

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

LIBERTY-PERRY COMMUNITY
SCHOOL CORPORATION
DELAWARE COUNTY, INDIANA

July 1, 2014 to June 30, 2016



FILED
11/30/2018

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SCHEDULE OF OFFICIALS

| <u>Office</u> | <u>Official</u> | <u>Term</u> |
|----------------------------------|-----------------|----------------------|
| Treasurer | Julie D. Wake | 01-01-14 to 12-31-18 |
| Superintendent of Schools | Bryan Rausch | 07-01-14 to 06-30-19 |
| President of the School Board | Keith Davis | 01-01-14 to 12-31-18 |



INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statement

We have audited the accompanying financial statement of the Liberty-Perry Community School Corporation (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 October 16, 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

October 16, 2018



STATE OF INDIANA
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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 LIBERTY-PERRY COMMUNITY SCHOOL
CORPORATION, DELAWARE 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 Liberty-Perry Community School Corporation (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 October 16, 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 item 2016-001.

Liberty-Perry Community School Corporation's 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

October 16, 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.

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LIBERTY-PERRY COMMUNITY SCHOOL CORPORATION
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 | \$ 514,055 | \$ 7,589,331 | \$ 7,354,392 | \$ - | \$ 748,994 | \$ 7,522,749 | \$ 7,380,422 | \$ - | \$ 891,321 |
| Debt Service | 245,162 | 801,554 | 748,000 | - | 298,716 | 757,502 | 806,910 | - | 249,308 |
| Retirement/Severance Bond Debt Service | 181,961 | 329,155 | 311,155 | - | 199,961 | 311,178 | 312,047 | - | 199,092 |
| Capital Projects | - | 686,782 | 636,479 | - | 50,303 | 704,334 | 796,281 | - | (41,644) |
| School Transportation | 589,773 | 620,331 | 455,780 | - | 754,324 | 534,500 | 464,334 | (238,503) | 585,987 |
| School Bus Replacement | 112,508 | 63,372 | 88,527 | - | 87,353 | 138,458 | 201,504 | - | 24,307 |
| Rainy Day | 244,382 | - | - | - | 244,382 | - | 126,777 | 250,000 | 367,605 |
| Retirement/Severance Bond | 79,846 | - | 21,200 | - | 58,646 | - | 11,951 | - | 46,695 |
| School Lunch | 115,207 | 577,205 | 660,889 | - | 31,523 | 665,873 | 639,598 | - | 57,798 |
| Textbook Rental | 94,873 | 103,487 | 119,038 | - | 79,322 | 89,649 | 33,613 | - | 135,358 |
| Levy Excess | 11,497 | - | - | - | 11,497 | - | - | (11,497) | - |
| SAFE School Haven | 164 | - | - | - | 164 | - | - | - | 164 |
| Instructional Support | 12 | - | - | - | 12 | - | - | - | 12 |
| Formative Assessment | - | - | - | - | - | 15,315 | - | - | 15,315 |
| Gifted and Talented | - | 28,408 | 28,407 | - | 1 | 29,081 | 29,081 | - | 1 |
| Medicaid Reimbursement | 13,675 | 1,662 | - | - | 15,337 | 2,939 | - | - | 18,276 |
| School Technology | 3,172 | - | 310 | - | 2,862 | - | - | - | 2,862 |
| Technology Grants [IC 20-40-15] | 36 | - | - | - | 36 | - | - | - | 36 |
| Performance Based Awards | 138 | 12,930 | 12,927 | - | 141 | 1,875 | - | - | 2,016 |
| Construction, Remodeling, and Equipping Buildings | - | - | - | - | - | 850,000 | 169,861 | - | 680,139 |
| Miscellaneous Programs | 1 | - | - | - | 1 | - | - | - | 1 |
| Library Media Spec Cadre | 28 | - | - | - | 28 | - | - | - | 28 |
| Senator David Ford Technology | - | 2,000 | 2,000 | - | - | 100,000 | 99,830 | - | 170 |
| Selma Safety Grant | - | 14,739 | 29,481 | - | (14,742) | 13,170 | 13,341 | - | (14,913) |
| Title I 12/13 | - | - | 646 | - | (646) | 152,262 | 151,616 | - | - |
| Title I 14/15 | - | 127,552 | 157,290 | - | (29,738) | 54,814 | 25,076 | - | - |
| Title VI | 174 | - | - | - | 174 | - | - | - | 174 |
| Title V Part A | 190 | - | - | - | 190 | - | - | - | 190 |
| Title V Supplemental | 174 | - | - | - | 174 | - | - | - | 174 |
| IDEA | 171 | 302,498 | 335,989 | - | (33,320) | 257,837 | 302,616 | - | (78,099) |
| (IDEA, Part B) LEA Capacity Building (Sliver) Grants | - | 6,653 | 6,669 | - | (16) | - | - | - | (16) |
| Nutritional Grant - State | 17 | - | - | - | 17 | - | - | - | 17 |
| Title II - Eisenhower - Science and Math Technology Grants | 27 | - | - | - | 27 | - | - | - | 27 |
| Tobacco Free Coalition | 1,209 | - | - | - | 1,209 | - | - | - | 1,209 |
| Medicaid Reimbursement - Federal | 47 | - | - | - | 47 | - | - | - | 47 |
| Other Federal Programs | - | 181,340 | 221,819 | - | (40,479) | 86,371 | 45,892 | - | - |
| Improving Teacher Quality, No Child Left, Title II, Part A | - | - | 2,142 | - | (2,142) | 60,003 | 58,865 | - | (1,004) |
| ITQ, Enhanced Education Through Technology, Title II, Part D | 35 | - | - | - | 35 | - | - | - | 35 |
| Technology Literacy Challenge, Title III | 62 | - | - | - | 62 | - | - | - | 62 |
| Prepaid Food | 3,570 | 192,821 | 199,672 | - | (3,281) | 187,475 | 195,716 | - | (11,521) |
| Agency | 12,618 | 2,050,325 | 2,019,506 | - | 43,437 | 2,024,399 | 1,987,141 | - | 80,695 |
| Totals | \$ 2,224,784 | \$ 13,692,145 | \$ 13,412,318 | \$ - | \$ 2,504,611 | \$ 14,559,784 | \$ 13,852,471 | \$ - | \$ 3,211,924 |

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

LIBERTY-PERRY COMMUNITY SCHOOL CORPORATION
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.

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.

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

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.

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.

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:

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.

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

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.

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.

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

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

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

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

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 Receipts and Disbursements

The financial statement contains some receipts and disbursements which appear as negative entries. This is a result of transfers from one fund to another fund within the financial statement.

Note 8. Cash Balance Deficits

The financial statement contains some funds with deficits in cash. For most funds, it is a result of reimbursable state and federal grants. For the Capital Projects fund, it is a result of the fund being overspent on a remodel project for the School Corporation.

Note 9. Holding Corporation

The School Corporation has entered into a capital lease with Liberty-Perry Wapahani High School Building Corporation (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. The lessor has been determined to be a related-party of the School Corporation. Lease payments during the years 2015 and 2016 total \$762,316 and \$747,998, respectively.

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

Note 10. Other Postemployment Benefit

The School Corporation provides health insurance benefits to eligible retirees and their spouses. These benefits pose a liability to the School Corporation for this year and in future years. Information regarding the benefits can be obtained by contacting the School Corporation.

Note 11. Fund Names

The following funds are being reported with different fund names than were reported in the prior audit report:

| Fund Name in Prior Audit Report | Fund Name in Current Audit Report |
|------------------------------------|--------------------------------------|
| Cape Grant | Instructional Support |
| Indiana Teachers Tech Grant | Miscellaneous Programs |
| Project Lead the Way | Nutritional Grant - State |

Note 12. Combined Funds

The Prepaid Food fund and Agency fund were reported individually in the current financial statement, but were combined into the Agency fund in the prior financial statement.

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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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LIBERTY-PERRY COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND CASH 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 | School Lunch |
|---|------------|--------------|---|---------------------|--------------------------|------------------------------|--------------|----------------------------------|-----------------|
| Cash and investments - beginning | \$ 514,055 | \$ 245,162 | \$ 181,961 | \$ - | \$ 589,773 | \$ 112,508 | \$ 244,382 | \$ 79,846 | \$ 115,207 |
| Receipts: | | | | | | | | | |
| Local sources | 11,303 | 801,554 | 329,155 | 686,782 | 613,331 | 63,372 | - | - | 251,069 |
| State sources | 7,339,989 | - | - | - | - | - | - | - | 6,150 |
| Federal sources | - | - | - | - | - | - | - | - | 311,591 |
| Interfund loans | 97,328 | - | - | - | - | - | - | - | - |
| Other receipts | 140,711 | - | - | - | 7,000 | - | - | - | 8,395 |
| Total receipts | 7,589,331 | 801,554 | 329,155 | 686,782 | 620,331 | 63,372 | - | - | 577,205 |
| Disbursements: | | | | | | | | | |
| Instruction | 4,680,080 | - | - | - | - | - | - | 1,430 | - |
| Support services | 2,487,743 | - | - | 371,545 | 454,128 | 88,527 | - | 19,770 | 145 |
| Noninstructional services | 124,203 | - | - | - | - | - | - | - | 660,142 |
| Facilities acquisition and construction | 62,366 | - | - | 250,733 | 1,652 | - | - | - | 602 |
| Debt services | - | 748,000 | 311,155 | - | - | - | - | - | - |
| Nonprogrammed charges | - | - | - | - | - | - | - | - | - |
| Interfund loans | - | - | - | 14,201 | - | - | - | - | - |
| Total disbursements | 7,354,392 | 748,000 | 311,155 | 636,479 | 455,780 | 88,527 | - | 21,200 | 660,889 |
| Excess (deficiency) of receipts over disbursements | 234,939 | 53,554 | 18,000 | 50,303 | 164,551 | (25,155) | - | (21,200) | (83,684) |
| Other financing sources (uses): | | | | | | | | | |
| Transfers in | - | - | - | - | - | - | - | - | - |
| Transfers out | - | - | - | - | - | - | - | - | - |
| Total other financing sources (uses) | - | - | - | - | - | - | - | - | - |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | 234,939 | 53,554 | 18,000 | 50,303 | 164,551 | (25,155) | - | (21,200) | (83,684) |
| Cash and investments - ending | \$ 748,994 | \$ 298,716 | \$ 199,961 | \$ 50,303 | \$ 754,324 | \$ 87,353 | \$ 244,382 | \$ 58,646 | \$ 31,523 |

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

| | Textbook Rental | Levy Excess | SAFE School Haven | Instructional Support | Formative Assessment | Gifted and Talent Fund | Medicaid Reimbursement | School Technology | Technology Grants [IC 20-40-15] |
|---|--------------------|----------------|-------------------------|--------------------------|-------------------------|---------------------------------|---------------------------|----------------------|---------------------------------------|
| Cash and investments - beginning | \$ 94,873 | \$ 11,497 | \$ 164 | \$ 12 | \$ - | \$ - | \$ 13,675 | \$ 3,172 | \$ 36 |
| Receipts: | | | | | | | | | |
| Local sources | 81,648 | - | - | - | - | - | - | - | - |
| State sources | 21,479 | - | - | - | - | 28,408 | 1,662 | - | - |
| Federal sources | - | - | - | - | - | - | - | - | - |
| Interfund loans | - | - | - | - | - | - | - | - | - |
| Other receipts | 360 | - | - | - | - | - | - | - | - |
| Total receipts | 103,487 | - | - | - | - | 28,408 | 1,662 | - | - |
| Disbursements: | | | | | | | | | |
| Instruction | - | - | - | - | - | 28,407 | - | - | - |
| Support services | 119,038 | - | - | - | - | - | - | 310 | - |
| Noninstructional services | - | - | - | - | - | - | - | - | - |
| Facilities acquisition and construction | - | - | - | - | - | - | - | - | - |
| Debt services | - | - | - | - | - | - | - | - | - |
| Nonprogrammed charges | - | - | - | - | - | - | - | - | - |
| Interfund loans | - | - | - | - | - | - | - | - | - |
| Total disbursements | 119,038 | - | - | - | - | 28,407 | - | 310 | - |
| Excess (deficiency) of receipts over disbursements | (15,551) | - | - | - | - | 1 | 1,662 | (310) | - |
| Other financing sources (uses): | | | | | | | | | |
| Transfers in | - | - | - | - | - | - | - | - | - |
| Transfers out | - | - | - | - | - | - | - | - | - |
| Total other financing sources (uses) | - | - | - | - | - | - | - | - | - |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | (15,551) | - | - | - | - | 1 | 1,662 | (310) | - |
| Cash and investments - ending | \$ 79,322 | \$ 11,497 | \$ 164 | \$ 12 | \$ - | \$ 1 | \$ 15,337 | \$ 2,862 | \$ 36 |

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

| | Performance Based Awards | Construction, Remodeling, and Equipping Buildings | Miscellaneous Programs | Library Media Spec Cadre | Senator David Ford Technology | Selma Safety Grant | Title I 12/13 | Title I 14/15 |
|---|--------------------------------|---|---------------------------|-----------------------------------|--|--------------------------|------------------|------------------|
| Cash and investments - beginning | \$ 138 | \$ - | \$ 1 | \$ 28 | \$ - | \$ - | \$ - | \$ - |
| Receipts: | | | | | | | | |
| Local sources | - | - | - | - | - | - | - | - |
| State sources | 12,930 | - | - | - | 2,000 | - | - | - |
| Federal sources | - | - | - | - | - | 14,739 | - | 127,552 |
| Interfund loans | - | - | - | - | - | - | - | - |
| Other receipts | - | - | - | - | - | - | - | - |
| Total receipts | 12,930 | - | - | - | 2,000 | 14,739 | - | 127,552 |
| Disbursements: | | | | | | | | |
| Instruction | 12,927 | - | - | - | - | - | 646 | 157,290 |
| Support services | - | - | - | - | 2,000 | 3,305 | - | - |
| Noninstructional services | - | - | - | - | - | - | - | - |
| Facilities acquisition and construction | - | - | - | - | - | - | - | - |
| Debt services | - | - | - | - | - | - | - | - |
| Nonprogrammed charges | - | - | - | - | - | - | - | - |
| Interfund loans | - | - | - | - | - | 26,176 | - | - |
| Total disbursements | 12,927 | - | - | - | 2,000 | 29,481 | 646 | 157,290 |
| Excess (deficiency) of receipts over disbursements | 3 | - | - | - | - | (14,742) | (646) | (29,738) |
| Other financing sources (uses): | | | | | | | | |
| Transfers in | - | - | - | - | - | - | - | - |
| Transfers out | - | - | - | - | - | - | - | - |
| Total other financing sources (uses) | - | - | - | - | - | - | - | - |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | 3 | - | - | - | - | (14,742) | (646) | (29,738) |
| Cash and investments - ending | \$ 141 | \$ - | \$ 1 | \$ 28 | \$ - | \$ (14,742) | \$ (646) | \$ (29,738) |

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

| | Title VI | Title V Part A | Title V Supplemental | IDEA | (IDEA, Part B) LEA Capacity Building (Sliver) Grants | Nutritional Grant - State | Title II - Eisenhower - Science and Math Technology Grants | Tabacco Free Coalition |
|---|----------|----------------|----------------------|-------------|--|---------------------------|--|------------------------|
| Cash and investments - beginning | \$ 174 | \$ 190 | \$ 174 | \$ 171 | \$ - | \$ 17 | \$ 27 | \$ 1,209 |
| Receipts: | | | | | | | | |
| Local sources | - | - | - | - | - | - | - | - |
| State sources | - | - | - | - | - | - | - | - |
| Federal sources | - | - | - | 302,498 | 6,653 | - | - | - |
| Interfund loans | - | - | - | - | - | - | - | - |
| Other receipts | - | - | - | - | - | - | - | - |
| Total receipts | - | - | - | 302,498 | 6,653 | - | - | - |
| Disbursements: | | | | | | | | |
| Instruction | - | - | - | 284,257 | 780 | - | - | - |
| Support services | - | - | - | - | 4,506 | - | - | - |
| Noninstructional services | - | - | - | - | - | - | - | - |
| Facilities acquisition and construction | - | - | - | - | - | - | - | - |
| Debt services | - | - | - | - | - | - | - | - |
| Nonprogrammed charges | - | - | - | - | - | - | - | - |
| Interfund loans | - | - | - | 51,732 | 1,383 | - | - | - |
| Total disbursements | - | - | - | 335,989 | 6,669 | - | - | - |
| Excess (deficiency) of receipts over disbursements | - | - | - | (33,491) | (16) | - | - | - |
| Other financing sources (uses): | | | | | | | | |
| Transfers in | - | - | - | - | - | - | - | - |
| Transfers out | - | - | - | - | - | - | - | - |
| Total other financing sources (uses) | - | - | - | - | - | - | - | - |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | - | - | - | (33,491) | (16) | - | - | - |
| Cash and investments - ending | \$ 174 | \$ 190 | \$ 174 | \$ (33,320) | \$ (16) | \$ 17 | \$ 27 | \$ 1,209 |

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

| | Medicaid Reimbursement - Federal | Other Federal Programs | Improving Teacher Quality, No Child Left, Title II, Part A | ITQ, Enhanced Education Through Technology, Title II, Part D | Technology Literacy Challenge, Title III | Prepaid Food | Agency | Totals |
|---|--|------------------------------|---|---|---|-----------------|-----------|--------------|
| Cash and investments - beginning | \$ 47 | \$ - | \$ - | \$ 35 | \$ 62 | \$ 3,570 | \$ 12,618 | \$ 2,224,784 |
| Receipts: | | | | | | | | |
| Local sources | - | - | - | - | - | - | - | 2,838,214 |
| State sources | - | - | - | - | - | - | - | 7,412,618 |
| Federal sources | - | 181,340 | - | - | - | - | - | 944,373 |
| Interfund loans | - | - | - | - | - | - | - | 97,328 |
| Other receipts | - | - | - | - | - | 192,821 | 2,050,325 | 2,399,612 |
| Total receipts | - | 181,340 | - | - | - | 192,821 | 2,050,325 | 13,692,145 |
| Disbursements: | | | | | | | | |
| Instruction | - | - | - | - | - | - | - | 5,165,817 |
| Support services | - | 219,122 | 1,003 | - | - | - | - | 3,771,142 |
| Noninstructional services | - | - | - | - | - | - | - | 784,345 |
| Facilities acquisition and construction | - | - | - | - | - | - | - | 315,353 |
| Debt services | - | - | - | - | - | - | - | 1,059,155 |
| Nonprogrammed charges | - | - | - | - | - | 199,672 | 2,019,506 | 2,219,178 |
| Interfund loans | - | 2,697 | 1,139 | - | - | - | - | 97,328 |
| Total disbursements | - | 221,819 | 2,142 | - | - | 199,672 | 2,019,506 | 13,412,318 |
| Excess (deficiency) of receipts over disbursements | - | (40,479) | (2,142) | - | - | (6,851) | 30,819 | 279,827 |
| Other financing sources (uses): | | | | | | | | |
| Transfers in | - | - | - | - | - | - | - | - |
| Transfers out | - | - | - | - | - | - | - | - |
| Total other financing sources (uses) | - | - | - | - | - | - | - | - |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | - | (40,479) | (2,142) | - | - | (6,851) | 30,819 | 279,827 |
| Cash and investments - ending | \$ 47 | \$ (40,479) | \$ (2,142) | \$ 35 | \$ 62 | \$ (3,281) | \$ 43,437 | \$ 2,504,611 |

LIBERTY-PERRY COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND CASH 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 | School Lunch |
|---|------------|--------------|---|---------------------|--------------------------|------------------------------|--------------|----------------------------------|-----------------|
| Cash and investments - beginning | \$ 748,994 | \$ 298,716 | \$ 199,961 | \$ 50,303 | \$ 754,324 | \$ 87,353 | \$ 244,382 | \$ 58,646 | \$ 31,523 |
| Receipts: | | | | | | | | | |
| Local sources | 11,596 | 757,502 | 311,178 | 676,085 | 532,506 | 110,209 | - | - | 264,961 |
| State sources | 7,499,330 | - | - | - | - | - | - | - | 6,311 |
| Federal sources | - | - | - | - | - | - | - | - | 385,384 |
| Interfund loans | - | - | - | 28,249 | - | 28,249 | - | - | - |
| Other receipts | 11,823 | - | - | - | 1,994 | - | - | - | 9,217 |
| Total receipts | 7,522,749 | 757,502 | 311,178 | 704,334 | 534,500 | 138,458 | - | - | 665,873 |
| Disbursements: | | | | | | | | | |
| Instruction | 4,743,600 | - | - | - | - | - | - | - | - |
| Support services | 2,402,446 | 67,160 | - | 438,588 | 464,334 | 173,255 | - | 11,951 | 60 |
| Noninstructional services | 125,465 | - | - | - | - | - | - | - | 639,538 |
| Facilities acquisition and construction | 53,353 | - | - | 329,444 | - | - | 126,777 | - | - |
| Debt services | 55,558 | 739,750 | 312,047 | - | - | - | - | - | - |
| Nonprogrammed charges | - | - | - | - | - | - | - | - | - |
| Interfund loans | - | - | - | 28,249 | - | 28,249 | - | - | - |
| Total disbursements | 7,380,422 | 806,910 | 312,047 | 796,281 | 464,334 | 201,504 | 126,777 | 11,951 | 639,598 |
| Excess (deficiency) of receipts over disbursements | 142,327 | (49,408) | (869) | (91,947) | 70,166 | (63,046) | (126,777) | (11,951) | 26,275 |
| Other financing sources (uses): | | | | | | | | | |
| Transfers in | - | - | - | - | 11,497 | - | 250,000 | - | - |
| Transfers out | - | - | - | - | (250,000) | - | - | - | - |
| Total other financing sources (uses) | - | - | - | - | (238,503) | - | 250,000 | - | - |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | 142,327 | (49,408) | (869) | (91,947) | (168,337) | (63,046) | 123,223 | (11,951) | 26,275 |
| Cash and investments - ending | \$ 891,321 | \$ 249,308 | \$ 199,092 | \$ (41,644) | \$ 585,987 | \$ 24,307 | \$ 367,605 | \$ 46,695 | \$ 57,798 |

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

| | Textbook Rental | Levy Excess | SAFE School Haven | Instructional Support | Formative Assessment | Gifted and Talent Fund | Medicaid Reimbursement | School Technology | Technology Grants [IC 20-40-15] |
|---|--------------------|----------------|-------------------------|--------------------------|-------------------------|---------------------------------|---------------------------|----------------------|---------------------------------------|
| Cash and investments - beginning | \$ 79,322 | \$ 11,497 | \$ 164 | \$ 12 | \$ - | \$ 1 | \$ 15,337 | \$ 2,862 | \$ 36 |
| Receipts: | | | | | | | | | |
| Local sources | 87,144 | - | - | - | - | - | - | - | - |
| State sources | - | - | - | - | 15,315 | 29,081 | 2,939 | - | - |
| Federal sources | - | - | - | - | - | - | - | - | - |
| Interfund loans | - | - | - | - | - | - | - | - | - |
| Other receipts | 2,505 | - | - | - | - | - | - | - | - |
| Total receipts | 89,649 | - | - | - | 15,315 | 29,081 | 2,939 | - | - |
| Disbursements: | | | | | | | | | |
| Instruction | - | - | - | - | - | 29,081 | - | - | - |
| Support services | 33,613 | - | - | - | - | - | - | - | - |
| Noninstructional services | - | - | - | - | - | - | - | - | - |
| Facilities acquisition and construction | - | - | - | - | - | - | - | - | - |
| Debt services | - | - | - | - | - | - | - | - | - |
| Nonprogrammed charges | - | - | - | - | - | - | - | - | - |
| Interfund loans | - | - | - | - | - | - | - | - | - |
| Total disbursements | 33,613 | - | - | - | - | 29,081 | - | - | - |
| Excess (deficiency) of receipts over disbursements | 56,036 | - | - | - | 15,315 | - | 2,939 | - | - |
| Other financing sources (uses): | | | | | | | | | |
| Transfers in | - | - | - | - | - | - | - | - | - |
| Transfers out | - | (11,497) | - | - | - | - | - | - | - |
| Total other financing sources (uses) | - | (11,497) | - | - | - | - | - | - | - |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | 56,036 | (11,497) | - | - | 15,315 | - | 2,939 | - | - |
| Cash and investments - ending | \$ 135,358 | \$ - | \$ 164 | \$ 12 | \$ 15,315 | \$ 1 | \$ 18,276 | \$ 2,862 | \$ 36 |

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

| | Performance Based Awards | Construction, Remodeling, and Equipping Buildings | Miscellaneous Programs | Library Media Spec Cadre | Senator David Ford Technology | Selma Safety Grant | Title I 12/13 | Title I 14/15 |
|---|--------------------------------|---|---------------------------|-----------------------------------|--|--------------------------|------------------|------------------|
| Cash and investments - beginning | \$ 141 | \$ - | \$ 1 | \$ 28 | \$ - | \$ (14,742) | \$ (646) | \$ (29,738) |
| Receipts: | | | | | | | | |
| Local sources | - | - | - | - | - | - | - | - |
| State sources | 1,875 | 850,000 | - | - | 100,000 | - | - | - |
| Federal sources | - | - | - | - | - | 13,170 | 152,262 | 54,814 |
| Interfund loans | - | - | - | - | - | - | - | - |
| Other receipts | - | - | - | - | - | - | - | - |
| Total receipts | 1,875 | 850,000 | - | - | 100,000 | 13,170 | 152,262 | 54,814 |
| Disbursements: | | | | | | | | |
| Instruction | - | 169,861 | - | - | - | - | 151,616 | 25,076 |
| Support services | - | - | - | - | 99,830 | 13,341 | - | - |
| Noninstructional services | - | - | - | - | - | - | - | - |
| Facilities acquisition and construction | - | - | - | - | - | - | - | - |
| Debt services | - | - | - | - | - | - | - | - |
| Nonprogrammed charges | - | - | - | - | - | - | - | - |
| Interfund loans | - | - | - | - | - | - | - | - |
| Total disbursements | - | 169,861 | - | - | 99,830 | 13,341 | 151,616 | 25,076 |
| Excess (deficiency) of receipts over disbursements | 1,875 | 680,139 | - | - | 170 | (171) | 646 | 29,738 |
| Other financing sources (uses): | | | | | | | | |
| Transfers in | - | - | - | - | - | - | - | - |
| Transfers out | - | - | - | - | - | - | - | - |
| Total other financing sources (uses) | - | - | - | - | - | - | - | - |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | 1,875 | 680,139 | - | - | 170 | (171) | 646 | 29,738 |
| Cash and investments - ending | \$ 2,016 | \$ 680,139 | \$ 1 | \$ 28 | \$ 170 | \$ (14,913) | \$ - | \$ - |

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

| | Title VI | Title V Part A | Title V Supplemental | IDEA | (IDEA, Part B) LEA Capacity Building (Sliver) Grants | Nutritional Grant - State | Title II - Eisenhower - Science and Math Technology Grants | Tabacco Free Coalition |
|---|----------|----------------|----------------------|-------------|--|---------------------------|--|------------------------|
| Cash and investments - beginning | \$ 174 | \$ 190 | \$ 174 | \$ (33,320) | \$ (16) | \$ 17 | \$ 27 | \$ 1,209 |
| Receipts: | | | | | | | | |
| Local sources | - | - | - | - | - | - | - | - |
| State sources | - | - | - | - | - | - | - | - |
| Federal sources | - | - | - | 257,837 | - | - | - | - |
| Interfund loans | - | - | - | - | - | - | - | - |
| Other receipts | - | - | - | - | - | - | - | - |
| Total receipts | - | - | - | 257,837 | - | - | - | - |
| Disbursements: | | | | | | | | |
| Instruction | - | - | - | 302,616 | - | - | - | - |
| Support services | - | - | - | - | - | - | - | - |
| Noninstructional services | - | - | - | - | - | - | - | - |
| Facilities acquisition and construction | - | - | - | - | - | - | - | - |
| Debt services | - | - | - | - | - | - | - | - |
| Nonprogrammed charges | - | - | - | - | - | - | - | - |
| Interfund loans | - | - | - | - | - | - | - | - |
| Total disbursements | - | - | - | 302,616 | - | - | - | - |
| Excess (deficiency) of receipts over disbursements | - | - | - | (44,779) | - | - | - | - |
| Other financing sources (uses): | | | | | | | | |
| Transfers in | - | - | - | - | - | - | - | - |
| Transfers out | - | - | - | - | - | - | - | - |
| Total other financing sources (uses) | - | - | - | - | - | - | - | - |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | - | - | - | (44,779) | - | - | - | - |
| Cash and investments - ending | \$ 174 | \$ 190 | \$ 174 | \$ (78,099) | \$ (16) | \$ 17 | \$ 27 | \$ 1,209 |

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

| | Medicaid Reimbursement - Federal | Other Federal Programs | Improving Teacher Quality, No Child Left, Title II, Part A | ITQ, Enhanced Education Through Technology, Title II, Part D | Technology Literacy Challenge, Title III | Prepaid Food | Agency | Totals |
|---|--|------------------------------|---|---|---|-----------------|-----------|--------------|
| Cash and investments - beginning | \$ 47 | \$ (40,479) | \$ (2,142) | \$ 35 | \$ 62 | \$ (3,281) | \$ 43,437 | \$ 2,504,611 |
| Receipts: | | | | | | | | |
| Local sources | - | - | - | - | - | - | - | 2,751,181 |
| State sources | - | - | - | - | - | - | - | 8,504,851 |
| Federal sources | - | 81,876 | 60,003 | - | - | - | - | 1,005,346 |
| Interfund loans | - | - | - | - | - | 187,475 | - | 243,973 |
| Other receipts | - | 4,495 | - | - | - | - | 2,024,399 | 2,054,433 |
| Total receipts | - | 86,371 | 60,003 | - | - | 187,475 | 2,024,399 | 14,559,784 |
| Disbursements: | | | | | | | | |
| Instruction | - | - | 57,265 | - | - | - | - | 5,479,115 |
| Support services | - | 45,892 | 1,600 | - | - | - | - | 3,752,070 |
| Noninstructional services | - | - | - | - | - | - | - | 765,003 |
| Facilities acquisition and construction | - | - | - | - | - | - | - | 509,574 |
| Debt services | - | - | - | - | - | - | - | 1,107,355 |
| Nonprogrammed charges | - | - | - | - | - | 195,716 | 1,987,141 | 2,182,856 |
| Interfund loans | - | - | - | - | - | - | - | 56,498 |
| Total disbursements | - | 45,892 | 58,865 | - | - | 195,716 | 1,987,141 | 13,852,471 |
| Excess (deficiency) of receipts over disbursements | - | 40,479 | 1,138 | - | - | (8,240) | 37,258 | 707,313 |
| Other financing sources (uses): | | | | | | | | |
| Transfers in | - | - | - | - | - | - | - | 261,497 |
| Transfers out | - | - | - | - | - | - | - | (261,497) |
| Total other financing sources (uses) | - | - | - | - | - | - | - | - |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | - | 40,479 | 1,138 | - | - | (8,240) | 37,258 | 707,313 |
| Cash and investments - ending | \$ 47 | \$ - | \$ (1,004) | \$ 35 | \$ 62 | \$ (11,521) | \$ 80,695 | \$ 3,211,924 |

LIBERTY-PERRY COMMUNITY SCHOOL CORPORATION
SCHEDULE OF PAYABLES AND RECEIVABLES
June 30, 2016

| <u>Government or Enterprise</u> | <u>Accounts Payable</u> | <u>Accounts Receivable</u> |
|---------------------------------|-------------------------|----------------------------|
| Governmental activities | <u>\$ 658,161</u> | <u>\$ 685,553</u> |

LIBERTY-PERRY COMMUNITY SCHOOL CORPORATION
 SCHEDULE OF LEASES AND DEBT
 June 30, 2016

| Lessor | Purpose | Annual Lease Payment | Lease Beginning Date | Lease Ending Date |
|---|------------------------|----------------------------|----------------------------|-------------------------|
| Governmental activities: | | | | |
| Konica Minolta Premier | copiers | \$ 2,018 | 9/27/2013 | 9/27/2018 |
| Apple Financial Services | I-pads | 78,501 | 5/19/2013 | 12/31/2018 |
| Liberty-Perry Wapahani High School Building Corporation | High School Roof | 516,000 | 6/30/2012 | 12/31/2016 |
| Liberty-Perry Wapahani High School Building Corporation | High School Renovators | <u>232,118</u> | 6/30/2011 | 12/31/2021 |
| Total of annual lease payments | | <u>\$ 828,637</u> | | |

| Description of Debt | | Ending Principal Balance | Principal and Interest Due Within One Year |
|--------------------------|---------|--------------------------------|---|
| Type | Purpose | | |
| Governmental activities: | | | |
| General obligation bonds | pension | <u>\$ 2,215,000</u> | <u>\$ 312,085</u> |

LIBERTY-PERRY COMMUNITY SCHOOL CORPORATION
 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 | \$ 324,707 |
| Buildings | 10,314,795 |
| Improvements other than buildings | 766,780 |
| Machinery, equipment, and vehicles | <u>2,292,351</u> |
| Total governmental activities | <u>13,698,633</u> |
| Total capital assets | <u>\$ 13,698,633</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 LIBERTY-PERRY COMMUNITY SCHOOL
CORPORATION, DELAWARE COUNTY, INDIANA

Report on Compliance for Each Major Federal Program

We have audited the Liberty-Perry Community School Corporation's (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, 2016-004, 2016-007, and 2016-008. 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, 2016-005, 2016-006, 2016-007, and 2016-008 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

October 16, 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.

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LIBERTY-PERRY COMMUNITY SCHOOL CORPORATION
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 |
|---|-------------------------------------|---------------------------|--|---|---|---|---|
| Department of Agriculture | | | | | | | |
| Child Nutrition Cluster | | | | | | | |
| School Breakfast Program | Indiana Department of Education | 10.553 | | | | | |
| School Breakfast Program | | | FY 2014-2015 | \$ - | \$ 61,606 | \$ - | \$ - |
| School Breakfast Program | | | FY 2015-2016 | - | - | - | 78,773 |
| Total - School Breakfast Program | | | | - | 61,606 | - | 78,773 |
| National School Lunch Program | | | | | | | |
| National School Lunch Program | Indiana Department of Education | 10.555 | | | | | |
| National School Lunch Program | | | FY 2014-2015 | - | 239,424 | - | - |
| National School Lunch Program | | | FY 2015-2016 | - | - | - | 306,611 |
| Commodities | | | FY 2014-2015 | - | 44,033 | - | - |
| Commodities | | | FY 2015-2016 | - | - | - | 46,290 |
| Total - National School Lunch Program | | | | - | 283,457 | - | 352,901 |
| Summer Food Service Program for Children | | | | | | | |
| Summer Food Service Program for Children | Indiana Department of Education | 10.559 | | | | | |
| Summer Food Service Program for Children | | | FY 2014 | - | 10,561 | - | - |
| Summer Food Service Program for Children | | | FY 2015 | - | - | - | 11,875 |
| Total - Summer Food Service Program for Children | | | | - | 10,561 | - | 11,875 |
| Total - Child Nutrition Cluster | | | | - | 355,624 | - | 443,549 |
| Total - Department of Agriculture | | | | - | 355,624 | - | 443,549 |
| Department of Education | | | | | | | |
| Special Education Cluster (IDEA) | | | | | | | |
| Special Education Grants to States | Indiana Department of Education | 84.027 | | | | | |
| Special Education Program | | | | | | | |
| FY 2013-2014 | | | 14214-066-PN01 | - | 61,151 | - | - |
| FY 2014-2015 | | | 14215-066-PN01 | - | 209,588 | - | 38,411 |
| FY 2015-2016 | | | 14216-066-PN01 | - | - | - | 219,427 |
| Technical Assistance Grants for Special Education | | | 99910-066-TA01 | - | 6,283 | - | - |
| Total - Special Education Cluster (IDEA) | | | | - | 277,022 | - | 257,838 |
| Title I Grants to Local Educational Agencies | | | | | | | |
| Title I Program | Indiana Department of Education | 84.010 | | | | | |
| FY 14-15 | | | 15-1895 | - | 127,551 | - | - |
| FY 15-16 | | | 16-1895 | - | - | - | 152,262 |
| Total - Title I Grants to Local Educational Agencies | | | | - | 127,551 | - | 152,262 |
| Fund for the Improvement of Education | | | | | | | |
| Physical Education Program (PEP) Grant | Direct Grant | 84.215 | | | | | |
| FY 14-15 | | | Q215F120034-15 | - | 181,340 | - | - |
| FY 15-16 | | | Q215F120034-16 | - | - | - | 81,876 |
| Total - Fund for the Improvement of Education | | | | - | 181,340 | - | 81,876 |
| Improving Teacher Quality State Grants | | | | | | | |
| Title II Program | Indiana Department of Education | 84.367 | | | | | |
| FY 13-15 | | | 1895 FY 13-15 | - | - | - | 29,765 |
| FY 14-16 | | | 1895 FY 14-16 | - | - | - | 30,238 |
| Total - Improving Teacher Quality State Grants | | | | - | - | - | 60,003 |
| Total - Department of Education | | | | - | 585,913 | - | 551,979 |
| Total federal awards expended | | | | \$ - | \$ 941,537 | \$ - | \$ 995,528 |

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

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

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.

LIBERTY-PERRY COMMUNITY SCHOOL CORPORATION
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 deficiency identified? | none reported |
| Noncompliance material to financial statement noted? | yes |

Federal Awards:

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

Identification of Major Programs:

_____ Name of Federal Program or Cluster _____

Child Nutrition Cluster
Special Education Cluster (IDEA)

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

| | |
|--|----|
| Auditee qualified as low-risk auditee? | no |
|--|----|

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 immediately prior audit report. The prior audit finding number was 2014-001.

Condition

The School Corporation did not have a proper system of internal control in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA).

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

The School Corporation had not established effective internal controls over the federal award information entered into the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source of the School Corporation's SEFA. The Treasurer prepared the federal award information entered into Gateway without a control in place to prevent, or detect and correct, errors prior to submission.

Context

The SEFA contained the following errors:

1. Expenditures were overstated by \$223,409 due to non-federal grants being included.
2. Information such as grantor agency, program title, pass-through entity, Catalog of Federal Domestic Assistance (CFDA) number, and pass-through identifying number were omitted or reported incorrectly for some grant awards.

Audit adjustments were proposed, accepted by the School Corporation, and made to the SEFA presented in this report.

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:

LIBERTY-PERRY COMMUNITY SCHOOL CORPORATION
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 that the School Corporation's management establish controls related to the preparation of 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 Finding: Material Weakness

Repeat Finding

This is a repeat finding from the immediately prior audit. The prior audit finding number was 2014-002.

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

Condition

The School Corporation had not separated incompatible activities related to receipts and payroll disbursements. The same individual was responsible for receiving cash, issuing receipts, posting receipts to the ledgers, and depositing receipts. The Payroll Clerk input the payroll information into the ledger without a system of oversight, review, or approval.

Context

The lack adequate segregation of duties was a systemic issue, 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. . . ."

Cause

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

Effect

The failure to establish controls could have enabled misstatements or irregularities to remain undetected.

Recommendation

We recommended that the School Corporation's management establish a system of internal controls, including segregation of duties, related to financial transactions and reporting.

Views of Responsible Officials

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

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

Section III - Federal Award Findings and Questioned Costs

FINDING 2016-003

Subject: Special Education Cluster (IDEA) - Level of Effort
Federal Agency: Department of Education
Federal Program: Special Education Grants to States
CFDA Number: 84.027
Federal Award Numbers and Years (or Other Identifying Numbers): 14214-066-PN01, 14215-066-PN01,
14216-066-PN01, 99910-066-TA01
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Matching, Level of Effort, Earmarking
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 level of effort requirements.

The School Corporation had not designed or implemented adequate policies or procedures to ensure that the amounts reported on the Special Education Cluster (IDEA) application were accurate. The School Corporation reported amounts for fiscal years 2015 and 2016 for State and Local Expenditures that did not agree to the School Corporation's ledgers or other supporting documentation and calculations.

Context

The lack of controls and noncompliance were systemic issues, 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). . . ."

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

34 CFR 80.20 states in part:

"(a) A State must expend and account for grant funds in accordance with State laws and procedures for expending and accounting for its own funds. Fiscal control and accounting procedures of the State, as well as its subgrantees and cost-type contractors, must be sufficient to:

- (1) Permit preparation of reports required by this part and the statutes authorizing the grant, and
- (2) Permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes.

(b) 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.
- (2) *Accounting records.* Grantees and subgrantees must maintain records which adequately identify the source and application of funds provided for financially-assisted activities. . . ."

2 CFR 200.302 states in part:

"(a) Each state must expend and account for the Federal award in accordance with state laws and procedures for expending and accounting for the state's own funds. In addition, the state's and the other non-Federal entity's financial management systems, including records documenting compliance with Federal statutes, regulations, and the terms and conditions of the Federal award, must be sufficient to permit the preparation of reports required by general and program-specific terms and conditions; and the tracing of funds to a level of expenditures adequate to establish that such funds have been used according to the Federal statutes, regulations, and the terms and conditions of the Federal award. . . .

(b) The financial management system of each non-Federal entity must provide for the following (see also §§ 200.333 Retention requirements for records, 200.334 Requests for transfer of records, 200.335 Methods for collection, transmission and storage of information, 200.336 Access to records, and 200.337 Restrictions on public access to records): . . .

- (2) 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. . . .
- (3) Records that identify adequately the source and application of funds for federally-funded activities. . . ."

34 CFR 76.702 states: "A State and a subgrantee shall use fiscal control and fund accounting procedures that insure proper disbursement of and accounting for Federal funds."

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

34 CFR 76.731 states: "A State and a subgrantee shall keep records to show its compliance with program requirements."

34 CFR 299.5(a) states:

"*General.* An LEA receiving funds under an applicable program listed in paragraph (b) of this section may receive its full allocation of funds only if the SEA finds that either the combined fiscal effort per student or the aggregate expenditures of State and local funds with respect to the provision of free public education in the LEA for the preceding fiscal year was not less than 90 percent of the combined fiscal effort per student or the aggregate expenditures for the second preceding fiscal year."

Cause

Management had not developed a system of internal controls that would have ensured compliance with the level of effort requirements.

Effect

The failure to establish an effective internal control system placed the School Corporation in non-compliance with the grant agreement and the level of effort requirements.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls to ensure compliance with the grant agreement and the level of effort requirements.

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: Special Education Cluster (IDEA) - Allowable Costs/Cost Principles

Federal Agency: Department of Education

Federal Program: Special Education Grants to States

CFDA Number: 84.027

Federal Award Numbers and Years (or Other Identifying Numbers): 14214-066-PN01, 14215-066-PN01,
14216-066-PN01, 99910-066-TA01

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 requirements.

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

The School Corporation had not designed or implemented adequate policies and procedures to ensure that the required Semi-Annual Certifications or other documentation of personnel expenses were reviewed and approved by the employee's supervisor and retained for audit. No Semi-Annual Certifications or other documentation of personnel expenses were presented for the audit period.

Context

The lack of controls and noncompliance were systemic issues, 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). . . ."

OMB Circular A-87, Attachment B, section 8(h)(3) states:

"Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee."

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:

- (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); . . .

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

- (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 allocated using different allocation bases; or an unallowable activity and a direct or indirect costs 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 an effective internal control system placed the School Corporation in non-compliance with the grant agreement and the Allowable Costs/Cost Principles compliance requirement.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls 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 2016-005

Subject: Special Education Cluster (IDEA) - Internal Controls

Federal Agency: Department of Education

Federal Program: Special Education Grants to States

CFDA Number: 84.027

Federal Award Numbers and Years (or Other Identifying Numbers): 14214-066-PN01, 14215-066-PN01,
14216-066-PN01, 99910-066-TA01

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Activities Allowed or Unallowed, Cash Management,
Period of Performance, Reporting

Audit Finding: Material Weakness

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, Cash Management, Period of Performance, and Reporting.

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

Activities Allowed or Unallowed

The School Corporation had not designed or implemented adequate policies and procedures to ensure that expenditures to the program were only for allowable activities. Payroll transactions were processed and entered into the ledger by the Payroll Clerk without a system of oversight, review, or approval.

Cash Management

The School Corporation had not designed or implemented adequate policies and procedures to ensure that expenditures were in compliance with the Cash Management compliance requirement. Reimbursement requests were prepared and submitted by the Treasurer with no review or oversight.

Period of Performance

The School Corporation had not designed or implemented adequate policies and procedures to ensure that funds were expended in the proper period. Payroll transactions were processed and entered into the system by the Payroll Clerk without a system of oversight, review, or approval.

Reporting

The School Corporation had not designed or implemented adequate policies and procedures to ensure that there was a proper segregation of duties regarding reporting. Reimbursement requests were prepared and submitted by the Treasurer without a system of oversight, review, or approval.

Context

The lack of controls was a systemic issue, 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). . . ."

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

Cause

Management had not developed a system of internal controls that would have ensured compliance with the Activities Allowed or Unallowed, Cash Management, Period of Performance, and Reporting compliance requirements.

Effect

The failure to establish an effective internal control system placed the School Corporation at risk of noncompliance with the grant agreement and the following compliance requirements: Activities Allowed or Unallowed, Cash Management, Period of Performance, and Reporting.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls related to the grant agreement and the Activities Allowed or Unallowed, Cash Management, Period of Performance, and Reporting compliance requirements.

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: Child Nutrition Cluster - Internal Controls

Federal Agency: Department of Agriculture

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

CFDA Numbers: 10.553, 10.555, and 10.559

Federal Award Numbers and Years (or Other Identifying Numbers): FY 2014-2015, FY 2015-2016

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Activities Allowed or Unallowed, Cash Management, Reporting,
Special Tests and Provisions - School Food Accounts,
Special Tests and Provisions - Paid Lunch Equity

Audit Finding: Material Weakness

Repeat Finding

This is a repeat finding from the immediately prior audit report. The prior year finding number was 2014-005.

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, Cash Management, Reporting, Special Tests and Provisions - School Food Accounts, and Special Tests and Provisions - Paid Lunch Equity.

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

Activities Allowed or Unallowed

The School Corporation had not designed or implemented adequate policies and procedures to ensure that expenditures to the program were only for allowable activities. Payroll transactions were processed and entered into the ledger by the Payroll Clerk without a system of oversight, review, or approval.

Cash Management

The School Corporation had not designed or implemented adequate policies and procedures to ensure that net cash resources did not exceed a three months average of expenditures. The School Corporation did not perform calculations to verify that the net cash resources did not exceed three months average expenditures.

Reporting

The School Corporation had not designed or implemented adequate policies and procedures to ensure that there was a proper segregation of duties with regard to the Reporting compliance requirement. The reimbursement claims and verification summary reports were prepared and submitted by the Food Service Director without a system of oversight, review, or approval. The annual financial reports were prepared and submitted by the School Corporation Cashier without a system of oversight, review, or approval.

Special Tests and Provisions - School Food Accounts:

The School Corporation had not designed or implemented adequate policies and procedures to verify that requested reimbursements had been received and recorded promptly.

Special Tests and Provisions - Paid Lunch Equity (NSLP only)

The School Corporation had not designed or implemented adequate policies and procedures to ensure that there was a proper segregation of duties with regard to the Special Tests and Provisions - Paid Lunch Equity compliance requirement. The Paid Lunch Equity calculations were prepared by the Food Service Director without a system of oversight, review, or approval before recommendation of paid lunch prices to the School Board.

Context

The lack of controls was a systemic issue, 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. . . ."

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

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

Management had not developed a system of internal controls that would have ensured compliance with the Activities Allowed or Unallowed, Cash Management, Reporting, Special Tests and Provisions - School Food Accounts, and Special Tests and Provisions - Paid Lunch Equity compliance requirements.

Effect

The failure to establish an effective internal control system placed the School Corporation at risk of noncompliance with the grant agreement and the Activities Allowed or Unallowed, Cash Management, Reporting, Special Tests and Provisions - School Food Accounts, and Special Tests and Provisions - Paid Lunch Equity compliance requirements.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls to ensure compliance with the grant agreement and the Activities Allowed or Unallowed, Cash Management, Reporting, Special Tests and Provisions - School Food Accounts, and Special Tests and Provisions - Paid Lunch Equity compliance requirements.

Views of Responsible Officials

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

FINDING 2016-007

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, and 10.559

Federal Award Numbers and Years (or Other Identifying Numbers): FY 2014-2015, FY 2015-2016

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Allowable Costs/Cost Principles

Audit Findings: Material Weakness, Other Matters

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

Repeat Finding

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

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.

The School Corporation had not designed or implemented adequate policies and procedures to ensure expenditures were allowable. Payroll transactions were processed and entered into the ledger by the Payroll Clerk without a system of oversight, review, or approval. The School Corporation did not document reporting of time and effort for the food service employees.

Context

The lack of controls and noncompliance were systemic issues, 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). . . ."

OMB Circular A-87, Attachment B, section 8(h)(3) states:

"Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee."

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

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:

- (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 allocated using different allocation bases; or an unallowable activity and a direct or indirect costs 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 an effective internal control system placed the School Corporation in non-compliance with the grant agreement and the Allowable Costs/Cost Principles compliance requirement.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls to ensure compliance with 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.

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

FINDING 2016-008

Subject: Child Nutrition Cluster - Eligibility
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, and 10.559
Federal Award Numbers and Years (or Other Identifying Numbers): FY 2014-2015, FY 2015-2016
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Eligibility
Audit Findings: Material Weakness, Other Matters

Repeat Finding

This is a repeat finding from the immediately prior audit report. The prior year finding number was 2014-006.

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 Eligibility compliance requirement.

The School Corporation had not designed or implemented adequate policies and procedures to ensure compliance with Eligibility requirements. The free and reduced-price lunch benefits eligibility determination was processed and entered into the computer system by the Food Service Director without a system of oversight, review, or approval. Due to the lack of controls, the School Corporation provided free and reduced-price lunch benefits to ineligible students and failed to properly notify some households of benefits eligibility.

Context

The lack of controls and noncompliance were systemic issues, 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). . . ."

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

7 CFR 245.3 states in part:

"(a) Each State agency, or FNSRO where applicable, shall by July 1 of each year announce family-size income standards to be used by local educational agencies, as defined in § 245.2, under the jurisdiction of such State agency, or FNSRO where applicable, in making eligibility determinations for free or reduced price meals and for free milk. Such family size income standards for free and reduced price meals and for free milk shall be in accordance with Income Eligibility Guidelines published by the Department by notice in the FEDERAL REGISTER.

(b) Each participating local educational agency and all participating schools under its jurisdiction must adhere to the eligibility criteria specified in this part. . . ."

7 CFR 245.6(c) states in part:

"Determination of eligibility—(1) Duration of eligibility. Except as otherwise specified in paragraph (c)(3) of this section, eligibility for free or reduced price meals, as determined through an approved application or by direct certification, must remain in effect for the entire school year and for up to 30 operating days into the subsequent school year. The local educational agency must determine household eligibility for free or reduced price meals either through direct certification or the application process at or about the beginning of the school year. The local educational agency must determine eligibility for free or reduced price meals when a household submits an application or if feasible, through direct certification, at any time during the school year. . . ."

7 CFR 245.6(c)(6) states in part: *"Notice of Approval—(i) Income applications.* The local educational agency must notify the household of the children's eligibility and provide the eligible children the benefits to which they are entitled within 10 operating days of receiving the application from the household. . . ."

Cause

Management had not developed a system of internal controls that would have ensured compliance with the Eligibility compliance requirement.

Effect

The failure to establish an effective internal control system placed the School Corporation in non-compliance with the grant agreement and the Eligibility compliance requirement.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls to ensure compliance with the grant agreement and the Eligibility compliance requirement.

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.



LIBERTY-PERRY COMMUNITY SCHOOL CORPORATION

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2014-003

Fiscal year in which the finding initially occurred: SY 2015 and SY 2016
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Indiana Department of Education
Contact Person Responsible for Corrective Action: Julie Wake
Contact Phone Number: 765-282-5615

Status of Audit Finding: Beginning 2015 I no longer paid any claims without a detailed receipt or the correct documents to support it. That I know of there have been no more purchases from any auctions that were not approved by Mr. Rausch.

FINDING 2014-004

Fiscal year in which the finding initially occurred: SY 2015 and SY 2016
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Indiana Department of Education
Contact Person Responsible for Corrective Action: Brenda Layne
Contact Phone Number: 765-289-7323

Status of Audit Finding: At this time Lori Hoots WHS secretary is doing the free and reduced verifications for the corporation. She checks to make sure the correct figures for the income of the households are used and the information is correct to the best of her understanding.

FINDING 2014-005

Fiscal year in which the finding initially occurred: SY 2015 and SY 2016
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Indiana Department of Education
Contact Person Responsible for Corrective Action: Brenda Layne
Contact Phone Number: 765-289-7323

Status of Audit Finding: Cindy Skinner is working with Mrs. Layne when she is asked to. She has provided her with payroll reports to verify workers. I also provide her with monthly fund, revenue and expenditure reports to monitor the accounts. Mr. Rausch also meets with her monthly to review the account. Mr. Rausch and Mrs. Layne discuss the prices to determine if an adjustment in prices is needed before taking it to the board for approval.

FINDING 2014-006

Fiscal year in which the finding initially occurred: SY 2015 and SY 2016
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Indiana Department of Education
Contact Person Responsible for Corrective Action: Brenda Layne
Contact Phone Number: 765-289-7323

Status of Audit Finding: It is my understanding that the application is on line for parents to see and apply. Mrs. Layne assures me she is doing the correct procedures.

FINDING 2014-007

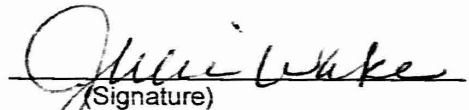
Fiscal year in which the finding initially occurred: SY 2015 and SY 2016
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Indiana Department of Education
Contact Person Responsible for Corrective Action: Brenda Layne
Contact Phone Number: 765-289-7323

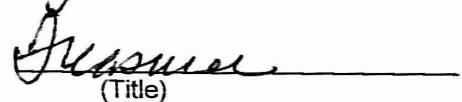
Status of Audit Finding: Brenda Layne has been verifying that the milk and bread vendors are not suspended or debarred before she presents the milk and bread bids to the board for approval each year.

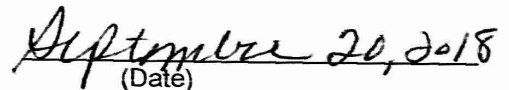
FINDING 2014-008

Fiscal year in which the finding initially occurred: SY 2015 and SY 2016
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: U.S. Department of Education
Contact Person Responsible for Corrective Action: Julie Wake
Contact Phone Number: 765-282-5615

Status of Audit Finding: The Pep Grant has ended and Suzanna Crouch was the only employee paid from the grant.


(Signature)


(Title)


(Date)

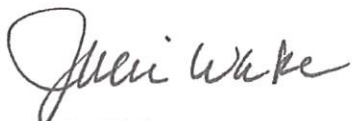
(Note to Officials: To determine what audit findings are required to be reported in the Summary Schedule of Prior Audit Findings, please see U.S. Office of Management and Budget (OMB), Circular A-133, Subpart C, section .315(b) for audit periods beginning before December 26, 2014. For audit periods beginning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

Corrective Action Plan

Finding 2016-001

Julie Wake
765-282-5615

I will in the future make sure that I have included all the federal grants when entering the information into Gateway for SEFA. I will also make sure that I have all the other information included (grantor agency, program title, pass through entity, CFDA numbers, pass through identifying numbers). I will make notes and keep copies of any transfers or adjustments made to the grants.



Julie Wake
Treasurer
Liberty Perry Community Schools

October 11, 2018



LIBERTY-PERRY COMMUNITY SCHOOL CORPORATION

Corrective Action Plan

Finding 2016-002

Julie Wake
765-282-5615

In the future we will have the payroll vouchers approved by the board at our monthly board meetings. I will also have the principals and the Cafeteria Director approve the time cards of their employees. I will also have someone approve the payroll of employees paid out of the grants.

Julie Wake
Treasurer
Liberty Perry Community Schools

October 11, 2018



LIBERTY-PERRY COMMUNITY SCHOOL CORPORATION

Corrective Action Plan

Finding 2016-003

Julie Wake
765-282-5615

When determining the amounts used for the payroll for the Special Ed grants I will try to use percentages of the salaries when I can. I will try to be more consistent on how I determine the amounts.

Julie Wake
Treasurer
Liberty Perry Community Schools

October 11, 2018

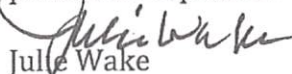


Corrective Action Plan

Finding 2016-004

Julie Wake
765-282-5615

Mrs. Everhart will be doing the required Semi-Annual Certification and review of personnel expenses.

A handwritten signature in black ink, appearing to read 'Julie Wake', is written over the printed name.

Julie Wake
Treasurer
Liberty Perry Community Schools

October 11, 2018



LIBERTY-PERRY COMMUNITY SCHOOL CORPORATION

Corrective Action Plan

Finding 2016-005

Julie Wake
765-282-5615

In the future Mr. Rausch will be reviewing and approving the request I make for reimbursement for the Special Ed grants. Mrs. Everhart or myself will also check to insure the correct employees are being paid from the grant.

Julie Wake
Treasurer
Liberty Perry Community Schools

October 11, 2018



LIBERTY-PERRY COMMUNITY SCHOOL CORPORATION

Corrective Action Plan

Finding 2016-006

Julie Wake
765-282-5615

The Cafeteria Director will be reviewing the timecards of employees paid out of the cafeteria fund. She will also verify that we are not carrying more than a 3 month average of expenditures in our cafeteria fund by documenting that we have checked it at the end of each year. She will work with me to ensure that the reimbursements are being asked for and received correctly. She will also make sure that the correct information is presented to the board so that they can make a decision as to adjusting lunch prices for the corporation. At this time the secretary at the high school is assisting with the free and reduced verifications. She will check to make sure the correct figures for the income of the households are used on the applications and that all the information used is correct.

Julie Wake
Treasurer
Liberty Perry Community Schools

October 11, 2018



LIBERTY-PERRY COMMUNITY SCHOOL CORPORATION

Corrective Action Plan

Finding 2016-007

Julie Wake
765-282-5615

At this time we are no longer paying any claims without detailed receipts for the items purchased. Also I am not paying for any items purchased without correct documents to pay from. If she does want to purchase items from an auction she must first have permission from Mr. Rausch.

Julie Wake
Treasurer
Liberty Perry Community Schools

October 11, 2018



LIBERTY-PERRY COMMUNITY SCHOOL CORPORATION

Corrective Action Plan

Finding 2016-008

Julie Wake
765-282-5615

The cafeteria director is now stamping the date the family was notified of the approval or denial of the application for free or reduced meals.

Julie Wake
Treasurer
Liberty Perry Community Schools

October 11, 2018

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/>.