

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

AUDIT REPORT

OF

LIBERTY-PERRY COMMUNITY SCHOOL CORPORATION

DELAWARE COUNTY, INDIANA

July 1, 2008 to June 30, 2010



FILED
03/11/2011

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Julie D. Wake	07-01-08 to 06-30-11
Superintendent of Schools	Brian Rausch	07-01-08 to 06-30-11
President of the School Board	Keith Davis	07-01-08 to 06-30-11



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

TO: THE OFFICIALS OF THE LIBERTY-PERRY COMMUNITY
SCHOOL CORPORATION, DELAWARE COUNTY, INDIANA

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Liberty-Perry Community School Corporation (School Corporation), as of and for the years ended June 30, 2009 and 2010, which collectively comprise the School Corporation's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the School Corporation's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash and investment balances of the governmental activities, each major fund, and the aggregate remaining fund information of the School Corporation as of June 30, 2009 and 2010, and the respective cash receipts and cash disbursements during the years then ended on the basis of accounting described in Note I.

In accordance with Government Auditing Standards, we have also issued a report dated February 9, 2011, 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 FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(Continued)

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

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

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

STATE BOARD OF ACCOUNTS

February 9, 2011



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

TO: THE OFFICIALS OF THE LIBERTY-PERRY COMMUNITY
SCHOOL CORPORATION, DELAWARE COUNTY, INDIANA

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Liberty-Perry Community School Corporation (School Corporation), as of and for the years ended June 30, 2009 and 2010, which collectively comprise the School Corporation's basic financial statements and have issued our report thereon dated February 9, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in item 2010-1 of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, the significant deficiency described above, item 2010-1 is considered to be a material weakness.

Compliance and Other Matters

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

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

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

STATE BOARD OF ACCOUNTS

February 9, 2011

LIBERTY-PERRY COMMUNITY SCHOOL CORPORATION
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For the Year Ended June 30, 2009

<u>Functions/Programs</u>	<u>Disbursements</u>	<u>Program Receipts</u>		<u>Net (Disbursement) Receipts and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Totals</u>
Governmental activities:				
Instruction	\$ 5,123,960	\$ -	\$ 140,855	\$ (4,983,105)
Support services	3,355,116	268,235	200,171	(2,886,710)
Noninstructional services	512,001	-	-	(512,001)
Facilities acquisition and construction	353,819	-	-	(353,819)
Debt service	1,582,841	-	-	(1,582,841)
Nonprogrammed charges	216,456	-	-	(216,456)
Total governmental activities	<u>\$ 11,144,193</u>	<u>\$ 268,235</u>	<u>\$ 341,026</u>	<u>(10,534,932)</u>
General receipts:				
Property taxes				3,231,683
Other local sources				606,762
State aid				5,351,107
Bonds and loans				459,942
Grants and contributions not restricted to specific programs				1,087,288
Sale of property				1,200
Investment earnings				3,376
Other				22,509
Total general receipts				<u>10,763,867</u>
Change in net assets				228,935
Net assets - beginning				<u>775,062</u>
Net assets - ending				<u>\$ 1,003,997</u>
<u>Assets</u>				
Cash and investments				\$ 981,986
Restricted assets:				
Cash and investments				<u>22,011</u>
Total assets				<u>\$ 1,003,997</u>
<u>Net Assets</u>				
Restricted for:				
Debt service				\$ 22,011
Unrestricted				<u>981,986</u>
Total net assets				<u>\$ 1,003,997</u>

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

LIBERTY-PERRY COMMUNITY SCHOOL CORPORATION
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For the Year Ended June 30, 2010

<u>Functions/Programs</u>	<u>Disbursements</u>	Program Receipts		<u>Net (Disbursement) Receipts and Changes in Net Assets</u>
		Charges for Services	Operating Grants and Contributions	<u>Totals</u>
Governmental activities:				
Instruction	\$ 4,978,124	\$ -	\$ 117,597	\$ (4,860,527)
Support services	3,353,474	261,711	215,891	(2,875,872)
Noninstructional services	525,458	-	-	(525,458)
Facilities acquisition and construction	673,255	-	-	(673,255)
Debt service	1,433,759	-	-	(1,433,759)
Nonprogrammed charges	<u>215,781</u>	<u>-</u>	<u>-</u>	<u>(215,781)</u>
Total governmental activities	<u>\$ 11,179,851</u>	<u>\$ 261,711</u>	<u>\$ 333,488</u>	<u>(10,584,652)</u>
General receipts:				
Property taxes				2,554,244
Other local sources				424,545
State aid				6,579,520
Grants and contributions not restricted to specific programs				916,107
Investment earnings				722
Other				<u>28,197</u>
Total general receipts				<u>10,503,335</u>
Change in net assets				(81,317)
Net assets - beginning				<u>1,003,999</u>
Net assets - ending				<u>\$ 922,682</u>
<u>Assets</u>				
Cash and investments				\$ 866,477
Restricted assets:				
Cash and investments				<u>56,205</u>
Total assets				<u>\$ 922,682</u>
<u>Net Assets</u>				
Restricted for:				
Debt service				\$ 56,205
Unrestricted				<u>866,477</u>
Total net assets				<u>\$ 922,682</u>

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

LIBERTY-PERRY COMMUNITY SCHOOL CORPORATION
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2009

	General	Transportation Operating	Rainy Day	Capital Projects	School Bus Replacement	Other	Totals
Receipts:							
Local sources	\$ 1,673,983	\$ 503,243	\$ -	\$ 676,049	\$ 85,151	\$ 1,160,080	\$ 4,098,506
Intermediate sources	-	-	-	-	-	11,550	11,550
State sources	5,461,538	-	-	-	-	131,402	5,592,940
Federal sources	-	-	-	-	-	1,186,481	1,186,481
Temporary loans	-	-	-	459,942	-	-	459,942
Other	8,687	155	1,125	-	-	12,542	22,509
Total receipts	7,144,208	503,398	1,125	1,135,991	85,151	2,502,055	11,371,928
Disbursements:							
Current:							
Instruction	4,239,956	-	-	-	-	884,004	5,123,960
Support services	2,029,280	508,503	-	488,258	45	329,030	3,355,116
Noninstructional services	91,756	-	-	-	-	420,245	512,001
Facilities acquisition and construction	-	-	82,053	271,766	-	-	353,819
Debt services	600,000	-	-	-	-	982,841	1,582,841
Nonprogrammed charges	216,456	-	-	-	-	-	216,456
Total disbursements	7,177,448	508,503	82,053	760,024	45	2,616,120	11,144,193
Excess (deficiency) of receipts over disbursements	(33,240)	(5,105)	(80,928)	375,967	85,106	(114,065)	227,735
Other financing sources (uses):							
Sale of capital assets	-	-	-	-	1,200	-	1,200
Transfers in	60,746	-	201,074	-	-	-	261,820
Transfers out	(36,019)	(9,419)	-	(165,055)	-	(51,327)	(261,820)
Total other financing sources (uses)	24,727	(9,419)	201,074	(165,055)	1,200	(51,327)	1,200
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(8,513)	(14,524)	120,146	210,912	86,306	(165,392)	228,935
Cash and investments - beginning	8,514	100,009	238,926	-	11,010	416,603	775,062
Cash and investments - ending	\$ 1	\$ 85,485	\$ 359,072	\$ 210,912	\$ 97,316	\$ 251,211	\$ 1,003,997
<u>Cash and Investment Assets - Ending</u>							
Cash and investments	\$ 1	\$ 85,485	\$ 359,072	\$ 210,912	\$ 97,316	\$ 229,200	\$ 981,986
Restricted assets:							
Cash and investments	-	-	-	-	-	22,011	22,011
Total cash and investment assets - ending	\$ 1	\$ 85,485	\$ 359,072	\$ 210,912	\$ 97,316	\$ 251,211	\$ 1,003,997
<u>Cash and Investment Fund Balance - Ending</u>							
Restricted for:							
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 22,011	\$ 22,011
Unrestricted	1	85,485	359,072	210,912	97,316	229,200	981,986
Total cash and investment fund balance - ending	\$ 1	\$ 85,485	\$ 359,072	\$ 210,912	\$ 97,316	\$ 251,211	\$ 1,003,997

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

LIBERTY-PERRY COMMUNITY SCHOOL CORPORATION
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2010

	General	Transportation Operating	Rainy Day	Capital Projects	School Bus Replacement	Other	Totals
Receipts:							
Local sources	\$ 123,930	\$ 662,946	\$ -	\$ 747,544	\$ 404,253	\$ 1,291,148	\$ 3,229,821
Intermediate sources	-	-	-	-	-	11,400	11,400
State sources	6,667,368	-	-	-	-	76,170	6,743,538
Federal sources	-	-	-	-	-	1,085,578	1,085,578
Other	12,301	-	-	5,449	-	10,447	28,197
Total receipts	6,803,599	662,946	-	752,993	404,253	2,474,743	11,098,534
Disbursements:							
Current:							
Instruction	4,153,102	-	-	-	-	825,022	4,978,124
Support services	2,196,170	458,376	-	388,316	138,448	172,164	3,353,474
Noninstructional services	90,478	-	-	-	-	434,980	525,458
Facilities acquisition and construction	-	-	284,627	295,294	-	93,334	673,255
Debt services	-	-	-	459,942	-	973,817	1,433,759
Nonprogrammed charges	215,781	-	-	-	-	-	215,781
Total disbursements	6,655,531	458,376	284,627	1,143,552	138,448	2,499,317	11,179,851
Excess (deficiency) of receipts over disbursements	148,068	204,570	(284,627)	(390,559)	265,805	(24,574)	(81,317)
Other financing sources (uses):							
Transfers in	22,247	9,419	400,000	179,647	-	-	611,313
Transfers out	(109,419)	(150,000)	(79,647)	-	(250,000)	(22,247)	(611,313)
Total other financing sources (uses)	(87,172)	(140,581)	320,353	179,647	(250,000)	(22,247)	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	60,896	63,989	35,726	(210,912)	15,805	(46,821)	(81,317)
Cash and investments - beginning	-	85,485	359,072	210,913	97,316	251,213	1,003,999
Cash and investments - ending	\$ 60,896	\$ 149,474	\$ 394,798	\$ 1	\$ 113,121	\$ 204,392	\$ 922,682
Cash and Investment Assets - Ending							
Cash and investments	\$ 60,896	\$ 149,474	\$ 394,798	\$ 1	\$ 113,121	\$ 148,187	\$ 866,477
Restricted assets:							
Cash and investments	-	-	-	-	-	56,205	56,205
Total cash and investment assets - ending	\$ 60,896	\$ 149,474	\$ 394,798	\$ 1	\$ 113,121	\$ 204,392	\$ 922,682
Cash and Investment Fund Balance - Ending							
Restricted for:							
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 56,205	\$ 56,205
Unrestricted	60,896	149,474	394,798	1	113,121	148,187	866,477
Total cash and investment fund balance - ending	\$ 60,896	\$ 149,474	\$ 394,798	\$ 1	\$ 113,121	\$ 204,392	\$ 922,682

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

LIBERTY-PERRY COMMUNITY SCHOOL CORPORATION
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
FIDUCIARY FUNDS
For the Year Ended June 30, 2009

	<u>Pension Trust Funds</u>	<u>Agency Funds</u>
Deductions:		
Benefits	\$ 162,211	
Administrative and general	<u>141,123</u>	
Total deductions	<u>303,334</u>	
Deficiency of total additions over total deductions	(303,334)	
Cash and investment fund balance - beginning	<u>634,052</u>	
Cash and investment fund balance - ending	<u>\$ 330,718</u>	<u>\$ 10,714</u>
Net assets:		
Cash and investments	<u>\$ 330,718</u>	<u>\$ 10,714</u>
Total net assets - cash and investment basis held in trust	<u>\$ 330,718</u>	<u>\$ 10,714</u>

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

LIBERTY-PERRY COMMUNITY SCHOOL CORPORATION
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
FIDUCIARY FUNDS
For the Year Ended June 30, 2010

	Pension Trust Funds	Agency Funds
Additions:		
Contributions:		
Employer	\$ 141,123	
Deductions:		
Benefits	<u>125,723</u>	
Excess of total additions over total deductions	15,400	
Cash and investment fund balance - beginning	<u>330,718</u>	
Cash and investment fund balance - ending	<u>\$ 346,118</u>	<u>\$ 19,246</u>
Net assets:		
Cash and investments	<u>\$ 346,118</u>	<u>\$ 19,246</u>
Total net assets - cash and investment basis held in trust	<u>\$ 346,118</u>	<u>\$ 19,246</u>

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

LIBERTY-PERRY COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

The School Corporation's financial reporting entity is composed of the following:

Primary Government: Liberty-Perry Community School Corporation

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

Joint Venture

The School Corporation is a participant in a joint venture to operate Greater Randolph Interlocal Cooperative (GRIC) which was created to administer special education programs. The School Corporation is obligated by contract to remit annually an amount set by GRIC Board of Directors. The School Corporation's remittances in the 2009 and 2010 fiscal years were \$166,944 and \$140,333, respectively. Complete financial statements for the Cooperative can be obtained from Greater Randolph Interlocal Cooperative (GRIC), 325 S. Oak Street, Suite L 103, Winchester, IN 47394.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The Statement of Activities and Net Assets – Cash and Investment Basis displays information about the reporting government as a whole. It includes all funds of the reporting entity except for fiduciary funds. The statement distinguishes between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements

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

LIBERTY-PERRY COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

The School Corporation reports the following major governmental funds:

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

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

The rainy day fund is used to account for funds in accordance with IC 36-1-8-5.1 and a locally adopted resolution.

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

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

Additionally, the School Corporation reports the following fund types:

The pension trust fund accounts for bonds and payments anticipated to be made to employees on or after the termination of employment or to pay postretirement or severance benefits held by the school cooperation in a trustee capacity.

Agency funds account for assets held by the School Corporation as an agent for employee payroll withholdings and serve as control of accounts for certain cash transactions during the time they are a liability to the School Corporation.

C. Measurement Focus and Basis of Accounting

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

The cash and investment basis of accounting differs from accounting principles generally accepted in the United States of America in that receipts are recognized when received in cash rather than when earned and disbursements are recognized when paid rather than when a liability is incurred. Investment transactions are not presented on the financial statements.

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

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

LIBERTY-PERRY COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

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

D. Assets and Cash and Investment Balances

1. Restricted Assets

All restricted assets, as presented in the accompanying financial statements, are restricted due to enabling legislation.

2. Cash and Investments

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

3. Property Taxes

Normally, property taxes levied are collected by the County Treasurer and are distributed to the School Corporation in June and in December. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. Taxable property is assessed at 100% of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which may become delinquent if not paid by May 10 and November 10, respectively. Due to state mandated changes in computer software, property tax distributions originally due by June 30, 2010, were not received until August 2010.

4. Capital Assets

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

5. Long-Term Debt

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

LIBERTY-PERRY COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

6. Equity Classification

Government-Wide Statements

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

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

Fund Financial Statements

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

E. Receipts and Disbursements

Program Receipts

Amounts reported as program receipts include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general receipts rather than as program receipts. Likewise, general receipts include all taxes.

F. Internal and Interfund Activities

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

Fund Financial Statements

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

LIBERTY-PERRY COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

Government-Wide Financial Statements

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

1. Internal activities – Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis except for the net amount of transfers between governmental and business-type activities, which are reported as Transfers – Internal Activities. The effects of interfund loans and services between funds, if any, are not eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis.
2. Primary government and component unit activity – Resource flows between the primary government and the discretely-presented component unit(s) are reported as if they were external transactions and are classified separately from internal activities within the primary government.

G. Rounding Differences

The financial statements may contain immaterial differences due to rounding of amounts when the statements were compiled. These differences are considered trivial and do not affect the overall presentation of the financial statements.

II. Stewardship, Compliance and Accountability

A. Budgetary Information

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

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

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

LIBERTY-PERRY COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

B. Disbursements in Excess of Appropriations

For the years ended June 30, 2009 and 2010, disbursements exceeded budgeted appropriations in the following funds by the amounts below:

Fund	2009	2010
Special Education Preschool	\$ 3,785	\$ 11,000

These disbursements were funded by greater than anticipated receipts.

III. Detailed Notes on All Funds

A. Deposits and Investments

Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. IC 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state funds and has a principal office or branch that qualifies to receive public funds of the political subdivision. The School Corporation does not have a deposit policy for custodial credit risk. At June 30, 2010, the School Corporation had deposit balances in the amount of \$1,254,113.

The bank balances were insured by the Federal Deposit Insurance Corporation or the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

B. Interfund Transfers

Interfund transfers for the years ended June 30, 2009 and 2010, were as follows:

Transfer From	Transfer To	2009	2010
General Fund	Rainy Day Fund	\$ 36,019	\$ -
	Capital Projects Fund	-	100,000
	Transportation Operating Fund	-	9,419
Transportation Operating Fund	General Fund	9,419	-
	Capital Projects Fund	165,055	-
Rainy Day Fund	Capital Projects Fund	-	79,647
School Bus Replacement Fund	Rainy Day Fund	-	250,000
Transportation Operating Fund	Rainy Day Fund	-	150,000
Other Governmental Funds	General Fund	51,327	22,247
Totals		\$ 261,820	\$ 611,313

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

LIBERTY-PERRY COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

IV. Other Information

A. Risk Management

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

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; medical benefits to employees, retirees, and dependents; and natural disasters are covered by commercial insurance from independent third parties.

Settled claims from risks covered by commercial insurance have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance by major category of risk.

During 1996, the School Corporation joined with other governmental entities to form the Greater Randolph County School Insurance Consortium, a public entity risk pool currently operating as a common risk management and insurance program for 7 member governmental entities. The purpose of the risk pool is to provide a medium for the funding and administration of medical benefits to employees. The School Corporation pays an annual premium to the risk pool for its medical benefits to employees coverage. The risk pool is considered a self-sustaining risk pool that will provide coverage for its members for up to \$5,000,000 per insured event. The risk pool obtains independent full coverage for insured events in excess of the \$5,000,000 limit.

B. Holding Corporation

The School Corporation has entered into a capital lease with Liberty-Perry School Building Corporation (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. The lessor has been determined to be a related party of the School Corporation. Lease payments during the years 2009 and 2010 totaled \$651,090, and \$652,157, respectively.

C. Subsequent Event

In November 2010, the School Corporation issued a \$2,000,000 general obligation bond to pay for an energy savings project at Wapahani High School.

D. Termination Benefits

The School Corporation provides post-employment salary benefits to all certified employees who retired prior to June 30, 2004 or opted for the benefit prior to December 31, 2004, and post-employment health insurance benefits to all certified employees who retire from the School Corporation on or after attaining age 55 with at least 12 years of service, as authorized by Indiana Code 5-10-8. Currently, 7 retirees meet these eligibility requirements. The School Corporation provides 100% of these postemployment benefits to certified personnel retired prior to 2002-2003. The School Corporation provides all postemployment benefits except \$450, paid annually by the retiree for health insurance, to certified personnel retiring after 2002-2003. Disbursements for those postemployment benefits are recognized on a pay-as-you-go basis. During the year ended June 30, 2009 and 2010, disbursements of \$162,211 and \$125,722, respectively, were recognized for postemployment benefits.

LIBERTY-PERRY COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

E. Pension Plans

1. Agent Multiple-Employer and Single-Employer Defined Benefit Pension Plans

a. Public Employees' Retirement Fund

Plan Description

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

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

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

Funding Policy

The contribution requirements of plan members for PERF are established by the Board of Trustees of PERF. The total contributions made to PERF by the School Corporation during the period were \$125,944.

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

Teachers' Retirement Fund

Plan Description

The School Corporation contributes to the Indiana Teachers' Retirement Fund (TRF), a defined benefit pension plan. TRF is a cost-sharing multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All employees engaged in teaching or in the supervision of teaching in the public schools of the State of Indiana are eligible to participate in TRF. State statute (IC 5-10.2) governs, through the TRF Board, most requirements of the system and gives the School Corporation authority to contribute to the plan. The TRF retirement benefit consists of the pension provided by

LIBERTY-PERRY COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of member's contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The School Corporation may elect to make the contributions on behalf of the member.

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

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

Funding Policy

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. The School Corporation's contributions to the plan during the period were \$383,788.

LIBERTY-PERRY COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2009

	Special Education Preschool	School Lunch	Textbook Rental	Levy Excess	School Safe Haven	Early Intervention
Receipts:						
Local sources	\$ 3,843	\$ 234,148	\$ 59,040	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-
State sources	36,674	6,622	17,273	-	-	37,909
Federal sources	-	176,276	-	-	-	-
Other	-	9,023	3,519	-	-	-
Total receipts	40,517	426,069	79,832	-	-	37,909
Disbursements:						
Current:						
Instruction	40,656	-	-	-	-	37,960
Support services	-	350	80,619	-	-	-
Noninstructional services	-	420,245	-	-	-	-
Debt services	-	-	-	-	-	-
Total disbursements	40,656	420,595	80,619	-	-	37,960
Excess (deficiency) of receipts over disbursements	(139)	5,474	(787)	-	-	(51)
Other financing sources (uses):						
Transfers out	-	-	-	(51,327)	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(139)	5,474	(787)	(51,327)	-	(51)
Cash and investments - beginning	22,386	20,336	81,562	51,327	164	51
Cash and investments - ending	<u>\$ 22,247</u>	<u>\$ 25,810</u>	<u>\$ 80,775</u>	<u>\$ -</u>	<u>\$ 164</u>	<u>\$ -</u>
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	\$ 22,247	\$ 25,810	\$ 80,775	\$ -	\$ 164	\$ -
Restricted assets:						
Cash and investments	-	-	-	-	-	-
Total cash and investment assets - ending	<u>\$ 22,247</u>	<u>\$ 25,810</u>	<u>\$ 80,775</u>	<u>\$ -</u>	<u>\$ 164</u>	<u>\$ -</u>
<u>Cash and Investment Fund Balance - Ending</u>						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	22,247	25,810	80,775	-	164	-
Total cash and investment fund balance - ending	<u>\$ 22,247</u>	<u>\$ 25,810</u>	<u>\$ 80,775</u>	<u>\$ -</u>	<u>\$ 164</u>	<u>\$ -</u>

LIBERTY-PERRY COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2009
 (Continued)

	CAPE Grant	Gifted and Talented	Medicare Reimbursement	Technology Grants	Technology Based Awards	Access Indiana
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-
State sources	-	30,424	-	-	-	2,500
Federal sources	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total receipts	-	30,424	-	-	-	2,500
Disbursements:						
Current:						
Instruction	-	55,538	-	-	1,626	-
Support services	-	1,408	-	20	-	2,500
Noninstructional services	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Total disbursements	-	56,946	-	20	1,626	2,500
Excess (deficiency) of receipts over disbursements	-	(26,522)	-	(20)	(1,626)	-
Other financing sources (uses):						
Transfers out	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	(26,522)	-	(20)	(1,626)	-
Cash and investments - beginning	12	29,002	29	56	1,626	-
Cash and investments - ending	<u>\$ 12</u>	<u>\$ 2,480</u>	<u>\$ 29</u>	<u>\$ 36</u>	<u>\$ -</u>	<u>\$ -</u>
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	\$ 12	\$ 2,480	\$ 29	\$ 36	\$ -	\$ -
Restricted assets:						
Cash and investments	-	-	-	-	-	-
Total cash and investment assets - ending	<u>\$ 12</u>	<u>\$ 2,480</u>	<u>\$ 29</u>	<u>\$ 36</u>	<u>\$ -</u>	<u>\$ -</u>
<u>Cash and Investment Fund Balance - Ending</u>						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	12	2,480	29	36	-	-
Total cash and investment fund balance - ending	<u>\$ 12</u>	<u>\$ 2,480</u>	<u>\$ 29</u>	<u>\$ 36</u>	<u>\$ -</u>	<u>\$ -</u>

LIBERTY-PERRY COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2009
 (Continued)

	Indiana Teachers Technology Grant	Library Media Grant	Insurance Consortium Wellness Grant	Title I 2008-09	Title I 2007-08	Title VI
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	11,550	-	-	-
State sources	-	-	-	-	-	-
Federal sources	-	-	-	147,562	9,000	-
Other	-	-	-	-	-	-
Total receipts	-	-	11,550	147,562	9,000	-
Disbursements:						
Current:						
Instruction	-	-	-	109,072	29,814	-
Support services	-	-	10,896	2,500	-	-
Noninstructional services	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Total disbursements	-	-	10,896	111,572	29,814	-
Excess (deficiency) of receipts over disbursements	-	-	654	35,990	(20,814)	-
Other financing sources (uses):						
Transfers out	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	654	35,990	(20,814)	-
Cash and investments - beginning	1	28	-	-	20,814	174
Cash and investments - ending	<u>\$ 1</u>	<u>\$ 28</u>	<u>\$ 654</u>	<u>\$ 35,990</u>	<u>\$ -</u>	<u>\$ 174</u>
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	\$ 1	\$ 28	\$ 654	\$ 35,990	\$ -	\$ 174
Restricted assets:						
Cash and investments	-	-	-	-	-	-
Total cash and investment assets - ending	<u>\$ 1</u>	<u>\$ 28</u>	<u>\$ 654</u>	<u>\$ 35,990</u>	<u>\$ -</u>	<u>\$ 174</u>
<u>Cash and Investment Fund Balance - Ending</u>						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	1	28	654	35,990	-	174
Total cash and investment fund balance - ending	<u>\$ 1</u>	<u>\$ 28</u>	<u>\$ 654</u>	<u>\$ 35,990</u>	<u>\$ -</u>	<u>\$ 174</u>

LIBERTY-PERRY COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2009
 (Continued)

	Title V 2007-08	Title V 2004-05	Title V 2006-07	Title V Supplemental	Special Education	Drug Free Schools
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-
State sources	-	-	-	-	-	-
Federal sources	-	-	-	707	241,570	2,479
Other	-	-	-	-	-	-
Total receipts	-	-	-	707	241,570	2,479
Disbursements:						
Current:						
Instruction	1,623	185	1,862	300	239,411	3,951
Support services	-	-	-	233	-	-
Noninstructional services	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Total disbursements	1,623	185	1,862	533	239,411	3,951
Excess (deficiency) of receipts over disbursements	(1,623)	(185)	(1,862)	174	2,159	(1,472)
Other financing sources (uses):						
Transfers out	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(1,623)	(185)	(1,862)	174	2,159	(1,472)
Cash and investments - beginning	1,813	185	1,862	-	(92)	3,177
Cash and investments - ending	<u>\$ 190</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 174</u>	<u>\$ 2,067</u>	<u>\$ 1,705</u>
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	\$ 190	\$ -	\$ -	\$ 174	\$ 2,067	\$ 1,705
Restricted assets:						
Cash and investments	-	-	-	-	-	-
Total cash and investment assets - ending	<u>\$ 190</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 174</u>	<u>\$ 2,067</u>	<u>\$ 1,705</u>
<u>Cash and Investment Fund Balance - Ending</u>						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	190	-	-	174	2,067	1,705
Total cash and investment fund balance - ending	<u>\$ 190</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 174</u>	<u>\$ 2,067</u>	<u>\$ 1,705</u>

LIBERTY-PERRY COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2009
 (Continued)

	Drug Free Schools 2005-06	Drug Free Schools 2008-09	Title II	Tobacco Free Coalition	Medicare Reimbursement Federal	Title II Part A
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-
State sources	-	-	-	-	-	-
Federal sources	-	3,070	-	-	-	40,241
Other	-	-	-	-	-	-
Total receipts	-	3,070	-	-	-	40,241
Disbursements:						
Current:						
Instruction	1,225	1,785	-	1,000	-	10,197
Support services	189	-	-	-	-	30,934
Noninstructional services	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Total disbursements	1,414	1,785	-	1,000	-	41,131
Excess (deficiency) of receipts over disbursements	(1,414)	1,285	-	(1,000)	-	(890)
Other financing sources (uses):						
Transfers out	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(1,414)	1,285	-	(1,000)	-	(890)
Cash and investments - beginning	1,432	-	27	2,209	47	11,701
Cash and investments - ending	<u>\$ 18</u>	<u>\$ 1,285</u>	<u>\$ 27</u>	<u>\$ 1,209</u>	<u>\$ 47</u>	<u>\$ 10,811</u>
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	\$ 18	\$ 1,285	\$ 27	\$ 1,209	\$ 47	\$ 10,811
Restricted assets:						
Cash and investments	-	-	-	-	-	-
Total cash and investment assets - ending	<u>\$ 18</u>	<u>\$ 1,285</u>	<u>\$ 27</u>	<u>\$ 1,209</u>	<u>\$ 47</u>	<u>\$ 10,811</u>
<u>Cash and Investment Fund Balance - Ending</u>						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	18	1,285	27	1,209	47	10,811
Total cash and investment fund balance - ending	<u>\$ 18</u>	<u>\$ 1,285</u>	<u>\$ 27</u>	<u>\$ 1,209</u>	<u>\$ 47</u>	<u>\$ 10,811</u>

LIBERTY-PERRY COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2009
 (Continued)

	Education Technology Competitive Grant	Challenge Technology Grants	Fiscal Stabilization Grant	Debt Service	Retirement/ Severance Bond	Totals
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ 589,082	\$ 273,967	\$ 1,160,080
Intermediate sources	-	-	-	-	-	11,550
State sources	-	-	-	-	-	131,402
Federal sources	-	-	565,576	-	-	1,186,481
Other	-	-	-	-	-	12,542
Total receipts	-	-	565,576	589,082	273,967	2,502,055
Disbursements:						
Current:						
Instruction	-	-	347,799	-	-	884,004
Support services	24,542	-	174,839	-	-	329,030
Noninstructional services	-	-	-	-	-	420,245
Debt services	-	-	-	662,845	319,996	982,841
Total disbursements	24,542	-	522,638	662,845	319,996	2,616,120
Excess (deficiency) of receipts over disbursements	(24,542)	-	42,938	(73,763)	(46,029)	(114,065)
Other financing sources (uses):						
Transfers out	-	-	-	-	-	(51,327)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(24,542)	-	42,938	(73,763)	(46,029)	(165,392)
Cash and investments - beginning	24,809	62	-	100,932	40,871	416,603
Cash and investments - ending	\$ 267	\$ 62	\$ 42,938	\$ 27,169	\$ (5,158)	\$ 251,211
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	\$ 267	\$ 62	\$ 42,938	\$ -	\$ -	\$ 229,200
Restricted assets:						
Cash and investments	-	-	-	27,169	(5,158)	22,011
Total cash and investment assets - ending	\$ 267	\$ 62	\$ 42,938	\$ 27,169	\$ (5,158)	\$ 251,211
<u>Cash and Investment Fund Balance - Ending</u>						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ 27,169	\$ (5,158)	\$ 22,011
Unrestricted	267	62	42,938	-	-	229,200
Total cash and investment fund balance - ending	\$ 267	\$ 62	\$ 42,938	\$ 27,169	\$ (5,158)	\$ 251,211

LIBERTY-PERRY COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2010

	Special Education Preschool	School Lunch	Textbook Rental	School Safe Haven	CAPE Grant	Gifted and Talented	Medicare Reimbursement
Receipts:							
Local sources	\$ -	\$ 224,684	\$ 58,454	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-	-
State sources	22,000	5,984	18,438	-	-	29,748	-
Federal sources	-	191,469	-	-	-	-	-
Other	-	4,316	5,993	-	-	-	-
Total receipts	22,000	426,453	82,885	-	-	29,748	-
Disbursements:							
Current:							
Instruction	22,000	-	-	-	-	29,869	-
Support services	-	350	98,443	-	-	2,359	-
Noninstructional services	-	434,980	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Total disbursements	22,000	435,330	98,443	-	-	32,228	-
Excess (deficiency) of receipts over disbursements	-	(8,877)	(15,558)	-	-	(2,480)	-
Other financing sources (uses):							
Transfers out	(22,247)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(22,247)	(8,877)	(15,558)	-	-	(2,480)	-
Cash and investments - beginning	22,247	25,811	80,775	164	12	2,480	29
Cash and investments - ending	\$ -	\$ 16,934	\$ 65,217	\$ 164	\$ 12	\$ -	\$ 29
Cash and Investment Assets - Ending							
Cash and investments	\$ -	\$ 16,934	\$ 65,217	\$ 164	\$ 12	\$ -	\$ 29
Restricted assets:							
Cash and investments	-	-	-	-	-	-	-
Total cash and investment assets - ending	\$ -	\$ 16,934	\$ 65,217	\$ 164	\$ 12	\$ -	\$ 29
Cash and Investment Fund Balance - Ending							
Restricted for:							
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	-	16,934	65,217	164	12	-	29
Total cash and investment fund balance - ending	\$ -	\$ 16,934	\$ 65,217	\$ 164	\$ 12	\$ -	\$ 29

LIBERTY-PERRY COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2010
 (Continued)

	Technology Grants	Technology Based Awards	Indiana Teachers Technology Grant	Library Media Grant	Insurance Consortium Wellness Grant	Title I 2008-09	Title I 2009-10
Receipts:							
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	11,400	-	-
State sources	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	14,000	129,283
Other	-	138	-	-	-	-	-
Total receipts	-	138	-	-	11,400	14,000	129,283
Disbursements:							
Current:							
Instruction	-	-	-	-	-	49,991	99,256
Support services	-	-	-	-	9,623	-	-
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Total disbursements	-	-	-	-	9,623	49,991	99,256
Excess (deficiency) of receipts over disbursements	-	138	-	-	1,777	(35,991)	30,027
Other financing sources (uses):							
Transfers out	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	138	-	-	1,777	(35,991)	30,027
Cash and investments - beginning	36	-	1	28	654	35,991	-
Cash and investments - ending	<u>\$ 36</u>	<u>\$ 138</u>	<u>\$ 1</u>	<u>\$ 28</u>	<u>\$ 2,431</u>	<u>\$ -</u>	<u>\$ 30,027</u>
Cash and Investment Assets - Ending							
Cash and investments	\$ 36	\$ 138	\$ 1	\$ 28	\$ 2,431	\$ -	\$ 30,027
Restricted assets:							
Cash and investments	-	-	-	-	-	-	-
Total cash and investment assets - ending	<u>\$ 36</u>	<u>\$ 138</u>	<u>\$ 1</u>	<u>\$ 28</u>	<u>\$ 2,431</u>	<u>\$ -</u>	<u>\$ 30,027</u>
Cash and Investment Fund Balance - Ending							
Restricted for:							
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	36	138	1	28	2,431	-	30,027
Total cash and investment fund balance - ending	<u>\$ 36</u>	<u>\$ 138</u>	<u>\$ 1</u>	<u>\$ 28</u>	<u>\$ 2,431</u>	<u>\$ -</u>	<u>\$ 30,027</u>

LIBERTY-PERRY COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2010
 (Continued)

	Title VI	Title V 2007-08	Title V Supplemental	Special Education	Drug Free Schools	Drug Free Schools 2005-06	Drug Free Schools 2008-09
Receipts:							
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-
Federal sources	-	-	-	247,541	2,000	-	-
Other	-	-	-	-	-	-	-
Total receipts	-	-	-	247,541	2,000	-	-
Disbursements:							
Current:							
Instruction	-	-	-	222,745	1,471	-	1,102
Support services	-	-	-	-	-	-	133
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Total disbursements	-	-	-	222,745	1,471	-	1,235
Excess (deficiency) of receipts over disbursements	-	-	-	24,796	529	-	(1,235)
Other financing sources (uses):							
Transfers out	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	-	24,796	529	-	(1,235)
Cash and investments - beginning	174	190	174	2,067	1,705	18	1,285
Cash and investments - ending	<u>\$ 174</u>	<u>\$ 190</u>	<u>\$ 174</u>	<u>\$ 26,863</u>	<u>\$ 2,234</u>	<u>\$ 18</u>	<u>\$ 50</u>
Cash and Investment Assets - Ending							
Cash and investments	\$ 174	\$ 190	\$ 174	\$ 26,863	\$ 2,234	\$ 18	\$ 50
Restricted assets:							
Cash and investments	-	-	-	-	-	-	-
Total cash and investment assets - ending	<u>\$ 174</u>	<u>\$ 190</u>	<u>\$ 174</u>	<u>\$ 26,863</u>	<u>\$ 2,234</u>	<u>\$ 18</u>	<u>\$ 50</u>
Cash and Investment Fund Balance - Ending							
Restricted for:							
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	174	190	174	26,863	2,234	18	50
Total cash and investment fund balance - ending	<u>\$ 174</u>	<u>\$ 190</u>	<u>\$ 174</u>	<u>\$ 26,863</u>	<u>\$ 2,234</u>	<u>\$ 18</u>	<u>\$ 50</u>

LIBERTY-PERRY COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2010
 (Continued)

	Title II	Tobacco Free Coalition	Medicare Reimbursement Federal	Title II Part A	Education Technology Competitive Grant	Challenge Technology Grants
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-
State sources	-	-	-	-	-	-
Federal sources	-	-	-	40,244	-	-
Other	-	-	-	-	-	-
Total receipts	-	-	-	40,244	-	-
Disbursements:						
Current:						
Instruction	-	-	-	27,200	-	-
Support services	-	-	-	23,691	200	-
Noninstructional services	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Total disbursements	-	-	-	50,891	200	-
Excess (deficiency) of receipts over disbursements	-	-	-	(10,647)	(200)	-
Other financing sources (uses):						
Transfers out	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	-	(10,647)	(200)	-
Cash and investments - beginning	27	1,209	47	10,811	267	62
Cash and investments - ending	<u>\$ 27</u>	<u>\$ 1,209</u>	<u>\$ 47</u>	<u>\$ 164</u>	<u>\$ 67</u>	<u>\$ 62</u>
Cash and Investment Assets - Ending						
Cash and investments	\$ 27	\$ 1,209	\$ 47	\$ 164	\$ 67	\$ 62
Restricted assets:						
Cash and investments	-	-	-	-	-	-
Total cash and investment assets - ending	<u>\$ 27</u>	<u>\$ 1,209</u>	<u>\$ 47</u>	<u>\$ 164</u>	<u>\$ 67</u>	<u>\$ 62</u>
Cash and Investment Fund Balance - Ending						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	27	1,209	47	164	67	62
Total cash and investment fund balance - ending	<u>\$ 27</u>	<u>\$ 1,209</u>	<u>\$ 47</u>	<u>\$ 164</u>	<u>\$ 67</u>	<u>\$ 62</u>

LIBERTY-PERRY COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2010
 (Continued)

	Fiscal Stabilization Grant	ARRA Title I	ARRA Special Education	Debt Service	Retirement/ Severance Bond	Totals
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ 675,485	\$ 332,525	\$ 1,291,148
Intermediate sources	-	-	-	-	-	11,400
State sources	-	-	-	-	-	76,170
Federal sources	225,089	88,540	147,412	-	-	1,085,578
Other	-	-	-	-	-	10,447
Total receipts	<u>225,089</u>	<u>88,540</u>	<u>147,412</u>	<u>675,485</u>	<u>332,525</u>	<u>2,474,743</u>
Disbursements:						
Current:						
Instruction	230,661	88,540	52,187	-	-	825,022
Support services	37,365	-	-	-	-	172,164
Noninstructional services	-	-	-	-	-	434,980
Facilities acquisition and construction	-	-	93,334	-	-	93,334
Debt services	-	-	-	654,585	319,232	973,817
Total disbursements	<u>268,026</u>	<u>88,540</u>	<u>145,521</u>	<u>654,585</u>	<u>319,232</u>	<u>2,499,317</u>
Excess (deficiency) of receipts over disbursements	<u>(42,937)</u>	<u>-</u>	<u>1,891</u>	<u>20,900</u>	<u>13,293</u>	<u>(24,574)</u>
Other financing sources (uses):						
Transfers out	-	-	-	-	-	(22,247)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(42,937)</u>	<u>-</u>	<u>1,891</u>	<u>20,900</u>	<u>13,293</u>	<u>(46,821)</u>
Cash and investments - beginning	<u>42,937</u>	<u>-</u>	<u>-</u>	<u>27,169</u>	<u>(5,157)</u>	<u>251,213</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,891</u>	<u>\$ 48,069</u>	<u>\$ 8,136</u>	<u>\$ 204,392</u>
Cash and Investment Assets - Ending						
Cash and investments	\$ -	\$ -	\$ 1,891	\$ -	\$ -	\$ 148,187
Restricted assets:						
Cash and investments	-	-	-	48,069	8,136	56,205
Total cash and investment assets - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,891</u>	<u>\$ 48,069</u>	<u>\$ 8,136</u>	<u>\$ 204,392</u>
Cash and Investment Fund Balance - Ending						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ 48,069	\$ 8,136	\$ 56,205
Unrestricted	-	-	1,891	-	-	148,187
Total cash and investment fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,891</u>	<u>\$ 48,069</u>	<u>\$ 8,136</u>	<u>\$ 204,392</u>

LIBERTY-PERRY COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 AGENCY FUNDS
 For the Year Ended June 30, 2009

	<u>Clearing Extra-Curricular</u>	<u>Textbook Rental Clearing</u>	<u>Cafeteria Reimbursements</u>	<u>Payroll Withholdings</u>	<u>Totals</u>
Additions:					
Agency fund additions	\$ 14,894	\$ 17,273	\$ 58,998	\$ 1,844,568	\$ 1,935,733
Deductions:					
Agency fund deductions	<u>14,894</u>	<u>17,993</u>	<u>57,350</u>	<u>1,847,595</u>	<u>1,937,832</u>
Excess (deficiency) of total additions over total deductions	-	(720)	1,648	(3,027)	(2,099)
Cash and investment fund balance - beginning	<u>-</u>	<u>720</u>	<u>(1,248)</u>	<u>13,341</u>	<u>12,813</u>
Cash and investment fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 400</u>	<u>\$ 10,314</u>	<u>\$ 10,714</u>

LIBERTY-PERRY COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 AGENCY FUNDS
 For the Year Ended June 30, 2010

	<u>Clearing Extra-Curricular</u>	<u>Textbook Rental Clearing</u>	<u>Cafeteria Reimbursements</u>	<u>Payroll Withholdings</u>	<u>Temporary Loan Fund</u>	<u>Prepaid Cafeteria</u>	<u>Criminal History</u>	<u>Totals</u>
Additions:								
Agency fund additions	\$ 11,826	\$ 18,439	\$ 17,939	\$ 1,839,690	\$ 511	\$ 45,925	\$ 784	\$ 1,935,114
Deductions:								
Agency fund deductions	12,209	18,439	17,523	1,833,931	-	43,696	784	1,926,582
Excess (deficiency) of total additions over total deductions	(383)	-	416	5,759	511	2,229	-	8,532
Cash and investment fund balance - beginning	-	-	400	10,314	-	-	-	10,714
Cash and investment fund balance - ending	<u>\$ (383)</u>	<u>\$ -</u>	<u>\$ 816</u>	<u>\$ 16,073</u>	<u>\$ 511</u>	<u>\$ 2,229</u>	<u>\$ -</u>	<u>\$ 19,246</u>

LIBERTY-PERRY COMMUNITY SCHOOL CORPORATION
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 June 30, 2010

The School Corporation has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:		
Capital leases:		
Selma Elementary	\$ 320,000	\$ 327,120
Bonds payable:		
General obligation bonds:		
Pension	<u>3,200,000</u>	<u>318,086</u>
Total governmental activities debt	<u>\$ 3,520,000</u>	<u>\$ 645,206</u>

LIBERTY-PERRY COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS

CAPITAL ASSET RECORDS

Information presented for audit did not indicate an inventory or record of capital assets. Capital asset records have not been updated since 1999. A similar comment appeared in prior Reports B24453, B29924 and B34395.

Every governmental unit should have a complete inventory of all capital assets owned which reflects 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 recorded in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

APPROPRIATIONS

The Special Education Preschool Fund was overspent by \$3,785 in 2008 and \$11,000 in 2009.

IC 6-1.1-18-4 states in part: ". . . the proper officers of a political subdivision shall appropriate funds in such a manner that the expenditures for a year do not exceed its budget for that year as finally determined under this article."

INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS

We noted deficiencies in the internal control system of the Liberty-Perry Community School Corporation related to financial transactions and reporting. We believe the following deficiency constitutes a material weakness:

Lack of Segregation of Duties: Control activities were not selected and developed at various levels of the central office to reduce risks to achievement of financial reporting objectives. The School Corporation has not separated incompatible activities related to receipts, disbursements, payroll and related liabilities, and cash and investment balances. The failure to establish these controls could enable material misstatements or irregularities to remain undetected.

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.

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)

LIBERTY-PERRY COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

CONDITION OF RECORDS - TEXTBOOK RENTAL FUND

The financial information reported to the Indiana Department of Education on the Biannual Financial Report (Form 9) did not accurately reflect the activity of the Textbook Rental Fund. Textbook Rental funds are maintained as an extra-curricular account at each school building and then combined for reporting on Form 9. Differences were found in the beginning balances, as well as in audit period receipts and disbursements. A similar comment appeared in prior Reports B24453, B29924, and B34395.

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9) (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 Indiana Public School Corporations, Chapter 9) (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

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)

CONDITION OF RECORDS – POSTING ERRORS

The following deficiencies relating to the recordkeeping were noted. Disbursements made by electronic fund transfer were not posted timely. Some transactions were recorded as "negative" receipts and disbursements. Tax distributions were posted incorrectly.

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)

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)

DEPOSITS

Receipts were written for amounts which could not be verified to bank deposits due to the fact that the amount of cash and checks were not classified correctly on the receipt. Also, receipts were not written when the money was deposited.

LIBERTY-PERRY COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

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

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)

TRANSPORTATION FUND EXPENDITURES - SUPERINTENDENT

A portion of the Superintendent's salary was paid from the Transportation Fund.

IC 20-40-6-6, regarding the Transportation Fund, states:

"(a) The following costs are payable from the fund:

(1) The salaries paid to bus drivers, transportation supervisors, mechanics and garage employees, clerks, and other transportation related employees. . . .

(b) Percentages or parts of salaries of teaching personnel or principals are not attributable to Transportation. However, parts of salaries of instructional aides who are assigned to assist with the school transportation program are attributable to transportation. The costs described in this subsection (other than instructional aide costs) may not be budgeted for payment or paid from the fund."

The Conclusion of Attorney General Advisory Number 96-78 states in part:

"The school transportation fund was established to cover costs which are attributable to transportation. Indiana Code 21-2-11.5-2(b)(1) through (b)(7) (now 20-40-6-6) sets forth the costs which may be attributed to transportation. According to subsection (b)(1), the salaries of 'transportation-related' employees may be paid from this fund. As the school superintendent and school corporation treasurer do not appear to be positions that are transportation-related, payment from the transportation fund of the salaries attached to these positions would be improper." (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 8)

PENALTIES, INTEREST, AND OTHER CHARGES

We noted during the current audit period, a late payment fee totaling \$661 was paid to a vendor. The \$661 was subsequently refunded to the School Corporation. A similar comment was in prior Report B29924.

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.

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)

LIBERTY-PERRY COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

SALES TAX

Sales tax in the amount of \$1,515 was paid for some purchases.

Governmental funds generally are exempt from the payment of sales tax on qualifying purchases. Respective tax agencies should always be contacted concerning tax exemptions and payments. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

ERRORS ON CLAIMS

The following deficiencies were noted on claims during the audit period:

- (1) Claims were not adequately itemized. Claims included copies of invoices, no invoices or credit card receipts only, rather than the actual invoice.
- (2) All claims did not have School Board approval. Some claims were paid prior to School Board approval.
- (3) Many claims did not indicate the account number charged for the disbursements.

IC 5-11-10-1.6 states in part:

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

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

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

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)

LIBERTY-PERRY COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

FEDERAL AND STATE AGENCIES - COMPLIANCE REQUIREMENTS

The School Corporation did not comply with directives of the Indiana Department of Education by having excess amounts of federal cash on hand, by not keeping equipment inventories of federal assets, and by not properly preparing federal reports.

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)

Each governmental unit is responsible for compliance with all rules, regulations, guidelines, and directives of the Internal Revenue Service and the Indiana Department of Revenue. All questions concerning taxes should be directed to these agencies. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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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 LIBERTY-PERRY COMMUNITY
SCHOOL CORPORATION, DELAWARE COUNTY, INDIANA

Compliance

We have audited the compliance of the Liberty-Perry Community School Corporation (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, 2009 and 2010. 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 non-compliance 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.

In our opinion, the School Corporation complied in all material respects with the requirements referred to above that are applicable to each of its major federal programs for the years ended June 30, 2009 and 2010. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2010-2, 2010-3, 2010-4, 2010-5, 2010-6, 2010-7 and 2010-8.

Internal Control Over Compliance

The management of the School Corporation is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the School Corporation's internal control over compliance with requirements that could have a direct and material effect on a major

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)

federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School Corporation's internal control over compliance.

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

A control deficiency in a School Corporation's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in items 2010-2, 2010-6, and 2010-8 of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. Of the significant deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs, we consider items 2010-2, 2010-6 and 2010-8 to be material weaknesses.

The School Corporation's response to the findings identified in our audit is described in the accompanying 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, the Board of School Trustees and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

February 9, 2011

LIBERTY-PERRY COMMUNITY SCHOOL CORPORATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Years Ended June 30, 2009 and 2010

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 06-30-09	Total Federal Awards Expended 06-30-10
U.S. DEPARTMENT OF AGRICULTURE				
Pass-Through Indiana Department of Education				
Child Nutrition Cluster				
School Breakfast Program				
	10.553			
		FY 08-09	\$ 24,719	\$ -
		FY 09-10	-	34,706
			<u>24,719</u>	<u>34,706</u>
Total for program				
			<u>24,719</u>	<u>34,706</u>
National School Lunch Program				
	10.555			
		FY 08-09	191,512	-
		FY 09-10	-	191,714
			<u>191,512</u>	<u>191,714</u>
Total for program				
			<u>191,512</u>	<u>191,714</u>
Total for federal grantor agency				
			<u>216,231</u>	<u>226,420</u>
U.S. DEPARTMENT OF EDUCATION				
Pass-Through Indiana Department of Education				
Title I, Part A Cluster				
Title I Grants to Local Educational Agencies				
	84.010			
		08-1895	22,200	-
		09-1895	111,467	50,096
		10-1895	-	99,256
			<u>133,667</u>	<u>149,352</u>
Total for program				
			<u>133,667</u>	<u>149,352</u>
ARRA - Title I Grants to Local Educational Agencies, Recovery Act				
	84.389			
		10-1895	-	88,540
			<u>-</u>	<u>88,540</u>
Total for cluster				
			<u>133,667</u>	<u>237,892</u>
Pass-Through Greater Randolph Interlocal Cooperative Special Education Cluster (IDEA)				
Special Education - Grants to States				
	84.027			
		14208-066-PN01	7,115	-
		14209-066-PN01	190,401	50,196
		14210-066-PN01	-	172,550
			<u>197,516</u>	<u>222,746</u>
Total for program				
			<u>197,516</u>	<u>222,746</u>
ARRA- Special Education - Grants to States, Recovery Act				
	84.391	14210-066-PN01	-	145,522
			<u>-</u>	<u>145,522</u>
Total for cluster				
			<u>197,516</u>	<u>368,268</u>
Pass-Through Indiana Department of Education Educational Technology State Grants Cluster				
Educational Technology State Grants				
	84.318			
		SY07-08	23,254	200
			<u>23,254</u>	<u>200</u>
Total for program				
			<u>23,254</u>	<u>200</u>
State Fiscal Stabilization Fund Cluster				
ARRA - State Fiscal Stabilization (SFSF) - Education State Grants, Recovery Act				
	84.394			
		FY 2009	522,638	42,937
		FY 2010	-	225,089
			<u>522,638</u>	<u>268,026</u>
Total for Cluster				
			<u>522,638</u>	<u>268,026</u>
Safe and Drug Free schools and Communities - State Grants				
	84.186			
		06-1895	1,414	-
		07-1895	3,097	-
		08-1895	854	1,471
		09-1895	1,785	1,234
			<u>7,150</u>	<u>2,705</u>
Total for program				
			<u>7,150</u>	<u>2,705</u>
State Grants for Innovative Programs				
	84.298			
		04-297	-	185
		06-1895	1,862	-
		07-1895	2,157	-
			<u>4,019</u>	<u>185</u>
Total for program				
			<u>4,019</u>	<u>185</u>
Improving Teacher Quality State Grants				
	84.367			
		07-1895	11,287	-
		08-1895	29,430	10,811
		09-1895	-	40,080
			<u>40,717</u>	<u>50,891</u>
Total for program				
			<u>40,717</u>	<u>50,891</u>
Total for federal grantor agency				
			<u>928,961</u>	<u>928,167</u>
Total federal awards expended			<u>\$ 1,145,192</u>	<u>\$ 1,154,587</u>

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

LIBERTY-PERRY COMMUNITY SCHOOL CORPORATION
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

I. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Liberty-Perry Community School Corporation (School Corporation) and is presented in accordance with the cash and investment basis of accounting used in the preparation of the financial statements. 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 the Indiana Code (IC 5-11-1 et seq.), audits of schools shall be conducted biennially. Such audits shall include both years within the biennial period.

II. Noncash Assistance

The School Corporation expended the following amount of noncash assistance for the years ending June 30, 2009 and 2010. This noncash assistance is also included in the federal expenditures presented in the schedule.

Program Title	Federal CFDA Number	2009	2010
School Breakfast Program	10.553	\$ 4,736	\$ 5,010
National School Lunch Program	10.555	36,228	27,795

LIBERTY-PERRY COMMUNITY SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Section II – Financial Statement Findings

FINDING 2010-1, INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS

We noted several deficiencies in the internal control system of the Liberty-Perry Community School Corporation related to financial transactions. We believe the following deficiency constitutes a material weakness:

Lack of Segregation of Duties: Control activities were not selected and developed at various levels of the Central Office to reduce risks to achievement of financial reporting objectives. The School Corporation has not separated incompatible activities related to receipts, disbursements, payroll and related liabilities, and cash and investment balances. The failure to establish these controls could enable material misstatements or irregularities to remain undetected.

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.

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)

Section III – Federal Award Findings and Questioned Costs

FINDING 2010-2, TITLE I - INTERNAL CONTROLS

Federal Agency: U.S. Department of Education
Pass-Through: Indiana Department of Education
Federal Program: Title I, Part A Cluster
CFDA Number: 84.010

Federal funds received as a part of the Title 1, Part A Cluster program are maintained in the School Corporation Business Office. Currently, due to the limited personnel in the School Corporation Business Office, the School Corporation has not separated incompatible activities related to all areas of the financial statements. The failure to establish these controls could enable material misstatements to go undetected. Also, equipment purchases were made with Title I funds during the audit period. No controls were established to monitor the purchase, maintenance or disposal of equipment. The failure to establish these controls could enable equipment to be misplaced or stolen without detection. The School Corporation did not monitor procurements for inclusion on the Excluded Parties List System. The failure to establish these controls could enable a party debarred by the federal government to receive payment of federal funds.

Circular A133 Subpart C section .300 states in part: "The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

LIBERTY-PERRY COMMUNITY SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

We recommended the School Corporation develop internal control procedures to properly segregate accounting activities in the Business Office and to monitor the acquisition, maintenance and disposal of equipment and real property and monitor inclusion on the Excluded Parties List System.

FINDING 2010-3, TITLE I - CASH MANAGEMENT

Federal Agency: U.S. Department of Education
Federal Program: Title I, Part A Cluster
CFDA Number: 84.010
Pass-Through Entity: Indiana Department of Education

Sixteen of the twenty-four months examined had beginning cash balances in excess of 110% of the month's disbursements.

EDGAR 80.20 (b)(7) states in part: "Cash Management. Procedures for minimizing the time elapsing between the transfer of funds from the U.S. Treasury and disbursement by grantees and subgrantees must be followed whenever advance payment procedures are used . . . Grantees must monitor cash drawdowns by their subgrantees to assure that they conform substantially to the same standards of timing and amount as apply to advances to the grantees." Failure to minimize the cash on hand as determined by the grant agreement and the Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments may cause future funding to be reduced by the pass-through agency."

We recommended that Liberty-Perry Community School Corporation try to match their budgeted expenditures with the drawdown requests included in the Title I application and monitor monthly cash balances with the goal to minimize the amount of cash on hand at the end of the month.

FINDING 2010-4, INVENTORY OF EQUIPMENT AND REAL PROPERTY – TITLE I

Federal Agency: U.S. Department of Education
Pass-Through: Indiana Department of Education
Federal Program: Title I, Part A Cluster
CFDA Number: 84.010

Liberty-Perry Community School Corporation has purchased equipment with Title I Funds. The School Corporation has not updated their capital asset inventory since 1999. The failure to update their inventories could cause missing or stolen items to not be detected, or for federal property sold to be improperly accounted for.

EDGAR 80.32 (d) states in part: "Procedures for managing equipment (including replacement equipment), whether acquired in whole or in part with grant funds, until disposition takes place will, as a minimum, meet the following requirements:

- (1) Property records must be maintained that include a description of the property, a serial number or other identification number, the source of property, who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the cost of the property, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property.

LIBERTY-PERRY COMMUNITY SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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

We recommended that Liberty-Perry Community School Corporation maintain property records properly and take and reconcile the results of a physical inventory at least once every two years.

FINDING 2010-5, REPORTING – TITLE I

Federal Agency: U.S. Department of Education
Pass-Through: Indiana Department of Education
Federal Program: Title I, Part A Cluster
CFDA Number: 84.010

The final reports provided to the Indiana Department of Education for the 2008-2009 and the 2009-2010 grants contained numerous errors and did not agree materially to the underlying accounting records.

Failure to properly complete the required reports could lead to a reduction in funding.

EDGAR 80.20(b) states in part: " . . .

- (2) Accounting records. Grantees and subgrantees must maintain records which adequately identify the source and application of funds provided for financially-assisted activities. These records must contain information pertaining to grant or subgrant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income. . . .
- (5) Allowable cost. Applicable OMB cost principles, agency program regulations, and the terms of grant and subgrant agreements will be followed in determining the reasonableness, allowability, and allocability of costs.
- (6) Source documentation. Accounting records must be supported by such source documentation as cancelled checks, paid bills, payrolls, time and attendance records, contract and subgrant award documents, etc. . . ."

We recommended that the school corporation design and implement procedures that will ensure proper compliance with reporting requirements.

FINDING 2010-6, INTERNAL CONTROLS – SPECIAL EDUCATION

Federal Agency: U.S. Department of Education
Pass-Through: Indiana Department of Education
Federal Program: Special Education Cluster
CFDA Number: 84.027

Federal funds received as a part of the Special Education Cluster program are maintained in the School Corporation Business Office. Currently, due to the limited personnel in the School Corporation Business Office the School Corporation has not separated incompatible activities related to all areas of the financial statements. The failure to establish these controls could enable material misstatements to

LIBERTY-PERRY COMMUNITY SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

go undetected. Also equipment purchases were made with Special Education funds during the audit period. No controls were established to monitor the purchase, maintenance or disposal of equipment. The failure to establish these controls could enable equipment to be misplaced or stolen without detection. The School Corporation did not monitor procurements for inclusion on the Excluded Parties List System. The failure to establish these controls could enable a party debarred by the federal government to receive payment of federal funds.

Circular A133 Subpart C section .300 states in part: "The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

We recommended the School Corporation develop internal control procedures to properly segregate accounting activities in the Business Office and to monitor the acquisition, maintenance and disposal of equipment and real property and monitor for inclusion on the Excluded Parties List System.

FINDING 2010-7, INVENTORY OF EQUIPMENT AND REAL PROPERTY

Federal Agency: U.S. Department of Education
Pass-Through: Indiana Department of Education
Federal Program: Special Education Cluster
CFDA Number: 84.027

Liberty-Perry Community School Corporation has purchased equipment with Special Education Funds. The School Corporation has not updated their capital asset inventory since 1999. The failure to update their inventories could cause missing or stolen items to not be detected, or for federal property to sold improperly.

EDGAR 80.32 (d) states in part: "Procedures for managing equipment (including replacement equipment), whether acquired in whole or in part with grant funds, until disposition takes place will, as a minimum, meet the following requirements:

- (1) Property records must be maintained that include a description of the property, a serial number or other identification number, the source of property, who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the cost of the property, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property.
- (2) A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years . . ."

We recommended that Liberty-Perry Community School Corporation maintain property records properly and take and reconcile the results of a physical inventory at least once every two years.

LIBERTY-PERRY COMMUNITY SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

FINDING 2010-8, INTERNAL CONTROLS – FISCAL STABILIZATION

Federal Agency: U.S. Department of Education
Pass-Through: Indiana Department of Education
Federal Program: State Fiscal Stabilization Fund Cluster
CFDA Number: 84.394

Federal funds received as a part of the State Fiscal Stabilization Cluster program are maintained in the School Corporation Business Office. Currently, due to the limited personnel in the School Corporation Business Office the School Corporation has not separated incompatible activities related to all areas of the financial statements. The failure to establish these controls could enable material misstatements to go undetected.

Circular A133 Subpart C section .300 states in part: "The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

We recommended the School Corporation develop internal control procedures to properly segregate accounting activities in the business office and to monitor the acquisition, maintenance and disposal of equipment and real property and monitor inclusion on the Excluded Parties List System.

LIBERTY-PERRY COMMUNITY SCHOOL CORPORATION
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

FEDERAL FINDING 2010-001, INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS

We noted several deficiencies in the internal control system of the Liberty-Perry Community School Corporation related to financial transactions. We believe the following deficiencies constitute material weaknesses:

Lack of Segregation of Duties: Control activities should be selected and developed at various levels of the Central Office to reduce risks to achievement of financial reporting objectives. The school has not separated incompatible activities related to receipts, disbursements, payroll and related liabilities, and cash and investment balances. The failure to establish these controls could enable material misstatements or irregularities to undetected.

The Corporation will work to separate incompatible activities related to all areas of the financial statements.

FINDING 2010-002, TITLE I - INTERNAL CONTROLS

Federal Agency: U.S. Department of Education
Pass-Through: Indiana Department of Education
Federal Program: Title I, Part A Cluster
CFDA Number: 84.010

The Corporation will work to separate incompatible activities related to all areas of the financial statements.

Finding 2010-003, TITLE I - CASH MANAGEMENT

Federal Agency: U.S. Department of Education
Federal Program: Title I, Part A Cluster
CFDA Number: 84.010
Pass-Through Entity: Indiana Department of Education

Control activities will be selected and developed at various levels to reduce risks of the financial statements.

FINDING 2010-004, INVENTORY OF EQUIPMENT AND REAL PROPERTY – TITLE I

Federal Agency: U.S. Department of Education
Pass-Through: Indiana Department of Education
Federal Program: Title I, Part A Cluster
CFDA Number: 84.010

The School Corporation will complete an independent fixed asset inventory every June.

FINDING 2010-005, REPORTING – TITLE I

Federal Agency: U.S. Department of Education
Pass-Through: Indiana Department of Education
Federal Program: Title I, Part A Cluster
CFDA Number: 84.010

Control activities will be selected and developed at various levels to reduce risks of the financial statements.

FINDING 2010-006, INTERNAL CONTROLS – SPECIAL EDUCATION

Federal Agency: U.S. Department of Education
Pass-Through: Indiana Department of Education
Federal Program: Special Education Cluster
CFDA Number: 84.027

Control activities will be selected and developed at various levels to reduce risks of the financial statements.

FINDING 2010-007, INVENTORY OF EQUIPMENT AND REAL PROPERTY

Federal Agency: U.S. Department of Education
Pass-Through: Indiana Department of Education
Federal Program: Special Education Cluster
CFDA Number: 84.027

The School Corporation will complete an independent fixed asset inventory every June.

FINDING 2010-008, INTERNAL CONTROLS – FISCAL STABILIZATION

Federal Agency: U.S. Department of Education
Pass-Through: Indiana Department of Education
Federal Program: State Fiscal Stabilization Fund Cluster
CFDA Number: 84.394

Control activities will be selected and developed at various levels to reduce risks of the financial statements.

LIBERTY-PERRY COMMUNITY SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on February 9, 2011, with Brian Rausch, Superintendent of Schools; Keith Davis, President of the School Board; and Julie D. Wake, Treasurer.