

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

PERU COMMUNITY SCHOOLS
MIAMI COUNTY, INDIANA

July 1, 2012 to June 30, 2014



FILED
02/11/2016

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Stanley Hall	07-01-12 to 06-30-15
Superintendent of Schools	Charles Brimbury Samuel E. Watkins	07-01-12 to 08-24-14 08-25-14 to 06-30-15
President of the School Board	Sharon Shuey	07-01-12 to 06-30-15



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INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE PERU COMMUNITY SCHOOLS, MIAMI COUNTY, INDIANA

Report on the Financial Statement

We have audited the accompanying financial statement of the Peru Community Schools (School Corporation), which comprises the financial position and results of operations for the period of July 1, 2012 to June 30, 2014, and the related notes to the financial statement.

Management's Responsibility for the Financial Statement

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

Auditor's Responsibility

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

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

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

INDEPENDENT AUDITOR'S REPORT
(Continued)

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position and results of operations of the School Corporation for the period of July 1, 2012 to June 30, 2014.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position and results of operations of the School Corporation for the period of July 1, 2012 to June 30, 2014, in accordance with the financial reporting provisions of the Indiana State Board of Accounts described in Note 1.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the School Corporation's financial statement. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the *U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statement taken as a whole.


Other Information

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

INDEPENDENT AUDITOR'S REPORT
(Continued)

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated March 31, 2015, except for the Schedule of Expenditures of Federal Awards, as to which the date is January 25, 2016, on our consideration of the School Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School Corporation's internal control over financial reporting and compliance.


Paul D. Joyce, CPA
State Examiner

March 31, 2015, except for the Schedule of Expenditures of Federal Awards, as to which the date is January 25, 2016



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

TO: THE OFFICIALS OF THE PERU COMMUNITY SCHOOLS, MIAMI COUNTY, INDIANA

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statement of the Peru Community Schools (School Corporation), which comprises the financial position and results of operations for the period of July 1, 2012 to June 30, 2014, and the related notes to the financial statement, and have issued our report thereon dated March 31, 2015, except for the Schedule of Expenditures of Federal Awards, as to which the date is January 25, 2016, wherein we noted the School Corporation followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as item 2014-001 to be material weaknesses.

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

Compliance and Other Matters


As part of obtaining reasonable assurance about whether the School Corporation's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2014-001.

Peru Community Schools' Response to Findings

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

Purpose of This Report

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


Paul D. Joyce, CPA
State Examiner

March 31, 2015, except for the Schedule of Expenditures of Federal Awards, as to which the date is January 25, 2016

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FINANCIAL STATEMENT AND ACCOMPANYING NOTES

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

PERU COMMUNITY SCHOOLS
STATEMENT OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Years Ended June 30, 2013 and 2014

	Cash and Investments 07-01-12	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-13	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-14
General	\$ 837,116	\$ 14,558,147	\$ 13,438,582	\$ (306,851)	\$ 1,649,830	\$ 14,179,652	\$ 13,720,894	\$ (266,340)	\$ 1,842,248
Debt Service	679,577	1,654,108	1,678,154	(15,010)	640,521	1,999,735	2,301,711	-	338,545
Retirement/Severance Bond Debt Service	90,807	298,560	256,174	-	133,193	236,283	255,498	-	113,978
Capital Projects	497,982	937,267	1,049,044	-	386,205	753,323	593,677	5,966	551,817
School Transportation	351,639	581,233	639,976	-	292,896	524,372	454,242	5,000	368,026
School Bus Replacement	163,331	89,705	216,549	750	37,237	32,600	2,001	3,500	71,336
Rainy Day	229,959	-	-	183,631	413,590	-	-	143,889	557,479
Retirement/Severance Bond	303,839	1,745	220,971	-	84,613	1,193	160,508	-	(74,702)
Post-Retirement/Severance Future Benefits	459,968	152,424	165,349	124,496	571,539	151,817	139,839	124,496	708,013
Construction	14,705	-	13,333	-	1,372	-	1,372	-	-
Tiger Den Construction	38,681	-	38,681	-	-	-	-	-	-
2012 Construction	-	5,500	5,500	-	-	-	-	-	-
School Lunch	286,422	1,253,242	1,363,758	21	175,927	1,255,641	1,286,681	-	144,887
Textbook Rental	345,170	245,776	152,028	15,010	453,928	257,959	320,989	-	390,898
Self-Insurance	-	133,336	18,482	-	114,854	34,745	63,087	-	86,512
Educational License Plates	476	244	-	-	720	225	776	-	169
Alternative Education	93,089	94,652	229,479	-	(41,738)	203,092	206,180	-	(44,826)
Early Intervention Grant	23,952	-	5,214	-	18,738	-	4,921	-	13,817
Project Soar - Donation Grant	5,000	-	-	-	5,000	-	-	(5,000)	-
LSEO Teacher Grant Science	21	500	521	-	-	-	-	-	-
Bring It Home	17	-	-	-	17	-	-	-	17
Readers Workshop Books	184	-	-	-	184	-	-	-	184
Tiger Reading Village	179	-	-	-	179	-	-	-	179
Donation Special Ed Teachers	1,662	835	240	-	2,257	1,000	139	-	3,118
Summer Reading Donations	37	-	-	-	37	-	-	-	37
Transition Class	313	-	-	-	313	-	-	-	313
Project Extended Day	(9,096)	9,096	-	-	-	-	-	-	-
AT&T Grant	-	5,000	1,818	-	3,182	-	1,843	-	1,339
Parent / Student Activities Fund	-	17,823	10,618	-	7,205	6,198	5,466	-	7,937
Computer Certification Exams	115	-	-	-	115	-	-	-	115
N. Central IN Literacy Consort	6,397	-	-	-	6,397	-	420	-	5,977
Academic Monitoring Package	11,308	44,500	19,371	-	36,437	24,500	22,894	-	38,043

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

PERU COMMUNITY SCHOOLS
STATEMENT OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Years Ended June 30, 2013 and 2014
(Continued)

	Cash and Investments 07-01-12	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-13	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-14
Gifted & Talented 2011/12	5,595	-	5,595	-	-	-	-	-	-
Gifted & Talented 2012/13	-	33,425	27,638	-	5,787	-	5,787	-	-
Gifted & Talented 2013/14	-	-	-	-	-	32,910	30,036	-	2,874
Secured School Safety Grant	-	-	-	-	-	-	50,000	-	(50,000)
Cultural Arts	-	1,575	-	-	1,575	525	-	-	2,100
School Technology	6,618	3,621	-	-	10,239	4,140	10,239	-	4,140
Performance Based Awards	-	-	-	-	-	176,601	176,601	-	-
Technology Planning Grant	40,627	9,916	35,602	-	14,941	14,192	18,935	-	10,198
College Success Coalition	-	1,000	167	-	833	5,000	805	-	5,028
Classroom Innovation Grant	21,567	7,359	28,926	-	-	-	-	-	-
Title I 2011/12	(22,539)	89,053	43,794	(22,720)	-	-	-	-	-
Title I 2012/13	-	502,856	556,107	22,720	(30,531)	30,531	-	-	-
Title I 2013/14	-	-	-	-	-	471,635	490,939	-	(19,304)
Parent Nurturing - Title IV-B	30,766	15,267	22,101	-	23,932	15,217	18,061	-	21,088
Parent Nurturing - Alcohol	725	-	-	-	725	-	-	-	725
Local Reading Improvement	212	300	307	-	205	-	-	-	205
Adult Education and Family Literacy, Title II	(2,318)	69,896	66,368	-	1,210	28,834	1,630	-	28,414
Adult Education and Family Literacy, Title II 2013-14	-	-	-	-	-	49,347	74,371	-	(25,024)
Title IV-A 2010/11	1,475	-	1,475	-	-	-	-	-	-
Improving Teaching Quality, No Child Left, Title II, Part A	(29,590)	136,530	146,193	-	(39,253)	63,730	24,477	-	-
Improving Teaching Quality, No Child Left, Title II, Part A 2013-14	-	-	-	-	-	84,874	89,689	-	(4,815)
Title VI Rural and Low Income	-	38,837	38,837	-	-	-	-	-	-
Title VI - B Rural and Low Income	-	36,000	36,000	-	-	17,789	17,789	-	-
Title VI - B Rural and Low Income	-	-	-	-	-	20,047	24,015	-	(3,968)
Education Jobs	-	9,325	9,325	-	-	-	-	-	-
Hot Lunch Clearing Account	15,222	316,980	316,866	-	15,336	295,860	302,440	-	8,756
Bond Reimbursement Clearing Account	-	-	-	-	-	68,254	68,254	-	-
Scholarships and Grants Clearing	-	-	-	-	-	855	855	-	-
Payroll Withholdings	283,224	3,596,951	3,729,895	-	150,280	3,610,598	3,641,100	-	119,778
Totals	<u>\$ 4,784,434</u>	<u>\$ 24,952,584</u>	<u>\$ 24,589,038</u>	<u>\$ 2,047</u>	<u>\$ 5,150,027</u>	<u>\$ 24,653,274</u>	<u>\$ 24,589,161</u>	<u>\$ 11,511</u>	<u>\$ 5,225,651</u>

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

PERU COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENT

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

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

B. Basis of Accounting

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

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

C. Cash and Investments

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

D. Receipts

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

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

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

PERU COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENT
(Continued)

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

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

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

Other receipts which include amounts received from various sources which include return of petty cash, return of cash change, insurance claims for losses, sale of securities, and other receipts not listed in another category above.

E. Disbursements

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

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

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

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

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

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

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

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

PERU COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENT
(Continued)

F. Other Financing Sources and Uses

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

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

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

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

G. Fund Accounting

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

Note 2. Budgets

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

Note 3. Property Taxes

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

PERU COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENT
(Continued)

Note 4. *Deposits and Investments*

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

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

Note 5. *Risk Management*

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

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

Note 6. *Pension Plans*

A. Public Employees' Retirement Fund

Plan Description

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

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

PERU COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENT
(Continued)

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

Funding Policy and Annual Pension Cost

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

B. Teachers' Retirement Fund

Plan Description

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

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

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

Funding Policy and Annual Pension Cost

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

Note 7. Cash Balance Deficits

The financial statement contains some funds with deficits in cash. This is a result of the funds being set up for reimbursable grants. The reimbursements for expenditures made by the School Corporation were not received by June 30, 2013 or June 30, 2014. Also, the Retirement/Severance Bond Fund cash balance deficit at June 30, 2014, was the result of the bond being disbursed beyond its remaining balance.

PERU COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENT
(Continued)

Note 8. *Holding Corporations*

The School Corporation has entered into a capital lease with Peru School Building Corporation and multiple capital leases with Peru Multi-School Building Corporation. The lessors were organized as (not-for-profit) corporations pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. The lessors have been determined to be related parties of the School Corporation. Lease payments to the Peru School Building Corporation during the fiscal years 2012-2013 and 2013-2014 totaled \$710,000 for both years. The lease with Peru School Building Corporation was paid in full on June 17, 2014. Lease payments to the Peru Multi-School Building Corporation during the fiscal years 2012-2013 and 2013-2014, totaled \$234,000 and \$780,000, respectively.

Note 9. *Subsequent Events*

The Peru Multi-School Building Corporation issued Ad Valorem Property Tax First Mortgage Bonds, Series 2014B. The Bonds are issued pursuant to a Trust Indenture dated as of April 1, 2012, entered into between the Building Corporation and the Trustee and supplemented by a Supplemental Trust Indenture dated as of December 1, 2013, and a Second Supplemental Trust Indenture dated as of November 1, 2014 (together, the "Trust Indenture"). Bond proceeds in the amount of \$4,255,879 were received on December 17, 2014. Semiannual lease payments begin on January 15, 2016, beginning at \$183,000 and ending with the last payment of \$341,500 due January 15, 2027.

Note 10. *Other Postemployment Benefits*

The School Corporation provides a health insurance subsidy to eligible retirees. This benefit poses a liability to the School Corporation for this year and in future years. The School Corporation has entered into agreements with teachers, and has policies relating to its administrators and other staff, that provide employees who retire after significant specified service, including the last ten years at the School Corporation, with the balances of 401(a) and VEBA accounts. These accounts are for the benefit of the employees and are funded through payroll withdrawals and School Corporation contributions on a current basis. Employees are not entitled to any postretirement benefits from the School Corporation beyond their vested balances in the various retirement accounts other than a \$4,000 annual subsidy on health insurance for teachers or \$4,600 annual subsidy for administrators up to their eligibility for Medicare.

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OTHER INFORMATION - UNAUDITED

The School Corporation's Financial Reports can be found on the Indiana Department of Education website: <http://mustang.doe.state.in.us/TRENDS/fin.cfm>. This website is maintained by the Indiana Department of Education. More current financial information is available from the School Corporation Treasurer's Office. Additionally, some financial information of the School Corporation can be found on the Gateway website: <https://gateway.ifionline.org/>.

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

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

PERU COMMUNITY SCHOOLS
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Year Ended June 30, 2013

	General	Debt Service	Retirement/ Severance Bond Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	Retirement/ Severance Bond	Post- Retirement/ Severance Future Benefits
Cash and investments - beginning	\$ 837,116	\$ 679,577	\$ 90,807	\$ 497,982	\$ 351,639	\$ 163,331	\$ 229,959	\$ 303,839	\$ 459,968
Receipts:									
Local sources	56,908	1,654,108	239,560	868,774	473,372	89,705	-	1,745	122
Intermediate sources	188	-	-	-	-	-	-	-	-
State sources	14,014,374	-	-	68,181	-	-	-	-	-
Federal sources	-	-	-	312	7,556	-	-	-	152,302
Interfund loans	465,000	-	59,000	-	100,000	-	-	-	-
Other	21,677	-	-	-	305	-	-	-	-
Total receipts	14,558,147	1,654,108	298,560	937,267	581,233	89,705	-	1,745	152,424
Disbursements:									
Current:									
Instruction	9,081,336	-	-	-	-	-	-	-	-
Support services	3,927,829	-	-	736,990	374,976	216,549	-	220,971	165,349
Noninstructional services	124,715	-	-	-	-	-	-	-	-
Facilities acquisition and construction	9,651	-	-	112,054	-	-	-	-	-
Debt services	136,051	1,678,154	256,174	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Interfund loans	159,000	-	-	200,000	265,000	-	-	-	-
Total disbursements	13,438,582	1,678,154	256,174	1,049,044	639,976	216,549	-	220,971	165,349
Excess (deficiency) of receipts over disbursements	1,119,565	(24,046)	42,386	(111,777)	(58,743)	(126,844)	-	(219,226)	(12,925)
Other financing sources (uses):									
Sale of capital assets	1,276	-	-	-	-	750	-	-	-
Transfers in	-	-	-	-	-	-	183,631	-	124,496
Transfers out	(308,127)	(15,010)	-	-	-	-	-	-	-
Total other financing sources (uses)	(306,851)	(15,010)	-	-	-	750	183,631	-	124,496
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	812,714	(39,056)	42,386	(111,777)	(58,743)	(126,094)	183,631	(219,226)	111,571
Cash and investments - ending	\$ 1,649,830	\$ 640,521	\$ 133,193	\$ 386,205	\$ 292,896	\$ 37,237	\$ 413,590	\$ 84,613	\$ 571,539

PERU COMMUNITY SCHOOLS
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Year Ended June 30, 2013
(Continued)

	Construction	Tiger Den Construction	2012 Construction	School Lunch	Textbook Rental	Self- Insurance	Educational License Plates	Alternative Education	Early Intervention Grant
Cash and investments - beginning	\$ 14,705	\$ 38,681	\$ -	\$ 286,422	\$ 345,170	\$ -	\$ 476	\$ 93,089	\$ 23,952
Receipts:									
Local sources	-	-	5,500	317,928	141,894	109,586	-	67,706	-
Intermediate sources	-	-	-	-	-	-	244	-	-
State sources	-	-	-	8,478	103,882	-	-	26,946	-
Federal sources	-	-	-	926,836	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	23,750	-	-	-
Total receipts	-	-	5,500	1,253,242	245,776	133,336	244	94,652	-
Disbursements:									
Current:									
Instruction	-	-	-	-	-	-	-	229,479	-
Support services	238	-	-	84,087	152,028	15,982	-	-	5,214
Noninstructional services	-	-	-	1,261,328	-	-	-	-	-
Facilities acquisition and construction	13,095	38,681	5,500	18,343	-	2,500	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-
Total disbursements	13,333	38,681	5,500	1,363,758	152,028	18,482	-	229,479	5,214
Excess (deficiency) of receipts over disbursements	(13,333)	(38,681)	-	(110,516)	93,748	114,854	244	(134,827)	(5,214)
Other financing sources (uses):									
Sale of capital assets	-	-	-	21	-	-	-	-	-
Transfers in	-	-	-	-	15,010	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	21	15,010	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(13,333)	(38,681)	-	(110,495)	108,758	114,854	244	(134,827)	(5,214)
Cash and investments - ending	\$ 1,372	\$ -	\$ -	\$ 175,927	\$ 453,928	\$ 114,854	\$ 720	\$ (41,738)	\$ 18,738

PERU COMMUNITY SCHOOLS
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Year Ended June 30, 2013
(Continued)

	Project Soar - Donation Grant	LSEO Teacher Grant Science	Bring It Home	Readers Workshop Books	Tiger Reading Village	Donation Special Ed Teachers	Summer Reading Donations	Transition Class	Project Extended Day
Cash and investments - beginning	\$ 5,000	\$ 21	\$ 17	\$ 184	\$ 179	\$ 1,662	\$ 37	\$ 313	\$ (9,096)
Receipts:									
Local sources	-	500	-	-	-	835	-	-	9,096
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	-	500	-	-	-	835	-	-	9,096
Disbursements:									
Current:									
Instruction	-	521	-	-	-	240	-	-	-
Support services	-	-	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-
Total disbursements	-	521	-	-	-	240	-	-	-
Excess (deficiency) of receipts over disbursements	-	(21)	-	-	-	595	-	-	9,096
Other financing sources (uses):									
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	(21)	-	-	-	595	-	-	9,096
Cash and investments - ending	\$ 5,000	\$ -	\$ 17	\$ 184	\$ 179	\$ 2,257	\$ 37	\$ 313	\$ -

PERU COMMUNITY SCHOOLS
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Year Ended June 30, 2013
(Continued)

	AT&T Grant	Parent / Student Activities Fund	Computer Certification Exams	N. Central IN Literacy Consort	Academic Monitoring Package	Gifted & Talented 2011/12	Gifted & Talented 2012/13	Gifted & Talented 2013/14	Secured School Safety Grant
Cash and investments - beginning	\$ -	\$ -	\$ 115	\$ 6,397	\$ 11,308	\$ 5,595	\$ -	\$ -	\$ -
Receipts:									
Local sources	5,000	17,823	-	-	44,500	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	33,425	-	-
Federal sources	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	5,000	17,823	-	-	44,500	-	33,425	-	-
Disbursements:									
Current:									
Instruction	1,818	-	-	-	-	5,595	27,638	-	-
Support services	-	10,618	-	-	19,371	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-
Total disbursements	1,818	10,618	-	-	19,371	5,595	27,638	-	-
Excess (deficiency) of receipts over disbursements	3,182	7,205	-	-	25,129	(5,595)	5,787	-	-
Other financing sources (uses):									
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	3,182	7,205	-	-	25,129	(5,595)	5,787	-	-
Cash and investments - ending	\$ 3,182	\$ 7,205	\$ 115	\$ 6,397	\$ 36,437	\$ -	\$ 5,787	\$ -	\$ -

PERU COMMUNITY SCHOOLS
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Year Ended June 30, 2013
(Continued)

	Cultural Arts	School Technology	Performance Based Awards	Technology Planning Grant	College Success Coalition	Classroom Innovation Grant	Title I 2011/12	Title I 2012/13	Title I 2013/14
Cash and investments - beginning	\$ -	\$ 6,618	\$ -	\$ 40,627	\$ -	\$ 21,567	\$ (22,539)	\$ -	\$ -
Receipts:									
Local sources	-	-	-	-	-	(591)	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	1,575	3,621	-	9,342	1,000	7,950	-	-	-
Federal sources	-	-	-	574	-	-	89,053	502,856	-
Interfund loans	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	1,575	3,621	-	9,916	1,000	7,359	89,053	502,856	-
Disbursements:									
Current:									
Instruction	-	-	-	-	167	-	29,906	461,900	-
Support services	-	-	-	35,602	-	28,926	13,538	85,295	-
Noninstructional services	-	-	-	-	-	-	350	8,912	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-
Total disbursements	-	-	-	35,602	167	28,926	43,794	556,107	-
Excess (deficiency) of receipts over disbursements	1,575	3,621	-	(25,686)	833	(21,567)	45,259	(53,251)	-
Other financing sources (uses):									
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	22,720	-
Transfers out	-	-	-	-	-	-	(22,720)	-	-
Total other financing sources (uses)	-	-	-	-	-	-	(22,720)	22,720	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	1,575	3,621	-	(25,686)	833	(21,567)	22,539	(30,531)	-
Cash and investments - ending	\$ 1,575	\$ 10,239	\$ -	\$ 14,941	\$ 833	\$ -	\$ -	\$ (30,531)	\$ -

PERU COMMUNITY SCHOOLS
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Year Ended June 30, 2013
(Continued)

	Parent Nurturing - Title IV-B	Parent Nurturing - Alcohol	Local Reading Improvement	Adult Education and Family Literacy, Title II	Adult Education and Family Literacy, Title II 2013-14	Title IV-A 2010/11	Improving Teaching Quality, No Child Left, Title II, Part A	Improving Teaching Quality, No Child Left, Title II, Part A 2013-14	Title VI Rural and Low Income
Cash and investments - beginning	\$ 30,766	\$ 725	\$ 212	\$ (2,318)	\$ -	\$ 1,475	\$ (29,590)	\$ -	\$ -
Receipts:									
Local sources	6,400	-	300	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-
Federal sources	8,867	-	-	69,896	-	-	136,530	-	38,837
Interfund loans	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	15,267	-	300	69,896	-	-	136,530	-	38,837
Disbursements:									
Current:									
Instruction	-	-	-	66,368	-	-	60,938	-	-
Support services	22,101	-	307	-	-	1,475	85,255	-	18,837
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	20,000
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-
Total disbursements	22,101	-	307	66,368	-	1,475	146,193	-	38,837
Excess (deficiency) of receipts over disbursements	(6,834)	-	(7)	3,528	-	(1,475)	(9,663)	-	-
Other financing sources (uses):									
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(6,834)	-	(7)	3,528	-	(1,475)	(9,663)	-	-
Cash and investments - ending	\$ 23,932	\$ 725	\$ 205	\$ 1,210	\$ -	\$ -	\$ (39,253)	\$ -	\$ -

PERU COMMUNITY SCHOOLS
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Year Ended June 30, 2013
(Continued)

	Title VI - B Rural and Low Income	Title VI - B Rural and Low Income	Education Jobs	Hot Lunch Clearing Account	Bond Reimbursement Clearing Account	Scholarships and Grants Clearing	Payroll Withholdings	Totals
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ 15,222	\$ -	\$ -	\$ 283,224	\$ 4,784,434
Receipts:								
Local sources	-	-	-	-	-	-	-	4,110,771
Intermediate sources	-	-	-	-	-	-	-	432
State sources	-	-	-	-	-	-	-	14,278,774
Federal sources	36,000	-	9,325	-	-	-	-	1,978,944
Interfund loans	-	-	-	-	-	-	-	624,000
Other	-	-	-	316,980	-	-	3,596,951	3,959,663
Total receipts	36,000	-	9,325	316,980	-	-	3,596,951	24,952,584
Disbursements:								
Current:								
Instruction	6,000	-	17,825	-	-	-	-	9,989,731
Support services	30,000	-	(8,500)	-	-	-	-	6,243,038
Noninstructional services	-	-	-	-	-	-	-	1,395,305
Facilities acquisition and construction	-	-	-	-	-	-	-	219,824
Debt services	-	-	-	-	-	-	-	2,070,379
Nonprogrammed charges	-	-	-	316,866	-	-	3,729,895	4,046,761
Interfund loans	-	-	-	-	-	-	-	624,000
Total disbursements	36,000	-	9,325	316,866	-	-	3,729,895	24,589,038
Excess (deficiency) of receipts over disbursements	-	-	-	114	-	-	(132,944)	363,546
Other financing sources (uses):								
Sale of capital assets	-	-	-	-	-	-	-	2,047
Transfers in	-	-	-	-	-	-	-	345,857
Transfers out	-	-	-	-	-	-	-	(345,857)
Total other financing sources (uses)	-	-	-	-	-	-	-	2,047
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	-	114	-	-	(132,944)	365,593
Cash and investments - ending	\$ -	\$ -	\$ -	\$ 15,336	\$ -	\$ -	\$ 150,280	\$ 5,150,027

PERU COMMUNITY SCHOOLS
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Year Ended June 30, 2014

	General	Debt Service	Retirement/ Severance Bond Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	Retirement/ Severance Bond	Post- Retirement/ Severance Future Benefits
Cash and investments - beginning	\$ 1,649,830	\$ 640,521	\$ 133,193	\$ 386,205	\$ 292,896	\$ 37,237	\$ 413,590	\$ 84,613	\$ 571,539
Receipts:									
Local sources	53,918	1,944,735	226,283	752,437	524,372	32,600	-	1,193	150
Intermediate sources	188	-	-	-	-	-	-	-	-
State sources	13,979,375	-	-	-	-	-	-	-	-
Federal sources	-	-	-	886	-	-	-	-	151,667
Interfund loans	124,000	55,000	10,000	-	-	-	-	-	-
Other	22,171	-	-	-	-	-	-	-	-
Total receipts	14,179,652	1,999,735	236,283	753,323	524,372	32,600	-	1,193	151,817
Disbursements:									
Current:									
Instruction	9,217,046	-	-	-	-	-	-	-	-
Support services	4,185,565	-	-	543,441	454,242	2,001	-	160,508	139,839
Noninstructional services	129,701	-	-	-	-	-	-	-	-
Facilities acquisition and construction	22,231	-	-	50,236	-	-	-	-	-
Debt services	101,351	2,246,711	186,498	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Interfund loans	65,000	55,000	69,000	-	-	-	-	-	-
Total disbursements	13,720,894	2,301,711	255,498	593,677	454,242	2,001	-	160,508	139,839
Excess (deficiency) of receipts over disbursements	458,758	(301,976)	(19,215)	159,646	70,130	30,599	-	(159,315)	11,978
Other financing sources (uses):									
Sale of capital assets	2,045	-	-	5,966	-	3,500	-	-	-
Transfers in	-	-	-	-	5,000	-	143,889	-	124,496
Transfers out	(268,385)	-	-	-	-	-	-	-	-
Total other financing sources (uses)	(266,340)	-	-	5,966	5,000	3,500	143,889	-	124,496
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	192,418	(301,976)	(19,215)	165,612	75,130	34,099	143,889	(159,315)	136,474
Cash and investments - ending	\$ 1,842,248	\$ 338,545	\$ 113,978	\$ 551,817	\$ 368,026	\$ 71,336	\$ 557,479	\$ (74,702)	\$ 708,013

PERU COMMUNITY SCHOOLS
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Year Ended June 30, 2014
(Continued)

	Construction	Tiger Den Construction	2012 Construction	School Lunch	Textbook Rental	Self- Insurance	Educational License Plates	Alternative Education	Early Intervention Grant
Cash and investments - beginning	\$ 1,372	\$ -	\$ -	\$ 175,927	\$ 453,928	\$ 114,854	\$ 720	\$ (41,738)	\$ 18,738
Receipts:									
Local sources	-	-	-	295,150	149,810	12,495	-	186,892	-
Intermediate sources	-	-	-	-	-	-	225	-	-
State sources	-	-	-	8,316	108,149	-	-	16,200	-
Federal sources	-	-	-	952,175	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	22,250	-	-	-
Total receipts	-	-	-	1,255,641	257,959	34,745	225	203,092	-
Disbursements:									
Current:									
Instruction	-	-	-	-	-	-	776	206,180	-
Support services	-	-	-	12,968	320,989	38,399	-	-	4,921
Noninstructional services	-	-	-	1,273,476	-	-	-	-	-
Facilities acquisition and construction	1,372	-	-	237	-	24,688	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-
Total disbursements	1,372	-	-	1,286,681	320,989	63,087	776	206,180	4,921
Excess (deficiency) of receipts over disbursements	(1,372)	-	-	(31,040)	(63,030)	(28,342)	(551)	(3,088)	(4,921)
Other financing sources (uses):									
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(1,372)	-	-	(31,040)	(63,030)	(28,342)	(551)	(3,088)	(4,921)
Cash and investments - ending	\$ -	\$ -	\$ -	\$ 144,887	\$ 390,898	\$ 86,512	\$ 169	\$ (44,826)	\$ 13,817

PERU COMMUNITY SCHOOLS
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Year Ended June 30, 2014
(Continued)

	Project Soar - Donation Grant	LSEO Teacher Grant Science	Bring It Home	Readers Workshop Books	Tiger Reading Village	Donation Special Ed Teachers	Summer Reading Donations	Transition Class	Project Extended Day
Cash and investments - beginning	\$ 5,000	\$ -	\$ 17	\$ 184	\$ 179	\$ 2,257	\$ 37	\$ 313	\$ -
Receipts:									
Local sources	-	-	-	-	-	1,000	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	-	-	-	-	-	1,000	-	-	-
Disbursements:									
Current:									
Instruction	-	-	-	-	-	139	-	-	-
Support services	-	-	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-
Total disbursements	-	-	-	-	-	139	-	-	-
Excess (deficiency) of receipts over disbursements	-	-	-	-	-	861	-	-	-
Other financing sources (uses):									
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	(5,000)	-	-	-	-	-	-	-	-
Total other financing sources (uses)	(5,000)	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(5,000)	-	-	-	-	861	-	-	-
Cash and investments - ending	\$ -	\$ -	\$ 17	\$ 184	\$ 179	\$ 3,118	\$ 37	\$ 313	\$ -

PERU COMMUNITY SCHOOLS
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Year Ended June 30, 2014
(Continued)

	AT&T Grant	Parent / Student Activities Fund	Computer Certification Exams	N. Central IN Literacy Consort	Academic Monitoring Package	Gifted & Talented 2011/12	Gifted & Talented 2012/13	Gifted & Talented 2013/14	Secured School Safety Grant
Cash and investments - beginning	\$ 3,182	\$ 7,205	\$ 115	\$ 6,397	\$ 36,437	\$ -	\$ 5,787	\$ -	\$ -
Receipts:									
Local sources	-	6,198	-	-	24,500	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	32,910	-
Federal sources	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	-	6,198	-	-	24,500	-	-	32,910	-
Disbursements:									
Current:									
Instruction	1,843	-	-	-	-	-	5,787	30,036	-
Support services	-	5,466	-	420	22,894	-	-	-	50,000
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-
Total disbursements	1,843	5,466	-	420	22,894	-	5,787	30,036	50,000
Excess (deficiency) of receipts over disbursements	(1,843)	732	-	(420)	1,606	-	(5,787)	2,874	(50,000)
Other financing sources (uses):									
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(1,843)	732	-	(420)	1,606	-	(5,787)	2,874	(50,000)
Cash and investments - ending	\$ 1,339	\$ 7,937	\$ 115	\$ 5,977	\$ 38,043	\$ -	\$ -	\$ 2,874	\$ (50,000)

PERU COMMUNITY SCHOOLS
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Year Ended June 30, 2014
(Continued)

	Cultural Arts	School Technology	Performance Based Awards	Technology Planning Grant	College Success Coalition	Classroom Innovation Grant	Title I 2011/12	Title I 2012/13	Title I 2013/14
Cash and investments - beginning	\$ 1,575	\$ 10,239	\$ -	\$ 14,941	\$ 833	\$ -	\$ -	\$ (30,531)	\$ -
Receipts:									
Local sources	-	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	525	4,140	176,601	14,129	5,000	-	-	-	-
Federal sources	-	-	-	63	-	-	-	30,531	471,635
Interfund loans	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	525	4,140	176,601	14,192	5,000	-	-	30,531	471,635
Disbursements:									
Current:									
Instruction	-	-	176,601	-	805	-	-	-	404,663
Support services	-	10,239	-	15,038	-	-	-	-	82,980
Noninstructional services	-	-	-	-	-	-	-	-	3,296
Facilities acquisition and construction	-	-	-	3,897	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-
Total disbursements	-	10,239	176,601	18,935	805	-	-	-	490,939
Excess (deficiency) of receipts over disbursements	525	(6,099)	-	(4,743)	4,195	-	-	30,531	(19,304)
Other financing sources (uses):									
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	525	(6,099)	-	(4,743)	4,195	-	-	30,531	(19,304)
Cash and investments - ending	\$ 2,100	\$ 4,140	\$ -	\$ 10,198	\$ 5,028	\$ -	\$ -	\$ -	\$ (19,304)

PERU COMMUNITY SCHOOLS
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Year Ended June 30, 2014
(Continued)

	Parent Nurturing - Title IV-B	Parent Nurturing - Alcohol	Local Reading Improvement	Adult Education and Family Literacy, Title II	Adult Education and Family Literacy, Title II 2013-14	Title IV-A 2010/11	Improving Teaching Quality, No Child Left, Title II, Part A	Improving Teaching Quality, No Child Left, Title II, Part A 2013-14	Title VI Rural and Low Income
Cash and investments - beginning	\$ 23,932	\$ 725	\$ 205	\$ 1,210	\$ -	\$ -	\$ (39,253)	\$ -	\$ -
Receipts:									
Local sources	2,400	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-
Federal sources	12,817	-	-	28,834	49,347	-	63,730	84,874	-
Interfund loans	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	15,217	-	-	28,834	49,347	-	63,730	84,874	-
Disbursements:									
Current:									
Instruction	-	-	-	130	74,371	-	25	49,963	-
Support services	18,061	-	-	1,500	-	-	24,452	39,726	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-
Total disbursements	18,061	-	-	1,630	74,371	-	24,477	89,689	-
Excess (deficiency) of receipts over disbursements	(2,844)	-	-	27,204	(25,024)	-	39,253	(4,815)	-
Other financing sources (uses):									
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(2,844)	-	-	27,204	(25,024)	-	39,253	(4,815)	-
Cash and investments - ending	\$ 21,088	\$ 725	\$ 205	\$ 28,414	\$ (25,024)	\$ -	\$ -	\$ (4,815)	\$ -

PERU COMMUNITY SCHOOLS
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Year Ended June 30, 2014
(Continued)

	Title VI - B Rural and Low Income	Title VI - B Rural and Low Income	Education Jobs	Hot Lunch Clearing Account	Bond Reimbursement Clearing Account	Scholarships and Grants Clearing	Payroll Withholdings	Totals
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ 15,336	\$ -	\$ -	\$ 150,280	\$ 5,150,027
Receipts:								
Local sources	-	-	-	-	-	-	-	4,214,133
Intermediate sources	-	-	-	-	-	-	-	413
State sources	-	-	-	-	-	-	-	14,345,345
Federal sources	17,789	20,047	-	-	-	-	-	1,884,395
Interfund loans	-	-	-	-	-	-	-	189,000
Other	-	-	-	295,860	68,254	855	3,610,598	4,019,988
Total receipts	17,789	20,047	-	295,860	68,254	855	3,610,598	24,653,274
Disbursements:								
Current:								
Instruction	-	14,954	-	-	-	-	-	10,183,319
Support services	17,789	9,061	-	-	68,254	-	-	6,228,753
Noninstructional services	-	-	-	-	-	-	-	1,406,473
Facilities acquisition and construction	-	-	-	-	-	-	-	102,661
Debt services	-	-	-	-	-	-	-	2,534,560
Nonprogrammed charges	-	-	-	302,440	-	855	3,641,100	3,944,395
Interfund loans	-	-	-	-	-	-	-	189,000
Total disbursements	17,789	24,015	-	302,440	68,254	855	3,641,100	24,589,161
Excess (deficiency) of receipts over disbursements	-	(3,968)	-	(6,580)	-	-	(30,502)	64,113
Other financing sources (uses):								
Sale of capital assets	-	-	-	-	-	-	-	11,511
Transfers in	-	-	-	-	-	-	-	273,385
Transfers out	-	-	-	-	-	-	-	(273,385)
Total other financing sources (uses)	-	-	-	-	-	-	-	11,511
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	(3,968)	-	(6,580)	-	-	(30,502)	75,624
Cash and investments - ending	\$ -	\$ (3,968)	\$ -	\$ 8,756	\$ -	\$ -	\$ 119,778	\$ 5,225,651

PERU COMMUNITY SCHOOLS
SCHEDULE OF PAYABLES AND RECEIVABLES
June 30, 2014

<u>Government or Enterprise</u>	<u>Accounts Payable</u>	<u>Accounts Receivable</u>
Governmental activities	<u>\$ 435,558</u>	<u>\$ 78,087</u>

PERU COMMUNITY SCHOOLS
SCHEDULE OF LEASES AND DEBT
June 30, 2014

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities:				
Peru Multi-School Building Corporation	2010 Peru Junior High Renovations	\$ 232,653	01/15/11	01/15/21
Peru Multi-School Building Corporation	2012 A&B Blair Pointe, Peru Junior High, and Peru High School Renovations	270,500	07/15/12	01/15/27
Peru Multi-School Building Corporation	2013 A&B Peru High School, Administration, Technology and Athletic Field Renovations	339,250	12/31/13	12/31/26
Peru Multi-School Building Corporation	2014 A Refunding of 2005 Elmwood Elementary Lease, Blair Pointe and Keys Renovations	<u>681,000</u>	06/17/14	12/31/22
Total of annual lease payments		<u>\$ 1,523,403</u>		

Type	Description of Debt Purpose	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:			
General obligation bonds	Pension Obligations	\$ 280,000	\$ 290,115
Notes and loans payable	Common School Loan Building Renovations	<u>6,813,000</u>	<u>720,040</u>
Totals		<u>\$ 7,093,000</u>	<u>\$ 1,010,155</u>

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA

AN EQUAL OPPORTUNITY EMPLOYER

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

TO: THE OFFICIALS OF THE PERU COMMUNITY SCHOOLS, MIAMI COUNTY, INDIANA

Report on Compliance for Each Major Federal Program

We have audited the Peru Community Schools' (School Corporation) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the period of July 1, 2012 to June 30, 2014. The School Corporation's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the School Corporation's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the School Corporation's compliance.

Opinion on Each Major Federal Program

In our opinion, the School Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the period of July 1, 2012 to June 30, 2014.

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

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2014-003. Our opinion on each major federal program is not modified with respect to these matters.

This report replaces the previously issued Independent Auditor's Report on Compliance for the Major Federal Program and on Internal Control Over Compliance dated March 31, 2015. The Schedule of Expenditures of Federal Awards has been revised to correct a misstatement. This correction changed the determination of the major programs. The Special Education Cluster was also audited as a major program due to the change.

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

Report on Internal Control Over Compliance

Management of the School Corporation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School Corporation's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School Corporation's internal control over compliance.


Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2014-002 to be material weaknesses.

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

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

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


Paul D. Joyce, CPA
State Examiner

March 31, 2015, except the Special Education Cluster, as to which the date is January 25, 2016

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTES

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

PERU COMMUNITY SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Years Ended June 30, 2013 and 2014

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 06-30-13	Total Federal Awards Expended 06-30-14
<u>Department of Agriculture</u>					
Child Nutrition Cluster					
School Breakfast Program	Indiana Department of Education	10.553			
			FY12-13	\$ 192,716	\$ -
			FY13-14	-	199,622
Total - School Breakfast Program				192,716	199,622
National School Lunch Program	Indiana Department of Education	10.555			
			FY12-13	675,808	-
			FY13-14	-	679,304
Total - National School Lunch Program				675,808	679,304
Summer Food Service Program for Children	Indiana Department of Education	10.559			
			FY12-13	46,459	-
			FY13-14	-	47,627
Total - Summer Food Service Program for Children				46,459	47,627
Total - Child Nutrition Cluster				914,983	926,553
Child and Adult Care Food Program	Indiana Department of Education	10.558			
			FY12-13	54,024	-
			FY13-14	-	77,143
	Kokomo School Corporation				
			FY12-13	1,678	-
			FY13-14	-	1,593
Total - Child and Adult Care Food Program				55,702	78,736
Total - Department of Agriculture				970,685	1,005,289
<u>Department of Education</u>					
Title I, Part A Cluster					
Title I Grants to Local Educational Agencies	Indiana Department of Education	84.010			
			12-5635	66,333	-
			13-5635	502,856	30,531
			14-5635	-	471,635
Total - Title I, Part A Cluster				569,189	502,166
Adult Education - Basic Grants to States	Lafayette School Corporation	84.002			
			FY11-12	740	-
			FY12-13	26,342	10,636
			FY13-14	-	22,206
Total - Adult Education - Basic Grants to States				27,082	32,842

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

PERU COMMUNITY SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Years Ended June 30, 2013 and 2014
(Continued)

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 06-30-13	Total Federal Awards Expended 06-30-14
<u>Department of Education (continued)</u>					
Special Education Cluster (IDEA)					
Special Education - Grants to States	Indiana Department of Education	84.027			
			14211-058-PN01	44,443	-
			14212-058-PN01	148,283	35,371
			14213-058-PN01	434,989	154,285
			14214-058-PN01	-	390,094
			99914-058-TA01	-	5,438
Technical Assistance Grant					
Total - Special Education - Grants to States				627,715	585,188
Special Education - Preschool Grants	Indiana Department of Education	84.173			
			45712-058-PN01	10,585	-
			45713-058-PN01	14,923	11,184
			45714-058-PN01	-	13,690
Total - Special Education - Preschool Grants				25,508	24,874
Total - Special Education Cluster (IDEA)				653,223	610,062
Rural Education	Indiana Department of Education	84.358			
			FY11-12	38,837	-
			FY12-13	36,000	17,789
			FY13-14	-	20,047
Total - Rural Education Program				74,837	37,836
Improving Teacher Quality State Grants	Indiana Department of Education	84.367			
			10-5635	59,430	-
			11-5635	77,100	63,730
			12-5635	-	84,874
Total - Improving Teacher Quality State Grants Program				136,530	148,604
College Access Challenge Grant Program	Indiana Commission for Higher Education	84.378			
			FY12-13	167	-
			FY13-14	-	805
Total - College Access Challenge Grant Program				167	805
Education Jobs Fund	Indiana Department of Education	84.410			
			FY11-12	9,325	-
Total - Department of Education				1,470,353	1,332,315
<u>Department of Health and Human Services</u>					
Head Start	Kokomo School Corporation	93.600			
			FY12-13	3,975	-
			FY13-14	-	7,336
Total - Head Start				3,975	7,336
Stephanie Tubbs Jones Child Welfare Services Program	Indiana Department of Child Services	93.645			
			FY12-13	8,867	-
			FY13-14	-	12,817
Total - Stephanie Tubbs Jones Child Welfare Services Program				8,867	12,817
Total - Department of Health and Human Services				12,842	20,153
Total federal awards expended				\$ 2,453,880	\$ 2,357,757

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

PERU COMMUNITY SCHOOLS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Basis of Presentation

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

Circular A-133 requires an annual audit of nonfederal entities expending a total amount of federal awards equal to or in excess of \$500,000 in any fiscal year unless by constitution or statute a less frequent audit is required. In accordance with Indiana Code (IC 5-11-1-25), audits of school corporations shall be conducted biennially. Such audits shall include both years within the biennial period.

Note 2. Noncash Assistance

The School Corporation expended the following amount of noncash assistance for the years ending June 30, 2013 and 2014. This noncash assistance is also included in the federal expenditures presented in the schedule.

Program Title	Federal CFDA Number	2013	2014
National School Lunch Program	10.555	\$ 81,082	\$ 89,625

PERU COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I - Summary of Auditor's Results

Financial Statement:

Type of auditor's report issued:	Adverse as to GAAP; Unmodified as to Regulatory Basis
Internal control over financial reporting:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Noncompliance material to financial statement noted?	yes

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?	yes

Identification of Major Programs:

Name of Federal Program or Cluster

Child Nutrition Cluster
Special Education Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee?	no
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Section II - Financial Statement Findings

FINDING 2014-001 - INTERNAL CONTROLS OVER THE PREPARATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The School Corporation did not have a proper system of internal control in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA). The School Corporation should have proper controls in place over the preparation of the SEFA to ensure accurate reporting of federal awards. Without a proper system of internal control in place that operates effectively, material misstatements of the SEFA could remain undetected.

During the audit of the SEFA, we noted the following errors: five grants were included that were state grants, seven federal grants were not included, including the Special Education grants, and six grants were presented with incorrect amounts. Audit adjustments totaling \$1,388,983 and \$1,623,113 for fiscal years ending June 30, 2013, and June 30, 2014, respectively, were proposed, accepted by the School Corporation, and made to the SEFA presented in this report.

PERU COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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)

OMB Circular A-133, Subpart C, section .300 states in part: "The auditee shall: . . . (d) Prepare appropriate financial statements, including the schedule of expenditures of Federal Awards in accordance with section .310."

OMB Circular A-133, Subpart C, section .310(b) states:

"Schedule of expenditures of Federal awards. The auditee shall also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple award years, the auditee may list the amount of Federal awards expended for each award year separately. At a minimum, the schedule shall:

- (1) List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For R&D, total Federal awards expended shall be shown either by individual award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.
- (4) Include notes that describe the significant accounting policies used in preparing the schedule.
- (5) To the extent practical, pass-through entities should identify in the schedule the total amount provided to subrecipients from each Federal program.
- (6) Include, in either the schedule or a note to the schedule, the value of the Federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end. While not required, it is preferable to present this information in the schedule."

PERU COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Section III - Federal Award Findings and Questioned Costs

FINDING 2014-002 - INTERNAL CONTROLS OVER THE CHILD NUTRITION CLUSTER

Federal Agency: Department of Agriculture

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

CFDA Number: 10.553, 10.555, 10.559

Federal Award Number and Year (or Other Identifying Number): FY12-13, FY13-14

Pass-Through Entity: Indiana Department of Education

Management of the School Corporation has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and some of the compliance requirements that have a direct and material effect on the programs. This includes the compliance requirements for Eligibility, Suspension and Debarment, Program Income, Reporting and Special Tests and Provisions. The failure to establish an effective internal control system places the School Corporation at risk of noncompliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system could also allow noncompliance with compliance requirements and allow misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the programs.

Eligibility

The Administrative Assistant is the only School Corporation employee who processes and reviews school lunch free and reduced applications. There was no segregation of duties, such as an oversight, review, or approval process.

Suspension and Debarment

The School Corporation has not designed or implemented adequate policies and procedures to ensure that vendors have not been suspended or debarred from conducting business with the federal government.

Program Income

Program income for the School Lunch Fund was not consistently verified to the number of meals served because of the allowance of credit balances in individual student accounts. The control was not functioning as intended by the School Corporation.

Reporting

Sponsor claims for reimbursement for summer food service and snacks are prepared by the Food Service Director and submitted electronically to the Indiana Department of Education's website. These claims for reimbursement were not subjected to a review process prior to submission. In addition, the Annual Financial Reports prepared by the Deputy Treasurer were not properly verified by the Treasurer prior to submission. The School Corporation's procedures require the Treasurer to perform this review, but the review conducted was not adequate.

PERU COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Special Tests and Provisions

Verification of Free and Reduced Price Applications:

Verified Free and Reduced Price Applications did not always contain a signature documenting approval and oversight.

School Food Accounts

Sponsor claims for reimbursement are not verified to subsequent receipt postings for summer food service and snacks and they are not reviewed for accuracy.

An internal control system, including segregation of duties, should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement, or a type of compliance requirement of a federal program will be prevented, or detected and corrected, on a timely basis. In order to have an effective internal control system, it is important to have proper segregation of duties. This is accomplished by making sure proper oversight, reviews, and approvals take place and to have a separation of functions over certain activities related to the programs. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same activity.

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

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

The failure to establish internal controls could enable material noncompliance to go undetected. Noncompliance with the grant agreement or the compliance requirements that have a direct and material effect of the programs could result in the loss of federal funds to the School Corporation.

We recommended that the School Corporation's management establish controls, including segregation of duties, related to the grant agreement and compliance requirements that have a direct and material effect on the programs.

FINDING 2014-003 - REPORTING

Federal Agency: Department of Agriculture

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

CFDA Number: 10.553, 10.555, 10.559

Federal Award Number and Year (or Other Identifying Number): FY12-13, FY13-14

Pass-Through Entity: Indiana Department of Education

Annual Financial Reports for the fiscal years ending June 30, 2013 and 2014, did not agree with the School Corporation's financial records. A total of \$56,481 in Summer Food Service, Snacks and Dinner was reported as Breakfast and \$124,275 in Dinner and Summer Food Service was reported as Other Non-Federal on the Nutrition Annual Financial Reports for FY 2012-2013 and FY 2013-2014, respectively. In addition, the August 2013 sponsor claims for reimbursement for summer food service and snacks were inaccurate. A total of 2,337 meals were served and only 1,916 were claimed for reimbursement.

PERU COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

7 CFR 3016.20(b) states in part:

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

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

Noncompliance with the reporting requirement of the program could result in the loss of federal funds to the School Corporation.

We recommended that the School Corporation officials ensure that all required reports are prepared on an accurate basis, in accordance with the reporting requirements and that all records are retained in accordance with retention requirements.

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AUDITEE PREPARED DOCUMENTS

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



Peru Community Schools

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35 W. Third St.
Peru, Indiana 46970
(765) 473-3081
Fax (765) 472-5129

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2012-1

Original Assigned SBA Audit Report Number: B41531

Report Period: FY2011-2012

Pass-Through Entity or Federal Grantor Agency: Indiana Department of Education

Contact Person Responsible for Corrective Action: Stanley E. Hall

Contact Phone Number: 765 473-3081

Status of Audit Finding: Guidelines on the use of federal funds are being provided to finance department personnel so that everyone will have knowledge of allowable uses. Secondly, following the posting of a transaction to a federally funded program, the treasurer or deputy treasurer reviews the transaction to verify that it is an allowable transaction.

(Signature)

(Title)

(Date)

(Note to Officials: To determine what audit findings are required to be reported in the Summary Schedule of Prior Audit Findings, please see U.S. Office of Management and Budget (OMB), Circular A-133, Subpart C, section .315(b).)



Peru Community Schools

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CORRECTIVE ACTION PLAN

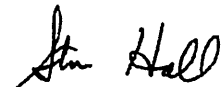
FINDING NO. 2014-001. INTERNAL CONTROLS OVER THE PREPARATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

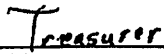
Contact Person Responsible for Corrective Action: Stanley Hall, Treasurer
Contact Phone Number: (765) 473-3081

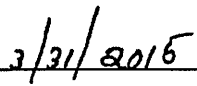
Description of Corrective Action Plan:

A list of all federal awards will be compiled by the Deputy Treasurer annually. The Treasurer shall verify the classification of awards as either federal or state sources as well as the documentation of supporting schedules. The Indiana Department of Education or the State Board of Accounts will be consulted as necessary to distinguish the proper classification.

Anticipated Completion Date: December 30, 2015



Signature


Title


Date



Peru Community Schools

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CORRECTIVE ACTION PLAN

FINDING NO. 2014-002. INTERNAL CONTROLS OVER CHILD NUTRITION CLUSTER

Federal Agency: Department of Agriculture
Federal Program: School Breakfast Program, National School Lunch Program, Summer
Food Service Program for Children
CFDA Number: 10.553, 10.555, 10.559
Federal Award Number and Year (or Other Identifying Number): FY 2012-13, FY 2013-
14
Pass-Through Entity: Indiana Department of Education

Contact Person Responsible for Corrective Action: Stanley Hall, Treasurer
Contact Phone Number: (765) 473-3081

Description of Corrective Action Plan:

Eligibility

The building principal or designee will be trained to process applications for free and reduced lunch. This person will be responsible for determining eligibility for each application. The Executive Secretary shall then verify the status of each application for free or reduced lunch.

Suspension and Debarment

The Accounts Payable Coordinator will send out statements for each vendor's signature for contracts over \$25,000. The Treasurer shall verify receipt of all signed statements of Suspension and Debarment.

Program Income

The Treasurer shall reconcile the income to the number of meals served on a monthly basis, accounting for credit balances in individual student accounts.

Reporting

Sponsor claims for reimbursement for summer food service and snacks shall be verified by the Deputy Treasurer prior to submittal by the Food Service Director. Annual

Financial Reports shall be verified by the Treasurer prior to submittal by the Deputy Treasurer.

Special Tests and Provisions

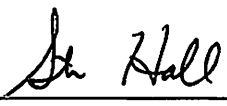
Verification of Free and Reduced Price Applications:

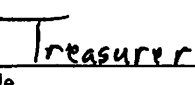
The responsibility for approving free and reduced lunch verifications will continue to be that of the Treasurer. The Executive Secretary will then retain the verification on file.

School Food Accounts

The Deputy Treasurer shall verify the reimbursement to the claim for summer food service and snacks. The Food Service Director will continue to prepare the claims for summer food service and snacks.

Anticipated Completion Date: August 5, 2015



Signature


Title
4 | 1 | 2015

Date



Peru Community Schools

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(765) 473-3081
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CORRECTIVE ACTION PLAN

FINDING NO. 2014-003. REPORTING

Federal Agency: Department of Agriculture
Federal Program: School Breakfast Program, National School Lunch Program, Summer Food Service Program for Children
CFDA Number: 10.553, 10.555, 10.559
Federal Award Number and Year (or Other Identifying Number): FY 2012-13, FY 2013-14
Pass-Through Entity: Indiana Department of Education

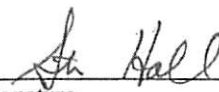
Contact Person Responsible for Corrective Action: Stanley Hall, Treasurer
Contact Phone Number: (765) 473-3081

Description of Corrective Action Plan:

The Annual Financial Report will be prepared by the Deputy Treasurer. The Treasurer shall review and verify the accuracy of the report prior to submittal.

Sponsor claims for reimbursement of summer food service and snacks will be reviewed by the Treasurer prior to submittal by the Food Service Director.

Anticipated Completion Date: December 30, 2015



Signature

Treasurer

Title

3/31/2015

Date

OTHER REPORT

In addition to this report, a Supplemental Compliance Report has been issued for the School Corporation. That report can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>.