

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

PERU COMMUNITY SCHOOLS
MIAMI COUNTY, INDIANA

July 1, 2014 to June 30, 2016



FILED
04/30/2018

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Stanley Hall	07-01-14 to 06-30-18
Superintendent of Schools	Charles Brimbury Sam E. Watkins	07-01-14 to 08-24-14 08-25-14 to 06-30-18
President of the School Board	Sharon Shuey	07-01-14 to 06-30-18



INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statement

We have audited the accompanying financial statement of the Peru Community Schools (School Corporation), which comprises the financial position and results of operations for the period of July 1, 2014 to June 30, 2016, and the related notes to the financial statement as listed in the Table of Contents.

Management's Responsibility for the Financial Statement

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

Auditor's Responsibility

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

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

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

INDEPENDENT AUDITOR'S REPORT
(Continued)

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position and results of operations of the School Corporation for the period of July 1, 2014 to June 30, 2016.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position and results of operations of the School Corporation for the period of July 1, 2014 to June 30, 2016, in accordance with the financial reporting provisions of the Indiana State Board of Accounts described in Note 1.

Other Matters

Supplementary Information

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

Other Information

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

INDEPENDENT AUDITOR'S REPORT
(Continued)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated April 2, 2018, 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 solely 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 effectiveness of the School Corporation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School Corporation's internal control over financial reporting and compliance.


Paul D. Joyce, CPA
State Examiner

April 2, 2018



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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statement of the Peru Community Schools (School Corporation), which comprises the financial position and results of operations for the period of July 1, 2014 to June 30, 2016, and the related notes to the financial statement, and have issued our report thereon dated April 2, 2018, wherein we noted the School Corporation followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America.

Internal Control over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the School Corporation's financial statement will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2016-001 and 2016-002 to be material weaknesses.

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

Compliance and Other Matters


As part of obtaining reasonable assurance about whether the School Corporation's financial statement is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2016-001 and 2016-002.

Peru Community Schools' Response to Findings

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

Purpose of This Report

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


Paul D. Joyce, CPA
State Examiner

April 2, 2018

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FINANCIAL STATEMENT AND ACCOMPANYING NOTES

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

PERU COMMUNITY SCHOOLS
STATEMENT OF RECEIPTS, DISBURSEMENTS,
OTHER FINANCING SOURCES (USES), AND CASH AND
INVESTMENT BALANCES - REGULATORY BASIS
For the Years Ended June 30, 2015 and 2016

Fund	Cash and Investments 07-01-14	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-15	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-16
General	\$ 1,842,260	\$ 14,549,927	\$ 14,392,603	\$ (217,984)	\$ 1,781,600	\$ 14,536,506	\$ 15,048,476	\$ 395	\$ 1,270,025
Debt Service	338,546	2,823,195	2,186,790	-	974,951	2,574,341	2,781,480	-	767,812
Retirement/Severance Bond Debt Service	113,980	216,426	302,367	-	28,039	59,089	-	(87,128)	-
Capital Projects	551,821	704,613	593,642	1,493	664,285	939,136	789,807	25	813,639
School Transportation	368,028	454,848	586,245	-	236,631	581,193	608,529	-	209,295
School Bus Replacement	71,334	50,611	2,544	-	119,401	115,226	98,988	18,789	154,428
Rainy Day	557,479	-	-	144,258	701,737	-	87,128	87,128	701,737
Retirement/Severance Bond	(74,702)	-	-	74,702	-	-	-	-	-
Post-Retirement/Severance Future Benefits	708,011	3,947	298,397	-	413,561	4,132	289,176	-	128,517
School Lunch	144,889	1,207,997	1,289,910	-	62,976	1,302,602	1,251,458	-	114,120
Textbook Rental	390,898	186,479	73,758	-	503,619	168,651	100,707	-	571,563
Self-Insurance	86,512	16,939	11,536	-	91,915	14,164	91,671	-	14,408
Levy Excess	-	253	-	-	253	-	-	-	253
Educational License Plates	169	244	-	-	413	169	-	-	582
Alternative Education	(44,827)	66,760	21,933	-	-	-	-	-	-
Early Intervention Grant	13,817	-	6,205	-	7,612	-	4,779	-	2,833
PHS Lib Book Fund - Donation	-	260	254	-	6	350	350	-	6
2014 Hygiene Program	-	1,000	-	-	1,000	-	-	-	1,000
Spaetti Grant	-	977	-	-	977	-	-	-	977
Wrestling Scholarship	-	-	-	-	-	600	600	-	-
Tiger Pride Scholarship	-	-	-	-	-	1,500	1,500	-	-
PJHS Visual Arts	-	-	-	-	-	400	-	-	400
Hot Lunch Donations	-	-	-	-	-	100	-	-	100
Band Scholarship	-	-	-	-	-	3,847	-	-	3,847
Bring It Home	17	-	-	-	17	-	-	-	17
Readers Workshop Books	184	-	-	-	184	-	-	-	184
Tiger Reading Village	179	-	-	-	179	-	-	-	179
Donation Special Ed Teachers	3,117	1,323	873	-	3,567	1,491	1,323	-	3,735
Summer Reading Donations	37	-	-	-	37	-	-	-	37
Transition Class	313	-	-	-	313	-	-	-	313
Instructional Support	-	-	-	-	-	-	8,245	-	(8,245)
PBIS	-	-	-	-	-	524	5,938	-	(5,414)
AT&T Grant	1,339	-	1,339	-	-	-	-	-	-
Extra-Curricular Activities	7,936	716	843	-	7,809	7,874	9,000	-	6,683
Miscellaneous Programs	115	-	-	-	115	-	-	-	115

PERU COMMUNITY SCHOOLS
STATEMENT OF RECEIPTS, DISBURSEMENTS,
OTHER FINANCING SOURCES (USES), AND CASH AND
INVESTMENT BALANCES - REGULATORY BASIS
For the Years Ended June 30, 2015 and 2016

Fund	Cash and Investments 07-01-14	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-15	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-16
N. Central IN Literacy Consort	5,977	-	-	-	5,977	-	-	-	5,977
Academic Monitoring Package	38,045	15,500	-	-	53,545	-	-	-	53,545
Gifted and Talented 2012/13	-	-	-	-	-	-	(386)	-	386
Formative Assessment	-	-	-	-	-	22,930	8,329	-	14,601
IN Preschool Grants	2,874	-	2,874	-	-	-	-	-	-
Gifted and Talented 2015	-	33,844	10,510	-	23,334	-	23,581	-	(247)
Gifted and Talented 15/16	-	-	-	-	-	35,680	17,827	-	17,853
Secured Schools Safety Grant	(50,000)	50,000	-	-	-	65,000	80,440	-	(15,440)
Cultural Arts	2,100	-	2,100	-	-	-	-	-	-
School Technology	4,140	3,669	8,888	-	(1,079)	4,404	2,660	-	665
Technology Planning Grant	10,197	29,593	6,280	-	33,510	23,729	3,050	-	54,189
College Success Coalition	5,028	102	1,806	-	3,324	129	3,453	-	-
Title I 2013/14	(19,304)	145,924	111,766	-	14,854	-	-	-	14,854
Title I 2014-2015	-	357,496	415,932	-	(58,436)	167,239	108,832	-	(29)
Title I 2015-16	-	-	-	-	-	449,159	432,625	-	16,534
Title II-B	21,089	23,353	24,661	-	19,781	35,508	22,129	-	33,160
Parent Nurturing - Alcohol	725	-	55	-	670	-	-	-	670
Local Reading Improvement	205	-	-	-	205	-	-	-	205
Adult Basic Education	28,414	-	-	(28,414)	-	51,895	62,522	-	(10,627)
Adult Education and Family Literacy, Title II 2013-14	(25,024)	12,894	4,760	28,414	11,524	-	-	-	11,524
Adult Education	-	65,550	70,758	-	(5,208)	8,357	5,129	-	(1,980)
Improving Teacher Quality, No Child Left, Title II, Part A	-	-	2,352	-	(2,352)	-	(2,352)	-	-
Improving Teacher Quality, No Child Left, Title II, Part A 2013-14	(4,815)	57,513	52,722	-	(24)	-	(24)	-	-
Title II-A 14/15 CFDA 84.367	-	80,015	91,490	-	(11,475)	27,736	34,556	-	(18,295)
Title II 2015-16	-	-	-	-	-	100,527	106,818	-	(6,291)
Title VI - B Rural and Low Income	(3,967)	23,295	27,189	-	(7,861)	-	-	-	(7,861)
Title VI - B Rural and Low Income(1)	-	27,782	33,783	-	(6,001)	10,212	7,449	-	(3,238)
Rural & Low Income 2015-16	-	-	-	-	-	43,964	43,964	-	-
Hot Lunch Clearing Account	8,756	272,920	257,648	-	24,028	275,384	300,467	-	(1,055)
Payroll Clearing	119,777	4,554,553	4,549,167	-	125,163	5,479,783	5,524,769	-	80,177
Totals	<u>\$ 5,225,669</u>	<u>\$ 26,040,518</u>	<u>\$ 25,443,980</u>	<u>\$ 2,469</u>	<u>\$ 5,824,676</u>	<u>\$ 27,113,531</u>	<u>\$ 27,964,993</u>	<u>\$ 19,209</u>	<u>\$ 4,992,423</u>

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

PERU COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENT

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

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

B. Basis of Accounting

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

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

C. Cash and Investments

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

D. Receipts

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

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

Intermediate sources. Amounts received as distributions from the County for fees collected for or on behalf of the School Corporation including, but not limited to, the following: educational license plate fees, congressional interest, riverboat distributions, and other similar fees.

PERU COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENT
(Continued)

State sources. Amounts received as distributions from the State of Indiana that are to be used by the School Corporation for various purposes, including, but not limited to, the following: unrestricted grants, restricted grants, revenue in lieu of taxes, and revenue for or on behalf of the School Corporation.

Federal sources. Amounts received as distributions from the federal government that are to be used by the School Corporation for various purposes, including, but not limited to, the following: unrestricted grants, restricted grants, revenue in lieu of taxes, and revenue for or on behalf of the School Corporation.

Temporary loans. Amounts received from a loan obtained to pay current expenses prior to the receipt of revenue from taxes levied for that purpose. These loans, sometimes designated tax anticipation warrants, must be repaid from the next semiannual distribution of local property taxes levied for such fund.

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

Other receipts. Amounts received from various sources, including, but not limited to, the following: return of petty cash, return of cash change, insurance claims for losses, sale of securities, and other receipts not listed in another category above.

E. Disbursements

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

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

Support services. Amounts disbursed for support services related to students, instruction, general administration, school administration, outflows for central services, operation and maintenance of plant services, and student transportation.

Noninstructional services. Amounts disbursed for food service operations and community service operations.

Facilities acquisition and construction. Amounts disbursed for the acquisition, development, construction, and improvement of new and existing facilities.

Debt service. Amounts disbursed for fixed obligations resulting from financial transactions previously entered into by the School Corporation, including: all expenditures for the reduction of the principal and interest of the School Corporation's general obligation indebtedness.

Nonprogrammed charges. Amounts disbursed for donations to foundations, securities purchased, indirect costs, scholarships, and self-insurance payments.

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

PERU COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENT
(Continued)

F. Other Financing Sources and Uses

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

Sale of capital assets. Amounts received when land, buildings, or equipment owned by the School Corporation are sold.

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

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

G. Fund Accounting

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

Note 2. Budgets

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

Note 3. Property Taxes

Property taxes levied are collected by the County Treasurer and are scheduled to be distributed to the School Corporation in June and December; however, situations can arise which would delay the distributions. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's lien date (March 1 in a year ending before January 1, 2016 and January 1 in a year beginning after December 31, 2015) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100 percent of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which normally become delinquent if not paid by May 10 and November 10, respectively.

PERU COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENT
(Continued)

Note 4. Deposits and Investments

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

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

Note 5. Risk Management

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

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

Note 6. Pension Plans

A. Public Employees' Retirement Fund

Plan Description

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

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

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

PERU COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENT
(Continued)

Funding Policy and Annual Pension Cost

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

B. Teachers' Retirement Fund

Plan Description

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

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

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

Funding Policy and Annual Pension Cost

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

Note 7. Negative Disbursements

The financial statement contains some disbursements which appear as negative entries. This is a result of voiding a stale-dated check from a prior period and errors made in the prior period that were corrected by reversing the original entry. Since the original entry and the correction were made in separate periods, a negative disbursement was shown in the current period.

PERU COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENT
(Continued)

Note 8. Cash Balance Deficits

The financial statement contains some funds with deficits in cash. The Hot Lunch Clearing Account cash balance deficit at June 30, 2016, was the result of deficit account balances in individual student's lunch accounts. The Instructional Support cash balance deficit at June 30, 2016, was the result of reimbursements never requested or received. All other deficit balances are a result of the funds being set up for reimbursable grants. The reimbursement for expenditures made by the School Corporation were not received by June 30, 2015 and 2016.

Note 9. Holding Corporation

The School Corporation has entered into multiple capital leases with Peru Multi-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 leases to the School Corporation. The lessor has been determined to be a related-party of the School Corporation. Lease payments during the fiscal years 2015 and 2016 totaled \$1,524,750 and \$2,056,000, respectively.

Note 10. Subsequent Events

The School Corporation issued General Obligation Bonds during 2016, for the purpose of renovation and improvements to Peru High School, Peru Junior High School, Blair Pointe Elementary School, and the corporation-wide physical education/athletic facilities. Bond proceeds in the amount of \$2,025,455 were received on December 29, 2016. Semiannual payments begin on July 1, 2017, beginning at \$30,333 and ending with the last payment of \$218,225 due January 1, 2028.

Note 11. Other Postemployment Benefit

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

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OTHER INFORMATION - UNAUDITED

The School Corporation's Financial Reports can be found on the Indiana Department of Education website: <http://www.doe.in.gov/finance/school-financial-reports>. This website is maintained by the Indiana Department of Education. More current financial information is available from the School Corporation Treasurer's office. Additionally, some financial information of the School Corporation can be found on the Indiana Gateway for Government Units website: <https://gateway.ifionline.org/>.

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

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

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PERU COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND CASH AND
 INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2015

	General	Debt Service	Retirement/ Severance Bond Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	Retirement/ Severance Bond	Post- Retirement/ Severance Future Benefits
Cash and investments - beginning	\$ 1,842,260	\$ 338,546	\$ 113,980	\$ 551,821	\$ 368,028	\$ 71,334	\$ 557,479	\$ (74,702)	\$ 708,011
Receipts:									
Local sources	104,911	2,823,195	171,426	704,613	429,848	50,611	-	-	3,947
Intermediate sources	94	-	-	-	-	-	-	-	-
State sources	14,358,672	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-
Interfund loans	45,000	-	45,000	-	25,000	-	-	-	-
Other receipts	41,250	-	-	-	-	-	-	-	-
Total receipts	14,549,927	2,823,195	216,426	704,613	454,848	50,611	-	-	3,947
Disbursements:									
Instruction	9,093,077	-	-	3,449	-	-	-	-	-
Support services	4,952,306	-	-	513,602	586,245	2,544	-	-	298,397
Noninstructional services	158,025	-	-	-	-	-	-	-	-
Facilities acquisition and construction	22,447	-	-	76,591	-	-	-	-	-
Debt service	96,748	2,186,790	257,367	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Interfund loans	70,000	-	45,000	-	-	-	-	-	-
Total disbursements	14,392,603	2,186,790	302,367	593,642	586,245	2,544	-	-	298,397
Excess (deficiency) of receipts over disbursements	157,324	636,405	(85,941)	110,971	(131,397)	48,067	-	-	(294,450)
Other financing sources (uses):									
Sale of capital assets	976	-	-	1,493	-	-	-	-	-
Transfers in	-	-	-	-	-	-	144,258	74,702	-
Transfers out	(218,960)	-	-	-	-	-	-	-	-
Total other financing sources (uses)	(217,984)	-	-	1,493	-	-	144,258	74,702	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(60,660)	636,405	(85,941)	112,464	(131,397)	48,067	144,258	74,702	(294,450)
Cash and investments - ending	\$ 1,781,600	\$ 974,951	\$ 28,039	\$ 664,285	\$ 236,631	\$ 119,401	\$ 701,737	\$ -	\$ 413,561

PERU COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND CASH AND
 INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2015

	School Lunch	Textbook Rental	Self- Insurance	Levy Excess	Educational License Plates	Alternative Education	Early Intervention Grant	PHS Lib Book Fund - Donation	2014 Hygiene Program
Cash and investments - beginning	\$ 144,889	\$ 390,898	\$ 86,512	\$ -	\$ 169	\$ (44,827)	\$ 13,817	\$ -	\$ -
Receipts:									
Local sources	257,714	87,593	14,940	253	-	66,760	-	260	1,000
Intermediate sources	-	-	-	-	244	-	-	-	-
State sources	7,829	98,886	-	-	-	-	-	-	-
Federal sources	942,454	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-
Other receipts	-	-	1,999	-	-	-	-	-	-
Total receipts	1,207,997	186,479	16,939	253	244	66,760	-	260	1,000
Disbursements:									
Instruction	-	-	-	-	-	21,933	-	-	-
Support services	393	73,758	9,856	-	-	-	6,205	254	-
Noninstructional services	1,288,189	-	-	-	-	-	-	-	-
Facilities acquisition and construction	1,328	-	1,680	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-
Total disbursements	1,289,910	73,758	11,536	-	-	21,933	6,205	254	-
Excess (deficiency) of receipts over disbursements	(81,913)	112,721	5,403	253	244	44,827	(6,205)	6	1,000
Other financing sources (uses):									
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(81,913)	112,721	5,403	253	244	44,827	(6,205)	6	1,000
Cash and investments - ending	\$ 62,976	\$ 503,619	\$ 91,915	\$ 253	\$ 413	\$ -	\$ 7,612	\$ 6	\$ 1,000

PERU COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND CASH AND
 INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2015

	Spaetti Grant	Wrestling Scholarship	Tiger Pride Scholarship	PJHS Visual Arts	Hot Lunch Donations	Band Scholarship	Bring It Home	Readers Workshop Books
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 17	\$ 184
Receipts:								
Local sources	977	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-
Total receipts	977	-	-	-	-	-	-	-
Disbursements:								
Instruction	-	-	-	-	-	-	-	-
Support services	-	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-
Total disbursements	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts over disbursements	977	-	-	-	-	-	-	-
Other financing sources (uses):								
Sale of capital assets	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	977	-	-	-	-	-	-	-
Cash and investments - ending	\$ 977	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 17	\$ 184

PERU COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND CASH AND
 INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2015

	Tiger Reading Village	Donation Special Ed Teachers	Summer Reading Donations	Transition Class	Instructional Support	PBIS	AT&T Grant	Extra- Curricular Activities
Cash and investments - beginning	\$ 179	\$ 3,117	\$ 37	\$ 313	\$ -	\$ -	\$ 1,339	\$ 7,936
Receipts:								
Local sources	-	1,323	-	-	-	-	-	716
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-
Total receipts	-	1,323	-	-	-	-	-	716
Disbursements:								
Instruction	-	873	-	-	-	-	1,339	-
Support services	-	-	-	-	-	-	-	843
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-
Total disbursements	-	873	-	-	-	-	1,339	843
Excess (deficiency) of receipts over disbursements	-	450	-	-	-	-	(1,339)	(127)
Other financing sources (uses):								
Sale of capital assets	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	450	-	-	-	-	(1,339)	(127)
Cash and investments - ending	\$ 179	\$ 3,567	\$ 37	\$ 313	\$ -	\$ -	\$ -	\$ 7,809

PERU COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND CASH AND
 INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2015

	Miscellaneous Programs	N. Central IN Literacy Consort	Academic Monitoring Package	Gifted and Talented 2012/13	Formative Assessment	IN Preschool Grants	Gifted and Talented 2015	Gifted and Talented 15/16
Cash and investments - beginning	\$ 115	\$ 5,977	\$ 38,045	\$ -	\$ -	\$ 2,874	\$ -	\$ -
Receipts:								
Local sources	-	-	15,500	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	33,844	-
Federal sources	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-
Total receipts	-	-	15,500	-	-	-	33,844	-
Disbursements:								
Instruction	-	-	-	-	-	2,874	10,510	-
Support services	-	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-
Total disbursements	-	-	-	-	-	2,874	10,510	-
Excess (deficiency) of receipts over disbursements	-	-	15,500	-	-	(2,874)	23,334	-
Other financing sources (uses):								
Sale of capital assets	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	15,500	-	-	(2,874)	23,334	-
Cash and investments - ending	\$ 115	\$ 5,977	\$ 53,545	\$ -	\$ -	\$ -	\$ 23,334	\$ -

PERU COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND CASH AND
 INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2015

	Secured Schools Safety Grant	Cultural Arts	School Technology	Technology Planning Grant	College Success Coalition	Title I 2013/14	Title I 2014-2015	Title I 2015-16
Cash and investments - beginning	\$ (50,000)	\$ 2,100	\$ 4,140	\$ 10,197	\$ 5,028	\$ (19,304)	\$ -	\$ -
Receipts:								
Local sources	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	50,000	-	3,669	29,543	102	-	-	-
Federal sources	-	-	-	50	-	145,924	357,496	-
Interfund loans	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-
Total receipts	50,000	-	3,669	29,593	102	145,924	357,496	-
Disbursements:								
Instruction	-	2,100	-	-	1,806	114,915	335,801	-
Support services	-	-	8,888	6,280	-	(3,281)	70,233	-
Noninstructional services	-	-	-	-	-	132	9,898	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-
Total disbursements	-	2,100	8,888	6,280	1,806	111,766	415,932	-
Excess (deficiency) of receipts over disbursements	50,000	(2,100)	(5,219)	23,313	(1,704)	34,158	(58,436)	-
Other financing sources (uses):								
Sale of capital assets	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	50,000	(2,100)	(5,219)	23,313	(1,704)	34,158	(58,436)	-
Cash and investments - ending	\$ -	\$ -	\$ (1,079)	\$ 33,510	\$ 3,324	\$ 14,854	\$ (58,436)	\$ -

PERU COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND CASH AND
 INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2015

	Title II-B	Parent Nurturing - Alcohol	Local Reading Improvement	Adult Basic Education	Adult Education and Family Literacy, Title II 2013-14	Adult Education	Improving Teacher Quality, No Child Left, Title II, Part A	Improving Teacher Quality, No Child Left Title II, Part A 2013-14
Cash and investments - beginning	\$ 21,089	\$ 725	\$ 205	\$ 28,414	\$ (25,024)	\$ -	\$ -	\$ (4,815)
Receipts:								
Local sources	6,900	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-
Federal sources	16,453	-	-	-	12,894	65,550	-	57,513
Interfund loans	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-
Total receipts	23,353	-	-	-	12,894	65,550	-	57,513
Disbursements:								
Instruction	-	-	-	-	4,760	70,758	-	4,037
Support services	24,661	55	-	-	-	-	2,352	48,685
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-
Total disbursements	24,661	55	-	-	4,760	70,758	2,352	52,722
Excess (deficiency) of receipts over disbursements	(1,308)	(55)	-	-	8,134	(5,208)	(2,352)	4,791
Other financing sources (uses):								
Sale of capital assets	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	28,414	-	-	-
Transfers out	-	-	-	(28,414)	-	-	-	-
Total other financing sources (uses)	-	-	-	(28,414)	28,414	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(1,308)	(55)	-	(28,414)	36,548	(5,208)	(2,352)	4,791
Cash and investments - ending	\$ 19,781	\$ 670	\$ 205	\$ -	\$ 11,524	\$ (5,208)	\$ (2,352)	\$ (24)

PERU COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND CASH AND
 INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2015

	Title II-A 14/15 CFDA 84.367	Title II 2015-16	Title VI - B Rural and Low Income	Title VI - B Rural and Low Income(1)	Rural & Low Income 2015-16	Hot Lunch Clearing Account	Payroll Clearing	Totals
Cash and investments - beginning	\$ -	\$ -	\$ (3,967)	\$ -	\$ -	\$ 8,756	\$ 119,777	\$ 5,225,669
Receipts:								
Local sources	-	-	-	-	-	-	-	4,742,487
Intermediate sources	-	-	-	-	-	-	-	338
State sources	-	-	-	-	-	-	-	14,582,545
Federal sources	80,015	-	23,295	27,782	-	-	-	1,729,426
Interfund loans	-	-	-	-	-	-	-	115,000
Other receipts	-	-	-	-	-	272,920	4,554,553	4,870,722
Total receipts	80,015	-	23,295	27,782	-	272,920	4,554,553	26,040,518
Disbursements:								
Instruction	50,279	-	1,127	29,177	-	-	-	9,748,815
Support services	41,211	-	26,062	4,606	-	-	-	6,674,155
Noninstructional services	-	-	-	-	-	-	-	1,456,244
Facilities acquisition and construction	-	-	-	-	-	-	-	102,046
Debt service	-	-	-	-	-	-	-	2,540,905
Nonprogrammed charges	-	-	-	-	-	257,648	4,549,167	4,806,815
Interfund loans	-	-	-	-	-	-	-	115,000
Total disbursements	91,490	-	27,189	33,783	-	257,648	4,549,167	25,443,980
Excess (deficiency) of receipts over disbursements	(11,475)	-	(3,894)	(6,001)	-	15,272	5,386	596,538
Other financing sources (uses):								
Sale of capital assets	-	-	-	-	-	-	-	2,469
Transfers in	-	-	-	-	-	-	-	247,374
Transfers out	-	-	-	-	-	-	-	(247,374)
Total other financing sources (uses)	-	-	-	-	-	-	-	2,469
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(11,475)	-	(3,894)	(6,001)	-	15,272	5,386	599,007
Cash and investments - ending	\$ (11,475)	\$ -	\$ (7,861)	\$ (6,001)	\$ -	\$ 24,028	\$ 125,163	\$ 5,824,676

PERU COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND CASH AND
 INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2016

	General	Debt Service	Retirement/ Severance Bond Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	Retirement/ Severance Bond	Post- Retirement/ Severance Future Benefits
Cash and investments - beginning	\$ 1,781,600	\$ 974,951	\$ 28,039	\$ 664,285	\$ 236,631	\$ 119,401	\$ 701,737	\$ -	\$ 413,561
Receipts:									
Local sources	108,425	2,574,341	59,089	938,731	506,126	115,226	-	-	4,132
Intermediate sources	282	-	-	-	-	-	-	-	-
State sources	14,296,587	-	-	-	-	-	-	-	-
Federal sources	4,473	-	-	405	-	-	-	-	-
Temporary loans	-	-	-	-	75,000	-	-	-	-
Interfund loans	100,000	-	-	-	-	-	-	-	-
Other receipts	26,739	-	-	-	67	-	-	-	-
Total receipts	14,536,506	2,574,341	59,089	939,136	581,193	115,226	-	-	4,132
Disbursements:									
Instruction	9,579,699	-	-	3,449	-	-	-	-	-
Support services	5,177,514	-	-	719,550	508,529	98,988	87,128	-	289,176
Noninstructional services	185,488	-	-	-	-	-	-	-	-
Facilities acquisition and construction	30,775	-	-	66,808	-	-	-	-	-
Debt service	-	2,781,480	-	-	75,000	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Interfund loans	75,000	-	-	-	25,000	-	-	-	-
Total disbursements	15,048,476	2,781,480	-	789,807	608,529	98,988	87,128	-	289,176
Excess (deficiency) of receipts over disbursements	(511,970)	(207,139)	59,089	149,329	(27,336)	16,238	(87,128)	-	(285,044)
Other financing sources (uses):									
Sale of capital assets	395	-	-	25	-	18,789	-	-	-
Transfers in	-	-	-	-	-	-	87,128	-	-
Transfers out	-	-	(87,128)	-	-	-	-	-	-
Total other financing sources (uses)	395	-	(87,128)	25	-	18,789	87,128	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(511,575)	(207,139)	(28,039)	149,354	(27,336)	35,027	-	-	(285,044)
Cash and investments - ending	\$ 1,270,025	\$ 767,812	\$ -	\$ 813,639	\$ 209,295	\$ 154,428	\$ 701,737	\$ -	\$ 128,517

PERU COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND CASH AND
 INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2016

	School Lunch	Textbook Rental	Self- Insurance	Levy Excess	Educational License Plates	Alternative Education	Early Intervention Grant	PHS Lib Book Fund - Donation	2014 Hygiene Program
Cash and investments - beginning	\$ 62,976	\$ 503,619	\$ 91,915	\$ 253	\$ 413	\$ -	\$ 7,612	\$ 6	\$ 1,000
Receipts:									
Local sources	335,635	63,142	13,695	-	-	-	-	350	-
Intermediate sources	-	-	-	-	169	-	-	-	-
State sources	8,106	105,509	-	-	-	-	-	-	-
Federal sources	958,861	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-
Other receipts	-	-	469	-	-	-	-	-	-
Total receipts	1,302,602	168,651	14,164	-	169	-	-	350	-
Disbursements:									
Instruction	-	-	-	-	-	-	-	-	-
Support services	819	100,707	26,616	-	-	-	4,779	350	-
Noninstructional services	1,249,714	-	-	-	-	-	-	-	-
Facilities acquisition and construction	925	-	65,055	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-
Total disbursements	1,251,458	100,707	91,671	-	-	-	4,779	350	-
Excess (deficiency) of receipts over disbursements	51,144	67,944	(77,507)	-	169	-	(4,779)	-	-
Other financing sources (uses):									
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	51,144	67,944	(77,507)	-	169	-	(4,779)	-	-
Cash and investments - ending	\$ 114,120	\$ 571,563	\$ 14,408	\$ 253	\$ 582	\$ -	\$ 2,833	\$ 6	\$ 1,000

PERU COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND CASH AND
 INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2016

	Spaetti Grant	Wrestling Scholarship	Tiger Pride Scholarship	PJHS Visual Arts	Hot Lunch Donations	Band Scholarship	Bring It Home	Readers Workshop Books
Cash and investments - beginning	\$ 977	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 17	\$ 184
Receipts:								
Local sources	-	600	1,500	400	100	3,847	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-
Total receipts	-	600	1,500	400	100	3,847	-	-
Disbursements:								
Instruction	-	-	-	-	-	-	-	-
Support services	-	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	600	1,500	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-
Total disbursements	-	600	1,500	-	-	-	-	-
Excess (deficiency) of receipts over disbursements	-	-	-	400	100	3,847	-	-
Other financing sources (uses):								
Sale of capital assets	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	-	400	100	3,847	-	-
Cash and investments - ending	\$ 977	\$ -	\$ -	\$ 400	\$ 100	\$ 3,847	\$ 17	\$ 184

PERU COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND CASH AND
 INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2016

	Tiger Reading Village	Donation Special Ed Teachers	Summer Reading Donations	Transition Class	Instructional Support	PBIS	AT&T Grant	Extra- Curricular Activities
Cash and investments - beginning	\$ 179	\$ 3,567	\$ 37	\$ 313	\$ -	\$ -	\$ -	\$ 7,809
Receipts:								
Local sources	-	1,491	-	-	-	524	-	7,874
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-
Total receipts	-	1,491	-	-	-	524	-	7,874
Disbursements:								
Instruction	-	1,323	-	-	8,245	1,604	-	-
Support services	-	-	-	-	-	4,334	-	9,000
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-
Total disbursements	-	1,323	-	-	8,245	5,938	-	9,000
Excess (deficiency) of receipts over disbursements	-	168	-	-	(8,245)	(5,414)	-	(1,126)
Other financing sources (uses):								
Sale of capital assets	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	168	-	-	(8,245)	(5,414)	-	(1,126)
Cash and investments - ending	\$ 179	\$ 3,735	\$ 37	\$ 313	\$ (8,245)	\$ (5,414)	\$ -	\$ 6,683

PERU COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND CASH AND
 INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2016

	Miscellaneous Programs	N. Central IN Literacy Consort	Academic Monitoring Package	Gifted and Talented 2012/13	Formative Assessment	IN Preschool Grants	Gifted and Talented 2015	Gifted and Talented 15/16
Cash and investments - beginning	\$ 115	\$ 5,977	\$ 53,545	\$ -	\$ -	\$ -	\$ 23,334	\$ -
Receipts:								
Local sources	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	-	-	-	22,930	-	-	35,680
Federal sources	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-
Total receipts	-	-	-	-	22,930	-	-	35,680
Disbursements:								
Instruction	-	-	-	(386)	-	-	23,581	17,827
Support services	-	-	-	-	8,329	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-
Total disbursements	-	-	-	(386)	8,329	-	23,581	17,827
Excess (deficiency) of receipts over disbursements	-	-	-	386	14,601	-	(23,581)	17,853
Other financing sources (uses):								
Sale of capital assets	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	-	386	14,601	-	(23,581)	17,853
Cash and investments - ending	\$ 115	\$ 5,977	\$ 53,545	\$ 386	\$ 14,601	\$ -	\$ (247)	\$ 17,853

PERU COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND CASH AND
 INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2016

	Secured Schools Safety Grant	Cultural Arts	School Technology	Technology Planning Grant	College Success Coalition	Title I 2013/14	Title I 2014-2015	Title I 2015-16
Cash and investments - beginning	\$ -	\$ -	\$ (1,079)	\$ 33,510	\$ 3,324	\$ 14,854	\$ (58,436)	\$ -
Receipts:								
Local sources	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	65,000	-	4,404	23,729	129	-	-	-
Federal sources	-	-	-	-	-	-	167,239	449,159
Temporary loans	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-
Total receipts	65,000	-	4,404	23,729	129	-	167,239	449,159
Disbursements:								
Instruction	-	-	-	-	3,453	-	87,018	358,002
Support services	80,440	-	2,660	3,050	-	-	20,421	65,313
Noninstructional services	-	-	-	-	-	-	1,393	9,310
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-
Total disbursements	80,440	-	2,660	3,050	3,453	-	108,832	432,625
Excess (deficiency) of receipts over disbursements	(15,440)	-	1,744	20,679	(3,324)	-	58,407	16,534
Other financing sources (uses):								
Sale of capital assets	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(15,440)	-	1,744	20,679	(3,324)	-	58,407	16,534
Cash and investments - ending	\$ (15,440)	\$ -	\$ 665	\$ 54,189	\$ -	\$ 14,854	\$ (29)	\$ 16,534

PERU COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND CASH AND
 INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2016

	Title II-B	Parent Nurturing - Alcohol	Local Reading Improvement	Adult Basic Education	Adult Education and Family Literacy, Title II 2013-14	Adult Education	Improving Teacher Quality, No Child Left, Title II, Part A	Improving Teacher Quality, No Child Left Title II, Part A 2013-14
Cash and investments - beginning	\$ 19,781	\$ 670	\$ 205	\$ -	\$ 11,524	\$ (5,208)	\$ (2,352)	\$ (24)
Receipts:								
Local sources	7,580	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-
Federal sources	27,928	-	-	51,895	-	8,357	-	-
Temporary loans	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-
Total receipts	35,508	-	-	51,895	-	8,357	-	-
Disbursements:								
Instruction	-	-	-	37,346	-	5,129	-	-
Support services	22,129	-	-	25,176	-	-	(2,352)	(24)
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-
Total disbursements	22,129	-	-	62,522	-	5,129	(2,352)	(24)
Excess (deficiency) of receipts over disbursements	13,379	-	-	(10,627)	-	3,228	2,352	24
Other financing sources (uses):								
Sale of capital assets	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	13,379	-	-	(10,627)	-	3,228	2,352	24
Cash and investments - ending	\$ 33,160	\$ 670	\$ 205	\$ (10,627)	\$ 11,524	\$ (1,980)	\$ -	\$ -

PERU COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND CASH AND
 INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2016

	Title II-A 14/15 CFDA 84.367	Title II 2015-16	Title VI - B Rural and Low Income	Title VI - B Rural and Low Income(1)	Rural & Low Income 2015-16	Hot Lunch Clearing Account	Payroll Clearing	Totals
Cash and investments - beginning	\$ (11,475)	\$ -	\$ (7,861)	\$ (6,001)	\$ -	\$ 24,028	\$ 125,163	\$ 5,824,676
Receipts:								
Local sources	-	-	-	-	-	-	-	4,742,808
Intermediate sources	-	-	-	-	-	-	-	451
State sources	-	-	-	-	-	-	-	14,562,074
Federal sources	27,736	100,527	-	10,202	43,964	-	-	1,850,746
Temporary loans	-	-	-	-	-	-	-	75,000
Interfund loans	-	-	-	-	-	-	-	100,000
Other receipts	-	-	-	10	-	275,384	5,479,783	5,782,452
Total receipts	27,736	100,527	-	10,212	43,964	275,384	5,479,783	27,113,531
Disbursements:								
Instruction	11,824	41,070	-	3,449	3,500	-	-	10,186,133
Support services	22,732	65,748	-	4,000	40,464	-	-	7,385,576
Noninstructional services	-	-	-	-	-	-	-	1,445,905
Facilities acquisition and construction	-	-	-	-	-	-	-	163,563
Debt service	-	-	-	-	-	-	-	2,856,480
Nonprogrammed charges	-	-	-	-	-	300,467	5,524,769	5,827,336
Interfund loans	-	-	-	-	-	-	-	100,000
Total disbursements	34,556	106,818	-	7,449	43,964	300,467	5,524,769	27,964,993
Excess (deficiency) of receipts over disbursements	(6,820)	(6,291)	-	2,763	-	(25,083)	(44,986)	(851,462)
Other financing sources (uses):								
Sale of capital assets	-	-	-	-	-	-	-	19,209
Transfers in	-	-	-	-	-	-	-	87,128
Transfers out	-	-	-	-	-	-	-	(87,128)
Total other financing sources (uses)	-	-	-	-	-	-	-	19,209
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(6,820)	(6,291)	-	2,763	-	(25,083)	(44,986)	(832,253)
Cash and investments - ending	\$ (18,295)	\$ (6,291)	\$ (7,861)	\$ (3,238)	\$ -	\$ (1,055)	\$ 80,177	\$ 4,992,423

PERU COMMUNITY SCHOOLS
SCHEDULE OF PAYABLES AND RECEIVABLES
June 30, 2016

<u>Government or Enterprise</u>	<u>Accounts Payable</u>	<u>Accounts Receivable</u>
Governmental activities	<u>\$ 107,504</u>	<u>\$ 71,012</u>

PERU COMMUNITY SCHOOLS
SCHEDULE OF LEASES AND DEBT
June 30, 2016

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities:				
Peru Multi-School Building Corporation	2010 Peru Junior High Renovations	\$ 234,000	1/15/2011	1/15/2021
Peru Multi-School Building Corporation	2013 A Peru High School, Administration, Technology and Athletic Field Renovations	372,550	1/15/2015	1/15/2027
Peru Multi-School Building Corporation	2014 A Refunding of 2005 Elmwood Elementary Lease, Blair Pointe and Keys Renovations	660,000	6/30/2014	12/31/2022
Peru Multi-School Building Corporation	2012 A&B Blair Pointe, Peru Junior High, and Peru High School Renovations	419,000	7/15/2012	1/15/2027
Peru Multi-School Building Corporation	2014 B Peru High School, Administration, Technology and Athletic Field Renovations	<u>387,000</u>	1/15/2016	1/15/2027
Total of annual lease payments		<u>\$ 2,072,550</u>		

Type	Description of Debt Purpose	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:			
Notes and loans payable	Common School Loan Building Renovations	<u>\$ 5,890,000</u>	<u>\$ 719,760</u>

PERU COMMUNITY SCHOOLS
SCHEDULE OF CAPITAL ASSETS
June 30, 2016

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.

	<u>Ending Balance</u>
Governmental activities:	
Land Improvements	\$ 3,820,635
Buildings	28,086,641
Machinery, equipment, and vehicles	<u>3,514,731</u>
Total capital assets	<u>\$ 35,422,007</u>

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



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

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

Report on Compliance for Each Major Federal Program

We have audited the Peru Community Schools' (School Corporation) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the period of July 1, 2014 to June 30, 2016. 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.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the School Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the period of July 1, 2014 to June 30, 2016.

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

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2016-003 and 2016-005. Our opinion on each major federal program is not modified with respect to these matters.

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

Report on Internal Control over Compliance


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

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2016-003, 2016-004, 2015-005, and 2016-006 to be material weaknesses.

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

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


Paul D. Joyce, CPA
State Examiner

April 2, 2018

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTES

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

PERU COMMUNITY SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Years Ended June 30, 2015 and 2016

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient 06-30-15	Total Federal Awards Expended 06-30-15	Passed Through to Subrecipient 06-30-16	Total Federal Awards Expended 06-30-16
<u>Department of Agriculture</u>							
Child Nutrition Cluster							
School Breakfast Program	Indiana Department of Education	10.553					
School Breakfast Program			FY 14-15	\$ -	\$ 197,496	\$ -	\$ -
School Breakfast Program			FY 15-16	-	-	-	214,136
Total - School Breakfast Program				-	197,496	-	214,136
National School Lunch Program							
National School Lunch	Indiana Department of Education	10.555					
National School Lunch			FY 14-15	-	597,786	-	-
National School Lunch			FY 15-16	-	-	-	626,639
National School Lunch - Commodities			FY 14-15	-	79,035	-	-
National School Lunch - Commodities			FY 15-16	-	-	-	72,760
Snacks			FY 14-15	-	3,244	-	-
Snacks			FY 15-16	-	-	-	4,511
Total - National School Lunch Program				-	680,065	-	703,910
Summer Food Service Program for Children							
Summer Food Service Program	Indiana Department of Education	10.559					
Summer Food Service Program			FY 14-15	-	49,034	-	-
Summer Food Service Program			FY 15-16	-	-	-	53,314
Total - Summer Food Service Program for Children				-	49,034	-	53,314
Total - Child Nutrition Cluster				-	926,595	-	971,360
Child and Adult Care Food Program							
Child and Adult Care Food Program	Indiana Department of Education	10.558					
Child and Adult Care			FY 14-15	-	60,475	-	-
Child and Adult Care			FY 15-16	-	-	-	54,814
Total - Child and Adult Care Food Program				-	60,475	-	54,814
Total - Department of Agriculture				-	987,070	-	1,026,174
<u>Department of Education</u>							
Special Education Cluster (IDEA)							
Special Education Grants to States	Indiana Department of Education	84.027					
			14213-058-PN01	-	7,838	-	-
			14214-058-PN01	-	141,138	-	41,409
			14215-058-PN01	-	390,297	-	182,515
			14216-056-PN01	-	-	-	271,276
			9914-058-TA01	-	8,156	-	-
Total - Special Education Grants to States				-	547,429	-	495,200
Special Education Preschool Grants							
Special Education Preschool Grants	Indiana Department of Education	84.173					
			45714-058-PN01	-	11,540	-	-
			45715-058-PN01	-	14,095	-	11,034
			45716-056-PN01	-	-	-	13,571
Total - Special Education Preschool Grants				-	25,635	-	24,605
Total - Special Education Cluster (IDEA)				-	573,064	-	519,805

PERU COMMUNITY SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Years Ended June 30, 2015 and 2016

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient 06-30-15	Total Federal Awards Expended 06-30-15	Passed Through to Subrecipient 06-30-16	Total Federal Awards Expended 06-30-16
Title I Grants to Local Educational Agencies	Indiana Department of Education	84.010					
Title I 2013/14			14-5635	-	145,923	-	-
Title I 2014-2015			15-5635	-	357,497	-	167,239
Title I 2015-16			16-5635	-	-	-	449,159
Total - Title I Grants to Local Educational Agencies				-	503,420	-	616,398
Adult Education-Basic Grants to States	Lafayette School Corporation	84.002					
Adult Education			FY 13-14	-	9,534	-	-
Adult Education			FY 14-15	-	19,583	-	7,541
Adult Education			FY 15-16	-	-	-	11,801
Total - Adult Education-Basic Grants to States				-	29,117	-	19,342
Rural Education	Indiana Department of Education	84.358					
Rural Education			12-5635	-	23,295	-	-
Rural Education			13-5635	-	27,782	-	10,202
Rural Education			14-5635	-	-	-	43,964
Total - Rural Education				-	51,077	-	54,166
Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	Indiana Department of Education	84.367					
Improving Teacher Quality			12-5635	-	57,513	-	-
Improving Teacher Quality			13-5635	-	80,015	-	27,736
Improving Teacher Quality			14-5635	-	-	-	100,527
Total - Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)				-	137,528	-	128,263
College Access Challenge Grant Program	Indiana Commission for Higher Education	84.378					
Miami County College Success Coalition			FY 14-15	-	830	-	-
Miami County College Success Coalition			FY 15-16	-	-	-	3,453
Total - College Access Challenge Grant Program				-	830	-	3,453
Total - Department of Education				-	1,295,036	-	1,341,427
<u>Department of Health and Human Services</u>							
Medicaid Cluster							
Medical Assistance Program	Indiana Department of Education	93.778					
FY 14-15			FY 14-15	-	3,605	-	-
FY 15-16			FY 15-16	-	-	-	4,473
Total - Medical Assistance Program				-	3,605	-	4,473
Total - Medicaid Cluster				-	3,605	-	4,473
Total - Department of Health and Human Services				-	3,605	-	4,473
Total federal awards expended				\$ -	\$ 2,285,711	\$ -	\$ 2,372,074

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

PERU COMMUNITY SCHOOLS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. *Basis of Presentation*

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes the federal grant activity of the School Corporation under programs of the federal government for the years ended June 30, 2015 and 2016. The information in the SEFA is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the SEFA presents only a select portion of the operations of the School Corporation, it is not intended to and does not present the financial position of the School Corporation.

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

Note 2. *Summary of Significant Accounting Policies*

Expenditures reported on the SEFA are reported on the cash basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowed or are limited as to reimbursement. When federal grants are received on a reimbursement basis, the federal awards are considered expended when the reimbursement is received.

Note 3. *Special Education Cooperative*

The School Corporation is a member of a Special Education Cooperative (Cooperative). As a result, some activity for the Special Education Cluster (IDEA) that is presented as federal awards expended in the SEFA is not presented as receipts and disbursements in the financial statement for the School Corporation. This activity is reported on the financial statement of the Cooperative.

PERU COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I - Summary of Auditor's Results

Financial Statement:

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

Federal Awards:

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

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
84.010	Child Nutrition Cluster 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?	no
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Section II - Financial Statement Findings

FINDING 2016-001

Subject: Preparation of the Schedule of Expenditures of Federal Awards
Audit Findings: Material Weakness, Noncompliance

Repeat Finding

This is a repeat finding from the immediate prior audit. The prior audit finding number was 2014-001.

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

Condition

The School Corporation had not established effective internal controls over the financial information entered into the Indiana Gateway for Government Units financial reporting system, which was the source for the Schedule of Expenditures of Federal Awards (SEFA).

Context

Due to the lack of controls, Special Education Cluster (IDEA) grants were not reported, while Adult Education-Basic Grants to States, Rural Education grants, Supporting Effective Instruction State Grants, and Medicaid Cluster grants were reported incorrectly. Child Welfare Services Program grants and Head Start grants were included in error.

Net audit adjustments in the amount of \$545,906 and \$455,781 for fiscal years 2014-2015 and 2015-2016, respectively, were proposed, accepted by the School Corporation, and made to the SEFA.

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. . . ."

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

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

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

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

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

Cause

Management had not established a system of internal control that would have ensured proper reporting of the SEFA.

Effect

Without a proper system of internal control in place that operated effectively, material misstatements of the SEFA remained undetected. The SEFA contained the errors identified in the *Context*.

Recommendation

We recommended the School Corporation's management establish controls to prevent, or detect and correct, errors on the SEFA.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

FINDING 2016-002

Subject: Financial Transactions and Reporting
Audit Findings: Material Weakness, Noncompliance

Condition

There were deficiencies in the internal control system of the School Corporation related to Financial Transactions and Reporting. The School Corporation had not separated incompatible activities related to Cash and Investments and Receipts.

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

Cash and Investments

The Deputy Treasurer reconciled the bank accounts to the financial records without a proper system of oversight, review, or approval. Due to the lack of controls, depository reconciliations of fund balances to bank account balances were not accurate. Bank reconciliations were prepared for each month during the audit period, but included unidentified adjustments for each month from January 2015 through June 2016. The adjustments were necessary due to the installation of new financial reporting software on January 1, 2015. Various transactions were processed incorrectly while transitioning to the new software. Corrections were posted to the system and dated as of the original entry date rather than the actual correction date. At various times throughout the audit period, corrections were posted during a subsequent fiscal period after submission of the financial report to the Department of Education. During the course of our audit, we were unable to determine the total amount of transactions that had been backdated. Upon further review of the June 30, 2015 and 2016 reconciliations, amounts totaling \$9,919 and \$10,204 remained as unidentified cash long, respectively.

Receipts

The Deputy Treasurer wrote receipts, posted receipts to the financial records, and was responsible for taking the deposits to the bank.

Context

The lack of adequate internal controls and noncompliance were systemic issues, which occurred throughout the audit period.

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. . . ."

Indiana Code 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

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

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance must agree. If the reconciled bank balance is less than the subsidiary or control ledgers, the amount needed to balance may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

When it is determined that an error has been posted in the financial records, the error must be corrected in a timely manner. The correction of the error should be dated as of the date that the correction occurred and should not be back dated to the date the error occurred. The adjustment should be labeled as a correcting entry. All documentation of the error and the adjustments must be maintained to support the correction. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

Cause

Management of the School Corporation had not established a proper system of internal control.

Effect

The failure to establish and properly implement controls enabled noncompliance related to Cash and Investments and could have enabled misstatements or irregularities to remain undetected.

Recommendation

We recommended that the School Corporation's management establish a system of controls related to Financial Transactions and Reporting, including segregation of duties, to ensure that bank reconciliations were performed accurately and to ensure that financial transactions were accurately reported in the financial statement.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

Section III - Federal Award Findings and Questioned Costs

FINDING 2016-003

Subject: Child Nutrition Cluster - Reporting

Federal Agency: Department of Agriculture

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

CFDA Numbers: 10.553, 10.555, 10.559

Federal Award Numbers and Years (or Other Identifying Numbers): FY 14-15, FY 15-16

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Reporting

Audit Findings: Material Weakness, Other Matters

Repeat Finding

This is a repeat finding from the immediate prior audit. The prior audit finding number was 2014-003.

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

Condition

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Reporting compliance requirement.

The Annual Financial Report for fiscal year 2014-2015 had income entries that did not agree with the School Corporation's financial records. The Summer School Food Service Program for Children federal reimbursements was understated by \$49,034, sales to children were overstated by \$71,978, and sales to adults were overstated by \$1,062.

Supporting documentation for the School Food Authority (SFA) Verification Collection Reports submitted for both fiscal years 2014-2015 and 2015-2016 did not match totals reported for direct certification and total students reported as approved for free or reduced eligibility through an application.

The June 2014 Sponsor Claim (claim for reimbursement) for Summer Food Service Program for Children was inaccurate. A total of 5,323 lunch meals were served and only 4,778 were claimed for reimbursement. The November 2015 Sponsor Claim (claim for reimbursement) of snacks was inaccurate. A total of 1,968 snacks were served, and only 1,807 were claimed for reimbursement.

Context

The lack of properly designed and implemented controls was a systemic problem, which occurred throughout the audit period. A total of eight reports were selected for review and five did not match the supporting documentation.

Criteria

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

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

2 CFR 200.303 states in part:

"The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

7 CFR 3016.20(b) states in part:

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

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

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

(6) *Source documentation.* Accounting records must be supported by such source documentation as canceled checks, paid bills, payrolls, time and attendance records, contract and subgrant award documents, etc. . . ."

2 CFR 200.302(b)(2) states in part: "Accurate, current, and complete disclosure of the financial results of each Federal award or program in accordance with the reporting requirements set forth in §§ 200.327 Financial reporting and 200.328 Monitoring and reporting program performance. . . ."

Cause

The School Corporation had not established and implemented an effective internal control system that segregated key functions.

Effect

The failure to establish internal controls enabled material noncompliance to go undetected, which could have resulted in the loss of federal funds to the School Corporation.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls, including segregation of duties, related to the grant agreement and the compliance requirement listed above.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

FINDING 2016-004

Subject: Child Nutrition Cluster - Activities Allowed or Unallowed and
Program Income and National School Lunch Program -
Special Tests and Provisions - Paid Lunch Equity

Federal Agency: Department of Agriculture

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

CFDA Numbers: 10.553, 10.555, 10.559

Federal Award Numbers and Years (or Other Identifying Numbers): FY 14-15, FY 15-16

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Activities Allowed or Unallowed, Program Income,
Special Tests and Provisions - Paid Lunch Equity

Audit Finding: Material Weakness

Repeat Finding

This is a repeat finding from the immediate prior audit regarding Program Income. The prior audit finding number was 2014-002.

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

Condition

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the following compliance requirements: Activities Allowed or Unallowed, Program Income, and Special Tests and Provisions - Paid Lunch Equity.

Activities Allowed or Unallowed

Payroll was processed with no review or oversight to ensure proper posting to the School Lunch fund.

Program Income

The posting of program income to the School Lunch fund was completed by the Deputy Treasurer with no review or oversight.

Special Tests and Provisions - Paid Lunch Equity (National School Lunch Program)

The Paid Lunch Equity was calculated with no review or approval to ensure proper calculations.

Context

The lack of properly designed and implemented controls was a systemic problem, which occurred throughout the audit period.

Criteria

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

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

2 CFR 200.303 states in part:

"The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

Cause

The School Corporation had not established and implemented an effective internal control system that segregated key functions.

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

Effect

The failure to establish an effective internal control system placed the School Corporation at risk of noncompliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system could have also allowed noncompliance with the compliance requirements and allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the programs.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls, including segregation of duties, related to the grant agreement and the compliance requirements listed above.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

FINDING 2016-005

Subject: Child Nutrition Cluster - Allowable Costs/Cost Principles
Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program,
Summer Food Service Program for Children
CFDA Numbers: 10.553, 10.555, 10.559
Federal Award Numbers and Years (or Other Identifying Numbers): FY 14-15, FY 15-16
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Allowable Costs/Cost Principles
Audit Findings: Material Weakness, Other Matters

Condition

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Allowable Costs/Cost Principles compliance requirement. Effective controls were not in place to ensure that only applicable employees were paid from program funds.

School Corporation Bookkeepers who collected school lunch and textbook money and had other duties were paid partially from the School Lunch fund but Personnel Activity Reports or other documentation of personnel expenses were not maintained; therefore, it was not possible to determine the amount that should have been paid from the School Lunch fund. Additionally, the Treasurer was paid partially from the School Lunch fund and should not have been. Due to these issues there were questioned costs of \$39,379.

Context

This was a systemic issue, which occurred throughout the audit period.

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

Criteria

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

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

2 CFR 200.303 states in part:

"The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

OMB Circular A-87, Attachment A, Part C.1 states in part:

"Factors affecting allowability of costs. To be allowable under Federal awards, costs must meet the following general criteria:

- a. Be necessary and reasonable for proper and efficient performance and administration of Federal awards.
- b. Be allocable to Federal awards under the provisions of this Circular. . . .
- j. Be adequately documented. . . ."

OMB Circular A-87, Attachment B, Section 8h(4) states in part:

"Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection (5) unless a statistical sampling system (see subsection (6)) or other substitute system has been approved by the cognizant Federal agency. Such documentary support will be required where employees work on:

- (a) More than one Federal award,
- (b) A Federal award and a non-Federal award, . . ."

2 CFR 200.430(i) states in part:

"*Standards for Documentation of Personnel Expenses* (1) Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must:

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

- (i) Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated;
- (ii) Be incorporated into the official records of the non-Federal entity;
- (iii) Reasonably reflect the total activity for which the employee is compensated by the non-Federal entity, not exceeding 100% of compensated activities (for IHE, this per the IHE's definition of IBS); . . .
- (vii) Support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one Federal award; a Federal award and non-Federal award; an indirect cost activity and a direct cost activity; two or more indirect activities which are allocated using different allocation bases; or an unallowable activity and a direct or indirect cost activity. . . ."

Cause

Management had not developed a system of internal controls that would have ensured compliance with the Allowable Costs/Cost Principles compliance requirement.

Effect

The failure to establish internal controls enabled material noncompliance to go undetected, which could have resulted in the loss of federal funds to the School Corporation.

Questioned Costs

Questioned costs identified totaled \$39,379.

Recommendation

We recommended that the School Corporation's management establish controls, including segregation of duties, related to the grant agreement and the Allowable Costs/Cost Principles compliance requirement.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

FINDING 2016-006

Subject: Title I Grants to Local Educational Agencies - Activities Allowed
or Unallowed and Allowable Costs/Cost Principles

Federal Agency: Department of Education

Federal Program: Title I Grants to Local Educational Agencies

CFDA Number: 84.010

Federal Award Numbers and Years (or Other Identifying Numbers): 14-5635, 15-5635, 16-5635

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Activities Allowed or Unallowed,
Allowable Costs/Cost Principles

Audit Finding: Material Weakness

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

Condition

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Activities Allowed or Unallowed and Allowable Costs/Cost Principles compliance requirements of the Title I Grants to Local Educational Agencies.

Payroll is processed with no review or oversight to ensure proper posting to the Title I funds.

Context

The lack of controls was a systemic problem, which occurred throughout the audit period.

Criteria

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

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

2 CFR 200.303 states in part:

"The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

Cause

The School Corporation had not established and implemented an effective internal control system that segregated key functions.

Effect

The failure to establish an effective internal control system placed the School Corporation at risk of noncompliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system could have also allowed noncompliance with the compliance requirements and allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the program.

Questioned Costs

There were no questioned costs identified.

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

Recommendation

We recommended that the School Corporation's management establish controls, including segregation of duties, related to the grant agreement and the compliance requirements listed above.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

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AUDITEE-PREPARED DOCUMENTS

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



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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2014-002

FY 12-13, FY 13-14

Pass-Through Entity: Indiana Department of Education
Contact Person Responsible for Corrective Action: Stanley Hall
Contact Phone Number: 765 473-3081

Status of Audit Finding:

Peru Community Schools Corporation began formalizing internal controls on June 3, 2016. The School Board has reviewed our procedures and internal controls twice. We believe an effective system of internal controls is now in place.

Eligibility

Paper applications were used for 2015-16 school year. The School Principal approves school lunch free and reduced applications. Then the Administrative Assistant reviews school lunch free and reduced applications. Verification of free and reduced status is conducted by the Administrative Assistant and reviewed by the Treasurer.

Free and reduced lunch applications for the 2016-17 school year were processed electronically. Skyward, our software, checked the data inputted by the parent and calculates the status. The Administrative Assistant reviewed the applications before approving in Skyward. The Data Specialist uploaded the Direct Certification matches from the State's website. The Administrative Assistant then verifies the family matches of Direct Certification students.

Suspension and Debarment

The Accounts Payable Coordinator began collecting statements from vendors that they are not suspended or debarred from conducting business with the federal government during the 2015-16 school year.

Program Income

This process was in place during the 2014-15 school year. The data specialist produces an "Accuclaim" and daily record report as well as a monthly activity report for the accounts payable coordinator. The accounts payable coordinator verifies the number of meals served to the monthly activity report's program income. The journal entry for the monthly transfer from Fund 8400 to Fund 0800 is approved by the Treasurer prior to posting by the Deputy Treasurer. Credit balances in individual student account are being addressed with a collections agency.

Reporting

Sponsor claims for reimbursement are verified by the Accounts Payable Coordinator prior to submittal by the Food Service Director. The annual Financial Reports are prepared by the Deputy Treasurer and are reviewed by the Treasurer prior to submission.

Special Tests and Provisions

Verification of Free and Reduced Price Applications

The School Principal approves school lunch free and reduced applications. Then the Administrative Assistant reviews school lunch free and reduced applications.

School Food Accounts

Sponsor claims for reimbursement are verified to subsequent receipt postings for summer food service and snacks by the Deputy Treasurer.

FINDING 2014-003

FY 12-13, FY 13-14

Pass-Through Entity: Indiana Department of Education
Contact Person Responsible for Corrective Action: Stanley Hall
Contact Phone Number: 765 473-3081

The Nutrition Annual Financial Report is prepared by the Deputy Treasurer. The source documents are the Rev Annual Lunch Report, Exp Annual Lunch Report and Cash Balance Report. The Treasurer verifies the amounts prior to submittal and after submittal. Source documents and the filed claim are in our files dating back to 2014-15.

Sponsor claims for reimbursement for snacks are verified by the Food Service Director prior to submittal by the Accounts Payable Coordinator. Beginning in February 2018, the dinner and summer claims are being verified by Teresa Fitzgerald prior to submittal by the Food Service Director.

Internal controls are in place for proper segregation of duties, such as oversight, review and approval processes. Individuals are not in a position to initiate, approve, undertake and review the same activity.



(Signature)



(Title)



(Date)

(Note to Officials: To determine what audit findings are required to be reported in the Summary Schedule of Prior Audit Findings, please see U.S. Office of Management and Budget (OMB), Circular A-133, Subpart C, section .315(b) for audit periods beginning before December 26, 2014. For audit periods beginning after December 26, 2014, please see 2 CFR §200.511(b).)



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CORRECTIVE ACTION PLAN

FINDING 2016-001

Contact Person Responsible for Corrective Action: Stanley Hall
Contact Phone Number: 765 473-3081

Views of Responsible Official: We agree with the finding identified.

Description of Corrective Action Plan:

SEFA reporting procedures have been modified to include a third person to verify the report, prior to submittal. The 2016-17 SEFA will be corrected in April 2018.

The funding of the professional development in the Adult Education grant was determined to non-federal during the field audit and will not be reported as federal in the future.

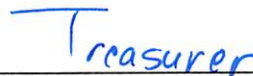
Rural Education and Improving Teacher Quality grants were identified as federally funded during the 2012-14 audit and have been reported henceforth. Medicaid reimbursement is no longer being received, therefore is now a moot point. We will continue verify the source of all future grants.

Anticipated Completion Date:

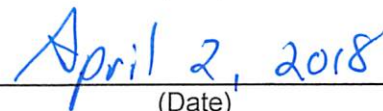
All of the corrective action items have been implemented as of March 28, 2018.



(Signature)



(Title)



(Date)



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CORRECTIVE ACTION PLAN

FINDING 2016-002

Contact Person Responsible for Corrective Action: Stanley Hall
Contact Phone Number: 765 473-3081

Views of Responsible Official: We agree with the finding identified. Peru Community Schools Corporation changed financial accounting software from Komputrol to Skyward effective January 1, 2015. Cash was reconciled to the bank but we were unable to reconcile to the funds. The common item of discrepancy was wire that did not clear in the month they were processed. Initial bank reconciliations were completed by Lois Mongosa. Subsequent reconciliations were performed by Jacqueline Gray and a temporary contractual employee. Skyward staff were on site and via web-ex for additional training and troubleshooting of the bank reconciliation. These reconciliations were supervised by Stanley Hall. There was no written record of review or approval.

Description of Corrective Action Plan:

In January, 2018, during the field work of this audit, a Skyward web-ex about bank reconciliation best practices was found. It said that wires affected cash on the date of the invoice, which is incorrect from an accounting perspective. Our solution is to delete the invoice date that is automatically assigned during payroll and to manually insert an invoice date that is the same month as the wire is to be processed. February and March wires were processed by this method. Our goal is to get to the same variance amount month over month. We will then make an adjustment to zero the bank reconciliation.

Written records of the bank reconciliation is now in effect. The deputy treasurer does the bank reconciliation and it is approved by the treasurer.

The process for receipts has been modified. The receptionist opens mail and writes the receipt. The deputy treasurer receipts the funds in Skyward. The deposit is made by the receptionist and taken to the bank by the payroll and benefits coordinator. The treasurer verifies the receipt is posted correctly. This has been implemented in April 2018.

Anticipated Completion Date:

The anticipated completion date for the bank reconciliation is August 2018.

A. Hill

(Signature)

Treasurer

(Title)

April 2, 2018

(Date)



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CORRECTIVE ACTION PLAN

FINDING 2016-003

Contact Person Responsible for Corrective Action: Stanley Hall
Contact Phone Number: 765 473-3081

Views of Responsible Official: We agree with the finding identified.

Description of Corrective Action Plan:

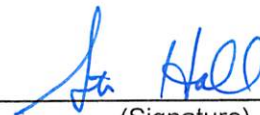
SEFA reporting procedures have been modified to include a third person to verify the report, prior to submittal. The 2016-17 SEFA will be corrected in April 2018.

A Direct Certification report will be retained with the free and reduced lunch claims by the Executive Secretary. This will be verified by the treasurer.

The Food Service Director will prepare the Sponsor Claim for the Summer Food Service Program. This will be verified prior to submittal by either Linda Fuller or Teresa Fitzgerald.

Anticipated Completion Date:

The SEFA and lunch claims processing will be implemented in April 2018. The implementation of the Summer Food Service claim process will be used for the July and August 2018 claim submittals.



(Signature)

Treasurer

(Title)

April 2, 2018

(Date)



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CORRECTIVE ACTION PLAN

FINDING 2016-004

Contact Person Responsible for Corrective Action: Stanley Hall
Contact Phone Number: 765 473-3081

Views of Responsible Official: We agree with the finding identified.

Description of Corrective Action Plan:

Each payroll is verified by two central office employees, either the deputy treasurer, receptionist or accounts payable coordinator, prior to pay distribution. The new part of this process is that each of these individuals will sign off on their portion of the payroll. The Treasurer reviews every pay distribution report.

SEFA reporting procedures have been modified to include a third person to verify the report, prior to submittal. The 2016-17 SEFA will be corrected in April 2018.

The Treasurer calculates the Paid Lunch Equity. The Deputy Treasurer will approve the calculations.

Anticipated Completion Date:

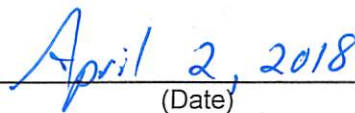
The payroll processing and SEFA will be implemented in April 2018. The implementation of the Paid Lunch Equity process will be implemented in May 2018.



(Signature)



(Title)



(Date)



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CORRECTIVE ACTION PLAN

FINDING 2016-005

Contact Person Responsible for Corrective Action: Stanley Hall
Contact Phone Number: 765 473-3081

Views of Responsible Official: We agree with the finding identified.

Description of Corrective Action Plan:

Payment of school bookkeepers from the Child Nutrition Funds was discontinued in 2015.
Payment of the treasurer from the Child Nutrition Funds was discontinued in March 2015.

Anticipated Completion Date:


This corrective action plan has been implemented.



(Signature)



(Title)



(Date)



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CORRECTIVE ACTION PLAN

FINDING 2016-006

Contact Person Responsible for Corrective Action: Stanley Hall
Contact Phone Number: 765 473-3081

Views of Responsible Official: We agree with the finding identified.

Description of Corrective Action Plan:

Review of payroll processing for Title I funds has been in place since 2007. However, the review and oversight has not been documented.

The Title I budget is reviewed by the treasurer and deputy treasurer with the Title I director. Specific personnel are assigned to each appropriation. This information is provided to the payroll and benefits coordinator to charge salaries and wages of Title I personnel to the correct appropriation. Each payroll is verified by two central office employees, either the deputy treasurer, receptionist or accounts payable coordinator, prior to pay distribution. Verification of Title I paid employees takes place after the first pay distribution of the new Title I budget year and quarterly thereafter. The new part of this process is that each of these individuals will sign off on their portion of the payroll.

Anticipated Completion Date:

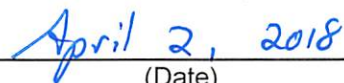
This corrective action plan is being implemented in April 2018.



(Signature)



(Title)



(Date)

OTHER REPORTS

In addition to this report, other reports may have been issued for the School Corporation. All reports can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>.