

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

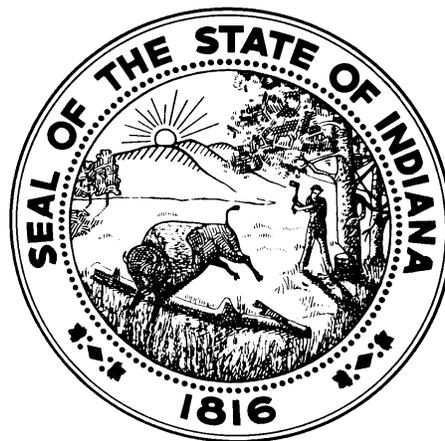
AUDIT REPORT

OF

PENN-HARRIS-MADISON SCHOOL CORPORATION

ST. JOSEPH COUNTY, INDIANA

July 1, 2007 to June 30, 2009



**FILED**

01/22/2010



## TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials .....	2
Independent Auditor's Report on Financial Statements and Supplementary Schedule of Expenditures of Federal Awards .....	3-4
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 .....	5-6
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Activities and Net Assets – Cash and Investment Basis .....	7-8
Fund Financial Statements:	
Governmental Funds:	
Statement of Assets and Fund Balances and Receipts, Disbursements, and Changes in Fund Balances – Cash and Investment Basis – Governmental Funds .....	9-10
Proprietary Funds:	
Statement of Assets and Fund Balances and Receipts, Disbursements, and Changes in Fund Balances – Cash and Investment Basis – Proprietary Fund .....	11-12
Fiduciary Funds:	
Statement of Additions, Deductions, and Changes in Cash and Investment Balances – Fiduciary Funds .....	13-14
Notes to Financial Statements .....	15-26
Required Supplementary Information:	
Schedule of Funding Progress .....	27
Supplementary Information:	
Combining Schedule of Assets and Fund Balances and Receipts, Disbursements, and Changes in Fund Balances – Cash and Investment Basis – Other Governmental Funds .....	28-38
Combining Schedule of Additions, Deductions, and Changes in Cash and Investment Balances – Private-Purpose Trust Funds .....	39-40
Combining Schedule of Cash and Investment Balances – Agency Funds .....	41-42
Schedule of Capital Assets .....	43
Schedule of Long-Term Debt .....	44
Audit Results and Comments:	
Textbook Receipt Posting .....	45
Meal Refunds to Graduating Seniors .....	45
Fund Deficits .....	45
Condition of Records - Penn High School .....	46
Deposits – Prairie Vista Elementary School .....	46
Supplemental Audit of Federal Awards:	
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 .....	48-49
Schedule of Expenditures of Federal Awards .....	50
Notes to Schedule of Expenditures of Federal Awards .....	51
Schedule of Findings and Questioned Costs .....	52
Auditee Prepared Schedule:	
Summary Schedule of Prior Audit Findings .....	53
Exit Conference .....	54

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Rebecka S. Kocsis	01-01-07 to 06-30-10
Superintendent of Schools	Jerry L. Thacker	07-01-07 to 06-30-13
President of the School Board	James Berger Gary Fox	01-01-07 to 12-31-07 01-01-08 to 12-31-09



**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](http://www.in.gov/sboa)

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, 2008 and 2009, 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, 2008 and 2009, 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 November 23, 2009, on our consideration of the School Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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

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

The Schedules of Funding Progress, as listed in the Table of Contents, 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 provides postemployment health insurance benefits to eligible retirees. The School Corporation has not provided an actuarial study to determine the School Corporation's annual post employment benefit costs in accordance with GASB Statement 45.

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

November 23, 2009



**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](http://www.in.gov/sboa)

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, 2008 and 2009, which collectively comprise the School Corporation's basic financial statements and have issued our report thereon dated November 23, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

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

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

Compliance and Other Matters

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

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

STATE BOARD OF ACCOUNTS

November 23, 2009

PENN-HARRIS-MADISON SCHOOL CORPORATION  
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS  
For the Year Ended June 30, 2008

<u>Functions/Programs</u>	<u>Disbursements</u>	Program Receipts		<u>Net (Disbursement) Receipts and Changes in Net Assets</u>
		Charges for Services	Operating Grants and Contributions	<u>Totals</u>
Governmental activities:				
Instruction	\$ 39,907,893	\$ -	\$ 450,687	\$ (39,457,206)
Support services	26,178,640	4,554,973	1,286,849	(20,336,818)
Noninstructional services	5,069,306	-	-	(5,069,306)
Facilities acquisition and construction	4,318,078	-	-	(4,318,078)
Debt service	29,362,731	-	-	(29,362,731)
Nonprogrammed charges	<u>6,313,614</u>	<u>-</u>	<u>-</u>	<u>(6,313,614)</u>
Total government	<u>\$ 111,150,262</u>	<u>\$ 4,554,973</u>	<u>\$ 1,737,536</u>	<u>(104,857,753)</u>
General receipts:				
Property taxes				47,359,324
Other local sources				6,880,718
State aid				37,042,705
Bonds and loans				20,623,846
Grants and contributions not restricted to specific programs				1,146,026
Sale of property				117,445
Investment earnings				142,423
Other				<u>12,537</u>
Total general receipts				<u>113,325,024</u>
Change in net assets				8,467,271
Net assets - beginning				<u>6,838,861</u>
Net assets - ending				<u>\$ 15,306,132</u>
<u>Assets</u>				
Cash and investments				\$ 12,378,292
Restricted assets:				
Cash and investments				<u>2,927,840</u>
Total assets				<u>\$ 15,306,132</u>
<u>Net Assets</u>				
Restricted for:				
Debt service				\$ 489,318
Other purposes				2,438,522
Unrestricted				<u>12,378,292</u>
Total net assets				<u>\$ 15,306,132</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, 2009

<u>Functions/Programs</u>	<u>Disbursements</u>	Program Receipts		<u>Net (Disbursement) Receipts and Changes in Net Assets</u>
		Charges for Services	Operating Grants and Contributions	<u>Totals</u>
Governmental activities:				
Instruction	\$ 40,763,955	\$ -	\$ 760,657	\$ (40,003,298)
Support services	29,388,299	4,370,083	1,457,496	(23,560,720)
Noninstructional services	5,633,960	-	-	(5,633,960)
Facilities acquisition and construction	5,311,659	-	-	(5,311,659)
Debt service	31,740,979	-	-	(31,740,979)
Nonprogrammed charges	<u>5,565,891</u>	<u>-</u>	<u>-</u>	<u>(5,565,891)</u>
 Total government	 <u>\$ 118,404,743</u>	 <u>\$ 4,370,083</u>	 <u>\$ 2,218,153</u>	 <u>(111,816,507)</u>
 General receipts:				
Property taxes				35,989,478
Other local sources				7,961,717
State aid				44,282,468
Bonds and loans				27,241,173
Grants and contributions not restricted to specific programs				6,531,631
Sale of property				247,445
Investment earnings				39,819
Other				<u>69,977</u>
 Total general receipts				 <u>122,363,708</u>
 Change in net assets				 10,547,201
 Net assets - beginning				 <u>15,306,132</u>
 Net assets - ending				 <u>\$ 25,853,333</u>
 <u>Assets</u>				
Cash and investments				\$ 21,601,714
Restricted assets:				
Cash and investments				<u>4,251,619</u>
 Total assets				 <u>\$ 25,853,333</u>
 <u>Net Assets</u>				
Restricted for:				
Debt service				\$ 116,254
Other purposes				4,135,365
Unrestricted				<u>21,601,714</u>
 Total net assets				 <u>\$ 25,853,333</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, 2008

	General	Rainy Day	School Lunch	Debt Service	Capital Projects	Other	Totals
<b>Receipts:</b>							
Local sources	\$ 22,203,362	\$ 41,323	\$ 2,413,856	\$ 16,127,337	\$ 8,806,597	\$ 9,344,674	\$ 58,937,149
Intermediate sources	287	-	-	-	-	-	287
State sources	36,495,906	-	54,676	-	-	1,790,867	38,341,449
Federal sources	-	-	1,014,813	-	-	570,006	1,584,819
Temporary loans	18,600,000	-	-	-	-	2,023,846	20,623,846
Interfund loans	10,700,000	7,500,000	-	-	2,365,717	795,125	21,360,842
Other	4,242	-	-	-	-	8,295	12,537
<b>Total receipts</b>	<b>88,003,797</b>	<b>7,541,323</b>	<b>3,483,345</b>	<b>16,127,337</b>	<b>11,172,314</b>	<b>14,532,813</b>	<b>140,860,929</b>
<b>Disbursements:</b>							
<b>Current:</b>							
Instruction	37,990,738	29,329	-	-	-	1,887,825	39,907,892
Support services	12,823,838	3,400	736	-	5,849,475	7,501,191	26,178,640
Noninstructional services	838,787	-	3,255,062	-	-	975,457	5,069,306
Facilities acquisition and construction	371,193	-	-	-	3,100,875	846,010	4,318,078
Debt services	12,132,803	-	-	14,187,821	-	3,042,107	29,362,731
Nonprogrammed charges	6,139,304	-	-	-	-	251,233	6,390,537
Interfund loans	11,260,842	10,100,000	-	-	-	-	21,360,842
<b>Total disbursements</b>	<b>81,557,505</b>	<b>10,132,729</b>	<b>3,255,798</b>	<b>14,187,821</b>	<b>8,950,350</b>	<b>14,503,823</b>	<b>132,588,026</b>
<b>Excess (deficiency) of receipts over disbursements</b>	<b>6,446,292</b>	<b>(2,591,406)</b>	<b>227,547</b>	<b>1,939,516</b>	<b>2,221,964</b>	<b>28,990</b>	<b>8,272,903</b>
<b>Other financing sources (uses):</b>							
Other financing receipts	1,000,000	-	-	-	-	-	1,000,000
Other financing disbursements	(1,000,000)	-	-	-	-	-	(1,000,000)
Sale of capital assets	117,445	-	-	-	-	-	117,445
Transfers in	148,209	-	194	-	-	127,827	276,230
Transfers out	(194)	(66,183)	-	(108,639)	-	(101,214)	(276,230)
<b>Total other financing sources (uses)</b>	<b>265,460</b>	<b>(66,183)</b>	<b>194</b>	<b>(108,639)</b>	<b>-</b>	<b>26,613</b>	<b>117,445</b>
<b>Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses</b>	<b>6,711,752</b>	<b>(2,657,589)</b>	<b>227,741</b>	<b>1,830,877</b>	<b>2,221,964</b>	<b>55,603</b>	<b>8,390,348</b>
<b>Cash and investments - beginning</b>	<b>1,654,323</b>	<b>4,162,074</b>	<b>1,377,599</b>	<b>(1,341,559)</b>	<b>(2,221,964)</b>	<b>846,789</b>	<b>4,477,262</b>
<b>Cash and investments - ending</b>	<b>\$ 8,366,075</b>	<b>\$ 1,504,485</b>	<b>\$ 1,605,340</b>	<b>\$ 489,318</b>	<b>\$ -</b>	<b>\$ 902,392</b>	<b>12,867,610</b>
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>2,438,522</u>
<b>Net assets of governmental activities</b>							<b>\$ 15,306,132</b>
<b><u>Cash and Investment Assets - Ending</u></b>							
Cash and investments	\$ 8,366,075	\$ 1,504,485	\$ 1,605,340	\$ -	\$ -	\$ 902,392	\$ 12,378,292
Restricted assets:							
Cash and investments	-	-	-	489,318	-	-	489,318
<b>Total cash and investment assets - ending</b>	<b>\$ 8,366,075</b>	<b>\$ 1,504,485</b>	<b>\$ 1,605,340</b>	<b>\$ 489,318</b>	<b>\$ -</b>	<b>\$ 902,392</b>	<b>\$ 12,867,610</b>
<b><u>Cash and Investment Fund Balance - Ending</u></b>							
Restricted for:							
Debt service	\$ -	\$ -	\$ -	\$ 489,318	\$ -	\$ -	\$ 489,318
Unrestricted	8,366,075	1,504,485	1,605,340	-	-	902,392	12,378,292
<b>Total cash and investment fund balance - ending</b>	<b>\$ 8,366,075</b>	<b>\$ 1,504,485</b>	<b>\$ 1,605,340</b>	<b>\$ 489,318</b>	<b>\$ -</b>	<b>\$ 902,392</b>	<b>\$ 12,867,610</b>

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, 2009

	General	Rainy Day	School Lunch	Fiscal Stabilization	Debt Service	Capital Projects	Bonds of 2009 A	Other	Totals
<b>Receipts:</b>									
Local sources	\$ 18,898,944	\$ 10,924	\$ 2,286,541	\$ -	\$ 11,393,817	\$ 7,257,285	\$ -	\$ 8,507,459	\$ 48,354,970
Intermediate sources	212	-	-	-	-	-	-	-	212
State sources	44,077,863	-	75,016	-	-	-	-	1,793,026	45,945,905
Federal sources	-	-	1,103,613	4,899,640	-	-	-	1,083,094	7,086,347
Temporary loans	1,100,000	-	-	-	3,198,495	11,609,782	-	4,740,000	20,648,277
Interfund loans	5,319,582	3,600,000	-	-	2,122,488	-	-	615,943	11,658,013
Other	18,438	-	-	-	-	18,637	-	38,817	75,892
<b>Total receipts</b>	<b>69,415,039</b>	<b>3,610,924</b>	<b>3,465,170</b>	<b>4,899,640</b>	<b>16,714,800</b>	<b>18,885,704</b>	<b>-</b>	<b>16,778,339</b>	<b>133,769,616</b>
<b>Disbursements:</b>									
<b>Current:</b>									
Instruction	37,986,753	178,027	-	-	-	-	-	2,599,175	40,763,955
Support services	15,116,744	69,050	672	-	-	5,619,605	18,294	8,563,934	29,388,299
Noninstructional services	1,004,464	7,141	3,384,155	-	-	-	-	1,238,200	5,633,960
Facilities acquisition and construction	303,730	4,621	-	-	-	4,537,039	149,971	316,298	5,311,659
Debt services	10,394,499	-	-	-	14,768,183	3,613,485	-	2,964,812	31,740,979
Nonprogrammed charges	6,477,680	-	-	-	-	-	-	785,054	7,262,734
Interfund loans	6,338,431	-	-	-	2,122,488	2,365,717	-	831,377	11,658,013
<b>Total disbursements</b>	<b>77,622,301</b>	<b>258,839</b>	<b>3,384,827</b>	<b>-</b>	<b>16,890,671</b>	<b>16,135,846</b>	<b>168,265</b>	<b>17,298,850</b>	<b>131,759,599</b>
Excess (deficiency) of receipts over disbursements	(8,207,262)	3,352,085	80,343	4,899,640	(175,871)	2,749,858	(168,265)	(520,511)	2,010,017
<b>Other financing sources (uses):</b>									
Proceeds from long-term debt	-	-	-	-	-	-	4,701,256	1,891,640	6,592,896
Other financing receipts	-	-	-	-	-	-	-	1,085	1,085
Sale of capital assets	27,940	-	-	-	-	218,420	-	-	246,360
Transfers in	11,703	-	-	-	-	-	-	210,048	221,751
Transfers out	(10,556)	(11,703)	-	-	(197,193)	-	-	(2,299)	(221,751)
<b>Total other financing sources (uses)</b>	<b>29,087</b>	<b>(11,703)</b>	<b>-</b>	<b>-</b>	<b>(197,193)</b>	<b>218,420</b>	<b>4,701,256</b>	<b>2,100,474</b>	<b>6,840,341</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(8,178,175)	3,340,382	80,343	4,899,640	(373,064)	2,968,278	4,532,991	1,579,963	8,850,358
Cash and investments - beginning	8,366,075	1,504,485	1,605,340	-	489,318	-	-	902,392	12,867,610
Cash and investments - ending	\$ 187,900	\$ 4,844,867	\$ 1,685,683	\$ 4,899,640	\$ 116,254	\$ 2,968,278	\$ 4,532,991	\$ 2,482,355	21,717,968
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.									
									4,135,365
Net assets of governmental activities									<u>\$ 25,853,333</u>
<b>Cash and Investment Assets - Ending</b>									
Cash and investments	\$ 187,900	\$ 4,844,867	\$ 1,685,683	\$ 4,899,640	\$ -	\$ 2,968,278	\$ 4,532,991	\$ 2,482,355	\$ 21,601,714
Restricted assets:									
Cash and investments	-	-	-	-	116,254	-	-	-	116,254
<b>Total cash and investment assets - ending</b>	<b>\$ 187,900</b>	<b>\$ 4,844,867</b>	<b>\$ 1,685,683</b>	<b>\$ 4,899,640</b>	<b>\$ 116,254</b>	<b>\$ 2,968,278</b>	<b>\$ 4,532,991</b>	<b>\$ 2,482,355</b>	<b>\$ 21,717,968</b>
<b>Cash and Investment Fund Balance - Ending</b>									
Restricted for:									
Debt service	\$ -	\$ -	\$ -	\$ -	\$ 116,254	\$ -	\$ -	\$ -	\$ 116,254
Unrestricted	187,900	4,844,867	1,685,683	4,899,640	-	2,968,278	4,532,991	2,482,355	21,601,714
<b>Total cash and investment fund balance - ending</b>	<b>\$ 187,900</b>	<b>\$ 4,844,867</b>	<b>\$ 1,685,683</b>	<b>\$ 4,899,640</b>	<b>\$ 116,254</b>	<b>\$ 2,968,278</b>	<b>\$ 4,532,991</b>	<b>\$ 2,482,355</b>	<b>\$ 21,717,968</b>

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  
PROPRIETARY FUND  
For the Year Ended June 30, 2008

	Internal Service Fund
	Self- Insurance
Operating receipts:	
Charges for services	\$ 9,673,782
Miscellaneous	46,785
Interfund loans	600,000
Total operating receipts	10,320,567
Operating disbursements:	
Insurance claims and expense	9,643,644
Interfund loans	600,000
Total operating disbursements	10,243,644
Excess of operating receipts over operating disbursements	76,923
Cash and investment fund balance - beginning	2,361,599
Cash and investment fund balance - ending	\$ 2,438,522
<u>Cash and Investment Assets - Ending</u>	
Restricted assets:	
Cash and investments	\$ 2,438,522
<u>Cash and Investment Fund Balance - Ending</u>	
Restricted for:	
Other purposes	\$ 2,438,522

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  
 PROPRIETARY FUND  
 For the Year Ended June 30, 2009

	<u>Internal Service Fund</u> <u>Self- Insurance</u>
Operating receipts:	
Charges for services	\$ 11,493,333
Miscellaneous	<u>5,915</u>
Total operating receipts	<u>11,499,248</u>
Operating disbursements:	
Insurance claims and expense	<u>9,802,405</u>
Excess of operating receipts over operating disbursements	1,696,843
Cash and investment fund balance - beginning	<u>2,438,522</u>
Cash and investment fund balance - ending	<u>\$ 4,135,365</u>
<u>Cash and Investment Assets - Ending</u>	
Restricted assets:	
Cash and investments	<u>\$ 4,135,365</u>
<u>Cash and Investment Fund Balance - Ending</u>	
Restricted for:	
Other purposes	<u>\$ 4,135,365</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, 2008

	<u>Pension Trust Fund Retirement</u>	<u>Private-Purpose Trust Funds</u>	<u>Agency Funds</u>
Additions:			
Contributions:			
Other	\$ 1,000,000	\$ 8,619	
Investment earnings:			
Interest	<u>21,520</u>	<u>-</u>	
Total additions	<u>1,021,520</u>	<u>8,619</u>	
Deductions:			
Benefits	452,107	-	
Other	1,000,000	-	
Administrative and general	<u>-</u>	<u>25,600</u>	
Total deductions	<u>1,452,107</u>	<u>25,600</u>	
Deficiency of total additions over total deductions	(430,587)	(16,981)	
Cash and investment fund balance - beginning	<u>1,247,752</u>	<u>115,740</u>	
Cash and investment fund balance - ending	<u>\$ 817,165</u>	<u>\$ 98,759</u>	<u>\$ 342,975</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, 2009

	Pension Trust Fund <u>Retirement</u>	Private-Purpose Trust Funds <u>Trust Funds</u>	Agency Funds <u>Funds</u>
Additions:			
Contributions:			
Other	\$ -	\$ 91,100	
Investment earnings:			
Interest	<u>1,725</u>	<u>-</u>	
Total additions	<u>1,725</u>	<u>91,100</u>	
Deductions:			
Benefits	384,267	-	
Administrative and general	<u>-</u>	<u>28,436</u>	
Total deductions	<u>384,267</u>	<u>28,436</u>	
Excess (deficiency) of total additions over total deductions	(382,542)	62,664	
Cash and investment fund balance - beginning	<u>817,165</u>	<u>98,759</u>	
Cash and investment fund balance - ending	<u>\$ 434,623</u>	<u>\$ 161,423</u>	<u>\$ 43,273</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 School Corporation's financial reporting entity is composed of the following:

Primary Government: Penn-Harris-Madison School Corporation

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

Jointly 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 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 preschool 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

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

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.

The School Corporation is a member with approximately 30 school corporations in a joint venture to operate North Central Energy Cooperative (NCEC), which was created to procure natural gas in an economical and efficient manner. The School Corporation is obligated by contract to remit its actual natural gas expenses directly to the seller of the natural gas. There are no separate financial statements for NCEC. Concord Community Schools is the administrative agent for the NCEC.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The Statement of Activities and Net Assets – Cash and Investment Basis displays information about the reporting government as a whole. It includes all funds of the reporting entity except for fiduciary funds. 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, 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 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 fiscal stabilization fund accounts for federal economic stimulus money received through the state. The funds can be used for preventing teacher layoffs, preventing program cut-backs and promoting school facility modernization programs.

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.

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

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

The bonds of 2009 A fund is used to account for revenue bond proceeds and to pay for equipment or capital construction.

Additionally, the School Corporation reports the following fund types:

The self-insurance fund (an internal service fund) accounts for employee health and dental costs provided to other departments on a cost-reimbursement basis.

The retirement fund, a pension trust fund accounts for 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.

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

D. Assets and Cash and Investment Balances

1. Cash and Investments

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

2. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the School Corporation in June and in December. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100% of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which become delinquent if not paid by May 10 and November 10, respectively. All property taxes collected by the County Treasurer and available for distribution were distributed to the School Corporation on or prior to June 30 of the year collected. The property taxes for the 2008 calendar year were delayed due to the reassessments. The 2008 property taxes were received in July of 2009.

Beginning in 2009, the State General Fund as part of the basic grant distribution shall pay to each school corporation, an amount sufficient to provide all funding for the General and Special Education Pre-school Funds. For property taxes due and payable after December 31, 2008, the Indiana Department of Local Government Finance shall reduce the maximum permissible property tax levy of any school corporation by the amount of the payment to be made in 2009 by the State.

3. Capital Assets

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

4. Long-Term Debt

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

5. Equity Classification

Government-Wide Statements

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

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

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

- 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 the proprietary fund results from providing services and producing and delivering goods and/or services. They also include all receipts and disbursements not related to capital and related financing, noncapital financing, or investing activities.

F. Internal and Interfund Balances and Activities

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

Fund Financial Statements

1. Interfund services – Sales or purchases of goods and services between funds are reported as receipts and disbursements.
2. Interfund reimbursements – Repayments from funds responsible for certain disbursements to the funds that initially paid for them are 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:

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

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 government-wide 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, 2008 and 2009, the following funds reported deficits in cash and investments, which are violations of the Uniform Compliance Guidelines and state statute:

Fund	2008	2009
Textbook Rental	\$ 713,359	\$ 750,692
SAFE School Haven	14,612	-
CFS Technology 2005-2006	514,036	176,508
Central Purchasing Storeroom	-	57,028
Title II, Part A, 2007-2008	15,724	-
Title III Limited English	-	845

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.

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

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, 2009, 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 Activity

1. Interfund transfers for the years ended June 30, 2008 and 2009, were as follows:

Transfer From	Transfer To	2008	2009
General Fund	School Lunch Fund	\$ 194	\$ -
General Fund	Other governmental funds	-	10,556
Rainy Day Fund	General Fund	66,183	11,703
Debt Service Fund	Other governmental funds	108,639	197,193
Other governmental funds	General Fund	82,026	-
Other governmental funds	Other governmental funds	19,188	2,299
Totals		<u>\$ 276,230</u>	<u>\$ 221,751</u>

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

2. Interfund Loans

Interfund loans are made for cash flow purposes as shown in the following schedule.

Fund Receiving Loans	Fund Issuing Loans	Beginning Balance	Issued/ Draws	Redeemed Repayments	Ending Balance
<u>Fiscal Year 2007-2008</u>					
General	Rainy Day	\$ 1,000,000	\$ 10,100,000	\$ 7,500,000	\$ 3,600,000
General	Internal Service	-	600,000	600,000	-
Capital Projects	General	-	2,365,717	-	2,365,717
Other governmental	General	-	795,125	-	795,125
Totals		<u>\$ 1,000,000</u>	<u>\$ 13,860,842</u>	<u>\$ 8,100,000</u>	<u>\$ 6,760,842</u>

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

<u>Fund Receiving Loans</u>	<u>Fund Issuing Loans</u>	<u>Beginning Balance</u>	<u>Issued/ Draws</u>	<u>Redeemed Repayments</u>	<u>Ending Balance</u>
<u>Fiscal Year 2008-2009</u>					
General	Rainy Day	\$ 3,600,000	\$ -	\$ 3,600,000	\$ -
Debt Service	General	-	2,122,488	2,122,488	-
Capital Projects	General	2,365,717	-	2,365,717	-
Other governmental	General	795,125	615,943	831,377	579,691
Totals		<u>\$ 6,760,842</u>	<u>\$ 2,738,431</u>	<u>\$ 8,919,582</u>	<u>\$ 579,691</u>

C. Tax Anticipation Warrants

The School Corporation issues tax anticipation warrants for cash flow purposes in advance of property tax collections and/or state tuition support distributions, depositing the proceeds in the appropriate fund. Short-term debt activity for the years ended June 30, 2008 and June 30, 2009, was as follows:

<u>Fiscal Year 2007-2008</u>	<u>Beginning Balance</u>	<u>Issued/ Draws</u>	<u>Redeemed Repayments</u>	<u>Ending Balance</u>
General	\$ 6,522,384	\$ 18,600,000	\$ 12,122,384	\$ 13,000,000
Other governmental	1,000,000	2,023,846	2,150,000	873,846
Totals	<u>\$ 7,522,384</u>	<u>\$ 20,623,846</u>	<u>\$ 14,272,384</u>	<u>\$ 13,873,846</u>

Fiscal Year 2008-2009

General	\$ 13,000,000	\$ 1,100,000	\$ 10,383,998	\$ 3,716,002
Debt Service	-	3,198,495	-	3,198,495
Capital Projects	-	11,609,782	3,613,486	7,996,296
Other governmental	873,846	4,740,000	2,073,604	3,540,242
Totals	<u>\$ 13,873,846</u>	<u>\$ 20,648,277</u>	<u>\$ 16,071,088</u>	<u>\$ 18,451,035</u>

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; 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.

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

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.

Job Related Illnesses or Injuries to Employees

The School Corporation has chosen to establish a risk financing fund for risks associated with job related illnesses or injuries to employees. The risk financing fund is accounted for in the General Fund, where assets are set aside for claim settlements. An excess policy through commercial insurance covers individual claims in excess of \$200,000 per year. Settled claims resulting from this risk did not exceed commercial insurance coverage in the past three years. The General Fund pays all claims, claim reserves, and administrative costs of the program.

B. Holding Corporations

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, and PHM School Renovation Building Corporation (the lessors). The lessors were organized as a for profit corporation 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 a related party of the School Corporation. Lease payments during the year ended June 30, 2008 and 2009, totaled \$11,182,323 and \$11,111,390, respectively.

C. Subsequent Events

On August 4, 2008, the School Board approved a common school loan for \$205,000 and on February 23, 2009, the School Board approved a second common school loan for \$1,030,200 to finance technology improvements. As of June 30, 2009, the loan proceeds have not been received.

On September 14, 2009, the administration recommended a \$1,000,000 general obligation bond issue to finance roof replacements at two elementary schools and other improvements.

On October 26, 2009, School Board approved a preliminary bond resolution to issued \$1,945,406 General Obligation Bonds of 2009 Qualified School Construction Bonds – Tax Credit Bonds for HVAC renovation project at Penn High School.

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

D. Other 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 June 30, 2009, disbursements of \$107,579 were recognized for post-employment benefits (net of retiree contributions).

E. Pension Plans

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

Public Employees' Retirement Fund

Plan Description

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

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

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

Funding Policy and Annual Pension Cost

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

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

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

Actuarial Information for the Above Plan

	PERF
Annual required contribution	\$ 659,919
Interest on net pension obligation	(42,428)
Adjustment to annual required contribution	48,350
Annual pension cost	665,841
Contributions made	629,173
Increase in net pension obligation	36,668
Net pension obligation, beginning of year	(585,215)
Net pension obligation, end of year	\$ (548,547)

	PERF
Contribution rates:	
School Corporation	6.25%
Plan members	3%
Actuarial valuation date	07-01-08
Actuarial cost method	Entry age
Amortization method	Level percentage of projected payroll, closed
Amortization period	30 years
Amortization period (from date)	07-01-97
Asset valuation method	75% of expected actuarial value plus 25% of market value

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

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

Three Year Trend Information

	Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
PERF	06-30-06	\$ 573,949	93%	\$ (687,699)
	06-30-07	671,467	85%	(585,215)
	06-30-08	665,841	94%	(548,547)

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 7.25% of covered wages. The School Corporation's required contributions to the plan for the fiscal years ended June 30, 2009, 2008, and 2007, were \$983,060, \$932,541, and \$751,787, 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)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-06	\$ 11,134,950	\$ 11,650,299	\$ (515,349)	96%	\$ 9,605,750	(5%)
07-01-07	12,375,719	12,609,276	(233,557)	98%	9,614,608	(2%)
07-01-08	12,594,346	12,919,935	(325,589)	97%	9,877,270	(3%)

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, 2008

	Transportation Operating	Preschool Special Education	Textbook Rental	Byrkit Alternative School	Art Association	Kids Club
<b>Receipts:</b>						
Local sources	\$ 5,061,193	\$ 58,221	\$ 791,331	\$ 204,886	\$ 140,958	\$ 886,441
State sources	-	435,100	173,854	-	-	-
Federal sources	-	-	-	-	-	-
Temporary loans	2,023,846	-	-	-	-	-
Interfund loans	340,993	-	-	-	-	-
Other	8,295	-	-	-	-	-
<b>Total receipts</b>	<u>7,434,327</u>	<u>493,321</u>	<u>965,185</u>	<u>204,886</u>	<u>140,958</u>	<u>886,441</u>
<b>Disbursements:</b>						
<b>Current:</b>						
Instruction	-	-	1,032,844	234,955	-	53,970
Support services	5,010,508	252	-	38,890	-	1,496
Noninstructional services	-	-	-	-	140,958	693,741
Facilities acquisition and construction	-	-	-	-	-	-
Debt services	2,150,000	-	-	-	-	-
Nonprogrammed charges	-	251,233	-	-	-	-
<b>Total disbursements</b>	<u>7,160,508</u>	<u>251,485</u>	<u>1,032,844</u>	<u>273,845</u>	<u>140,958</u>	<u>749,207</u>
<b>Excess (deficiency) of receipts over disbursements</b>	<u>273,819</u>	<u>241,836</u>	<u>(67,659)</u>	<u>(68,959)</u>	<u>-</u>	<u>137,234</u>
<b>Other financing sources (uses):</b>						
Transfers in	8,923	-	99,716	-	-	-
Transfers out	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<u>8,923</u>	<u>-</u>	<u>99,716</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses</b>	282,742	241,836	32,057	(68,959)	-	137,234
<b>Cash and investments - beginning</b>	<u>(282,742)</u>	<u>(16,219)</u>	<u>(745,416)</u>	<u>190,956</u>	<u>-</u>	<u>843,511</u>
<b>Cash and investments - ending</b>	<u>\$ -</u>	<u>\$ 225,617</u>	<u>\$ (713,359)</u>	<u>\$ 121,997</u>	<u>\$ -</u>	<u>\$ 980,745</u>
<b><u>Cash and Investment Assets - Ending</u></b>						
Cash and investments	<u>\$ -</u>	<u>\$ 225,617</u>	<u>\$ (713,359)</u>	<u>\$ 121,997</u>	<u>\$ -</u>	<u>\$ 980,745</u>
<b><u>Cash and Investment Fund Balance - Ending</u></b>						
Unrestricted	<u>\$ -</u>	<u>\$ 225,617</u>	<u>\$ (713,359)</u>	<u>\$ 121,997</u>	<u>\$ -</u>	<u>\$ 980,745</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, 2008  
 (Continued)

	Historical Society	Alternative Education	SAFE School Haven	Gifted and Talented 2007-2008	Gifted and Talented 2006-2007	Professional Development Ruby Payne
Receipts:						
Local sources	\$ 140,958	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	-	82,227	-	-	-	72,628
Federal sources	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-
Other	-	-	-	-	-	-
	<u>140,958</u>	<u>82,227</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>72,628</u>
Total receipts						
Disbursements:						
Current:						
Instruction	-	-	14,208	13,297	9,280	59,331
Support services	-	-	-	-	-	-
Noninstructional services	140,958	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
	<u>140,958</u>	<u>-</u>	<u>14,208</u>	<u>13,297</u>	<u>9,280</u>	<u>59,331</u>
Total disbursements						
Excess (deficiency) of receipts over disbursements	<u>-</u>	<u>82,227</u>	<u>(14,208)</u>	<u>(13,297)</u>	<u>(9,280)</u>	<u>13,297</u>
Other financing sources (uses):						
Transfers in	-	-	-	13,297	-	2,000
Transfers out	-	(62,724)	-	-	-	(15,297)
	<u>-</u>	<u>(62,724)</u>	<u>-</u>	<u>13,297</u>	<u>-</u>	<u>(13,297)</u>
Total other financing sources (uses)						
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	19,503	(14,208)	-	(9,280)	-
Cash and investments - beginning	-	-	(404)	-	9,280	2,000
Cash and investments - ending	<u>\$ -</u>	<u>\$ 19,503</u>	<u>\$ (14,612)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,000</u>
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	<u>\$ -</u>	<u>\$ 19,503</u>	<u>\$ (14,612)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,000</u>
<u>Cash and Investment Fund Balance - Ending</u>						
Unrestricted	<u>\$ -</u>	<u>\$ 19,503</u>	<u>\$ (14,612)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,000</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, 2008  
 (Continued)

	CSF Technology 2007-2008	Non-English Speaking Grant	Central Purchasing Storeroom	Title I Chapter I 2007-2008	Title I Chapter I 2006-2007	Title V Part A 2007-2008
<b>Receipts:</b>						
Local sources	\$ -	\$ -	\$ 264,245	\$ -	\$ -	\$ -
State sources	968,365	39,090	-	-	-	-
Federal sources	-	-	-	245,793	-	14,581
Temporary loans	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-
Other	-	-	-	-	-	-
<b>Total receipts</b>	<u>968,365</u>	<u>39,090</u>	<u>264,245</u>	<u>245,793</u>	<u>-</u>	<u>14,581</u>
<b>Disbursements:</b>						
<b>Current:</b>						
Instruction	-	29,605	-	231,028	200	-
Support services	1,345,208	3,983	230,755	776	-	12,943
Noninstructional services	-	-	-	-	(200)	-
Facilities acquisition and construction	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
<b>Total disbursements</b>	<u>1,345,208</u>	<u>33,588</u>	<u>230,755</u>	<u>231,804</u>	<u>-</u>	<u>12,943</u>
<b>Excess (deficiency) of receipts over disbursements</b>	<u>(376,843)</u>	<u>5,502</u>	<u>33,490</u>	<u>13,989</u>	<u>-</u>	<u>1,638</u>
<b>Other financing sources (uses):</b>						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	(6,810)	-	(1,105)
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(6,810)</u>	<u>-</u>	<u>(1,105)</u>
<b>Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses</b>	<u>(376,843)</u>	<u>5,502</u>	<u>33,490</u>	<u>7,179</u>	<u>-</u>	<u>533</u>
<b>Cash and investments - beginning</b>	<u>(137,193)</u>	<u>-</u>	<u>53,791</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Cash and investments - ending</b>	<u>\$ (514,036)</u>	<u>\$ 5,502</u>	<u>\$ 87,281</u>	<u>\$ 7,179</u>	<u>\$ -</u>	<u>\$ 533</u>
<b><u>Cash and Investment Assets - Ending</u></b>						
<b>Cash and investments</b>	<u>\$ (514,036)</u>	<u>\$ 5,502</u>	<u>\$ 87,281</u>	<u>\$ 7,179</u>	<u>\$ -</u>	<u>\$ 533</u>
<b><u>Cash and Investment Fund Balance - Ending</u></b>						
<b>Unrestricted</b>	<u>\$ (514,036)</u>	<u>\$ 5,502</u>	<u>\$ 87,281</u>	<u>\$ 7,179</u>	<u>\$ -</u>	<u>\$ 533</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, 2008  
 (Continued)

	Title V Part A 2006-2007	Drug Free Title IV 2007-2008	Drug Free Title IV 2006-2007	Perkins Guidance	Workforce Development PHS	PHS Aerospace/Eng 2005
<b>Receipts:</b>						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	-	-	-	-	-	-
Federal sources	-	21,527	-	-	-	-
Temporary loans	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-
Other	-	-	-	-	-	-
<b>Total receipts</b>	<b>-</b>	<b>21,527</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Disbursements:</b>						
<b>Current:</b>						
Instruction	879	-	-	-	-	-
Support services	9,672	18,796	9,830	337	1,275	400
Noninstructional services	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
<b>Total disbursements</b>	<b>10,551</b>	<b>18,796</b>	<b>9,830</b>	<b>337</b>	<b>1,275</b>	<b>400</b>
<b>Excess (deficiency) of receipts over disbursements</b>	<b>(10,551)</b>	<b>2,731</b>	<b>(9,830)</b>	<b>(337)</b>	<b>(1,275)</b>	<b>(400)</b>
<b>Other financing sources (uses):</b>						
Transfers in	-	-	-	-	3,891	-
Transfers out	-	(555)	-	-	-	(12)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>(555)</b>	<b>-</b>	<b>-</b>	<b>3,891</b>	<b>(12)</b>
<b>Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses</b>	<b>(10,551)</b>	<b>2,176</b>	<b>(9,830)</b>	<b>(337)</b>	<b>2,616</b>	<b>(412)</b>
<b>Cash and investments - beginning</b>	<b>10,551</b>	<b>-</b>	<b>9,830</b>	<b>350</b>	<b>-</b>	<b>412</b>
<b>Cash and investments - ending</b>	<b>\$ -</b>	<b>\$ 2,176</b>	<b>\$ -</b>	<b>\$ 13</b>	<b>\$ 2,616</b>	<b>\$ -</b>
<b>Cash and Investment Assets - Ending</b>						
<b>Cash and investments</b>	<b>\$ -</b>	<b>\$ 2,176</b>	<b>\$ -</b>	<b>\$ 13</b>	<b>\$ 2,616</b>	<b>\$ -</b>
<b>Cash and Investment Fund Balance - Ending</b>						
<b>Unrestricted</b>	<b>\$ -</b>	<b>\$ 2,176</b>	<b>\$ -</b>	<b>\$ 13</b>	<b>\$ 2,616</b>	<b>\$ -</b>

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, 2008  
 (Continued)

	Workforce Development PHS 2005	PHS Principals of Engineering	PHS Robotics	Title II Part A 2006-2007	Title II Part A 2007-2008	Limited English Proficiency 2007-2008
<b>Receipts:</b>						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	-	14,603	5,000	-	-	-
Federal sources	-	-	-	105,000	144,194	38,911
Temporary loans	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-
Other	-	-	-	-	-	-
<b>Total receipts</b>	<u>-</u>	<u>14,603</u>	<u>5,000</u>	<u>105,000</u>	<u>144,194</u>	<u>38,911</u>
<b>Disbursements:</b>						
<b>Current:</b>						
Instruction	-	72	-	46,576	116,183	45,397
Support services	408	1,775	5,000	7,997	33,681	1,885
Noninstructional services	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
<b>Total disbursements</b>	<u>408</u>	<u>1,847</u>	<u>5,000</u>	<u>54,573</u>	<u>149,864</u>	<u>47,282</u>
<b>Excess (deficiency) of receipts over disbursements</b>	<u>(408)</u>	<u>12,756</u>	<u>-</u>	<u>50,427</u>	<u>(5,670)</u>	<u>(8,371)</u>
<b>Other financing sources (uses):</b>						
Transfers in	-	-	-	-	-	-
Transfers out	(3,879)	-	-	-	(10,054)	(778)
<b>Total other financing sources (uses)</b>	<u>(3,879)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(10,054)</u>	<u>(778)</u>
<b>Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses</b>	<u>(4,287)</u>	<u>12,756</u>	<u>-</u>	<u>50,427</u>	<u>(15,724)</u>	<u>(9,149)</u>
<b>Cash and investments - beginning</b>	<u>4,287</u>	<u>(12,756)</u>	<u>-</u>	<u>(50,427)</u>	<u>-</u>	<u>9,927</u>
<b>Cash and investments - ending</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (15,724)</u>	<u>\$ 778</u>
<b>Cash and Investment Assets - Ending</b>						
Cash and investments	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (15,724)</u>	<u>\$ 778</u>
<b>Cash and Investment Fund Balance - Ending</b>						
Unrestricted	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (15,724)</u>	<u>\$ 778</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, 2008  
 (Continued)

	Retirement Bond Debt Service	School Bus Replacement	General Obligation Bond 2005	General Obligation Bonds 2006	Repair and Replacement	Totals
<b>Receipts:</b>						
Local sources	\$ 885,579	\$ 910,093	\$ -	\$ -	\$ 769	\$ 9,344,674
State sources	-	-	-	-	-	1,790,867
Federal sources	-	-	-	-	-	570,006
Temporary loans	-	-	-	-	-	2,023,846
Interfund loans	454,132	-	-	-	-	795,125
Other	-	-	-	-	-	8,295
<b>Total receipts</b>	<u>1,339,711</u>	<u>910,093</u>	<u>-</u>	<u>-</u>	<u>769</u>	<u>14,532,813</u>
<b>Disbursements:</b>						
<b>Current:</b>						
Instruction	-	-	-	-	-	1,887,825
Support services	-	641,967	-	123,357	-	7,501,191
Noninstructional services	-	-	-	-	-	975,457
Facilities acquisition and construction	-	-	47,297	798,713	-	846,010
Debt services	892,107	-	-	-	-	3,042,107
Nonprogrammed charges	-	-	-	-	-	251,233
<b>Total disbursements</b>	<u>892,107</u>	<u>641,967</u>	<u>47,297</u>	<u>922,070</u>	<u>-</u>	<u>14,503,823</u>
<b>Excess (deficiency) of receipts over disbursements</b>	<u>447,604</u>	<u>268,126</u>	<u>(47,297)</u>	<u>(922,070)</u>	<u>769</u>	<u>28,990</u>
<b>Other financing sources (uses):</b>						
Transfers in	-	-	-	-	-	127,827
Transfers out	-	-	-	-	-	(101,214)
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>26,613</u>
<b>Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses</b>	<u>447,604</u>	<u>268,126</u>	<u>(47,297)</u>	<u>(922,070)</u>	<u>769</u>	<u>55,603</u>
<b>Cash and investments - beginning</b>	<u>(447,604)</u>	<u>90,664</u>	<u>47,690</u>	<u>1,266,301</u>	<u>-</u>	<u>846,789</u>
<b>Cash and investments - ending</b>	<u>\$ -</u>	<u>\$ 358,790</u>	<u>\$ 393</u>	<u>\$ 344,231</u>	<u>\$ 769</u>	<u>\$ 902,392</u>
<b>Cash and Investment Assets - Ending</b>						
<b>Cash and investments</b>	<u>\$ -</u>	<u>\$ 358,790</u>	<u>\$ 393</u>	<u>\$ 344,231</u>	<u>\$ 769</u>	<u>\$ 902,392</u>
<b>Cash and Investment Fund Balance - Ending</b>						
<b>Unrestricted</b>	<u>\$ -</u>	<u>\$ 358,790</u>	<u>\$ 393</u>	<u>\$ 344,231</u>	<u>\$ 769</u>	<u>902,392</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, 2009

	Transportation Operating	Preschool Special Education	Textbook Rental	Byrkit Alternative School	Art Association	Kids Club
<b>Receipts:</b>						
Local sources	\$ 4,291,628	\$ 47,048	\$ 753,038	\$ 440,502	\$ 121,310	\$ 794,105
State sources	-	473,407	219,542	37,055	-	-
Federal sources	-	-	-	2,000	-	-
Temporary loans	4,740,000	-	-	-	-	-
Interfund loans	-	39,581	-	-	-	-
Other	1,000	-	-	-	-	7,541
<b>Total receipts</b>	<b>9,032,628</b>	<b>560,036</b>	<b>972,580</b>	<b>479,557</b>	<b>121,310</b>	<b>801,646</b>
<b>Disbursements:</b>						
<b>Current:</b>						
Instruction	-	-	1,207,106	265,953	-	-
Support services	5,044,726	-	-	6,877	-	3,964
Noninstructional services	-	-	-	-	121,310	995,580
Facilities acquisition and construction	-	-	-	-	-	-
Debt services	2,073,604	-	-	-	-	-
Nonprogrammed charges	-	749,401	-	-	-	-
Interfund loans	349,916	36,252	-	-	-	-
<b>Total disbursements</b>	<b>7,468,246</b>	<b>785,653</b>	<b>1,207,106</b>	<b>272,830</b>	<b>121,310</b>	<b>999,544</b>
<b>Excess (deficiency) of receipts over disbursements</b>	<b>1,564,382</b>	<b>(225,617)</b>	<b>(234,526)</b>	<b>206,727</b>	<b>-</b>	<b>(197,898)</b>
<b>Other financing sources (uses)</b>						
Proceeds from long-term debt	-	-	-	-	-	-
Other financing receipts	-	-	-	-	-	-
Transfers in	-	-	197,193	-	-	-
Transfers out	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>197,193</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses</b>	<b>1,564,382</b>	<b>(225,617)</b>	<b>(37,333)</b>	<b>206,727</b>	<b>-</b>	<b>(197,898)</b>
Cash and investments - beginning	-	225,617	(713,359)	121,997	-	980,745
Cash and investments - ending	<u>\$ 1,564,382</u>	<u>\$ -</u>	<u>\$ (750,692)</u>	<u>\$ 328,724</u>	<u>\$ -</u>	<u>\$ 782,847</u>
<b>Cash and Investment Assets - Ending</b>						
Cash and investments	<u>\$ 1,564,382</u>	<u>\$ -</u>	<u>\$ (750,692)</u>	<u>\$ 328,724</u>	<u>\$ -</u>	<u>\$ 782,847</u>
<b>Cash and Investment Fund Balance - Ending</b>						
Unrestricted	<u>\$ 1,564,382</u>	<u>\$ -</u>	<u>\$ (750,692)</u>	<u>\$ 328,724</u>	<u>\$ -</u>	<u>\$ 782,847</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, 2009  
 (Continued)

	Historical Society	Alternative Education	SAFE School Haven	High Ability 2008-2009	Professional Development Ruby Payne 2007-2008	CSF Technology 2007-2008
<b>Receipts:</b>						
Local sources	\$ 121,310	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	-	(19,503)	4,056	72,628	-	968,365
Federal sources	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-
Other	-	-	-	-	-	-
<b>Total receipts</b>	<b>121,310</b>	<b>(19,503)</b>	<b>4,056</b>	<b>72,628</b>	<b>-</b>	<b>968,365</b>
<b>Disbursements:</b>						
<b>Current:</b>						
Instruction	-	-	-	72,628	-	-
Support services	-	-	-	-	-	630,837
Noninstructional services	121,310	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-
<b>Total disbursements</b>	<b>121,310</b>	<b>-</b>	<b>-</b>	<b>72,628</b>	<b>-</b>	<b>630,837</b>
<b>Excess (deficiency) of receipts over disbursements</b>	<b>-</b>	<b>(19,503)</b>	<b>4,056</b>	<b>-</b>	<b>-</b>	<b>337,528</b>
<b>Other financing sources (uses)</b>						
Proceeds from long-term debt	-	-	-	-	-	-
Other financing receipts	-	-	-	-	-	-
Transfers in	-	-	10,556	-	-	-
Transfers out	-	-	-	-	(2,000)	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>10,556</b>	<b>-</b>	<b>(2,000)</b>	<b>-</b>
<b>Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses</b>	<b>-</b>	<b>(19,503)</b>	<b>14,612</b>	<b>-</b>	<b>(2,000)</b>	<b>337,528</b>
<b>Cash and investments - beginning</b>	<b>-</b>	<b>19,503</b>	<b>(14,612)</b>	<b>-</b>	<b>2,000</b>	<b>(514,036)</b>
<b>Cash and investments - ending</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (176,508)</b>
<b>Cash and Investment Assets - Ending</b>						
<b>Cash and investments</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (176,508)</b>
<b>Cash and Investment Fund Balance - Ending</b>						
<b>Unrestricted</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (176,508)</b>

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, 2009  
 (Continued)

	Non-English Speaking Grant 2008-2009	Central Purchasing Storeroom	Smaller Learning Communities Grant	Title I Chapter I	Title V Part A 2007-2008	Drug Free Title IV
<b>Receipts:</b>						
Local sources	\$ -	\$ 265,624	\$ 281,197	\$ -	\$ -	\$ -
State sources	37,476	-	-	-	-	-
Federal sources	-	-	-	774,025	5,686	17,795
Temporary loans	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-
Other	-	-	-	-	-	-
<b>Total receipts</b>	<u>37,476</u>	<u>265,624</u>	<u>281,197</u>	<u>774,025</u>	<u>5,686</u>	<u>17,795</u>
<b>Disbursements:</b>						
<b>Current:</b>						
Instruction	31,645	2,158	281,197	604,937	-	-
Support services	7,693	410,860	-	112,640	6,219	18,319
Noninstructional services	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	22,000	-	436
Interfund loans	-	-	-	-	-	-
<b>Total disbursements</b>	<u>39,338</u>	<u>413,018</u>	<u>281,197</u>	<u>739,577</u>	<u>6,219</u>	<u>18,755</u>
Excess (deficiency) of receipts over disbursements	<u>(1,862)</u>	<u>(147,394)</u>	<u>-</u>	<u>34,448</u>	<u>(533)</u>	<u>(960)</u>
<b>Other financing sources (uses)</b>						
Proceeds from long-term debt	-	-	-	-	-	-
Other financing receipts	-	1,085	-	-	-	-
Transfers in	-	2,299	-	-	-	-
Transfers out	-	(299)	-	-	-	-
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>3,085</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(1,862)</u>	<u>(144,309)</u>	<u>-</u>	<u>34,448</u>	<u>(533)</u>	<u>(960)</u>
Cash and investments - beginning	<u>5,502</u>	<u>87,281</u>	<u>-</u>	<u>7,179</u>	<u>533</u>	<u>2,176</u>
Cash and investments - ending	<u>\$ 3,640</u>	<u>\$ (57,028)</u>	<u>\$ -</u>	<u>\$ 41,627</u>	<u>\$ -</u>	<u>\$ 1,216</u>
<b>Cash and Investment Assets - Ending</b>						
Cash and investments	<u>\$ 3,640</u>	<u>\$ (57,028)</u>	<u>\$ -</u>	<u>\$ 41,627</u>	<u>\$ -</u>	<u>\$ 1,216</u>
<b>Cash and Investment Fund Balance - Ending</b>						
Unrestricted	<u>\$ 3,640</u>	<u>\$ (57,028)</u>	<u>\$ -</u>	<u>\$ 41,627</u>	<u>\$ -</u>	<u>\$ 1,216</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, 2009  
 (Continued)

	Perkins Guidance	Workforce Development PHS	Title II Part A	Limited English Proficiency	Retirement Bond Debt Service	School Bus Replacement
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ 760,055	\$ 631,642
State sources	-	-	-	-	-	-
Federal sources	-	-	246,838	36,750	-	-
Temporary loans	-	-	-	-	-	-
Interfund loans	-	-	-	-	576,362	-
Other	-	-	-	-	-	30,276
	<u>-</u>	<u>-</u>	<u>246,838</u>	<u>36,750</u>	<u>1,336,417</u>	<u>661,918</u>
Total receipts	-	-	246,838	36,750	1,336,417	661,918
Disbursements:						
Current:						
Instruction	-	-	96,844	36,707	-	-
Support services	-	-	99,248	931	-	728,214
Noninstructional services	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-
Debt services	-	-	-	-	891,208	-
Nonprogrammed charges	-	-	12,482	735	-	-
Interfund loans	-	-	-	-	445,209	-
	<u>-</u>	<u>-</u>	<u>208,574</u>	<u>38,373</u>	<u>1,336,417</u>	<u>728,214</u>
Total disbursements	-	-	208,574	38,373	1,336,417	728,214
Excess (deficiency) of receipts over disbursements	<u>-</u>	<u>-</u>	<u>38,264</u>	<u>(1,623)</u>	<u>-</u>	<u>(66,296)</u>
Other financing sources (uses)						
Proceeds from long-term debt	-	-	-	-	-	-
Other financing receipts	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>-</u>	<u>-</u>	<u>38,264</u>	<u>(1,623)</u>	<u>-</u>	<u>(66,296)</u>
Cash and investments - beginning	<u>13</u>	<u>2,616</u>	<u>(15,724)</u>	<u>778</u>	<u>-</u>	<u>358,790</u>
Cash and investments - ending	<u>\$ 13</u>	<u>\$ 2,616</u>	<u>\$ 22,540</u>	<u>\$ (845)</u>	<u>\$ -</u>	<u>\$ 292,494</u>
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	<u>\$ 13</u>	<u>\$ 2,616</u>	<u>\$ 22,540</u>	<u>\$ (845)</u>	<u>\$ -</u>	<u>\$ 292,494</u>
<u>Cash and Investment Fund Balance - Ending</u>						
Unrestricted	<u>\$ 13</u>	<u>\$ 2,616</u>	<u>\$ 22,540</u>	<u>\$ (845)</u>	<u>\$ -</u>	<u>\$ 292,494</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, 2009  
 (Continued)

	General Obligation Bonds 2005	General Obligation Bonds 2006	General Obligation Bonds 2008	Repair and Replacement	Totals
<b>Receipts:</b>					
Local sources	\$ -	\$ -	\$ -	\$ -	\$ 8,507,459
State sources	-	-	-	-	1,793,026
Federal sources	-	-	-	-	1,083,094
Temporary loans	-	-	-	-	4,740,000
Interfund loans	-	-	-	-	615,943
Other	-	-	-	-	38,817
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,778,339</u>
<b>Total receipts</b>					
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,778,339</u>
<b>Disbursements:</b>					
<b>Current:</b>					
Instruction	-	-	-	-	2,599,175
Support services	-	2,848	1,490,558	-	8,563,934
Noninstructional services	-	-	-	-	1,238,200
Facilities acquisition and construction	-	316,298	-	-	316,298
Debt services	-	-	-	-	2,964,812
Nonprogrammed charges	-	-	-	-	785,054
Interfund loans	-	-	-	-	831,377
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>831,377</u>
<b>Total disbursements</b>	<u>-</u>	<u>319,146</u>	<u>1,490,558</u>	<u>-</u>	<u>17,298,850</u>
<b>Excess (deficiency) of receipts over disbursements</b>	<u>-</u>	<u>(319,146)</u>	<u>(1,490,558)</u>	<u>-</u>	<u>(520,511)</u>
<b>Other financing sources (uses)</b>					
Proceeds from long-term debt	-	-	1,891,640	-	1,891,640
Other financing receipts	-	-	-	-	1,085
Transfers in	-	-	-	-	210,048
Transfers out	-	-	-	-	(2,299)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,299)</u>
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>-</u>	<u>1,891,640</u>	<u>-</u>	<u>2,100,474</u>
<b>Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses</b>	<u>-</u>	<u>(319,146)</u>	<u>401,082</u>	<u>-</u>	<u>1,579,963</u>
<b>Cash and investments - beginning</b>	<u>393</u>	<u>344,231</u>	<u>-</u>	<u>769</u>	<u>902,392</u>
<b>Cash and investments - ending</b>	<u>\$ 393</u>	<u>\$ 25,085</u>	<u>\$ 401,082</u>	<u>\$ 769</u>	<u>\$ 2,482,355</u>
<b>Cash and Investment Assets - Ending</b>					
<b>Cash and investments</b>	<u>\$ 393</u>	<u>\$ 25,085</u>	<u>\$ 401,082</u>	<u>\$ 769</u>	<u>\$ 2,482,355</u>
<b>Cash and Investment Fund Balance - Ending</b>					
<b>Unrestricted</b>	<u>\$ 393</u>	<u>\$ 25,085</u>	<u>\$ 401,082</u>	<u>\$ 769</u>	<u>\$ 2,482,355</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, 2008

	Health and Fitness	PHM Reading Clinic	CDOP	Dahlin Scholarship	Angel Scholarship	Walt Disney Study Club	Totals
Additions:							
Contributions:							
Other	\$ 7,776	\$ (910)	\$ -	\$ -	\$ -	\$ 1,753	\$ 8,619
Deductions:							
Administrative and general	6,690	-	16,775	500	-	1,635	25,600
Excess (deficiency) of total additions over total deductions	1,086	(910)	(16,775)	(500)	-	118	(16,981)
Cash and investment fund balance - beginning	-	910	101,413	5,500	6,000	1,917	115,740
Cash and investments - June 30	<u>\$ 1,086</u>	<u>\$ -</u>	<u>\$ 84,638</u>	<u>\$ 5,000</u>	<u>\$ 6,000</u>	<u>\$ 2,035</u>	<u>\$ 98,759</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, 2009

	Health and Fitness	CDOP	Dahlin Scholarship	Angel Scholarship	Walt Disney Study Club	Totals
Additions:						
Contributions:						
Other	\$ 20,100	\$ 70,000	\$ -	\$ -	\$ 1,000	\$ 91,100
Deductions:						
Administrative and general	9,801	15,607	500	-	2,528	28,436
Excess (deficiency) of total additions over total deductions	10,299	54,393	(500)	-	(1,528)	62,664
Cash and investment fund balance - beginning	1,086	84,638	5,000	6,000	2,035	98,759
Cash and investments - June 30	<u>\$ 11,385</u>	<u>\$ 139,031</u>	<u>\$ 4,500</u>	<u>\$ 6,000</u>	<u>\$ 507</u>	<u>\$ 161,423</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, 2008

	<u>Payroll</u>	<u>Clearing</u>	<u>Totals</u>
Additions:			
Agency fund additions	\$ 41,804,882	\$ 9,917	\$ 41,814,799
Deductions:			
Agency fund deductions	<u>41,782,053</u>	<u>8,460</u>	<u>41,790,513</u>
Excess of total additions over total deductions	22,829	1,457	24,286
Cash and investment balance - beginning	<u>305,772</u>	<u>12,917</u>	<u>318,689</u>
Cash and investment balance - ending	<u>\$ 328,601</u>	<u>\$ 14,374</u>	<u>\$ 342,975</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, 2009

	Payroll	Clearing	Totals
Additions:			
Agency fund additions	\$ 42,919,629	\$ 4,369	\$ 42,923,998
Deductions:			
Agency fund deductions	43,214,735	8,965	43,223,700
Excess of total additions over total deductions	(295,106)	(4,596)	(299,702)
Cash and investment balance - beginning	328,601	14,374	342,975
Cash and investment balance - ending	\$ 33,495	\$ 9,778	\$ 43,273

PENN-HARRIS-MADISON SCHOOL CORPORATION  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF CAPITAL ASSETS  
 June 30, 2009

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

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 18,980,000
Infrastructure	-
Buildings	122,777,890
Improvements other than buildings	3,826,820
Machinery and equipment	27,294,649
Construction in progress	<u>-</u>
Total governmental activities, capital assets not being depreciated	<u>\$ 172,879,359</u>

PENN-HARRIS-MADISON SCHOOL CORPORATION  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF LONG-TERM DEBT  
 June 30, 2009

The School Corporation has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:		
Capital leases:		
School Building Corporations	\$ 50,480,000	\$ 9,474,000
Notes and loans payable:		
Common School Fund	16,997,348	2,380,449
Bonds payable:		
General obligation bonds:		
Retirement/Severance Benefits	6,495,000	887,873
School Building Improvements	5,655,000	1,470,563
Installment Payment Contract		
Guaranteed Energy Saving Agreement	<u>649,000</u>	<u>676,577</u>
Total governmental activities debt	<u>\$ 80,276,348</u>	<u>\$ 14,889,462</u>

PENN-HARRIS-MADISON SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS

TEXTBOOK RECEIPT POSTING

Textbook rental receipts are not recorded timely at the High School. We were unable to determine if collections were deposited the next business day. Dates used to post textbook receipts to the textbook accounting computer system do not correlate to the date money is collected. Instead, dates are used as a reference. When a batch of collections are prepared for a deposit, a date is assigned. Batches are kept small for ease of reconciling.

Seven deposits of textbook collections were made on August 19, 2008, the corresponding textbook accounting computer system dates for the deposits were August 2, August 7, August 25, October 11, October 15, October 16, October 22. The Extra-Curricular Treasurer explained that these were the next available dates to assign to these deposits.

Receipts shall be issued and recorded at the time of the transaction; for example, when cash or a check is received, a receipt is to be immediately prepared and given to the person making payment. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

IC 20-41-1-9 states in part: ". . . receipts shall be deposited without reasonable delay."

MEAL REFUNDS TO GRADUATING SENIORS

The Food Service Director reduced a deposit and took \$1,429 cash out of the May 26, 2009, High School meal collections to refund prepaid meal balances to graduating seniors. As of October 26, 2009, the cash balance not refunded was \$270. The Food Service Director agreed to receipt the cash not refunded into the School Corporation records and process future refunds via the School Corporation Treasurer's office issuing a check.

Disbursements, other than properly authorized petty cash disbursements, shall be by check or warrant, not by cash or other methods unless specifically authorized by statute, federal or state rule. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

FUND DEFICITS

The following funds had deficit balances at June 30, 2008 and 2009.

<u>Fund</u>	<u>2008</u>	<u>2009</u>
Textbook Rental	\$ 713,359	\$ 750,692
SAFE School Haven	14,612	-
CFS Technology 2005-2006	514,036	176,508
Central Purchasing Storeroom	-	57,028
Title II, Part A, 2007-2008	15,724	-
Title III, Limited English	-	845

The 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)

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

CONDITION OF RECORDS (Applies to Penn High School)

A posting error occurred, which involved the receipt of textbook rental fees and the Textbook Rental Fund. A day's worth of textbook rental fees totaling \$4,238 was posted incorrectly to the Boys Basketball Fund, a sub-account of the Athletics Fund. The receipt went unnoticed and eventually was spent by Boys Basketball Fund. Furthermore, since each extra-curricular account in the School Corporation collects their own textbook rental fees and remits them to the School Corporation, \$4,238 was excluded from the High School's remission.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

Payments or transfers which are not authorized by statute, ordinance, resolution, or court order must be reimbursed to the appropriate fund. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

DEPOSITS (Applies to Prairie Vista Elementary School)

Receipts in numerous instances were not deposited in a timely manner. Deposits were made once a week or sometimes every other week. For example, in the months of March and April 2009, deposits were made on March 3, 17, 24, and April 13 and 28.

IC 20-41-1-9 states in part: ". . . receipts shall be deposited without unreasonable delay."

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](http://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 its major federal program for the years ended June 30, 2008 and 2009. The School Corporation's major federal program is 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 its major federal program 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 its major federal program for the years ended June 30, 2008 and 2009.

### 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

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)

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.

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

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

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

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

STATE BOARD OF ACCOUNTS

November 23, 2009

PENN-HARRIS-MADISON SCHOOL CORPORATION  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For The Years Ended June 30, 2008 and 2009

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 06-30-08	Total Federal Awards Expended 06-30-09
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
Pass-Through Indiana Department of Education				
Child Nutrition Cluster				
School Breakfast Program	10.553		\$ 120,002	\$ 122,415
National School Lunch Program	10.555		943,631	1,050,050
Summer Food Service Program for Children	10.559		<u>63,679</u>	<u>82,352</u>
Total for federal grantor agency			<u>1,127,312</u>	<u>1,254,817</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>				
Pass-Through Indiana Department of Education				
Title I Grants to Local Educational Agencies				
	84.010			
		08-7175	238,614	32,179
		09-7175	<u>-</u>	<u>707,397</u>
Total for program			<u>238,614</u>	<u>739,576</u>
Safe and Drug Free Schools and Communities - State Grants				
	84.186			
		7175-06	9,830	-
		7175-07	19,351	2,176
		7175-08	<u>-</u>	<u>16,579</u>
Total for program			<u>29,181</u>	<u>18,755</u>
State Grants for Innovative Program				
	84.298			
		06-7175	10,551	-
		07-7175	<u>14,048</u>	<u>6,219</u>
Total for program			<u>24,599</u>	<u>6,219</u>
English Language Acquisition Grants				
	84.365			
		FY 06-07	9,928	-
		FY 07-08	38,133	778
		FY 08-09	<u>-</u>	<u>37,595</u>
Total for program			<u>48,061</u>	<u>38,373</u>
Improving Teacher Quality State Grants				
	84.367			
		06-7175	54,573	-
		07-7175	159,919	20,276
		08-7175	<u>-</u>	<u>188,298</u>
Total for program			<u>214,492</u>	<u>208,574</u>
Total for federal grantor agency			<u>554,947</u>	<u>1,011,497</u>
Total federal awards expended			<u>\$ 1,682,259</u>	<u>\$ 2,266,314</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, 2008 and 2009. This noncash assistance is also included in the federal expenditures presented in the schedule.

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>2008</u>	<u>2009</u>
School Breakfast Program	10.553	\$ 16,268	\$ 15,440
National School Lunch Program	10.555	96,235	136,252

III. American Recovery Reinvestment Act (ARRA) Funding

On June 8, 2009, the School Corporation received \$4,899,640 of ARRA money from the Indiana Department of Education. As of October 28, 2009, the School Corporation's ARRA fund had a balance of \$714,228.

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  
Significant deficiencies identified that are not considered to be material weaknesses? none reported

Noncompliance material to financial statements noted? no

Federal Awards:

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

Type of auditor's report issued on compliance for major programs: Unqualified  
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? no

Identification of Major Programs:

Name of Federal Program or Cluster

Child Nutrition Cluster

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.

PENN-HARRIS-MADISON SCHOOL CORPORATION  
SUMMARY OF PRIOR AUDIT FINDINGS

No items are reportable.

PENN-HARRIS-MADISON SCHOOL CORPORATION  
EXIT CONFERENCE

The contents of this report were discussed on November 23, 2009, with Rebecka S. Kocsis, Treasurer; Jerry L. Thacker, Superintendent of Schools; Gary Fox, President of the School Board; Denise Seger, Associate Superintendent; and Lori Bush, Deputy Treasurer. The officials concurred with our audit findings.