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

AUDIT REPORT

OF

PERU COMMUNITY SCHOOLS

MIAMI COUNTY, INDIANA

July 1, 2006 to June 30, 2008

FILED

02/25/2009

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SCHEDULE OF OFFICIALS

Office	Official	Term
Treasurer	Lois Mongosa	07-01-06 to 06-30-07
	Stanley Hall	07-01-07 to 06-30-09
Superintendent of Schools	Dr. Thomas E. McKaig	07-01-06 to 06-30-07
	Dr. Andrew Melin	07-01-07 to 06-30-09
President of the School Board	Terry B. Smith	07-01-06 to 06-30-09

STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

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

We have audited the accompanying financial statements of the governmental activities, the each major fund, and the aggregate remaining fund information of the Peru Community Schools (School Corporation), as of and for the years ended June 30, 2007 and 2008, which collectively comprise the School Corporation's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the School Corporation's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash and investment balances of the governmental activities, each major fund, and the aggregate remaining fund information of the School Corporation as of June 30, 2007 and 2008, and the respective cash receipts and cash disbursements during the years then ended on the basis of accounting described in Note I.

In accordance with Government Auditing Standards, we have also issued a report dated January 15, 2009, 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 audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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

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

The Schedules of Funding Progress as listed in the Table of Contents, are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

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

STATE BOARD OF ACCOUNTS

January 15, 2009

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

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Peru Community Schools (School Corporation), as of and for the years ended June 30, 2007 and 2008, which collectively comprise the School Corporation's basic financial statements and have issued our report thereon dated January 15, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be significant deficiencies or material weaknesses, as defined above.

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

Compliance and Other Matters

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

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

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

STATE BOARD OF ACCOUNTS

January 15, 2009

PERU COMMUNITY SCHOOLS
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For the Year Ended June 30, 2007

Functions/Programs	Disbursements	Program Receipts: Charges for Services	Program Receipts: Operating Grants and Contributions	Net (Disbursement) Receipts and Changes in Net Assets: Totals
Governmental activities:				
Instruction	$ 10,902,880	$ -	$ 182,307	$ (10,720,573)
Support services	7,229,525	419,735	558,372	(6,251,418)
Community services	111,150	-	-	(111,150)
Nonprogrammed charges	903,514	-	-	(903,514)
Debt service	4,959,379	-	-	(4,959,379)
Total Government	$ 24,106,448	$ 419,735	$ 740,679	(22,946,034)
General receipts:				
Property taxes				6,553,065
Other local sources				1,198,102
State aid				11,427,015
Bonds and loans				1,818,027
Grants and contributions not restricted to specific programs				968,132
Sale of property, adjustments, and refunds				8,047
Investment earnings				351,956
Total general receipts, interfund loans, transfers, and special items				22,324,344
Change in net assets				(621,690)
Net assets - beginning				5,407,332
Net assets - ending				$ 4,785,642

Assets	
Cash and investments	$ 4,601,160
Restricted assets:	
Cash and investments	184,482
Total assets	$ 4,785,642

Net Assets	
Restricted for:	
Debt service	$ 184,482
Unrestricted	4,601,160
Total net assets	$ 4,785,642

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

PERU COMMUNITY SCHOOLS
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For the Year Ended June 30, 2008

Functions/Programs	Disbursements	Program Receipts: Charges for Services	Program Receipts: Operating Grants and Contributions	Net (Disbursement) Receipts and Changes in Net Assets: Totals
Governmental activities:				
Instruction	$ 10,353,607	$ -	$ 248,683	$ (10,104,924)
Support services	7,748,370	436,320	654,015	(6,658,035)
Community services	106,636	-	-	(106,636)
Nonprogrammed charges	1,143,932	-	-	(1,143,932)
Debt service	6,183,274	-	-	(6,183,274)
Total Government	$ 25,535,819	$ 436,320	$ 902,698	(24,196,801)

General receipts:	
Property taxes	6,463,562
Other local sources	1,300,513
State aid	10,884,835
Bonds and loans	2,940,282
Grants and contributions not restricted to specific programs	1,137,357
Sale of property, adjustments, and refunds	19,529
Investment earnings	186,776
Total general receipts, interfund loans, transfers, and special items	22,932,854
Change in net assets	(1,263,947)
Net assets - beginning	4,785,642
Net assets - ending	$ 3,521,695

Assets	
Cash and investments	$ 3,464,747
Restricted assets:	
Cash and investments	56,948
Total assets	$ 3,521,695

Net Assets	
Restricted for:	
Debt service	$ 56,948
Unrestricted	3,464,747
Total net assets	$ 3,521,695

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

PERU COMMUNITY SCHOOLS
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2007

	General	Transportation Operating	Debt Service	Capital Projects	School Bus Replacement	South Peru Construction	Other	Totals
Receipts:								
Local sources	$ 3,201,245	$ 561,400	$ 2,454,479	$ 1,142,957	$ 69,409	$ 50,949	$ 1,043,637	$ 8,524,076
Intermediate sources	188	-	-	-	-	-	806	994
State sources	11,591,974	-	-	-	-	-	270,547	11,862,521
Federal sources	-	-	-	-	-	-	1,271,093	1,271,093
Bonds and loans	1,010,041	217,136	590,817	-	-	33	-	1,818,027
Sale of property, adjustments and refunds	429	-	-	-	-	-	7,618	8,047
Total receipts	15,803,877	778,536	3,045,296	1,142,957	69,409	50,982	2,593,701	23,484,758
Disbursements:								
Current:								
Instruction	10,249,767	-	-	-	-	-	653,113	10,902,880
Support services	2,887,983	545,438	-	1,184,740	4,706	960,733	1,645,925	7,229,525
Community services	79,903	-	-	-	-	-	31,247	111,150
Nonprogrammed charges	812,211	-	-	-	-	-	91,303	903,514
Debt services	1,343,902	194,565	3,132,989	-	-	-	287,923	4,959,379
Total disbursements	15,373,766	740,003	3,132,989	1,184,740	4,706	960,733	2,709,511	24,106,448
Excess (deficiency) of receipts over disbursements	430,111	38,533	(87,693)	(41,783)	64,703	(909,751)	(115,810)	(621,690)
Other financing sources (uses):								
Transfers in	46,247	8,032	31,571	14,165	2,012	-	118,873	220,900
Transfers out	-	-	-	-	-	-	(220,900)	(220,900)
Total other financing sources (uses)	46,247	8,032	31,571	14,165	2,012	-	(102,027)	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	476,358	46,565	(56,122)	(27,618)	66,715	(909,751)	(217,837)	(621,690)
Cash and investments - beginning	1,299,866	167,966	207,943	1,060,787	(57,511)	1,500,547	1,227,734	5,407,332
Cash and investments - ending	$ 1,776,224	$ 214,531	$ 151,821	$ 1,033,169	$ 9,204	$ 590,796	$ 1,009,897	$ 4,785,642
Cash and Investment Assets - Ending								
Cash and investments	$ 1,776,224	$ 214,531	$ -	$ 1,033,169	$ 9,204	$ 590,796	$ 977,236	$ 4,601,160
Restricted assets:								
Cash and investments	-	-	151,821	-	-	-	32,661	184,482
Total cash and investment assets - ending	$ 1,776,224	$ 214,531	$ 151,821	$ 1,033,169	$ 9,204	$ 590,796	$ 1,009,897	$ 4,785,642
Cash and Investment Fund Balance - Ending								
Restricted for:								
Debt service	$ -	$ -	$ 151,821	$ -	$ -	$ -	$ 32,661	$ 184,482
Unrestricted	1,776,224	214,531	-	1,033,169	9,204	590,796	977,236	4,601,160
Total cash and investment fund balance - ending	$ 1,776,224	$ 214,531	$ 151,821	$ 1,033,169	$ 9,204	$ 590,796	$ 1,009,897	$ 4,785,642

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

PERU COMMUNITY SCHOOLS
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2008

	General	Transportation Operating	Debt Service	Capital Projects	School Bus Replacement	South Peru Construction	Other	Totals
Receipts:								
Local sources	$ 3,167,210	$ 562,355	$ 2,405,481	$ 1,088,785	$ 74,295	$ 31,766	$ 1,059,272	$ 8,389,164
Intermediate sources	188	-	-	-	-	-	488	676
State sources	11,096,726	-	-	-	-	-	380,952	11,477,678
Federal sources	-	-	-	-	-	-	1,444,543	1,444,543
Bonds and loans	829,926	316,636	1,793,720	-	-	-	-	2,940,282
Sale of property, adjustments and refunds	16,487	502	-	-	-	-	2,540	19,529
Total receipts	15,110,537	879,493	4,199,201	1,088,785	74,295	31,766	2,887,795	24,271,872
Disbursements:								
Current:								
Instruction	9,731,519	-	-	-	-	-	622,088	10,353,607
Support services	3,320,224	645,087	-	1,371,813	72,091	613,044	1,726,111	7,748,370
Community services	86,174	-	-	-	-	-	20,462	106,636
Nonprogrammed charges	1,006,185	-	-	-	-	-	137,747	1,143,932
Debt services	1,218,286	398,182	4,275,640	-	-	-	291,166	6,183,274
Total disbursements	15,362,388	1,043,269	4,275,640	1,371,813	72,091	613,044	2,797,574	25,535,819
Excess (deficiency) of receipts over disbursements	(251,851)	(163,776)	(76,439)	(283,028)	2,204	(581,278)	90,221	(1,263,947)
Other financing sources (uses):								
Transfers in	-	-	15,000	195,213	68,000	-	223,665	501,878
Transfers out	-	-	(43,336)	(197,000)	(68,000)	-	(193,542)	(501,878)
Total other financing sources (uses)	-	-	(28,336)	(1,787)	-	-	30,123	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(251,851)	(163,776)	(104,775)	(284,815)	2,204	(581,278)	120,344	(1,263,947)
Cash and investments - beginning	1,776,224	214,531	151,821	1,033,169	9,204	590,796	1,009,897	4,785,642
Cash and investments - ending	$ 1,524,373	$ 50,755	$ 47,046	$ 748,354	$ 11,408	$ 9,518	$ 1,130,241	$ 3,521,695
Cash and Investment Assets - Ending								
Cash and investments	$ 1,524,373	$ 50,755	$ -	$ 748,354	$ 11,408	$ 9,518	$ 1,120,339	$ 3,464,747
Restricted assets:								
Cash and investments	-	-	47,046	-	-	-	9,902	56,948
Total cash and investment assets - ending	$ 1,524,373	$ 50,755	$ 47,046	$ 748,354	$ 11,408	$ 9,518	$ 1,130,241	$ 3,521,695
Cash and Investment Fund Balance - Ending								
Restricted for:								
Debt service	$ -	$ -	$ 47,046	$ -	$ -	$ -	$ 9,902	$ 56,948
Unrestricted	1,524,373	50,755	-	748,354	11,408	9,518	1,120,339	3,464,747
Total cash and investment fund balance - ending	$ 1,524,373	$ 50,755	$ 47,046	$ 748,354	$ 11,408	$ 9,518	$ 1,130,241	$ 3,521,695

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

PERU COMMUNITY SCHOOLS
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
FIDUCIARY FUNDS
For the Year Ended June 30, 2007

	Pension Trust Funds	Agency Funds
Additions:		
Contributions:		
Employer	$ 203,106	
Investment earnings:		
Interest	55,793	
Total additions	258,899	
Deductions:		
Benefits	279,002	
Administrative and general	-	
Total deductions	279,002	
Excess (deficiency) of total additions over total deductions	(20,103)	
Cash and investment fund balance - beginning	1,149,535	
Cash and investment fund balance - ending	$ 1,129,432	$ 26,398
Net assets:		
Cash and investments	$ 1,129,432	
Total net assets - cash and investment basis held in trust	$ 1,129,432	

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

PERU COMMUNITY SCHOOLS
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
FIDUCIARY FUNDS
For the Year Ended June 30, 2008

	Pension Trust Funds	Agency Funds
Additions:		
Contributions:		
Employer	$ 487,168	
Investment earnings:		
Interest	55,803	
Total additions	542,971	
Deductions:		
Benefits	583,523	
Administrative and general	-	
Total deductions	583,523	
Excess (deficiency) of total additions over total deductions	(40,552)	
Cash and investment fund balance - beginning	1,129,432	
Cash and investment fund balance - ending	$ 1,088,880	$ (2,589)
Net assets:		
Cash and investments	$ 1,088,880	
Total net assets - cash and investment basis held in trust	$ 1,088,880	

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

I. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

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

Primary Government: Peru Community Schools

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

Joint Venture

The School Corporation is a participant with four other school corporations in a joint venture to operate the Heartland Career Center which was created to provide vocational training and education. The School Corporation is obligated by contract to remit its proportionate share of the Heartland Career Center's budget based on enrollment, assessed valuation, and the number of students served. The Heartland Career Center's surplus is applied to the following year's budget before determining the amounts required from the participants. The School Corporation is obligated for its proportionate share of the debts of the Heartland Career Center. Complete financial statements for the Heartland Career Center can be obtained from Heartland Career Center, P.O. Box 606, Wabash, Indiana, 46992.

The School Corporation is a participant with three other school corporations in a joint venture to operate the Wabash Miami Area Program for Exceptional Children (Area Program) which was created to provide educational instruction to handicapped children. The School Corporation is obligated by contract to remit its proportionate share of the Area Program's budget based on enrollment, assessed valuation, and the number of students served. The Area Program's surplus is applied to the following year's budget before determining the amounts required from the participants. Complete financial statements for the Wabash Miami Area Program for Exceptional Children (Area Program) can be obtained from Wabash Miami Area Program, _____________.

The School Corporation is a participant with thirty-four other public school corporations and one nonpublic school in a joint venture operating under the name, Wabash Valley Education Center, to provide cost-effective, efficient resources for professional development, media services, technology, and cooperative purchasing. The School Corporation is required to remit an annual fee based on enrollment. Complete financial statements for Wabash Valley Education Association can be obtained from 3061 Benton Street, West Lafayette, Indiana, 47906-1129.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

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

Fund Financial Statements

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

The School Corporation reports the following major governmental funds:

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

The Transportation Operating Fund accounts for financial resources for the transportation of school children to and from school.

The Debt Service Fund accounts for debt from funds borrowed or advanced for the purchase or lease of school buildings, school buses, judgments against the corporation, equipment or capital construction, and interest on emergency and temporary loans.

The Capital Projects Fund accounts for planned construction, repair, replacement or remodeling; and the purchase, lease, upgrade, maintenance, or repair of computer equipment.

The School Bus Replacement Fund is used to account for receipts and disbursements concerning the acquisition and disposal of school buses.

The South Peru Construction Fund is used to account for the proceeds of debt financing and the costs of construction at South Peru Elementary School.

Additionally, the School Corporation reports the following fund types:

The Pension Trust Funds account for the activities of the retirement /severance bond fund and the post-retirement /severance future benefits fund which accumulate resources for retirement benefit payments.

Agency funds account for assets held by the School Corporation as an agent for employees.

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

D. Assets and Cash and Investment Balances

1. Cash and Investments

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

2. Property Taxes

   Property taxes levied are collected by the County Treasurer and are distributed to the School Corporation in June and in December. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. 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% 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 become delinquent if not paid by May 10 and November 10, respectively. All property taxes collected by the County Treasurer and available for distribution were not distributed to the School Corporation on or prior to June 30 of the year collected.

3. Capital Assets

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

4. Long-Term Debt

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

5. Equity Classification

   Government-Wide Statements

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

   a. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or (2) law through constitutional provisions or enabling legislation.

   b. Unrestricted net assets – All other net assets that do not meet the definition of "restricted."

   It is the School Corporation's policy to use restricted net assets prior to the use of unrestricted net assets when a disbursement is incurred for purposes for which both restricted and unrestricted net assets are available.

   Fund Financial Statements

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

E. Receipts and Disbursements

1. Program Receipts

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

2. Operating Receipts and Disbursements

   Operating receipts and disbursements for proprietary funds and the similar discretely presented component unit result from providing services and producing and delivering goods and/or services. They also include all receipts and disbursements not related to capital and related financing, noncapital financing, or investing activities.

F. Internal and Interfund Balances and Activities

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

Fund Financial Statements

1. Interfund services – Sales or purchases of goods and services between funds are reported as receipts and disbursements.

2. Interfund reimbursements – Repayments from funds responsible for certain disbursements to the funds that initially paid for them are not reported as reimbursements but as adjustments to disbursements in the respective funds.

3. Interfund transfers – Flow of assets from one fund to another where repayment is not expected is reported as transfers in and out.

Government-Wide Financial Statements

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

1. Internal activities – Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis except for the net amount of transfers between governmental and business-type activities, which are reported as Transfers – Internal Activities. The effects of interfund services between funds, if any, are not eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis.

2. Primary government and component unit activity and balances – Resource flows between the primary government and the discretely-presented component unit(s) are reported as if they were external transactions and are classified separately from internal balances and activities within the primary government.

II. Stewardship, Compliance and Accountability

A. Budgetary Information

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

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

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

B. Cash and Investment Balance Deficits

At June 30, 2008, the following fund reported a deficit in cash and investments, which are violations of the Uniform Compliance Guidelines and state statute:

Fund	2008
Purdue Grant	$ 4,974
Agency	2,589

Cash and investment deficits arose primarily from the fact that this is a reimbursement grant fund, where monies are expended and then reimbursed. This deficit was eliminated when the reimbursement was received in the following school year.

III. Detailed Notes on All Funds

A. Deposits and Investments

1. Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Indiana Code 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state funds and has a principal office or branch that qualifies to receive public funds of the political subdivision. The bank balances were insured by the Federal Deposit Insurance Corporation or the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

B. Interfund Transfers

Interfund transfers for the years ended June 30, 2007 and 2008, were as follows:

Transfer From	Transfer To	2007	2008
Debt Service	Other Governmental Funds	$ -	$ 28,336
School Bus Replacement	Capital Projects	-	68,000
Debt Service	Capital Projects	-	15,000
Capital Projects	Debt Service	-	15,000
Capital Projects	School Bus Replacement	-	68,000
Retirement Severance	Capital Projects	-	112,213
Capital Projects	Other Governmental Funds	-	114,000
Other Governmental Funds	General Fund	46,247	-
	Transportation	8,032	-
	Debt Service	31,571	-
	Capital Projects	14,165	-
	School Bus Replacement	2,012	-
	Other Governmental Funds	118,873	81,329
Totals		$ 220,900	$ 501,878

The School Corporation typically uses transfers to fund ongoing operating subsidies and to transfer the portion of state-shared revenues from the General Fund to the debt service fund for current-year debt service requirements.

IV. Other Information

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

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; and natural disasters are covered by commercial insurance from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance by major category of risk.

Medical Benefits to Employees

During 2002, the School Corporation joined with other governmental entities in the North Central Indiana School Insurance Consortium, a public entity risk pool currently operating as a common risk management and insurance program for seven member governmental entities. This risk pool was formed in 2001. The purpose of the risk pool is to provide a larger group to minimize the cost of obtaining insurance coverage for medical benefits to employees. The School Corporation pays an annual premium to the risk pool for its medical benefits to employees coverage. The risk pool obtains independent coverage for members at group rates.

B. Holding Corporation

The School Corporation has entered into a capital lease with Peru Community School Building Corporation (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. The lessor has been determined to be a related party of the School Corporation. Lease payments during the year totaled $1,641,500.

The School Corporation has entered into a capital lease with Peru School Building Corporation (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. The lessor has been determined to be a related party of the School Corporation. Lease payments during the year totaled $255,000.

C. Postemployment Benefits

In addition to the pension benefits described below, the School Corporation provides postemployment health insurance benefits, as authorized by Indiana Code 5-10-8, to all employees who retire from the School Corporation on or after attaining age fifty-five with at least fourteen years of service. Currently, twenty-four retirees meet these eligibility requirements. The School Corporation pays the amount of a single plan at the date of retirement and retirees pay the balance of these postemployment benefits. Disbursements for those postemployment benefits are recognized on a pay-as-you-go basis. During the year ended June 30, 2008, disbursements of $78,610 were recognized for postemployment benefits.

D. Pension Plans

1. Agent Multiple-Employer Defined Benefit Pension Plan

a. Public Employees' Retirement Fund

Plan Description

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

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

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

Funding Policy and Annual Pension Cost

The contribution requirements of plan members for PERF are established by the Board of Trustees of PERF. The School Corporation's annual pension cost and related information, as provided by the actuary, is presented in this note.

Information to segregate the assets/liabilities and the actuarial study figures between the School Corporation and the Utilities is not available.

Funding Policy and Annual Pension Cost

Actuarial Information for the Above Plan

	PERF
Annual required contribution	$ 99,522
Interest on net pension obligation	(6,949)
Adjustment to annual required contribution	7,919
Annual pension cost	100,492
Contributions made	66,374
Increase (decrease) in net pension obligation	34,118
Net pension obligation, beginning of year	(95,854)
Net pension obligation, end of year	$ (61,736)

Contribution rates:	
School Corporation	5.25%
Plan members	3%
Actuarial valuation date	07-01-07
Actuarial cost method	Entry age
Amortization method	Level percentage of projected payroll, closed
Amortization period	30 years
Amortization period (from date)	07-01-97
Asset valuation method	75% of expected actuarial value plus 25% of market value

Actuarial Assumptions	PERF
Investment rate of return	7.25%
Projected future salary increases:	
Total	5%
Attributed to inflation	4%
Attributed to merit/seniority	1%
Cost-of-living adjustments	2%

Three Year Trend Information

	Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
PERF	06-30-05	$ 57,829	112%	$ (104,398)
	06-30-06	75,733	89%	(95,854)
	06-30-07	100,492	66%	(61,736)

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

Teachers' Retirement Fund

Plan Description

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

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

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

Funding Policy and Annual Pension Costs

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

The School Corporation is to contribute at an actuarially determined rate. The current rate has been actuarially determined under the entry age normal cost method to be 6.82% of covered wages. The School Corporation's required contributions to the plan for the fiscal years ended June 30, 2008, 2007, and 2006, were $279,627, $253,902, and $239,411, respectively. The School Corporation actually contributed 100% of the required contribution for each of the fiscal years.

PERU COMMUNITY SCHOOLS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF FUNDING PROGRESS

Public Employees' Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Excess of Assets Over (Unfunded) AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Excess (Unfunded) AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-05	$ 1,842,002	$ 1,831,073	$ 10,929	101%	$ 1,403,377	1%
07-01-06	1,737,293	1,882,908	(145,615)	92%	1,430,000	(10%)
07-01-07	1,964,950	2,032,134	(67,184)	97%	1,393,590	(5%)

PERU COMMUNITY SCHOOLS
COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
OTHER GOVERNMENTAL FUNDS
For the Year Ended June 30, 2007

	Special Ed Preschool	Rainy Day	School Lunch	Textbook Rental	Levy Excess	Child Care Program	Educational License Plates
Receipts:							
Local sources	$ 9,535	$ -	$ 431,098	$ 141,048	$ -	$ 4,655	$ -
Intermediate sources	-	-	-	-	-	-	806
State sources	61,063	-	10,659	47,543	-	-	-
Federal sources	-	-	527,261	-	-	-	-
Sale of property, adjustments and refunds	-	-	-	-	-	-	-
Total receipts	70,598	-	969,018	188,591	-	4,655	806
Disbursements:							
Current:							
Instruction	-	15,744	-	-	-	-	2,500
Support services	-	9,374	978,262	231,846	-	4,655	-
Community services	-	-	-	-	-	-	-
Nonprogrammed charges	52,071	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Total disbursements	52,071	25,118	978,262	231,846	-	4,655	2,500
Excess (deficiency) of receipts over disbursements	18,527	(25,118)	(9,244)	(43,255)	-	-	(1,694)
Other financing sources (uses):							
Transfers in	136	-	-	-	-	-	-
Transfers out	-	-	-	-	(106,111)	-	-
Total other financing sources (uses)	136	-	-	-	(106,111)	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	18,663	(25,118)	(9,244)	(43,255)	(106,111)	-	(1,694)
Cash and investments - beginning	189,656	131,069	172,032	195,109	106,111	-	4,093
Cash and investments - ending	$ 208,319	$ 105,951	$ 162,788	$ 151,854	$ -	$ -	$ 2,399
Cash and Investment Assets - Ending							
Cash and investments	$ 208,319	$ 105,951	$ 162,788	$ 151,854	$ -	$ -	$ 2,399
Cash with fiscal agent	-	-	-	-	-	-	-
Restricted assets:							
Cash and investments	-	-	-	-	-	-	-
Total cash and investment assets - ending	$ 208,319	$ 105,951	$ 162,788	$ 151,854	$ -	$ -	$ 2,399
Cash and Investment Fund Balance - Ending							
Restricted for:							
Debt service	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Other purposes	-	-	-	-	-	-	-
Unrestricted	208,319	105,951	162,788	151,854	-	-	2,399
Total cash and investment fund balance - ending	$ 208,319	$ 105,951	$ 162,788	$ 151,854	$ -	$ -	$ 2,399

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

PERU COMMUNITY SCHOOLS
COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
OTHER GOVERNMENTAL FUNDS
For the Year Ended June 30, 2007
(Continued)

	Keys Academy	School Safe Haven	Early Intervention	Time Away Training	Donations Special Ed	Summer Reading	Project Extended Day
Receipts:							
Local sources	$ 121,750	$ -	$ -	$ -	$ 1,587	$ 625	$ 51,017
Intermediate sources	-	-	-	-	-	-	-
State sources	4,856	-	2,000	-	-	-	-
Federal sources	-	-	-	-	-	-	-
Sale of property, adjustments and refunds	-	-	-	-	-	-	-
Total receipts	126,606	-	2,000	-	1,587	625	51,017
Disbursements:							
Current:							
Instruction	123,072	-	-	-	545	-	43,750
Support services	516	-	-	-	-	-	-
Community services	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	1,016	-
Debt services	-	-	-	-	-	-	-
Total disbursements	123,588	-	-	-	545	1,016	43,750
Excess (deficiency) of receipts over disbursements	3,018	-	2,000	-	1,042	(391)	7,267
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	(2,000)	-	-	-	-
Total other financing sources (uses)	-	-	(2,000)	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	3,018	-	-	-	1,042	(391)	7,267
Cash and investments - beginning	14,583	606	-	1,126	1,907	2,130	6,335
Cash and investments - ending	$ 17,601	$ 606	$ -	$ 1,126	$ 2,949	$ 1,739	$ 13,602
Cash and Investment Assets - Ending							
Cash and investments	$ 17,601	$ 606	$ -	$ 1,126	$ 2,949	$ 1,739	$ 13,602
Cash with fiscal agent	-	-	-	-	-	-	-
Restricted assets:							
Cash and investments	-	-	-	-	-	-	-
Total cash and investment assets - ending	$ 17,601	$ 606	$ -	$ 1,126	$ 2,949	$ 1,739	$ 13,602
Cash and Investment Fund Balance - Ending							
Restricted for:							
Debt service	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Other purposes	-	-	-	-	-	-	-
Unrestricted	17,601	606	-	1,126	2,949	1,739	13,602
Total cash and investment fund balance - ending	$ 17,601	$ 606	$ -	$ 1,126	$ 2,949	$ 1,739	$ 13,602

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

PERU COMMUNITY SCHOOLS
COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
OTHER GOVERNMENTAL FUNDS
For the Year Ended June 30, 2007
(Continued)

	Gifted and Talented	Fine Arts Grant	Non English Speaking Program	Tech Plan Grant	Technology E-Rate Rebate	In-Access Project
Receipts:						
Local sources	$ -	$ -	$ -	$ -	$ -	$ -
Intermediate sources	-	-	-	-	-	-
State sources	14,662	-	98	92,938	22,540	11,600
Federal sources	-	-	-	-	-	-
Sale of property, adjustments and refunds	-	-	-	-	4,612	-
Total receipts	14,662	-	98	92,938	27,152	11,600
Disbursements:						
Current:						
Instruction	14,662	-	-	-	-	-
Support services	-	-	-	73,305	20,366	11,600
Community services	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Total disbursements	14,662	-	-	73,305	20,366	11,600
Excess (deficiency) of receipts over disbursements	-	-	98	19,633	6,786	-
Other financing sources (uses):						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	98	19,633	6,786	-
Cash and investments - beginning	-	506	1,365	(19,633)	24,115	-
Cash and investments - ending	$ -	$ 506	$ 1,463	$ -	$ 30,901	$ -
Cash and Investment Assets - Ending						
Cash and investments		$ 506	$ 1,463	$ -	$ 30,901	$ -
Cash with fiscal agent		-	-	-	-	-
Restricted assets:						
Cash and investments	-	-	-	-	-	-
Total cash and investment assets - ending	$ -	$ 506	$ 1,463	$ -	$ 30,901	$ -
Cash and Investment Fund Balance - Ending						
Restricted for:						
Debt service		$ -	$ -	$ -	$ -	$ -
Other purposes		-	-	-	-	-
Unrestricted		506	1,463	-	30,901	-
Total cash and investment fund balance - ending		$ 506	$ 1,463	$ -	$ 30,901	$ -

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

PERU COMMUNITY SCHOOLS
COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
OTHER GOVERNMENTAL FUNDS
For the Year Ended June 30, 2007
(Continued)

	Title I 2005-2006	Title I 2006-2007	Reading Recovery	Title V	Title V-A 2006-2007	Title V-A 2007-2008
Receipts:						
Local sources	$ -	$ -	$ 6,975	$ -	$ -	$ -
Intermediate sources	-	-	-	-	-	-
State sources	-	-	-	-	-	-
Federal sources	-	506,254	-	-	-	4,039
Sale of property, adjustments and refunds	-	-	-	-	-	-
Total receipts	-	506,254	6,975	-	-	4,039
Disbursements:						
Current:						
Instruction	(27,338)	435,455	45	-	-	-
Support services	27,338	21,492	5,457	7,412	27,703	123
Community services	-	31,247	-	-	-	-
Nonprogrammed charges	2,181	-	-	-	-	-
Debt services	-	-	-	-	-	-
Total disbursements	2,181	488,194	5,502	7,412	27,703	123
Excess (deficiency) of receipts over disbursements	(2,181)	18,060	1,473	(7,412)	(27,703)	3,916
Other financing sources (uses):						
Transfers in	-	67,789	2,000	-	-	20,000
Transfers out	(67,789)	-	-	-	-	-
Total other financing sources (uses)	(67,789)	67,789	2,000	-	-	20,000
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(69,970)	85,849	3,473	(7,412)	(27,703)	23,916
Cash and investments - beginning	69,970	(2,998)	19,104	7,412	30,036	-
Cash and investments - ending	$ -	$ 82,851	$ 22,577	$ -	$ 2,333	$ 23,916
Cash and Investment Assets - Ending						
Cash and investments	$ -	$ 82,851	$ 22,577	$ -	$ 2,333	$ 23,916
Cash with fiscal agent	-	-	-	-	-	-
Restricted assets:						
Cash and investments	-	-	-	-	-	-
Total cash and investment assets - ending	$ -	$ 82,851	$ 22,577	$ -	$ 2,333	$ 23,916
Cash and Investment Fund Balance - Ending						
Restricted for:						
Debt service	$ -	$ -	$ -	$ -	$ -	$ -
Other purposes	-	-	-	-	-	-
Unrestricted	-	82,851	22,577	-	2,333	23,916
Total cash and investment fund balance - ending	$ -	$ 82,851	$ 22,577	$ -	$ 2,333	$ 23,916

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

PERU COMMUNITY SCHOOLS
COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
OTHER GOVERNMENTAL FUNDS
For the Year Ended June 30, 2007
(Continued)

	Parent Nurturing Program	Parent Nurturing Alcohol	Library Donation	Safe and Drug Free	Drug Free Schools	Drug Free Project
Receipts:						
Local sources	$ -	$ -	$ -	$ -	$ -	$ -
Intermediate sources	-	-	-	-	-	-
State sources	-	-	-	-	-	-
Federal sources	11,545	983	-	-	-	-
Sale of property, adjustments and refunds	3,006	-	-	-	-	-
Total receipts	14,551	983	-	-	-	-
Disbursements:						
Current:						
Instruction	-	-	-	-	-	-
Support services	12,081	-	1,295	7,183	1,137	-
Community services	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	10,000	26,035	-
Debt services	-	-	-	-	-	-
Total disbursements	12,081	-	1,295	17,183	27,172	-
Excess (deficiency) of receipts over disbursements	2,470	983	(1,295)	(17,183)	(27,172)	-
Other financing sources (uses):						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	2,470	983	(1,295)	(17,183)	(27,172)	-
Cash and investments - beginning	21,652	(258)	1,500	17,183	44,601	260
Cash and investments - ending	$ 24,122	$ 725	$ 205	$ -	$ 17,429	$ 260
Cash and Investment Assets - Ending						
Cash and investments	$ 24,122	$ 725	$ 205	$ -	$ 17,429	$ 260
Cash with fiscal agent	-	-	-	-	-	-
Restricted assets:						
Cash and investments	-	-	-	-	-	-
Total cash and investment assets - ending	$ 24,122	$ 725	$ 205	$ -	$ 17,429	$ 260
Cash and Investment Fund Balance - Ending						
Restricted for:						
Debt service	$ -	$ -	$ -	$ -	$ -	$ -
Other purposes	-	-	-	-	-	-
Unrestricted	24,122	725	205	-	17,429	260
Total cash and investment fund balance - ending	$ 24,122	$ 725	$ 205	$ -	$ 17,429	$ 260

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

PERU COMMUNITY SCHOOLS
COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
OTHER GOVERNMENTAL FUNDS
For the Year Ended June 30, 2007
(Continued)

	Title IV-A	Teacher Improvement	Teacher Improvement Title II-D	Limited English	Retirement Severance Bond Debt	Totals
Receipts:						
Local sources	$ -	$ -	$ -	$ -	$ 275,347	$ 1,043,637
Intermediate sources	-	-	-	-	-	806
State sources	-	-	-	2,588	-	270,547
Federal sources	3,000	101,761	116,250	-	-	1,271,093
Sale of property, adjustments and refunds	-	-	-	-	-	7,618
Total receipts	3,000	101,761	116,250	2,588	275,347	2,593,701
Disbursements:						
Current:						
Instruction	-	44,678	-	-	-	653,113
Support services	-	61,364	143,416	-	-	1,645,925
Community services	-	-	-	-	-	31,247
Nonprogrammed charges	-	-	-	-	-	91,303
Debt services	-	-	-	-	287,923	287,923
Total disbursements	-	106,042	143,416	-	287,923	2,709,511
Excess (deficiency) of receipts over disbursements	3,000	(4,281)	(27,166)	2,588	(12,576)	(115,810)
Other financing sources (uses):						
Transfers in	25,000	-	-	-	3,948	118,873
Transfers out	-	(45,000)	-	-	-	(220,900)
Total other financing sources (uses)	25,000	(45,000)	-	-	3,948	(102,027)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	28,000	(49,281)	(27,166)	2,588	(8,628)	(217,837)
Cash and investments - beginning	-	59,143	84,897	2,833	41,289	1,227,734
Cash and investments - ending	$ 28,000	$ 9,862	$ 57,731	$ 5,421	$ 32,661	$ 1,009,897
Cash and Investment Assets - Ending						
Cash and investments	$ 28,000	$ 9,862	$ 57,731	$ 5,421	$ -	$ 977,236
Cash with fiscal agent	-	-	-	-	-	-
Restricted assets:						
Cash and investments	-	-	-	-	32,661	32,661
Total cash and investment assets - ending	$ 28,000	$ 9,862	$ 57,731	$ 5,421	$ 32,661	$ 1,009,897
Cash and Investment Fund Balance - Ending						
Restricted for:						
Debt service	$ -	$ -	$ -	$ -	$ 32,661	$ 32,661
Other purposes	-	-	-	-	-	-
Unrestricted	28,000	9,862	57,731	5,421	-	977,236
Total cash and investment fund balance - ending	$ 28,000	$ 9,862	$ 57,731	$ 5,421	$ 32,661	$ 1,009,897

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

PERU COMMUNITY SCHOOLS
COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
OTHER GOVERNMENTAL FUNDS
For the Year Ended June 30, 2008

	Special Ed Preschool	Rainy Day	School Lunch	Textbook Rental	Educational License Plates	Keys Academy	School Safe Haven
Receipts:							
Local sources	$ 8,917	$ -	$ 425,119	$ 189,438	$ -	$ 123,500	$ -
Intermediate sources	-	-	-	-	488	-	-
State sources	67,295	-	10,902	93,817	-	6,165	5,136
Federal sources	-	-	585,036	-	-	-	-
Sale of property, adjustments and refunds	-	-	-	-	-	-	-
Total receipts	76,212	-	1,021,057	283,255	488	129,665	5,136
Disbursements:							
Current:							
Instruction	-	5,792	-	-	-	117,327	-
Support services	-	11,018	1,051,321	233,956	-	518	5,136
Community services	-	-	-	-	-	-	-
Nonprogrammed charges	98,099	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Total disbursements	98,099	16,810	1,051,321	233,956	-	117,845	5,136
Excess (deficiency) of receipts over disbursements	(21,887)	(16,810)	(30,264)	49,299	488	11,820	-
Other financing sources (uses):							
Transfers in	-	-	-	28,336	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	28,336	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(21,887)	(16,810)	(30,264)	77,635	488	11,820	-
Cash and investments - beginning	208,319	105,951	162,788	151,854	2,399	17,601	606
Cash and investments - ending	$ 186,432	$ 89,141	$ 132,524	$ 229,489	$ 2,887	$ 29,421	$ 606
Cash and Investment Assets - Ending							
Cash and investments	$ 186,432	$ 89,141	$ 132,524	$ 229,489	$ 2,887	$ 29,421	$ 606
Restricted assets:							
Cash and investments	-	-	-	-	-	-	-
Total cash and investment assets - ending	$ 186,432	$ 89,141	$ 132,524	$ 229,489	$ 2,887	$ 29,421	$ 606
Cash and Investment Fund Balance - Ending							
Restricted for:							
Debt service	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Unrestricted	186,432	89,141	132,524	229,489	2,887	29,421	606
Total cash and investment fund balance - ending	$ 186,432	$ 89,141	$ 132,524	$ 229,489	$ 2,887	$ 29,421	$ 606

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

PERU COMMUNITY SCHOOLS
COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
OTHER GOVERNMENTAL FUNDS
For the Year Ended June 30, 2008
(Continued)

	Early Intervention	White Board Donations	Time Away Training	Donations Special Ed	Summer Reading	Project Extended Day	Gifted and Talented Grant
Receipts:							
Local sources	$ -	$ 975	$ -	$ 1,342	$ 350	$ 35,149	$ -
Intermediate sources	-	-	-	-	-	-	-
State sources	2,000	-	-	-	-	-	35,333
Federal sources	-	-	-	-	-	-	-
Sale of property, adjustments and refunds	-	-	-	-	-	-	-
Total receipts	2,000	975	-	1,342	350	35,149	35,333
Disbursements:							
Current:							
Instruction	-	-	-	1,268	-	42,527	16,369
Support services	-	-	-	-	-	-	-
Community services	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	699	-	-
Debt services	-	-	-	-	-	-	-
Total disbursements	-	-	-	1,268	699	42,527	16,369
Excess (deficiency) of receipts over disbursements	2,000	975	-	74	(349)	(7,378)	18,964
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	-
Transfers out	(2,000)	-	-	-	-	-	-
Total other financing sources (uses)	(2,000)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	975	-	74	(349)	(7,378)	18,964
Cash and investments - beginning	-	-	1,126	2,949	1,739	13,602	-
Cash and investments - ending	$ -	$ 975	$ 1,126	$ 3,023	$ 1,390	$ 6,224	$ 18,964
Cash and Investment Assets - Ending							
Cash and investments	$ -	$ 975	$ 1,126	$ 3,023	$ 1,390	$ 6,224	$ 18,964
Restricted assets:							
Cash and investments	-	-	-	-	-	-	-
Total cash and investment assets - ending	$ -	$ 975	$ 1,126	$ 3,023	$ 1,390	$ 6,224	$ 18,964
Cash and Investment Fund Balance - Ending							
Restricted for:							
Debt service	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Unrestricted	-	975	1,126	3,023	1,390	6,224	18,964
Total cash and investment fund balance - ending	$ -	$ 975	$ 1,126	$ 3,023	$ 1,390	$ 6,224	$ 18,964

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

PERU COMMUNITY SCHOOLS
COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
OTHER GOVERNMENTAL FUNDS
For the Year Ended June 30, 2008
(Continued)

	Fine Arts Grant	Non English Speaking Program	Technology E-Rate Rebate	Title I 2006-2007	Title I 2007-2008	Reading Recovery	Title V-A 2006-2007
Receipts:							
Local sources	$ -	$ -	$ -	$ -	$ -	$ 6,400	$ -
Intermediate sources	-	-	-	-	-	-	-
State sources	-	649	158,847	-	-	-	-
Federal sources	-	-	-	-	586,234	-	-
Sale of property, adjustments and refunds	-	-	-	-	-	-	-
Total receipts	-	649	158,847	-	586,234	6,400	-
Disbursements:							
Current:							
Instruction	-	1,240	-	-	379,784	-	-
Support services	-	-	132,488	-	53,254	4,650	2,333
Community services	-	-	-	-	20,462	-	-
Nonprogrammed charges	-	-	-	3,522	-	-	-
Debt services	-	-	-	-	-	-	-
Total disbursements	-	1,240	132,488	3,522	453,500	4,650	2,333
Excess (deficiency) of receipts over disbursements	-	(591)	26,359	(3,522)	132,734	1,750	(2,333)
Other financing sources (uses):							
Transfers in	-	-	-	-	79,329	2,000	-
Transfers out	-	-	-	(79,329)	-	-	-
Total other financing sources (uses)	-	-	-	(79,329)	79,329	2,000	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	(591)	26,359	(82,851)	212,063	3,750	(2,333)
Cash and investments - beginning	506	1,463	30,901	82,851	-	22,577	2,333
Cash and investments - ending	$ 506	$ 872	$ 57,260	$ -	$ 212,063	$ 26,327	$ -
Cash and Investment Assets - Ending							
Cash and investments	$ 506	$ 872	$ 57,260	$ -	$ 212,063	$ 26,327	$ -
Restricted assets:							
Cash and investments	-	-	-	-	-	-	-
Total cash and investment assets - ending	$ 506	$ 872	$ 57,260	$ -	$ 212,063	$ 26,327	$ -
Cash and Investment Fund Balance - Ending							
Restricted for:							
Debt service	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Unrestricted	506	872	57,260	-	212,063	26,327	-
Total cash and investment fund balance - ending	$ 506	$ 872	$ 57,260	$ -	$ 212,063	$ 26,327	$ -

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

PERU COMMUNITY SCHOOLS
COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
OTHER GOVERNMENTAL FUNDS
For the Year Ended June 30, 2008
(Continued)

	Title V-A 2007-2008	Title V-A 2008-2009	Parent Nurturing Program	Parent Nurturing Alcohol	Library Donation	Purdue Grant	Drug Free Schools
Receipts:							
Local sources	$ -	$ -	$ 435	$ -	$ 1,027	$ -	$ -
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-
Federal sources	-	3,946	11,761	698	-	-	-
Sale of property, adjustments and refunds	-	-	2,540	-	-	-	-
Total receipts	-	3,946	14,736	698	1,027	-	-
Disbursements:							
Current:							
Instruction	-	-	-	-	-	4,974	-
Support services	16,769	-	12,688	698	1,020	-	10,002
Community services	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	7,427
Debt services	-	-	-	-	-	-	-
Total disbursements	16,769	-	12,688	698	1,020	4,974	17,429
Excess (deficiency) of receipts over disbursements	(16,769)	3,946	2,048	-	7	(4,974)	(17,429)
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(16,769)	3,946	2,048	-	7	(4,974)	(17,429)
Cash and investments - beginning	23,916	-	24,122	725	205	-	17,429
Cash and investments - ending	$ 7,147	$ 3,946	$ 26,170	$ 725	$ 212	$ (4,974)	$ -
Cash and Investment Assets - Ending							
Cash and investments	$ 7,147	$ 3,946	$ 26,170	$ 725	$ 212	$ (4,974)	$ -
Restricted assets:							
Cash and investments	-	-	-	-	-	-	-
Total cash and investment assets - ending	$ 7,147	$ 3,946	$ 26,170	$ 725	$ 212	$ (4,974)	$ -
Cash and Investment Fund Balance - Ending							
Restricted for:							
Debt service	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Unrestricted	7,147	3,946	26,170	725	212	(4,974)	-
Total cash and investment fund balance - ending	$ 7,147	$ 3,946	$ 26,170	$ 725	$ 212	$ (4,974)	$ -

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

PERU COMMUNITY SCHOOLS
COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
OTHER GOVERNMENTAL FUNDS
For the Year Ended June 30, 2008
(Continued)

	Drug Free Project	Title IV-A	Teacher Improvement	Teacher Improvement Title II-D	Limited English	Retirement Severance Bond Debt	Totals
Receipts:							
Local sources	$ -	$ -	$ -	$ -	$ -	$ 266,620	$ 1,059,272
Intermediate sources	-	-	-	-	-	-	488
State sources	-	-	-	-	808	-	380,952
Federal sources	-	8,940	159,928	88,000	-	-	1,444,543
Sale of property, adjustments and refunds	-	-	-	-	-	-	2,540
Total receipts	-	8,940	159,928	88,000	808	266,620	2,887,795
Disbursements:							
Current:							
Instruction	-	-	49,281	-	3,526	-	622,088
Support services	-	1,713	56,276	130,871	1,400	-	1,726,111
Community services	-	-	-	-	-	-	20,462
Nonprogrammed charges	-	28,000	-	-	-	-	137,747
Debt services	-	-	-	-	-	291,166	291,166
Total disbursements	-	29,713	105,557	130,871	4,926	291,166	2,797,574
Excess (deficiency) of receipts over disbursements	-	(20,773)	54,371	(42,871)	(4,118)	(24,546)	90,221
Other financing sources (uses):							
Transfers in	-	-	-	-	-	114,000	223,665
Transfers out	-	-	-	-	-	(112,213)	(193,542)
Total other financing sources (uses)	-	-	-	-	-	1,787	30,123
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	(20,773)	54,371	(42,871)	(4,118)	(22,759)	120,344
Cash and investments - beginning	260	28,000	9,862	57,731	5,421	32,661	1,009,897
Cash and investments - ending	$ 260	$ 7,227	$ 64,233	$ 14,860	$ 1,303	$ 9,902	$ 1,130,241
Cash and Investment Assets - Ending							
Cash and investments	$ 260	$ 7,227	$ 64,233	$ 14,860	$ 1,303	$ -	$ 1,120,339
Restricted assets:							
Cash and investments	-	-	-	-	-	9,902	9,902
Total cash and investment assets - ending	$ 260	$ 7,227	$ 64,233	$ 14,860	$ 1,303	$ 9,902	$ 1,130,241
Cash and Investment Fund Balance - Ending							
Restricted for:							
Debt service	$ -	$ -	$ -	$ -	$ -	$ 9,902	$ 9,902
Unrestricted	260	7,227	64,233	14,860	1,303	-	1,120,339
Total cash and investment fund balance - ending	$ 260	$ 7,227	$ 64,233	$ 14,860	$ 1,303	$ 9,902	$ 1,130,241

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

PERU COMMUNITY SCHOOLS
COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
PENSION TRUST FUNDS
For the Year Ended June 30, 2007

	Retirement/ Severance Bond	Post-Retirement/ Severance Future Benefit	Totals
Additions:			
Contributions:			
Employer	$ -	$ 203,106	$ 203,106
Investment earnings:			
Interest	45,884	9,909	55,793
Total additions	45,884	213,015	258,899
Deductions:			
Benefits	279,002	-	279,002
Total deductions	279,002	-	279,002
Excess (deficiency) of total additions over total deductions	(233,118)	213,015	(20,103)
Cash and investment fund balance - beginning	888,038	261,497	1,149,535
Cash and investment fund balance - ending	$ 654,920	$ 474,512	$ 1,129,432
Net assets:			
Cash and investments	$ 654,920	$ 474,512	$ 1,129,432
Total net assets - cash and investment basis held in trust	$ 654,920	$ 474,512	$ 1,129,432

PERU COMMUNITY SCHOOLS
COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
PENSION TRUST FUNDS
For the Year Ended June 30, 2008

	Retirement/ Severance Bond	Post-Retirement/ Severance Future Benefit	Totals
Additions:			
Contributions:			
Employer	$ 256,137	$ 231,031	$ 487,168
Investment earnings:			
Interest	45,451	10,352	55,803
Total additions	301,588	241,383	542,971
Deductions:			
Benefits	299,768	283,755	583,523
Total deductions	299,768	283,755	583,523
Excess (deficiency) of total additions over total deductions	1,820	(42,372)	(40,552)
Cash and investment fund balance - beginning	654,920	474,512	1,129,432
Cash and investment fund balance - ending	$ 656,740	$ 432,140	$ 1,088,880
Net assets:			
Cash and investments	$ 656,740	$ 432,140	$ 1,088,880
Total net assets - cash and investment basis held in trust	$ 656,740	$ 432,140	$ 1,088,880

PERU COMMUNITY SCHOOLS
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS

For The Year Ended June 30, 2008

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

Primary Government	Ending Balance
Governmental activities:	
Capital assets, not being depreciated:	
Buildings	$ 29,441,238
Improvements other than buildings	345,279
Machinery and equipment	7,464,090
Total governmental activities, capital assets not being depreciated	$ 37,250,607

PERU COMMUNITY SCHOOLS
SUPPLEMENTARY INFORMATION
SCHEDULE OF LONG-TERM DEBT
June 30, 2008

The Peru Community Schools has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental Activities:		
Capital leases:		
Peru High School and Blair Point Elementary	$ 3,321,237	$ 1,662,106
Elmwood Elementary	6,700,000	255,000
Notes and loans payable	8,404,155	468,933
Bonds payable:		
General obligation bonds:		
School Building	285,000	105,675
Post Retirement Benefits	1,720,000	288,464
Total governmental activities debt	$ 20,430,392	$ 2,780,178

ECA EDUCATIONAL FEES

Educational fees were being receipted to and retained in an extra-curricular fund.

IC 20-26-4-1(d) concerning duties of the School Corporation Treasurer, states in part: "The treasurer is the official custodian of all funds of the school corporation and is responsible for the proper safeguarding and accounting for the funds . . ." Therefore, all grant monies and properly authorized fees at an individual building should be transferred to the School Corporation Central Office on a timely and regular basis for receipting into the appropriate school corporation fund. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 8)

OVERDRAWN FUND BALANCES

The Purdue Grant Fund was overdrawn $ 4,974 at June 30, 2008.

The balance of any fund may not be reduced below zero. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

PENALTIES, INTEREST, AND OTHER CHARGES

Penalties and interest totaling $2,883 were paid to the Indiana Department of Revenue for the 2006-2007 school year. The employee responsible for the oversight was terminated.

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

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

Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

SUPPLEMENTAL AUDIT OF

FEDERAL AWARDS

STATE OF INDIANA

AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

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

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

Compliance

We have audited the compliance of the Peru Community Schools (School Corporation) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the years ended June 30, 2007 and 2008. The School Corporation's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the School Corporation's management. Our responsibility is to express an opinion on the School Corporation's compliance based on our audit.

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

In our opinion, the School Corporation complied in all material respects with the requirements referred to above that are applicable to each of its major federal programs for the years ended June 30, 2007 and 2008.

Internal Control Over Compliance

The management of the School Corporation is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the School Corporation's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School Corporation's internal control over compliance.

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

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

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be significant deficiencies or material weaknesses, as defined above.

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

STATE BOARD OF ACCOUNTS

January 15, 2009

PERU COMMUNITY SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Years Ended June 30, 2007 and 2008

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 06-30-07	Total Federal Awards Expended 06-30-08
U.S. DEPARTMENT OF AGRICULTURE				
Pass-Through Indiana Department of Education				
Child Nutrition Cluster				
School Breakfast Program	10.553		$ 138,717	$ 132,862
National School Lunch Program	10.555		411,258	466,601
Total for Child Nutrition Cluster			549,975	599,463
U.S. DEPARTMENT OF EDUCATION				
Pass-Through Indiana Department of Education				
Title I Grants to Local Educational Agencies	84.010			
		06-5635	2,181	
		07-5635	488,194	3,522
		08-5635	-	452,171
Total for program			490,375	455,693
Safe and Drug Free Schools and Communities-State Grants	84.186			
		04-165	17,183	-
		15-251	27,171	-
		06-5635	-	29,713
Total for program			44,354	29,713
State Grants for Innovative Programs	84.298			
		04-285	7,412	-
		05-285	27,703	-
		06-5635	123	2,333
		07-5635	-	16,769
Total for program			35,238	19,102
Education Technology State Grants	84.318			
Formula Grant SY2004-2006			7,746	-
Formula Grant SY2004-2007			7,201	-
Competitive Grant SY05-06			69,951	-
Competitive Grant SY06-07			58,519	57,731
Competitive Grant SY07-08			-	73,140
Total for program			143,417	130,871
English Language Acquisition Grants	84.365		-	4,926
Improving Teacher Quality State Grants	84.367			
		04-190	7,409	-
		05-214	68,014	-
		06-5635	30,619	105,558
Total for program			106,042	105,558
Total for Federal Grantor Agency			819,426	745,863
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Pass-Through Indiana Department of Child Services				
Promoting Safe and Stable Families	93.556			
		52-07-64-2846-02	-	698
Child Welfare Services State Grants	93.645			
		52-07-64-2846-01	11,545	11,761
Total for Federal Grantor Agency			11,545	12,459
Total federal awards expended			$ 1,380,946	$ 1,357,785

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

I. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Peru Community Schools (School Corporation) and is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Accordingly, the amount of federal awards expended is based on when the activity related to the award occurs. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

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

II. Noncash Assistance

The School Corporation expended the following amount of noncash assistance for the years ending June 30, 2007 and 2008. This noncash assistance is also included in the federal expenditures presented in the schedule.

Program Title	Federal CFDA Number	2006-2007	2007-2008
School Breakfast Program	10.553	$ 10,722	$ 11,119
National School Lunch Program	10.555	39,094	39,048

PERU COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified?	no
Significant deficiencies identified that are not considered to be material weaknesses?	none reported
Noncompliance material to financial statements noted?	no

Federal Awards:

Internal control over major programs:

Material weaknesses identified?	no
Significant deficiencies identified that are not considered to be material weaknesses?	none reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	no

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
	Child Nutrition Cluster
84.010	Title I Grants to Local Educational Agencies

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

Auditee qualified as low-risk auditee?	yes

Section II – Financial Statement Findings

No matters are reportable.

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.

PERU COMMUNITY SCHOOLS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

PERU COMMUNITY SCHOOLS
EXIT CONFERENCE

The contents of this report were discussed on January 15, 2009, with Stanley Hall, Treasurer; Dr. Andrew Melin, Superintendent of Schools; Lois Mongosa, Finance Manager; and Terry B. Smith, President of the School Board. The officials concurred with our audit findings.