

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

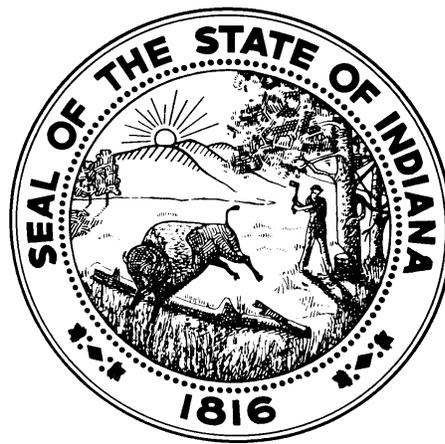
AUDIT REPORT

OF

PENN-HARRIS-MADISON SCHOOL CORPORATION

ST. JOSEPH COUNTY, INDIANA

July 1, 2005 to June 30, 2007



FILED

03/28/2008

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Rebecka S. Kocsis	01-01-05 to 12-31-07
Superintendent of Schools	Robert T. Howard Timothy F. Hyland Jerry L. Thacker	07-01-05 to 04-09-06 04-10-06 to 06-30-06 07-01-06 to 06-30-11
President of the School Board	Larry Beehler James Berger	01-01-05 to 12-31-05 01-01-06 to 12-31-07



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

TO: THE OFFICIALS OF THE PENN-HARRIS-MADISON SCHOOL
CORPORATION, ST. JOSEPH COUNTY, INDIANA

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Penn-Harris-Madison School Corporation (School Corporation), as of and for the years ended June 30, 2006 and 2007, which collectively comprise the School Corporation's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the School Corporation's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash and investment balances of the governmental activities, each major fund, and the aggregate remaining fund information of the School Corporation as of June 30, 2006 and 2007, and the respective cash receipts and cash disbursements during the years then ended on the basis of accounting described in Note I.

In accordance with Government Auditing Standards, we have also issued a report dated January 11, 2008, 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 and grants. Our report on compliance and on internal control over financial reporting should be read along with this report.

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

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

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

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

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

STATE BOARD OF ACCOUNTS

January 11, 2008



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

TO: THE OFFICIALS OF THE PENN-HARRIS-MADISON SCHOOL
CORPORATION, ST. JOSEPH COUNTY, INDIANA

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Penn-Harris-Madison School Corporation (School Corporation), as of and for the years ended June 30, 2006 and 2007, which collectively comprise the School Corporation's basic financial statements and have issued our report thereon dated January 11, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

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

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

Compliance and Other Matters

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

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

STATE BOARD OF ACCOUNTS

January 11, 2008

PENN-HARRIS-MADISON SCHOOL CORPORATION
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For the Year Ended June 30, 2006

<u>Functions/Programs</u>	<u>Disbursements</u>	<u>Program Receipts</u>		<u>Net (Disbursement) Receipts and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Totals</u>
Governmental activities:				
Instruction	\$ 26,974,605	\$ -	\$ 355,924	\$ (26,618,681)
Support services	45,405,156	3,377,960	777,803	(41,249,393)
Community services	1,309,471	-	-	(1,309,471)
Nonprogrammed charges	13,691,557	-	-	(13,691,557)
Debt service	39,817,692	-	-	(39,817,692)
Total governmental activities	<u>\$ 127,198,481</u>	<u>\$ 3,377,960</u>	<u>\$ 1,133,727</u>	<u>(122,686,794)</u>
General receipts:				
Property taxes				47,500,721
Other local sources				10,338,981
State aid				36,978,866
Bonds and loans				15,006,347
Grants and contributions not restricted to specific programs				1,216,629
Sale of property, adjustments, and refunds				9,567,690
Investment earnings				<u>708,512</u>
Total general receipts				<u>121,317,746</u>
Change in net assets				(1,369,048)
Net assets - beginning				<u>10,181,498</u>
Net assets - ending				<u>\$ 8,812,450</u>
<u>Assets</u>				
Cash and investments				\$ 9,418,118
Restricted assets:				
Cash and investments				<u>(605,668)</u>
Total assets				<u>\$ 8,812,450</u>
<u>Net Assets</u>				
Restricted for:				
Other purposes				\$ 2,076,704
Unrestricted				<u>6,735,746</u>
Total net assets				<u>\$ 8,812,450</u>

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

PENN-HARRIS-MADISON SCHOOL CORPORATION
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For the Year Ended June 30, 2007

<u>Functions/Programs</u>	<u>Disbursements</u>	<u>Program Receipts</u>		<u>Net (Disbursement) Receipts and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Totals</u>
Governmental activities:				
Instruction	\$ 26,845,245	\$ -	\$ 303,997	\$ (26,541,248)
Support services	42,886,597	3,241,745	899,446	(38,745,406)
Community services	1,370,418	-	-	(1,370,418)
Nonprogrammed charges	15,621,304	-	-	(15,621,304)
Debt service	26,210,009	-	-	(26,210,009)
Total governmental activities	<u>\$ 112,933,573</u>	<u>\$ 3,241,745</u>	<u>\$ 1,203,443</u>	<u>(108,488,385)</u>
General receipts:				
Property taxes				42,436,687
Other local sources				5,940,231
State aid				37,143,261
Bonds and loans				9,368,682
Grants and contributions not restricted to specific programs				1,053,595
Sale of property, adjustments, and refunds				9,612,550
Investment earnings				<u>959,790</u>
Total general receipts				<u>106,514,796</u>
Change in net assets				(1,973,589)
Net assets - beginning				<u>8,812,450</u>
Net assets - ending				<u>\$ 6,838,861</u>
Assets				
Cash and investments				\$ 6,266,425
Restricted assets:				
Cash and investments				<u>572,436</u>
Total assets				<u>\$ 6,838,861</u>
Net Assets				
Restricted for:				
Other purposes				\$ 2,361,599
Unrestricted				<u>4,477,262</u>
Total net assets				<u>\$ 6,838,861</u>

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

PENN-HARRIS-MADISON SCHOOL CORPORATION
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2006

	General	Transportation Operating	Rainy Day	School Lunch	Kids Club	Debt Service	Capital Projects	School Bus Replacement	Other	Totals
Receipts:										
Local sources	\$ 24,111,924	\$ 5,515,106	\$ 258,204	\$ 2,484,983	\$ 667,608	\$ 15,781,620	\$ 8,709,929	\$ 1,690,647	\$ 2,698,274	\$ 61,918,295
State sources	36,800,270	-	-	38,413	-	-	-	-	1,236,171	38,074,854
Federal sources	-	-	-	594,185	-	-	-	-	660,183	1,254,368
Bonds and loans	11,101,239	2,009,715	-	-	-	-	-	-	1,895,393	15,006,347
Sale of property, adjustments and refunds	390,670	3,467	-	-	-	-	8,193	-	5,673	408,003
Total receipts	72,404,103	7,528,288	258,204	3,117,581	667,608	15,781,620	8,718,122	1,690,647	6,495,694	116,661,867
Disbursements:										
Current:										
Instruction	24,847,850	-	-	-	-	-	-	-	2,126,755	26,974,605
Support services	25,280,456	4,731,701	-	2,840,654	71,324	-	7,095,085	1,886,708	3,499,228	45,405,156
Community services	674,171	-	-	-	435,036	-	-	-	200,264	1,309,471
Nonprogrammed charges	4,593,091	-	-	-	-	-	-	-	460,137	5,053,228
Debt services	17,066,472	2,613,220	-	-	-	15,487,091	3,762,366	-	888,543	39,817,692
Total disbursements	72,462,040	7,344,921	-	2,840,654	506,360	15,487,091	10,857,451	1,886,708	7,174,927	118,560,152
Excess (deficiency) of receipts over disbursements	(57,937)	183,367	258,204	276,927	161,248	294,529	(2,139,329)	(196,061)	(679,233)	(1,898,285)
Other financing sources (uses):										
Transfers in	379,372	427,033	-	-	-	-	3,402	-	117,540	927,347
Transfers out	-	-	(248,513)	-	-	(540,648)	-	-	(138,186)	(927,347)
Total other financing sources (uses)	379,372	427,033	(248,513)	-	-	(540,648)	3,402	-	(20,646)	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	321,435	610,400	9,691	276,927	161,248	(246,119)	(2,135,927)	(196,061)	(699,879)	(1,898,285)
Cash and investments - beginning	1,758,859	406,739	5,989,957	947,498	464,427	(2,137,892)	1,000,973	292,712	(89,242)	8,634,031
Cash and investments - ending	\$ 2,080,294	\$ 1,017,139	\$ 5,999,648	\$ 1,224,425	\$ 625,675	\$ (2,384,011)	\$ (1,134,954)	\$ 96,651	\$ (789,121)	6,735,746
Amounts reported for governmental activities in the Statement of Cash Activities and Net Assets - Cash and Investment Basis are different because:										
Internal service funds are used by management to charge the costs of certain services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Activities and Net Assets - Cash and Investment Basis.										
										2,076,704
Net assets of governmental activities										<u>\$ 8,812,450</u>
Cash and Investment Assets - Ending										
Cash and investments	\$ 2,080,294	\$ 1,017,139	\$ 5,999,648	\$ 1,224,425	\$ 625,675	\$ -	\$ (1,134,954)	\$ 96,651	\$ (490,760)	\$ 9,418,118
Restricted assets:										
Cash and investments	-	-	-	-	-	(2,384,011)	-	-	(298,361)	(2,682,372)
Total cash and investment assets - ending	\$ 2,080,294	\$ 1,017,139	\$ 5,999,648	\$ 1,224,425	\$ 625,675	\$ (2,384,011)	\$ (1,134,954)	\$ 96,651	\$ (789,121)	\$ 6,735,746
Cash and Investment Fund Balance - Ending										
Unrestricted	\$ 2,080,294	\$ 1,017,139	\$ 5,999,648	\$ 1,224,425	\$ 625,675	\$ (2,384,011)	\$ (1,134,954)	\$ 96,651	\$ (789,121)	\$ 6,735,746

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

PENN-HARRIS-MADISON SCHOOL CORPORATION
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2007

	General	Transportation Operating	Rainy Day	School Lunch	Kids Club	Debt Service	Capital Projects	School Bus Replacement	General Obligation Bond 2006	Other	Totals
Receipts:											
Local sources	\$18,983,422	\$ 3,994,225	\$ 320,876	\$ 2,389,419	\$ 749,985	\$ 16,298,144	\$ 6,727,950	\$ 741,786	\$ -	\$ 2,306,383	\$ 52,512,190
Intermediate sources	1,044	-	-	-	-	-	-	-	-	-	1,044
State sources	37,072,039	-	-	41,977	-	-	-	-	-	1,053,825	38,167,841
Federal sources	-	-	-	747,501	-	-	-	-	-	484,957	1,232,458
Bonds and loans	6,522,384	1,004,673	-	-	-	-	-	-	1,841,625	-	9,368,682
Sale of property, adjustments and refunds	143,828	10,265	-	-	-	-	2,990	-	-	1,024	158,107
Total receipts	62,722,717	5,009,163	320,876	3,178,897	749,985	16,298,144	6,730,940	741,786	1,841,625	3,846,189	101,440,322
Disbursements:											
Current:											
Instruction	25,021,904	-	234,039	-	-	-	-	-	-	1,589,302	26,845,245
Support services	24,486,964	4,623,967	604,017	3,025,723	81,955	-	7,817,950	747,773	575,324	922,924	42,886,597
Community services	724,882	-	-	-	450,194	-	-	-	-	195,342	1,370,418
Nonprogrammed charges	5,905,813	-	-	-	-	-	-	-	-	480,724	6,386,537
Debt services	8,436,428	1,685,077	-	-	-	15,197,161	-	-	-	891,343	26,210,009
Total disbursements	64,575,991	6,309,044	838,056	3,025,723	532,149	15,197,161	7,817,950	747,773	575,324	4,079,635	103,698,806
Excess (deficiency) of receipts over disbursements	(1,853,274)	(1,299,881)	(517,180)	153,174	217,836	1,100,983	(1,087,010)	(5,987)	1,266,301	(233,446)	(2,258,484)
Other financing sources (uses):											
Transfers in	1,427,303	-	-	-	-	-	-	-	-	79,176	1,506,479
Transfers out	-	-	(1,320,394)	-	-	(58,531)	-	-	-	(127,554)	(1,506,479)
Total other financing sources (uses)	1,427,303	-	(1,320,394)	-	-	(58,531)	-	-	-	(48,378)	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(425,971)	(1,299,881)	(1,837,574)	153,174	217,836	1,042,452	(1,087,010)	(5,987)	1,266,301	(281,824)	(2,258,484)
Cash and investments - beginning	2,080,294	1,017,139	5,999,648	1,224,425	625,675	(2,384,011)	(1,134,954)	96,651	-	(789,121)	6,735,746
Cash and investments - ending	\$ 1,654,323	\$ (282,742)	\$ 4,162,074	\$ 1,377,599	\$ 843,511	\$ (1,341,559)	\$ (2,221,964)	\$ 90,664	\$ 1,266,301	\$ (1,070,945)	4,477,262
Amounts reported for governmental activities in the Statement of Cash Activities and Net Assets - Cash and Investment Basis are different because: Internal service funds are used by management to charge the costs of certain services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Activities and Net Assets - Cash and Investment Basis.											
											<u>2,361,599</u>
Net assets of governmental activities											<u>\$ 6,838,861</u>
Cash and Investment Assets - Ending											
Cash and investments	\$ 1,654,323	\$ (282,742)	\$ 4,162,074	\$ 1,377,599	\$ 843,511	\$ -	\$ (2,221,964)	\$ 90,664	\$ 1,266,301	\$ (623,341)	\$ 6,266,425
Restricted assets:											
Cash and investments	-	-	-	-	-	(1,341,559)	-	-	-	(447,604)	(1,789,163)
Total cash and investment assets - ending	\$ 1,654,323	\$ (282,742)	\$ 4,162,074	\$ 1,377,599	\$ 843,511	\$ (1,341,559)	\$ (2,221,964)	\$ 90,664	\$ 1,266,301	\$ (1,070,945)	\$ 4,477,262
Cash and Investment Fund Balance - Ending											
Unrestricted	\$ 1,654,323	\$ (282,742)	\$ 4,162,074	\$ 1,377,599	\$ 843,511	\$ (1,341,559)	\$ (2,221,964)	\$ 90,664	\$ 1,266,301	\$ (1,070,945)	\$ 4,477,262

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

PENN-HARRIS-MADISON SCHOOL CORPORATION
 STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS, DISBURSEMENTS,
 AND CHANGES IN FUND BALANCES - CASH AND INVESTMENTS BASIS
 PROPRIETARY FUND
 For the Year Ended June 30, 2006

	<u>Internal Service Fund</u>
Operating receipts:	
Miscellaneous	\$ 9,167,566
Operating disbursements:	
Insurance claims and expense	<u>8,638,329</u>
Excess of operating receipts over operating disbursements	529,237
Cash and investment fund balance - beginning	<u>1,547,467</u>
Cash and investment fund balance - ending	<u><u>\$ 2,076,704</u></u>
 <u>Cash and Investment Assets - Ending</u>	
Restricted assets:	
Cash and investments	<u><u>\$ 2,076,704</u></u>
 <u>Cash and Investment Fund Balance - Ending</u>	
Restricted for:	
Other purposes	<u><u>\$ 2,076,704</u></u>

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

PENN-HARRIS-MADISON SCHOOL CORPORATION
 STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS, DISBURSEMENTS,
 AND CHANGES IN FUND BALANCES - CASH AND INVESTMENTS BASIS
 PROPRIETARY FUND
 For the Year Ended June 30, 2007

	<u>Internal Service Fund</u>
Operating receipts:	
Miscellaneous	\$ 9,519,662
Operating disbursements:	
Insurance claims and expense	<u>9,234,767</u>
Excess of operating receipts over operating disbursements	284,895
Cash and investment fund balance - beginning	<u>2,076,704</u>
Cash and investment fund balance - ending	<u><u>\$ 2,361,599</u></u>
 <u>Cash and Investment Assets - Ending</u>	
Restricted assets:	
Cash and investments	<u><u>\$ 2,361,599</u></u>
 <u>Cash and Investment Fund Balance - Ending</u>	
Restricted for:	
Other purposes	<u><u>\$ 2,361,599</u></u>

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

PENN-HARRIS-MADISON SCHOOL CORPORATION
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
FIDUCIARY FUNDS
For the Year Ended June 30, 2006

	Pension Trust Funds	Private-Purpose Trust Funds	Agency Funds
Additions:			
Contributions:			
Other	\$ -	\$ 81,813	
Investment earnings:			
Interest	<u>90,368</u>	<u>-</u>	
Total additions	<u>90,368</u>	<u>81,813</u>	
Deductions:			
Benefits	777,333	-	
Administrative and general	<u>-</u>	<u>36,955</u>	
Total deductions	<u>777,333</u>	<u>36,955</u>	
Excess (deficiency) of total additions over total deductions	(686,965)	44,858	
Cash and investment fund balance - beginning	<u>2,536,771</u>	<u>30,052</u>	
Cash and investment fund balance - ending	<u>\$ 1,849,806</u>	<u>\$ 74,910</u>	
Net assets:			
Cash and investments	<u>\$ 1,849,806</u>	<u>\$ 74,910</u>	<u>\$ 130,422</u>
Total net assets - cash and investment basis held in trust	<u>\$ 1,849,806</u>	<u>\$ 74,910</u>	<u>\$ 130,422</u>

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

PENN-HARRIS-MADISON SCHOOL CORPORATION
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
FIDUCIARY FUNDS
For the Year Ended June 30, 2007

	<u>Pension Trust Funds</u>	<u>Private-Purpose Trust Funds</u>	<u>Agency Funds</u>
Additions:			
Contributions:			
Other	\$ -	\$ 80,215	
Investment earnings:			
Interest	<u>79,656</u>	<u>-</u>	
Total additions	<u>79,656</u>	<u>80,215</u>	
Deductions:			
Benefits			
Administrative and general	<u>681,710</u>	<u>-</u>	
Administrative and general	<u>-</u>	<u>39,385</u>	
Total deductions	<u>681,710</u>	<u>39,385</u>	
Excess (deficiency) of total additions over total deductions	(602,054)	40,830	
Cash and investment fund balance - beginning	<u>1,849,806</u>	<u>74,910</u>	
Cash and investment fund balance - ending	<u>\$ 1,247,752</u>	<u>\$ 115,740</u>	
Net assets:			
Cash and investments	<u>\$ 1,247,752</u>	<u>\$ 115,740</u>	<u>\$ 318,689</u>
Total net assets - cash and investment basis held in trust	<u>\$ 1,247,752</u>	<u>\$ 115,740</u>	<u>\$ 318,689</u>

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

PENN-HARRIS-MADISON SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

The accompanying financial statements present the activities of the School Corporation (Primary Government). There are no significant component units which require inclusion.

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

Joint Venture

The School Corporation is a participant with the School City of Mishawaka in a joint venture to operate a Joint Services and Supply for Special Education (Joint Services) which was created to engage in the joint employment of personnel and the joint purchase of supplies and equipment to provide programs and services for exceptional children. The School Corporation is obligated to pay Joint Services its proportion of the total joint service and supply expenditures. The Joint Services' continued existence depends on continued funding by the School Corporation. Complete financial statements for the Joint Services and Supply for Special Education can be obtained from the School City of Mishawaka's Administrative Center at 1402 South Main Street, Mishawaka, Indiana, 46544.

The School Corporation is a participant with the School City of Mishawaka and South Bend Community School Corporation in a joint venture to operate Byrkit Avenue Alternative School which was created to provide an alternative educational program for students who have difficulty in traditional settings. The School Corporation is obligated by contract to remit annually an amount per student to supplement the Byrkit budget. Complete financial information for the Byrkit Avenue Alternative School is included in the Penn-Harris-Madison School Corporation's financial statements as part of the other governmental funds. More information can be obtained from the Educational Services Center at 55900 Bittersweet Road, Mishawaka, Indiana, 46545.

The School Corporation is a participant with eleven other school corporations of Elkhart and St. Joseph Counties in a joint venture to operate a Head Start Consortium (Consortium) which was created to develop, operate, participate and supervise a Head Start Program to serve the pre-school student populations of the participating corporations. The Consortium's continued existence depends on continued funding through a federal grant program. Participating school corporations are required to provide "in-kind" services (transportation and classroom, gymnasium and playground space) to meet the grant requirements. No fees are assessed the School Corporation for the operation of this program. The School Corporation may be obligated for the debts of the Consortium should they not be covered by the grant. Complete financial statements for the Head Start Consortium can be obtained from South Bend Community School Corporation at 215 South St. Joseph Street, South Bend, Indiana, 46601.

PENN-HARRIS-MADISON SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The Statements of Activities and Net Assets - Cash and Investments Basis display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues.

Fund Financial Statements

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

The School Corporation reports the following major governmental funds:

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

The transportation operating fund accounts for financial resources for the transportation of school children to and from school.

The rainy day fund is used to account for funds in accordance with Indiana Code 36-1-8-5.1 and a locally adopted resolution.

The school lunch fund is used to account for receipts and disbursements for the food service program.

The kids club fund is used to account for receipts and disbursements for the before school and after school day care program.

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

The capital projects fund accounts for planned construction, repair, replacement or remodeling; and the purchase, lease, upgrade, maintenance, or repair of computer equipment.

The school bus replacement fund is used to account for receipts and disbursements concerning the acquisition and disposal of school buses.

PENN-HARRIS-MADISON SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

Additionally, the School Corporation reports the following fund types:

The internal service fund accounts for employee health and dental costs.

The pension trust fund accounts bonds and payments anticipated to be made to employees on or after the termination of employment or to pay postretirement or severance benefits held by the School Corporation in a trustee capacity.

The private-purpose trust funds report trust arrangements under which principal and income benefit the various individuals and private organizations.

Agency funds account for assets held by the School Corporation as an agent for employee payroll deductions.

C. Measurement Focus and Basis of Accounting

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

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

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

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

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Goods or services from such activities are provided to people outside the government (enterprise funds) or other departments or agencies primarily within the government (internal service funds). The School Corporation does not have any enterprise funds.

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

D. Assets and Cash and Investment Balances

1. Cash and Investments

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

PENN-HARRIS-MADISON SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

2. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the School Corporation in June and in December. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100% of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which become delinquent if not paid by May 10 and November 10, respectively. All property taxes collected by the County Treasurer and available for distribution were distributed to the School Corporation on or prior to June 30, 2006. The property taxes for the 2007 calendar year have been delayed due to reassessments. No property taxes were received prior to June 30, 2007. As of November 27, 2007, the School Corporation had received approximately 14% of its 2007 property taxes from the County Treasurer.

3. Compensated Absences

a. Sick Leave

Employees earn sick leave at the rate of 12 days per year. Some employee classifications working less than 12 months in a year earn sick leave at a rate of 1 day per month. Certified employees earn sick leave at a rate of 10 days per year after their first year of employment. Unused sick leave may be accumulated indefinitely. Accumulated sick leave is paid to employees through cash payments as part of a severance program.

b. Vacation Leave

Nonteaching or administrative and noncertified School Corporation employees earn vacation leave at rates from 10 days to 25 days per year based upon the number of years of service and employee classification. Vacation leave may be accumulated to a maximum of 5 days for certain employee classifications. Accumulated vacation leave is paid to employees through cash payments upon employment termination.

c. Personal Leave

School Corporation employees earn personal leave at the rate of 2 to 3 days per year based upon employee classification. Personal leave does not accumulate from year to year, except for certified employees, which accumulates to 5 days. All unused personal leave in excess of the maximum accumulation will be added to sick leave.

4. Capital Assets

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

PENN-HARRIS-MADISON SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

5. Long-Term Debt

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

6. Equity Classification

Government-Wide Statements

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

- a. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or (2) law through constitutional provisions or enabling legislation.
- b. Unrestricted net assets – All other net assets that do not meet the definition of "restricted."

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

Fund Financial Statements

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

E. Receipts and Disbursements

1. Program Receipts

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

2. Operating Receipts and Disbursements

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

F. Internal and Interfund Balances and Activities

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

PENN-HARRIS-MADISON SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

Fund Financial Statements

1. Interfund services – Sales or purchases of goods and services between funds are reported as receipts and disbursements.
2. Interfund reimbursements – Repayments from funds responsible for certain disbursements to the funds that initially paid for them are reported as reimbursements.
3. Interfund transfers – Flow of assets from one fund to another where repayment is not expected is reported as transfers in and out.

Government-Wide Financial Statements

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

Internal activities – Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis. The effects of interfund services between funds, if any, are not eliminated in the Statement of Activities and Net Assets – Cash and Investment Basis.

II. Stewardship, Compliance and Accountability

A. Budgetary Information

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

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

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

B. Cash and Investment Balance Deficits

At June 30, 2006 and 2007, the following funds reported deficits in cash and investments, which are violations of the Uniform Compliance Guidelines and state statute:

PENN-HARRIS-MADISON SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

Fund	2006	2007
Major funds:		
Transportation Operating	\$ -	\$ 282,742 *
Debt Service	2,384,011	1,341,559 *
Capital Projects	1,134,954	2,221,964 *
Other governmental funds:		
Preschool Special Education	16,541	16,219
Textbook Rental	830,457	745,416
CSF Technology 2005-2006	374,211	137,193
PHS Aerospace/Eng 2005	11,674	-
PHS Principles of Engineering	-	12,756
Title II Part A 2006-2007	-	50,427
Retirement Bond Debt Service	298,361	447,604 *

*As of June 30, 2007, the County has not distributed any tax collections.

Cash and investment deficits arose primarily from disbursements exceeding receipts due to the underestimate of current requirements; these deficits are to be repaid from future receipts.

III. Detailed Notes on All Funds

A. Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Indiana Code 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state funds and has a principal office or branch that qualifies to receive public funds of the political subdivision. At June 30, 2007, the bank balances were insured by the Federal Deposit Insurance Corporation or the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

B. Interfund Transfers

Interfund transfers for the years ended June 30, 2006 and 2007, were as follows:

Transfer From	Transfer To	2006	2007
Rainy Day Fund	General Fund	\$ 248,513	\$ 1,320,394
Debt Service Fund	General Fund	10,470	-
Debt Service Fund	Transportation Operating Fund	427,033	-
Debt Service Fund	Capital Projects Fund	3,402	-
Debt Service Fund	Other governmental funds	99,743	58,531
Other governmental funds	General Fund	120,389	106,909
Other governmental funds	Other governmental funds	17,797	20,645
Totals		<u>\$ 927,347</u>	<u>\$ 1,506,479</u>

PENN-HARRIS-MADISON SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

The School Corporation typically uses transfers for cash flow purposes as provided by various statutory provisions.

IV. Other Information

A. Risk Management

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

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

Medical Benefits to Employees, Retirees, and Dependents

The School Corporation has chosen to establish a risk financing fund for risks associated with medical benefits to employees, retirees, and dependents. The risk financing fund is accounted for in the Self-Insurance Fund, an internal service fund, where assets are set aside for claim settlements. An excess policy through commercial insurance covers individual claims in excess of \$125,000 per year. Settled claims resulting from this risk did not exceed commercial insurance coverage in the past three years. Interfund premiums are paid into the fund by all affected funds and are available to pay claims, claim reserves, and administrative costs of the program. Interfund premiums are based upon the number of actual employees paid from a particular fund and their election of single or family plan coverage.

B. Holding Corporation

The School Corporation has entered into capital leases with Penn High School Building Corporation, PHM Elementary/Middle School Building Corporation, Penn-Harris-Madison School Building Corporation, PHM School Renovation Building Corporation and PHM Transportation Center Building Corporation (the lessors). The lessors were organized as for profit corporations pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. The lessors have been determined to be related parties of the School Corporation. Lease payments during the years ended June 30, 2006 and 2007, totaled \$11,730,500 and \$11,723,000, respectively.

C. Subsequent Events

On October 22, 2007, the School Board approved a \$968,365 common school loan to finance technology improvements.

On December 10, 2007, the School Board approved a Indiana Bond Bank resolution for tax anticipation warrants. The amount of the loan is estimated at \$6,534,714 and will finance operating expenses until taxes are distributed from the County.

PENN-HARRIS-MADISON SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

D. Postemployment Benefits

In addition to the pension benefits described below, the School Corporation provides postemployment medical benefits, as authorized by Indiana Code 5-10-8, to all employees who retire from the School Corporation and are vested. Currently, 32 retirees meet these eligibility requirements. The retirees provide 100% of the estimated premium cost for these postemployment benefits. The postemployment benefits are accounted for in a Self-Insurance Fund. Therefore, retiree medical benefits in excess of the estimated amounts would be the School Corporation's liability. Disbursements for those postemployment benefits are recognized on a pay-as-you-go basis. During the year ended August 31, 2007, disbursements of \$304,076 were recognized for post-employment benefits (net of retiree contributions).

E. Pension Plans

1. Agent Multiple-Employer and Single-Employer Defined Benefit Pension Plans

a. Public Employees' Retirement Fund

Plan Description

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

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

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

Funding Policy and Annual Pension Cost

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

PENN-HARRIS-MADISON SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

Actuarial Information for the Above Plan

	PERF
Annual required contribution	\$ 566,573
Interest on net pension obligation	(52,840)
Adjustment to annual required contribution	60,216
Annual pension cost	573,949
Contributions made	532,817
Increase in net pension obligation	41,132
Net pension obligation, beginning of year	(728,831)
Net pension obligation, end of year	\$ (687,699)
Contribution rates:	
School Corporation	5.63%
Plan members	3%
Actuarial valuation date	07-01-06
Actuarial cost method	Entry age
Amortization method	Level percentage of projected payroll, closed
Amortization period	40 years
Amortization period (from date)	07-01-97
Asset valuation method	75% of expected actuarial value plus 25% of market value

Actuarial Assumptions

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

Three Year Trend Information

	Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
PERF	06-30-04	\$ 438,007	125%	\$ (629,222)
	06-30-05	446,414	122%	(728,831)
	06-30-06	573,949	93%	(687,699)

PENN-HARRIS-MADISON SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

Teachers' Retirement Fund

Plan Description

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

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

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

Funding Policy and Annual Pension Costs

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

The School Corporation is to contribute at an actuarially determined rate. The current rate has been actuarially determined under the entry age normal cost method to be 7% of covered wages. The School Corporation's required contributions to the plan for the fiscal years ended June 30, 2007, 2006, and 2005, were \$751,787, \$723,437, and \$681,757, respectively. The School Corporation actually contributed 100% of the required contribution for each of the fiscal years.

PENN-HARRIS-MADISON SCHOOL CORPORATION
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS

Public Employees' Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Excess of Assets Over (Unfunded) AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Excess (Unfunded) AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-04	\$ 10,900,442	\$ 10,191,901	\$ 708,541	107%	\$ 9,622,090	7%
07-01-05	11,331,359	11,653,042	(321,683)	97%	9,943,926	(3%)
07-01-06	11,134,950	11,650,299	(515,349)	96%	9,605,750	(5%)

PENN-HARRIS-MADISON SCHOOL CORPORATION
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2006

	Preschool Special Education	Textbook Rental	Byrkit Alternative School	Art Association	Historical Society	Alternative Education	SAFE School Haven
Receipts:							
Local sources	\$ 67,348	\$ 896,925	\$ 262,247	\$ 102,627	\$ 102,627	\$ -	\$ -
State sources	416,688	88,934	-	-	-	89,315	14,362
Federal sources	-	-	-	-	-	-	-
Bonds and loans	-	-	-	-	-	-	-
Sale of property, adjustments and refunds	-	4,259	-	-	-	-	-
Total receipts	484,036	990,118	262,247	102,627	102,627	89,315	14,362
Disbursements:							
Current:							
Instruction	-	1,635,161	203,054	-	-	-	-
Support services	-	-	52,052	-	-	-	4,635
Community services	-	-	-	86,421	86,421	-	24,022
Nonprogrammed charges	460,137	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Total disbursements	460,137	1,635,161	255,106	86,421	86,421	-	28,657
Excess (deficiency) of receipts over disbursements	23,899	(645,043)	7,141	16,206	16,206	89,315	(14,295)
Other financing sources (uses):							
Transfers in	-	85,736	17,797	-	-	-	-
Transfers out	-	-	-	-	-	(89,312)	-
Total other financing sources (uses)	-	85,736	17,797	-	-	(89,312)	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	23,899	(559,307)	24,938	16,206	16,206	3	(14,295)
Cash and investments - beginning	(40,440)	(271,150)	141,315	(1,350)	(1,350)	-	17,579
Cash and investments - ending	\$ (16,541)	\$ (830,457)	\$ 166,253	\$ 14,856	\$ 14,856	\$ 3	\$ 3,284
Cash and Investment Assets - Ending							
Cash and investments	\$ (16,541)	\$ (830,457)	\$ 166,253	\$ 14,856	\$ 14,856	\$ 3	\$ 3,284
Restricted assets:							
Cash and investments	-	-	-	-	-	-	-
Total cash and investment assets - ending	\$ (16,541)	\$ (830,457)	\$ 166,253	\$ 14,856	\$ 14,856	\$ 3	\$ 3,284
Cash and Investment Fund Balance - Ending							
Unrestricted	\$ (16,541)	\$ (830,457)	\$ 166,253	\$ 14,856	\$ 14,856	\$ 3	\$ 3,284

PENN-HARRIS-MADISON SCHOOL CORPORATION
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2006
 (Continued)

	Gifted and Talented 2005-2006	Gifted and Talented 2004-2005	Professional Development 2002	CSF Technology 2005-2006	Non-English Speaking Grant	Central Purchasing Storeroom	Title I 2005-2006
Receipts:							
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 243,014	\$ -
State sources	29,396	-	-	561,395	5,324	-	-
Federal sources	-	-	-	-	-	-	180,216
Bonds and loans	-	-	-	-	-	-	-
Sale of property, adjustments and refunds	-	-	-	-	-	-	-
Total receipts	29,396	-	-	561,395	5,324	243,014	180,216
Disbursements:							
Current:							
Instruction	18,920	1,660	-	-	186	-	127,630
Support services	2,071	-	1,287	935,606	-	254,169	21,924
Community services	-	-	-	-	-	45	1,420
Nonprogrammed charges	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Total disbursements	20,991	1,660	1,287	935,606	186	254,214	150,974
Excess (deficiency) of receipts over disbursements	8,405	(1,660)	(1,287)	(374,211)	5,138	(11,200)	29,242
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	(15,903)	(6,931)	(4,985)
Total other financing sources (uses)	-	-	-	-	(15,903)	(6,931)	(4,985)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	8,405	(1,660)	(1,287)	(374,211)	(10,765)	(18,131)	24,257
Cash and investments - beginning	-	1,660	1,287	-	10,766	85,924	-
Cash and investments - ending	\$ 8,405	\$ -	\$ -	\$ (374,211)	\$ 1	\$ 67,793	\$ 24,257
Cash and Investment Assets - Ending							
Cash and investments	\$ 8,405	\$ -	\$ -	\$ (374,211)	\$ 1	\$ 67,793	\$ 24,257
Restricted assets:							
Cash and investments	-	-	-	-	-	-	-
Total cash and investment assets - ending	\$ 8,405	\$ -	\$ -	\$ (374,211)	\$ 1	\$ 67,793	\$ 24,257
Cash and Investment Fund Balance - Ending							
Unrestricted	\$ 8,405	\$ -	\$ -	\$ (374,211)	\$ 1	\$ 67,793	\$ 24,257

PENN-HARRIS-MADISON SCHOOL CORPORATION
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2006
 (Continued)

	Title I 2003-2004	Title V 2002-2003	Title V Part A 2005-2006	Drug Free Title IV 2005-2006	Drug Free Title IV 2004-2005	Drug Free Title IV 2003-2004
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	-	-	-	-	-	-
Federal sources	16,200	43,682	29,611	26,844	26,792	-
Bonds and loans	-	-	-	-	-	-
Sale of property, adjustments and refunds	-	-	-	-	-	-
Total receipts	16,200	43,682	29,611	26,844	26,792	-
Disbursements:						
Current:						
Instruction	(9,402)	-	-	-	-	-
Support services	72,145	59,385	-	13,993	19,663	12,981
Community services	1,935	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Total disbursements	64,678	59,385	-	13,993	19,663	12,981
Excess (deficiency) of receipts over disbursements	(48,478)	(15,703)	29,611	12,851	7,129	(12,981)
Other financing sources (uses):						
Transfers in	-	-	-	-	-	-
Transfers out	-	(7,371)	-	-	(1,203)	(1,197)
Total other financing sources (uses)	-	(7,371)	-	-	(1,203)	(1,197)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(48,478)	(23,074)	29,611	12,851	5,926	(14,178)
Cash and investments - beginning	48,478	37,667	-	-	-	13,972
Cash and investments - ending	\$ -	\$ 14,593	\$ 29,611	\$ 12,851	\$ 5,926	\$ (206)
Cash and Investment Assets - Ending						
Cash and investments	\$ -	\$ 14,593	\$ 29,611	\$ 12,851	\$ 5,926	\$ (206)
Restricted assets:						
Cash and investments	-	-	-	-	-	-
Total cash and investment assets - ending	\$ -	\$ 14,593	\$ 29,611	\$ 12,851	\$ 5,926	\$ (206)
Cash and Investment Fund Balance - Ending						
Unrestricted	\$ -	\$ 14,593	\$ 29,611	\$ 12,851	\$ 5,926	\$ (206)

PENN-HARRIS-MADISON SCHOOL CORPORATION
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2006
 (Continued)

	Tech Prep Mini Grant 2003	Careers Majors Grant	PHS Aerospace/Eng 2005	Workforce Development PHS 2005	Title II Part A 2002-2003	Title II Part D 2002-2003
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	-	-	30,757	-	-	-
Federal sources	-	-	-	-	280,958	3,778
Bonds and loans	-	-	-	-	-	-
Sale of property, adjustments and refunds	-	-	1,414	-	-	-
Total receipts	-	-	32,171	-	280,958	3,778
Disbursements:						
Current:						
Instruction	-	-	-	-	120,004	-
Support services	171	(10)	43,845	(3,686)	87,634	4,752
Community services	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Total disbursements	171	(10)	43,845	(3,686)	207,638	4,752
Excess (deficiency) of receipts over disbursements	(171)	10	(11,674)	3,686	73,320	(974)
Other financing sources (uses):						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	(9,528)	(714)
Total other financing sources (uses)	-	-	-	-	(9,528)	(714)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(171)	10	(11,674)	3,686	63,792	(1,688)
Cash and investments - beginning	171	(10)	-	641	87,078	8,992
Cash and investments - ending	\$ -	\$ -	\$ (11,674)	\$ 4,327	\$ 150,870	\$ 7,304
Cash and Investment Assets - Ending						
Cash and investments	\$ -	\$ -	\$ (11,674)	\$ 4,327	\$ 150,870	\$ 7,304
Restricted assets:						
Cash and investments	-	-	-	-	-	-
Total cash and investment assets - ending	\$ -	\$ -	\$ (11,674)	\$ 4,327	\$ 150,870	\$ 7,304
Cash and Investment Fund Balance - Ending						
Unrestricted	\$ -	\$ -	\$ (11,674)	\$ 4,327	\$ 150,870	\$ 7,304

PENN-HARRIS-MADISON SCHOOL CORPORATION
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2006
 (Continued)

	Limited English Proficiency 2002-2003	Retirement Bond Debt Service	General Obligation Bond 2003	General Obligation Bond 2004	General Obligation Bond 2005	Totals
Receipts:						
Local sources	\$ -	\$ 1,023,486	\$ -	\$ -	\$ -	\$ 2,698,274
State sources	-	-	-	-	-	1,236,171
Federal sources	52,102	-	-	-	-	660,183
Bonds and loans	-	-	-	-	1,895,393	1,895,393
Sale of property, adjustments and refunds	-	-	-	-	-	5,673
Total receipts	52,102	1,023,486	-	-	1,895,393	6,495,694
Disbursements:						
Current:						
Instruction	29,542	-	-	-	-	2,126,755
Support services	7,954	-	20,854	188,259	1,699,544	3,499,228
Community services	-	-	-	-	-	200,264
Nonprogrammed charges	-	-	-	-	-	460,137
Debt services	-	888,543	-	-	-	888,543
Total disbursements	37,496	888,543	20,854	188,259	1,699,544	7,174,927
Excess (deficiency) of receipts over disbursements	14,606	134,943	(20,854)	(188,259)	195,849	(679,233)
Other financing sources (uses):						
Transfers in	-	14,007	-	-	-	117,540
Transfers out	(1,042)	-	-	-	-	(138,186)
Total other financing sources (uses)	(1,042)	14,007	-	-	-	(20,646)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	13,564	148,950	(20,854)	(188,259)	195,849	(699,879)
Cash and investments - beginning	7,726	(447,311)	20,854	188,259	-	(89,242)
Cash and investments - ending	\$ 21,290	\$ (298,361)	\$ -	\$ -	\$ 195,849	\$ (789,121)
Cash and Investment Assets - Ending						
Cash and investments	\$ 21,290	\$ -	\$ -	\$ -	\$ 195,849	\$ (490,760)
Restricted assets:						
Cash and investments	-	(298,361)	-	-	-	(298,361)
Total cash and investment assets - ending	\$ 21,290	\$ (298,361)	\$ -	\$ -	\$ 195,849	\$ (789,121)
Cash and Investment Fund Balance - Ending						
Unrestricted	\$ 21,290	\$ (298,361)	\$ -	\$ -	\$ 195,849	\$ (789,121)

PENN-HARRIS-MADISON SCHOOL CORPORATION
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2007

	Preschool Special Education	Textbook Rental	Byrkit Alternative School	Art Association	Historical Society	Alternative Education	SAFE School Haven
Receipts:							
Local sources	\$ 49,452	\$ 853,963	\$ 262,575	\$ 75,356	\$ 75,356	\$ -	\$ -
State sources	431,594	79,640	-	-	-	91,272	6,500
Federal sources	-	-	-	-	-	-	-
Sale of property, adjustments and refunds	-	974	50	-	-	-	-
Total receipts	481,046	934,577	262,625	75,356	75,356	91,272	6,500
Disbursements:							
Current:							
Instruction	-	905,399	209,080	-	-	-	-
Support services	-	-	49,487	-	-	-	(154)
Community services	-	-	-	90,212	90,212	-	10,342
Nonprogrammed charges	480,724	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Total disbursements	480,724	905,399	258,567	90,212	90,212	-	10,188
Excess (deficiency) of receipts over disbursements	322	29,178	4,058	(14,856)	(14,856)	91,272	(3,688)
Other financing sources (uses):							
Transfers in	-	55,863	20,645	-	-	-	-
Transfers out	-	-	-	-	-	(91,275)	-
Total other financing sources (uses)	-	55,863	20,645	-	-	(91,275)	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	322	85,041	24,703	(14,856)	(14,856)	(3)	(3,688)
Cash and investments - beginning	(16,541)	(830,457)	166,253	14,856	14,856	3	3,284
Cash and investments - ending	<u>\$ (16,219)</u>	<u>\$ (745,416)</u>	<u>\$ 190,956</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (404)</u>
Cash and Investment Assets - Ending							
Cash and investments	\$ (16,219)	\$ (745,416)	\$ 190,956	\$ -	\$ -	\$ -	\$ (404)
Restricted assets:							
Cash and investments	-	-	-	-	-	-	-
Total cash and investment assets - ending	\$ (16,219)	\$ (745,416)	\$ 190,956	\$ -	\$ -	\$ -	\$ (404)
Cash and Investment Fund Balance - Ending							
Unrestricted	<u>\$ (16,219)</u>	<u>\$ (745,416)</u>	<u>\$ 190,956</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (404)</u>

PENN-HARRIS-MADISON SCHOOL CORPORATION
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2007
 (Continued)

	Gifted and Talented 2006-2007	Gifted and Talented 2005-2006	Professional Development Ruby Payne	CSF Technology 2005-2006	Non-English Speaking Grant	Central Purchasing Storeroom	Title I 2006-2007
Receipts:							
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 250,249	\$ -
State sources	29,396	-	2,000	374,152	4,475	-	-
Federal sources	-	-	-	-	-	-	216,050
Sale of property, adjustments and refunds	-	-	-	-	-	-	-
Total receipts	29,396	-	2,000	374,152	4,475	250,249	216,050
Disbursements:							
Current:							
Instruction	18,497	7,693	-	-	-	-	139,938
Support services	1,619	712	-	137,134	-	264,251	69,648
Community services	-	-	-	-	-	-	845
Nonprogrammed charges	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Total disbursements	20,116	8,405	-	137,134	-	264,251	210,431
Excess (deficiency) of receipts over disbursements	9,280	(8,405)	2,000	237,018	4,475	(14,002)	5,619
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	(4,476)	-	(5,619)
Total other financing sources (uses)	-	-	-	-	(4,476)	-	(5,619)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	9,280	(8,405)	2,000	237,018	(1)	(14,002)	-
Cash and investments - beginning	-	8,405	-	(374,211)	1	67,793	-
Cash and investments - ending	<u>\$ 9,280</u>	<u>\$ -</u>	<u>\$ 2,000</u>	<u>\$ (137,193)</u>	<u>\$ -</u>	<u>\$ 53,791</u>	<u>\$ -</u>
Cash and Investment Assets - Ending							
Cash and investments	\$ 9,280	\$ -	\$ 2,000	\$ (137,193)	\$ -	\$ 53,791	\$ -
Restricted assets:							
Cash and investments	-	-	-	-	-	-	-
Total cash and investment assets - ending	<u>\$ 9,280</u>	<u>\$ -</u>	<u>\$ 2,000</u>	<u>\$ (137,193)</u>	<u>\$ -</u>	<u>\$ 53,791</u>	<u>\$ -</u>
Cash and Investment Fund Balance - Ending							
Unrestricted	<u>\$ 9,280</u>	<u>\$ -</u>	<u>\$ 2,000</u>	<u>\$ (137,193)</u>	<u>\$ -</u>	<u>\$ 53,791</u>	<u>\$ -</u>

PENN-HARRIS-MADISON SCHOOL CORPORATION
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2007
 (Continued)

	Title I 2005-2006	Title V 2002-2003	Title V Part A 2005-2006	Title V Part A 2006-2007	Drug Free Title IV 2006-2007	Drug Free Title IV 2005-2006	Drug Free Title IV 2004-2005
Receipts:							
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	-	-	-	-	-	-	-
Federal sources	20,000	-	-	14,914	21,786	-	-
Sale of property, adjustments and refunds	-	-	-	-	-	-	-
Total receipts	<u>20,000</u>	<u>-</u>	<u>-</u>	<u>14,914</u>	<u>21,786</u>	<u>-</u>	<u>-</u>
Disbursements:							
Current:							
Instruction	19,646	156	-	-	-	-	-
Support services	20,880	14,437	27,393	3,219	11,375	11,871	5,926
Community services	3,731	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Total disbursements	<u>44,257</u>	<u>14,593</u>	<u>27,393</u>	<u>3,219</u>	<u>11,375</u>	<u>11,871</u>	<u>5,926</u>
Excess (deficiency) of receipts over disbursements	<u>(24,257)</u>	<u>(14,593)</u>	<u>(27,393)</u>	<u>11,695</u>	<u>10,411</u>	<u>(11,871)</u>	<u>(5,926)</u>
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	(2,218)	(1,144)	(581)	(980)	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(2,218)</u>	<u>(1,144)</u>	<u>(581)</u>	<u>(980)</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(24,257)</u>	<u>(14,593)</u>	<u>(29,611)</u>	<u>10,551</u>	<u>9,830</u>	<u>(12,851)</u>	<u>(5,926)</u>
Cash and investments - beginning	<u>24,257</u>	<u>14,593</u>	<u>29,611</u>	<u>-</u>	<u>-</u>	<u>12,851</u>	<u>5,926</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,551</u>	<u>\$ 9,830</u>	<u>\$ -</u>	<u>\$ -</u>
Cash and Investment Assets - Ending							
Cash and investments	\$ -	\$ -	\$ -	\$ 10,551	\$ 9,830	\$ -	\$ -
Restricted assets:							
Cash and investments	-	-	-	-	-	-	-
Total cash and investment assets - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,551</u>	<u>\$ 9,830</u>	<u>\$ -</u>	<u>\$ -</u>
Cash and Investment Fund Balance - Ending							
Unrestricted	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,551</u>	<u>\$ 9,830</u>	<u>\$ -</u>	<u>\$ -</u>

PENN-HARRIS-MADISON SCHOOL CORPORATION
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2007
 (Continued)

	Drug Free Title IV 2003-2004	Perkins Guidance	PHS Aerospace/Eng 2005	Workforce Development PHS 2005	PHS Principles of Engineering	PHS Robotics	Title II Part A 2006-2007
Receipts:							
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	-	-	18,128	-	14,168	2,500	-
Federal sources	-	700	-	-	-	-	70,022
Sale of property, adjustments and refunds	-	-	-	-	-	-	-
Total receipts	-	700	18,128	-	14,168	2,500	70,022
Disbursements:							
Current:							
Instruction	-	-	-	-	-	-	88,058
Support services	(206)	350	6,042	40	26,924	2,500	22,507
Community services	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Total disbursements	(206)	350	6,042	40	26,924	2,500	110,565
Excess (deficiency) of receipts over disbursements	206	350	12,086	(40)	(12,756)	-	(40,543)
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	(9,884)
Total other financing sources (uses)	-	-	-	-	-	-	(9,884)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	206	350	12,086	(40)	(12,756)	-	(50,427)
Cash and investments - beginning	(206)	-	(11,674)	4,327	-	-	-
Cash and investments - ending	\$ -	\$ 350	\$ 412	\$ 4,287	\$ (12,756)	\$ -	\$ (50,427)
Cash and Investment Assets - Ending							
Cash and investments	\$ -	\$ 350	\$ 412	\$ 4,287	\$ (12,756)	\$ -	\$ (50,427)
Restricted assets:							
Cash and investments	-	-	-	-	-	-	-
Total cash and investment assets - ending	\$ -	\$ 350	\$ 412	\$ 4,287	\$ (12,756)	\$ -	\$ (50,427)
Cash and Investment Fund Balance - Ending							
Unrestricted	\$ -	\$ 350	\$ 412	\$ 4,287	\$ (12,756)	\$ -	\$ (50,427)

PENN-HARRIS-MADISON SCHOOL CORPORATION
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2007
 (Continued)

	Title II Part A 2002-2003	Title II Part D 2002-2003	Limited English Proficiency 2002-2003	Retirement Bond Debt Service	General Obligation Bond 2005	Totals
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ 739,432	\$ -	\$ 2,306,383
State sources	-	-	-	-	-	1,053,825
Federal sources	69,800	-	71,685	-	-	484,957
Sale of property, adjustments and refunds	-	-	-	-	-	1,024
Total receipts	69,800	-	71,685	739,432	-	3,846,189
Disbursements:						
Current:						
Instruction	138,205	-	62,630	-	-	1,589,302
Support services	72,865	7,024	18,921	-	148,159	922,924
Community services	-	-	-	-	-	195,342
Nonprogrammed charges	-	-	-	-	-	480,724
Debt services	-	-	-	891,343	-	891,343
Total disbursements	211,070	7,024	81,551	891,343	148,159	4,079,635
Excess (deficiency) of receipts over disbursements	(141,270)	(7,024)	(9,866)	(151,911)	(148,159)	(233,446)
Other financing sources (uses):						
Transfers in	-	-	-	2,668	-	79,176
Transfers out	(9,600)	(280)	(1,497)	-	-	(127,554)
Total other financing sources (uses)	(9,600)	(280)	(1,497)	2,668	-	(48,378)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(150,870)	(7,304)	(11,363)	(149,243)	(148,159)	(281,824)
Cash and investments - beginning	150,870	7,304	21,290	(298,361)	195,849	(789,121)
Cash and investments - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,927</u>	<u>\$ (447,604)</u>	<u>\$ 47,690</u>	<u>\$ (1,070,945)</u>
Cash and Investment Assets - Ending						
Cash and investments	\$ -	\$ -	\$ 9,927	\$ -	\$ 47,690	\$ (623,341)
Restricted assets:						
Cash and investments	-	-	-	(447,604)	-	(447,604)
Total cash and investment assets - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,927</u>	<u>\$ (447,604)</u>	<u>\$ 47,690</u>	<u>\$ (1,070,945)</u>
Cash and Investment Fund Balance - Ending						
Unrestricted	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,927</u>	<u>\$ (447,604)</u>	<u>\$ 47,690</u>	<u>\$ (1,070,945)</u>

PENN-HARRIS-MADISON SCHOOL CORPORATION
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 PRIVATE-PURPOSE TRUST FUNDS
 For the Year Ended June 30, 2006

	PHM Reading Clinic	CDOP	Halliday Scholarship	Dahlin Scholarship	Totals
Additions:					
Contributions:					
Other	\$ 5,313	\$ 70,000	\$ 500	\$ 6,000	\$ 81,813
Deductions:					
Administrative and general	2,492	34,463	-	-	36,955
Excess of total additions over total deductions	2,821	35,537	500	6,000	44,858
Cash and investment fund balance - beginning	(2,408)	32,460	-	-	30,052
Cash and investments - June 30	<u>\$ 413</u>	<u>\$ 67,997</u>	<u>\$ 500</u>	<u>\$ 6,000</u>	<u>\$ 74,910</u>
Net assets:					
Cash and investments	<u>\$ 413</u>	<u>\$ 67,997</u>	<u>\$ 500</u>	<u>\$ 6,000</u>	<u>\$ 74,910</u>
Total net assets - cash and investment basis held in trust	<u>\$ 413</u>	<u>\$ 67,997</u>	<u>\$ 500</u>	<u>\$ 6,000</u>	<u>\$ 74,910</u>

PENN-HARRIS-MADISON SCHOOL CORPORATION
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 PRIVATE-PURPOSE TRUST FUNDS
 For the Year Ended June 30, 2007

	PHM Reading Clinic	CDOP	Halliday Scholarship	Dahlin Scholarship	Angel Scholarship	Walt Disney Study Club	Totals
Additions:							
Contributions:							
Other	\$ 515	\$ 70,000	\$ 500	\$ -	\$ 6,000	\$ 3,200	\$ 80,215
Deductions:							
Administrative and general	18	36,584	1,000	500	-	1,283	39,385
Excess (deficiency) of total additions over total deductions	497	33,416	(500)	(500)	6,000	1,917	40,830
Cash and investment fund balance - beginning	413	67,997	500	6,000	-	-	74,910
Cash and investments - June 30	<u>\$ 910</u>	<u>\$ 101,413</u>	<u>\$ -</u>	<u>\$ 5,500</u>	<u>\$ 6,000</u>	<u>\$ 1,917</u>	<u>\$ 115,740</u>
Net assets:							
Cash and investments	\$ 910	\$ 101,413	\$ -	\$ 5,500	\$ 6,000	\$ 1,917	\$ 115,740
Total net assets - cash and investment basis held in trust	<u>\$ 910</u>	<u>\$ 101,413</u>	<u>\$ -</u>	<u>\$ 5,500</u>	<u>\$ 6,000</u>	<u>\$ 1,917</u>	<u>\$ 115,740</u>

PENN-HARRIS-MADISON SCHOOL CORPORATION
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS AND CHANGES IN CASH AND INVESTMENT BALANCES
 AGENCY FUNDS
 For the Year Ended June 30, 2006

	Payroll	Clearing	Totals
Net assets:			
Cash and investments	\$ 117,746	\$ 12,676	\$ 130,422
Total net assets - cash and investment basis held in trust	\$ 117,746	\$ 12,676	\$ 130,422

PENN-HARRIS-MADISON SCHOOL CORPORATION
COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS AND CHANGES IN CASH AND INVESTMENT BALANCES
AGENCY FUNDS
For the Year Ended June 30, 2007

Net assets:			
Cash and investments	\$ 305,772	\$ 12,917	\$ 318,689
Total net assets - cash and investment basis held in trust	<u>\$ 305,772</u>	<u>\$ 12,917</u>	<u>\$ 318,689</u>

PENN-HARRIS-MADISON SCHOOL CORPORATION
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS
 For the Year Ended June 30, 2007

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.

	Ending Balance
Governmental activities:	
Capital assets	
Land	\$ 18,980,000
Buildings	119,879,854
Improvements other than buildings	3,826,820
Machinery and equipment	26,015,909
Total governmental activities, capital assets	\$ 168,702,583

PENN-HARRIS-MADISON SCHOOL CORPORATION
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF DEBT
 June 30, 2007

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental Activities:		
Capital leases:		
School Buildings	\$ 65,810,707	\$ 8,871,000
Energy Savings	1,838,000	675,938
Notes and loans payable:		
Common School Loans	17,060,980	1,248,120
Tax anticipation warrants	7,522,384	7,522,384
Bonds payable:		
General obligation bonds:		
Retirement/Severance	7,210,000	345,000
Building Renovations	<u>1,405,000</u>	<u>930,000</u>
 Total governmental activities debt	 <u>\$ 100,847,071</u>	 <u>\$ 19,592,442</u>

PENN-HARRIS-MADISON SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS

GUARANTEED ENERGY SAVINGS CONTRACTS

The Penn-Harris-Madison School Corporation entered into a ten year guaranteed energy savings contract with Exelon Services-Solutions Group on December 1, 1999. The School Corporation did not provide evidence during our audit that the School Corporation filed annual reports with the Lieutenant Governor's Office as of July 1, 2006, and with the Indiana Department of Commerce before that date for the years 2004, 2005 and 2006.

Savings summary reports relative to guaranteed energy savings contracts are required to be filed with the Indiana Lieutenant Governor.

Effective July 1, 2006, Indiana Code 36-1-12.5-10 states in part: "The governing body shall:

- (2) annually report to the lieutenant governor, in accordance with procedures established by the lieutenant governor, the savings resulting in the previous year from the guaranteed energy savings contract or utility energy efficiency program."

OVERDRAWN CASH BALANCES

The June 30, 2007, cash balances of the following funds were overdrawn: Preschool Special Education (\$16,219), Textbook Rental (\$745,416), CSF Technology 2005-2006 (\$137,193), PHS Principles of Engineering (\$12,756), and Title II Part A 2006-2007 (\$50,427).

The cash balance of the Transportation Operating Fund (\$282,742), Debt Service Fund (\$1,341,889), Retirement Bond Debt Service Fund (\$447,604), and Capital Projects Fund (\$2,221,964) were overdrawn at June 30, 2007.

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

HONORS DIPLOMAS – INCORRECT REPORTING TO THE STATE

Lists of students provided by the School Corporation were three students less for both the 2004-2005 and 2005-2006 school years than the Honors Student Count reported by the Indiana Department of Education (DOE).

The difference between the student listings and the DOE count reported are shown below:

<u>School Year</u>	<u>Count as Reported by DOE</u>	<u>Corporations List of Honor Students</u>	<u>Difference</u>
2004-2005	224	221	3
2005-2006	255	252	3

School Officials should contact the Indiana Department of Education, Division of School Finance, to determine possible steps to be taken to correct any overpayment/underpayment applicable to the School Corporation because of incorrect reporting. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 8)

PENN-HARRIS-MADISON SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

FUND SOURCES AND USES (Applies to Grissom Middle School)

Funds were disbursed from The Student Council Fund for payment of the annual renewal license for use of instructional material.

Sources and uses of funds should be limited to those authorized by the enabling statute, ordinance, resolution, or grant agreement. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

DONATIONS TO OUTSIDE ORGANIZATIONS (Applies to Penn High School)

The Football Fund paid the following amounts to outside organizations: \$5,911 to Football Moms, \$2,000 to Freshman Football Moms during 2006-2007 and \$5,000 to Football Moms, \$2,000 to Freshman Football Moms during 2005-2006. The amounts were funded by a fundraiser for the Football Fund. The funds were used by the organizations to handle yearend banquets, meals to out-of-town teams coming from extra long distances, and treats for the players. Accounting for the money spent by the organizations, such as invoices they paid, was not presented for audit.

Governmental funds should not be donated or given to other organizations, individuals, or governmental units unless specifically authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7-6)

SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA

AN EQUAL OPPORTUNITY EMPLOYER

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

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

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

TO: THE OFFICIALS OF THE PENN-HARRIS-MADISON SCHOOL
CORPORATION, ST. JOSEPH COUNTY, INDIANA

Compliance

We have audited the compliance of the Penn-Harris-Madison School Corporation (School Corporation) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the years ended June 30, 2006 and 2007. The School Corporation's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the School Corporation's management. Our responsibility is to express an opinion on the School Corporation's compliance based on our audit.

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

In our opinion, the School Corporation complied in all material respects with the requirements referred to above that are applicable to each of its major federal programs for the years ended June 30, 2006 and 2007.

Internal Control Over Compliance

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

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

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

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

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

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

STATE BOARD OF ACCOUNTS

January 11, 2008

PENN-HARRIS-MADISON SCHOOL CORPORATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Years Ended June 30, 2006 and 2007

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 06-30-06	Total Federal Awards Expended 06-30-07
U.S. DEPARTMENT OF AGRICULTURE				
Pass Through Indiana Department of Education				
Child Nutrition Cluster				
School Breakfast Program	10.553		\$ 67,969	\$ 88,303
National School Lunch Program	10.555		552,008	767,518
Summer Food Service Program for Children	10.559		<u>57,138</u>	<u>49,172</u>
Total for federal grantor agency			<u>677,115</u>	<u>904,993</u>
U.S. DEPARTMENT OF EDUCATION				
Pass Through Indiana Department of Education				
Title I Grants to Local Educational Agencies				
	84.011			
		05-7175	64,678	-
		06-7175	155,959	44,257
		07-7175	<u>-</u>	<u>216,050</u>
Total for program			<u>220,637</u>	<u>260,307</u>
Safe and Drug Free Schools and Communities - State Grants				
	84.186			
		03-221	20,866	5,926
		04-254	14,178	-
		05-234	13,993	12,851
		7175-06	<u>-</u>	<u>11,956</u>
Total for program			<u>49,037</u>	<u>30,733</u>
Tech-Prep Education				
	84.243			
		TP-5-54	43,845	6,042
		TP-6-54	-	26,924
		Mini Grant 2003	171	-
		PHS 2000	-	40
		PHS Guidance 2006	-	350
		CPR-6-54	<u>-</u>	<u>2,500</u>
Total for program			<u>44,016</u>	<u>35,856</u>
State Grants for Innovative Programs				
	84.298			
		03-180	37,667	-
		04-294	29,089	14,593
		05-169	-	29,611
		06-7175	<u>-</u>	<u>4,363</u>
Total for program			<u>66,756</u>	<u>48,567</u>
Education Technology State Grants				
	84.318			
		FY 03-04	4,033	-
		FY 04-05	1,433	3,526
		FY 05-06	<u>-</u>	<u>3,778</u>
Total for program			<u>5,466</u>	<u>7,304</u>
English Language Acquisition Grants				
	84.365			
		FY 04-05	7,726	-
		FY 05-06	30,811	21,290
		FY 06-07	<u>-</u>	<u>61,757</u>
Total for program			<u>38,537</u>	<u>83,047</u>
Improving Teacher Quality State Grants				
	84.367			
		FY 03-04	87,078	-
		FY 04-05	130,088	45,814
		FY 05-06	-	174,856
		FY 06-07	<u>-</u>	<u>120,449</u>
Total for program			<u>217,166</u>	<u>341,119</u>
Total for federal grantor agency			<u>641,615</u>	<u>806,933</u>
Total federal awards expended			<u>\$ 1,318,730</u>	<u>\$ 1,711,926</u>

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

PENN-HARRIS-MADISON SCHOOL CORPORATION
 NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

I. Basis of Presentation

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

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

II. Noncash Assistance

The School Corporation expended the following amount of noncash assistance for the years ending June 30, 2006 and 2007. This noncash assistance is also included in the federal expenditures presented in the schedule.

Program Title	Federal CFDA Number	2006	2007
School Breakfast Program	10.553	\$ 9,536	\$ 16,250
National School Lunch Program	10.555	78,105	141,242

PENN-HARRIS-MADISON SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unqualified

Internal control over financial reporting:
 Material weaknesses identified? no
 Reportable conditions identified that are not considered to be material weaknesses? none reported

Noncompliance material to financial statements noted? no

Federal Awards:

Internal control over major programs:
 Material weaknesses identified? no
 Reportable conditions identified that are not considered to be material weaknesses? none reported

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

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

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
84.011	Child Nutrition Cluster
84.367	Title I Grants to Local Educational Agencies Improving Teacher Quality State Grants

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

Auditee qualified as low-risk auditee? no

Section II – Financial Statement Findings

No matters are reportable.

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.



State Board of Accounts
302 Washington St. Room #418
Indianapolis, IN 46204-2765

TO: Field Representatives
FROM: Rebecka Kocsis
RE: Audit Findings
DATE: November 2, 2007

Finding Number: 2005-1 Title I Cash Management

Original SBA Audit Report No: B26576
Fiscal Years: 2003-2005
Audit Contact Person: Rebecka Kocsis
Title of Contact Person: Accounting Coordinator/Treasurer
Phone Number: 574-258-9591

Status of Finding:

The Business Services Department has developed a procedure for control that notifies the Payroll Department of the correct distribution account numbers for Title I employees, upon grant approval, that assures the proper allocation of payroll expenses per pay period to the grant. This has alleviated excess grant cash on hand.

Rebecka S. Kocsis

Rebecka Kocsis
Accounting Coordinator/Treasurer
Penn Harris Madison School Corporation



Penn-Harris-Madison School Corporation

Educating students to become responsible, contributing citizens.

State Board of Accounts
302 Washington St. Room #418
Indianapolis, IN 46204-2765

TO: Field Representatives
FROM: Rebecka Kocsis
RE: Audit Findings
DATE: November 2, 2007

Finding Number: 2005-2 Title I - Reporting

Original SBA Audit Report No: B26576
Fiscal Years: 2003-2005
Audit Contact Person: Rebecka Kocsis
Title of Contact Person: Accounting Coordinator/Treasurer
Phone Number: 574-258-9591

Status of Finding:

The Business Services Department has implemented an internal control system to assure that applications, cash request forms, quarterly and annual reports for the Title I program are submitted to the Indiana Department of Education in a timely manner.

A handwritten signature in cursive script that reads "Rebecka S. Kocsis".

Rebecka Kocsis
Accounting Coordinator/Treasurer
Penn Harris Madison School Corporation

PENN-HARRIS-MADISON SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on January 11, 2008, with Rebecka S. Kocsis, Treasurer; Jerry L. Thacker, Superintendent of Schools; and with Gary Fox, Vice President of the School Board. The officials concurred with our audit findings.