

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

FINANCIAL STATEMENT AND  
FEDERAL SINGLE AUDIT REPORT  
OF

PERU COMMUNITY SCHOOLS  
MIAMI COUNTY, INDIANA

July 1, 2016 to June 30, 2018



**FILED**  
04/24/2019



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Stanley Hall Dan Durrwachter	07-01-16 to 09-30-18 10-01-18 to 06-30-19
Superintendent of Schools	Sam E. Watkins	07-01-16 to 06-30-19
President of the School Board	Sharon Shuey Charles Wagner	07-01-16 to 12-31-18 01-01-19 to 12-31-19



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INDEPENDENT AUDITOR'S REPORT

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

**Report on the Financial Statement**

We have audited the accompanying financial statement of the Peru Community Schools (School Corporation), which comprises the financial position and results of operations for the period of July 1, 2016 to June 30, 2018, 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, 2016 to June 30, 2018.

***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, 2016 to June 30, 2018, 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 Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 March 19, 2019, 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

March 19, 2019



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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statement of the Peru Community Schools (School Corporation), which comprises the financial position and results of operations for the period of July 1, 2016 to June 30, 2018, and the related notes to the financial statement, and have issued our report thereon dated March 19, 2019, 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.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the School Corporation's financial statement will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as items 2018-001 and 2018-002, that we consider to be material weaknesses.

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

**Compliance and Other Matters**


As part of obtaining reasonable assurance about whether the School Corporation's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2018-001 and 2018-002.

**Peru Community Schools' Response to Findings**

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

**Purpose of This Report**

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

  
Paul D. Joyce, CPA  
State Examiner

March 19, 2019

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## FINANCIAL STATEMENT AND ACCOMPANYING NOTES

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

PERU COMMUNITY SCHOOLS  
STATEMENT OF RECEIPTS, DISBURSEMENTS,  
OTHER FINANCING SOURCES (USES), AND CASH AND  
INVESTMENT BALANCES - REGULATORY BASIS  
For the Years Ended June 30, 2017 and 2018

Fund	Cash and Investments 07-01-16	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-17	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-18
General	\$ 1,271,944	\$ 14,370,031	\$ 14,160,931	\$ 728	\$ 1,481,772	\$ 14,457,962	\$ 14,103,333	\$ (143,594)	\$ 1,692,807
Debt Service	767,812	2,489,372	2,615,443	45,455	687,196	2,978,866	3,039,733	-	626,329
Capital Projects	813,537	1,134,127	1,229,361	3,600	721,903	1,072,738	1,263,613	-	531,028
School Transportation	209,295	518,660	524,722	253	203,486	557,278	573,452	-	187,312
School Bus Replacement	154,428	133,269	170,094	1,400	119,003	113,938	88,772	-	144,169
Rainy Day	701,737	-	-	-	701,737	18,937	-	155,630	876,304
Post-Retirement/Severance Future Benefits	128,517	47,336	173,105	-	2,748	7,889	8,028	-	2,609
Construction	-	1,051	103,408	2,000,000	1,897,643	5,863	1,088,957	-	814,549
School Lunch	114,120	1,138,323	1,239,891	-	12,552	1,173,687	1,120,650	-	65,589
Textbook Rental	571,702	158,289	101,883	-	628,108	153,257	374,293	-	407,072
Self-Insurance	11,532	14,940	23,990	-	2,482	16,675	8,054	-	11,103
Levy Excess	253	-	-	(253)	-	-	-	-	-
Educational License Plates	582	206	400	-	388	113	-	-	501
Early Intervention Grant	2,833	-	3,380	-	(547)	-	-	-	(547)
PHS Lib Book Fund - Donation	6	-	-	-	6	-	-	-	6
2014 Hygiene Program	1,000	-	-	-	1,000	-	-	-	1,000
Spaetti Grant	977	-	-	-	977	-	-	-	977
Tiger Pride Scholarship	-	3,000	3,000	-	-	5,500	5,500	-	-
PJHS Visual Arts	400	-	-	-	400	-	-	-	400
Hot Lunch Donations	100	200	-	-	300	660	-	-	960
Phi Delta Fraternity Donations	-	400	-	-	400	400	-	-	800
Band Scholarship	3,847	-	-	-	3,847	-	-	-	3,847
Remedy Live REMC Grant	-	-	-	-	-	5,000	5,000	-	-
Kicks for Kids	-	-	-	-	-	414	561	-	(147)
Bring It Home	17	-	-	-	17	-	-	-	17
Readers Workshop Books	184	-	-	-	184	-	-	-	184
Tiger Reading Village	179	-	-	-	179	-	-	-	179
Donations Special Ed Teachers	3,735	1,645	2,895	-	2,485	1,346	1,385	-	2,446
Summer Reading Donations	37	-	-	-	37	-	-	-	37
Transition Class	313	-	-	-	313	-	-	-	313
Instructional Support	(8,245)	-	-	-	(8,245)	-	(8,245)	-	-
PBIS	(5,414)	45,890	41,001	-	(525)	14,509	14,537	-	(553)
AT&T Grant - Merrick 2012	-	1,208	1,208	-	-	-	-	-	-
Extra-Curricular Activities	6,683	3,182	4,650	-	5,215	5,074	6,419	-	3,870
Welfare Activities	-	1,289	-	-	1,289	2,102	1,517	-	1,874
Miscellaneous Programs	115	-	-	-	115	-	-	-	115
N. Central IN Literacy Consort	5,977	-	1,759	-	4,218	-	3,295	-	923
Academic Monitoring Package	53,545	-	-	-	53,545	27,000	-	-	80,545
Gifted and Talented 2012/2013	386	-	-	-	386	-	-	-	386
Formative Assessment	14,601	27,244	41,845	-	-	24,460	24,460	-	-
Gifted and Talented 2015/2016	17,853	-	17,853	-	-	-	-	-	-

PERU COMMUNITY SCHOOLS  
STATEMENT OF RECEIPTS, DISBURSEMENTS,  
OTHER FINANCING SOURCES (USES), AND CASH AND  
INVESTMENT BALANCES - REGULATORY BASIS  
For the Years Ended June 30, 2017 and 2018

Fund	Cash and Investments 07-01-16	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-17	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-18
Gifted and Talented 2016/2017	-	35,808	15,988	-	19,820	-	19,820	-	-
Gifted and Talented 2017/2018	-	-	-	-	-	34,597	10,004	-	24,593
Secured Schools Safety Grant	(15,440)	36,815	34,560	-	(13,185)	-	-	-	(13,185)
School Technology	665	6,308	49,455	-	(42,482)	7,770	7,687	-	(42,399)
Career and Technical Performance Grant	-	13,177	11,474	-	1,703	10,234	-	-	11,937
Performance Based Awards	-	64,255	64,255	-	-	-	-	-	-
Teacher Appreciation Grant	-	-	-	-	-	60,561	61,425	-	(864)
Technology Planning Grant	54,189	83,901	136,878	-	1,212	104,428	124,611	-	(18,971)
College Success Coalition	-	-	-	-	-	1,799	2,433	-	(634)
Title I 2016/2017	-	465,838	477,205	-	(11,367)	106,904	95,936	-	(399)
Title I 2017/2018	-	-	-	-	-	395,225	408,798	-	(13,573)
Title I 2013/2014	14,854	-	-	-	14,854	-	-	-	14,854
Title I 2014/2015	(29)	-	-	-	(29)	29	-	-	-
Title I 2015/2016	16,568	62,815	79,718	-	(335)	-	-	-	(335)
Title II-B	34,591	24,978	20,779	-	38,790	13,922	21,390	-	31,322
Parent Nurturing - Alcohol	670	-	-	-	670	-	-	-	670
Local Reading Improvement	205	-	-	-	205	-	-	-	205
Adult Basic Education	(10,627)	9,169	70	-	(1,528)	-	-	-	(1,528)
Adult Education and Family Literacy	11,524	-	-	-	11,524	-	-	(11,524)	-
Adult Education	(1,980)	-	-	-	(1,980)	-	-	-	(1,980)
Adult Education 2016/2017	-	46,270	54,956	-	(8,686)	8,686	-	-	-
Adult Education 2017/2018	-	-	-	-	-	27,821	50,852	-	(23,031)
Title II 2014/2015	(18,325)	-	-	-	(18,325)	-	-	-	(18,325)
Title II 2015/2016	(6,279)	33,756	27,477	-	-	-	-	-	-
Title II - A	-	120,279	123,252	-	(2,973)	15,752	21,782	-	(9,003)
Title II Grant	-	-	5,347	-	(5,347)	76,561	93,487	-	(22,273)
Title VI - B Rural and Low Income	(7,861)	-	-	-	(7,861)	-	-	-	(7,861)
Title VI - B Rural and Low Income(1)	(3,238)	-	-	-	(3,238)	-	-	-	(3,238)
Rural & Low Income 2015/2016	-	-	1,020	-	(1,020)	-	-	-	(1,020)
Title VI - B 2016/2017	-	32,000	35,500	-	(3,500)	12,723	9,223	-	-
Title VI 2017/2018	-	-	-	-	-	24,397	33,143	-	(8,746)
Title III - English Proficiency Migrant	-	-	-	-	-	2,750	2,057	-	693
Ole Olson Shed	-	-	-	-	-	-	1,974	-	(1,974)
Secured Schools Safety Grant 2017/2018	-	-	-	-	-	48,000	23,696	-	24,304
Hot Lunch Clearing Account	(1,055)	124,127	132,016	-	(8,944)	152,873	163,207	-	(19,278)
Payroll Clearing	80,226	5,564,137	5,564,278	-	80,085	5,499,824	5,577,569	-	2,340
Totals	\$ 4,993,246	\$ 26,813,295	\$ 27,295,047	\$ 2,051,183	\$ 6,562,677	\$ 27,248,524	\$ 28,452,408	\$ 512	\$ 5,359,305

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

PERU COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENT

**Note 1. Summary of Significant Accounting Policies**

**A. Reporting Entity**

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

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

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

**B. Basis of Accounting**

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

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

**C. Cash and Investments**

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

**D. Receipts**

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

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

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

PERU COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENT  
(Continued)

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

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

*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.

**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:

*Proceeds of long-term debt.* Amounts received in relation to the issuance of bonds or other long-term debt issues.

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

PERU COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENT  
(Continued)

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

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

**G. Fund Accounting**

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

**Note 2. Budgets**

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

**Note 3. Property Taxes**

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

**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.

PERU COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENT  
(Continued)

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

**Note 5. Risk Management**

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

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

**Note 6. Pension Plans**

*A. Public Employees' Retirement Fund*

*Plan Description*

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

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

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

*Funding Policy and Annual Pension Cost*

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

PERU COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENT  
(Continued)

*B. Teachers' Retirement Fund*

*Plan Description*

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

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

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

*Funding Policy and Annual Pension Cost*

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

**Note 7. Negative Disbursement**

The financial statement contains a disbursement which appears as a negative entry. The negative disbursement in the Instructional Support fund is a result of an adjusting entry in the amount of \$8,245 made to close the fund.

**Note 8. Cash Balance Deficits**

The financial statement contains some funds with deficits in cash. The Hot Lunch Clearing Account fund cash balance deficit at June 30, 2018, was the result of deficit account balances in individual students' lunch accounts. The Early Intervention Grant, Secured Schools Safety Grant, Title I 2015/2016, Adult Basic Education, Adult Education, Title II 2014/2015, Title VI – B Rural and Low Income and Rural & Low Income 2015/2016 cash balance deficits at June 30, 2018, were the result of reimbursements never requested or received. All other deficit balances are the result of the funds being set up for reimbursable grants. The reimbursement for expenditures made by the School Corporation was not received by June 30, 2017 and 2018.

PERU COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENT  
(Continued)

**Note 9. Restatements**

For the fiscal year ended June 30, 2017, certain changes have been made to some of the beginning balances of the financial statement to more appropriately reflect the financial activity of the School Corporation. The following schedule is a summary of the restated beginning balances:

Fund	Balance as of June 30, 2016	Prior Period Adjustment	Balance as of July 1, 2016
General	\$ 1,270,025	\$ 1,919	\$ 1,271,944
Capital Projects	813,639	(102)	813,537
Textbook Rental	571,563	139	571,702
Self-Insurance	14,408	(2,876)	11,532
Gifted and Talented 2015	(247)	247	-
Title I 2015/2016	16,534	34	16,568
Title II-B	33,160	1,431	34,591
Title II 2014/2015	(18,295)	(30)	(18,325)
Title II 2015/2016	(6,291)	12	(6,279)
Payroll Clearing	80,177	49	80,226

**Note 10. Holding Corporation**

The School Corporation has entered into multiple capital leases with Peru Multi-School Building Corporation (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. The lessor has been determined to be a related-party of the School Corporation. Lease payments during the fiscal years 2016-2017 and 2017-2018 totaled \$1,862,750 and \$2,267,500, respectively.

**Note 11. Other Postemployment Benefit**

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

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#### OTHER INFORMATION - UNAUDITED

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

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

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

PERU COMMUNITY SCHOOLS  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,  
 OTHER FINANCING SOURCES (USES), AND CASH AND  
 INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended June 30, 2017

	General	Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	Post- Retirement/ Severance Future Benefits	Construction	School Lunch
Cash and investments - beginning	\$ 1,271,944	\$ 767,812	\$ 813,537	\$ 209,295	\$ 154,428	\$ 701,737	\$ 128,517	\$ -	\$ 114,120
Receipts:									
Local sources	160,745	2,489,372	1,134,127	518,560	133,269	-	7,693	1,051	206,492
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	14,188,846	-	-	-	-	-	-	-	7,183
Federal sources	2,835	-	-	-	-	-	39,643	-	924,648
Other receipts	17,605	-	-	100	-	-	-	-	-
Total receipts	14,370,031	2,489,372	1,134,127	518,660	133,269	-	47,336	1,051	1,138,323
Disbursements:									
Instruction	9,112,161	-	-	-	-	-	-	-	-
Support services	4,853,672	-	972,706	524,722	170,094	-	173,105	-	3,022
Noninstructional services	151,936	-	-	-	-	-	-	-	1,235,921
Facilities acquisition and construction	38,912	-	256,655	-	-	-	-	103,408	948
Debt service	4,250	2,615,443	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	14,160,931	2,615,443	1,229,361	524,722	170,094	-	173,105	103,408	1,239,891
Excess (deficiency) of receipts over disbursements	209,100	(126,071)	(95,234)	(6,062)	(36,825)	-	(125,769)	(102,357)	(101,568)
Other financing sources (uses):									
Proceeds of long-term debt	-	45,455	-	-	-	-	-	2,000,000	-
Sale of capital assets	728	-	3,600	-	1,400	-	-	-	-
Transfers in	-	-	-	253	-	-	-	-	163
Transfers out	-	-	-	-	-	-	-	-	(163)
Total other financing sources (uses)	728	45,455	3,600	253	1,400	-	-	2,000,000	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	209,828	(80,616)	(91,634)	(5,809)	(35,425)	-	(125,769)	1,897,643	(101,568)
Cash and investments - ending	\$ 1,481,772	\$ 687,196	\$ 721,903	\$ 203,486	\$ 119,003	\$ 701,737	\$ 2,748	\$ 1,897,643	\$ 12,552

PERU COMMUNITY SCHOOLS  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,  
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 For the Year Ended June 30, 2017

	Textbook Rental	Self- Insurance	Levy Excess	Educational License Plates	Early Intervention Grant	PHS Lib Book Fund - Donation	2014 Hygiene Program	Spaetti Grant	Tiger Pride Scholarship
Cash and investments - beginning	\$ 571,702	\$ 11,532	\$ 253	\$ 582	\$ 2,833	\$ 6	\$ 1,000	\$ 977	\$ -
Receipts:									
Local sources	68,099	14,940	-	-	-	-	-	-	3,000
Intermediate sources	-	-	-	206	-	-	-	-	-
State sources	90,190	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-
Total receipts	158,289	14,940	-	206	-	-	-	-	3,000
Disbursements:									
Instruction	-	-	-	-	-	-	-	-	-
Support services	101,883	18,970	-	400	3,380	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	5,020	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	3,000
Total disbursements	101,883	23,990	-	400	3,380	-	-	-	3,000
Excess (deficiency) of receipts over disbursements	56,406	(9,050)	-	(194)	(3,380)	-	-	-	-
Other financing sources (uses):									
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	1,675	-	-	-	-	-	-	-	-
Transfers out	(1,675)	-	(253)	-	-	-	-	-	-
Total other financing sources (uses)	-	-	(253)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	56,406	(9,050)	(253)	(194)	(3,380)	-	-	-	-
Cash and investments - ending	\$ 628,108	\$ 2,482	\$ -	\$ 388	\$ (547)	\$ 6	\$ 1,000	\$ 977	\$ -

PERU COMMUNITY SCHOOLS  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,  
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 For the Year Ended June 30, 2017

	PJHS Visual Arts	Hot Lunch Donations	Phi Delta Fraternity Donations	Band Scholarship	Remedy Live REMC Grant	Kicks for Kids	Bring It Home	Readers Workshop Books	Tiger Reading Village
Cash and investments - beginning	\$ 400	\$ 100	\$ -	\$ 3,847	\$ -	\$ -	\$ 17	\$ 184	\$ 179
Receipts:									
Local sources	-	200	400	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-
Total receipts	-	200	400	-	-	-	-	-	-
Disbursements:									
Instruction	-	-	-	-	-	-	-	-	-
Support services	-	-	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts over disbursements	-	200	400	-	-	-	-	-	-
Other financing sources (uses):									
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	200	400	-	-	-	-	-	-
Cash and investments - ending	\$ 400	\$ 300	\$ 400	\$ 3,847	\$ -	\$ -	\$ 17	\$ 184	\$ 179

PERU COMMUNITY SCHOOLS  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,  
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 For the Year Ended June 30, 2017

	Donations Special Ed Teachers	Summer Reading Donations	Transition Class	Instructional Support	PBIS	AT&T Grant - Merrick 2012	Extra- Curricular Activities	Welfare Activities	Miscellaneous Programs
Cash and investments - beginning	\$ 3,735	\$ 37	\$ 313	\$ (8,245)	\$ (5,414)	\$ -	\$ 6,683	\$ -	\$ 115
Receipts:									
Local sources	1,645	-	-	-	45,890	1,208	3,182	1,289	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-
Total receipts	1,645	-	-	-	45,890	1,208	3,182	1,289	-
Disbursements:									
Instruction	2,895	-	-	-	73	1,208	-	-	-
Support services	-	-	-	-	40,928	-	4,650	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	2,895	-	-	-	41,001	1,208	4,650	-	-
Excess (deficiency) of receipts over disbursements	(1,250)	-	-	-	4,889	-	(1,468)	1,289	-
Other financing sources (uses):									
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(1,250)	-	-	-	4,889	-	(1,468)	1,289	-
Cash and investments - ending	\$ 2,485	\$ 37	\$ 313	\$ (8,245)	\$ (525)	\$ -	\$ 5,215	\$ 1,289	\$ 115

PERU COMMUNITY SCHOOLS  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,  
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 For the Year Ended June 30, 2017

	N. Central IN Literacy Consort	Academic Monitoring Package	Gifted and Talented 2012/2013	Formative Assessment	Gifted and Talented 2015/2016	Gifted and Talented 2016/2017	Gifted and Talented 2017/2018	Secured Schools Safety Grant	School Technology
Cash and investments - beginning	\$ 5,977	\$ 53,545	\$ 386	\$ 14,601	\$ 17,853	\$ -	\$ -	\$ (15,440)	\$ 665
Receipts:									
Local sources	-	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	27,244	-	35,808	-	36,815	6,308
Federal sources	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-
Total receipts	-	-	-	27,244	-	35,808	-	36,815	6,308
Disbursements:									
Instruction	1,759	-	-	-	17,853	15,988	-	-	-
Support services	-	-	-	41,845	-	-	-	34,560	49,455
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	1,759	-	-	41,845	17,853	15,988	-	34,560	49,455
Excess (deficiency) of receipts over disbursements	(1,759)	-	-	(14,601)	(17,853)	19,820	-	2,255	(43,147)
Other financing sources (uses):									
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(1,759)	-	-	(14,601)	(17,853)	19,820	-	2,255	(43,147)
Cash and investments - ending	\$ 4,218	\$ 53,545	\$ 386	\$ -	\$ -	\$ 19,820	\$ -	\$ (13,185)	\$ (42,482)

PERU COMMUNITY SCHOOLS  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,  
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 For the Year Ended June 30, 2017

	Career and Technical Performance Grant	Performance Based Awards	Teacher Appreciation Grant	Technology Planning Grant	College Success Coalition	Title I 2016/2017	Title I 2017/2018	Title I 2013/2014	Title I 2014/2015
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ 54,189	\$ -	\$ -	\$ -	\$ 14,854	\$ (29)
Receipts:									
Local sources	-	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	13,177	64,255	-	5,561	-	-	-	-	-
Federal sources	-	-	-	78,340	-	465,838	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-
Total receipts	13,177	64,255	-	83,901	-	465,838	-	-	-
Disbursements:									
Instruction	11,474	64,255	-	-	-	421,363	-	-	-
Support services	-	-	-	136,878	-	43,230	-	-	-
Noninstructional services	-	-	-	-	-	12,612	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	11,474	64,255	-	136,878	-	477,205	-	-	-
Excess (deficiency) of receipts over disbursements	1,703	-	-	(52,977)	-	(11,367)	-	-	-
Other financing sources (uses):									
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	1,703	-	-	(52,977)	-	(11,367)	-	-	-
Cash and investments - ending	\$ 1,703	\$ -	\$ -	\$ 1,212	\$ -	\$ (11,367)	\$ -	\$ 14,854	\$ (29)

PERU COMMUNITY SCHOOLS  
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 For the Year Ended June 30, 2017

	Title I 2015/2016	Title II-B	Parent Nurturing - Alcohol	Local Reading Improvement	Adult Basic Education	Adult Education and Family Literacy	Adult Education	Adult Education 2016/2017	Adult Education 2017/2018
Cash and investments - beginning	\$ 16,568	\$ 34,591	\$ 670	\$ 205	\$ (10,627)	\$ 11,524	\$ (1,980)	\$ -	\$ -
Receipts:									
Local sources	-	2,022	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-
Federal sources	62,815	22,956	-	-	9,169	-	-	46,270	-
Other receipts	-	-	-	-	-	-	-	-	-
Total receipts	62,815	24,978	-	-	9,169	-	-	46,270	-
Disbursements:									
Instruction	31,444	-	-	-	-	-	-	51,298	-
Support services	46,691	20,779	-	-	70	-	-	3,658	-
Noninstructional services	1,583	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	79,718	20,779	-	-	70	-	-	54,956	-
Excess (deficiency) of receipts over disbursements	(16,903)	4,199	-	-	9,099	-	-	(8,686)	-
Other financing sources (uses):									
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(16,903)	4,199	-	-	9,099	-	-	(8,686)	-
Cash and investments - ending	\$ (335)	\$ 38,790	\$ 670	\$ 205	\$ (1,528)	\$ 11,524	\$ (1,980)	\$ (8,686)	\$ -

PERU COMMUNITY SCHOOLS  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,  
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	Title II 2014/2015	Title II 2015/2016	Title II - A	Title II Grant	Title VI - B Rural and Low Income	Title VI - B Rural and Low Income(1)	Rural & Low Income 2015/2016	Title VI - B 2016/2017
Cash and investments - beginning	\$ (18,325)	\$ (6,279)	\$ -	\$ -	\$ (7,861)	\$ (3,238)	\$ -	\$ -
Receipts:								
Local sources	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-
Federal sources	-	33,756	120,279	-	-	-	-	32,000
Other receipts	-	-	-	-	-	-	-	-
Total receipts	-	33,756	120,279	-	-	-	-	32,000
Disbursements:								
Instruction	-	12,764	19,999	-	-	-	1,020	3,500
Support services	-	14,713	103,253	5,347	-	-	-	32,000
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	-	27,477	123,252	5,347	-	-	1,020	35,500
Excess (deficiency) of receipts over disbursements	-	6,279	(2,973)	(5,347)	-	-	(1,020)	(3,500)
Other financing sources (uses):								
Proceeds of long-term debt	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	6,279	(2,973)	(5,347)	-	-	(1,020)	(3,500)
Cash and investments - ending	\$ (18,325)	\$ -	\$ (2,973)	\$ (5,347)	\$ (7,861)	\$ (3,238)	\$ (1,020)	\$ (3,500)

PERU COMMUNITY SCHOOLS  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,  
 OTHER FINANCING SOURCES (USES), AND CASH AND  
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 For the Year Ended June 30, 2017

	Title VI 2017/2018	Title III - English Proficiency Migrant	Ole Olson Shed	Secured Schools Safety Grant 2017/2018	Hot Lunch Clearing Account	Payroll Clearing	Totals
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ -	\$ (1,055)	\$ 80,226	\$ 4,993,246
Receipts:							
Local sources	-	-	-	-	-	-	4,793,184
Intermediate sources	-	-	-	-	-	-	206
State sources	-	-	-	-	-	-	14,475,387
Federal sources	-	-	-	-	-	-	1,838,549
Other receipts	-	-	-	-	124,127	5,564,137	5,705,969
Total receipts	-	-	-	-	124,127	5,564,137	26,813,295
Disbursements:							
Instruction	-	-	-	-	-	-	9,769,054
Support services	-	-	-	-	-	-	7,400,011
Noninstructional services	-	-	-	-	-	-	1,402,052
Facilities acquisition and construction	-	-	-	-	-	-	404,943
Debt service	-	-	-	-	-	-	2,619,693
Nonprogrammed charges	-	-	-	-	132,016	5,564,278	5,699,294
Total disbursements	-	-	-	-	132,016	5,564,278	27,295,047
Excess (deficiency) of receipts over disbursements	-	-	-	-	(7,889)	(141)	(481,752)
Other financing sources (uses):							
Proceeds of long-term debt	-	-	-	-	-	-	2,045,455
Sale of capital assets	-	-	-	-	-	-	5,728
Transfers in	-	-	-	-	-	-	2,091
Transfers out	-	-	-	-	-	-	(2,091)
Total other financing sources (uses)	-	-	-	-	-	-	2,051,183
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	-	-	(7,889)	(141)	1,569,431
Cash and investments - ending	\$ -	\$ -	\$ -	\$ -	\$ (8,944)	\$ 80,085	\$ 6,562,677

PERU COMMUNITY SCHOOLS  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,  
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 For the Year Ended June 30, 2018

	General	Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	Post- Retirement/ Severance Future Benefits	Construction	School Lunch
Cash and investments - beginning	\$ 1,481,772	\$ 687,196	\$ 721,903	\$ 203,486	\$ 119,003	\$ 701,737	\$ 2,748	\$ 1,897,643	\$ 12,552
Receipts:									
Local sources	150,766	2,978,866	1,072,738	474,958	113,938	18,937	7,889	5,863	224,481
Intermediate sources	376	-	-	-	-	-	-	-	-
State sources	14,286,258	-	-	-	-	-	-	-	8,848
Federal sources	-	-	-	82,120	-	-	-	-	940,358
Other receipts	20,562	-	-	200	-	-	-	-	-
Total receipts	14,457,962	2,978,866	1,072,738	557,278	113,938	18,937	7,889	5,863	1,173,687
Disbursements:									
Instruction	8,967,841	-	-	-	-	-	-	-	-
Support services	4,878,468	-	1,045,384	573,452	88,772	-	8,028	-	1,350
Noninstructional services	169,135	-	-	-	-	-	-	-	1,100,849
Facilities acquisition and construction	17,206	-	218,229	-	-	-	-	1,088,957	18,451
Debt service	70,683	3,039,733	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	14,103,333	3,039,733	1,263,613	573,452	88,772	-	8,028	1,088,957	1,120,650
Excess (deficiency) of receipts over disbursements	354,629	(60,867)	(190,875)	(16,174)	25,166	18,937	(139)	(1,083,094)	53,037
Other financing sources (uses):									
Sale of capital assets	512	-	-	-	-	-	-	-	-
Transfers in	100	-	-	-	-	155,630	-	100	153
Transfers out	(144,206)	-	-	-	-	-	-	(100)	(153)
Total other financing sources (uses)	(143,594)	-	-	-	-	155,630	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	211,035	(60,867)	(190,875)	(16,174)	25,166	174,567	(139)	(1,083,094)	53,037
Cash and investments - ending	\$ 1,692,807	\$ 626,329	\$ 531,028	\$ 187,312	\$ 144,169	\$ 876,304	\$ 2,609	\$ 814,549	\$ 65,589

PERU COMMUNITY SCHOOLS  
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 OTHER FINANCING SOURCES (USES), AND CASH AND  
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 For the Year Ended June 30, 2018

	Textbook Rental	Self- Insurance	Levy Excess	Educational License Plates	Early Intervention Grant	PHS Lib Book Fund - Donation	2014 Hygiene Program	Spaetti Grant	Tiger Pride Scholarship
Cash and investments - beginning	\$ 628,108	\$ 2,482	\$ -	\$ 388	\$ (547)	\$ 6	\$ 1,000	\$ 977	\$ -
Receipts:									
Local sources	58,932	16,675	-	-	-	-	-	-	5,500
Intermediate sources	-	-	-	113	-	-	-	-	-
State sources	93,962	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-
Other receipts	363	-	-	-	-	-	-	-	-
Total receipts	153,257	16,675	-	113	-	-	-	-	5,500
Disbursements:									
Instruction	-	-	-	-	-	-	-	-	-
Support services	374,293	7,564	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	490	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	5,500
Total disbursements	374,293	8,054	-	-	-	-	-	-	5,500
Excess (deficiency) of receipts over disbursements	(221,036)	8,621	-	113	-	-	-	-	-
Other financing sources (uses):									
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	859	-	-	-	-	-	-	-	-
Transfers out	(859)	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(221,036)	8,621	-	113	-	-	-	-	-
Cash and investments - ending	\$ 407,072	\$ 11,103	\$ -	\$ 501	\$ (547)	\$ 6	\$ 1,000	\$ 977	\$ -

PERU COMMUNITY SCHOOLS  
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 For the Year Ended June 30, 2018

	PJHS Visual Arts	Hot Lunch Donations	Phi Delta Fraternity Donations	Band Scholarship	Remedy Live REMC Grant	Kicks for Kids	Bring It Home	Readers Workshop Books	Tiger Reading Village
Cash and investments - beginning	\$ 400	\$ 300	\$ 400	\$ 3,847	\$ -	\$ -	\$ 17	\$ 184	\$ 179
Receipts:									
Local sources	-	660	400	-	5,000	414	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-
Total receipts	-	660	400	-	5,000	414	-	-	-
Disbursements:									
Instruction	-	-	-	-	5,000	-	-	-	-
Support services	-	-	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	561	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	-	-	-	-	5,000	561	-	-	-
Excess (deficiency) of receipts over disbursements	-	660	400	-	-	(147)	-	-	-
Other financing sources (uses):									
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	660	400	-	-	(147)	-	-	-
Cash and investments - ending	\$ 400	\$ 960	\$ 800	\$ 3,847	\$ -	\$ (147)	\$ 17	\$ 184	\$ 179

PERU COMMUNITY SCHOOLS  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,  
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 For the Year Ended June 30, 2018

	Donations Special Ed Teachers	Summer Reading Donations	Transition Class	Instructional Support	PBIS	AT&T Grant - Merrick 2012	Extra- Curricular Activities	Welfare Activities	Miscellaneous Programs
Cash and investments - beginning	\$ 2,485	\$ 37	\$ 313	\$ (8,245)	\$ (525)	\$ -	\$ 5,215	\$ 1,289	\$ 115
Receipts:									
Local sources	1,346	-	-	-	14,509	-	5,074	2,102	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-
Total receipts	1,346	-	-	-	14,509	-	5,074	2,102	-
Disbursements:									
Instruction	1,385	-	-	(8,245)	-	-	-	1,517	-
Support services	-	-	-	-	14,537	-	6,419	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	1,385	-	-	(8,245)	14,537	-	6,419	1,517	-
Excess (deficiency) of receipts over disbursements	(39)	-	-	8,245	(28)	-	(1,345)	585	-
Other financing sources (uses):									
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	5,150	-	-
Transfers out	-	-	-	-	-	-	(5,150)	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(39)	-	-	8,245	(28)	-	(1,345)	585	-
Cash and investments - ending	\$ 2,446	\$ 37	\$ 313	\$ -	\$ (553)	\$ -	\$ 3,870	\$ 1,874	\$ 115

PERU COMMUNITY SCHOOLS  
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 INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended June 30, 2018

	N. Central IN Literacy Consort	Academic Monitoring Package	Gifted and Talented 2012/2013	Formative Assessment	Gifted and Talented 2015/2016	Gifted and Talented 2016/2017	Gifted and Talented 2017/2018	Secured Schools Safety Grant	School Technology
Cash and investments - beginning	\$ 4,218	\$ 53,545	\$ 386	\$ -	\$ -	\$ 19,820	\$ -	\$ (13,185)	\$ (42,482)
Receipts:									
Local sources	-	27,000	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	24,460	-	-	34,597	-	7,770
Federal sources	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-
Total receipts	-	27,000	-	24,460	-	-	34,597	-	7,770
Disbursements:									
Instruction	3,295	-	-	-	-	19,820	10,004	-	-
Support services	-	-	-	24,460	-	-	-	-	7,687
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	3,295	-	-	24,460	-	19,820	10,004	-	7,687
Excess (deficiency) of receipts over disbursements	(3,295)	27,000	-	-	-	(19,820)	24,593	-	83
Other financing sources (uses):									
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(3,295)	27,000	-	-	-	(19,820)	24,593	-	83
Cash and investments - ending	\$ 923	\$ 80,545	\$ 386	\$ -	\$ -	\$ -	\$ 24,593	\$ (13,185)	\$ (42,399)

PERU COMMUNITY SCHOOLS  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,  
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 For the Year Ended June 30, 2018

	Career and Technical Performance Grant	Performance Based Awards	Teacher Appreciation Grant	Technology Planning Grant	College Success Coalition	Title I 2016/2017	Title I 2017/2018	Title I 2013/2014	Title I 2014/2015
Cash and investments - beginning	\$ 1,703	\$ -	\$ -	\$ 1,212	\$ -	\$ (11,367)	\$ -	\$ 14,854	\$ (29)
Receipts:									
Local sources	-	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	10,234	-	60,561	104,428	1,799	-	-	-	-
Federal sources	-	-	-	-	-	106,904	395,225	-	-
Other receipts	-	-	-	-	-	-	-	-	29
Total receipts	10,234	-	60,561	104,428	1,799	106,904	395,225	-	29
Disbursements:									
Instruction	-	-	61,425	-	2,433	64,248	386,579	-	-
Support services	-	-	-	124,611	-	28,936	22,219	-	-
Noninstructional services	-	-	-	-	-	2,752	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	-	-	61,425	124,611	2,433	95,936	408,798	-	-
Excess (deficiency) of receipts over disbursements	10,234	-	(864)	(20,183)	(634)	10,968	(13,573)	-	29
Other financing sources (uses):									
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	10,234	-	(864)	(20,183)	(634)	10,968	(13,573)	-	29
Cash and investments - ending	\$ 11,937	\$ -	\$ (864)	\$ (18,971)	\$ (634)	\$ (399)	\$ (13,573)	\$ 14,854	\$ -

PERU COMMUNITY SCHOOLS  
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	Title I 2015/2016	Title II-B	Parent Nurturing - Alcohol	Local Reading Improvement	Adult Basic Education	Adult Education and Family Literacy	Adult Education	Adult Education 2016/2017	Adult Education 2017/2018
Cash and investments - beginning	\$ (335)	\$ 38,790	\$ 670	\$ 205	\$ (1,528)	\$ 11,524	\$ (1,980)	\$ (8,686)	\$ -
Receipts:									
Local sources	-	7,976	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	200	-	-	-	-	-	-	-
Federal sources	-	5,746	-	-	-	-	-	8,686	27,821
Other receipts	-	-	-	-	-	-	-	-	-
Total receipts	-	13,922	-	-	-	-	-	8,686	27,821
Disbursements:									
Instruction	-	-	-	-	-	-	-	-	50,852
Support services	-	21,390	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	-	21,390	-	-	-	-	-	-	50,852
Excess (deficiency) of receipts over disbursements	-	(7,468)	-	-	-	-	-	8,686	(23,031)
Other financing sources (uses):									
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	(11,524)	-	-	-
Total other financing sources (uses)	-	-	-	-	-	(11,524)	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	(7,468)	-	-	-	(11,524)	-	8,686	(23,031)
Cash and investments - ending	\$ (335)	\$ 31,322	\$ 670	\$ 205	\$ (1,528)	\$ -	\$ (1,980)	\$ -	\$ (23,031)

PERU COMMUNITY SCHOOLS  
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	Title II 2014/2015	Title II 2015/2016	Title II - A	Title II Grant	Title VI - B Rural and Low Income	Title VI - B Rural and Low Income(1)	Rural & Low Income 2015/2016	Title VI - B 2016/2017
Cash and investments - beginning	\$ (18,325)	\$ -	\$ (2,973)	\$ (5,347)	\$ (7,861)	\$ (3,238)	\$ (1,020)	\$ (3,500)
Receipts:								
Local sources	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-
Federal sources	-	-	15,752	76,561	-	-	-	12,723
Other receipts	-	-	-	-	-	-	-	-
Total receipts	-	-	15,752	76,561	-	-	-	12,723
Disbursements:								
Instruction	-	-	-	6,499	-	-	-	-
Support services	-	-	21,782	86,988	-	-	-	9,223
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	-	-	21,782	93,487	-	-	-	9,223
Excess (deficiency) of receipts over disbursements	-	-	(6,030)	(16,926)	-	-	-	3,500
Other financing sources (uses):								
Sale of capital assets	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	(6,030)	(16,926)	-	-	-	3,500
Cash and investments - ending	\$ (18,325)	\$ -	\$ (9,003)	\$ (22,273)	\$ (7,861)	\$ (3,238)	\$ (1,020)	\$ -

PERU COMMUNITY SCHOOLS  
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	Title VI 2017/2018	Title III - English Proficiency Migrant	Ole Olson Shed	Secured Schools Safety Grant 2017/2018	Hot Lunch Clearing Account	Payroll Clearing	Totals
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ -	\$ (8,944)	\$ 80,085	\$ 6,562,677
Receipts:							
Local sources	-	-	-	-	-	-	5,194,024
Intermediate sources	-	-	-	-	-	-	489
State sources	-	2,750	-	-	-	-	14,635,867
Federal sources	24,397	-	-	-	-	-	1,696,293
Other receipts	-	-	-	48,000	152,873	5,499,824	5,721,851
Total receipts	24,397	2,750	-	48,000	152,873	5,499,824	27,248,524
Disbursements:							
Instruction	-	2,057	-	-	-	-	9,574,710
Support services	33,143	-	-	-	-	-	7,378,706
Noninstructional services	-	-	-	-	-	-	1,273,297
Facilities acquisition and construction	-	-	-	-	-	-	1,343,333
Debt service	-	-	-	-	-	-	3,110,416
Nonprogrammed charges	-	-	1,974	23,696	163,207	5,577,569	5,771,946
Total disbursements	33,143	2,057	1,974	23,696	163,207	5,577,569	28,452,408
Excess (deficiency) of receipts over disbursements	(8,746)	693	(1,974)	24,304	(10,334)	(77,745)	(1,203,884)
Other financing sources (uses):							
Sale of capital assets	-	-	-	-	-	-	512
Transfers in	-	-	-	-	-	-	161,992
Transfers out	-	-	-	-	-	-	(161,992)
Total other financing sources (uses)	-	-	-	-	-	-	512
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(8,746)	693	(1,974)	24,304	(10,334)	(77,745)	(1,203,372)
Cash and investments - ending	\$ (8,746)	\$ 693	\$ (1,974)	\$ 24,304	\$ (19,278)	\$ 2,340	\$ 5,359,305

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PERU COMMUNITY SCHOOLS  
SCHEDULE OF PAYABLES AND RECEIVABLES  
June 30, 2018

<u>Government or Enterprise</u>	<u>Accounts Payable</u>	<u>Accounts Receivable</u>
Governmental activities	<u>\$ 269,638</u>	<u>\$ 141,840</u>

PERU COMMUNITY SCHOOLS  
SCHEDULE OF LEASES AND DEBT  
June 30, 2018

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities:				
Peru Multi-School Building Corporation	2010 Peru Junior High Renovations	\$ 234,000	01/15/11	01/15/21
Peru Multi School Building Corporation	2012 A&B Blair Pointe, Peru Junior High, and Peru High School Renovations	424,500	07/15/12	01/15/27
Peru Multi School Building Corporation	2013 A Peru High School, Administration, Technology and Athletic Field Renovations	344,500	01/15/15	01/15/27
Peru Multi School Building Corporation	2014 A Refunding of 2005 Elmwood Elementary Lease, Blair Pointe and Keys Renovations	658,500	06/30/14	12/31/22
Peru Multi School Building Corporation	2014 B Peru High School, Administration, Technology and Athletic Field Renovations	<u>402,500</u>	01/15/16	01/15/27
Total of annual lease payments		<u>\$ 2,064,000</u>		

Type	Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:			
General obligation bonds	2016 Buildings and Physical Education/Athletic Facilities Renovations	\$ 2,000,000	\$ 60,000
Notes and loans payable	Common School Loan Building Renovations	<u>4,892,000</u>	<u>720,440</u>
Totals		<u>\$ 6,892,000</u>	<u>\$ 780,840</u>

PERU COMMUNITY SCHOOLS  
SCHEDULE OF CAPITAL ASSETS  
June 30, 2018

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	\$ 4,973,385
Buildings	28,303,430
Machinery, equipment, and vehicles	<u>3,968,567</u>
Total capital assets	<u>\$ 37,245,382</u>

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SUPPLEMENTAL AUDIT OF  
FEDERAL AWARDS



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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

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

**Report on Compliance for Each Major Federal Program**

We have audited the Peru Community Schools' (School Corporation) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the period of July 1, 2016 to June 30, 2018. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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.

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

***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, 2016 to June 30, 2018.

***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2018-003, 2018-004, 2018-005, 2018-006, 2018-007, and 2018-009. 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 the Uniform Guidance, 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.


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. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section 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. We identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as items 2018-003, 2018-004, 2018-005, 2018-006, 2018-007, 2018-008, and 2018-009, that we consider to be material weaknesses.

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

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

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

  
Paul D. Joyce, CPA  
State Examiner

March 19, 2019

#### SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTES

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

PERU COMMUNITY SCHOOLS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For The Years Ended June 30, 2017 and 2018

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 06-30-17	Total Federal Awards Expended 06-30-17	Passed Through to Subrecipient 06-30-18	Total Federal Awards Expended 06-30-18
<u>Department of Agriculture</u>							
Child Nutrition Cluster							
School Breakfast Program	Indiana Department of Education	10.553					
School Breakfast Program			FY 17	\$ -	\$ 202,009	\$ -	\$ 976
School Breakfast Program			FY 18	-	-	-	211,437
Total - School Breakfast Program				-	202,009	-	212,413
National School Lunch Program							
National School Lunch Program	Indiana Department of Education	10.555					
National School Lunch Program			FY 17	-	594,945	-	3,018
National School Lunch Program			FY 18	-	-	-	618,299
Snacks			FY 18	-	-	-	6,600
Commodities				-	97,979	-	112,747
Total - National School Lunch Program				-	692,924	-	740,664
Summer Food Service Program for Children							
Summer Food Service Program	Indiana Department of Education	10.559					
Summer Food Service Program			FY 17	-	61,511	-	-
Summer Food Service Program			FY 18	-	-	-	49,908
Total - Summer Food Service Program for Children				-	61,511	-	49,908
Total - Child Nutrition Cluster				-	956,444	-	1,002,985
Child and Adult Care Food Program							
Child and Adult Care	Indiana Department of Education	10.558					
Child and Adult Care			FY 16	-	4,543	-	-
Child and Adult Care			FY 17	-	50,272	-	-
Child and Adult Care			FY 18	-	-	-	26,754
Total - Child and Adult Care Food Program				-	54,815	-	26,754
Child Nutrition Discretionary Grants Limited Availability							
School Meal Equipment Grant	Indiana Department of Education	10.579					
			FY 18	-	-	-	17,477
Total - Department of Agriculture				-	1,011,259	-	1,047,216
<u>Department of Education</u>							
Special Education Cluster (IDEA)							
Special Education Grants to States	Indiana Department of Education	84.027					
			14215-058-PN01	-	7,609	-	-
			14216-056-PN01	-	270,266	-	33,811
			14217-056-PN01	-	356,851	-	244,689
			18611-056-PN01	-	-	-	322,677
Total - Special Education Grants to States				-	634,726	-	601,177

PERU COMMUNITY SCHOOLS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For The Years Ended June 30, 2017 and 2018

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 06-30-17	Total Federal Awards Expended 06-30-17	Passed Through to Subrecipient 06-30-18	Total Federal Awards Expended 06-30-18
Special Education Preschool Grants	Indiana Department of Education	84.173					
			45716-056-PN01	-	11,490	-	-
			45717-056-PN01	-	12,020	-	13,821
			18619-056-PN01	-	-	-	3,235
Total - Special Education Preschool Grants				-	23,510	-	17,056
Total - Special Education Cluster (IDEA)				-	658,236	-	618,233
Adult Education - Basic Grants to States	Lafayette School Corporation	84.002					
Adult Education			FY 16	-	9,169	-	-
Adult Education			FY 17	-	10,572	-	8,513
Total - Adult Education - Basic Grants to States				-	19,741	-	8,513
Title I Grants to Local Educational Agencies	Indiana Department of Education	84.010					
Title I 2015-2016			FY 16	-	62,815	-	-
Title I 2016-2017			FY 17	-	465,838	-	106,904
Title I 2017-2018			FY 18	-	-	-	395,225
Total - Title I Grants to Local Educational Agencies				-	528,653	-	502,129
Rural Education	Indiana Department of Education	84.358					
Rural Education			FY 15-5635	-	32,000	-	12,723
Rural Education			FY 16-5635	-	-	-	33,143
Total - Rural Education				-	32,000	-	45,866
Supporting Effective Instruction State Grants	Indiana Department of Education	84.367					
Supporting Effective Instruction			FY 14-5635	-	33,756	-	-
Supporting Effective Instruction			FY 15-5635	-	120,279	-	15,752
Supporting Effective Instruction			FY 16-5635	-	-	-	67,815
Total - Supporting Effective Instruction State Grants				-	154,035	-	83,567
Total - Department of Education				-	1,392,665	-	1,258,308
<b>Department of Health and Human Services</b>							
Medicaid Cluster							
Medical Assistance Program	Indiana Department of Education	93.778	FY 17	-	2,835	-	-
Total - Medicaid Cluster				-	2,835	-	-
Total - Department of Health and Human Services				-	2,835	-	-
Total federal awards expended				\$ -	\$ 2,406,759	\$ -	\$ 2,305,524

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

PERU COMMUNITY SCHOOLS  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**Note 1. Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes the federal grant activity of the School Corporation under programs of the federal government for the years ended June 30, 2017 and 2018. The information in the SEFA is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). 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.

The Uniform Guidance requires an annual audit of nonfederal entities expending a total amount of federal awards equal to or in excess of \$750,000 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 the Uniform Guidance, 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. The School Corporation has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

**Note 3. Special Education Cooperative**

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

PERU COMMUNITY SCHOOLS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**Section I - Summary of Auditor's Results**

Financial Statement:

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

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)?	yes

Identification of Major Programs and type of auditor's report issued on compliance for each:

CFDA Number	Name of Federal Program or Cluster	Opinion Issued
84.010	Child Nutrition Cluster	Unmodified
	Special Education Cluster (IDEA)	Unmodified
	Title I Grants to Local Educational Agencies	Unmodified

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

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

**Section II - Financial Statement Findings**

**FINDING 2018-001**

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. The prior audit finding number was 2016-001.

*Condition*

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

PERU COMMUNITY SCHOOLS  
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*

Due to the lack of effective controls, the SEFA presented for audit contained the following errors:

1. The Child Nutrition Cluster expenditures were overstated by \$95,930 and understated by \$5,056 for the years ended June 30, 2017 and 2018, respectively. The National School Lunch Program Commodities were also omitted in the Child Nutrition Cluster understatement for the year ended June 30, 2018.
2. The Child and Adult Care Food Program expenditures were understated by \$3,343 for the year ended June 30, 2017.
3. The Child Nutrition Discretionary Grants Limited Availability expenditures were originally omitted in the amount of \$17,477 for the year ended June 30, 2018.
4. The Special Education Cluster (IDEA) expenditures were understated by \$44,209 for the year ended June 30, 2017, and omitted entirely in the amount of \$618,233 for the year ended June 30, 2018.
5. The Adult Education - Basic Grants to States expenditures were understated by \$656 and overstated by \$46,445 for the years ended June 30, 2017 and 2018, respectively.
6. The Title I Grants to Local Educational Agencies expenditures were overstated by \$5,422 for the year ended June 30, 2018.
7. The Rural Education expenditures were overstated by \$12,723 and understated by \$1,143 for the years ended June 30, 2017 and 2018, respectively.
8. The Supporting Effective Instruction State Grants expenditures were overstated by \$33,756 and understated by \$7,006 for the years ended June 30, 2017 and 2018, respectively.
9. The Medicaid Cluster expenditures were omitted in the amount of \$2,835 for the year ended June 30, 2017.
10. The Child Welfare Services expenditures were incorrectly included in the amount of \$14,359 and \$9,364 for the years ended June 30, 2017 and 2018, respectively.
11. Some CFDA numbers, program names, grants, and pass-through identifying numbers were incorrect or not listed.

Audit adjustments were proposed, accepted by the School Corporation, and made to the SEFA.

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

*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. . . .

The Green Book identifies a list of control activity categories that are meant only to illustrate the range and variety of control activities; the list is by no means all inclusive, but is reproduced here for reference purposes: . . .

- Accurate and timely recording of transactions. . . ."

2 CFR 200.508 states in part: "The auditee must: . . . (b) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with § 200.510 Financial statements. . . ."

2 CFR 200.510(b) states:

"*Schedule of expenditures of Federal awards*. The auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with § 200.502 Basis for determining Federal awards expended. 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 Federal award years, the auditee may list the amount of Federal awards expended for each Federal award year separately. At a minimum, the schedule must:

- (1) List individual Federal programs by Federal agency. For a cluster of programs, provide the cluster name, list individual Federal programs within the cluster of programs, and provide the applicable Federal agency name. For R&D, total Federal awards expended must be shown either by individual Federal 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.

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

- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity must 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. For a cluster of programs also provide the total for the cluster.
- (4) Include the total amount provided to subrecipients from each Federal program.
- (5) For loan or loan guarantee programs described in § 200.502 Basis for determining Federal awards expended, paragraph (b), identify in the notes to the schedule the balances outstanding at the end of the audit period. This is in addition to including the total Federal awards expended for loan or loan guarantee programs in the schedule.
- (6) Include notes that describe that significant accounting policies used in preparing the schedule, and note whether or not the auditee elected to use the 10% de minimis cost rate as covered in § 200.414 Indirect (F&A) costs."

*Cause*

Management had not established a system of internal controls 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 remain undetected. The SEFA contained the errors identified in the *Context*.

*Recommendation*

We recommended that the School Corporation's management establish controls, including segregation of duties, 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 2018-002**

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

*Repeat Finding*

This is a repeat finding from the immediately prior audit. The prior audit finding number was 2016-002.

*Condition*

There were deficiencies in the internal control system of the School Corporation related to financial transactions and reporting. The School Corporation had not separated incompatible activities related to cash and investments and receipts.

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

*Cash and Investments*

The Deputy Treasurer reconciled the bank accounts to the financial records without a proper system of oversight, review, or approval. Due to the lack of controls, depository reconciliations of fund balances to bank account balances were not accurate. Bank reconciliations were prepared for each month during the audit period, but included unidentified differences for each month during the audit period. Adjustments were necessary due to the installation of new financial reporting software on January 1, 2015. Various transactions were processed incorrectly while transitioning to the new software. Corrections were posted to the system and dated as of the original entry date rather than the actual correction date. At various times throughout the audit period, corrections were posted during a subsequent fiscal period after submission of the financial report to the Department of Education. During the course of our audit, we were unable to determine the total amount of transactions that had been backdated. Upon further review of the June 30, 2017 reconciliation, amounts totaling \$101 were not properly identified in the ledger. On June 13, 2018, a receipt was posted to the Rainy Day fund for \$18,937 to receipt in the unidentified variance and reconcile the bank account and fund balances after retaining the same unidentified variance for approximately two months.

*Receipts*

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

*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. . . .

The Green Book identifies a list of control activity categories that are meant only to illustrate the range and variety of control activities; the list is by no means all inclusive, but is reproduced here for reference purposes: . . .

- Accurate and timely recording of transactions. . . ."

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

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

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

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

*Cause*

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

*Effect*

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

*Recommendation*

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

*Views of Responsible Officials*

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

**Section III - Federal Award Findings and Questioned Costs**

**FINDING 2018-003**

Subject: Child Nutrition Cluster - Activities Allowed or Unallowed and Allowable Costs/Cost Principles

Federal Agency: Department of Agriculture

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

CFDA Numbers: 10.553, 10.555, 10.559

Federal Award Numbers and Years (or Other Identifying Numbers): FY 17, FY 18

Pass-Through Entity: Indiana Department of Education

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

Audit Findings: Material Weakness, Other Matters

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

*Repeat Finding*

This is a repeat finding from the immediately prior audit regarding Activities Allowed or Unallowed. The prior audit finding number was 2016-004.

*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 and Allowable Costs/Cost Principles.

The School Corporation had not designed or implemented adequate policies or procedures to ensure that disbursements were for allowable activities and allowable costs.

*Vendor Expenditures*

A review or approval process for three of the vendor disbursements tested was not evident prior to or subsequent to the payment.

*Payroll Expenditures*

Time cards or other supporting documentation for six of the tested payroll disbursements paid by the School Lunch fund were not provided to support the expenditures charged. In a separate instance, one payroll disbursement did not properly reflect the time worked in the given position.

*Context*

The lack of properly designed and implemented controls and the noncompliance were systemic problems, which occurred throughout the audit period.

*Criteria*

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). . . ."

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;

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

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

*Cause*

Management had not developed a system of internal controls that would have ensured compliance with the Activities Allowed or Unallowed and Allowable Costs/Cost Principles compliance requirements.

*Effect*

The failure to establish an effective internal control system placed the School Corporation in noncompliance with the grant agreement and the Activities Allowed or Unallowed and Allowable Costs/Cost Principles 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 and Allowable Costs/Cost Principles 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 2018-004**

Subject: Child Nutrition Cluster - Procurement and Suspension and Debarment  
Federal Agency: Department of Agriculture  
Federal Programs: School Breakfast Program, National School Lunch Program,  
Summer Food Service Program for Children  
CFDA Numbers: 10.553, 10.555, 10.559  
Federal Award Numbers and Years (or Other Identifying Numbers): FY 17, FY 18  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Procurement and Suspension and Debarment  
Audit Findings: Material Weakness, Other Matters

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

*Condition*

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

A School Food Authority procurement policy for fiscal year 2016-2017 could not be located.

The School Corporation's approval of the Wabash Valley Education Center recommendations for food vendors for 2017-2018 could not be located or confirmed.

The School Corporation's approval of the Hospital Purchasing System (HPS) recommendations for Gordon Food Service for neither 2016-2017 nor 2017-2018 could be located or confirmed.

Documentation proving there was, or was not, competition among small purchase vendors could not be provided for 2016-2017 or 2017-2018.

Documentation of Suspension and Debarment verifications could not be provided for 2016-2017 or 2017-2018.

*Context*

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

*Criteria*

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). . . ."

2 CFR 200.318(a) states: "The non-Federal entity must use its own documented procurement procedures which reflect applicable State, local, and tribal laws and regulations, provided that the procurements conform to applicable Federal law and the standards identified in this part."

Indiana Code 5-22-7-1 states: "A purchasing agent shall follow the procedure described in this chapter in awarding a contract for supplies, unless another purchasing method is required or authorized by this article."

Indiana Code 5-22-7-2(a) states: "A purchasing agent shall issue an invitation for bids."

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

2 CFR 180.300 states:

"When you enter into a covered transaction with another person at the next lower tier, you must verify that the person with whom you intend to do business is not excluded or disqualified.

You do this by:

- (a) Checking SAM Exclusions; or
- (b) Collecting a certification from that person; or
- (c) Adding a clause or condition to the covered transaction with that person."

*Cause*

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

*Effect*

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

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

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

*Views of Responsible Officials*

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

**FINDING 2018-005**

Subject: Child Nutrition Cluster - Program Income

Federal Agency: Department of Agriculture

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

CFDA Numbers: 10.553, 10.555, 10.559

Federal Award Numbers and Years (or Other Identifying Numbers): FY 17, FY 18

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Program Income

Audit Findings: Material Weakness, Other Matters

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

*Repeat Finding*

This is a repeat finding from the immediately prior audit. The prior audit finding number was 2016-004.

*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 Program Income compliance requirement.

*Reporting of Program Income*

Monthly transfers of program income for milk from the Hot Lunch Clearing Account fund to the School Lunch fund were overstated. The monthly milk transfer was included in both the milk and a la carte totals for each transfer.

*Use of Program Income*

*Vendor Expenditures*

A review or approval process was not evident prior or subsequent for three of the tested vendor disbursements.

*Payroll Expenditures*

Six of the tested payroll disbursements paid by the School Lunch fund did not have associated time cards to support the expenditures charged. In a separate instance, one disbursement did not properly reflect the time worked in the given position.

*Context*

The lack of properly designed and implemented controls and noncompliance were systemic problems, which occurred throughout the audit period.

*Criteria*

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). . . ."

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

7 CFR 210.14(a) states:

*"Nonprofit school food service.* School food authorities shall maintain a nonprofit school food service. Revenues received by the nonprofit school food service are to be used only for the operation or improvement of such food service, *except that*, such revenues shall not be used to purchase land or buildings, unless otherwise approved by FNS, or to construct buildings. Expenditures of nonprofit school food service revenues shall be in accordance with the financial management system established by the State agency under § 210.19(a) of this part. School food authorities may use facilities, equipment, and personnel supported with nonprofit school food revenues to support a nonprofit nutrition program for the elderly, including a program funded under the Older Americans Act of 1965 (42 U.S.C. 3001 *et seq.*)"

7 CFR 210.14(c) states:

*"Financial assurances.* The school food authority shall meet the requirements of the State agency for compliance with § 210.19(a) including any separation of records of nonprofit school food service from records of any other food service which may be operated by the school food authority as provided in paragraph (a) of this section."

7 CFR 210.14(f)(3) states: "All revenue from the sale of nonprogram foods shall accrue to the nonprofit school food service account of a participating school food authority."

7 CFR 220.7(e) states in part:

"Each school food authority approved to participate in the program shall enter into a written agreement with the State agency or the Department through the FNSRO, as applicable, that may be amended as necessary. . . . Such agreements shall provide that the School Food Authority shall, with respect to participating schools under its jurisdiction:

- (1) . . . (ii) In accordance with the financial management system established under § 220.13(i) of this part, use all revenues received by such food service only for the operation or improvement of that food service *Except that*, facilities, equipment, and personnel support with funds provided to a school food authority under this part may be used to support a nonprofit nutrition program for the elderly, including a program funded under the Older Americans Act of 1965 (42 U.S.C. 3001 *et seq.*); . . .
- (12) Maintain a financial management system as prescribed by the State agency, or FNSRO where applicable; . . ."

7 CFR 225.6(e) states in part:

*"State-Sponsor Agreement.* A sponsor approved for participation in the Program must enter into a permanent written agreement with the State agency. All sponsors must agree in writing to: . . .

- (12) Maintain a financial management system as prescribed by the State agency; . . ."

7 CFR 225.15(a) states:

*"General.* (1) Sponsors shall operate the food service in accordance with: the provisions of this part; any instructions and handbooks issued by FNS under this part; and any instructions and handbooks issued by the State agency which are not inconsistent with the provisions of this part."

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

Clearing Account Number 8400 - Prepaid Food has been established to account for prepaid food. The collections are to be receipted to 8410 with 8420 representing the transfers out of the clearing account and recognition in the appropriate revenue classifications (1611 to 1614 series) in the School Lunch Fund. The transfer should be made periodically and at the end of each month to appropriately classify meals (breakfast, lunch, etc.) when known (charged by student). (The School Bulletin and Uniform Compliance Guidelines, September 2008)

*Cause*

Management had not developed a system of internal controls that segregated key functions.

*Effect*

The failure to establish an effective internal control system enabled noncompliance with the grant agreement and the compliance requirement. A lack of segregation of duties within an internal control system could have also allowed noncompliance with the compliance requirement and allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, review, and approval over the activities of the programs.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

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

*Views of Responsible Officials*

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

**FINDING 2018-006**

Subject: Child Nutrition Cluster - Reporting  
Federal Agency: Department of Agriculture  
Federal Programs: School Breakfast Program, National School Lunch Program,  
Summer Food Service Program for Children  
CFDA Numbers: 10.553, 10.555, 10.559  
Federal Award Numbers and Years (or Other Identifying Numbers): FY 17, FY 18  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Reporting  
Audit Findings: Material Weakness, Other Matters

*Repeat Finding*

This is a repeat of a finding from the immediately prior audit. The prior audit finding number was 2016-003.

*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 Reporting compliance requirement.

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

The Treasurer approved a copy of the Annual Financial Report (AFR) which was always labeled "Pending Approval" instead of a final report. The AFR for both fiscal years 2016-2017 and 2017-2018 had income section entries that did not agree with the School Corporation's financial records. The Child and Adult Care Food Program federal reimbursements were understated by \$3,342 in 2016-2017, and the Summer Food Service Program federal reimbursements were understated by \$616 in 2017-2018. The expenses section separated the total type of expenses by program by using a percentage method. The percentage could not be provided to us during the audit, so we were not able to determine if it was a reasonable calculation or had oversight approval.

Supporting documentation for the School Food Authority (SFA) Verification Collection Report submitted for fiscal year 2016-2017 for Section 5-8 B1, Free - Income, did not match total applications and students verified. The report stated there were four applications with seven students who responded, but no change was necessary. Only one application with one student was provided for audit.

The following Sponsor Claims (claim for reimbursement) were inaccurate or were lacking supporting documentation:

1. October 2016 Sponsor Claim - Elmwood Elementary Pre-Kindergarten student counts for Head Start of approximately 383 students were included in the claim for reimbursement.
2. July 2017 Sponsor Claim - First and second meals of 760 and 99, respectively, for Summer Food Service Program at Elmwood Elementary were served, and only 616 and 69 were claimed for reimbursement.
3. October 2017 Sponsor Claim -
  - a. 100 adult lunches were claimed for reimbursement; 70 as free and 30 as paid.
  - b. Supporting documentation for snacks was provided for audit, but the total snack counts did not agree with number of snacks claimed for reimbursement - a total of 2,167 snacks were served, and only 1,937 were claimed for reimbursement.
4. March 2018 Sponsor Claim - the only supporting documentation provided for audit for snacks consumed was for only one of the clubs.
5. May 2018 Sponsor Claim -
  - a. The only supporting documentation provided for audit for snacks consumed was for only one of the clubs and the Junior High School.
  - b. 284 adult lunches and 11 adult breakfasts were served, but 181 adult lunches and 114 adult breakfasts were reported on the Sponsor Claim.

*Context*

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

*Criteria*

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

(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). . . ."

2 CFR 200.302(b) states in part:

"The financial management system of each non-Federal entity must provide for the following . . .

- (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. These records must contain information pertaining to Federal awards, authorizations, obligations, unobligated balances, assets, expenditures, income and interest and be supported by source documentation. . . ."

*Cause*

Management had not developed a system of internal controls that segregated key functions.

*Effect*

The failure to establish an effective internal control system enabled noncompliance with the grant agreement and the compliance requirement. A lack of segregation of duties within an internal control system could have also allowed noncompliance with the compliance requirement and allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, review, and approval over the activities of the programs.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

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

*Views of Responsible Officials*

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

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

***FINDING 2018-007***

Subject: School Breakfast Program, National School Lunch Program - Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP)  
Federal Agency: Department of Agriculture  
Federal Programs: School Breakfast Program, National School Lunch Program,  
CFDA Numbers: 10.553, 10.555  
Federal Award Numbers and Years (or Other Identifying Numbers): FY 17, FY 18  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP)  
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 Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP).

The School Food Authority (SFA) Verification Collection Report documented that a particular number of free and reduced applications were verified by the School Corporation. Many of the applications were not provided for audit, so we were unable to corroborate. In addition, one application verified by the School Corporation did not have a review or approval to ensure verification.

*Context*

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

*Criteria*

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

7 CFR 245.11(c) states in part:

"*Local educational agency requirements.* Beginning July 1, 2014, and each July 1 thereafter, local educational agencies selected by the State agency to conduct a second review of applications must ensure that the initial eligibility determination for each application is reviewed for accuracy prior to notifying the household of the eligibility or ineligibility of the household for free and reduced price meals. The second review must be conducted by an individual or entity who did not make the initial determination. This individual or entity is not required to be an employee of the local educational agency but must be trained on how to make application determinations. All individuals or entities who conduct a second review of applications are subject to the disclosure requirements set forth in § 245.6(f) through (k). . . ."

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

*Cause*

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

*Effect*

The failure to establish an effective internal control system enabled noncompliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system could have also allowed noncompliance with the compliance requirement and allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, review, and approval over the activities of the programs.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

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

*Views of Responsible Officials*

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

**FINDING 2018-008**

Subject: National School Lunch Program - Special Tests and Provisions - Paid Lunch Equity  
Federal Agency: Department of Agriculture  
Federal Programs: National School Lunch Program,  
CFDA Numbers: 10.555  
Federal Award Numbers and Years (or Other Identifying Numbers): FY 17, FY 18  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: 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 audit finding number was 2016-004.

*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 Special Tests and Provisions - Paid Lunch Equity compliance requirement. The Paid Lunch Equity was calculated with no review or approval to ensure proper calculations.

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

*Context*

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

*Criteria*

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

*Cause*

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

*Effect*

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

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

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

*Views of Responsible Officials*

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

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

**FINDING 2018-009**

Subject: Special Education Cluster (IDEA) - Level of Effort - Maintenance of Effort

Federal Agency: Department of Education

Federal Programs: Special Education Grants to States, Special Education Preschool Grants

CFDA Numbers: 84.027, 84.173

Federal Award Numbers and Years (or Other Identifying Numbers): 14215-058-PN01, 14216-056-PN01,  
14217-056-PN01, 18611-056-PN01,  
45716-056-PN01, 45717-056-PN01,  
18619-056-PN01

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 that documentation was maintained to support the School Corporation's compliance with requirements related to the grant agreement and the Matching, Level of Effort, Earmarking compliance requirement.

The School Corporation's management failed to provide sufficient supporting documentation for maintenance of effort calculations for fiscal years 2016-2017 and 2017-2018. The lack of supporting documentation resulted in the inability to determine if expenditure accounts used to derive the calculated amounts were for special education services and thus allowable. Also, we were not able to determine if the expenditure accounts included in the calculation were consistent from year to year.

*Context*

The lack of controls was a systemic issue, which occurred throughout the audit period. The lack of supporting documentation prevented the determination of the School Corporation's compliance with the Matching, Level of Effort, Earmarking compliance requirement.

*Criteria*

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). . . ."

2 CFR 200.333 states in part:

"Financial records, supporting documents, statistical records, and all other non-Federal entity records pertinent to a Federal award must be retained for a period of three years from the date of submission of the final expenditure report or, for Federal awards that are renewed quarterly or annually, from the date of the submission of the quarterly or annual financial report, respectively, as reported to the Federal awarding agency or pass-through entity in the case of a subrecipient. . . ."

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

*Cause*

Management had not developed a system of internal controls that would have ensured that supporting documentation related to the Matching, Level of Effort, Earmarking compliance requirement was maintained and made available for audit.

*Effect*

The failure to establish an effective internal control system and provide sufficient supporting documentation prevented the determination of the Schools Corporation's compliance with the grant agreement and the Matching, Level of Effort, Earmarking compliance requirement.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation's management establish controls to ensure that documentation related to the grant agreement and the Matching, Level of Effort, Earmarking compliance requirement be maintained and made available for audit.

*Views of Responsible Officials*

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

#### AUDITEE-PREPARED DOCUMENTS

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



# Peru Community Schools

Administrative Center  
35 W. Third St.  
Peru, Indiana 46970  
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## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

### **FINDING 2016-001**

Fiscal years in which the finding initially occurred: FY 14-15, FY 15-16  
Contact Person Responsible for Corrective Action: Dan Durrwachter  
Contact Phone Number: 765 473-3081

#### Status of Finding:

SEFA reporting procedures are in the process of being modified to include a third person to verify the report, prior to submittal. Peru Community Schools is working to establish effective internal controls of federal award information entered into Gateway. The funding of the professional development in the Adult Education grant was determined to be non-federal during the field audit and will not be reported as federal in the future. Rural Education and Improving Teacher Quality grants were identified as federally funded during the 2012-14 audit and have been reported henceforth. Medicaid reimbursement is no longer being received, therefore is now a moot point. This is an ongoing verification of the source of all future grants.

### **FINDING 2016-002**

Fiscal years in which the finding initially occurred: FY 14-15, FY 15-16:  
Contact Person Responsible for Corrective Action: Dan Durrwachter  
Contact Phone Number: 765 473-3081

#### Status of Finding:

In January, 2018, during the field work of this audit, a Skyward web-ex about bank reconciliation best practices was found. It said that wires affected cash on the date of the invoice, which is incorrect from an accounting perspective. Our solution that we are in the process of doing is to delete the invoice date that is automatically assigned during payroll and to manually insert an invoice date that is the same month as the wire is to be processed. February and March wires were processed by this method. Our goal was to get to the same variance amount month over month. An adjustment was posted on June 13, 2018 to zero the bank reconciliation. We again are in the process of updating our internal control system related to transactions and reporting.

#### *Cash and Investments*

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

#### *Receipts*

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

***FINDING 2016-003***

Fiscal years in which the finding initially occurred: FY 14-15, FY 15-16  
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Indiana Department of Education  
Contact Person Responsible for Corrective Action: Dan Durrwachter  
Contact Phone Number: 765 473-3081

**Status of Finding:**

The Annual Financial Report procedures are in the process of being modified to include a third person to verify the report, prior to submittal. We are creating procedures for monitoring the creating and filling of the Annual Financial Report to provide reasonable assurance that we are in compliance with Federal Statues.

The procedures for the Verification Collection Report are in the process of including a second person. The Verification Collection Report will be prepared by the Executive Secretary and verified by the Treasurer.

The Food Service Director will prepare the Sponsor Claim for the Summer Food Service Program. This will be verified prior to submittal by either Cafeteria Manager.

***FINDING 2016-004***

Fiscal years in which the finding initially occurred: FY 14-15, FY 15-16  
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Indiana Department of Education  
Contact Person Responsible for Corrective Action: Dan Durrwachter  
Contact Phone Number: 765 473-3081

**Status of Finding:**

***Activities allowed or Unallowed***

We are still in the process of creating a program where each payroll is verified by two central office employees, either the deputy treasurer, receptionist or accounts payable coordinator, prior to pay distribution. The new part of this process is that each of these individuals will sign off on their portion of the payroll. The Treasurer reviews every pay distribution report. We also are in the process of making sure board policy and internal controls are now in place to monitor compliance.

***Program Income***

Income reporting procedures have been modified to include a third person to verify the transfer between Hot Lunch Clearing Account and School Food

***Special Tests and Provisions – Paid Lunch Equity***

The procedures for the Paid Lunch Equity Tool are in the process of being modified to include a second person. The Treasurer calculates the Paid Lunch Equity. The Deputy Treasurer will approve the calculations.

**FINDING 2016-005**

Fiscal years in which the finding initially occurred: FY 14-15, FY 15-16  
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Indiana Department of Education  
Contact Person Responsible for Corrective Action: Dan Durrwachter  
Contact Phone Number: 765 473-3081

Status of Finding:

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

**FINDING 2016-006**

Fiscal years in which the finding initially occurred: FY 14-15, FY 15-16  
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Indiana Department of Education  
Contact Person Responsible for Corrective Action: Dan Durrwachter  
Contact Phone Number: 765 473-3081

Status of Finding:

*Activities allowed or Unallowed or Allowable Costs/ Cost Principles*  
Review of payroll processing for Title I funds has been in place since 2007. However, the review and oversight has not been documented.

The Title I budget is reviewed by the treasurer and deputy treasurer with the Title I director. Specific personnel are assigned to each appropriation. This information is provided to the payroll and benefits coordinator to charge salaries and wages of Title I personnel to the correct appropriation. Each payroll is verified by two central office employees, either the deputy treasurer, receptionist or accounts payable coordinator, prior to pay distribution. Verification of Title I paid employees takes place after the first pay distribution of the new Title I budget year and quarterly thereafter. The new part of this process is that each of these individuals will sign off on their portion of the payroll. We are in the process of establishing controls, including the separation of duties related to working with the grant. The documentation of these procedures was implemented in April 2018.



(Signature)

Treasurer

(Title)

3/19/19

(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).)



# Peru Community Schools

Administrative Center  
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## CORRECTIVE ACTION PLAN

### **FINDING 2018-001**

Contact Person Responsible for Corrective Action: Dan Durrwachter  
Contact Phone Number: 765-473-3081

Views of Responsible Official: We concur with the finding

Description of Corrective Action Plan:

SEFA reporting procedures have been modified to include a third person to verify the report, prior to submittal. The Child Nutrition Cluster, Adult Care Food Program, Special Education Grant, Special Education Cluster, Adult Education, Title 1, Rural Education, and other state grants will be more closely monitored so that funds are not under or overstated.

Anticipated Completion Date: June 30, 2019

*Dan Durrwachter*

(Signature)

*Treasurer*

(Title)

*03/19/19*

(Date)



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## CORRECTIVE ACTION PLAN

### **FINDING 2018-002**

Contact Person Responsible for Corrective Action: Dan Durrwachter  
Contact Phone Number: 765-473-3081

Views of Responsible Official: We concur with the finding

Description of Corrective Action Plan:

Peru Community Schools had established a set of internal controls in April of 2018. We will continue to review and improve internal controls to monitor financial transactions and reporting. We will also have documentable segregation of duties in receipts for fiscal year ending June 30, 2019.

Anticipated Completion Date: June 30, 2019

*Dan Durrwachter*

\_\_\_\_\_  
(Signature)

*Treasurer*

\_\_\_\_\_  
(Title)

*03/19/19*

\_\_\_\_\_  
(Date)



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## CORRECTIVE ACTION PLAN

### **FINDING 2018-003**

Contact Person Responsible for Corrective Action: Dan Durrwachter  
Contact Phone Number: 765-473-3081

Views of Responsible Official: We concur with the finding

### Description of Corrective Action Plan:

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

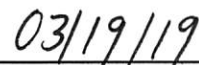
Anticipated Completion Date: June 30, 2019



\_\_\_\_\_  
(Signature)



\_\_\_\_\_  
(Title)



\_\_\_\_\_  
(Date)



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## CORRECTIVE ACTION PLAN

### **FINDING 2018-004**

Contact Person Responsible for Corrective Action: Dan Durrwachter  
Contact Phone Number: 765-473-3081

Views of Responsible Official: We concur with the finding

Description of Corrective Action Plan:

Peru Community Schools will establish controls with segregation of duties within an internal control system. With controls in place we will have compliance and proper management of federal funds and assets by having proper oversight, reviews, and approvals over the activities of the programs.

Anticipated Completion Date: June 30, 2019

*Dan Durrwachter*

\_\_\_\_\_  
(Signature)

*Treasurer*

\_\_\_\_\_  
(Title)

*03/19/19*

\_\_\_\_\_  
(Date)



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## CORRECTIVE ACTION PLAN

### **FINDING 2018-005**

Contact Person Responsible for Corrective Action: Dan Durrwachter  
Contact Phone Number: 765-473-3081

Views of Responsible Official: We concur with the finding

Description of Corrective Action Plan:

Peru Community Schools had established a set of internal controls in April of 2018. We will continue to review and improve internal controls to monitor milk transactions and reporting.

Anticipated Completion Date: June 30, 2019

*Dan Durrwachter*

\_\_\_\_\_  
(Signature)

*Treasurer*

\_\_\_\_\_  
(Title)

*03/19/19*

\_\_\_\_\_  
(Date)



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## CORRECTIVE ACTION PLAN

### **FINDING 2018-006**

Contact Person Responsible for Corrective Action: Dan Durrwachter  
Contact Phone Number: 765-473-3081

Views of Responsible Official: We concur with the finding

### Description of Corrective Action Plan:

The treasurer will review and approve the final version of the Annual Financial Report and will verify the specific income and expense sections are accurate and have adequate documentation when compared to the school ledger. The percentage used for expenses will be approved and documentation for rate calculation will be saved.

Peru Community Schools will establish control with segregation of duties within an internal control system.

The accounts payable deputy will prepare and the treasurer will review and approve the Sponsor Claims for Lunch and Breakfast and snacks. The food service director will prepare and the kitchen manager will review and approve the Sponsor Claims for the Summer Food Service Program.

Anticipated Completion Date: June 30, 2019

*Dan Durrwachter*

\_\_\_\_\_  
(Signature)

*Treasurer*

\_\_\_\_\_  
(Title)

*03/19/19*

\_\_\_\_\_  
(Date)



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## CORRECTIVE ACTION PLAN

### **FINDING 2018-007**

Contact Person Responsible for Corrective Action: Dan Durrwachter  
Contact Phone Number: 765-473-3081

Views of Responsible Official: We concur with the finding

### Description of Corrective Action Plan:

Peru Community Schools will establish controls with segregation of duties within an internal control system.

Free and reduced applications and SFA Verification Collection Reports will be verified by a second person and saved by the Executive Secretary in a digital format as well as paper copies.

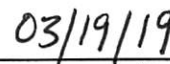
Anticipated Completion Date: June 30, 2019



\_\_\_\_\_  
(Signature)



\_\_\_\_\_  
(Title)



\_\_\_\_\_  
(Date)



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## CORRECTIVE ACTION PLAN

### **FINDING 2018-008**

Contact Person Responsible for Corrective Action: Dan Durrwachter  
Contact Phone Number: 765-473-3081

Views of Responsible Official: We concur with the finding

### Description of Corrective Action Plan:

The Treasurer calculates the Paid Lunch Equity with the Paid Lunch Equity tool provided by IDOE. The Deputy Treasurer will approve the calculations.

Anticipated Completion Date: June 30, 2019

*Dan Durrwachter*

\_\_\_\_\_  
(Signature)

*Treasurer*

\_\_\_\_\_  
(Title)

*03/19/19*

\_\_\_\_\_  
(Date)



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## CORRECTIVE ACTION PLAN

### **FINDING 2018-009**

Contact Person Responsible for Corrective Action: Dan Durrwachter  
Contact Phone Number: 765-473-3081

Views of Responsible Official: We concur with the finding

Description of Corrective Action Plan:

Peru Community Schools will establish controls with segregation of duties within an internal control system. Supporting documentation will be maintained and saved in digital format for the Maintenance of Effort compliance requirement.

Anticipated Completion Date: June 30, 2019

*Dan Durrwachter*

\_\_\_\_\_  
(Signature)

*Treasurer*

\_\_\_\_\_  
(Title)

*03/19/19*

\_\_\_\_\_  
(Date)

## OTHER REPORTS

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