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

Paul D. Joyce, CPA
State Examiner

SUPPLEMENTAL COMPLIANCE REPORT

OF

LIBERTY-PERRY COMMUNITY SCHOOL CORPORATION

DELAWARE COUNTY, INDIANA

July 1, 2022 to June 30, 2024

FILED
03/24/2025

TABLE OF CONTENTS

Description	Page
Schedule of Officials	2
Transmittal Letter	3
Audit Results and Comments:	
Internal Controls Over Compliance	4
Annual Financial Report	4-6
School Food Systems - Prepaid Food	6
Exit Conference	7

SCHEDULE OF OFFICIALS

Office	Official	Term
Treasurer	Cindy Skinner	07-01-22 to 06-30-25
Superintendent of Schools	Bryan Rausch	07-01-22 to 07-05-24
	(Vacant)	07-06-24 to 07-31-24
	Aaron Black	08-01-24 to 06-30-25
President of the School Board	Robert Cook	07-01-22 to 12-31-24
	Kevin Nemyer	01-01-25 to 06-30-25

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

This report is supplemental to the audit report of the Liberty-Perry Community School Corporation (School Corporation), for the period from July 1, 2022 to June 30, 2024. It has been provided as a separate report so that the reader may easily identify any Audit Results and Comments that pertain to the School Corporation. It should be read in conjunction with the Financial Statement Audit Report of the School Corporation, which provides our opinions on the School Corporation's financial statement. This report may be found at www.in.gov/sboa/.

As authorized under Indiana Code 5-11-1, we performed procedures to determine compliance with applicable Indiana laws and uniform compliance guidelines established by the Indiana State Board of Accounts. The Audit Results and Comments contained herein describe the identified reportable instances of noncompliance found as a result of these procedures. Our tests were not designed to identify all instances of noncompliance; therefore, noncompliance may exist that is unidentified.

Any Official Response to the Audit Results and Comments, incorporated within this report, was not verified for accuracy.

Beth Kelley

Beth Kelley, CPA, CFE
Deputy State Examiner

March 6, 2025

INTERNAL CONTROLS OVER COMPLIANCE

Condition and Context

Effective internal controls were not in place to ensure compliance with applicable laws and regulations related to:

- Annual Financial Report
- School Food Systems - Prepaid Food

The noncompliance issues are explained in more detail in the comments below.

Criteria

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

> "Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.
>
> An integral part of the control activity component is segregation of duties. . . .
>
> There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . ."

ANNUAL FINANCIAL REPORT

A similar comment appeared in prior Report B61097, entitled *ANNUAL FINANCIAL REPORT*.

Condition and Context

The School had not established effective internal controls over the financial information and other information entered in the Annual Financial Report (AFR) via the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source of the financial statement. The School uploaded the information for the AFR into Gateway without an effective review process.

Due to the lack of effective internal controls, the AFR included the following errors:

Financial Data

- The Education fund was incorrectly reported in the AFR, which understated receipts and ending cash and investments by $9,458,437 in fiscal year 2023-2024.

- The clearing fund titled "Clearing Res" was incorrectly reported in the AFR, which overstated receipts and disbursements $3,725,000 in 2022-2023.

- There were numerous other errors in 2022-2023 to various funds that resulted in a net understatement of beginning balances of $92,361, a net understatement of receipts of $281,497, a net understatement of disbursements of $363,855, and a net overstatement of ending balances of $10,003.

- There were numerous other errors in 2023-2024 to various funds that resulted in a net understatement of receipts of $165,834, a net understatement of disbursements of $248,334, a net overstatement of other financing sources and uses of $47,108, and a net understatement of ending cash and investment balance of $129,608.

- There were three immaterial funds omitted from 2023-2024, resulting in an understatement of receipts of $145,758, disbursements of $96,717, and the ending cash and investment balance of $49,041.

Audit adjustments were proposed, accepted by the School Corporation, and made to the financial statement and to the Combining Schedule of Receipts, Disbursements, Other Financing Sources (Uses), and Cash and Investment Balances - Regulatory Basis presented as Other Information in the Financial Statement Audit Report of the School Corporation for all errors above other than the omission of the three immaterial funds.

Grant Information

- The National School Lunch Program overstated expenditures by $79,846 and $102,245 in 2022-2023 and 2023-2024, respectively.

- The COVID-19 - Education Stabilization Fund grant understated expenditures by $104,874 in 2023-2024.

- The Medical Assistance Program overstated expenditures by $66,205 and $45,734 in 2022-2023 and 2023-2024, respectively.

- Additional grants had individually immaterial errors that resulted in misstatements of expenditures of $161,253 in 2022-2023 and $128,420 in 2023-2024.

Audit adjustments were proposed, accepted by the School Corporation, and made to the grant information in the AFR and to the Schedule of Expenditures of Federal Awards presented in the Federal Compliance Audit Report of the School Corporation.

Capital Asset Schedule

The Capital Asset Schedule, as reported in the AFR, was incorrect. The capital assets were understated by $681,759 during 2023-2024 when compared to a detailed listing of capital assets. The School Corporation opted to omit the Schedule of Capital Assets from the Financial Statement Audit Report of the School Corporation.

Criteria

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every audited entity financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner as set forth in the uniform compliance guidelines. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under IC 5-14-3.8-7."

SCHOOL FOOD SYSTEMS - PREPAID FOOD

Similar comments also appeared in prior Reports B56670 and B61097, entitled *PREPAID SCHOOL MEAL ACCOUNTS*.

Condition and Context

The subsidiary detail of the prepaid meals by student balance did not reconcile to the 8400 Prepaid School Lunch Accounts fund balance. The subsidiary detail balance was $7,557 greater than the fund balance at June 30, 2024.

Criteria

The SBOA opinion is that money a student puts into their individual meal account (prepaid food account) should not be considered income to the child nutrition program until that student goes through the lunch line and charges a meal to their account. Therefore, while it is in the student's individual account, the balance should not be included in the School Lunch fund. It is required that the School Corporation set up a Prepaid School Lunch Accounts fund clearing account. When a student brings in a deposit the receipt would be recorded to the Prepaid School Lunch Accounts fund. Periodically, after the student has charged meals, the School Corporation should disburse the amount charged from the Prepaid School Lunch Accounts fund and receipt it into the School Lunch fund. At this point it is considered program income and should be included on any reports that are required to be completed. Also, on a monthly basis the balance of the Prepaid School Lunch Accounts fund should be reconciled with the total of the individual meal accounts. The School Food Prescribed Forms and any approved computerized Forms will be required to be maintained in the following manner to accurately account for prepaid items. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 10)

LIBERTY-PERRY COMMUNITY SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on March 6, 2025, with Cindy Skinner, Treasurer; Aaron Black, Superintendent of Schools; Shane Wise, School Board member; Brenda Layne, Food Service Director; and Kevin Nemyer, Secretary of the School Board.