

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

PENN-HARRIS-MADISON SCHOOL CORPORATION
ST. JOSEPH COUNTY, INDIANA

July 1, 2009 to June 30, 2011



FILED

01/12/2012

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Independent Auditor's Report on the Financial Statement 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 the Financial Statement Performed in Accordance With Government Auditing Standards	5-6
Financial Statement: Statement of Receipts, Disbursements, Other Financing Sources (Uses), and Cash and Investment Balances – Regulatory Basis	9
Notes to Financial Statement	10-15
Supplementary Information: Combining Schedule of Receipts, Disbursements, Other Financing Sources (Uses), and Cash and Investment Balances – Regulatory Basis	18-30
Schedule of Capital Assets	31
Schedule of Long-Term Debt	33
Audit Results and Comments: Accounts Payable Vouchers	34-35
Compensation and Benefits	35
Bus Bid Alternate	35-36
Nonuse of Ticket Sales Form SA-4	37
Internal Controls	37-38
Investment Balances	38
ECA Deposits	38
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	40-41
Schedule of Expenditures of Federal Awards	44
Notes to Schedule of Expenditures of Federal Awards	45
Schedule of Findings and Questioned Costs	46-47
Auditee Prepared Schedule: Summary Schedule of Prior Audit Findings	48
Corrective Action Plan	49
Exit Conference	50

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Rebecka S. Kocsis Denise Seger	07-01-09 to 11-23-11 11-24-11 to 06-30-12
Superintendent of Schools	Jerry L. Thacker	07-01-09 to 06-30-15
President of the School Board	Gary Fox Jamie Woods	01-01-09 to 12-31-10 01-01-11 to 12-31-11



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

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

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENT
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 statement of the Penn-Harris-Madison School Corporation (School Corporation), for the years ended June 30, 2010 and 2011. This financial statement is the responsibility of the School Corporation's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School Corporation's internal control over reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. 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 opinion.

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

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position and results of operations of the School Corporation for the years ended June 30, 2010 and 2011, on the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued a report dated November 22, 2011, 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 integral part of 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 THE FINANCIAL STATEMENT
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(Continued)

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

Our audit was conducted for the purpose of forming an opinion on the School Corporation's financial statement. The Combining Schedule of Receipts, Disbursements, Other Financing Sources (Uses), and Cash and Investment Balances – Regulatory Basis, Schedule of Capital Assets, and Schedule of Long-Term Debt are presented for additional analysis and are not required parts of the financial statement. The Combining Schedule of Receipts, Disbursements, Other Financing Sources (Uses), and Cash and Investment Balances – Regulatory Basis, 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 financial statement and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the School Corporation's management, the School Board, others within the entity, 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 22, 2011



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

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

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

We have audited the financial statement of the Penn-Harris-Madison School Corporation (School Corporation), for the years ended June 30, 2010 and 2011, and have issued our report thereon dated November 22, 2011. 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 opinion on the financial statement, 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 deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented or detected and corrected on a timely basis.

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

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

Compliance and Other Matters

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

This report is intended solely for the information and use of the School Corporation's management, the School Board, others within the entity, 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 22, 2011

FINANCIAL STATEMENT

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

(This page intentionally left blank.)

PENN-HARRIS-MADISON SCHOOL CORPORATION
STATEMENT OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Years Ended June 30, 2010 and 2011

	Cash and Investments 07-01-09	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-10	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-11
General	\$ 187,900	\$ 64,875,163	\$ 60,394,348	\$ (494,678)	\$ 4,174,037	\$ 60,772,576	\$ 62,364,076	\$ 111,788	\$ 2,694,325
Debt Service	116,254	16,102,541	10,320,503	(5,329,126)	569,166	2,941,845	3,241,704	709,567	978,874
Retirement/Severance Bond Debt Service	-	1,479,242	1,021,805	(457,437)	-	-	-	-	-
Exempt Debt	-	7,607,717	6,690,997	5,289,900	6,206,620	10,744,067	12,705,738	(754,822)	3,490,127
Exempt Retirement/Severance Bond Debt Service	-	548,380	877,181	457,437	128,636	945,637	769,715	-	304,558
Capital Projects	2,968,278	16,640,672	15,527,720	3,099	4,084,329	7,506,131	9,944,722	23,400	1,669,138
School Transportation	1,564,382	9,496,468	8,606,052	-	2,454,798	5,595,913	5,431,823	(349,996)	2,268,892
School Bus Replacement	292,494	852,507	403,005	-	741,996	618,757	500,064	-	860,689
Special Education Preschool	-	256,172	249,797	(6,375)	-	-	-	-	-
Rainy Day	4,844,867	2,336	-	(82,377)	4,764,826	45,240	175,021	221,336	4,856,381
Retirement/Severance Bond	434,623	118	325,038	-	109,703	75	109,778	-	-
760 GOB	393	-	-	-	393	-	393	-	-
770 GOB	25,085	-	-	-	25,085	-	25,085	-	-
780 GOB	401,082	1,001	399,179	-	2,904	-	2,904	-	-
790 GOB	4,532,991	2,957,405	3,960,294	-	3,530,102	-	2,924,364	-	605,738
School Lunch	1,685,683	3,528,885	3,248,395	-	1,966,173	3,608,427	3,274,903	-	2,299,697
Textbook Rental	(750,692)	1,003,986	545,675	626,064	333,683	814,231	1,129,507	45,255	63,662
Repair and Replacement	769	-	-	(769)	-	-	-	-	-
Self-Insurance	4,135,365	10,612,972	9,996,690	-	4,751,647	11,567,492	8,846,723	(2)	7,472,414
Levy Excess	-	662,396	-	-	662,396	-	528,524	(133,872)	-
Joint Services and Supply - Other	328,724	18,478	299,585	-	47,617	7,936	40,646	-	14,907
Art Association	-	227,194	227,194	-	-	127,853	102,568	-	25,285
Child Care Program	782,847	740,021	995,093	-	527,775	809,122	761,818	-	575,079
Historical Society	-	227,194	227,194	-	-	127,853	102,568	-	25,285
2000 Other	11,383	5,539	1,732	-	15,190	57,962	23,002	(23,400)	26,750
2110 CDOP	139,031	-	6,838	-	132,193	-	5,427	-	126,766
Scholarships and Awards	11,007	8,878	500	-	19,385	1,666	3,509	-	17,542
Instruction Support	-	71,225	71,225	-	-	70,159	70,159	-	-
Education Technology	(176,508)	1,260,640	1,112,976	-	(28,844)	983,881	959,860	4,823	-
3270 School Tech	-	-	-	-	-	8,549	-	-	8,549
Non-English Speaking Programs P.L. 273-1999	3,640	33,419	30,060	-	6,999	27,756	30,067	-	4,688
Miscellaneous Programs	(57,028)	275,558	212,741	307	6,096	36,901	23,960	-	19,037
3901 SLC	-	402,143	404,007	-	(1,864)	363,340	361,476	-	-
3971 Other	-	8,667	-	5,205	13,872	-	-	(13,872)	-
Title I	41,627	831,717	921,269	-	(47,925)	973,238	1,020,832	95,456	(63)
Drug Free Schools	1,216	30,379	22,293	-	9,302	-	9,302	-	-
6000 Other	13	-	-	(13)	-	-	-	-	-
Vocational and Technical Board Grants	2,617	-	300	(2,317)	-	-	-	-	-
Improving Teaching Quality, No Child Left, Title II, Part A	22,540	191,376	231,180	-	(17,264)	201,509	232,395	48,150	-
ITQ, Enhanced Education Through Technology, Title II, Part D	-	208,693	164,140	-	44,553	-	44,553	-	-
Title III, Language Instruction	(845)	30,598	31,092	-	(1,339)	26,727	32,666	7,278	-
Fiscal Stabilization - Education	4,899,640	2,162,090	7,061,730	-	-	-	-	-	-
Title I - School Improvement	-	483,100	458,375	-	24,725	160,798	185,523	-	-
Payroll	144,798	45,873,482	45,720,589	-	297,691	43,277,112	43,361,408	-	213,395
Clearing Account	9,778	10,246	9,233	-	10,791	11,058	9,463	-	12,386
Totals	\$ 26,603,954	\$ 189,728,598	\$ 180,776,025	\$ 8,920	\$ 35,565,447	\$ 152,433,811	\$ 159,356,246	\$ (8,911)	\$ 28,634,101

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

PENN-HARRIS-MADISON SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

The accompanying financial statement presents the financial information for the School Corporation (primary government).

B. Basis of Accounting

The financial statement is reported on a regulatory basis of accounting prescribed by the State Board of Accounts in accordance with state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

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

C. Cash and Investments

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

D. Receipts

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

Local sources which include taxes, revenue from local governmental units other than school corporations, transfer tuition, transportation fees, investment income, food services, school corporation activities, revenue from community services activities, and other revenue from local sources.

Intermediate sources which include distributions from the County for fees collected for or on behalf of the School Corporation including educational license plate fees, congressional interest, riverboat distributions, and other similar fees.

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

State sources which include distributions from the State of Indiana to be used by the School Corporation for various purposes. Included in state sources are unrestricted grants, restricted grants, revenue in lieu of taxes, and revenue for or on behalf of the School Corporation.

Federal sources which include distributions from the federal government to be used by the School Corporation for various purposes. Included in federal sources are unrestricted grants, restricted grants, revenue in lieu of taxes, and revenue for or on behalf of the School Corporation.

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

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

Other receipts which include amounts received from various sources which include return of petty cash, return of cash change, insurance claims for losses, sale of securities, and other receipts not listed in another category above.

E. Disbursements

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

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

Support services which include outflows for support services related to students, instruction, general administration, and school administration. It also includes outflows for central services, operation and maintenance of plant services, and student transportation.

Noninstructional services which include outflows for food service operations and community service operations.

Facilities acquisition and construction which includes outflows for the acquisition, development, construction, and improvement of new and existing facilities.

Debt services which include fixed obligations resulting from financial transactions previously entered into by the School Corporation. It includes all expenditures for the reduction of the principal and interest of the School Corporation's general obligation indebtedness.

Nonprogrammed charges which include outflows for donations to foundations, securities purchased, indirect costs, scholarships, and self-insurance payments.

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

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

F. Other financing sources and uses

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

Proceeds of long-term debt which includes money received in relation to the issuance of bonds or other long-term debt issues.

Sale of capital assets which includes money received when land, buildings, or equipment owned by the School Corporation is sold.

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

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

G. Fund Accounting

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

Note 2. Budgets

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

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

Note 3. Property Taxes

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

Note 4. Deposits and Investments

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

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

Note 5. Risk Management

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

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

Note 6. Pension Plans

A. Public Employees' Retirement Fund

Plan Description

The Indiana Public Employees' Retirement Fund (PERF) is a defined benefit pension plan. PERF is 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 this defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the Indiana Public Retirement System (INPRS) Board, most requirements of the system, and give the School Corporation authority to contribute to the plan. The PERF retirement benefit

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

consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3 percent of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

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

Indiana Public Retirement System
1 North Capital Street, Suite 001
Indianapolis, IN 46204
Ph. (888) 526-1687

Funding Policy and Annual Pension Cost

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

B. Teachers' Retirement Fund

Plan Description

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

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

Indiana Public Retirement System
1 North Capital Street, Suite 001
Indianapolis, IN 46204
Ph. (888) 286-3544

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

Funding Policy and Annual Pension Cost

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

(This page intentionally left blank.)

SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the School Corporation's Financial Reports can be found on the Indiana Department of Education website: <http://mustang.doe.state.in.us/TRENDS/fin.cfm>. This website is maintained by the Indiana Department of Education. More current financial information is available from the School Corporation Treasurer's office.

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

The supplementary information presented was prepared and/or approved by management of the School Corporation. It is presented as intended by the School Corporation.

PENN-HARRIS-MADISON SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2010

	General	Debt Service	Retirement/ Severance Bond Debt Service	Exempt Debt	Exempt Retirement/ Severance Bond Debt Reserve	Capital Projects	School Transportation
Cash and investments - beginning	\$ 187,900	\$ 116,254	\$ -	\$ -	\$ -	\$ 2,968,278	\$ 1,564,382
Receipts:							
Local sources	7,602,779	16,102,541	1,479,242	7,607,717	548,380	13,836,920	9,494,468
Intermediate sources	35	-	-	-	-	-	-
State sources	56,688,587	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	2,780,105	-
Interfund loans	579,690	-	-	-	-	-	-
Other	4,072	-	-	-	-	23,647	2,000
Total receipts	<u>64,875,163</u>	<u>16,102,541</u>	<u>1,479,242</u>	<u>7,607,717</u>	<u>548,380</u>	<u>16,640,672</u>	<u>9,496,468</u>
Disbursements:							
Current:							
Instruction	35,480,609	-	-	-	-	-	-
Support services	15,091,764	-	-	-	1,443	4,561,131	5,065,810
Noninstructional services	1,061,455	-	-	-	-	-	-
Facilities acquisition and construction	722,031	-	-	-	29,825	2,858,834	-
Debt services	3,743,317	10,320,503	445,444	6,690,997	845,913	8,107,755	3,540,242
Nonprogrammed charges	4,295,172	-	-	-	-	-	-
Interfund loans	-	-	576,361	-	-	-	-
Total disbursements	<u>60,394,348</u>	<u>10,320,503</u>	<u>1,021,805</u>	<u>6,690,997</u>	<u>877,181</u>	<u>15,527,720</u>	<u>8,606,052</u>
Excess (deficiency) of receipts over disbursements	<u>4,480,815</u>	<u>5,782,038</u>	<u>457,437</u>	<u>916,720</u>	<u>(328,801)</u>	<u>1,112,952</u>	<u>890,416</u>
Other financing sources (uses):							
Sale of capital assets	8,919	-	-	-	-	-	-
Transfers in	88,752	-	-	5,289,900	457,437	3,099	-
Transfers out	<u>(592,349)</u>	<u>(5,329,126)</u>	<u>(457,437)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>(494,678)</u>	<u>(5,329,126)</u>	<u>(457,437)</u>	<u>5,289,900</u>	<u>457,437</u>	<u>3,099</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>3,986,137</u>	<u>452,912</u>	<u>-</u>	<u>6,206,620</u>	<u>128,636</u>	<u>1,116,051</u>	<u>890,416</u>
Cash and investments - ending	<u>\$ 4,174,037</u>	<u>\$ 569,166</u>	<u>\$ -</u>	<u>\$ 6,206,620</u>	<u>\$ 128,636</u>	<u>\$ 4,084,329</u>	<u>\$ 2,454,798</u>

PENN-HARRIS-MADISON SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2010
 (Continued)

	School Bus Replacement	Special Education Preschool	Rainy Day	Retirement/ Severance Bond	760 GOB	770 GOB	780 GOB
Cash and investments - beginning	\$ 292,494	\$ -	\$ 4,844,867	\$ 434,623	\$ 393	\$ 25,085	\$ 401,082
Receipts:							
Local sources	852,507	12,797	2,336	118	-	-	1,001
Intermediate sources	-	-	-	-	-	-	-
State sources	-	243,375	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Total receipts	<u>852,507</u>	<u>256,172</u>	<u>2,336</u>	<u>118</u>	<u>-</u>	<u>-</u>	<u>1,001</u>
Disbursements:							
Current:							
Instruction	-	-	-	-	-	-	-
Support services	403,005	-	-	325,038	-	-	399,179
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Nonprogrammed charges	-	246,468	-	-	-	-	-
Interfund loans	-	3,329	-	-	-	-	-
Total disbursements	<u>403,005</u>	<u>249,797</u>	<u>-</u>	<u>325,038</u>	<u>-</u>	<u>-</u>	<u>399,179</u>
Excess (deficiency) of receipts over disbursements	<u>449,502</u>	<u>6,375</u>	<u>2,336</u>	<u>(324,920)</u>	<u>-</u>	<u>-</u>	<u>(398,178)</u>
Other financing sources (uses):							
Sale of capital assets	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-
Transfers out	-	(6,375)	(82,377)	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>(6,375)</u>	<u>(82,377)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>449,502</u>	<u>-</u>	<u>(80,041)</u>	<u>(324,920)</u>	<u>-</u>	<u>-</u>	<u>(398,178)</u>
Cash and investments - ending	<u>\$ 741,996</u>	<u>\$ -</u>	<u>\$ 4,764,826</u>	<u>\$ 109,703</u>	<u>\$ 393</u>	<u>\$ 25,085</u>	<u>\$ 2,904</u>

PENN-HARRIS-MADISON SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2010
 (Continued)

	790 GOB	School Lunch	Textbook Rental	Repair and Replacement	Self- Insurance	Levy Excess	Joint Services and Supply Other
Cash and investments - beginning	\$ 4,532,991	\$ 1,685,683	\$ (750,692)	\$ 769	\$ 4,135,365	\$ -	\$ 328,724
Receipts:							
Local sources	-	2,142,947	798,578	-	10,612,972	662,396	3,196
Intermediate sources	-	-	-	-	-	-	-
State sources	-	57,432	205,408	-	-	-	15,282
Federal sources	-	1,328,506	-	-	-	-	-
Temporary loans	2,957,405	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Total receipts	<u>2,957,405</u>	<u>3,528,885</u>	<u>1,003,986</u>	<u>-</u>	<u>10,612,972</u>	<u>662,396</u>	<u>18,478</u>
Disbursements:							
Current:							
Instruction	-	-	545,675	-	-	-	288,079
Support services	2,252,363	875	-	-	9,996,690	-	11,506
Noninstructional services	-	3,247,520	-	-	-	-	-
Facilities acquisition and construction	1,707,931	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-
Total disbursements	<u>3,960,294</u>	<u>3,248,395</u>	<u>545,675</u>	<u>-</u>	<u>9,996,690</u>	<u>-</u>	<u>299,585</u>
Excess (deficiency) of receipts over disbursements	<u>(1,002,889)</u>	<u>280,490</u>	<u>458,311</u>	<u>-</u>	<u>616,282</u>	<u>662,396</u>	<u>(281,107)</u>
Other financing sources (uses):							
Sale of capital assets	-	-	-	-	-	-	-
Transfers in	-	-	626,064	-	-	-	-
Transfers out	-	-	-	(769)	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>626,064</u>	<u>(769)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(1,002,889)</u>	<u>280,490</u>	<u>1,084,375</u>	<u>(769)</u>	<u>616,282</u>	<u>662,396</u>	<u>(281,107)</u>
Cash and investments - ending	<u>\$ 3,530,102</u>	<u>\$ 1,966,173</u>	<u>\$ 333,683</u>	<u>\$ -</u>	<u>\$ 4,751,647</u>	<u>\$ 662,396</u>	<u>\$ 47,617</u>

PENN-HARRIS-MADISON SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2010
 (Continued)

	Art Association	Child Care Program	Historical Society	2000 Other	2110 CDOP	Scholarships and Awards
Cash and investments - beginning	\$ -	\$ 782,847	\$ -	\$ 11,383	\$ 139,031	\$ 11,007
Receipts:						
Local sources	227,194	740,021	227,194	5,539	-	8,878
Intermediate sources	-	-	-	-	-	-
State sources	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total receipts	<u>227,194</u>	<u>740,021</u>	<u>227,194</u>	<u>5,539</u>	<u>-</u>	<u>8,878</u>
Disbursements:						
Current:						
Instruction	-	-	-	959	-	-
Support services	-	3,547	-	773	6,838	-
Noninstructional services	227,194	991,546	227,194	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	500
Interfund loans	-	-	-	-	-	-
Total disbursements	<u>227,194</u>	<u>995,093</u>	<u>227,194</u>	<u>1,732</u>	<u>6,838</u>	<u>500</u>
Excess (deficiency) of receipts over disbursements	<u>-</u>	<u>(255,072)</u>	<u>-</u>	<u>3,807</u>	<u>(6,838)</u>	<u>8,378</u>
Other financing sources (uses):						
Sale of capital assets	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>-</u>	<u>(255,072)</u>	<u>-</u>	<u>3,807</u>	<u>(6,838)</u>	<u>8,378</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ 527,775</u>	<u>\$ -</u>	<u>\$ 15,190</u>	<u>\$ 132,193</u>	<u>\$ 19,385</u>

PENN-HARRIS-MADISON SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2010
 (Continued)

	Instruction Support	Education Technology	Non-English Speaking Programs P.L. 273-1999	Miscellaneous Programs	3901 SLC	3971 Other
Cash and investments - beginning	\$ -	\$ (176,508)	\$ 3,640	\$ (57,028)	\$ -	\$ -
Receipts:						
Local sources	-	-	-	267,558	402,143	8,667
Intermediate sources	-	-	-	-	-	-
State sources	71,225	1,260,640	33,419	-	-	-
Federal sources	-	-	-	8,000	-	-
Temporary loans	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total receipts	<u>71,225</u>	<u>1,260,640</u>	<u>33,419</u>	<u>275,558</u>	<u>402,143</u>	<u>8,667</u>
Disbursements:						
Current:						
Instruction	71,225	-	30,060	850	375,353	-
Support services	-	1,112,976	-	211,891	-	-
Noninstructional services	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	28,654	-
Interfund loans	-	-	-	-	-	-
Total disbursements	<u>71,225</u>	<u>1,112,976</u>	<u>30,060</u>	<u>212,741</u>	<u>404,007</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>-</u>	<u>147,664</u>	<u>3,359</u>	<u>62,817</u>	<u>(1,864)</u>	<u>8,667</u>
Other financing sources (uses):						
Sale of capital assets	-	-	-	-	-	-
Transfers in	-	-	-	307	-	5,205
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>307</u>	<u>-</u>	<u>5,205</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>-</u>	<u>147,664</u>	<u>3,359</u>	<u>63,124</u>	<u>(1,864)</u>	<u>13,872</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ (28,844)</u>	<u>\$ 6,999</u>	<u>\$ 6,096</u>	<u>\$ (1,864)</u>	<u>\$ 13,872</u>

PENN-HARRIS-MADISON SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2010
 (Continued)

	Title I	Drug Free Schools	6000 Other	Vocational and Technical Board Grants	Improving Teaching Quality No Child Left Title II, Part A	ITQ Enhanced Education Through Technology Title II, Part D
Cash and investments - beginning	\$ 41,627	\$ 1,216	\$ 13	\$ 2,617	\$ 22,540	\$ -
Receipts:						
Local sources	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-
State sources	-	-	-	-	-	-
Federal sources	831,717	30,379	-	-	191,376	208,693
Temporary loans	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total receipts	<u>831,717</u>	<u>30,379</u>	<u>-</u>	<u>-</u>	<u>191,376</u>	<u>208,693</u>
Disbursements:						
Current:						
Instruction	738,179	-	-	-	84,503	-
Support services	156,952	21,406	-	300	133,082	164,140
Noninstructional services	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Nonprogrammed charges	26,138	887	-	-	13,595	-
Interfund loans	-	-	-	-	-	-
Total disbursements	<u>921,269</u>	<u>22,293</u>	<u>-</u>	<u>300</u>	<u>231,180</u>	<u>164,140</u>
Excess (deficiency) of receipts over disbursements	<u>(89,552)</u>	<u>8,086</u>	<u>-</u>	<u>(300)</u>	<u>(39,804)</u>	<u>44,553</u>
Other financing sources (uses):						
Sale of capital assets	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-
Transfers out	-	-	(13)	(2,317)	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(13)</u>	<u>(2,317)</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(89,552)</u>	<u>8,086</u>	<u>(13)</u>	<u>(2,617)</u>	<u>(39,804)</u>	<u>44,553</u>
Cash and investments - ending	<u>\$ (47,925)</u>	<u>\$ 9,302</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (17,264)</u>	<u>\$ 44,553</u>

PENN-HARRIS-MADISON SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2010
 (Continued)

	Title III Language Instruction	Fiscal Stabilization Education	Title I School Improvement	Payroll	Clearing Account	Totals
Cash and investments - beginning	\$ (845)	\$ 4,899,640	\$ -	\$ 144,798	\$ 9,778	\$ 26,603,954
Receipts:						
Local sources	-	-	-	-	-	73,648,089
Intermediate sources	-	-	-	-	-	35
State sources	-	-	-	-	-	58,575,368
Federal sources	30,598	2,162,090	483,100	-	-	5,274,459
Temporary loans	-	-	-	-	-	5,737,510
Interfund loans	-	-	-	-	-	579,690
Other	-	-	-	45,873,482	10,246	45,913,447
Total receipts	<u>30,598</u>	<u>2,162,090</u>	<u>483,100</u>	<u>45,873,482</u>	<u>10,246</u>	<u>189,728,598</u>
Disbursements:						
Current:						
Instruction	29,204	4,919,976	414,073	-	-	42,978,745
Support services	1,238	163,221	26,661	-	-	40,111,829
Noninstructional services	-	-	-	-	-	5,754,909
Facilities acquisition and construction	-	-	-	-	-	5,318,621
Debt services	-	-	-	-	-	33,694,171
Nonprogrammed charges	650	1,978,533	17,641	45,720,589	9,233	52,338,060
Interfund loans	-	-	-	-	-	579,690
Total disbursements	<u>31,092</u>	<u>7,061,730</u>	<u>458,375</u>	<u>45,720,589</u>	<u>9,233</u>	<u>180,776,025</u>
Excess (deficiency) of receipts over disbursements	<u>(494)</u>	<u>(4,899,640)</u>	<u>24,725</u>	<u>152,893</u>	<u>1,013</u>	<u>8,952,573</u>
Other financing sources (uses):						
Sale of capital assets	-	-	-	-	-	8,919
Transfers in	-	-	-	-	-	6,470,764
Transfers out	-	-	-	-	-	(6,470,763)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,920</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(494)</u>	<u>(4,899,640)</u>	<u>24,725</u>	<u>152,893</u>	<u>1,013</u>	<u>8,961,493</u>
Cash and investments - ending	<u>\$ (1,339)</u>	<u>\$ -</u>	<u>\$ 24,725</u>	<u>\$ 297,691</u>	<u>\$ 10,791</u>	<u>\$ 35,565,447</u>

PENN-HARRIS-MADISON SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2011

	General	Debt Service	Exempt Debt	Exempt Retirement/ Severance Bond Debt Reserve	Capital Projects	School Transportation	School Bus Replacement
Cash and investments - beginning	\$ 4,174,037	\$ 569,166	\$ 6,206,620	\$ 128,636	\$ 4,084,329	\$ 2,454,798	\$ 741,996
Receipts:							
Local sources	2,683,174	2,922,365	10,653,428	935,807	7,496,456	5,592,622	618,757
Intermediate sources	28	-	-	-	-	-	-
State sources	58,089,374	-	-	-	-	-	-
Federal sources	-	19,480	90,639	9,830	8,373	-	-
Other	-	-	-	-	1,302	3,291	-
Total receipts	<u>60,772,576</u>	<u>2,941,845</u>	<u>10,744,067</u>	<u>945,637</u>	<u>7,506,131</u>	<u>5,595,913</u>	<u>618,757</u>
Disbursements:							
Current:							
Instruction	38,886,683	-	-	-	-	-	-
Support services	15,226,603	-	-	(1,443)	4,229,363	5,431,823	500,064
Noninstructional services	1,102,433	-	-	-	-	-	-
Facilities acquisition and construction	234,749	-	-	(29,825)	3,046,712	-	-
Debt services	81,067	3,241,704	12,705,738	800,983	2,668,647	-	-
Nonprogrammed charges	6,832,541	-	-	-	-	-	-
Total disbursements	<u>62,364,076</u>	<u>3,241,704</u>	<u>12,705,738</u>	<u>769,715</u>	<u>9,944,722</u>	<u>5,431,823</u>	<u>500,064</u>
Excess (deficiency) of receipts over disbursements	<u>(1,591,500)</u>	<u>(299,859)</u>	<u>(1,961,671)</u>	<u>175,922</u>	<u>(2,438,591)</u>	<u>164,090</u>	<u>118,693</u>
Other financing sources (uses):							
Sale of capital assets	4,961	-	-	-	-	-	-
Transfers in	285,193	754,822	(754,822)	-	23,400	133,872	-
Transfers out	(178,366)	(45,255)	-	-	-	(483,868)	-
Total other financing sources (uses)	<u>111,788</u>	<u>709,567</u>	<u>(754,822)</u>	<u>-</u>	<u>23,400</u>	<u>(349,996)</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(1,479,712)</u>	<u>409,708</u>	<u>(2,716,493)</u>	<u>175,922</u>	<u>(2,415,191)</u>	<u>(185,906)</u>	<u>118,693</u>
Cash and investments - ending	<u>\$ 2,694,325</u>	<u>\$ 978,874</u>	<u>\$ 3,490,127</u>	<u>\$ 304,558</u>	<u>\$ 1,669,138</u>	<u>\$ 2,268,892</u>	<u>\$ 860,689</u>

PENN-HARRIS-MADISON SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2011
 (Continued)

	Rainy Day	Retirement/ Severance Bond	760 GOB	770 GOB	780 GOB	790 GOB	School Lunch
Cash and investments - beginning	\$ 4,764,826	\$ 109,703	\$ 393	\$ 25,085	\$ 2,904	\$ 3,530,102	\$ 1,966,173
Receipts:							
Local sources	45,240	75	-	-	-	-	2,288,630
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	53,034
Federal sources	-	-	-	-	-	-	1,266,763
Other	-	-	-	-	-	-	-
Total receipts	<u>45,240</u>	<u>75</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,608,427</u>
Disbursements:							
Current:							
Instruction	90,000	-	-	-	-	-	-
Support services	85,021	109,778	-	-	2,904	2,696,533	9,175
Noninstructional services	-	-	-	-	-	-	3,265,728
Facilities acquisition and construction	-	-	-	-	-	227,831	-
Debt services	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	393	25,085	-	-	-
Total disbursements	<u>175,021</u>	<u>109,778</u>	<u>393</u>	<u>25,085</u>	<u>2,904</u>	<u>2,924,364</u>	<u>3,274,903</u>
Excess (deficiency) of receipts over disbursements	<u>(129,781)</u>	<u>(109,703)</u>	<u>(393)</u>	<u>(25,085)</u>	<u>(2,904)</u>	<u>(2,924,364)</u>	<u>333,524</u>
Other financing sources (uses):							
Sale of capital assets	-	-	-	-	-	-	-
Transfers in	235,000	-	-	-	-	-	-
Transfers out	<u>(13,664)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>221,336</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>91,555</u>	<u>(109,703)</u>	<u>(393)</u>	<u>(25,085)</u>	<u>(2,904)</u>	<u>(2,924,364)</u>	<u>333,524</u>
Cash and investments - ending	<u>\$ 4,856,381</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 605,738</u>	<u>\$ 2,299,697</u>

PENN-HARRIS-MADISON SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2011
 (Continued)

	Textbook Rental	Self- Insurance	Levy Excess	Joint Services and Supply Other	Art Association	Child Care Program	Historical Society
Cash and investments - beginning	\$ 333,683	\$ 4,751,647	\$ 662,396	\$ 47,617	\$ -	\$ 527,775	\$ -
Receipts:							
Local sources	613,896	11,567,492	-	325	127,853	806,546	127,853
Intermediate sources	-	-	-	-	-	-	-
State sources	200,335	-	-	7,611	-	-	-
Federal sources	-	-	-	-	-	2,576	-
Other	-	-	-	-	-	-	-
Total receipts	<u>814,231</u>	<u>11,567,492</u>	<u>-</u>	<u>7,936</u>	<u>127,853</u>	<u>809,122</u>	<u>127,853</u>
Disbursements:							
Current:							
Instruction	1,129,507	-	-	13,836	-	-	-
Support services	-	8,846,723	-	26,810	-	4,683	-
Noninstructional services	-	-	-	-	102,568	757,135	102,568
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	528,524	-	-	-	-
Total disbursements	<u>1,129,507</u>	<u>8,846,723</u>	<u>528,524</u>	<u>40,646</u>	<u>102,568</u>	<u>761,818</u>	<u>102,568</u>
Excess (deficiency) of receipts over disbursements	<u>(315,276)</u>	<u>2,720,769</u>	<u>(528,524)</u>	<u>(32,710)</u>	<u>25,285</u>	<u>47,304</u>	<u>25,285</u>
Other financing sources (uses):							
Sale of capital assets	-	-	-	-	-	-	-
Transfers in	45,255	-	-	-	-	-	-
Transfers out	-	(2)	(133,872)	-	-	-	-
Total other financing sources (uses)	<u>45,255</u>	<u>(2)</u>	<u>(133,872)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(270,021)</u>	<u>2,720,767</u>	<u>(662,396)</u>	<u>(32,710)</u>	<u>25,285</u>	<u>47,304</u>	<u>25,285</u>
Cash and investments - ending	<u>\$ 63,662</u>	<u>\$ 7,472,414</u>	<u>\$ -</u>	<u>\$ 14,907</u>	<u>\$ 25,285</u>	<u>\$ 575,079</u>	<u>\$ 25,285</u>

PENN-HARRIS-MADISON SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2011
 (Continued)

	2000 Other	2110 CDOP	Scholarships and Awards	Instruction Support	Education Technology	3270 School Tech	Non-English Speaking Programs P.L. 273-1999
Cash and investments - beginning	\$ 15,190	\$ 132,193	\$ 19,385	\$ -	\$ (28,844)	\$ -	\$ 6,999
Receipts:							
Local sources	57,962	-	1,666	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	-	-	983,881	8,549	-
Federal sources	-	-	-	70,159	-	-	27,756
Other	-	-	-	-	-	-	-
Total receipts	<u>57,962</u>	<u>-</u>	<u>1,666</u>	<u>70,159</u>	<u>983,881</u>	<u>8,549</u>	<u>27,756</u>
Disbursements:							
Current:							
Instruction	-	-	-	70,159	-	-	30,067
Support services	23,002	5,427	-	-	959,860	-	-
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	3,509	-	-	-	-
Total disbursements	<u>23,002</u>	<u>5,427</u>	<u>3,509</u>	<u>70,159</u>	<u>959,860</u>	<u>-</u>	<u>30,067</u>
Excess (deficiency) of receipts over disbursements	<u>34,960</u>	<u>(5,427)</u>	<u>(1,843)</u>	<u>-</u>	<u>24,021</u>	<u>8,549</u>	<u>(2,311)</u>
Other financing sources (uses):							
Sale of capital assets	-	-	-	-	-	-	-
Transfers in	-	-	-	-	4,823	-	-
Transfers out	<u>(23,400)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>(23,400)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,823</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>11,560</u>	<u>(5,427)</u>	<u>(1,843)</u>	<u>-</u>	<u>28,844</u>	<u>8,549</u>	<u>(2,311)</u>
Cash and investments - ending	<u>\$ 26,750</u>	<u>\$ 126,766</u>	<u>\$ 17,542</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,549</u>	<u>\$ 4,688</u>

PENN-HARRIS-MADISON SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2011
 (Continued)

	Miscellaneous Programs	3901 SLC	3971 Other	Title I	Drug Free Schools	Improving Teaching Quality No Child Left Title II, Part A
Cash and investments - beginning	\$ 6,096	\$ (1,864)	\$ 13,872	\$ (47,925)	\$ 9,302	\$ (17,264)
Receipts:						
Local sources	36,901	363,340	-	-	-	-
Intermediate sources	-	-	-	-	-	-
State sources	-	-	-	-	-	-
Federal sources	-	-	-	973,238	-	201,509
Other	-	-	-	-	-	-
Total receipts	<u>36,901</u>	<u>363,340</u>	<u>-</u>	<u>973,238</u>	<u>-</u>	<u>201,509</u>
Disbursements:						
Current:						
Instruction	-	352,654	-	833,036	-	77,305
Support services	23,960	-	-	172,292	9,302	145,044
Noninstructional services	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Nonprogrammed charges	-	8,822	-	15,504	-	10,046
Total disbursements	<u>23,960</u>	<u>361,476</u>	<u>-</u>	<u>1,020,832</u>	<u>9,302</u>	<u>232,395</u>
Excess (deficiency) of receipts over disbursements	<u>12,941</u>	<u>1,864</u>	<u>-</u>	<u>(47,594)</u>	<u>(9,302)</u>	<u>(30,886)</u>
Other financing sources (uses):						
Sale of capital assets	-	-	-	-	-	-
Transfers in	-	-	-	128,804	-	48,150
Transfers out	-	-	(13,872)	(33,348)	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(13,872)</u>	<u>95,456</u>	<u>-</u>	<u>48,150</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>12,941</u>	<u>1,864</u>	<u>(13,872)</u>	<u>47,862</u>	<u>(9,302)</u>	<u>17,264</u>
Cash and investments - ending	<u>\$ 19,037</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (63)</u>	<u>\$ -</u>	<u>\$ -</u>

PENN-HARRIS-MADISON SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2011
 (Continued)

	ITQ Enhanced Education Through Technology Title II, Part D	Title III Language Instruction	Title I School Improvement	Payroll	Clearing Account	Totals
Cash and investments - beginning	\$ 44,553	\$ (1,339)	\$ 24,725	\$ 297,691	\$ 10,791	\$ 35,565,447
Receipts:						
Local sources	-	-	-	-	-	46,940,388
Intermediate sources	-	-	-	-	-	28
State sources	-	-	-	-	-	59,342,784
Federal sources	-	26,727	160,798	-	-	2,857,848
Other	-	-	-	43,277,112	11,058	43,292,763
Total receipts	<u>-</u>	<u>26,727</u>	<u>160,798</u>	<u>43,277,112</u>	<u>11,058</u>	<u>152,433,811</u>
Disbursements:						
Current:						
Instruction	-	31,778	177,281	-	-	41,692,306
Support services	28,948	244	8,242	-	-	38,544,358
Noninstructional services	-	-	-	-	-	5,330,432
Facilities acquisition and construction	-	-	-	-	-	3,479,467
Debt services	-	-	-	-	-	19,498,139
Nonprogrammed charges	15,605	644	-	43,361,408	9,463	50,811,544
Total disbursements	<u>44,553</u>	<u>32,666</u>	<u>185,523</u>	<u>43,361,408</u>	<u>9,463</u>	<u>159,356,246</u>
Excess (deficiency) of receipts over disbursements	<u>(44,553)</u>	<u>(5,939)</u>	<u>(24,725)</u>	<u>(84,296)</u>	<u>1,595</u>	<u>(6,922,435)</u>
Other financing sources (uses):						
Sale of capital assets	-	-	-	-	-	4,961
Transfers in	-	7,278	-	-	-	911,775
Transfers out	-	-	-	-	-	(925,647)
Total other financing sources (uses)	<u>-</u>	<u>7,278</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(8,911)</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(44,553)</u>	<u>1,339</u>	<u>(24,725)</u>	<u>(84,296)</u>	<u>1,595</u>	<u>(6,931,346)</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 213,395</u>	<u>\$ 12,386</u>	<u>\$ 28,634,101</u>

PENN-HARRIS-MADISON SCHOOL CORPORATION
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS
 June 30, 2011

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
Buildings	122,777,890
Improvements other than buildings	3,826,820
Machinery and equipment	<u>27,126,784</u>
 Total governmental activities, capital assets not being depreciated	 <u><u>\$ 172,711,494</u></u>

(This page intentionally left blank.)

PENN-HARRIS-MADISON SCHOOL CORPORATION
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 June 30, 2011

The School Corporation has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year	Fund
Governmental activities:			
Capital leases:			
2007 Renovation refunding	\$ 20,785,000	\$ 2,835,463	Exempt Debt
2008 Refunding	4,320,000	1,053,050	Exempt Debt
2009 Refunding	9,505,000	1,553,625	Exempt Debt
2010A Improvements	675,000	282,150	Debt Service
2010 Recovery zone bonds	9,010,000	583,495	Debt Service
2011 Copiers (60)	298,474	86,460	Capital Projects
Notes and loans payable:			
Common school loans	14,550,352	3,643,918	Exempt Debt
Bonds payable:			
General obligation bonds:			
2009 Retirement/severance refunding	5,630,000	806,031	Exempt Retirement/Severance Bond Debt Service
2009 Improvements	3,955,000	859,137	Debt Service
2009B Improvements	115,000	116,025	Debt Service
2010 Construction	990,406	990,406	Debt Service
Total governmental activities debt	<u>\$ 69,834,232</u>	<u>\$ 12,809,760</u>	

PENN-HARRIS-MADISON SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS

ACCOUNTS PAYABLE VOUCHERS

The following deficiencies were noted on accounts payable vouchers during the audit period:

1. Three payments to NJN Inc., were mathematically inaccurate, resulting in the School Corporation overpaying NJN Inc., for transporting special education students. Check 301268, invoice number 2708 dated August 31, 2010, was overpaid \$320. Check 303674, invoice number 2949 dated February 28, 2011, was overpaid \$400. Check 304427, invoice number 3030 dated April 22, 2011, was underpaid \$40. The Treasurer explained that the current bill from NJN Inc., will be reduced for these errors.
2. One accounts payable voucher for meal purchases, \$1,680, was supported by a credit card slip, but no other itemization.
3. One accounts payable voucher was not adequately itemized. The invoice for payment of carpet repair at Elm Road Elementary, Grissom Middle School, and Schmucker Middle School does not show the amount billed for each school, nor does it show the detail of labor and materials charged.
4. Several accounts payable vouchers for travel reimbursements did not indicate the names of the people traveling, the destination, or the purpose of the trip.
5. Several meal receipts did not indicate for whom the meal was purchased and if the purpose was a legitimate school expense.

Indiana Code 5-11-10-1.6 states in part:

"(b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services.

(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

- (1) there is a fully itemized invoice or bill for the claim;
- (2) the invoice or bill is approved by the officer or person receiving the goods and services;
- (3) the invoice or bill is filed with the governmental entity's fiscal officer;
- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim."

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

All claims, invoices, receipts, and accounts payable vouchers, including those presented to the governing body for approval in accordance with IC 5-11-10, should contain adequate detailed documentation. All claims, invoices, receipts, and accounts payable vouchers regarding reimbursement for meals and expenses for individuals must have specific detailed information of the names of all individuals for which amounts are claimed, including the nature, name, and purpose of the business meeting, to enable the governing body to authorize payment. Payments which do not have proper itemization showing the business nature of the claim may be the personal obligation of the responsible official, employee or other person for whom the claim is made. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

COMPENSATION AND BENEFITS

Salaries paid to administrators are not approved by the School Board at a School Board meeting. Administrators' salaries are included in each administrator's contract signed by the Superintendent and the School Board President.

The high school extra-curricular ledger shows that two volunteer soccer coaches were paid \$500 each and a percussions instructor was paid \$1,300 per month. These compensations were not approved by the School Board.

The School Corporation pays educational services personnel (ESP) substitutes at hourly rates. These rates were not approved by the School Board.

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution or salary schedule adopted by the governing body unless otherwise authorized by statute. Compensation should be made in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 13)

BUS BID ALTERNATE

The School Corporation paid more for the purchase of seven school buses than the price shown on the bid documents. On August 23, 2010, the School Corporation paid Midwest Transit \$483,196 for seven new buses, net of trade-in values. This price agrees to the total price shown as approved in the School Board minutes. The approved and paid prices were based on each bus costing \$78,928. The actual bid or quote form shows a unit price of \$77,978 for each bus less a \$300 discount for each bus for purchasing more than five buses.

The School Board minutes do not explain this difference, which amounts to \$1,250 per bus or \$8,750 total. For our audit, we reviewed the bid documents maintained by the School's Transportation Director and those documents did not explain the difference. Near the completion of our audit, on November 14, 2011, the new Transportation Director was able to obtain documentation from Midwest Transit that showed the purchase included \$1,250 for an additional six steer tires for each bus.

Acceptance and Evaluation of Bids - Bids must be unconditionally accepted without alteration or correction, except as provided in IC 5- 22-7-11 through IC 5-22-7-13 and evaluated based on the requirements provided in the invitation for bids. [IC 5-22-7-7]

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

Change in Bid Prices - A purchasing agency may not permit changes in bid prices or other provisions of bids prejudicial to the interest of the governmental body or fair competition after bid opening. [IC 5-22-7-11]

Additional Terms or Items - If a bidder inserts contract terms or bids on items not specified in the invitation for bids, the purchasing agent shall treat the additional material as a proposal for addition to the contract and may do any of the following:

1. Declare the bidder nonresponsive.
2. Permit the bidder to withdraw the proposed additions to the contract in order to meet the requirements and criteria provided in the invitation for bids.
3. Accept any of the proposed additions to the contract, subject to IC 5-22-7-13. [IC 5-22-7-12]

Contract Additions - The purchasing agent may not accept proposed additions to the contract that are prejudicial to the interest of the governmental body or fair competition. [IC 5-22-7-13]

Invitation for Bid Requirements - A decision of the purchasing agent to permit a change to the requirements of the invitation for bids must be supported by a written determination by the purchasing agency. [IC 5-22-7-13]

Awarding of Contract - A contract must be awarded with reasonable promptness by written notice to the lowest responsible and responsive bidder. [IC 5-22-7-8]

Erroneous Bid or Mistake - The governmental body may adopt rules or establish policies to allow any of the following:

1. Correction or withdrawal of inadvertently erroneous bids before or after award.
2. Cancellation of awards or contracts based on a mistake described in subdivision (1).

Except as provided in rule or policy, a purchasing agency must make a written decision to permit the correction or withdrawal of a bid or cancel awards or contracts based on bid mistakes. [IC 5-22-7-10]

Maintenance of Information by Purchasing Agency - The purchasing agency shall maintain the following information:

1. The name of each bidder.
2. The amount of each bid.
3. Other information required by this article and rules adopted under this article.

This information is subject to public inspection after each contract award. [IC 5-22-7-9] (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 15)

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

NONUSE OF TICKET SALES FORM SA-4 (Applies to Penn High School)

We requested records accounting for Penn High School band and choir events' revenues. No records were provided to indicate that tickets were issued to those attending the events. As a result, full accountability for all money received from admissions could not be determined.

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

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)

Ticket sales conducted by any activity should be accounted for as follows:

The treasurer should be responsible for the proper accounting for all tickets and should keep a record of the number purchased, the number issued for sale, and the number returned. The treasurer should see that proper accounting is made for the cash received from those sold. All tickets shall be prenumbered, with a different ticket color and numerical series for each price group. When cash for ticket sales is deposited with the treasurer, the treasurer's receipt issued therefore should show the number of tickets issued to the seller, the number returned unsold and the balance remitted in cash. All tickets (including free or reduced) must be listed and accounted for on the SA-4 Ticket Sales Form. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 2)

Serially prenumbered tickets by the printing supplier should be used for all athletic and other extra-curricular activities and events for which admission is charged. Part of the prenumbered ticket should be given to the person paying for the ticket upon admission to the event. The other part of the ticket (which should also be prenumbered, referred to as the stub) should be retained. All tickets (unused tickets and stubs) should be retained for audit. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 2)

Tickets for each price group should be different colors and/or different in their series number. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 2)

INTERNAL CONTROLS (Applies to Penn High School)

Penn High School officials indicated that the former Extra-Curricular Treasurer during the 2009-2010 and 2010-2011 school years did not provide sponsors with monthly financial reports. This made it difficult for sponsors to verify the financial transactions in their account.

High School officials indicated that there were insufficient funds in the yearbook account to pay for the yearbooks sold during the 2010-2011 school year. No records were provided for our audit to show a reconciliation of the number of yearbooks sold compared to yearbook sales collections posted to the extra-curricular ledger.

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

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

INVESTMENT BALANCES (Applies to Penn High School)

The Penn High School Extra-Curricular total investment balance shown on the June 30, 2011, reconciliation with the bank balance, \$240,327, does not agree with the total investments based on the investment reports from financial institutions, \$246,749. The High School Extra-Curricular Account 64, CD Dummy Account also shows a \$240,327 balance at June 30, 2011.

No investment register was maintained for the school year 2010-2011. There was an investment register for the school year 2009-2010 and the current Extra-Curricular Treasurer maintains an investment register for the school year 2011-2012. The current investment register does not agree with the balance shown in the reconciliation with the bank balance or the extra-curricular account #64. Differences are similar to the difference shown in the first paragraph.

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

ECA DEPOSITS (Applies to Prairie Vista Elementary School)

Receipts in numerous instances were deposited anywhere from one to ten days after receipt. The teachers/sponsors collect money for a specific purpose over a period of time. The money is given daily to the Prairie Vista Elementary School Extra-Curricular Treasurer to place in the office safe, but the money is not receipted by the Extra-Curricular Treasurer or deposited into the bank until the teacher/sponsor has collected all of the money and completed the Summary Collection Form (Form SA-8). For example, receipt 1203607 dated March 21, 2011, included money collected from March 14, 2011 through March 16, 2011. The money was not deposited until March 21, 2011.

A similar comment appeared in prior Report B35594.

Indiana Code 20-41-1-9(a) 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

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

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

Compliance

We have audited the compliance of the Penn-Harris-Madison School Corporation (School Corporation) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the years ended June 30, 2010 and 2011. The School Corporation's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the School Corporation's management. Our responsibility is to express an opinion on the School Corporation's compliance based on our audit.

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

In our opinion, the School Corporation complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the years ended June 30, 2010 and 2011.

Internal Control Over Compliance

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

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

A deficiency in 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 and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying Schedule of Findings and Questioned Costs as item 2011-1. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

The School Corporation's response to the findings identified in our audit is described in the accompanying Corrective Action Plan. We did not audit the School Corporation's response and, accordingly, we express no opinion on the response.

This report is intended solely for the information and use of the School Corporation's management, the School Board, others within the entity, 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 22, 2011

(This page intentionally left blank.)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

PENN-HARRIS-MADISON SCHOOL CORPORATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Years Ended June 30, 2010 and 2011

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 06-30-10	Total Federal Awards Expended 06-30-11
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
Pass-Through Indiana Department of Education				
Child Nutrition Cluster				
School Breakfast Program	10.553		\$ 141,064	\$ 155,988
National School Lunch Program	10.555		1,214,084	1,315,167
Summer Food Service Program for Children	10.559		<u>126,282</u>	<u>116,288</u>
Total for cluster			<u>1,481,430</u>	<u>1,587,443</u>
Fresh Fruit and Vegetable Program	10.582		<u>8,570</u>	<u>3,063</u>
Total for federal grantor agency			<u>1,490,000</u>	<u>1,590,506</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>				
Pass-Through Indiana Department of Education				
Title I, Part A Cluster				
Title I Grants to Local Educational Agencies	84.010			
		09-7175	82,509	33,348
		10-7175	838,758	113,131
		11-7175	<u>-</u>	<u>907,702</u>
Total for program			<u>921,267</u>	<u>1,054,181</u>
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389			
		10-7175	458,372	53,516
		11-7175	<u>-</u>	<u>132,008</u>
Total for program			<u>458,372</u>	<u>185,524</u>
Total for cluster			<u>1,379,639</u>	<u>1,239,705</u>
State Fiscal Stabilization Fund Cluster				
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394		<u>7,061,731</u>	<u>-</u>
Direct Grant				
Fund for the Improvement of Education	84.215			
		S215L080526A	<u>404,006</u>	<u>361,476</u>
Pass-Through Indiana Department of Education				
Safe and Drug-Free Schools and Communities - State Grants	84.186			
		08-7175	1,216	-
		09-7175	<u>21,077</u>	<u>9,302</u>
Total for program			<u>22,293</u>	<u>9,302</u>
Educational Technology State Grants Cluster				
Educational Technology State Grants	84.318			
		C1097175	<u>164,141</u>	<u>44,553</u>
English Language Acquisition Grants	84.365			
		62620/59K00	31,094	561
		01111-074PN01	<u>-</u>	<u>32,104</u>
Total for program			<u>31,094</u>	<u>32,665</u>
Improving Teacher Quality State Grants	84.367			
		08-7175	22,540	-
		09-7175	208,639	21,012
		10-7175	<u>-</u>	<u>211,384</u>
Total for program			<u>231,179</u>	<u>232,396</u>
Total for federal grantor agency			<u>9,294,083</u>	<u>1,920,097</u>
Total federal awards expended			<u>\$ 10,784,083</u>	<u>\$ 3,510,603</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

Note 1. 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 cash and investment basis of accounting used in the preparation of the financial statements. Accordingly, the amount of federal awards expended is based on when the disbursement related to the award occurs except when the federal award is received on a reimbursement basis. In these instances the federal awards are considered expended when the reimbursement is received.

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

Note 2. Noncash Assistance

The School Corporation expended the following amount of noncash assistance for the years ending June 30, 2010 and 2011. This noncash assistance is also included in the federal expenditures presented in the schedule.

Program Title	Federal CFDA Number	2009-2010	2010-2011
School Breakfast Program	10.553	\$ 15,919	\$ 21,704
National School Lunch Program	10.555	137,005	182,681

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

Section I – Summary of Auditor's Results

Financial Statement:

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weaknesses identified?	no
Significant deficiency identified?	none reported
Noncompliance material to financial statement noted?	no

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	no
Significant deficiency identified?	yes
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?	yes

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
84.215	Title I, Part A Cluster State Fiscal Stabilization Fund Cluster
84.367	Fund for the Improvement of Education Improving Teacher Quality State Grants

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

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

Section II – Financial Statement Findings

No matters are reportable.

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

Section III – Federal Award Findings and Questioned Costs

FINDING 2011-1 - GRANT BUDGET NOT REVIEWED

Federal Agency: U.S. Department of Education
Federal Program: Fund for the Improvement of Education
CFDA Number: 84.215
Federal Award Number and Year (or Other Identifying Number): S215L080526A
Pass-Through Entity: None

The small learning communities grant budgets were not submitted to the School Corporation's financial management. The budgets were prepared by the grant's staff, but not reviewed by financial management. As a result, the 2009-2010 grant budget was in error and duplicated the indirect costs by including the 2008-2009 grant indirect costs, \$9,866. The 2008-2009 grant indirect costs were paid from that grant. This resulted in an overpayment of indirect costs.

34 CFR 80.20 states in part:

"(b) The financial management systems of other grantees and subgrantees must meet the following standards: . . . (3) Internal control. Effective control and accountability must be maintained for all grant and subgrant cash, real and personal property, and other assets. Grantees and subgrantees must adequately safeguard all such property and must assure that it is used solely for authorized purposes."

We recommended that the School Corporation make a correction transfer to reimburse the grant for the indirect cost overpayment. We also recommended that the School Corporation implement a procedure in which financial management is involved in reviewing the grant budget.

On October 1, 2011, the School Corporation corrected this error by transferring \$9,866 from the General Fund back to the 3901 SLC Fund.

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

No matters are reportable.



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

TO: Field Representatives
FROM: Rebecka Kocsis
RE: Audit Findings
DATE: November 9, 2011

Finding Number: 2011-1 Grant Budget not Reviewed

CFDA Number: 84.215
Federal Award Number: S215L080526A
Fiscal Years: 2010-2011
Audit Contact Person: Rebecka Kocsis
Title of Contact Person: Director of Business/Treasurer
Phone Number: 574-258-9591

Status of Finding:

The Business Services and Learning Division Departments will establish an internal control system for the Smaller Learning Communities grant to ensure that the internal control deficiencies noted are adequately corrected. The Business Services Department will be involved in the financial budget creation and will monitor financial transactions and program activity with the Grant Administrator and the Learning Division Department on a regular basis to ensure that the internal controls put in place are met.

Rebecka S. Kocsis

Rebecka Kocsis
Director of Business/Treasurer
Penn Harris Madison School Corporation

PENN-HARRIS-MADISON SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on November 22, 2011, with Rebecka S. Kocsis, Treasurer; Jerry L. Thacker, Superintendent of Schools; Jamie Woods, President of the School Board; and Denise Seger, Associate Superintendent of Schools. The officials concurred with our audit findings.