	Common School Fund Loan A1547	236,460
Notes and loans payable	Common School Fund Loan A1752	<u>303,134</u>
Totals		<u>\$ 2,421,702</u>
		<u>\$ 745,267</u>

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SCHOOL CITY OF EAST CHICAGO
SCHEDULE OF CAPITAL ASSETS
June 30, 2015

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

	<u>Ending Balance</u>
Governmental activities:	
Land	\$ 570,832
Buildings	155,670,428
Machinery, equipment, and vehicles	<u>7,475,868</u>
Total capital assets	<u>\$ 163,717,128</u>

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



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 AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE

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

Report on Compliance for Each Major Federal Program

We have audited the School City of East Chicago's (School Corporation) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the period of July 1, 2013 to June 30, 2015. The School Corporation's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the School Corporation's major federal programs based on our audit of the types of compliance requirements referred to above. Except as discussed in the following paragraph, 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the School Corporation's compliance.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
(Continued)

Basis for Qualified Opinion on Child Nutrition Cluster

As described in items 2015-010 and 2015-012 in the accompanying Schedule of Findings and Questioned Costs, we were unable to obtain sufficient appropriate audit evidence supporting the compliance of the School Corporation with the Child Nutrition Cluster regarding Special Tests and Provisions - Paid Lunch Equity and Procurement and Suspension and Debarment. Consequently, we were unable to determine whether the School Corporation complied with these requirements applicable to the program.

As described in items 2015-009 and 2015-011 in the accompanying Schedule of Findings and Questioned Costs, the School Corporation did not comply with requirements regarding Eligibility, Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP), and Reporting that are applicable to its Child Nutrition Cluster. Compliance with such requirements is necessary, in our opinion, for the School Corporation to comply with requirements applicable to that program.

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

As described in items 2015-003 and 2015-004 in the accompanying Schedule of Findings and Questioned Costs, we were unable to obtain sufficient appropriate audit evidence supporting the compliance of the School Corporation with Title I Grants to Local Educational Agencies regarding Procurement and Suspension and Debarment, and Special Tests and Provisions - Comparability. Consequently, we were unable to determine whether the School Corporation complied with these requirements applicable to the program.

Basis for Qualified Opinion on Improving Teacher Quality State Grants

As described in item 2015-007 in the accompanying Schedule of Findings and Questioned Costs, we were unable to obtain sufficient appropriate audit evidence supporting the compliance of the School Corporation with its Improving Teacher Quality State Grants regarding Special Tests and Provisions - Assessment of Need. Consequently, we were unable to determine whether the School Corporation complied with these requirements applicable to the program.

Qualified Opinion on Child Nutrition Cluster

In our opinion, except for the effects of such noncompliance, if any, as might have been determined had we been able to examine sufficient evidence regarding the School Corporation's compliance with the requirements of the Child Nutrition Cluster regarding Procurement and Special Tests and Provisions - Paid Lunch Equity and the noncompliance described in the *Basis for Qualified Opinion on Child Nutrition Cluster* paragraphs, the School Corporation complied, in all material respects, with the requirements referred to above that could have a direct and material effect on the Child Nutrition Cluster for the period of July 1, 2013 to June 30, 2015.

Qualified Opinion on Title I Grants to Local Educational Agencies

In our opinion, except for the effects of such noncompliance, if any, as might have been determined had we been able to examine sufficient evidence regarding the School Corporation's compliance with the requirements of Title I Grants to Local Educational Agencies regarding Suspension and Debarment, and Special Tests and Provisions - Comparability, described in the *Basis for Qualified Opinion on Title I Grants to Local Educational Agencies* paragraph, the School Corporation complied, in all material respects, with the requirements referred to above that could have a direct and material effect on Title I Grants to Local Educational Agencies for the period of July 1, 2013 to June 30, 2015.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
(Continued)

Qualified Opinion on Improving Teacher Quality State Grants

In our opinion, except for the effects of such noncompliance, if any, as might have been determined had we been able to examine sufficient evidence regarding the School Corporation's compliance with the requirements of Improving Teacher Quality State Grants regarding Special Tests and Provisions - Assessment of Need, described in the *Basis for Qualified Opinion on Improving Teacher Quality State Grants* paragraph, the School Corporation complied, in all material respects, with the requirements referred to above that could have a direct and material effect on Title I Grants to Local Educational Agencies for the period of July 1, 2013 to June 30, 2015.

Unmodified Opinion on Special Education Cluster (IDEA)

In our opinion, the School Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its Special Education Cluster (IDEA) identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs for the period of July 1, 2013 to June 30, 2015.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, 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 items 2015-005 and 2015-006. Our opinion on each major federal program is not modified with respect to these matters.

The School Corporation's response to the noncompliance findings identified in our audit is described in the accompanying Corrective Action Plan. The School Corporation's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of the School Corporation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School Corporation's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.


INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
(Continued)

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2015-003, 2015-004, 2015-005, 2015-006, 2015-007, 2015-008, 2015-009, 2015-010, 2015-011, and 2015-012 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2015-002 to be significant deficiencies.

The School Corporation's response to the internal control over compliance findings identified in our audit is described in the accompanying Corrective Action Plan. The School Corporation's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.


Paul D. Joyce, CPA
State Examiner

May 25, 2017

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTES

The Schedule of Expenditures of Federal Awards and accompanying notes presented were approved by management of the School Corporation. The schedule and notes are presented as intended by the School Corporation.

SCHOOL CITY OF EAST CHICAGO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Years Ended June 30, 2014 and 2015

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Pass-Through To Subrecipient 06-30-14	Total Federal Awards Expended 06-30-14	Pass-Through To Subrecipient 06-30-15	Total Federal Awards Expended 06-30-15
<u>Department of Agriculture</u>							
Child Nutrition Cluster							
School Breakfast Program							
	Indiana Department of Education	10.553					
			FY 2013-2014	\$ -	\$ 986,858	\$ -	\$ -
			FY 2014-2015	-	-	-	1,053,993
				-	986,858	-	1,053,993
Total - School Breakfast Program							
National School Lunch Program							
	Indiana Department of Education	10.555					
			FY 2013-2014	-	2,058,208	-	-
			FY 2014-2015	-	-	-	2,196,937
			FY 2013-2015	-	188,244	-	189,949
				-	2,246,452	-	2,386,886
Total - National School Lunch Program							
Summer Food Service Program for Children							
	Indiana Department of Education	10.559					
			FY 2013-2014	-	25,519	-	-
			FY 2014-2015	-	-	-	44,408
				-	25,519	-	44,408
Total - Summer Food Service Program for Children							
Total - Child Nutrition Cluster							
				-	3,258,829	-	3,485,287
Child and Adult Care Food Program							
	Indiana Department of Education	10.558					
			FY 2014-2015	-	-	-	129,920
Fresh Fruit and Vegetable Program							
	Indiana Department of Education	10.582					
			FY 2014-2015	-	64,881	-	162,193
Total - Department of Agriculture							
				-	3,323,710	-	3,777,400
<u>Department of Education</u>							
Special Education Cluster (IDEA)							
Special Education Grants to States							
	Indiana Department of Education	84.027					
			14212-14-PN01	-	124,844	-	-
			14213-14-PN01	-	285,636	-	215,124
			14214-14-PN01	-	670,226	-	277,649
			14215-014-PN01	-	-	-	686,185
			99914-14-PN01	-	4,277	-	2,541
				-	1,084,983	-	1,181,499
Total - Special Education - Grants to States							
Special Education Preschool Grants							
	Indiana Department of Education	84.173					
			45713-14-PN01	-	7,458	-	537
			45714-14-PN01	-	42,616	-	6,616
			45715-014-PN01	-	-	-	25,274
				-	50,074	-	32,427
Total - Special Education Preschool Grants							
Total - Special Education Cluster (IDEA)							
				-	1,135,057	-	1,213,926
Adult Education - Basic Grants to States							
	Center for Workforce Innovations	84.002					
			CWI-AE-07-PY12	-	11,766	-	-
			CWI-AE-07-PY13	-	494	-	7,710
			CWI-AE-07-PY14	-	-	-	2,897
				-	12,260	-	10,607
Total - Adult Education - Basic Grants to States							

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, 2014 and 2015
(Continued)

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Pass-Through To Subrecipient 06-30-14	Total Federal Awards Expended 06-30-14	Pass-Through To Subrecipient 06-30-15	Total Federal Awards Expended 06-30-15
Department of Education (continued)							
Title I Grants to Local Educational Agencies	Indiana Department of Education	84.010					
Title I Part A			13-4670	-	540,382	-	-
Title I School Improvement			15-4670	-	-	-	11,000
Title I Part A			14-4670	-	2,603,759	-	927,019
Title I Part A			15-4670	-	-	-	2,549,848
Title I School Improvement			14-4670	-	28,113	-	12,150
Total - Title I Grants to Local Educational Agencies				-	3,172,254	-	3,500,017
Career and Technical Education - Basic Grants to States	Indiana Department of Education	84.048					
Career & Technical Education			12-4700-4670	-	57,485	-	-
Career & Technical Education			13-4700-4670	-	131,093	-	28,847
Career & Technical Education			15-4700-4670	-	-	-	120,523
Total - Career and Technical Education - Basic Grants to States				-	188,578	-	149,370
English Language Acquisition State Grants	Indiana Department of Education	84.365					
English Language Acquisition			01112-044-PN01	-	1,833	-	-
English Language Acquisition			0113-049-PN01	-	15,269	-	6,832
English Language Acquisition			0114-069-PN01	-	-	-	26,472
English Language Acquisition			01115-052-PN01	-	-	-	67,634
Total - English Language Acquisition State Grants				-	17,102	-	100,938
Improving Teacher Quality State Grants	Indiana Department of Education	84.367					
Improving Teacher Quality			11-4670	-	77,295	-	-
Improving Teacher Quality			12-4670	-	267,243	-	166,172
Improving Teacher Quality			13-4670	-	20,339	-	217,245
Total - Improving Teacher Quality State Grants				-	364,877	-	383,417
Total - Department of Education				-	4,890,128	-	5,358,275
Department of Health and Human Services							
Medicaid Cluster							
Medical Assistance Program	Indiana Family and Social Services Administration	93.778					
Medical Assistance Program			FY 2013-2014	-	123,077	-	-
Medical Assistance Program			FY 2014-2015	-	-	-	84,664
Total - Medicaid Cluster				-	123,077	-	84,664
Maternal and Child Health Services Block Grant	Indiana State Department of Health	93.994					
Maternal and Child Health Services			A70-3-069576	-	32,373	-	-
Maternal and Child Health Services			A70-4-069711	-	49,187	-	33,563
Maternal and Child Health Services			A70-5-069800	-	-	-	40,650
Total - Maternal and Child Health Services Block Grant				-	81,560	-	74,213
Total - Department of Health and Human Services				-	204,637	-	158,877
Total federal awards expended				\$ -	\$ 8,418,475	\$ -	\$ 9,294,552

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

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes the federal grant activity of the School Corporation under programs of the federal government for the years ended June 30, 2014 and 2015. The information in the SEFA is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the SEFA presents only a select portion of the operations of the School Corporation, it is not intended to and does not present the financial position of the School Corporation.

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 Indiana Code (IC 5-11-1-25), audits of school corporations shall be conducted biennially. Such audits shall include both years within the biennial period.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the SEFA are reported on the cash basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowed or are limited as to reimbursement. When federal grants are received on a reimbursement basis, the federal awards are considered expended when the reimbursement is received.

SCHOOL CITY OF EAST CHICAGO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I - Summary of Auditor's Results

Financial Statement:

Type of auditor's report issued:	Adverse as to GAAP; Unmodified as to Regulatory Basis
Internal control over financial reporting:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Noncompliance material to financial statement noted?	no

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	yes
Significant deficiencies identified?	yes
Any audit findings disclosed that are required to be reported in accordance with section .510(a) of OMB Circular A-133?	yes

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

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>	<u>Opinion Issued</u>
	Child Nutrition Cluster	Qualified
84.010	Title I Grants to Local Educational Agencies Special Education Cluster (IDEA)	Qualified Unmodified
84.367	Improving Teacher Quality State Grants	Qualified

Dollar threshold used to distinguish between Type A and Type B programs: \$531,391

Auditee qualified as low-risk auditee?	no
--	----

Section II - Financial Statement Findings

FINDING 2015-001 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

Condition

There were deficiencies in the internal control system of the School Corporation related to financial transactions and reporting.

1. Lack of Segregation of Duties: The School Corporation had not separated incompatible activities related to the preparation of the Schedule of Expenditures of Federal Awards (SEFA).

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

One individual prepared the SEFA with amounts obtained from the Business Office. School Corporation officials indicated that the SEFA was reviewed by the Chief Financial Officer before submission. However, documentation of the review was not retained or provided for audit.

2. The School Corporation's control over cash and investment balances was not effective. The bank reconciliations were reviewed and approved by someone other than the preparer. However, there were a number of adjustments that were carried on the reconciliations as reconciling items and were not recorded in the financial records. The monthly adjustments for refunds from April 2012 to the present for the medical insurance bank account that were not recorded in the financial accounting system. Other adjustments dating back to 2010 continued to be carried on the medical insurance reconciliations.

The School Corporation did not record the Workers Compensation bank account activity and some of the Medical Insurance bank account activity in the records or the financial statement.

3. Monitoring of Controls: The School Corporation had no process to identify or communicate corrective actions to improve controls. Effective internal controls over financial reporting required the School Corporation to monitor and assess the quality of the system of internal control.

Criteria

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

An integral part of the control activity component is segregation of duties. . . .

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . .

The Green Book identifies a list of control activity categories that are meant only to illustrate the range and variety of control activities. . . .

- Accurate and timely recording of transactions. . . ."

"Evaluations are used to determine whether each of the five components of internal control is present and functioning. These evaluations may be conducted on an ongoing or periodic basis. The criteria used are developed by the oversight body, elected officials, management, governing boards, or recognized standard-setting bodies or regulators.

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

A baseline of the current state of the internal control system is compared against the original design of the internal control system. The baseline consists of issues and deficiencies identified in the internal control system. The results of the monitoring process are evaluated and documented. . . .

Management remediates identified issues. . . ."

Cause

Management of the School Corporation had not properly implemented a system of internal controls related to cash and investment balances and the preparation of the SEFA.

Effect

The failure to establish controls could have enabled material misstatements or irregularities to remain undetected. The failure to monitor the internal control system placed the School Corporation at risk that controls may not have been either designed properly or operating effectively to provide reasonable assurance that controls would have prevented, or detected and corrected, material misstatements in a timely manner.

Views of Responsible Officials

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

Section III - Federal Award Findings and Questioned Costs

FINDING 2015-002 - INTERNAL CONTROLS OVER ELIGIBILITY, REPORTING, AND SPECIAL TESTS AND PROVISIONS - PARTICIPATION OF PRIVATE SCHOOL CHILDREN AND ASSESSMENT SYSTEM SECURITY

Federal Agency: Department of Education

Federal Program: Title I Grants to Local Educational Agencies

CFDA Number: 84.010

Federal Award Numbers and Years (or Other Identifying Numbers): 13-4670, 14-4670, 15-4670

Pass-Through Entity: Indiana Department of Education

Condition

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

Eligibility and Special Tests and Provisions - Participation of Private School Children

The School Corporation did not retain the signed copy of the 2013-2014 Title I Grant Application which would have documented that the appropriate knowledgeable official reviewed the eligibility determinations and the allocations of resources by school for the participation of private school children.

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

Reporting

One individual completed and filed the Annual Expenditure Reports without evidence of a review process or procedure.

Special Tests and Provisions - Assessment System Security

The School Corporation had a checklist form to track the chain of custody of test documents. Once test documents were transferred to another individual, both individuals had to initial the checklist. However, the control was not implemented properly since not all checklist forms were provided.

Context

Due to a change in management and the moving of the school administration building, the School Corporation was not able to locate their documentation of a control over Eligibility and Special Tests and Provisions - Participation of Private School Children for the 2013-2014 grant award. This is considered to be an isolated incident. Since all four Annual Expenditure Reports lacked evidence of a control and not all documentation was retained evidencing a control structure for Special Tests and Provisions - Assessment System Security; it was determined to be a systemic problem.

Criteria

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs. . . ."

Cause

The School Corporation failed to establish a proper internal control structure to ensure compliance with the requirements noted above.

Effect

The failure to establish internal controls could have enabled noncompliance to go undetected. Noncompliance with the grant agreement or the compliance requirements could have resulted in the loss of federal funds to the School Corporation.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls related to the grant agreement and the Eligibility, Reporting, and Special Tests and Provisions - Participation of Private School Children, and Special Tests and Provisions - Assessment System Security compliance requirements.

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

Views of Responsible Officials

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

FINDING 2015-003 - SUSPENSION AND DEBARMENT

Federal Agency: Department of Education

Federal Program: Title I Grants to Local Educational Agencies

CFDA Number: 84.010

Federal Award Numbers and Years (or Other Identifying Numbers): 13-4670, 14-4670, 15-4670

Pass-Through Entity: Indiana Department of Education

Condition

The School Corporation had not established an effective internal control system related to the grant agreement and the following compliance requirement: Procurement and Suspension and Debarment.

The School Corporation failed to provide evidence that a search of the Excluded Parties List Systems through the System of Award Manager Center at www.sam.gov was conducted; that certification from the entity was collected, or that a clause or condition was added to the contract.

Context

The internal control deficiencies noted were a systemic problem during the audit period. The suspension and debarment documentation was not retained or provided for the audit. Nine vendors totaling 15 percent of grant expenditures were required to be verified.

Criteria

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs. . . ."

34 CFR 80.42 states in part:

"(a) *Applicability.*

- (1) This section applies to all financial and programmatic records, supporting documents, statistical records, and other records of grantees or subgrantees which are:
 - (i) Required to be maintained by the terms of this part, program regulations or the grant agreement, or
 - (ii) Otherwise reasonably considered as pertinent to program regulations or the grant agreement. . . .

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

(b) *Length of retention period.*

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

Cause

The School Corporation had not developed a system of internal controls that would have ensured that records were maintained and made available for audit to support the suspension and debarment requirements.

Effect

The failure to retain appropriate documentation prevented the determination of the School Corporation's compliance with the suspension and debarments requirements for the program.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls to ensure that suspension and debarment records are maintained and available for audit.

Views of Responsible Officials

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

FINDING 2015-004 - SPECIAL TESTS AND PROVISIONS - COMPARABILITY

Federal Agency: Department of Education

Federal Program: Title I Grants to Local Educational Agencies

CFDA Number: 84.010

Federal Award Numbers and Years (or Other Identifying Numbers): 13-4670, 14-4670, 15-4670

Pass-Through Entity: Indiana Department of Education

Condition

The School Corporation had not established an effective internal control system related to the grant agreement and the requirements for Special Tests and Provisions - Comparability.

The Indiana Department of Education (IDOE) required the School Corporation to file a Comparability Report every two years which documented the full-time equivalent (FTE) of staff to students by school. The information reported by the School Corporation was used by the IDOE to determine if services provided with state and local funds, when taken as a whole, were substantially comparable at each school.

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

The Title I Director prepared the Comparability Report online with the IDOE. The School Corporation kept a binder with all of the information that went into the report. The enrollment numbers and the FTE staff numbers came from each school Principal. The binder included the report, handbook, instructions, templates, and documentation used to prepare the Special Tests and Provisions - Comparability Report.

However, due to the move of the administration building and the change in Title I staff, the binders were not retained or provided for audit. We were unable to obtain sufficient appropriate evidence to verify the School Corporation's compliance with the Special Tests and Provisions - Comparability requirements.

Context

The School Corporation is only required to complete the report every two years and it was due for the 2013-2014 fiscal year. The binders for 2013-2014 and 2014-2015 were not provided or retained for audit.

Criteria

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs. . . ."

34 CFR 74.53(b) states in part:

"Financial records, supporting documents, statistical records, and all other records pertinent to an award shall be retained for a period of three years from the date of submission of the final expenditure report or, for awards that are renewed quarterly or annually, from the date of the submission of the quarterly or annual financial report, as authorized by the Secretary. . . ."

Cause

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

Effect

The failure to retain appropriate documentation prevented the determination of the School Corporation's compliance with the Special Tests and Provisions - Comparability requirements.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls to ensure that documentation related to the Special Tests and Provisions - Comparability requirements is maintained and are available for audit.

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

Views of Responsible Officials

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

FINDING 2015-005 - ALLOWABLE COSTS/COST PRINCIPLES

Federal Agency: Department of Education

Federal Program: Special Education_Grants to States

CFDA Number: 84.027

Federal Award Numbers and Years (or Other Identifying Numbers): 14212-14-PN01, 14213-14-PN01

Pass-Through Entity: Indiana Department of Education

Condition

The School Corporation had not established an effective internal control system related to the grant agreement and the requirements for Allowable Costs/Cost Principles.

In July 2014, the School Corporation posted a \$20,832 disbursement for the purchase of copier paper from the 14213-14-PN01 grant. All school buildings, as well as the Administration building, the School Corporation's print shop, and the participating non-public school, received between 20 and 200 cases of the copier paper.

In addition, in August 2013, the School Corporation posted a \$14,252 payment for the purchase of copier paper from the 14212-14-PN01 grant. The total purchase included 560 cases of copier paper.

Further review of white copier paper purchased by the School Corporation was performed. The review included General fund purchases made in June 2013, which was prior to the audit period, but the paper would have been primarily used in the 2013-2014 school year. The review determined that the Special Education funds disbursed \$35,084 for white copier paper, which was 42 percent of the white copier paper purchased by the School Corporation for use during the audit period. Documentation that the white copier paper was only allocated for Special Education uses could not be provided.

Context

The internal control deficiency noted was a systemic problem during the audit period. The School Corporation did not have a documented basis for determining the allocation of white copier paper to be purchased from Special Education grant funds versus the General fund for the School Corporation as a whole.

Criteria

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs. . . ."

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

OMB Circular A-87, Attachment A, Part C. Basic Guidelines states in part:

"1. Factors affecting allowability of costs. To be allowable under Federal awards, costs must meet the following general criteria:

a. Be necessary and reasonable for proper and efficient performance and administration of Federal awards.

b. Be allocable to Federal awards under the provisions of this Circular. . . ."

34 CFR 300.202(a) states:

"*General.* Amounts provided to the LEA under Part B of the Act—

- (1) Must be expended in accordance with the applicable provisions of this part;
- (2) Must be used only to pay the excess costs of providing special education and related services to children with disabilities, consistent with paragraph (b) of this section; and
- (3) Must be used to supplement State, local, and other Federal funds and not to supplant those funds."

Cause

The School Corporation had not developed or implemented a system of internal controls to ensure compliance with the grant agreement and the Allowable Costs/Cost Principles requirement.

Effect

The failure to establish internal controls enabled noncompliance to go undetected. Noncompliance with the grant agreement and the compliance requirements could have resulted in the loss of federal funds to the School Corporation.

Questioned Costs

There were \$35,084 of questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls to ensure compliance and comply with the Allowable Costs/Costs Principles compliance requirement.

Views of Responsible Officials

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

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

FINDING 2015-006 - EQUIPMENT

Federal Agency: Department of Education

Federal Program: Special Education_Grants to States

CFDA Number: 84.027

Federal Award Numbers and Years (or Other Identifying Numbers): 14212-14-PN01, 14213-14-PN01,
14214-14-PN01, 14215-014-PN01

Pass-Through Entity: Indiana Department of Education

Condition

The School Corporation had not established an effective internal control system related to the grant agreement and the requirements for Equipment.

A control structure to ensure that the School Corporation performed a physical inventory of equipment at least once every two years was not documented. We were unable to verify that a physical inventory of all equipment had been performed.

Context

The internal control deficiency was a systemic problem during the audit period. The School Corporation did not have a documented control in place to ensure that a physical inventory was performed.

Criteria

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs. . . ."

34 CFR 80.32(d) states in part:

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

- (2) A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years. . . ."

Cause

The School Corporation had not developed a system of internal controls to ensure compliance with equipment requirements.

Effect

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

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

Questioned Costs

There were no questioned costs identified.

Recommendation

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

Views of Responsible Officials

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

FINDING 2015-007 - SPECIAL TESTS AND PROVISIONS - ASSESSMENT OF NEED

Federal Agency: Department of Education

Federal Program: Improving Teacher Quality State Grants

CFDA Number: 84.367

Federal Award Numbers and Years (or Other Identifying Numbers): 11-4670, 12-4670, 13-4670

Pass-Through Entity: Indiana Department of Education

Condition

The School Corporation had not established an effective internal control system related to the grant agreement and the requirements for the Special Tests and Provisions - Assessment of Need.

The School Corporation employees and officials were not knowledgeable as to who was responsible for the preparation, review, and submission of the Comprehensive Needs Assessment that was required to be submitted each year to the Indiana Department of Education. We were unable to determine if the needs assessment was conducted with the involvement of teachers, including teachers who worked in Title I, Part A, as required, since supporting documentation was not provided to support that meetings were held or the attendees.

Context

Documentation was not provided to support the information in the School Corporation's needs assessment, thus, this is a systemic problem.

Criteria

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs. . . ."

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

34 CFR 74.53(b) states in part:

"Financial records, supporting documents, statistical records, and all other records pertinent to an award shall be retained for a period of three years from the date of submission of the final expenditure report or, for awards that are renewed quarterly or annually, from the date of the submission of the quarterly or annual financial report, as authorized by the Secretary. . . ."

Cause

Management had not developed a system of internal controls that would have ensured that the School Corporation maintained and made available for audit the documentation necessary to support the Special Tests and Provisions - Assessment of Need requirements.

Effect

The failure to retain supporting documentation prevented the determination of the School Corporation's compliance with the Special Tests and Provisions - Assessment of Need requirements.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls to ensure that documentation related to the Special Tests and Provisions - Assessment of Need requirements was maintained and were available for audit.

Views of Responsible Officials

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

FINDING 2015-008 - CASH MANAGEMENT

Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program
CFDA Numbers: 10.553, 10.555
Federal Award Numbers and Years (or Other Identifying Numbers): FY 2013-2014, FY 2014-2015
Pass-Through Entity: Indiana Department of Education

Condition

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

The School Corporation did not have policies and procedures in place for limiting their Net Cash Resources in the School Lunch fund to the three months average of the food service expenditures.

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

Context

The internal control deficiencies noted were a systemic problem throughout the audit period. A control structure was not evidenced.

Criteria

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs. . . ."

Cause

The School Corporation failed to establish a proper internal control structure to ensure compliance with requirements associated with the Cash Management compliance requirement.

Effect

The failure to establish internal controls could have enabled material noncompliance to go undetected. Noncompliance with the grant agreement or the compliance requirement could have resulted in the loss of federal funds to the School Corporation.

Questioned Costs

There were no questioned costs identified.

Recommendation

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

Views of Responsible Officials

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

**FINDING 2015-009 - ELIGIBILITY AND SPECIAL TESTS AND PROVISIONS -
VERIFICATION OF FREE AND REDUCED PRICE APPLICATIONS (NSLP)**

Federal Agency: Department of Agriculture

Federal Programs: School Breakfast Program, National School Lunch Program

CFDA Numbers: 10.553; 10.555

Federal Award Numbers and Years (or Other Identifying Numbers): FY 2013-2014, FY 2014-2015

Pass-Through Entity: Indiana Department of Education

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

Condition

The School Corporation had not established an effective internal control system related to the grant agreement and the compliance requirements for Eligibility and Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP).

Eligibility

1. For both school years, a support employee of the School Corporation performed the eligibility determinations and approved all the manual applications received for free and reduced price meals. Eligibility determinations for electronically submitted applications were performed by the software processing the applications.

The School Corporation did not have a review or oversight process to ensure accurate eligibility determinations and application approvals, or that the income guidelines used by the software were accurate.

2. The School Corporation retained the applications received for free and reduced price meals in binders that were kept by the support employee. The applications received were numbered. However, there were frequent gaps in application numbers that could not be explained. Through inquiry of staff, we were unable to determine whether the missing application numbers had been used.
3. The School Corporation was unable to provide records indicating that they notified households of the children's eligibility status for both income applications and direct certifications.

Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP)

1. Procedures were not in place to ensure the accuracy of the verification process.
2. Of the applications tested, income documentation was not available to support the application status as verified for the three applications which noted no change in status. Additional procedures performed, determined that 62 percent of the applications verified by the School Corporation did not have household income documentation to support a no change in status.
3. Six of eighteen applications did not have the verification area of the application completed. For these applications, a note was attached to the application which contained only the status of the application after verification.

Context

The internal control deficiencies were a systemic problem throughout the audit period. The School Corporation did not have adequate controls over the eligibility or verification processes.

Criteria

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs. . . ."

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

7 CFR 245.6 states in part:

". . . (c) *Determination of eligibility* - . . .

(6) *Notice of approval* –

(i) *Income applications*. The local educational agency must notify the household of the children's eligibility and provide the eligible children the benefits to which they are entitled within 10 operating days of receiving the application from the household.

(ii) *Direct Certification*. Households approved for benefits based on information provided by the appropriate State or local agency responsible for the administration of the SNAP, FDPIR or TANF must be notified, in writing, that their children are eligible for free meals or free milk, that no application for free and reduced price school meals or free milk is required. The notice of eligibility must also inform the household that the parent or guardian must notify the local educational agency if they do not want their children to receive free benefits. However, when the parent or guardian transmits a notice of eligibility provided by the SNAP, FDPIR or TANF office, the local educational agency is not required to provide a separate notice of eligibility. The local educational agency must notify, in writing, households with children who are approved on the basis of documentation that they are *Categorically eligible*, as defined in §245.2, that their children are eligible for free meals or free milk, and that no application is required. . . .

(e) *Recordkeeping*.

The local educational agency must maintain documentation substantiating eligibility determinations on file for 3 years after the date of the fiscal year to which they pertain, except that if audit findings have not been resolved, the documentation must be maintained as long as required for resolution of the issues raised by the audit. . . ."

7 CFR 245.6a states in part:

". . . (e) *Activities prior to household notification*—(1) *Confirmation of a household's initial eligibility*.

(i) Prior to conducting any other verification activity, an individual, other than the individual who made the initial eligibility determination, shall review for accuracy each approved application selected for verification to ensure that the initial determination was correct. If the initial determination was correct, the local educational agency shall verify the approved application. If the initial determination was incorrect, the local educational agency must:

(A) If the eligibility status changes from reduced price to free, make the increased benefits immediately available and notify the household of the change in benefits; the local educational agency will then verify the application;

(B) If the eligibility status changes from free to reduced price, first verify the application and then notify the household of the correct eligibility status after verification is completed and, if required, send the household a notice of adverse action in accordance with paragraph (j) of this section; or

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

(C) If the eligibility status changes from free or reduced price to paid, send the household a notice of adverse action in accordance with paragraph (j) of this section and do not conduct verification on this application and select a similar application (for example, another error-prone application) to replace it.

- (ii) The requirements in paragraph (e)(1)(i) of this section are waived if the local educational agency is using a technology-based system that demonstrates a high level of accuracy in processing an initial eligibility determination based on the income eligibility guidelines for the National School Lunch Program. . . ."

7 CFR 210.15(b) states in part:

"Recordkeeping summary. In order to participate in the Program, a school food authority or a school, as applicable, must maintain records to demonstrate compliance with Program requirements. These records include but are not limited to: . . ."

- (4) Currently approved and denied applications for free and reduced price lunches and a description of the verification activities, including verified applications, and any accompanying source documentation in accordance with 7 CFR 245.6a of this Title; and . . ."

Cause

The School Corporation had not developed a system of internal controls to ensure compliance with the Eligibility and Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) compliance requirements.

Effect

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

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls to ensure compliance and comply with the Eligibility and Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) compliance requirements.

Views of Responsible Officials

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

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

FINDING 2015-010 - SPECIAL TESTS AND PROVISIONS - PAID LUNCH EQUITY

Federal Agency: Department of Agriculture
Federal Program: National School Lunch Program
CFDA Number: 10.555
Federal Award Numbers and Years (or Other Identifying Numbers): FY 2013-2014, FY 2014-2015
Pass-Through Entity: Indiana Department of Education

Condition

The School Corporation had not established an effective internal control system related to the grant agreement and the requirements for Special Tests and Provisions - Paid Lunch Equity.

School Corporation staff and the food service management company were requested to provide documentation related to the calculation of the Special Tests and Provisions - Paid Lunch Equity requirements. The School Board approved an increase in lunch prices for the 2014-2015 school year. The increase was recommended in a memo from the Chief Financial Officer, which noted that the price increase was needed in order to comply with Special Tests and Provisions - Paid Lunch Equity requirements. The documentation for the Special Tests and Provisions - Paid Lunch Equity calculations was not provided for audit for the 2014-2015 school year. Therefore, we were unable to verify the School Corporation's compliance with the Special Tests and Provisions - Paid Lunch Equity requirements.

Context

The internal control deficiencies were a systemic problem throughout the audit period. The School Corporation had a change in Chief Financial Officers and administration building locations, and the food service management company had a change in managers. Due to these changes, the documentation to support controls and compliance with Special Tests and Provisions - Paid Lunch Equity requirements was not retained or located for audit.

Criteria

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs. . . ."

7 CFR 3016.42 states in part:

"(a) *Applicability.*

- (1) This section applies to all financial and programmatic records, supporting documents, statistical records, and other records of grantees or subgrantees which are:
 - (i) Required to be maintained by the terms of this part, program regulations or the grant agreement, or
 - (ii) Otherwise reasonably considered as pertinent to program regulations or the grant agreement. . . .

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

(b) *Length of retention period.*

- (1) Except as otherwise provided, records must be retained for three years from the starting date specified in paragraph (c) of this section. . . ."

Cause

Management had not developed a system of internal controls that would have ensured that the School Corporation maintained and made available for audit the documentation necessary to support the Special Tests and Provisions - Paid Lunch Equity requirements.

Effect

The failure to retain or provide appropriate supporting documentation prevented the determination of the School Corporation's compliance with the Special Tests and Provisions - Paid Lunch Equity requirements.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls to ensure that documentation related to the Special Tests and Provisions - Paid Lunch Equity requirements is maintained and are available for audit.

Views of Responsible Officials

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

FINDING 2015-011 - REPORTING

Federal Agency: Department of Agriculture

Federal Programs: School Breakfast Program, National School Lunch Program,

Summer Food Service Program for Children

CFDA Numbers: 10.553, 10.555, 10.559

Federal Award Numbers and Years (or Other Identifying Numbers): FY 2013-2014, FY 2014-2015

Pass-Through Entity: Indiana Department of Education

Condition

The School Corporation had not established an effective internal control system related to the grant agreement and the requirements for Reporting.

The School Corporation contracted with a food service management company to operate its food service program. The management company's General Manager prepared and submitted the Sponsor Claim (claims for reimbursement) and the Annual Financial Reports (AFRs).

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

Sponsor Claim (claims for reimbursement)

The Cafeteria Manager at each school manually prepared and submitted "daily meal count reports" (Daily Reports) to the management company's office. The reports were based on information from a point of sale software program used in the schools.

The Administrative Assistant of the management company manually entered the amount and types of meals that were served (paid, reduced, and free) from the Daily Reports into the management company's software. The General Manager of the management company used this information to prepare and submit the Sponsor Claim (claims for reimbursement) online to the Indiana Department of Education. An employee from the School Corporation's business office printed a copy of the Sponsor Claim (claims for reimbursement) summary for their records and to be able to anticipate amounts to be received by the School Corporation

Comparisons of the Daily Reports to the monthly Sponsor Claim (claims for reimbursement) totals revealed differences. The net effect of the errors noted for the months tested resulted in \$3,201 in excess reimbursements to the School Corporation.

A prior General Manager determined in December 2013 that a school that reopened for the 2013-2014 school year should have been designated as Severe Need for Breakfast but was not. A change in the designation was not obtained for the audit period. This inaccurate designation resulted in the School Corporation receiving less reimbursement for free and reduced priced breakfasts served than it was entitled to receive for the school. For the months tested, the School Corporation was not reimbursed \$5,751 for the breakfast meals served at the school.

AFRs

The AFRs were provided for audit without supporting documentation for the amounts reported in the AFRs. Information tested in the AFRs noted that the beginning and ending cash and investment balances for both years and the total receipts and disbursements in the 2014-2015 school year did not agree to the School Corporation's School Lunch fund activity.

Context

The internal control deficiencies and noncompliance were a systemic problem throughout the audit period.

Criteria

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs. . . ."

7 CFR 210.8 states in part:

"(a) *Internal controls*. The school food authority shall establish internal controls which ensure the accuracy of lunch counts prior to the submission of the monthly Claim for Reimbursement. . . ."

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

- (2) School food authority claims review process. Prior to the submission of a monthly Claim for Reimbursement, each school food authority shall review the lunch count data for each school under its jurisdiction to ensure the accuracy of the monthly Claim for Reimbursement. The objective of this review is to ensure that monthly claims include only the number of free, reduced price and paid lunches served on any day of operation to children currently eligible for such lunches. . . ."

7 CFR 3016.20(b) states in part:

"The financial management systems of other grantees and subgrantees must meet the following standards:

- (1) *Financial reporting.* Accurate, current, and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant. . . ."

7 CFR 3016.40(a) states:

"*Monitoring by grantees.* Grantees are responsible for managing the day-to-day operations of grant and subgrant supported activities. Grantees must monitor grant and subgrant supported activities to assure compliance with applicable Federal requirements and that performance goals are being achieved. Grantee monitoring must cover each program, function or activity."

Cause

The School Corporation had not developed a system of internal controls to ensure compliance with the Reporting compliance requirement. The School Corporation did not monitor the management company's Sponsor Claim (claims for reimbursement) and AFRs to ensure requirements were being met.

Effect

The failure to establish an effective internal control system enabled noncompliance to go undetected. Noncompliance with the grant agreement or the compliance requirement could have resulted in the loss of federal funds to the School Corporation.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls to ensure compliance and comply with the Reporting compliance requirement.

Views of Responsible Officials

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

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

FINDING 2015-012 - PROCUREMENT

Federal Agency: Department of Agriculture

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

CFDA Numbers: 10.553, 10.555, 10.559

Federal Award Numbers and Years (or Other Identifying Numbers): FY 2013-2014, FY 2014-2015

Pass-Through Entity: Indiana Department of Education

Condition

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the following compliance requirement: Procurement and Suspension and Debarment.

The School Corporation was required to bid or request proposals for the food service management contract for FY 2014-2015. The School Board awarded the food management service contract on August 7, 2014. Procurement records were not provided for audit. Therefore, we were unable to verify compliance with the procurement requirements.

Context

This is an isolated instance. Due to the change in Chief Financial Officer at the School Corporation and the moving of the administration staff and records to a different building, procurement records related to the contract for the food service management company were not provided for audit.

Criteria

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs. . . ."

7 CFR 3016.42 states in part:

"(a) *Applicability.*

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

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

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

(b) *Length of retention period.*

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

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

Cause

Management had not developed a system of internal controls that would have ensured that the School Corporation maintained and made available for audit the documentation necessary to support the procurement requirements.

Effect

The failure to provide documentation of the procurement of the food management service contract prevented the determination of the School Corporation's compliance with the procurement requirements.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls to ensure that documentation related to the procurement requirements is maintained and are available for audit.

Views of Responsible Officials

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

AUDITEE-PREPARED DOCUMENTS

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

Lela Simmons, Chief Financial Officer

March 6, 2017

Dear State Board of Accounts:

SCHOOL CITY OF EAST CHICAGO
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2013-002 (Auditor Assigned Reference Number)

Fiscal year in which the finding initially occurred: FY 2012, FY2013
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Indiana Department of Education
Contact Person Responsible for Corrective Action: Kathleen Dowling, Former CFO
Contact Phone Number: Lela Simmons, Current CFO, 219.391.4100 (ext. 12365)

Status of Audit Finding:

The initial response with a corrective action plan was submitted by Kathleen Dowling on February 19, 2014. In her response, Ms. Dowling indicated that before July 1, 2014 the School City of East Chicago would design and implement a system to provide reasonable assurance that material noncompliance with the grant agreement, or a type of compliance requirement of a federal program will be prevented, detected, and corrected on a timely basis.

Since the initial response, the School City of East Chicago has experienced some transitions in the Chief Financial Officer position. Upon my start in 2017, I am unable to locate any internal controls that mandate this procedure. At this time, I am unable to ensure that Sodexo, Inc. has been providing supporting documentation detail with all invoices, and that the dumpsters are now being properly allocated to the schools' with food service setups.

Currently, I am working with Sodexo, Inc.'s new district manager and their business office to ensure that all invoices have proper supporting documentation to match each invoice prior to processing. I am also working with the Director of Facilities to ensure that all dumpster costs are being allocated to the right schools' funds. It is the School City of Chicago's goal to have all policies and procedures regarding this finding in place no later than July 1, 2017.

FINDING 2013-003 (Auditor Assigned Reference Number)

Fiscal year in which the finding initially occurred: FY 2012, FY2013
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Indiana Department of Education
Contact Person Responsible for Corrective Action: Kathleen Dowling, Former CFO
Contact Phone Number: Lela Simmons, Current CFO, 219.391.4100 (ext. 12365)

Status of Audit Finding:

The initial response with a corrective action plan was submitted by Kathleen Dowling on February 19, 2014. In her response, Ms. Dowling indicated that before July 1, 2014 the School City of East Chicago would establish an effective

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internal control system, related to the grant agreement and the compliance requirements over activates allowed/allowable costs that have a direct and material effect to the program.

I was able to find that the School City of East Chicago was granted Community Eligibility Provision (CEP). This program is working with the State of Indiana to provide free meals to the district with a large percentage of free meal eligibility. There are no current applications for free and reduce meals.

FINDING 2013-004 (Auditor Assigned Reference Number)

Fiscal year in which the finding initially occurred: FY 2012, FY2013
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Indiana Department of Education
Contact Person Responsible for Corrective Action: Kathleen Dowling, Former CFO
Contact Phone Number: Lela Simmons, Current CFO, 219.391.4100 (ext. 12365)

Status of Audit Finding:

The initial response with a corrective action plan was submitted by Kathleen Dowling on February 19, 2014. In her response, Ms. Dowling indicated that before July 1, 2014 the School City of East Chicago would develop a policy that ensures that the Sodexo General Manger reviews or tests the data that is entered by Sodexo's Administrative Assistant.

I verified that this policy was put in place by prior CFO and prior Sodexo management but was not being fully carried out due to the change of Sodexo Management. This policy is to be followed by current Sodexo employees as well as School City of East Chicago administration on a dally basis. Periodic tests and daily reviews will be put in place to verify the validity of their reporting. I am currently meeting with Sodexo Management to ensure all procedures will be followed in accordance to this finding.

FINDING 2013-005 (Auditor Assigned Reference Number)

Fiscal year in which the finding initially occurred: FY 2012, FY2013
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Indiana Department of Education
Contact Person Responsible for Corrective Action: Kathleen Dowling, Former CFO
Contact Phone Number: Lela Simmons, Current CFO, 219.391.4100 (ext. 12365)

Status of Audit Finding:

The initial response with a corrective action plan was submitted by Kathleen Dowling on February 19, 2014. In her response, Ms. Dowling indicated that before July 1, 2014 the School City of East Chicago would create a policy that mandates the timelines for submission of school lunch collection. The policy would also include a provision that the "Weekly Money Collected" report provided by Sodexo be compared to the "Weekly Recap of Cash Collected" that is submitted with the deposits from the ECA treasurer.

Currently, this policy is being put in action with the new Sodexo manager and carried out by the School City of East Chicago and Sodexo staff. The ECA treasurer will be verifying that both reports are in balance and that the designee in the Business office is also verifying all documents and deposit amounts. School City of East Chicago no longer accepts applications for free and reduce lunches due to the corporation qualifications for CEP (Community Eligibility Provision).

FINDING 2013-006 (Auditor Assigned Reference Number)

Fiscal year in which the finding initially occurred: FY 2012, FY2013

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

Contact Person Responsible for Corrective Action: Kathleen Dowling, Former CFO

Contact Phone Number: Lela Simmons, Current CFO, 219.391.4100 (ext. 12365)

Status of Audit Finding:

The initial response with a corrective action plan was submitted by Kathleen Dowling on March 26, 2014. In her response, Ms. Dowling indicated that before July 1, 2014 the School City of East Chicago business office will put a procedure in place to ensure that the grant director has approved the purchase and has determined that the expenditure occurred during the grant period, the purchase is for allowable activity, and the cost is allowable in accordance with the grant agreement.

Currently, payroll that is paid through Title 1 Cluster, Special Education Cluster, and Improving Teacher Quality is being reviewed by the Grant Director for each fund. The findings for Education Jobs Fund Grant were corrected but the fund is no longer in use. The other findings in 2013-06 are currently in progress and will be developed fully to meet state board requirements.

FINDING 2013-007 (Auditor Assigned Reference Number)

Fiscal year in which the finding initially occurred: FY 2012, FY2013

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

Contact Person Responsible for Corrective Action: Kathleen Dowling, Former CFO

Contact Phone Number: Lela Simmons, Current CFO, 219.391.4100 (ext. 12365)

Status of Audit Finding:

The initial response with a corrective action plan was submitted by Kathleen Dowling on February 19, 2014. In her response, Ms. Dowling indicated that before April 30, 2014 the School City of East Chicago would present to The Board of School Trustees for approval for a raise to \$25 per hour or \$150 per day for stipends for teacher overtime and fringe benefits.

Currently, this policy is place that the Board of School Trustees will approve any increase rate change for payroll on Title 1 grants to local educational agencies, ARRA Title 1 grants to local educational agencies, and Improving Teacher Quality State Grants.

FINDING 2013-008 (Auditor Assigned Reference Number)

Fiscal year in which the finding initially occurred: FY 2012, FY2013

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

Contact Person Responsible for Corrective Action: Kathleen Dowling, Former CFO

Contact Phone Number: Lela Simmons, Current CFO, 219.391.4100 (ext. 12365)

Status of Audit Finding:

The initial response with a corrective action plan was submitted by Kathleen Dowling on February 19, 2014. In her response, Ms. Dowling indicated that the treasure must sign all accounts payable vouchers. Each voucher will be reviewed to ensure proper documentation is attached.

This policy was amended by former Chief Financial Officer, Robert Doctor that he was to review all invoices, sign off on them, and have the CFO signature printed on the accounts payable voucher.

Currently, I am working to establish a policy where I would sign off on all accounts payable vouchers. I am working closely with the Business Office to approve upon this policy and procedure to be implemented in 2017.

FINDING 2013-009 (Auditor Assigned Reference Number)

Fiscal year in which the finding initially occurred: FY 2012, FY2013
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Indiana Department of Education
Contact Person Responsible for Corrective Action: Kathleen Dowling, Former CFO
Contact Phone Number: Lela Simmons, Current CFO, 219.391.4100 (ext. 12365)

Status of Audit Finding:

The initial response with a corrective action plan was submitted by Kathleen Dowling on February 19, 2014. In her response, Ms. Dowling indicated that the Superintendent will review and approve the annual comparability report that is prepared by the Title 1 Director.

Since the initial response, the School City of East Chicago has experienced some transitions in the Chief Financial Officer position. Upon my start in 2017, I am unable to locate any internal controls that mandate this procedure. At this time, I am unable to ensure that the comparability report is being review by all parties.

Currently, this policy is still in progress and being developed with staff. The Title 1 Director is working with the new Superintendent on reviewing and establishing this policy to be implemented by July 1, 2017.

FINDING 2013-010 (Auditor Assigned Reference Number)

Fiscal year in which the finding initially occurred: FY 2012, FY2013
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Indiana Department of Education
Contact Person Responsible for Corrective Action: Kathleen Dowling, Former CFO
Contact Phone Number: Lela Simmons, Current CFO, 219.391.4100 (ext. 12365)

Status of Audit Finding:

The initial response with a corrective action plan was submitted by Kathleen Dowling on February 19, 2014. In her response, Ms. Dowling indicated that the Board of Trustees of the School City of East Chicago was going to adopt a new purchasing policy in accordance with IN Code 5-22-3. Once the policy was drafted all district personal that are involved with purchasing would be trained that all purchases must be accompany by requisitions and/ or purchase orders.

Upon my start in 2017, I am unable to locate any internal controls that mandate this procedure. At this time, I am unable to ensure that the verification reports is being review through the SAM application by all parties.

FINDING 2013-011 (Auditor Assigned Reference Number)

Fiscal year in which the finding initially occurred: FY 2012, FY2013
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Indiana Department of Education

Contact Person Responsible for Corrective Action: Kathleen Dowling, Former CFO
Contact Phone Number: Lela Simmons, Current CFO, 219.391.4100 (ext. 12365)

Status of Audit Finding:

The initial response with a corrective action plan was submitted by Kathleen Dowling on March 26, 2014. In her response, Ms. Dowling indicated that the Special Education Director will ensure that the listing of equipment prepared by the secretary is compared against the listing retained by the IT staff person on an annual basis. The comparison will include all supporting documentation and be retained for audit purposes. The Special Education Director, or her designee, will ensure that all inventory verification forms contain the proper signatures and dates to ensure that the controls have been properly implemented.

Since the initial response, the School City of East Chicago has experienced some transitions in the Chief Financial Officer position. Upon my start in 2017, I am unable to locate any internal controls that mandate this procedure. At this time, I am unable to ensure that all Special Education equipment has been properly tagged and can be referred back to the comparison report.

Finding 2013-11 is still a work in progress. All new items added to the inventory from April 2014 have been tag and properly labeled. The Special Education Department is currently working to ensure that all inventory both old and new are properly labeled, and that the supporting documentation can be compared back to the comparison report.

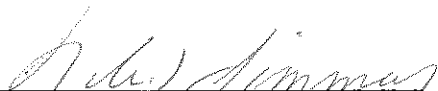
FINDING 2013-012 (Auditor Assigned Reference Number)

Fiscal year in which the finding initially occurred: FY 2012, FY2013
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Indiana Department of Education
Contact Person Responsible for Corrective Action: Former Kathleen Dowling, CFO
Contact Phone Number: Current CFO Lela Simmons 219 391 4100 (ex. 12365)

Status of Audit Finding:

The initial response with a corrective action plan was submitted by Kathleen Dowling on March 26, 2014. In her response, Ms. Dowling indicated the School City of East Chicago will ensure that the costs posted to any program are allowable under the grant guidelines and /or compliance requirements. The grant director and /or the chief financial officer as the party tasked with determining the activities allowed and allowable costs.

Finding 2013-12 was in reference to the Education Jobs Fund. This fund no longer is being funded.



(Signature)

CFO

(Title)

(Date)

Lela Simmons, Chief Financial Officer

CORRECTIVE ACTION PLAN

FINDING 2015-001 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

Contact Person Responsible for Corrective Action: Lela Simmons, CFO
Contact Phone Number: 219-391-4100 Ex 12365

Views of Responsible Official:

The School City of East Chicago has reviewed Finding 2015-01, internal controls of the School Corporation on segregation of duties, control over cash and investments balances, and identify or communicate corrective action plans.

Description of Corrective Action Plan:

The corrective action plan are as follows:

- 1) With regards to internal controls for segregation of duties, the School City of East Chicago will develop a plan for the verification for the Schedule of Expenditures of Federal Awards (SEFA). This plan will include that the finance department prepares the SEFA with information obtain from the business office. Once the SEFA is prepared, the report will be forward to the Chief Financial Officer for review, approval, and signature on the physical document. After the physical document is signed, the information will be entered into the Indiana Gateway for government units reporting system. Before the document is submitted the Chief Financial Officer will compare the physical document and the reporting system to ensure they match.
- 2) Before July 1, 2017, the School City of East Chicago will establish an effective internal control, related to the cash and investment balances. The School City of East Chicago will adopt a procedure to do monthly adjustments, so that the RDS financial system will match the bank reconciliations with no material variance. This procedure will include making timely adjustments at month end or within one month of the correction to the account.

In regards to School City of East Chicago Workers Compensation bank account activity, this account has been closed. In regards of the Medical Insurance bank account activity, this account will be adjusted to match the RDS systems without carrying the correction on the reconciliation. All adjusts will be completed in the month it the error occurs or within one month of the correction.

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School City of East Chicago

Lela Simmons, Chief Financial Officer

CORRECTIVE ACTION PLAN

- 3) The School City of East Chicago will be developing internal controls for monitoring all transactions that affect the financial statements. This plan will be implemented before entering the 2017-2018 school year. The internal controls corrective action plan will cover steps to ensure proper verification of financial documents and a corrective action plan if steps are not fully executed.

Anticipated Completion Date: All internal controls will be put in place by July 1, 2017


 (Signature)

CEO
 (Title)

5-24-17
 (Date)

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CORRECTIVE ACTION PLAN

FINDING 2015-002 – INTERNAL CONTROLS OVER ELIGIBILITY, REPORTING, AND SPECIAL TESTS AND PROVISIONS – PARTICIPATION OF PRIVATE SCHOOL CHILDREN AND ASSESSMENT SYSTEM SECURITY

Federal Agency: U.S. Department of Education
 Federal Program: Title I Grants to Local Educational Agencies
 CFDA Number: 84.010
 Federal Award Number and Year: 13-4670, 14-4670, 15-4670
 Pass-Through Entity: Indiana Department of Education

Contact Person Responsible for Corrective Action: Lela Simmons, CFO; Maria Brown, Title I
 Contact Phone Number: 219-391-4100 Ex 12365

Views of Responsible Official:

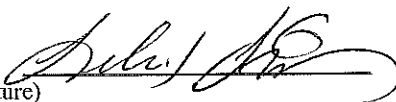
The School City of East Chicago has reviewed Finding 2015-002, internal controls for retaining signed documents, segregation of duties, and Special Tests and Provisions – Assessment System Security.

Description of Corrective Action Plan:

School Corporation will follow all steps listed below to ensure all internal controls are followed:

- **Eligibility and Special Tests and Provisions-Participation of Private School Children-** The finding accurately states that for the 2013-2014 reporting year, the Title I Grant application was not signed. However, from 2014 on, the Title I Grants have all been and will continue to be signed by the Superintendent.
- **Reporting:** Beginning in 2017, the Annual Expenditure Report will be reviewed and processed by the CFO. The document will be signed by the person completing the report.
- **Special Tests and Provisions-Assessment System Security:** The school corporation more specifically each school uses a checklist form to track the chain of custody of test documents. All individuals receiving and delivering test documents sign off. Currently these documents are kept at the school building for a period of time following the current testing cycle. Beginning with the 2017-2018 school year, these documents will be scanned to the Title I office and copies will be kept on file.

Anticipated Completion Date: School City of East Chicago will continue to ensure all internal controls are follow and will put in place by July 1, 2017 any control that's needs to be corrected.


(Signature)

CFO

(Title)

5-24-17

(Date)

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CORRECTIVE ACTION PLAN

FINDING 2015-003 - SUSPENSION AND DEBARMENT

Federal Agency: U.S. Department of Education
Federal Program: Title I Grants to Local Educational Agencies
CFDA Number: 84.010
Federal Award Number and Year: 13-4670, 14-4670, 15-4670
Pass-Through Entity: Indiana Department of Education

Contact Person Responsible for Corrective Action: Lela Simmons, CFO; Maria Brown, Title I
Contact Phone Number: 219-391-4100 Ex 12365

Views of Responsible Official:

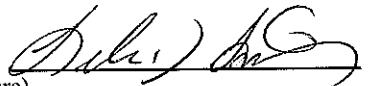
The School City of East Chicago has reviewed Finding 2015-003, internal controls for system related to the grant agreement and the compliance requirements for Suspension and Debarment.

Description of Corrective Action Plan:

School Corporation will follow all steps listed below to ensure all internal controls are followed:

- Beginning January 2017, all vendors through purchase orders have been evaluated using the Excluded Parties List Systems through the System of Award Manager Center or www.sam.gov. Each purchase order will be provided with a copy of the print out from the website. The print out is attached and copies are provided to the CFO.

Anticipated Completion Date: School City of East Chicago will continue to ensure all internal controls are follow.

(Signature) 
CFO
(Title)
3-24-17
(Date)

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CORRECTIVE ACTION PLAN

FINDING 2015-004 -- SPECIAL TESTS AND PROVISIONS - COMPARABILITY

Federal Agency: U.S. Department of Education
Federal Program: Title I Grants to Local Educational Agencies
CFDA Number: 84.010
Federal Award Number and Year: 13-4670, 14-4670, 15-4670
Pass-Through Entity: Indiana Department of Education

Contact Person Responsible for Corrective Action: Lela Simmons, CFO; Kimberley Bradley, Title 1 Director
Contact Phone Number: 219-391-4100 Ex 12365


Views of Responsible Official:

The School City of East Chicago has reviewed Finding 2015-004, internal controls of the School Corporation system related to the grant agreement and the compliance requirements for Special Tests and Provisions - Comparability.

Description of Corrective Action Plan:

The plan to correct the finding related to the Annual Comparability Report the following will be carried out:

- Our district's Data Systems Analyst will retrieve the necessary information for the completion of the report. Once retrieved, he will sign the document ensuring that the information is correct.
 - The report will be completed by the Director of Federal Projects using the data from our information system and will be submitted online.
 - A copy of the submitted report will be signed by the Chief Financial Officer and the Director of Federal Projects and a copy will be kept in both the Federal Projects Office and with the CFO.
 - This report will be completed annually though it will only be submitted to the state bi-annually unless otherwise requested by the state.
- Anticipated Completion Date: School City of East Chicago will have internal control in place on or before July 1, 2017

Signature) 
 (Title) CFO
 (Date) 5-24-17

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CORRECTIVE ACTION PLAN

FINDING 2015-005 - ALLOWABLE COSTS/COST PRINCIPLES

Federal Agency: U.S. Department of Education
Federal Program: Special Education Grants to States
CFDA Number: 84.027
Federal Award Number and Year: 14212-14-PN01, 14213-14-PN01
Pass-Through Entity: Indiana Department of Education

Contact Person Responsible for Corrective Action: Lela Simmons, CFO; Tamera Pol, Special Education Director
Contact Phone Number: 219-391-4100 Ex 12365

Views of Responsible Official:

The School City of East Chicago has reviewed Finding 2015-005, internal system related to the grant agreement and the compliance requirements for Allowable Costs/Cost Principles.

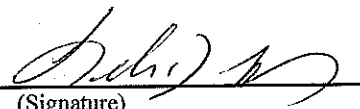
Description of Corrective Action Plan:

The corrective action plan are as follows:


School City will purchase copy for the general use of each school building. This paper will be stored in a different location from special education department supply. Special Education department copy paper will be monitored and distribute as follow:

1. Paper distribution will start with the order of paper to be received in the warehouse and marked as Special Education Department ONLY. District will order as well as Special Education. The district paper will be kept separate from the Special Education paper.
2. A work order will be placed to forward cases of paper to Special Education teachers who will each sign for the receiving of the paper from the Special Education Department. Teachers will contact the department when they are in need of more paper.

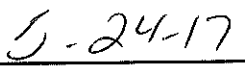
Anticipated Completion Date: All internal controls will be put in place by July 1, 2017



(Signature)



(Title)



(Date)

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CORRECTIVE ACTION PLAN

FINDING 2015-006 - EQUIPMENT

Federal Agency: U.S. Department of Education
Federal Program: Special Education_ Grants to States
CFDA Number: 84.027
Federal Award Number and Year: 14212-14-PN01, 14213-14-PN01, 14214-14-PN01, 14215-014-PN01
Pass-Through Entity: Indiana Department of Education

Contact Person Responsible for Corrective Action: Lela Simmons, CFO: Tamera Pol, Special Education Director
Contact Phone Number: 219-391-4100 Ex 12365

Views of Responsible Official:

The School City of East Chicago has reviewed Finding 2015-006, internal control system related to the grant agreement and the compliance requirements for Equipment.

Description of Corrective Action Plan:

The corrective action plan are as follows:

Equipment Procedures for Federal Project Grants

1. Special Education Clerk receives and inventories all equipment. She signs purchase order showing that all items have been received. All software on purchase orders for non-public schools are inventoried by the non-public school secretary who in turn forwards the information to the Special Education Clerk. All software purchased for SCEC through federal funding will be inventoried by Tech Intern and Director of Technology/designee. Both will sign off on list.
2. Special Education Clerk informs the tech intern who in turn reviews purchase order and asset tags all items and forwards them to the proper building.
3. Special Education Secretary prepares a list of all items on the federal projects grant to use as list #1 for comparison with Tech intern list #2.
4. Both lists will be reviewed by each other and Director of Special Education. All will sign and date showing review of list.
5. At the beginning of the school year, the Tech Intern and Special Education Secretary/designee will visit the buildings on the list to assure that equipment is at location designated on their list. Both lists must match and will be signed off by Tech Intern, Secretary and Director of Special Education. Asset tags will be checked to make sure that they are set appropriately on each item.
6. An asset tagging program has been purchased to assist and keep records of all equipment purchased. It will commence with current funding and work through to the oldest federal project.
7. At the end of the year/during the summer all inventory will be rechecked to make sure that all items are updated, working and accounted for.
8. The Director of Special Education, Chief Financial Officer, Tech Intern and Special Education Secretary will meet, discuss and submit a proposal to the Board of School Trustees for disposal of equipment. Once approved the tech intern will implement with the assistance of the Director of Technology. Both will sign off on the procedure.

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CORRECTIVE ACTION PLAN

FINDING 2015-006 - EQUIPMENT

Anticipated Completion Date: All internal controls will be put in place by July 1, 2017


(Signature)

CFO
(Title)

5-24-17
(Date)

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FINDING 2015-007 - SPECIAL TESTS AND PROVISIONS – ASSESSMENT OF NEED

Federal Agency: U.S. Department of Education
Federal Program: Improving Teacher Quality State Grants
CFDA Number: 84.367
Federal Award Number and Year: 11-4670, 12-4670, 13-4670
Pass-Through Entity: Indiana Department of Education

Contact Person Responsible for Corrective Action: Lela Simmons, CFO; Maria Brown, Title I
Contact Phone Number: 219-391-4100 Ex 12365

Views of Responsible Official:

The School City of East Chicago has reviewed Finding 2015-007, internal controls for system related to the grant agreement and the compliance requirements for the Special Tests and Provisions - Assessment of Need.

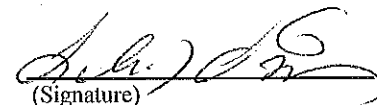
Description of Corrective Action Plan:

In response to the finding for Title IIA concerning the Comprehensive Needs Assessment lack of documentation.

Once the principals submit their individual SIP (School Improvement) plans to the superintendent, I will make sure that the Title II grant has a copy to add. We will also keep a copy for our files/binder for quick reference.

With this guideline we can determine the anticipated costs associated with the SIP of each school and whether it is feasible for the grant to cover.

Anticipated Completion Date: School City of East Chicago will have all internal controls in place by July 1, 2017.


(Signature)

CFO
(Title)

5-25-17
(Date)

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CORRECTIVE ACTION PLAN

FINDING 2015-008 - INTERNAL CONTROLS OVER ELIGIBILITY, REPORTING, AND SPECIAL TESTS AND PROVISIONS - PARTICIPATION OF PRIVATE SCHOOL CHILDREN AND ASSESSMENT SYSTEM SECURITY

Federal Agency: U.S. Department of Education
Federal Program: Title I Grants to Local Educational Agencies
CFDA Number: 84.010
Federal Award Number and Year: 13-4670, 14-4670, 15-4670
Pass-Through Entity: Indiana Department of Education

Contact Person Responsible for Corrective Action: Lela Simmons, CFO
Contact Phone Number: 219-391-4100 ext. 12365

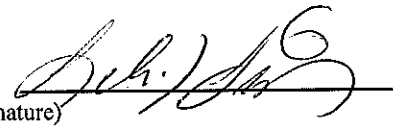
Views of Responsible Official:

The School City of East Chicago has reviewed Finding 2015-08, for internal controls with requirements related to the grant agreement and the Cash Management compliance requirements.

Description of Corrective Action Plan:

School City of East Chicago will develop internal controls for grant agreement and Cash Management pertaining to our schools' food service. The School Corporation Business Office will monitor the cash limit in the School Lunch Fund followed with a monthly review of all funds by the CFO. Invoices received will be paid within the timely due date listed on each invoice. Prior to processing, the invoice will be review by the Chief Financial Officer and the Sodexo Manager to insure compliance with the signed agreement. Once the invoice has been reviewed and approved, the business office will process the remittance in accordance with office procedures.

Anticipated Completion Date: This process is currently being practiced.


(Signature)
CFO
(Title)
5.24.17
(Date)

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CORRECTIVE ACTION PLAN

FINDING 2015-009 - ELIGIBILITY AND SPECIAL TESTS AND PROVISIONS – VERIFICATION OF FREE AND REDUCED PRICE APPLICATIONS (NSLP)

Federal Agency: U.S. Department of Agriculture
Federal Program: School Breakfast Program, National School Lunch Program
CFDA Number: 10.553; 10.555
Federal Award Number and Year: FY 2013-2014, FY 2014-2015
Pass-Through Entity: Indiana Department of Education

Contact Person Responsible for Corrective Action: Lela Simmons CFO
Contact Phone Number: 219-391-4100 Ex 12365

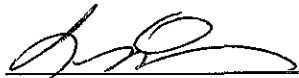
Views of Responsible Official

The School City of East Chicago has reviewed Finding 2015-09, internal controls for compliance requirements for Eligibility and Special Tests and Provisions- Verification for Food Service (Breakfast & Lunch).

Description of Corrective Action Plan

School City of East Chicago is currently using the Community Eligibility Provision (CEP). The program covers all students for the Food Service program. The School Corporation currently qualifies for 95% free and reduced lunches. While under the current CEP, the School Corporation will create internal controls to verify complete documentation of all applications and perform income eligibility tests to ensure that the software is accurate. If the School Corporation has to return to the manual process of tracking eligibility applications, the business office will have internal controls in place to have the application reviewed and approved by a School City financial employee. All records will be kept in the business office and each application will be numbered and marked approved or denied. There will be special tests and provisions done to verify that the income is verified and that there is documentation of notices to the households of the children's eligibility status for both income applications and direct certifications. All records will be accounted for by Business Office personnel and reviewed by the CFO for completeness and accuracy.

Anticipated Completion Date: School City of East Chicago will continue to follow the guidelines of CEP until otherwise instructed through the state.



(Signature)
 CFO

(Title)
 5-24-17

(Date)

Board of School Trustees

Stacy Winfield
President

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Vice President

Dwayne Rancier, Jr.
Secretary

Jesse Gomez
Trustee

Joel Rodriguez
Trustee

Lela Simmons, Chief Financial Officer

CORRECTIVE ACTION PLAN

FINDING 2015-010 - ELIGIBILITY AND SPECIAL TESTS AND PROVISIONS – VERIFICATION

Federal Agency: U.S. Department of Agriculture
Federal Program: School Breakfast Program, National School Lunch Program
CFDA Number: 10.553; 10.555
Federal Award Number and Year: FY 2013-2014, FY 2014-2015
Pass-Through Entity: Indiana Department of Education

Contact Person Responsible for Corrective Action: Lela Simmons CFO
Contact Phone Number: 219-391-4100 Ex 12365

Views of Responsible Official:

The School City of East Chicago has reviewed Finding 2015-10, internal control related to the grant agreement and the compliance requirements for special tests and provisions for Paid Lunch Equity. Prior Chief Financial Officer prepared a Paid Lunch Equity calculation to increase paid lunch.

Description of Corrective Action Plan:

The corrective action plan are as follows:

As of May 24, 2017 all financial document related to Paid Lunch Equity will be kept in the business office. All detail back up pertaining to the calculation and revisions will be retained with the Paid Lunch Equity information.

Anticipated Completion Date: School City of East Chicago Food Service currently is work under Community Eligibility Provision.



(Signature)

CFO

(Title)

5-24-17

(Date)

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Secretary

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Joel Rodriguez
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CORRECTIVE ACTION PLAN

FINDING 2015-011 - REPORTING

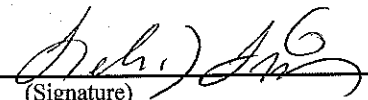
Federal Agency: U.S. Department of Agriculture
 Federal Program: School Breakfast Program, National School Lunch Program, Summer Food Service Program for Children
 CFDA Number: 10.553, 10.555, 10.559
 Federal Award Number: FY 2013-2014, FY 2014-2015
 Pass-Through Entity: Indiana Department of Education
 Contact Person Responsible for Corrective Action: Lela Simmons CFO
 Contact Phone Number: 219-391-4100 Ex 12365

Views of Responsible Official:
 The School City of East Chicago has reviewed Finding 2015-11, internal control for grant agreement and the compliance requirements for reporting.

Description of Corrective Action Plan:
 The corrective action plan are as follows:

- 1) School City of East Chicago will develop internal controls form claim reimbursement SodexoMagic and the business office. The control will include verification of the data that was submitted to the state through the food service personal. This data will be review by the business manager and signed off by the Chief Financial Officer and Food Service management in a monthly meeting. If there is a difference, it will be brought to the food service attention and will be adjusted on the current bill if available or on the next payment. The adjustment will verified by the Food Service management and the Chief Financial Management. There will be a yearly check for changes in the School Corporation Food Service needs. This evaluation will be conducted by the food service management with the assistance of the School Corporation business office. Any changes will be present to the School Corporation Superintendent and the board for approval.
- 2) School Corporation will meet with Food Service Management to put in place an internal control on retaining all back up to the Annual Financial Report (AFR). The Chief Financial Officer and the food service management will review the AFR before it is submit to ensure that the business office match opening and closing totals. If any adjustments need to be made, they will adjusted in the business office or listed as a note on the AFR. All original back will be kept at the food service business off and a copy will be stored in the School City business office.

Anticipated Completion Date: The anticipated date for compliance is July 1, 2017



 (Signature)
 CFO

 (Title)
 5-24-17

 (Date)

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Joel Rodriguez
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Lela Simmons, Chief Financial Officer

CORRECTIVE ACTION PLAN

FINDING 2015-012 - PROCUREMENT

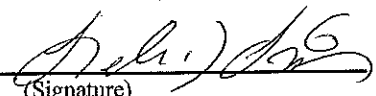
Federal Agency: U.S. Department of Agriculture
Federal Program: School Breakfast Program, National School Lunch Program, Summer Food Service Program for Children
CFDA Number: 10.553, 10.555, 10.559
Federal Award Number: FY 2013-2014, FY 2014-2015
Pass-Through Entity: Indiana Department of Education

Contact Person Responsible for Corrective Action: Lela Simmons CFO
Contact Phone Number: 219-391-4100 Ex 12365

Views of Responsible Official:
The School City of East Chicago has reviewed Finding 2015-12, internal control for grant agreement and the compliance requirements for Procurement.

Description of Corrective Action Plan:
The corrective action plan are as follows:
School City of East Chicago will retain all Procurement documentation in the business office. This documentation will include all bids or request proposals, School City evaluation of the proposals, and all communication with Indiana Department of Education regarding procurement awards. All related contracts will be stored with all official documents. The awarded business will be all required documents with signatures that are required.

Anticipated Completion Date: The anticipated date for compliance is July 1, 2017



(Signature)

CFO

(Title)

5-24-17

(Date)

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OTHER REPORTS

In addition to this report, other reports may have been issued for the School Corporation. All reports can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>.