

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, 2009 to June 30, 2011



FILED
03/22/2012

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Francisco Ramirez	07-01-09 to 06-30-12
Superintendent of Schools	Dawn Greene (Interim) Michael Harding	07-01-09 to 08-26-09 08-27-09 to 06-30-12
President of the School Board	Fernando Trevino	07-01-09 to 06-30-12



STATE OF INDIANA
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**INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENT
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

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

We have audited the accompanying financial statement of the School City of East Chicago (School Corporation), for the years ended June 30, 2010 and 2011. The financial statement is the responsibility of the School Corporation's management. Our responsibility is to express an opinion on the 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing 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 over reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the School Corporation prepares its financial statement on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the State Board of Accounts as allowed by 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 noted above is a different basis than that used in the prior year.

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 years ended June 30, 2010 and 2011, on the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued a report dated January 23, 2012, 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 and should be considered in assessing the results of our audit.

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

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 has been subjected to the auditing procedures applied in the audit of the financial statement and, in our opinion, is fairly stated, in all material respects, in relation to the financial statement taken as a whole.

Our audit was conducted for the purpose of forming an opinion on the School Corporation's financial statement. The Combining Schedules of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis and Schedule of Long-Term Debt are presented for additional analysis and are not required parts of the financial statement. The Combining Schedules of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis and Schedule of Long-Term Debt 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.

The School Corporation's response to the Audit Results and Comments identified in our audit is described in the accompanying section of the report entitled Official Response. We did not audit the School Corporation's response and, accordingly, we express no opinion on it.

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

STATE BOARD OF ACCOUNTS

January 23, 2012



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**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 the financial statement of the School City of East Chicago (School Corporation), for the years ended June 30, 2010 and 2011, and have issued our report thereon dated January 23, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been 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 material weaknesses.

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 combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 2011-1 to be a material weakness.

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 of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2011-1.

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

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

STATE BOARD OF ACCOUNTS

January 23, 2012

FINANCIAL STATEMENT

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.

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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, 2010 and 2011

	Cash and Investments 07-01-09	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-10	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-11
General	\$ 2,805,584	\$ 48,032,270	\$ 43,672,982	\$ 20,292	\$ 7,185,164	\$ 46,869,835	\$ 49,337,943	\$ (1,946)	\$ 4,715,110
Debt Service	(780,687)	11,476,083	2,536,326	(7,927,221)	231,849	369,535	1,004,819	571,364	167,929
Retirement/Severance Bond Debt Service	(339,566)	234,567	-	104,999	-	-	-	-	-
Exempt Debt	-	3,665,927	12,693,976	12,693,976	3,665,927	7,162,919	11,935,435	1,418,378	311,789
Exempt Retirement/Severance Bond Debt Service	-	81,346	388,089	388,088	81,345	439,452	392,536	-	128,261
Capital Projects	4,665,480	4,052,872	3,696,170	232,693	5,254,875	1,676,241	5,534,305	(771,559)	625,252
School Transportation	1,415,025	3,600,015	3,983,059	-	1,031,981	1,553,671	3,600,976	1,132,693	117,369
School Bus Replacement	404,057	-	336,679	200,000	267,378	32,586	248,073	-	51,891
Special Education Preschool	(12,393)	133,342	52,105	(68,844)	-	-	-	-	-
Retirement/Severance Bond	20,257	-	-	-	20,257	-	-	-	20,257
Post-Retirement/Severance Future Benefits	-	1,929,441	-	-	1,929,441	-	-	-	1,929,441
Construction	4,343,725	131,498	38,122	-	4,437,101	-	2,675,570	-	1,761,531
Lincoln Bonds Construction	578,331	3,126	-	-	581,457	1,582	87,393	-	495,646
School Lunch	492,245	3,274,012	3,404,655	-	361,602	2,946,584	2,803,829	2,657	507,014
Textbook Rental	866,568	486,492	430,853	-	922,207	822,780	1,325,654	71,875	491,208
Repair and Replacement	1,049,531	1,126	947,322	900,000	1,003,335	-	1,215,578	900,000	687,757
Self-Insurance - Reserve	4,322,058	871,016	523,878	-	4,669,196	154,155	411,099	-	4,412,252
Levy Excess	-	6,592,535	-	(6,592,535)	-	3,087,751	-	(3,087,751)	-
Back Packs	-	-	-	-	-	2,500	-	-	2,500
Scholarship	-	-	-	-	-	2,000	-	-	2,000
Full Service	-	30,000	-	-	30,000	11,584	11,584	-	30,000
Youth Inv Award	-	-	-	-	-	5,000	2,682	-	2,318
School Improvement Program	103,911	11,631	30,188	-	85,354	-	13,339	-	72,015
Let's Read CHS	80	-	-	-	80	-	-	-	80
Haiti Fundraiser	-	5,987	5,987	-	-	-	-	-	-
TCEF Striving For Excellence	4	-	-	(4)	-	-	-	-	-
Education Collaboration	625	-	-	-	625	-	-	-	625
Cardiology Upgrade	3	-	-	-	3	-	-	-	3
TCEF Entitlement 06-504	11,529	-	12,790	1,261	-	19	19	-	-
Printing and Binding	7,819	61,741	63,940	-	5,620	5,590	11,066	-	144
TCEF Youth Employment Program 2006	977	-	-	-	977	-	-	-	977
Cultural Arts	58,815	-	-	(58,815)	-	-	-	-	-
Special Olympics	25,818	6,882	8,911	-	23,789	26,605	12,763	-	37,631
TCEF What Now? 07-101	33,267	-	18,850	(14,417)	-	-	-	-	-
TCEF School Improvement	6,930	-	1,250	(5,680)	-	-	-	-	-
TCEF Frog in the Bog	6,800	-	-	(6,800)	-	-	-	-	-
Foundations	-	97	86,832	90,174	3,439	-	3,348	-	91
2007 Youth Summit	4,587	-	-	(4,587)	-	-	-	-	-
Rally	-	75	-	-	75	-	-	-	75
Parent University	-	500	287	-	213	-	-	-	213
Vision Athena	1,958	-	-	-	1,958	-	-	-	1,958
Arcelor Mittal	-	40,000	14,839	-	25,161	-	147	-	25,014
IUN Students Lily Utep	44,026	4,001	1,292	-	46,735	-	50	-	46,685
TCEF CHS Spelling Bee	666	-	-	(666)	-	-	-	-	-
TCEF Let's Read CHS TC04-308	466	-	-	(466)	-	-	-	-	-
TCEF Milk Vending Machine	1,157	-	-	-	1,157	-	-	-	1,157
Gifted and Talented 08/09	37,557	-	37,557	-	-	-	-	-	-

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, 2010 and 2011
(Continued)

	Cash and Investments 07-01-09	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-10	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-11
Education Technology	148,937	763,786	1,055,463	48,552	(94,188)	625,382	479,760	-	51,434
3230 High Ability	-	49,669	34,773	-	14,896	-	14,896	-	-
3231 High Ability	-	-	-	-	-	60,052	58,925	-	1,127
Medicaid Reimbursement - State	96,328	-	-	-	96,328	25,255	-	536	122,119
Minority Awareness	950	-	-	-	950	-	-	-	950
Harcourt Testing Donation	1,926	-	-	-	1,926	-	240	-	1,686
Non-English Speaking Programs 10/11	-	-	-	-	-	85,697	71,524	-	14,173
Non-English Speaking Programs 09/10	-	108,070	85,525	-	22,545	-	22,545	-	-
Technology Grants [IC 20-40-15]	-	-	-	-	-	492,598	400,803	-	91,795
ABE/Workone	-	-	-	-	-	1,625	500	-	1,125
Medical Insurance Claims	364,049	6,045,176	6,245,057	-	164,168	6,080,839	5,744,814	-	500,193
GED	7,482	1,958	4,893	-	4,547	409	360	(2,726)	1,870
Non-English Speaking Program 08/09	43,222	-	43,222	-	-	-	-	-	-
Non-English Speaking Program 05/06	34	-	-	-	34	-	-	-	34
Title I - School Improvement Block Jr. High 09/10	-	61,118	39,984	-	21,134	50,838	71,972	-	-
Title I - School Improvement Block Jr. High 10/11	-	-	-	-	-	305,607	333,467	-	(27,860)
Title I FY 09/10	-	3,843,493	3,430,337	425,693	838,849	400,630	675,837	(563,642)	-
Title I FY 10/11	-	-	-	-	-	3,250,540	3,448,532	563,642	365,650
Title I FY 08/09	1,339,329	400,218	1,313,854	(425,693)	-	3,177	3,177	-	-
Title I School Improvement Lincoln 08/09	90,348	22,901	113,249	-	-	-	-	-	-
Title I School Improvement Harrison 08/09	16,323	-	16,323	-	-	-	-	-	-
Title I School Improvement Franklin 08/09	14,011	-	14,011	-	-	-	-	-	-
Title I School Improvement Gosch 08/09	14,804	-	14,804	-	-	-	-	-	-
Title I School Improvement Gosch 09/10	-	325,032	304,434	-	20,598	57,618	78,216	-	-
Title I School Improvement Gosch 10/11	-	-	-	-	-	237,913	254,103	-	(16,190)
Title I School Improvement Lincoln 09/10	-	441,957	418,747	-	23,210	65,177	88,387	-	-
Title I School Improvement Lincoln 10/11	-	-	-	-	-	252,196	265,440	-	(13,244)
Title V Part A T 507	16,664	-	16,664	-	-	-	-	-	-
INSAI/W.S. - Field	9	-	-	-	9	-	-	-	9
L.D. 2 YR 09/10	-	980,499	1,049,226	-	(68,727)	292,472	223,826	-	(81)
L.D. 2 YR 10/11	-	-	-	-	-	480,144	770,857	-	(290,713)
L.D. 09/10	-	150,433	341,169	398,830	208,094	-	208,094	-	-
Federal Assistance Educational Preschool Handicapped 09/10	-	35,999	12,318	-	23,681	6,104	37,797	-	(8,012)
Federal Assistance Educational Preschool Handicapped 10/11	-	-	-	-	-	50,058	51,205	-	(1,147)
Preschool FY 08/09	14,045	19,264	33,177	(132)	-	-	-	-	-
Preschool Carryover 08/09	1,067	-	1,067	-	-	-	-	-	-
Pre-School Co 09+	-	3,302	3,004	132	430	-	430	-	-
Empowerment Zone	2,644	-	1,147	-	1,497	-	520	-	977
Drug Free Schools 09/10	-	48,760	43,094	-	5,666	-	5,666	-	-
Drug Free Schools 10/11	-	33,609	98	-	33,511	-	30,784	-	2,727
Title IV Part A Drug Free	20,625	-	20,625	-	-	-	-	-	-
Walmart Literacy	1,000	-	-	-	1,000	-	-	-	1,000
Carl Perkins 09/10	-	152,237	145,886	-	6,351	50,745	57,096	-	-
Carl Perkins 10/11	-	-	-	-	-	90,841	92,330	-	(1,489)
Carl Perkins 06/07	69,108	49,911	119,019	-	-	-	-	-	-

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, 2010 and 2011
(Continued)

- 1 -

	Cash and Investments 07-01-09	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-10	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-11
Medicaid Reimbursement - Federal	107,813	3,345	55,694	-	55,464	69,654	11,464	1,479	115,133
Ind. Mathematic	7	-	-	-	7	-	-	-	7
School to Work Development Act	2,214	-	-	-	2,214	-	-	-	2,214
Improving Teaching Quality, No Child Left, Title II, Part A	(9,323)	437,995	428,672	-	-	-	-	-	-
Title II Part A 09/10	-	108,100	-	-	108,100	316,255	447,856	-	(23,501)
Title II Part A 08/09	-	270,000	281,944	-	(11,944)	332,157	320,213	-	-
Title III, Language Instruction 07/08	64,671	-	64,671	-	-	-	-	-	-
Title III 10/11	-	-	-	-	-	42,350	59,475	-	(17,125)
Title III 09/10	-	106,730	43,526	-	63,204	-	63,204	-	-
Title I Reading First McKinley 08/09	49,085	181,186	230,271	-	-	-	-	-	-
Title I, Reading First 09/10	-	106,817	160,650	-	(53,833)	140,767	86,934	-	-
L.D. 08/09	364,984	270,781	236,935	(398,830)	-	-	-	-	-
L.D. Carryover	27,264	-	27,264	-	-	-	-	-	-
Health Clinic 08/09	(80,535)	109,140	28,605	-	-	-	-	-	-
Health Clinic 10/11	-	-	-	-	-	69,147	78,048	-	(8,901)
Health Clinic 09/10	-	56,744	63,958	-	(7,214)	43,007	35,793	-	-
SS Day Camp United Way	4,902	-	4,102	-	800	-	323	-	477
Laura Bush Foundation for Libraries	11	-	-	-	11	-	-	-	11
Community Foundation for National Capital	689	-	-	-	689	-	451	-	238
L.D. 07/08	901	-	901	-	-	-	-	-	-
Fiscal Stabilization - Education	1,688,373	1,090,716	2,779,089	-	-	-	-	-	-
Stimulus Title I - Grants to LEAs	-	1,690,795	1,337,347	-	353,448	578,920	764,643	-	167,725
Stimulus Title I - School Improvement	-	-	-	-	-	-	105,213	-	(105,213)
Stimulus Special Education - Part B	-	1,121,810	1,409,688	-	(287,878)	397,315	114,475	-	(5,038)
Stimulus Special Education - Part B - Preschool	-	55,336	27,692	-	27,644	2,480	30,124	-	-
Stimulus School Lunch Equipment	-	16,540	16,540	-	-	-	-	-	-
Worker's Compensation	(1,832)	185,327	158,493	-	25,002	130,935	128,734	-	27,203
Withholding	37,607	12,097,978	12,104,489	-	31,096	11,980,164	11,996,672	-	14,588
Totals	<u>\$ 24,696,946</u>	<u>\$ 116,173,314</u>	<u>\$ 107,368,640</u>	<u>\$ -</u>	<u>\$ 33,501,620</u>	<u>\$ 92,239,457</u>	<u>\$ 108,363,933</u>	<u>\$ 235,000</u>	<u>\$ 17,612,144</u>

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, 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 (primary government).

B. Basis of Accounting

The financial statement is reported on a regulatory basis of accounting prescribed by the 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 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 which include taxes, revenue from local governmental units other than school corporations, transfer tuition, transportation fees, investment income, food services, school corporation activities, revenue from community services activities, and other revenue from local sources.

Intermediate sources which include distributions from the County for fees collected for or on behalf of the School Corporation including educational license plate fees, congressional interest, riverboat distributions, and other similar fees.

State sources which include distributions from the State of Indiana to be used by the School Corporation for various purposes. Included in state sources are unrestricted grants, restricted grants, revenue in lieu of taxes, and revenue for or on behalf of the School Corporation.

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

Federal sources which include distributions from the federal government to be used by the School Corporation for various purposes. Included in federal sources are unrestricted grants, restricted grants, revenue in lieu of taxes, and revenue for or on behalf of the School Corporation.

Other receipts which include amounts received from various sources which include 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 which includes outflows for regular programs, special programs, adult and continuing education programs, summer school programs, enrichment programs, remediation, and payments to other governmental units.

Support services which include outflows for support services related to students, instruction, general administration, and school administration. It also includes outflows for central services, operation and maintenance of plant services, and student transportation.

Noninstructional services which include outflows for food service operations and community service operations.

Facilities acquisition and construction which includes outflows for the acquisition, development, construction, and improvement of new and existing facilities.

Debt services which include fixed obligations resulting from financial transactions previously entered into by the School Corporation. It includes all expenditures for the reduction of the principal and interest of the School Corporation's general obligation indebtedness.

Nonprogrammed charges which include outflows for donations to foundations, securities purchased, indirect costs, scholarships, and self-insurance payments.

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 which includes money received when land, buildings, or equipment owned by the School Corporation is sold.

Transfers in which includes money 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 which includes money paid by one fund to another fund. The transfers are used for cash flow purposes as provided by various statutory provisions.

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

G. Fund Accounting

Separate funds are established, maintained, and reported by the School Corporation. Each fund is used to account for money 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 money 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 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.

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, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

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

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. These risks may also be mitigated by the School Corporation by recording as a disbursement and replacement items purchased.

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 an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in this defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the 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:

Indiana Public Retirement System
1 North Capital Street, 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.

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

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
1 North Capital Street, 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.

SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the School Corporation's Financial Reports can be found on the Indiana Department of Education website: <http://mustang.doe.state.in.us/TRENDS/fin.cfm>. This website is maintained by the Indiana Department of Education. More current financial information is available from the School Corporation Treasurer's office.

Differences may be noted between the financial information presented in the financial statement contained in this report and the financial information presented in the Financial Reports of the School Corporation which are 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 supplementary information presented was prepared and/or approved by management of the School Corporation. It is presented as intended by the School Corporation.

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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, 2010

	General	Debt Service	Retirement/ Severance Bond Debt Service	Exempt Debt	Exempt Retirement/ Severance Bond Debt Reserve	Capital Projects	School Transportation	School Bus Replacement	Special Education Preschool	Retirement/ Severance Bond
Cash and investments - beginning	\$ 2,805,584	\$ (780,687)	\$ (339,566)	\$ -	\$ -	\$ 4,665,480	\$ 1,415,025	\$ 404,057	\$ (12,393)	\$ 20,257
Receipts:										
Local sources	3,883,209	11,476,083	234,567	3,665,927	81,346	4,052,872	3,600,015	-	39,842	-
Intermediate sources	188,162	-	-	-	-	-	-	-	-	-
State sources	43,955,270	-	-	-	-	-	-	-	93,500	-
Federal sources	-	-	-	-	-	-	-	-	-	-
Other	5,629	-	-	-	-	-	-	-	-	-
Total receipts	48,032,270	11,476,083	234,567	3,665,927	81,346	4,052,872	3,600,015	-	133,342	-
Disbursements:										
Current:										
Instruction	24,295,739	-	-	-	-	-	-	-	52,105	-
Support services	18,319,788	-	-	-	-	2,129,937	3,464,361	336,679	-	-
Noninstructional services	369,102	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	124,203	-	-	-	-	1,566,233	518,698	-	-	-
Debt services	428,172	2,536,326	-	12,693,976	388,089	-	-	-	-	-
Nonprogrammed charges	135,978	-	-	-	-	-	-	-	-	-
Total disbursements	43,672,982	2,536,326	-	12,693,976	388,089	3,696,170	3,983,059	336,679	52,105	-
Excess (deficiency) of receipts over disbursements	4,359,288	8,939,757	234,567	(9,028,049)	(306,743)	356,702	(383,044)	(336,679)	81,237	-
Other financing sources (uses):										
Transfers in	68,844	231,848	105,000	12,693,976	388,088	1,132,693	1,132,693	200,000	-	-
Transfers out	(48,552)	(8,159,069)	(1)	-	-	(900,000)	(1,132,693)	-	(68,844)	-
Total other financing sources (uses)	20,292	(7,927,221)	104,999	12,693,976	388,088	232,693	-	200,000	(68,844)	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	4,379,580	1,012,536	339,566	3,665,927	81,345	589,395	(383,044)	(136,679)	12,393	-
Cash and investments - ending	\$ 7,185,164	\$ 231,849	\$ -	\$ 3,665,927	\$ 81,345	\$ 5,254,875	\$ 1,031,981	\$ 267,378	\$ -	\$ 20,257

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, 2010
(Continued)

	Post- Retirement/ Severance Future Benefits	Construction	Lincoln Bonds Construction	School Lunch	Textbook Rental	Repair and Replacement	Self-Insurance Reserve	Levy Excess	Full Service	School Improvement Program
Cash and investments - beginning	\$ -	\$ 4,343,725	\$ 578,331	\$ 492,245	\$ 866,568	\$ 1,049,531	\$ 4,322,058	\$ -	\$ -	\$ 103,911
Receipts:										
Local sources	1,929,441	131,498	3,126	326,290	28,323	1,126	871,016	-	30,000	-
Intermediate sources	-	-	-	-	-	-	-	-	-	-
State sources	-	-	-	3,017	458,169	-	-	6,592,535	-	11,251
Federal sources	-	-	-	2,944,705	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	380
Total receipts	<u>1,929,441</u>	<u>131,498</u>	<u>3,126</u>	<u>3,274,012</u>	<u>486,492</u>	<u>1,126</u>	<u>871,016</u>	<u>6,592,535</u>	<u>30,000</u>	<u>11,631</u>
Disbursements:										
Current:										
Instruction	-	-	-	-	-	-	-	-	-	13,041
Support services	-	-	-	1,262	430,853	934,832	523,878	-	-	17,147
Noninstructional services	-	-	-	3,348,883	-	-	-	-	-	-
Facilities acquisition and construction	-	38,122	-	54,510	-	12,490	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	<u>-</u>	<u>38,122</u>	<u>-</u>	<u>3,404,655</u>	<u>430,853</u>	<u>947,322</u>	<u>523,878</u>	<u>-</u>	<u>-</u>	<u>30,188</u>
Excess (deficiency) of receipts over disbursements	<u>1,929,441</u>	<u>93,376</u>	<u>3,126</u>	<u>(130,643)</u>	<u>55,639</u>	<u>(946,196)</u>	<u>347,138</u>	<u>6,592,535</u>	<u>30,000</u>	<u>(18,557)</u>
Other financing sources (uses):										
Transfers in	-	-	-	-	-	900,000	-	-	-	-
Transfers out	-	-	-	-	-	-	-	(6,592,535)	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>900,000</u>	<u>-</u>	<u>(6,592,535)</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>1,929,441</u>	<u>93,376</u>	<u>3,126</u>	<u>(130,643)</u>	<u>55,639</u>	<u>(46,196)</u>	<u>347,138</u>	<u>-</u>	<u>30,000</u>	<u>(18,557)</u>
Cash and investments - ending	<u>\$ 1,929,441</u>	<u>\$ 4,437,101</u>	<u>\$ 581,457</u>	<u>\$ 361,602</u>	<u>\$ 922,207</u>	<u>\$ 1,003,335</u>	<u>\$ 4,669,196</u>	<u>\$ -</u>	<u>\$ 30,000</u>	<u>\$ 85,354</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, 2010
 (Continued)

	Let's Read CHS	Haiti Fundraiser	TCEF Striving For Excellence	Education Collaboration	Cardiology Upgrade	TCEF Entitlement 06-504	Printing and Binding	TCEF Youth Employment Program 2006	Cultural Arts	Special Olympics
Cash and investments - beginning	\$ 80	\$ -	\$ 4	\$ 625	\$ 3	\$ 11,529	\$ 7,819	\$ 977	\$ 58,815	\$ 25,818
Receipts:										
Local sources	-	5,987	-	-	-	-	61,741	-	-	6,882
Intermediate sources	-	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Total receipts	-	5,987	-	-	-	-	61,741	-	-	6,882
Disbursements:										
Current:										
Instruction	-	-	-	-	-	2,999	-	-	-	-
Support services	-	5,987	-	-	-	9,791	63,940	-	-	8,911
Noninstructional services	-	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	-	5,987	-	-	-	12,790	63,940	-	-	8,911
Excess (deficiency) of receipts over disbursements	-	-	-	-	-	(12,790)	(2,199)	-	-	(2,029)
Other financing sources (uses):										
Transfers in	-	-	-	-	-	1,261	-	-	-	-
Transfers out	-	-	(4)	-	-	-	-	-	(58,815)	-
Total other financing sources (uses)	-	-	(4)	-	-	1,261	-	-	(58,815)	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	(4)	-	-	(11,529)	(2,199)	-	(58,815)	(2,029)
Cash and investments - ending	\$ 80	\$ -	\$ -	\$ 625	\$ 3	\$ -	\$ 5,620	\$ 977	\$ -	\$ 23,789

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, 2010
(Continued)

	TCEF What Now? 07-101	TCEF School Improvement	TCEF Frog in the Bog	Foundations	2007 Youth Summit	Rally	Parent University	Vision Athena	Arcelor Mittal	IUN Students Lily Utep
Cash and investments - beginning	\$ 33,267	\$ 6,930	\$ 6,800	\$ -	\$ 4,587	\$ -	\$ -	\$ 1,958	\$ -	\$ 44,026
Receipts:										
Local sources	-	-	-	97	-	75	500	-	40,000	-
Intermediate sources	-	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-	4,001
Other	-	-	-	-	-	-	-	-	-	-
Total receipts	-	-	-	97	-	75	500	-	40,000	4,001
Disbursements:										
Current:										
Instruction	18,850	1,250	-	10,906	-	-	-	-	14,758	538
Support services	-	-	-	75,926	-	-	-	-	81	754
Noninstructional services	-	-	-	-	-	-	287	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	18,850	1,250	-	86,832	-	-	287	-	14,839	1,292
Excess (deficiency) of receipts over disbursements	(18,850)	(1,250)	-	(86,735)	-	75	213	-	25,161	2,709
Other financing sources (uses):										
Transfers in	-	-	-	90,174	-	-	-	-	-	-
Transfers out	(14,417)	(5,680)	(6,800)	-	(4,587)	-	-	-	-	-
Total other financing sources (uses)	(14,417)	(5,680)	(6,800)	90,174	(4,587)	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(33,267)	(6,930)	(6,800)	3,439	(4,587)	75	213	-	25,161	2,709
Cash and investments - ending	\$ -	\$ -	\$ -	\$ 3,439	\$ -	\$ 75	\$ 213	\$ 1,958	\$ 25,161	\$ 46,735

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, 2010
(Continued)

	TCEF CHS Spelling Bee	TCEF Let's Read CHS TC04-308	TCEF Milk Vending Machine	Gifted and Talented 08/09	Education Technology	3230 High Ability	Medicaid Reimbursement - State	Minority Awareness	Harcourt Testing Donation	Non-English Speaking Programs 09/10
Cash and investments - beginning	\$ 666	\$ 466	\$ 1,157	\$ 37,557	\$ 148,937	\$ -	\$ 96,328	\$ 950	\$ 1,926	\$ -
Receipts:										
Local sources	-	-	-	-	251,416	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	512,370	49,669	-	-	-	108,070
Federal sources	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Total receipts	-	-	-	-	763,786	49,669	-	-	-	108,070
Disbursements:										
Current:										
Instruction	-	-	-	32,720	56,668	33,977	-	-	-	85,525
Support services	-	-	-	4,837	998,795	796	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	-	-	-	37,557	1,055,463	34,773	-	-	-	85,525
Excess (deficiency) of receipts over disbursements	-	-	-	(37,557)	(291,677)	14,896	-	-	-	22,545
Other financing sources (uses):										
Transfers in	-	-	-	-	48,552	-	-	-	-	-
Transfers out	(666)	(466)	-	-	-	-	-	-	-	-
Total other financing sources (uses)	(666)	(466)	-	-	48,552	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(666)	(466)	-	(37,557)	(243,125)	14,896	-	-	-	22,545
Cash and investments - ending	\$ -	\$ -	\$ 1,157	\$ -	\$ (94,188)	\$ 14,896	\$ 96,328	\$ 950	\$ 1,926	\$ 22,545

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, 2010
(Continued)

	Medical Insurance Claims	GED	Non-English Speaking Program 08/09	Non-English Speaking Program 05/06	Title I - School Improvement Block Jr. High 09/10	Title I FY 09/10	Title I FY 08/09	Title I School Improvement Lincoln 08/09	Title I School Improvement Harrison 08/09
Cash and investments - beginning	\$ 364,049	\$ 7,482	\$ 43,222	\$ 34	\$ -	\$ -	\$ 1,339,329	\$ 90,348	\$ 16,323
Receipts:									
Local sources	6,045,176	120	-	-	1,188	2,407	218	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	1,838	-	-	-	-	-	-	-
Federal sources	-	-	-	-	59,930	3,841,086	400,000	22,901	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	6,045,176	1,958	-	-	61,118	3,843,493	400,218	22,901	-
Disbursements:									
Current:									
Instruction	-	4,893	36,897	-	-	2,368,094	545,440	4,909	-
Support services	-	-	6,325	-	39,984	932,549	646,949	100,948	14,781
Noninstructional services	-	-	-	-	-	129,694	16,140	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	6,245,057	-	-	-	-	-	105,325	7,392	1,542
Total disbursements	6,245,057	4,893	43,222	-	39,984	3,430,337	1,313,854	113,249	16,323
Excess (deficiency) of receipts over disbursements	(199,881)	(2,935)	(43,222)	-	21,134	413,156	(913,636)	(90,348)	(16,323)
Other financing sources (uses):									
Transfers in	-	-	-	-	-	425,693	-	-	-
Transfers out	-	-	-	-	-	-	(425,693)	-	-
Total other financing sources (uses)	-	-	-	-	-	425,693	(425,693)	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(199,881)	(2,935)	(43,222)	-	21,134	838,849	(1,339,329)	(90,348)	(16,323)
Cash and investments - ending	\$ 164,168	\$ 4,547	\$ -	\$ 34	\$ 21,134	\$ 838,849	\$ -	\$ -	\$ -

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, 2010
(Continued)

	Title I School Improvement Franklin 08/09	Title I School Improvement Gosch 08/09	Title I School Improvement Gosch 09/10	Title I School Improvement Lincoln 09/10	Title V Part A T 507	INSAI/W.S. - Field	L.D. 2 YR 09/10	L.D. 09/10	Federal Assistance Educational Preschool Handicapped 09/10
Cash and investments - beginning	\$ 14,011	\$ 14,804	\$ -	\$ -	\$ 16,664	\$ 9	\$ -	\$ -	\$ -
Receipts:									
Local sources	-	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-
Federal sources	-	-	325,032	441,957	-	-	980,499	150,433	35,999
Other	-	-	-	-	-	-	-	-	-
Total receipts	-	-	325,032	441,957	-	-	980,499	150,433	35,999
Disbursements:									
Current:									
Instruction	-	-	167,303	323,323	-	-	982,814	115,718	10,529
Support services	12,557	13,348	137,131	95,424	16,631	-	58,721	41,670	1,789
Noninstructional services	-	-	-	-	-	-	7,691	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	1,454	1,456	-	-	33	-	-	183,781	-
Total disbursements	14,011	14,804	304,434	418,747	16,664	-	1,049,226	341,169	12,318
Excess (deficiency) of receipts over disbursements	(14,011)	(14,804)	20,598	23,210	(16,664)	-	(68,727)	(190,736)	23,681
Other financing sources (uses):									
Transfers in	-	-	-	-	-	-	-	398,830	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	398,830	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(14,011)	(14,804)	20,598	23,210	(16,664)	-	(68,727)	208,094	23,681
Cash and investments - ending	\$ -	\$ -	\$ 20,598	\$ 23,210	\$ -	\$ 9	\$ (68,727)	\$ 208,094	\$ 23,681

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, 2010
(Continued)

	Preschool FY 08/09	Preschool Carryover 08/09	Pre-School Co 09+	Empowerment Zone	Drug Free Schools 09/10	Drug Free Schools 10/11	Title IV Part A Drug Free	Walmart Literacy	Carl Perkins 09/10
Cash and investments - beginning	\$ 14,045	\$ 1,067	\$ -	\$ 2,644	\$ -	\$ -	\$ 20,625	\$ 1,000	\$ -
Receipts:									
Local sources	-	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-
Federal sources	19,264	-	3,302	-	48,760	33,609	-	-	152,237
Other	-	-	-	-	-	-	-	-	-
Total receipts	19,264	-	3,302	-	48,760	33,609	-	-	152,237
Disbursements:									
Current:									
Instruction	33,177	969	2,894	1,147	-	-	-	-	113,694
Support services	-	-	110	-	43,094	98	20,625	-	32,192
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	98	-	-	-	-	-	-	-
Total disbursements	33,177	1,067	3,004	1,147	43,094	98	20,625	-	145,886
Excess (deficiency) of receipts over disbursements	(13,913)	(1,067)	298	(1,147)	5,666	33,511	(20,625)	-	6,351
Other financing sources (uses):									
Transfers in	-	-	132	-	-	-	-	-	-
Transfers out	(132)	-	-	-	-	-	-	-	-
Total other financing sources (uses)	(132)	-	132	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(14,045)	(1,067)	430	(1,147)	5,666	33,511	(20,625)	-	6,351
Cash and investments - ending	\$ -	\$ -	\$ 430	\$ 1,497	\$ 5,666	\$ 33,511	\$ -	\$ 1,000	\$ 6,351

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, 2010
 (Continued)

	Carl Perkins 06/07	Medicaid Reimbursement - Federal	Ind. Mathematic	School to Work Development Act	Improving Teaching Quality, No Child Left, Title II, Part A	Title II Part A 09/10	Title II Part A 08/09	Title III, Language Instruction 07/08	Title III 09/10
Cash and investments - beginning	\$ 69,108	\$ 107,813	\$ 7	\$ 2,214	\$ (9,323)	\$ -	\$ -	\$ 64,671	\$ -
Receipts:									
Local sources	269	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-
Federal sources	49,642	3,345	-	-	437,995	108,100	270,000	-	106,730
Other	-	-	-	-	-	-	-	-	-
Total receipts	49,911	3,345	-	-	437,995	108,100	270,000	-	106,730
Disbursements:									
Current:									
Instruction	84,849	10,695	-	-	181,484	-	136,892	64,432	43,526
Support services	34,170	44,999	-	-	212,135	-	145,052	239	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	35,053	-	-	-	-
Total disbursements	119,019	55,694	-	-	428,672	-	281,944	64,671	43,526
Excess (deficiency) of receipts over disbursements	(69,108)	(52,349)	-	-	9,323	108,100	(11,944)	(64,671)	63,204
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	(69,108)	(52,349)	-	-	9,323	108,100	(11,944)	(64,671)	63,204
Cash and investments - ending	\$ -	\$ 55,464	\$ 7	\$ 2,214	\$ -	\$ 108,100	\$ (11,944)	\$ -	\$ 63,204

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, 2010
(Continued)

	Title I Reading First McKinley 08/09	Title I, Reading First 09/10	L.D. 08/09	L.D. Carryover	Health Clinic 08/09	Health Clinic 09/10	SS Day Camp United Way	Laura Bush Foundation for Libraries	Community Foundation for National Capital
Cash and investments - beginning	\$ 49,085	\$ -	\$ 364,984	\$ 27,264	\$ (80,535)	\$ -	\$ 4,902	\$ 11	\$ 689
Receipts:									
Local sources	-	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-
Federal sources	181,186	106,817	270,781	-	109,140	56,744	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	181,186	106,817	270,781	-	109,140	56,744	-	-	-
Disbursements:									
Current:									
Instruction	212,619	149,850	212,701	25,423	-	-	4,102	-	-
Support services	3,488	-	24,234	-	28,605	63,958	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	14,164	10,800	-	1,841	-	-	-	-	-
Total disbursements	230,271	160,650	236,935	27,264	28,605	63,958	4,102	-	-
Excess (deficiency) of receipts over disbursements	(49,085)	(53,833)	33,846	(27,264)	80,535	(7,214)	(4,102)	-	-
Other financing sources (uses):									
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	(398,830)	-	-	-	-	-	-
Total other financing sources (uses)	-	-	(398,830)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(49,085)	(53,833)	(364,984)	(27,264)	80,535	(7,214)	(4,102)	-	-
Cash and investments - ending	\$ -	\$ (53,833)	\$ -	\$ -	\$ -	\$ (7,214)	\$ 800	\$ 11	\$ 689

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, 2010
(Continued)

	L.D. 07/08	Fiscal Stabilization - Education	Stimulus Title I - Grants to LEAs	Stimulus Special Education - Part B	Stimulus Special Education - Part B - Preschool	Stimulus School Lunch Equipment	Worker's Compensation	Withholding	Totals
Cash and investments - beginning	\$ 901	\$ 1,688,373	\$ -	\$ -	\$ -	\$ -	\$ (1,832)	\$ 37,607	\$ 24,696,946
Receipts:									
Local sources	-	-	-	-	-	-	185,327	-	36,956,084
Intermediate sources	-	-	-	-	-	-	-	-	188,162
State sources	-	-	-	-	-	-	-	-	51,785,689
Federal sources	-	1,090,716	1,690,795	1,121,810	55,336	16,540	-	-	15,139,392
Other	-	-	-	-	-	-	-	12,097,978	12,103,987
Total receipts	-	1,090,716	1,690,795	1,121,810	55,336	16,540	185,327	12,097,978	116,173,314
Disbursements:									
Current:									
Instruction	-	1,383,333	1,219,964	403,856	5,777	-	-	-	33,470,380
Support services	-	1,385,293	69,752	1,005,832	21,915	-	-	-	32,583,153
Noninstructional services	-	2,899	47,631	-	-	16,540	-	-	3,938,867
Facilities acquisition and construction	-	4,495	-	-	-	-	-	-	2,318,751
Debt services	-	3,069	-	-	-	-	-	-	16,049,632
Nonprogrammed charges	901	-	-	-	-	-	158,493	12,104,489	19,007,857
Total disbursements	901	2,779,089	1,337,347	1,409,688	27,692	16,540	158,493	12,104,489	107,368,640
Excess (deficiency) of receipts over disbursements	(901)	(1,688,373)	353,448	(287,878)	27,644	-	26,834	(6,511)	8,804,674
Other financing sources (uses):									
Transfers in	-	-	-	-	-	-	-	-	17,817,784
Transfers out	-	-	-	-	-	-	-	-	(17,817,784)
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(901)	(1,688,373)	353,448	(287,878)	27,644	-	26,834	(6,511)	8,804,674
Cash and investments - ending	\$ -	\$ -	\$ 353,448	\$ (287,878)	\$ 27,644	\$ -	\$ 25,002	\$ 31,096	\$ 33,501,620

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, 2011

	General	Debt Service	Exempt Debt	Exempt Retirement/ Severance Bond Debt Reserve	Capital Projects	School Transportation	School Bus Replacement	Retirement/ Severance Bond	Post- Retirement/ Severance Future Benefits
Cash and investments - beginning	\$ 7,185,164	\$ 231,849	\$ 3,665,927	\$ 81,345	\$ 5,254,875	\$ 1,031,981	\$ 267,378	\$ 20,257	\$ 1,929,441
Receipts:									
Local sources	2,242,153	369,535	7,162,919	439,452	1,676,241	1,552,878	32,586	-	-
Intermediate sources	116,225	-	-	-	-	-	-	-	-
State sources	44,440,041	-	-	-	-	-	-	-	-
Federal sources	39,885	-	-	-	-	-	-	-	-
Other	31,531	-	-	-	-	793	-	-	-
Total receipts	46,869,835	369,535	7,162,919	439,452	1,676,241	1,553,671	32,586	-	-
Disbursements:									
Current:									
Instruction	27,592,764	-	-	-	-	-	-	-	-
Support services	20,675,876	-	-	-	1,840,780	3,222,886	248,073	-	-
Noninstructional services	387,832	-	-	-	-	-	-	-	-
Facilities acquisition and construction	200,458	-	-	-	3,693,525	378,090	-	-	-
Debt services	421,053	1,004,819	11,935,435	392,536	-	-	-	-	-
Nonprogrammed charges	59,960	-	-	-	-	-	-	-	-
Total disbursements	49,337,943	1,004,819	11,935,435	392,536	5,534,305	3,600,976	248,073	-	-
Excess (deficiency) of receipts over disbursements	(2,468,108)	(635,284)	(4,772,516)	46,916	(3,858,064)	(2,047,305)	(215,487)	-	-
Other financing sources (uses):									
Sale of capital assets	-	-	-	-	235,000	-	-	-	-
Transfers in	2,726	643,239	1,418,378	-	1,026,134	1,132,693	-	-	-
Transfers out	(4,672)	(71,875)	-	-	(2,032,693)	-	-	-	-
Total other financing sources (uses)	(1,946)	571,364	1,418,378	-	(771,559)	1,132,693	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(2,470,054)	(63,920)	(3,354,138)	46,916	(4,629,623)	(914,612)	(215,487)	-	-
Cash and investments - ending	\$ 4,715,110	\$ 167,929	\$ 311,789	\$ 128,261	\$ 625,252	\$ 117,369	\$ 51,891	\$ 20,257	\$ 1,929,441

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, 2011
 (Continued)

	Construction	Lincoln Bonds Construction	School Lunch	Textbook Rental	Repair and Replacement	Self-Insurance Reserve	Levy Excess	Back Packs	Scholarship
Cash and investments - beginning	\$ 4,437,101	\$ 581,457	\$ 361,602	\$ 922,207	\$ 1,003,335	\$ 4,669,196	\$ -	\$ -	\$ -
Receipts:									
Local sources	-	1,582	445,508	24,090	-	154,155	-	2,500	2,000
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	2,191	798,690	-	-	3,087,751	-	-
Federal sources	-	-	2,498,885	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	-	1,582	2,946,584	822,780	-	154,155	3,087,751	2,500	2,000
Disbursements:									
Current:									
Instruction	-	-	-	-	-	-	-	-	-
Support services	-	87,393	859	460,346	1,161,858	411,099	-	-	-
Noninstructional services	-	-	2,802,970	-	-	-	-	-	-
Facilities acquisition and construction	2,675,570	-	-	-	53,720	-	-	-	-
Debt services	-	-	-	865,308	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	2,675,570	87,393	2,803,829	1,325,654	1,215,578	411,099	-	-	-
Excess (deficiency) of receipts over disbursements	(2,675,570)	(85,811)	142,755	(502,874)	(1,215,578)	(256,944)	3,087,751	2,500	2,000
Other financing sources (uses):									
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	-	-	2,657	71,875	900,000	-	-	-	-
Transfers out	-	-	-	-	-	-	(3,087,751)	-	-
Total other financing sources (uses)	-	-	2,657	71,875	900,000	-	(3,087,751)	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(2,675,570)	(85,811)	145,412	(430,999)	(315,578)	(256,944)	-	2,500	2,000
Cash and investments - ending	\$ 1,761,531	\$ 495,646	\$ 507,014	\$ 491,208	\$ 687,757	\$ 4,412,252	\$ -	\$ 2,500	\$ 2,000

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, 2011
 (Continued)

	Full Service	Youth Inv Award	School Improvement Program	Let's Read CHS	Education Collaboration	Cardiology Upgrade	TCEF Entitlement 06-504	Printing and Binding	TCEF Youth Employment Program 2006
Cash and investments - beginning	\$ 30,000	\$ -	\$ 85,354	\$ 80	\$ 625	\$ 3	\$ -	\$ 5,620	\$ 977
Receipts:									
Local sources	11,584	5,000	-	-	-	-	-	5,590	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	19	-	-
Total receipts	11,584	5,000	-	-	-	-	19	5,590	-
Disbursements:									
Current:									
Instruction	11,584	-	3,863	-	-	-	-	-	-
Support services	-	2,682	9,476	-	-	-	19	11,066	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	11,584	2,682	13,339	-	-	-	19	11,066	-
Excess (deficiency) of receipts over disbursements	-	2,318	(13,339)	-	-	-	-	(5,476)	-
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	-	2,318	(13,339)	-	-	-	-	(5,476)	-
Cash and investments - ending	\$ 30,000	\$ 2,318	\$ 72,015	\$ 80	\$ 625	\$ 3	\$ -	\$ 144	\$ 977

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, 2011
(Continued)

	Special Olympics	Foundations	Rally	Parent University	Vision Athena	Arcelor Mittal	IUN Students Lily Utep	TCEF Milk Vending Machine	Education Technology
Cash and investments - beginning	\$ 23,789	\$ 3,439	\$ 75	\$ 213	\$ 1,958	\$ 25,161	\$ 46,735	\$ 1,157	\$ (94,188)
Receipts:									
Local sources	26,605	-	-	-	-	-	-	-	625,382
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	26,605	-	-	-	-	-	-	-	625,382
Disbursements:									
Current:									
Instruction	-	-	-	-	-	147	50	-	15,422
Support services	12,763	3,348	-	-	-	-	-	-	464,338
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	12,763	3,348	-	-	-	147	50	-	479,760
Excess (deficiency) of receipts over disbursements	13,842	(3,348)	-	-	-	(147)	(50)	-	145,622
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	13,842	(3,348)	-	-	-	(147)	(50)	-	145,622
Cash and investments - ending	\$ 37,631	\$ 91	\$ 75	\$ 213	\$ 1,958	\$ 25,014	\$ 46,685	\$ 1,157	\$ 51,434

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, 2011
 (Continued)

	3230 High Ability	3231 High Ability	Medicaid Reimbursement - State	Minority Awareness	Harcourt Testing Donation	Non-English Speaking Programs 10/11	Non-English Speaking Programs 09/10	Technology Grants [IC 20-40-15]	ABE/ Workone
Cash and investments - beginning	\$ 14,896	\$ -	\$ 96,328	\$ 950	\$ 1,926	\$ -	\$ 22,545	\$ -	\$ -
Receipts:									
Local sources	-	-	-	-	-	-	-	-	1,625
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	60,052	25,255	-	-	85,697	-	492,598	-
Federal sources	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	-	60,052	25,255	-	-	85,697	-	492,598	1,625
Disbursements:									
Current:									
Instruction	9,287	47,798	-	-	-	71,524	12,578	-	500
Support services	5,609	11,127	-	-	240	-	9,967	215,093	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	185,710	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	14,896	58,925	-	-	240	71,524	22,545	400,803	500
Excess (deficiency) of receipts over disbursements	(14,896)	1,127	25,255	-	(240)	14,173	(22,545)	91,795	1,125
Other financing sources (uses):									
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	-	-	536	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	536	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(14,896)	1,127	25,791	-	(240)	14,173	(22,545)	91,795	1,125
Cash and investments - ending	\$ -	\$ 1,127	\$ 122,119	\$ 950	\$ 1,686	\$ 14,173	\$ -	\$ 91,795	\$ 1,125

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, 2011
(Continued)

	Medical Insurance Claims	GED	Non-English Speaking Program 05/06	Title I - School Improvement Block Jr. High 09/10	Title I - School Improvement Block Jr. High 10/11	Title I FY 09/10	Title I FY 10/11	Title I FY 08/09	Title I School Improvement Gosch 09/10
Cash and investments - beginning	\$ 164,168	\$ 4,547	\$ 34	\$ 21,134	\$ -	\$ 838,849	\$ -	\$ -	\$ 20,598
Receipts:									
Local sources	6,080,839	-	-	733	5,577	1,430	273	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	409	-	-	-	-	-	-	-
Federal sources	-	-	-	50,105	300,030	399,000	3,250,267	-	57,618
Other	-	-	-	-	-	200	-	3,177	-
Total receipts	6,080,839	409	-	50,838	305,607	400,630	3,250,540	3,177	57,618
Disbursements:									
Current:									
Instruction	-	296	-	-	327,891	371,090	1,851,649	-	36,416
Support services	-	64	-	69,227	5,576	187,398	1,506,537	427	32,186
Noninstructional services	-	-	-	-	-	2,239	90,346	2,750	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	5,744,814	-	-	2,745	-	115,110	-	-	9,614
Total disbursements	5,744,814	360	-	71,972	333,467	675,837	3,448,532	3,177	78,216
Excess (deficiency) of receipts over disbursements	336,025	49	-	(21,134)	(27,860)	(275,207)	(197,992)	-	(20,598)
Other financing sources (uses):									
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	563,642	-	-
Transfers out	-	(2,726)	-	-	-	(563,642)	-	-	-
Total other financing sources (uses)	-	(2,726)	-	-	-	(563,642)	563,642	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	336,025	(2,677)	-	(21,134)	(27,860)	(838,849)	365,650	-	(20,598)
Cash and investments - ending	\$ 500,193	\$ 1,870	\$ 34	\$ -	\$ (27,860)	\$ -	\$ 365,650	\$ -	\$ -

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, 2011
(Continued)

	Title I School Improvement Gosch 10/11	Title I School Improvement Lincoln 09/10	Title I School Improvement Lincoln 10/11	INSAI/W.S. - Field	L.D. 2 YR 09/10	L.D. 2 YR 10/11	L.D. 09/10	Federal Assistance Educational Preschool Handicapped 09/10	Federal Assistance Educational Preschool Handicapped 10/11
Cash and investments - beginning	\$ -	\$ 23,210	\$ -	\$ 9	\$ (68,727)	\$ -	\$ 208,094	\$ 23,681	\$ -
Receipts:									
Local sources	253	-	614	-	142	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-
Federal sources	237,660	65,177	251,582	-	292,330	480,144	-	6,104	50,058
Other	-	-	-	-	-	-	-	-	-
Total receipts	237,913	65,177	252,196	-	292,472	480,144	-	6,104	50,058
Disbursements:									
Current:									
Instruction	253,850	39,508	264,608	-	214,057	606,071	12,052	37,797	51,205
Support services	253	30,855	660	-	9,769	164,786	196,028	-	-
Noninstructional services	-	-	172	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	18,024	-	-	-	-	14	-	-
Total disbursements	254,103	88,387	265,440	-	223,826	770,857	208,094	37,797	51,205
Excess (deficiency) of receipts over disbursements	(16,190)	(23,210)	(13,244)	-	68,646	(290,713)	(208,094)	(31,693)	(1,147)
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	(16,190)	(23,210)	(13,244)	-	68,646	(290,713)	(208,094)	(31,693)	(1,147)
Cash and investments - ending	<u>\$ (16,190)</u>	<u>\$ -</u>	<u>\$ (13,244)</u>	<u>\$ 9</u>	<u>\$ (81)</u>	<u>\$ (290,713)</u>	<u>\$ -</u>	<u>\$ (8,012)</u>	<u>\$ (1,147)</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, 2011
 (Continued)

	Pre-School Co 09+	Empowerment Zone	Drug Free Schools 09/10	Drug Free Schools 10/11	Walmart Literacy	Carl Perkins 09/10	Carl Perkins 10/11	Medicaid Reimbursement - Federal	Ind. Mathematic
Cash and investments - beginning	\$ 430	\$ 1,497	\$ 5,666	\$ 33,511	\$ 1,000	\$ 6,351	\$ -	\$ 55,464	\$ 7
Receipts:									
Local sources	-	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	50,745	90,251	69,654	-
Other	-	-	-	-	-	-	590	-	-
Total receipts	-	-	-	-	-	50,745	90,841	69,654	-
Disbursements:									
Current:									
Instruction	423	321	-	-	-	43,998	79,765	3,497	-
Support services	-	199	5,666	30,784	-	13,098	7,565	7,967	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	7	-	-	-	-	-	5,000	-	-
Total disbursements	430	520	5,666	30,784	-	57,096	92,330	11,464	-
Excess (deficiency) of receipts over disbursements	(430)	(520)	(5,666)	(30,784)	-	(6,351)	(1,489)	58,190	-
Other financing sources (uses):									
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	1,479	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	1,479	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(430)	(520)	(5,666)	(30,784)	-	(6,351)	(1,489)	59,669	-
Cash and investments - ending	\$ -	\$ 977	\$ -	\$ 2,727	\$ 1,000	\$ -	\$ (1,489)	\$ 115,133	\$ 7

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, 2011
 (Continued)

	School to Work Development Act	Title II Part A 09/10	Title II Part A 08/09	Title III 10/11	Title III 09/10	Title I, Reading First 09/10	Health Clinic 10/11	Health Clinic 09/10	SS Day Camp United Way
Cash and investments - beginning	\$ 2,214	\$ 108,100	\$ (11,944)	\$ -	\$ 63,204	\$ (53,833)	\$ -	\$ (7,214)	\$ 800
Receipts:									
Local sources	-	-	287	137	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-
Federal sources	-	316,255	331,870	42,213	-	140,767	69,147	43,007	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	-	316,255	332,157	42,350	-	140,767	69,147	43,007	-
Disbursements:									
Current:									
Instruction	-	252,840	95,957	33,528	55,054	72,397	-	-	323
Support services	-	195,016	187,700	23,951	6,226	-	78,048	35,793	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	36,556	1,996	1,924	14,537	-	-	-
Total disbursements	-	447,856	320,213	59,475	63,204	86,934	78,048	35,793	323
Excess (deficiency) of receipts over disbursements	-	(131,601)	11,944	(17,125)	(63,204)	53,833	(8,901)	7,214	(323)
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	-	(131,601)	11,944	(17,125)	(63,204)	53,833	(8,901)	7,214	(323)
Cash and investments - ending	\$ 2,214	\$ (23,501)	\$ -	\$ (17,125)	\$ -	\$ -	\$ (8,901)	\$ -	\$ 477

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, 2011
(Continued)

	Laura Bush Foundation for Libraries	Community Foundation for National Capital	Stimulus Title I - Grants to LEAs	Stimulus Title I - School Improvement	Stimulus Special Education - Part B	Stimulus Special Education - Part B - Preschool	Worker's Compensation	Withholding	Totals
Cash and investments - beginning	\$ 11	\$ 689	\$ 353,448	\$ -	\$ (287,878)	\$ 27,644	\$ 25,002	\$ 31,096	\$ 33,501,620
Receipts:									
Local sources	-	-	880	-	-	-	130,935	-	21,003,485
Intermediate sources	-	-	-	-	-	-	-	-	116,225
State sources	-	-	-	-	-	-	-	-	48,992,684
Federal sources	-	-	578,040	-	397,315	2,480	-	-	10,110,589
Other	-	-	-	-	-	-	-	11,980,164	12,016,474
Total receipts	-	-	578,920	-	397,315	2,480	130,935	11,980,164	92,239,457
Disbursements:									
Current:									
Instruction	-	-	466,157	-	102,724	30,124	-	-	33,069,115
Support services	-	451	230,895	105,213	11,751	-	-	-	31,998,987
Noninstructional services	-	-	67,591	-	-	-	-	-	3,353,900
Facilities acquisition and construction	-	-	-	-	-	-	-	-	7,187,073
Debt services	-	-	-	-	-	-	-	-	14,619,151
Nonprogrammed charges	-	-	-	-	-	-	128,734	11,996,672	18,135,707
Total disbursements	-	451	764,643	105,213	114,475	30,124	128,734	11,996,672	108,363,933
Excess (deficiency) of receipts over disbursements	-	(451)	(185,723)	(105,213)	282,840	(27,644)	2,201	(16,508)	(16,124,476)
Other financing sources (uses):									
Sale of capital assets	-	-	-	-	-	-	-	-	235,000
Transfers in	-	-	-	-	-	-	-	-	5,763,359
Transfers out	-	-	-	-	-	-	-	-	(5,763,359)
Total other financing sources (uses)	-	-	-	-	-	-	-	-	235,000
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	(451)	(185,723)	(105,213)	282,840	(27,644)	2,201	(16,508)	(15,889,476)
Cash and investments - ending	\$ 11	\$ 238	\$ 167,725	\$ (105,213)	\$ (5,038)	\$ -	\$ 27,203	\$ 14,588	\$ 17,612,144

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SCHOOL CITY OF EAST CHICAGO
SUPPLEMENTARY INFORMATION
SCHEDULE OF LONG-TERM DEBT
June 30, 2011

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year	Fund/ Department
Capital leases:			
East Chicago Central High School Building Corporation	\$ 10,685,000	\$ 4,575,000	Exempt Debt
East Chicago Elementary School Building Corporation	14,835,000	3,835,000	Exempt Debt
East Chicago Multi-School Building Corporation	8,715,000	1,472,000	Exempt Debt
Equipment Lease Purchase - Apple Inc.	2,500,317	865,308	Textbook Rental
Loans payable:			
Common school fund loans:			
A1273	246,737	125,528	Exempt Debt
A1322	1,352,111	553,013	Exempt Debt
A1400	948,414	640,179	Exempt Debt
A1377	474,286	109,876	Debt Service
A1441	477,983	101,869	Debt Service
Bonds payable:			
General obligation bonds:			
2003 taxable pension	2,610,000	390,808	Exempt Retirement/Severance Bond Debt Service
2009 judgment funding	2,000,000	406,005	Debt Service
Qualified zone academy bonds:			
2000 Lincoln Elementary School	670,000	670,000	Exempt Debt
2003 Central High School	2,000,000	665,000	Exempt Debt
Total debt	<u>\$ 47,514,848</u>	<u>\$ 14,409,586</u>	

SCHOOL CITY OF EAST CHICAGO
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

Effective internal control over financial reporting involves the identification and analysis of the risks of material misstatement to the School Corporation's audited financial statements and then determining how those identified risks should be managed. The School Corporation has not identified risks to the preparation of a reliable financial statement and as a result has failed to design effective controls over the preparation of the financial statement to prevent or detect material misstatements, including notes to the financial statement. The following deficiencies over financial transactions and reporting were identified:

1. The School Corporation is self-insured for the payment of medical insurance claims. The School Corporation has a separate depository account for the medical insurance claims and has established the Medical Insurance Claims Fund (391-0) in the computerized ledger to record the transactions. The School Corporation will make monthly payments from various school funds to the medical insurance bank account to cover the monthly medical insurance claims prepared by a third party administrator. The School Corporation also maintains a manual calculation of a fund balance and reconciles the manually computed fund balance to the bank balance. A reconciliation of the bank balance to the Medical Insurance Claims Fund balance in the computerized ledger was not performed. At June 30, 2010 and 2011, the computerized ledger balance differed from the reconciled bank balance by \$7,558 and (\$326,932), respectively.

Furthermore, the only receipts and disbursements recorded to the Medical Insurance Claims Fund from July 1, 2009 to June 30, 2011, totaled \$3,497 for interest and \$194,286 balance adjustment in December 2009, respectively. However, an abstract of the School Corporation's manually computed activity noted receipts and disbursements totaling \$12,126,015 and \$11,897,230, respectively. Thus, the School Corporation's computerized ledger and financial statement receipts and disbursements were under reported by \$12,122,518 and \$11,702,944, respectively.

2. The transactions for the self-insured worker's compensation bank account are not recorded in a fund on the School Corporation's ledger. The School Corporation maintains a manual calculation of a fund balance and reconciles the manually computed fund balance to the bank balance. At June 30, 2010 and 2011, the manually computed fund balance was \$25,002 and \$27,203, respectively. Thus, the School Corporation's ledger and financial statement receipts and disbursements were under reported by \$316,262 and \$287,227, respectively. A similar result and comment appeared in the prior report.

When all financial transactions of the School Corporation are not recorded in the official ledgers, effective controls over the preparation of reliable financial statements by school officials cannot be achieved.

The School Corporation has approved to adjust the financial statement presented in this audit report to reflect the receipts and disbursements adjustments noted above.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objections, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control.

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

Controls over the receipting, disbursing, recording and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

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

FOUNDATIONS OF EAST CHICAGO GRANTS

The Foundations of East Chicago (Foundation) awarded grants to the School Corporation from 2005 to 2007. The School Corporation submitted a grant application to support certain programs and was subsequently awarded grant funds. For each grant, the School Corporation and the Foundation agreed upon certain terms which were included in the Grant Acceptance Agreement.

On December 21, 2009, the School Corporation transferred \$90,174 from eight Foundation grant funds to a new Foundations Fund. The Treasurer indicated that the funds were transferred from old grant funds to a new fund for strategic planning purposes since no grant documentation could be found that required the School Corporation to remit the funds back to the Foundation. Furthermore, the School Board did not approve the transfer of funds.

However, the Grant Acceptance Agreement located in the School Corporation's grant file states in part:

"WHEREAS, Recipient and Foundation desire to memorialize certain understandings applicable to the Grant; NOW THEREFORE; in consideration of the Grant to be made by the Foundation; Recipient hereby agrees as follows:

1. Use of Funds. All funds received by the Recipient shall be used for the purpose specified in Recipient's application or request for funding. Recipient agrees to consistently apply all funds provided to it by Foundation as part of the Grant in the manner and for the purpose of the Grant.
2. Repayment Obligation. Recipient agrees to repay to the Foundation any portion of the Grant, which is not used for the designated purpose promptly upon demand by the Foundation, or voluntarily in the event part or the entire Grant is not needed to complete the purpose of the Grant."

The Foundation provided correspondence between the School Corporation and the Foundation concerning the unused grant funds. In July 2009, the Foundation requested \$118,733.76 refund of the unused grant dollars for eighteen grants. In October 2009, the School Corporation responded clearly indicating that the agreements did call for the return of the non-expended dollars, however, chose to transfer the unused grant funds to one Foundations Fund for the development of a strategic plan.

Indiana Code 20-26-4-1(d) states in part: "The treasurer is the official custodian of all funds of the school corporation and is responsible for the proper safeguarding and accounting for the funds. . . ."

Sources and uses of funds should be limited to those authorized by the enabling statute, ordinance, resolution, or grant agreement. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

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

OFFICIAL BOND

In 2010, the official bond coverage for the Treasurer of the School Corporation was reduced from \$75,000 to \$25,000. The new reduced bond coverage amount was not approved by the school board.

The treasurer of the school corporation, and the deputy treasurer if one is appointed, for each school year commencing July 1, shall each give a bond for the faithful performance of duty, written by an insurance company licensed to do business in the State of Indiana, in an amount determined by the governing body. The treasurer shall be responsible under the treasurer's bond for the acts of any deputy treasurer appointed as provided in IC 20-26-4-5. All bonds must be made payable to the State of Indiana, IC 5-4-1-10; and approved by the governing body of the school corporation. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 8)

SCHOOL BOARD – QUESTIONABLE TRAVEL

The following travel expenses are items for which the School Corporation reimbursed Fernando Trevino, President of the School Board, for travel. The Board minutes did not reflect any action by the School Board approving his attendance at the National Association of Latino Elected & Appointed Officials (NALEO) conferences or the responsibility of the School Corporation to pay the expenses for attending. Documentation was not attached to the claims to verify attendance at the conference or how these items are directly related to the School Corporation business:

1. On September 9, 2009, Mr. Trevino was reimbursed \$91.35 for transportation and food to attend the NALEO 26th Annual Conference in Hollywood, CA on June 25-27, 2009.
2. On August 26, 2010, Mr. Trevino was reimbursed \$400.12 for transportation and food and additional \$496.00 per diem to attend the NALEO conferences held in Denver, CO on June 23-27, 2010, and another held in Washington, DC on July 19-21, 2010.
3. On July 14, 2009, Mr. Trevino was reimbursed \$11.12 for mileage to attend the May 28, 2009, School Corporation retirement dinner at Andorra in Schererville, IN.
4. On May 11, 2011, Mr. Trevino was reimbursed \$22.00 for mileage to Crown Point, IN and \$62.00 per diem to attend a court hearing involving the library.

The School Board's policy governing mileage and per diem reimbursements does not specifically address situations whereby a School Board member is entitled to reimbursement for mileage and per diem.

Public funds may not be used to pay for personal items or for expenses which do not relate to the functions and purposes of the governmental unit. Any personal expenses paid by the governmental unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

TRAVEL REIMBURSEMENT OVERPAYMENTS

The following overpayments were noted in the review of the School Board claims for reimbursement of travel expenses:

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

1. On May 2, 2010, Fernando Trevino, President of the School Board, was reimbursed \$72.75 for mileage to National School Board Association (NSBA) conference in Chicago, IL even though the description states 120 miles at \$0.50 for \$60.00. Thus, Fernando Trevino, President of the School Board, was overpaid \$12.75.
2. On June 15, 2011, Clifton Johnson, former School Board Member, was reimbursed \$112.00 for food expenses during the NSBA Annual Conference. However, only \$5 of the food expenses reimbursed were not charged to the hotel room and included in the \$1,222.71 hotel room reimbursement. Thus, Clifton Johnston, former School Board member, was overpaid \$107.00.

Governmental units should collect any overpayments made. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

CREDIT CARD CLAIMS

Starting in January 2010, the School Corporation made purchases through the use of several credit cards issued to each of the School Board members, Superintendent, Superintendent's Administrative Assistant, Chief Financial Officer, Assistant Superintendent, and the Director of Human Resources.

The following inconsistencies were noted when reviewing credit card claims paid from January 2010 through November 2011:

1. A School Board approved resolution authorizing the use of credit cards was not noted in the Board minutes.
2. Receipts from restaurants, totaling \$3,275.37, were not itemized to allow for a determination of the propriety of the receipt. A charge slip alone will not allow for a determination of the propriety of the receipt. In addition, receipts from restaurants indicated that several individuals were served meals. The receipts did not list the names of attendees or the business reason for the meals charged.
3. Several other purchases, totaling \$2,671.86, were charged to the credit cards. Itemized invoices were not attached to subsequent payments. According to the credit card statements, purchases were made from Hotels.com, American Assoc of School, NSBA Books, Hilton Hotels and parking in Indianapolis, Midway parking, Southwest Air, the Lakeshore Chamber, Peoplefinders.com, .Int*Intelius SB, East Chicago Florist, Lakeshore Public Television, Springhill Suites, and AT&T. We could not determine if all these purchases were related to School Corporation business.
4. From January 1, 2010 through November 2011, the School Corporation paid credit card late fees, an over limit fee, and interest charges totaling \$476.53.
5. The School Corporation paid \$138.00 for the Superintendent of School's spouse's registration fee to attend a national conference in 2010 and 2011. Additionally, on April 20, 2010, the Superintendent of Schools purchased \$56.58 of fuel for his personal car on the School Corporation's credit card. However, on November 19, 2010, the Superintendent of Schools was reimbursed based on the number of miles traveled for the same day. Thus, we are requesting reimbursement of \$194.58 to the School Corporation from the Superintendent of Schools for the spouse registration fees and fuel purchase. On January 23, 2012, Michael Harding, Superintendent of Schools, reimbursed the School Corporation \$194.58.

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

6. Three claims totaling \$1,759.45 for the payment of credit cards were not provided for audit. We were unable to verify the validity of these payments.

The State Board of Accounts will not take exception to the use of credit cards by a governmental unit provided the following criteria are observed:

1. The governing board must authorize credit card use through an ordinance or resolution, which has been approved in the minutes.
2. Issuance and use should be handled by an official or employee designated by the board.
3. The purposes for which the credit card may be used must be specifically stated in the ordinance or resolution.
4. When the purpose for which the credit card has been issued has been accomplished, the card should be returned to the custody of the responsible person.
5. The designated responsible official or employee should maintain an accounting system or log which would include the names of individuals requesting usage of the cards, their position, estimated amounts to be charged, fund and account numbers to be charged, date the card is issued and returned, etc.
6. Credit cards should not be used to bypass the accounting system. One reason that purchase orders are issued is to provide the fiscal officer with the means to encumber and track appropriations to provide the governing board and other officials with timely and accurate accounting information and monitoring of the accounting system.
7. Payment should not be made on the basis of a statement or a credit card slip only. Procedures for payments should be no different than for any other claim. Supporting documents such as paid bills and receipts must be available. Additionally, any interest or penalty incurred due to late filing or furnishing of documentation by an officer or employee should be the responsibility of that officer or employee.
8. If properly authorized, an annual fee may be paid.

(Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

Public funds may not be used to pay for personal items or for expenses which do not relate to the functions and purposes of the governmental unit. Any personal expenses paid by the governmental unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the governmental unit.

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

Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit.

Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee.

(Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

PAYROLL AND ACCOUNTS PAYABLE VOUCHERS

A. The gross payroll amounts are not approved by the School Board either on a separate payroll voucher register or included in the accounts payable voucher register.

B. The accounts payable voucher registers documents the signatures of the School Board members and the Treasurer; however, the proper certification verbiage is not included on the register.

The Treasurer is to certify to the following: "I hereby certify that each of the above listed vouchers and the invoices, or bills attached thereto, are true and correct and I have audited same in accordance with IC 5-11-10-1.6."

The School Board is to certify to the following: "We have examined the vouchers listed on the forgoing accounts payable voucher register, consisting of ____ pages, and except for vouchers not allowed as shown on the Register such vouchers are allowed in the total amount of \$ _____. Dated this _____ day of _____, 20__."

C. Employees were reimbursed for mileage within travel claims without filing Mileage Claim, General Form 101.

Indiana Code 20-26-4-1(d) states in part:

"The treasurer is the official custodian of all funds of the school corporation and is responsible for the proper safeguarding and accounting for the funds. The treasurer shall: (1) issue a receipt for money received by the treasurer; (2) deposit money described in subdivision (1) in accordance with the laws governing the deposit of public funds; and (3) issue all warrants in payment of expenses lawfully incurred on behalf of the school corporation. However, except as otherwise provided by law, warrants described in this subdivision must be issued only after proper allowance or approval by the governing body. . . ."

Indiana Code 5-11-10-2(b) states:

"The state board of accounts shall prescribe a form which will permit claims from two (2) or more claimants to be listed on a single document and, when such list is signed by members of the governing body showing the claims and amounts allowed each claimant and the total claimed and allowed as listed on such document, it shall not be necessary for the members to sign each claim."

The Payroll Schedule and Voucher (General Form 99) should be used to prepare all payrolls from the attendance records of the employees listed thereon. The attendance information should be supplied to the business office by the school principal or by the department head for all employees under his jurisdiction or supervision.

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

Upon completion of the payroll claim by the business office, the certificate must be executed by the superintendent of schools or the business manager of the school corporation (provided the business manager is not also the treasurer) and the attest or approval signed by the treasurer of the school corporation. The payroll claim should then be processed, numbered, allowed by the school board and filed in numerical sequence with other claims. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 2)

The Accounts Payable Voucher Register (General Form 364) is designed so that the form may be prepared in a standard typewriter or handwritten and contained in a standard post binder. All mileage claims, accounts payable vouchers, payroll vouchers, publisher's claims and schedules of payments to school bus contractors shall be listed on the record in claim number sequence and the action of the school board on each claim shall be noted. Space is provided for the board members and treasurer to sign the register if they do not wish to sign each claim. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 2)

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

EXECUTIVE SESSIONS

The School Board meets in executive session multiple times throughout the year. The only documentation that an executive session took place was the public notice and an accounts payable voucher that the School Board members were paid for attending an executive session. Not until June 2011 did the School Board have a sign-in sheet to prove attendance at the executive session. The board minutes do no mention that executive sessions have been held or include the proper certifying statements that no subject matter other than what was specified in the public notice was discussed as required by Indiana Code.

Indiana Code 5-14-1.5-6.1 states in part:

" . . . (c) A final action must be taken at a meeting open to the public. (d) Public notice of executive sessions must state the subject matter by specific reference to the enumerated instance or instances for which executive sessions may be held under subsection (b). The requirements stated in section 4 of this chapter for memoranda and minutes being made available to the public is modified as to executive sessions in that the memoranda and minutes must identify the subject matter considered by specific reference to the enumerated instance or instances for which public notice was given. The governing body shall certify by a statement in the memoranda and minutes of the governing body that no subject matter was discussed in the executive session other than the subject matter specified in the public notice. . . ."

SCHOOL BOARD COMPENSATION - PER DIEM

Indiana Code 20-26-4-7(a) states in part:

" . . . the governing body of a school corporation by resolution has the power to pay each member of the governing body a reasonable amount for service as a member, not to exceed: (1) two thousand dollars (\$2,000) per year; and (2) a per diem not to exceed the rate approved for members of the board of school commissioners under IC 20-25-3-3(d)."

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

Indiana Code 20-25-3-3(d) states: "Board members are entitled to receive compensation not to exceed the amount allowed under IC 20-26-4-6 and a per diem not to exceed the rate approved for members of the city-county council established under IC 36-3-4 for attendance at each regular and committee meeting as determined by the board." The School Corporation pays the rate established by the City-County Council in Marion County which is \$112 for regular meetings and \$62 for committee meetings.

A written policy of how the School Board defines what constitutes a regular or committee meeting was not provided. Thus, the validity and appropriateness of the payments could not be determined.

A review of the board minutes from July 2009 to October 2011 noted the School Board met twice a month on a regular basis with the occasional special meeting. The minutes did not note that the School Board had determined any official committees or the reporting from or to any committees.

An analysis of the per diem accounts payable vouchers paid from July 2009 to December 2011 noted instances that the "meetings" listed were questionable and not verifiable. Board members were paid for attendance at executive sessions that were not properly documented in the board minutes or attendance verifiable, work sessions without proper memoranda or attendance noted in minutes, conferences, dinners and other social functions.

The State Board of Accounts will not take audit exception to reimbursement in accordance with the aforementioned IC 20-26-4-7(a) and IC 20-25-3-3(d) for meetings that comply with IC 5-14-1.5-1 et seq., the Open Door Law.

Indiana Code 5-14-1.5-4 states in part:

"(b) As the meeting progresses, the following memoranda shall be kept:

- (1) The date, time, and place of the meeting.
- (2) The members of the governing body recorded as either present or absent.
- (3) The general substance of all matters proposed, discussed, or decided.
- (4) A record of all votes taken, by individual members if there is a roll call.
- (5) Any additional information required under IC 5-1.5-2-2.5.

(c) The memoranda are to be available within a reasonable period of time after the meeting for the purpose of informing the public of the governing body's proceedings. The minutes, if any, are to be open for public inspection and copying."

We are of the audit position that a board of school trustees should formally determine board members that are eligible to attend, vote, testify, gather information for other committees, etc., and receive compensation for attendance at those individual committee meetings. We are also of the audit position board members which have not been formally authorized by a board of school trustees to attend committee meetings, should not receive compensation for attendance at committee meetings. (The School Administrator and Uniform Compliance Guidelines, September 2010)

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

SCHOOL BOARD PER DIEM - TAXABLE COMPENSATION

Indiana Code 20-26-4-7(a) states in part:

" . . . the governing body of a school corporation by resolution has the power to pay each member of the governing body a reasonable amount for service as a member, not to exceed: (1) two thousand dollars (\$2,000) per year; and (2) a per diem not to exceed the rate approved for members of the board of school commissioners under IC 20-25-3-3(d)."

Indiana Code 20-25-3-3(d) states:

"Board members are entitled to receive compensation not to exceed the amount allowed under IC 20-26-4-6 and a per diem not to exceed the rate approved for members of the city-county council established under IC 36-3-4 for attendance at each regular and committee meeting as determined by the board."

The School Corporation pays the \$2,000 annual compensation through the corporation's payroll system on a monthly basis. However, the per diem is paid through the claims process based on the detail listing of the events attended as certified by the School Board member. Thus, the School Corporation did not include the annual per diem remitted to each School Board member as other compensation and subject to the withholding and payment of income, social security, Medicare, and FUTA taxes. Instead, the School Board members are issued a Form 1099 Miscellaneous Income separately from their Form W-2 Wage and Tax Statement.

The Internal Revenue Service's Publication 15 (Circular E), Employer's Tax Guide defines wages and other compensation as "Wages subject to federal employment taxes generally include all pay you give to an employee for services performed."

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution, or salary schedule adopted by the governing body unless otherwise authorized by statute. Compensation should be made in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Indiana School Corporations, Chapter 13)

AVERAGE DAILY MEMBERSHIP (ADM) – LACK OF PROPER SUPPORTING RECORDS

Certified student listings from the building level official for the September 18, 2009 Average Daily Membership (ADM) count date were not provided for audit. The student listing provided was generated by the Information Technology Department of the School Corporation and was not certified by the building level official.

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

Officials shall maintain records (enrollment cards, rosters, reporting forms, etc.) which substantiate the number of students claimed for ADM.

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

The building level official (Principal, Assistant Principal, etc.) is responsible for reporting ADM to the School Corporation Central Office, should provide a written certification of ADM to properly document responsibility. The certification should at a minimum include a statement detailing the names and location of the records used (these records must be retained for public inspection and audit) to substantiate ADM claimed

(Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 8)

TEXTBOOK REIMBURSEMENT CLAIM

The School Corporation submits a textbook reimbursement claim to the Indiana Department of Education for reimbursement of textbook rental assistance for students who meet federal poverty guidelines to be eligible for free and reduced meals. The claim multiplies the number of eligible students by grade by the total cost of textbooks. Officials did not provide documentation to support the costs of textbooks on the fall 2010 "Financial Assistance for Student Textbook Reimbursement."

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

Indiana Code 20-33-5-7 states in part:

"(c) To be guaranteed some level of reimbursement from the department, the governing body of a school corporation shall request the reimbursement before November 1 of a school year.

(d) In its request, the governing body shall certify to the department:

(1) the number of students who are enrolled in that school corporation and who are eligible for assistance under this chapter;

(2) the costs incurred by the school corporation in providing:

(A) textbooks (including textbooks used in special education and high ability classes) to these students;

(B) workbooks and consumable textbooks (including workbooks, consumable textbooks, and other consumable instructional materials that are used in special education and high ability classes) that are used by students for not more than one (1) school year; and

(C) instead of the purchase of textbooks, developmentally appropriate material for instruction in kindergarten through the grade 3 level, laboratories, and children's literature programs; . . ."

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

NATIONAL SCHOOL LUNCH AND BREAKFAST PROGRAM – PROVISION 2

Congress has incorporated into Section 11(a)(1) of the National School Lunch Act three alternative provisions to the normal requirements for annual determinations of eligibility for free and reduced price school meals and daily meal counts by type (free, reduced price and paid meals) at the point of service. The United States Department of Agriculture states in its' Provision 2 Guidance that "A school participating in Provision 2 must serve National School Lunch Program (NSLP) and/or School Breakfast Program (SBP) meals to all participating children at no charge for up to 4 consecutive years."

On September 15, 2011, the Treasurer certified the Provision Policy Statement to the Indiana Department of Education for implementing Provision 2. The Provision Policy Statement states in part: "Meals, as applicable, will be served without charge to all children in attendance at all eligible participating sites . . ."

When comparing daily meal count reports to monthly summaries, we noted that up to 11 adults received free breakfast daily. The adult meals were not being claimed on the monthly Claim for Reimbursement to the Indiana Department of Education. Upon inquiry of School Officials, we were told that the school was under Provision 2 guidelines. Based on research of the Provision 2 guidelines, we were unable to determine why adults received free breakfast under the Provision 2 guidelines.

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

SCHOOL LUNCH - COLLECTION OF AMOUNTS DUE

Students were allowed to establish a student account for the deposit of funds for the payment of breakfast and/or lunch fees. However, students were allowed to charge breakfast and/or lunch to their account without sufficient funds in their student account. As of January 10, 2012, \$57,594.83 was due from students and of that \$49,345.57 was from students that are currently enrolled in the School Corporation.

The School Corporation did not have written policies addressing the balances remaining in student accounts or the charging of fees to student accounts without sufficient funds.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control.

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

The governing body of a governmental unit should have a written policy concerning a procedure for the writing off of bad debts, uncollectible accounts receivable, or any adjustments to record balances.

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

Documentation should exist for all efforts made by the governmental unit to collect amounts owed prior to any write-offs.

Officials or employees authorizing, directing or executing write-offs or adjustments to records which are not documented or warranted may be held personally responsible.

(Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

CAPITAL ASSET RECORDS

Capital asset records were not maintained by the School Corporation for the audit period. A similar comment has appeared in prior reports.

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

EXTRA-CURRICULAR RECEIPTS (Applies to Carrie Gosch and Harrison Elementary and Central High – West Side Freshman Campus Schools)

Carrie Gosch Elementary

The Extra-Curricular receipts were not completed properly. The ECA Treasurer did not always designate the composition of collections (cash or check). If cash and check are both used for payment, the receipt should have listed the amount of each collected.

In addition, some school lunch receipts were not remitted to the corporation for up to 193 days after they were collected.

Harrison Elementary

1. The issuing officer did not properly complete the receipt by designating if cash or check was received. Thus, we were unable to determine if collections were deposited in the same form in which they were received.
2. Receipts were not deposited to the bank in a timely manner. We noted instances of receipts issued up to 22 days before being deposited to the bank.

Central High School – West Side Freshman Campus

1. Nonprescribed receipts were issued for school I.D. collections.
2. The freshman campus bookkeeper did not designate if cash or check was received, thus, we were unable to determine if collections were deposited in the same form in which they were received.

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

3. The freshman campus bookkeeper did not remit collections to the high school in receipt number order. School lunch receipts were deposited daily, however; other receipts were deposited up to thirteen days later.

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

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

IC 20-26-4-1 concerning duties of the School Corporation Treasurer, states in part: "The treasurer is the official custodian of all funds of the school corporation and is responsible for the proper safeguarding and accounting for the funds . . ." Therefore, all grant monies and properly authorized fees at an individual building should be transferred to the School Corporation Central Office on a timely and regular basis for receipting into the appropriate school corporation fund. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 6)

***EXTRA-CURRICULAR DISBURSEMENTS (Applies to
Carrie Gosch and Harrison Elementary Schools)***

Carrie Gosch Elementary

1. Sixty percent of the disbursements reviewed lacked proper documentation such as invoices or receipts to substantiate the expenditure. For example, Sam's club was paid \$340.61 without a detailed receipt, thus, we were unable to determine if all items purchased were for the benefit of the students. Due to the lack of supporting information, the validity and accountability for some monies disbursed could not be established.
2. The purchase orders were not properly completed. The purchase orders all lacked a description/reason for the purchase, the check number used for payment, and a signature by the person authorized to purchase for the particular activity.
3. One vendor was paid \$75 more than the invoice attached to the claim.

Harrison Elementary

1. Five out of the fifteen disbursements reviewed lacked proper documentation, such as invoices or receipts, to substantiate the purchase. A limo was rented for a ride to lunch as a fundraiser prize for \$113 with no receipt attached. A sponsor was paid \$79.78 with no receipts to document items purchased were for the students and not personal in nature. Due to the lack of supporting information, the validity and accountability for some monies disbursed could not be established.
2. Various expenditures were paid from the Student Activities fund that did not appear to benefit the student body as a whole. For example, \$269.94 was spent on lunches for teachers and \$262.83 was spent on office supplies.

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

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

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

The State Board of Accounts consistently has been of the audit position to not take an audit exception to a school extra-curricular account having a general fund if the fund consists of revenues received from functions (vending machines or sales of a similar nature, etc.) not generated by students for a specific class or organization (for which a fund should be established). Our audit position has been with the provision that the functions for which the expenditures are made benefit the student body as a whole (as opposed to a select group of students, school employees or administrators). Examples of appropriate expenditures in the past would be convocations, field trips which the entire student body has the opportunity to take during the course of the school year, etc. Our audit position has been based in part upon the substance of the transaction (the revenues are primarily from students or parents paying into vending machines, picture money, etc.). Naturally, we would not take audit exception to a public policy of a school corporation which would provide that a general fund does not exist and that money from these type of functions be used to offset the cost of the function (reduced prices of vending machine items, reduce the costs of pictures, etc.). (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 6)

LACK OF RECORDS (APPLIES TO BLOCK MIDDLE SCHOOL)

Financial records, such as the ledger, duplicate receipts, claims, cancelled checks, and deposit slips were not presented for audit for the 2009/2010 school year. Thus, we did not have sufficient information to audit the accuracy or correctness of the transactions for that time period.

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

OPTICAL IMAGES OF CHECKS (Applies to Carrie Gosch and Harrison Elementary and Central High School)

In lieu of providing the actual cancelled checks, the financial institution provided a compact disk (CD) with the optical image of the checks. The Extra-Curricular Treasurers however did not have the software to open the CD to view the cancelled checks to ensure the front and back of the checks were provided.

Indiana Code 26-2-8-111 states in part:

"(a) If a law requires that certain records be retained, that requirement is met by retaining an electronic record of the information in the record that:

- (1) accurately reflects the information set forth in the record after it was first generated in its final form as an electronic record or otherwise; and

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

(2) remains accessible for later reference. . . .

(e) If a law requires retention of a check, that requirement is satisfied by retention of an electronic record of the information on the front and back of the check in accordance with subsection (a). . . ."

SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



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

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

Compliance

We have audited the compliance of the School City of East Chicago (School Corporation) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the years ended June 30, 2010 and 2011. The School Corporation's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the School Corporation's management. Our responsibility is to express an opinion on the School Corporation's compliance based on our audit.

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

As described in item 2011-3 in the accompanying Schedule of Findings and Questioned Costs, the School Corporation did not comply with requirements regarding reporting that is 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.

In our opinion, except for the noncompliance described in the preceding paragraph, the School Corporation complied, in all material respects, with the requirements referred to above that are applicable to each of its other major federal programs for the years ended June 30, 2010 and 2011. The results of our auditing procedures also disclosed an instance of noncompliance with those requirements which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2011-2.

Internal Control Over Compliance

Management of the School Corporation is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the School Corporation's internal

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

control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance 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 significant deficiencies or material weaknesses and therefore, there is no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified a deficiency in internal control over compliance that we consider to be a material weakness and a deficiency that we consider to be a significant deficiency.

A deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect 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 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 item 2011-3 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or 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 deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2011-2, to be a significant deficiency.

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

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

STATE BOARD OF ACCOUNTS

January 23, 2012

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The Schedule of Expenditures of Federal Awards and accompanying notes presented were prepared 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, 2010 and 2011

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 06-30-10	Total Federal Awards Expended 06-30-11
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
Pass-Through Indiana Department of Education				
Child Nutrition Cluster				
School Breakfast Program	10.553		\$ 820,045	\$ 731,880
National School Lunch Program	10.555		2,185,102	2,185,606
Summer Food Service Program for Children	10.559		154,109	98,433
Total for cluster			3,159,256	3,015,919
ARRA - Child Nutrition Discretionary Grants Limited Availability, Recovery Act	10.579	4670 - 547 & 553	16,540	-
Total for federal grantor agency			3,175,796	3,015,919
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>				
Pass-Through City of Gary				
Empowerment Zones Program	14.244		1,147	520
<u>U.S. DEPARTMENT OF EDUCATION</u>				
Direct Grant				
Impact Aid Cluster				
Impact Aid	84.041		-	39,885
Pass-Through Indiana Department of Education				
Title I, Part A Cluster				
Title I Grants to Local Educational Agencies	84.010	09-4670	1,313,854	3,177
		10-4670	3,430,337	675,836
		11-4670	-	3,448,532
School Improvement - Franklin, Gosch, Harrison & Lincoln		09-4670	60,314	-
School Improvement - Block Jr. High, Gosch, & Lincoln		10-4670	763,162	201,538
School Improvement - Block Jr. High, Gosch, & Lincoln		11-4670	-	853,008
Total for program			5,567,667	5,182,091
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	10-4670 School Improvement	1,337,349 -	764,643 105,213
Total for program			1,337,349	869,856
Total for cluster			6,905,016	6,051,947
Special Education Cluster				
Special Education - Grants to States	84.027	14205-014-DY01	27,264	-
		14207-014-PY02	901	-
		14209-014-PN01	236,934	-
		14209-014-PY02	341,169	208,094
		14210-014-PN01	1,049,225	223,827
		14211-014-PN01	-	770,859
Total for program			1,655,493	1,202,780
Special Education - Preschool Grants	84.173	45708-014-PY02	1,067	-
		45709-014-PN01	33,177	-
		45709-014-PY02	3,003	430
		45710-014-PN01	12,319	37,798
		45711-014-PN01	-	51,205
Total for program			49,566	89,433
ARRA - Special Education - Grants to States, Recovery Act	84.391	33310-014-SN01	1,409,688	114,473
ARRA - Special Education - Preschool Grants, Recovery Act	84.392	44410-014-SN01	27,692	30,125
Total for cluster			3,142,439	1,436,811

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, 2010 and 2011
(Continued)

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 06-30-10	Total Federal Awards Expended 06-30-11
<u>U.S. DEPARTMENT OF EDUCATION (continued)</u>				
Pass-Through Indiana Department of Education				
State Fiscal Stabilization Fund Cluster				
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	10-4670	2,779,080	-
Career and Technical Education - Basic Grants to States	84.048	09-4700-4670 10-4700-4670 11-4700-4670	114,987 145,884 -	- 57,096 92,329
Total for program			260,871	149,425
Safe and Drug-Free Schools and Communities - State Grants	84.186	07-4670 08-4670 09-4670	19,947 43,093 98	- 5,189 30,784
Total for program			63,138	35,973
State Grants for Innovative Programs	84.298	T507	16,664	-
Reading First State Grants	84.357	10/01/08 to 09/30/09 10/01/09 to 09/30/10	230,271 160,649	- 86,932
Total for program			390,920	86,932
English Language Acquisition Grants	84.365	10/01/08 to 09/30/09 10/01/09 to 09/30/10 10/01/10 to 09/30/11	64,432 43,526 -	- 56,978 59,473
Total for program			107,958	116,451
Improving Teacher Quality State Grants	84.367	07-4670 08-4670 09-4670	428,671 281,944 -	- 320,212 447,855
Total for program			710,615	768,067
Total for federal grantor agency			14,376,701	8,685,491
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>				
Pass-Through Indiana Department of Health				
Maternal and Child Health Services Block Grant to the States	93.994	10/01/08 to 09/30/09 10/01/09 to 09/30/10 10/01/10 to 09/30/11	28,605 63,957 -	- 35,793 78,048
Total for federal grantor agency			92,562	113,841
Total federal awards expended			\$ 17,646,206	\$ 11,815,771

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 includes the federal grant activity of the School City of East Chicago (School Corporation) and is presented in accordance with the cash and investment basis of accounting used in the preparation of the financial statement. Accordingly, the amount of federal awards expended is based on when the disbursement related to the award occurs except when the federal award is received on a reimbursement basis. In these instances the federal awards are considered expended when the reimbursement is received.

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 et seq.), audits of school corporations shall be conducted biennially. Such audits shall include both years within the biennial period.

Note 2. Noncash Assistance

The School Corporation expended the following amount of noncash assistance for the years ending June 30, 2010 and 2011. This noncash assistance is also included in the federal expenditures presented in the schedule.

Program Title	Federal CFDA Number	2010	2011
School Breakfast Program	10.553	\$ 49,477	\$ 41,597
National School Lunch Program	10.555	130,271	123,504

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:	Unqualified
Internal control over financial reporting:	
Material weaknesses identified?	yes
Significant deficiency identified?	no
Noncompliance material to financial statement noted?	yes

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	yes
Significant deficiency identified?	yes
Type of auditor's report issued on compliance for major programs:	Unqualified for all programs except Child Nutrition Cluster, which was Qualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	yes

Identification of Major Programs:

Name of Federal Program or Cluster

Child Nutrition Cluster
Title I, Part A Cluster
Special Education Cluster
State Fiscal Stabilization Fund Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$883,859

Auditee qualified as low-risk auditee? no

Section II – Financial Statement Findings

FINDING 2011-1 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

Effective internal control over financial reporting involves the identification and analysis of the risks of material misstatement to the School Corporation's audited financial statements and then determining how those identified risks should be managed. The School Corporation has not identified risks to the preparation of reliable financial statements and as a result has failed to design effective controls over the preparation of the financial statements to prevent or detect material misstatements, including notes to the financial statements. The following deficiencies over financial transactions and reporting were identified:

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

1. The School Corporation is self-insured for the payment of medical insurance claims. The School Corporation has a separate depository account for the medical insurance claims and has established the Medical Insurance Claims Fund (391-0) in the computerized ledger to record the transactions. The School Corporation will make monthly payments from various school funds to the medical insurance bank account to cover the monthly medical insurance claims prepared by a third party administrator. The School Corporation also maintains a manual calculation of a fund balance and reconciles the manually computed fund balance to the bank balance. A reconciliation of the bank balance to the Medical Insurance Claims Fund balance in the computerized ledger was not performed. At June 30, 2010 and 2011, the computerized ledger balance differed from the reconciled bank balance by \$7,558 and (\$326,932), respectively.

Furthermore, the only receipts and disbursements recorded to the Medical Insurance Claims Fund from July 1, 2009 to June 30, 2011, totaled \$3,497 for interest and \$194,286 balance adjustment in December 2009, respectively. However, an abstract of the School Corporation's manually computed activity noted receipts and disbursements totaling \$12,126,015 and \$11,897,230, respectively. Thus, the School Corporation's computerized ledger and financial statement receipts and disbursements were under reported by \$12,122,518 and \$11,702,944, respectively.

2. The transactions for the self-insured worker's compensation bank account are not recorded in a fund on the School Corporation's ledger. The School Corporation maintains a manual calculation of a fund balance and reconciles the manually computed fund balance to the bank balance. At June 30, 2010 and 2011, the manually computed fund balance was \$25,002 and \$27,203, respectively. Thus, the School Corporation's ledger and financial statement receipts and disbursements were under reported by \$316,262 and \$287,227, respectively. A similar result and comment appeared in the prior report.

When all financial transactions of the School Corporation are not recorded in the official ledgers, effective controls over the preparation of reliable financial statements by school officials cannot be achieved.

The School Corporation has approved an adjustment to the financial statement presented in this audit report to reflect the receipts and disbursements adjustments noted above.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objections, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control.

Controls over the receipting, disbursing, recording and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

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

We recommended School Corporation Officials record all financial transactions of the self-insured funds in the official ledgers of the school in accordance with the Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations.

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

Section III – Federal Award Findings and Questioned Costs

FINDING 2011-2 - SUSPENSION AND DEBARMENT

Federal Agency: U.S. Department of Agriculture and U.S. Department of Education
Federal Program: Child Nutrition Cluster, Title I, Part A Cluster, Special Education Cluster, State Fiscal Stabilization Fund Cluster
CFDA Number: 10.553, 10.555, 10.559, 84.010, 84.389, 84.027, 84.173, 84.391, 84.392, and 84.394
Federal Award Number: 09-4670, 10-4670, 11-4670, School Improvement, 14209-014-PN01, 14209-014-PY02, 14210-014-PN01, 14211-014-PN01, 45709-014-PN01, 45710-014-PN01, 33310-014-SN01, 44410-014-SN01
Pass-Through Entity: Indiana Department of Education

The School Corporation did not have a system in place for determining whether or not a vendor had been excluded from doing business with the Federal Government. Currently, monitoring is not being performed by either the business office or the staff responsible for administering the grants.

34 CFR § 80.35 states:

"Grantees and subgrantees must not make any award or permit any award (subgrant or contract) at any tier to any party which is debarred or suspended or is otherwise excluded from or ineligible for participation in Federal assistance programs under Executive Order 12549, 'Debarment and Suspension.'"

The lack of control allows for a potential excluded or ineligible vendor doing business with the School Corporation and being paid from federal funds. The loss of federal funds to the School Corporation could occur if a suspended or disbarred vendor were to be paid from federal funds received by the School Corporation.

We recommended School Corporation Officials design and implement controls to prevent the potential of a disbarred or suspended vendor from being paid from federal funds.

FINDING 2011-3 - REPORTING - CHILD NUTRITION CLUSTER

Federal Agency: U.S. Department of Agriculture
Federal Program: Child Nutrition Cluster
CFDA Number: 10.553, 10.555, 10.559
Pass-Through Entity: Indiana Department of Education

The School Corporation has contracted with Sodexo Services of Indiana (Sodexo) to manage the school meal program. Per the contract between the School Corporation and Sodexo, Sodexo is responsible for the preparation, service, and sale of food. In addition, Sodexo files all required reports to the Indiana Department of Education for the Child Nutrition Cluster Programs and is to maintain on site records to support the schools monthly claim for reimbursement.

School Corporation officials do not review the reports prepared by Sodexo before submission to the Indiana Department of Education.

We noted the following deficiencies in the monthly and annual reports filed with the State of Indiana:

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

Monthly Claim for Reimbursement:

The Indiana Department of Education requires school corporations to submit a monthly Claim for Reimbursement that includes the number of free, reduced price and paid meals served to the eligible students. The claim for reimbursement should be supported by the school's records for the number of free, reduced price, and paid meals served to eligible students.

We traced the monthly Claims for Reimbursement for January 2011 to May 2011 to the School Corporation's supporting documentation. All five (5) monthly Claims for Reimbursement did not agree with the records provided. School officials were unable to explain why monthly Meal Summary Reports provided by Sodexo did not agree to the amounts reported on the monthly Claims for Reimbursement.

Annual Financial Report:

The Annual Financial Report filed by Sodexo for the fiscal year ending June 30, 2011, did not agree with the School Corporation's financial records. The following table illustrates the differences between the Annual Financial Report filed with the Indiana Department of Education and the activity posted to the School Corporation's School Lunch Fund:

	Annual Financial Report	School Lunch Fund	Difference
Cash Balance, July 1, 2010	\$ 361,602	\$ 361,602	\$ -
Annual Receipts	3,173,544	2,946,584	226,960
Annual Disbursements	<u>2,878,182</u>	<u>2,803,829</u>	<u>74,353</u>
Cash Balance, June 30, 2011	<u>\$ 656,964</u>	<u>\$ 504,357</u>	<u>\$ 152,607</u>

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. At a minimum, these internal controls shall include: an on-site review of the lunch counting and claiming system employed by each school within the jurisdiction of the school food authority; comparisons of daily free, reduced price and paid lunch counts against data which will assist in the identification of lunch counts in excess of the number of free, reduced price and paid lunches served each day to children eligible for such lunches; and a system for following up on those lunch counts which suggest the likelihood of lunch counting problems. . . ."

(c) Content of claim. The Claim for Reimbursement shall include data in sufficient detail to justify the reimbursement claimed and to enable the State Agency to provide the Report of School Program Operations required under 210.5(d) of this part. Such data shall include, at a minimum, the number of free, reduced price and paid lunches and meal supplements served to eligible children. The claim shall be signed by a school food authority official. . . ."

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

34 CFR § 80.40(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."

34 CFR § 80.20(b)(1) states:

"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."

Since school officials were unable to explain why the documentation provided for the monthly claim for reimbursement did not agree to the actual amount claimed for reimbursement, we were unable to determine if the School Corporation received the correct amount of reimbursement.

We recommended that school officials implement a review process to ensure all reports submitted by Sodexo on behalf of the School Corporation agree to the supporting documentation; so that the correct amount of reimbursement is received by the School Corporation and Annual Financial Reports accurately reflect the financial records of the School Corporation.

School City of East Chicago

Office of the Treasurer



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(219) 391-4100
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Francisco Ramirez

Treasurer

Summary Schedule of Prior Audit Finding

December 9, 2011

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

Dear Auditor:

We have reviewed the Schedule of Findings and Questioned Costs in Section III, Finding Number 2009-2, Allowable Costs.

The School City of East Chicago received a directive from the Indiana Department of Education in a memorandum dated: December 2, 2011 regarding: ARRA Education Stabilization Audit-Time Sensitive directing the School City of East Chicago to make an adjusting entry, adjusting entry provided by the IDOE, to the schools books and records to maintain compliance with the ARRA Educational Stabilization guidelines by December 31, 2011.

According to the IDOE memo the adjusting entry will correct the School City of East Chicago audit finding of maintenance cost being expended through ARRA funds during 2009 and 2010.

The School City of East Chicago will make the adjusting entry before December 31, 2011.

In 2011 the School City of East Chicago hired a grant writer for the district that is responsible for obtaining information and guidance on new grants and working with the Schools Administrator responsible for those grants to understand the compliance requirements of the grants.

Very truly yours,

A handwritten signature in black ink, appearing to read "Francisco Ramirez".

Francisco Ramirez
CFO

FR:jr

Fernando M. Trevino ♦ Frank Rivera ♦ Emmett Mosley ♦ Constance El-Amin ♦ Clarence Lewis

President

Secretary

Member
-70-

Member

Member

School City of East Chicago

Office of the Treasurer



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Francisco Ramirez
Treasurer

Summary Schedule of Prior Audit Finding

December 14, 2011

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

Dear Auditor:

We have reviewed the Schedule of Findings and Questioned Costs in Section III, Finding Number 2009-3, Cash Management Controls and Compliance.

The School City of East Chicago no longer receives draws for its State and Federal pass through programs beginning on July 1, 2010. The SCEC must request reimbursement for incurred expenses for these programs and hold no cash balances in these funds.

Very truly yours,

A handwritten signature in black ink, appearing to read "Francisco Ramirez".

Francisco Ramirez
CFO

FR:jr

Fernando M. Trevino ♦ Frank Rivera ♦ Emmett Mosley ♦ Constance El-Amin ♦ Clarence Lewis

President

Secretary

Member
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Member

Member

School City of East Chicago

Office of the Treasurer



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Francisco Ramirez
Treasurer

Summary Schedule of Prior Audit Findings

December 14, 2011

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

Dear Auditors:

We have reviewed the Schedule of Findings and Questioned Costs in Section III, Finding Number 2009-4, Suspension and Debarment.

The School city of East Chicago in December of 2011 has established has implemented control procedures to prevent potential disbarred or suspended vendor from being paid from federal funds. The control procedures are in compliance with the federal guidelines on this subject.

Very truly yours,

A handwritten signature in black ink, appearing to read "Francisco Ramirez".

Francisco Ramirez
CFO

FR:jr

Fernando M. Trevino ♦ Frank Rivera ♦ Emmett Mosley ♦ Constance El-Amin ♦ Clarence Lewis

President

Secretary

Member
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Member

Member

School City of East Chicago

Office of the Treasurer



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Francisco Ramirez
Treasurer

Summary Schedule of Prior Audit Findings

December 14, 2011

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

Dear Auditors:

We have reviewed the Schedule of Findings and Questioned Costs in Section III, Finding Number 2009-5, Maintenance of Effort.

The School City of East Chicago in 2010 designed and implemented control procedures that comply with the requirement of Maintenance of Effort by establishing eligibility and spending criteria from local funds.

Very truly yours,

A handwritten signature in black ink, appearing to read "Francisco Ramirez".

Francisco Ramirez
CFO

FR:jr

Fernando M. Trevino ♦ Frank Rivera ♦ Emmett Mosley ♦ Constance El-Amin ♦ Clarence Lewis

President

Secretary

Member
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Member

Member

School City of East Chicago

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Francisco Ramirez

Treasurer

Corrective Action Plan

February 21, 2012

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

Dear Gentlemen:

We have reviewed the Schedule of Findings and Questioned Costs in Section II, Finding Number 2011-1, Internal Control Over Financial Transactions and Reporting.

The School City of East Chicago will begin as of January 1, 2012 to record of the transactions self-insurance fund in the official ledgers of the school in accordance with the Accounting and Uniform Compliance Guidelines Manual for the Indiana Public School Corporations.

Very truly yours,

Francisco Ramirez
Treasurer

FR: jr

Fernando M. Trevino ♦ Frank Rivera ♦ Emmett Mosley ♦ Constance El-Amin ♦ Clarence Lewis

President

Secretary

Member
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Member

Member

School City of East Chicago

Office of the Treasurer



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Francisco Ramirez
Treasurer

Corrective Action Plan

February 21, 2012

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

Dear Gentlemen:

We have reviewed the Schedule of Findings and Questioned Costs in Section III, Finding Number 2011-2, Suspension and Debarment.

The School City of East Chicago will begin as of January 1, 2012 design and implement controls to prevent the potential of a disbarred or suspended vendor from being paid from federal funds. The School City of East Chicago procedures will require that all vendor will be checked against the Federal Vendor Verification web-site <https://www.epls.gov/> to verify that the vendors are eligible to be paid from federal funds.

Very truly yours,

Francisco Ramirez
Treasurer

FR: jr

Fernando M. Trevino ♦ Frank Rivera ♦ Emmett Mosley ♦ Constance El-Amin ♦ Clarence Lewis

President

Secretary

Member
-75-

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Member

School City of East Chicago

Office of the Treasurer



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Francisco Ramirez
Treasurer

Corrective Action Plan

February 21, 2012

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

Dear Gentlemen:

We have reviewed the Schedule of Findings and Questioned Costs in Section III, Finding Number 2011-3, Reporting-Child Nutrition Cluster.

The School City of East Chicago will begin as of January 1, 2012 implement a review process to ensure all reports submitted by Sodexo on behalf of the School City of East Chicago are agreed and reconciled to supporting documentation before the monthly, quarterly or annual reports are submitted to the State of Indiana; so that the correct amount of reimbursement is received by the school corporation and the Annual Financial Reports accurately reflect the financial records of the School City of East Chicago.

Very truly yours,

Francisco Ramirez
Treasurer

FR: jr

Fernando M. Trevino ♦ Frank Rivera ♦ Emmett Mosley ♦ Constance El-Amin ♦ Clarence Lewis

President

Secretary

Member
-76-

Member

Member

SCHOOL CITY OF EAST CHICAGO
EXIT CONFERENCE

The contents of this report were discussed on February 27, 2012, with Fernando Trevino, President of the School Board; Michael Harding, Superintendent of Schools; and Francisco Ramirez, Treasurer. The Official Response has been made a part of this report and may be found on pages 78 through 81.

School City of East Chicago

Office of the Treasurer



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Francisco Ramirez
Treasurer

February 28, 2012

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

Official Response

Dear Mr. Hartman:

Please accept this letter as the School City of East Chicago's Official Response to the Audit Results and Comments from the financial audit performed by the Indiana State Board of Accounts for the period July 1, 2009 to June 30, 2011.

Internal Control over Financial Transactions and Reporting

The School City of East Chicago will begin, as of January 1, 2012, to record the transactions of the self-insurance fund in the official ledgers of the school in accordance with the Accounting and Uniform Compliance Guidelines Manual for the Indiana Public School Corporations.

Foundation of East Chicago Grants

The School City of East Chicago will comply with IC 20-26-4-1 as it pertains to the safeguarding of grants funds and for the proper accounting and compliance with the grants provided to the School City of East Chicago.

Official Bond

Commencing July 1 the treasurer and the deputy treasurer for the School City of East Chicago shall each give a bond of faithful performance of duty, written by an insurance company licensed to do business in the State of Indiana, in an amount approved by School Board of Trustees for the School City of East Chicago.

School Board-Questionable Travel

The Superintendent will recommend to School Board of Trustees policies for travel for School Board of Trustees that is compliance with the Accounting and Uniform Compliance Guidelines Manual for Indiana

Fernando M. Trevino ♦ Frank Rivera ♦ Emmett Mosley ♦ Constance El-Amin ♦ Clarence Lewis

President

Secretary

Member
-78-

Member

Member

School City of East Chicago

Office of the Treasurer



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Francisco Ramirez
Treasurer

Public School Corporations, Chapter 9. The School Board will approve the School Board of Trustees travel policy and instruct to the Superintendent to implement the policy and internal controls.

Travel Reimbursement Overpayments

The Superintendent will recommend to School Board of Trustees policies for travel reimbursement for employee business travel that is compliance with the Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9. The School Board will approve the travel policy and instruct to the Superintendent to implement the policy and internal controls. School Board of Trustees who received travel reimbursements overpayment will be sent a letter requesting that they refund the School City of East Chicago the travel reimbursement overpayment.

Credit Card Claims

The School City of East Chicago will establish credit card policy that will provide assurance those public funds will only be used to pay for school business expenses. The credit card policy will be forwarded to the School Board of Trustees for their formal approval.

Payroll and Accounts Payable Voucher

Concerning the citations listed in items #2, 3, and 6, the School Corporation has reconciled all charges, purchases, receipts, and claims according to the required documentation regulations for ninety nine percent (99%) of all credit card billings.

The School City of East Chicago accounts payable and payroll departments, beginning January 1, 2012, will begin utilizing the required State Board accounts forms for its accounts payable claim voucher and its payroll voucher. The School Board of Trustees in their monthly regular meeting will approve the accounts payable voucher and the payroll voucher on the State Board of Accounts approved forms.

Executive Sessions

The School Board of Trustees will certify by a statement in the memoranda and minutes of the governing body that no subject matter was discussed in the executive session other than the subject matter specified in the public notice. The School Corporation will provide proper notice and minutes for all other school board meetings; i.e. work sessions, regular meetings and School Board defined/approved committee meetings whereby compensation is provided to each board member adhering to State Board of Accounts regulations.

School Board Compensation-PER DIEM

All School Board of Trustees compensation beginning January 2012 will paid through payroll to facilitate compliance with state and federal compensation and reporting requirements.

Fernando M. Trevino ♦ Frank Rivera ♦ Emmett Mosley ♦ Constance El-Amin ♦ Clarence Lewis

President

Secretary

Member

Member

Member

School City of East Chicago

Office of the Treasurer



210 E. Columbus Drive
East Chicago, Indiana 46312
(219) 391-4100
Fax (219) 391-4126

Francisco Ramirez
Treasurer

Average Daily Membership (ADM) Lack of Proper Supporting Records

School City of East Chicago will maintain and safeguard supporting documentation and record to support the submission to the state the Average Daily Membership report in accordance with the School Administrator and Uniform Compliance Guidelines, Volume 163, September 2003.

Textbook Reimbursement Claim

The School City of East Chicago will comply with IC 20-33-5-7 which includes language that a school corporation will safeguard textbook reimbursement documentation to support the costs of textbooks and have that information readily available.

National School Lunch and Breakfast Program-Provision 2

The School City of East Chicago will comply with the National School Lunch and Breakfast Program-Provision 2 and not allow adults to receive free meals.

School Lunch-Collection of Amounts Due

The School Corporation will establish policies and have those policies approved by the School Board of Trustees that address balances remaining in student school lunch accounts.

Capital Asset Records

The School City of East Chicago will comply with Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9, as it relates to the inventory of the School District capital assets.

Extra-Curricular Receipts (Applies to Carrie Gosch and Harrison Elementary and Central High-West Side Freshman Campus Schools)

The School City of East Chicago will schedule meetings with Carrie Gosch, Harrison Elementary, and Central High-West Side Freshman Campus in March of 2012 and hold semi-annual Extra-Curricular Training for all building clerks which are responsible for receipting school funds. The training will cover the Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7. The Extra-Curricular Training will also cover IC 5-13-6-1 and 5-13-6-1 which describes the school responsibility for the receipting and depositing funds.

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Francisco Ramirez
Treasurer

Extra-Curricular Disbursements (Applies to Carrie Gosch and Harrison Elementary Schools)

The School City of East Chicago will schedule meetings with Carrie Gosch, Harrison Elementary, and Central High-West Side Freshman Campus in March of 2012 and hold semi-annual annual semi-annual Extra-Curricular Training for all building clerks which are responsible for disbursement school funds. The training will cover the Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7 which describes the process for disbursement of school funds.

Lack of Records (Applies to Block Middle Schools)

During the 2009/2010 school year the business office Extra-Curricular Accounts supervisor completed an internal audit of Block Middle School. The financial records for Block Middle School for the 2009/2010 school year were sent to the Administration Business Office and the internal audit was completed. The Business Office sent the Block Middle School financial records via the School District courier. The School District will develop internal control procedures for safeguard the School District financial records and comply with IC 5-15-6-3.

Optical Images of Checks (Applies to Carrie Gosch and Harrison Elementary and Central High School)

The IT Department will be instructed to install the optical images of check software on all of the Extra-Curricular Clerks desktops. The Extra-Curricular Clerks will be trained to that they understand how to use the software in accordance with IC 26-8-111 and utilize the optical image software to reconcile the school monthly bank statements.

Francisco Ramirez/CFO

A handwritten signature in cursive script, reading "Michael A. Harding".

Michael A. Harding/Superintendent

Fernando M. Trevino ♦ Frank Rivera ♦ Emmett Mosley ♦ Constance El-Amin ♦ Clarence Lewis

President

Secretary

Member

Member

Member