

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, 2011 to June 30, 2013



FILED
02/07/2014

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Rebecka S. Kocsis-Smith Denise Seger Alex M. Newman	07-01-11 to 11-23-11 11-24-11 to 06-30-12 07-01-12 to 06-30-14
Superintendent of Schools	Jerry L. Thacker	07-01-11 to 06-30-18
President of the School Board	Jamie Woods K. Jaye Galloway	01-01-11 to 12-31-12 01-01-13 to 12-31-13



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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statement

We have audited the accompanying financial statement of the Penn-Harris-Madison School Corporation (School Corporation), which comprises the financial position and results of operations for the period of July 1, 2011 to June 30, 2013, and the related notes to the financial statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the financial reporting provisions of the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6). Management is responsible for and has determined that the regulatory basis of accounting, as established by the Indiana State Board of Accounts, is an acceptable basis of presentation. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the School Corporation's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School Corporation's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

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

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position and results of operations of the School Corporation for the period of July 1, 2011 to June 30, 2013.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position and results of operations of the School Corporation for the period of July 1, 2011 to June 30, 2013, in accordance with the financial reporting provisions of the Indiana State Board of Accounts described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated December 5, 2013, 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* in considering the School Corporation's internal control over financial reporting and compliance.

Accompanying Information

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the School Corporation's financial statement. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the *U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statement taken as a whole.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Our audit was conducted for the purpose of forming an opinion on the School Corporation's financial statement. The Combining Schedules of Receipts, Disbursements, Other Financing Sources (Uses), and Cash and Investment Balances – Regulatory Basis, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the financial statement. The Schedules 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.


Paul D. Joyce, CPA
State Examiner

December 5, 2013



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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statement of the Penn-Harris-Madison School Corporation (School Corporation), which comprises the financial position and results of operations for the period of July 1, 2011 to June 30, 2013, and the related notes to the financial statement, and have issued our report thereon dated December 5, 2013, wherein we noted the School Corporation followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the School Corporation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the School Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the School Corporation's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

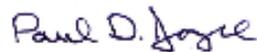
As part of obtaining reasonable assurance about whether the School Corporation's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance

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

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*.

Purpose of This Report

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


Paul D. Joyce, CPA
State Examiner

December 5, 2013

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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.

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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, 2012 and 2013

	Cash and Investments 07-01-11		Other Financing Sources (Uses)		Cash and Investments 06-30-12		Other Financing Sources (Uses)		Cash and Investments 06-30-13	
	Receipts	Disbursements			Receipts	Disbursements			Receipts	Disbursements
General	\$ 2,694,325	\$ 60,250,600	\$ 60,675,645	\$ 63,484	\$ 2,332,764	\$ 61,527,984	\$ 61,075,316	\$ (136,273)	\$ 2,649,159	
Debt Service	978,874	4,204,941	4,122,216	(82,550)	979,049	4,198,899	4,289,412	(69,678)	818,858	
Exempt Debt	3,490,127	9,097,756	8,625,246	-	3,962,637	8,953,143	8,486,947	-	4,428,833	
Exempt Retirement/Severance Bond Debt Service	304,558	921,649	806,531	-	419,676	807,053	802,745	-	423,984	
Capital Projects	1,669,138	7,208,940	7,458,032	-	1,420,046	6,973,660	6,949,498	3,000	1,447,208	
School Transportation	2,268,892	5,845,515	5,516,771	(235,000)	2,362,636	5,916,772	5,561,630	-	2,717,778	
School Bus Replacement	860,689	450,354	859,356	-	451,687	653,638	452,683	-	652,642	
Rainy Day	4,856,381	47,726	254,298	183,304	4,833,113	38,735	392,312	(38,735)	4,440,801	
General Obligation Bonds 2009-2013	605,738	1,994,806	232,893	-	2,367,651	2,078,100	2,568,576	130,712	2,007,887	
School Lunch	2,299,697	3,785,239	3,304,676	-	2,780,260	3,572,170	3,219,524	-	3,132,906	
Textbook Rental	63,662	878,088	356,177	82,550	668,123	891,985	120,127	69,678	1,509,659	
Self-Insurance	7,472,414	11,441,017	10,053,349	-	8,860,082	10,696,719	9,601,000	-	9,955,801	
Joint Services and Supply - Other	14,907	-	8,719	-	6,188	-	-	-	6,188	
Art Association	25,285	126,096	84,003	-	67,378	120,061	187,439	-	-	
Child Care Program	575,079	901,285	830,764	-	645,600	891,768	844,207	-	693,161	
Historical Society	25,285	126,096	84,003	-	67,378	120,061	187,439	-	-	
Alternative Education	-	39,973	-	-	39,973	33,161	-	-	73,134	
Splash/Challenge Days	26,750	4,568	22,247	-	9,071	2,000	2,802	-	8,269	
Instructional Support Fund	126,766	-	2,350	-	124,416	-	1,273	-	123,143	
Scholarships and Awards	17,542	125	1,509	-	16,158	209	4,398	-	11,969	
Miscellaneous Programs	-	-	-	-	-	10,000	6,491	-	3,509	
Payroll	213,395	43,383,546	43,587,897	-	9,044	42,639,637	42,680,475	-	(31,794)	
Clearing Account	12,386	10,903	8,651	-	14,638	16,094	17,211	-	13,521	
Instruction Support	-	68,029	64,087	-	3,942	70,023	55,952	-	18,013	
Education Technology	-	1,983,605	1,997,337	13,732	-	1,427,022	1,567,211	140,189	-	
Early Childhood Intervention (First Steps)	-	-	-	-	-	6,485	6,485	-	-	
School Technology Fund	8,549	8,713	-	-	17,262	8,667	16,016	-	9,913	
Non-English Speaking Programs P.L. 273-1999	4,688	25,317	28,516	-	1,489	28,620	23,020	-	7,089	
Miscellaneous Programs	19,037	21,026	14,071	-	25,992	26,718	30,542	-	22,168	
Smaller Learning Communities (SLC)	-	278,060	278,485	20,560	20,135	317,588	318,344	(19,379)	-	
Local Source/Donations	-	500	500	-	-	-	-	-	-	
Title I	(63)	869,445	853,856	(10,078)	5,448	981,745	941,252	(45,941)	-	
Title I Migrant	-	14,686	16,520	1,834	-	2,678	844	(1,834)	-	
(IDEA, Part B) LEA Capacity Building (Sliver) Grants	-	-	-	-	-	70,000	70,000	-	-	
Improving Teaching Quality, No Child Left, Title II, Part A	-	181,423	160,087	(21,336)	-	169,362	154,708	(14,654)	-	
Title III, Language Instruction	-	34,542	31,097	(3,445)	-	35,504	39,298	3,794	-	
Education Jobs	-	1,887,947	1,887,947	-	-	38,549	38,549	-	-	
Totals	\$ 28,634,101	\$ 156,092,516	\$ 152,227,836	\$ 13,055	\$ 32,511,836	\$ 153,324,810	\$ 150,713,726	\$ 20,879	\$ 35,143,799	

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.

B. Basis of Accounting

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

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

C. Cash and Investments

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

D. Receipts

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

Local sources 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.

State sources include distributions from the State of Indiana and are 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.

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

Federal sources include distributions from the federal government and are 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.

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.

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:

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.

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

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 or highway use taxes are received is subject to final approval by the Indiana Department of Local Government Finance.

Note 3. Property Taxes

Property taxes levied are collected by the County Treasurer and are scheduled to be distributed to the School Corporation in June and December; however, situations can arise which would delay the distributions. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's 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.

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

Note 5. Risk Management

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

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

Note 6. Pension Plans

A. Public Employees' Retirement Fund

Plan Description

The Indiana Public Employees' Retirement Fund (PERF) is a defined benefit pension plan. PERF is 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 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.

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

B. Teachers' Retirement Fund

Plan Description

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

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

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

Funding Policy and Annual Pension Cost

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

Note 7. Cash Balance Deficits

The financial statement contains one fund with a deficit cash balance: Payroll Fund. The reason for the deficit is unknown and is being reviewed.

Note 8. Holding Corporations

The School Corporation has entered into a capital lease with Penn High School Building Corporation and PHM School Renovation Building Corporation (the lessors). The lessors were organized as not-for-profit corporations pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. The lessors have been determined to be related parties of the School Corporation. Lease payments during the years 2011-2012 and 2012-2013 totaled \$6,117,210 and \$6,129,086, respectively.

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

Note 9. Subsequent Events

On July 16, 2013, the School Corporation received proceeds from the sale of the 2013 General Obligation Bond in the amount of \$7,810,000. The proceeds will be used to finance various facility improvements.

Note 10. Other Postemployment Benefits

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

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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 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, 2012

	General	Debt Service	Exempt Debt	Exempt Retirement/ Saverance Bond Debt Reserve	Capital Projects	School Transportation	School Bus Replacement
Cash and investments - beginning	\$ 2,694,325	\$ 978,874	\$ 3,490,127	\$ 304,558	\$ 1,669,138	\$ 2,268,892	\$ 860,689
Receipts:							
Local sources	1,768,666	4,204,941	9,097,756	921,649	7,208,140	5,844,515	450,354
Intermediate sources	49	-	-	-	-	-	-
State sources	58,481,885	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-
Other	-	-	-	-	800	1,000	-
Total receipts	<u>60,250,600</u>	<u>4,204,941</u>	<u>9,097,756</u>	<u>921,649</u>	<u>7,208,940</u>	<u>5,845,515</u>	<u>450,354</u>
Disbursements:							
Current:							
Instruction	44,788,316	-	-	-	-	-	-
Support services	14,710,594	-	-	-	4,489,714	5,516,771	859,356
Noninstructional services	1,079,137	-	-	-	-	-	-
Facilities acquisition and construction	97,598	-	-	-	2,968,318	-	-
Debt services	-	4,122,216	8,625,246	806,531	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	<u>60,675,645</u>	<u>4,122,216</u>	<u>8,625,246</u>	<u>806,531</u>	<u>7,458,032</u>	<u>5,516,771</u>	<u>859,356</u>
Excess (deficiency) of receipts over disbursements	<u>(425,045)</u>	<u>82,725</u>	<u>472,510</u>	<u>115,118</u>	<u>(249,092)</u>	<u>328,744</u>	<u>(409,002)</u>
Other financing sources (uses):							
Sale of capital assets	13,055	-	-	-	-	-	-
Transfers in	29,038	-	-	-	-	-	-
Transfers out	21,391	(82,550)	-	-	-	(235,000)	-
Total other financing sources (uses)	<u>63,484</u>	<u>(82,550)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(235,000)</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(361,561)</u>	<u>175</u>	<u>472,510</u>	<u>115,118</u>	<u>(249,092)</u>	<u>93,744</u>	<u>(409,002)</u>
Cash and investments - ending	<u>\$ 2,332,764</u>	<u>\$ 979,049</u>	<u>\$ 3,962,637</u>	<u>\$ 419,676</u>	<u>\$ 1,420,046</u>	<u>\$ 2,362,636</u>	<u>\$ 451,687</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, 2012
 (Continued)

	Rainy Day	General Obligation Bonds 2009-2013	School Lunch	Textbook Rental	Self- Insurance	Joint Services and Supply - Other	Art Association
Cash and investments - beginning	\$ 4,856,381	\$ 605,738	\$ 2,299,697	\$ 63,662	\$ 7,472,414	\$ 14,907	\$ 25,285
Receipts:							
Local sources	47,726	1,994,806	2,211,161	669,206	11,441,017	-	126,096
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	55,136	208,882	-	-	-
Federal sources	-	-	1,518,942	-	-	-	-
Other	-	-	-	-	-	-	-
Total receipts	<u>47,726</u>	<u>1,994,806</u>	<u>3,785,239</u>	<u>878,088</u>	<u>11,441,017</u>	<u>-</u>	<u>126,096</u>
Disbursements:							
Current:							
Instruction	30,000	-	-	356,177	-	-	-
Support services	224,298	201,762	961	-	10,053,349	8,719	-
Noninstructional services	-	-	3,303,715	-	-	-	84,003
Facilities acquisition and construction	-	31,131	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	<u>254,298</u>	<u>232,893</u>	<u>3,304,676</u>	<u>356,177</u>	<u>10,053,349</u>	<u>8,719</u>	<u>84,003</u>
Excess (deficiency) of receipts over disbursements	<u>(206,572)</u>	<u>1,761,913</u>	<u>480,563</u>	<u>521,911</u>	<u>1,387,668</u>	<u>(8,719)</u>	<u>42,093</u>
Other financing sources (uses):							
Sale of capital assets	-	-	-	-	-	-	-
Transfers in	235,000	-	-	82,550	-	-	-
Transfers out	(51,696)	-	-	-	-	-	-
Total other financing sources (uses)	<u>183,304</u>	<u>-</u>	<u>-</u>	<u>82,550</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(23,268)</u>	<u>1,761,913</u>	<u>480,563</u>	<u>604,461</u>	<u>1,387,668</u>	<u>(8,719)</u>	<u>42,093</u>
Cash and investments - ending	<u>\$ 4,833,113</u>	<u>\$ 2,367,651</u>	<u>\$ 2,780,260</u>	<u>\$ 668,123</u>	<u>\$ 8,860,082</u>	<u>\$ 6,188</u>	<u>\$ 67,378</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, 2012
 (Continued)

	Child Care Program	Historical Society	Alternative Education	Splash/ Challenge Days	Instructional Support Fund	Scholarships and Awards
Cash and investments - beginning	\$ 575,079	\$ 25,285	\$ -	\$ 26,750	\$ 126,766	\$ 17,542
Receipts:						
Local sources	896,521	126,096	-	4,568	-	125
Intermediate sources	-	-	-	-	-	-
State sources	-	-	39,973	-	-	-
Federal sources	4,764	-	-	-	-	-
Other	-	-	-	-	-	-
Total receipts	<u>901,285</u>	<u>126,096</u>	<u>39,973</u>	<u>4,568</u>	<u>-</u>	<u>125</u>
Disbursements:						
Current:						
Instruction	-	-	-	-	-	-
Support services	3,960	-	-	22,247	2,350	-
Noninstructional services	826,804	84,003	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	1,509
Total disbursements	<u>830,764</u>	<u>84,003</u>	<u>-</u>	<u>22,247</u>	<u>2,350</u>	<u>1,509</u>
Excess (deficiency) of receipts over disbursements	<u>70,521</u>	<u>42,093</u>	<u>39,973</u>	<u>(17,679)</u>	<u>(2,350)</u>	<u>(1,384)</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>70,521</u>	<u>42,093</u>	<u>39,973</u>	<u>(17,679)</u>	<u>(2,350)</u>	<u>(1,384)</u>
Cash and investments - ending	<u>\$ 645,600</u>	<u>\$ 67,378</u>	<u>\$ 39,973</u>	<u>\$ 9,071</u>	<u>\$ 124,416</u>	<u>\$ 16,158</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, 2012
 (Continued)

	Miscellaneous Programs	Payroll	Clearing Account	Instruction Support	Education Technology	Early Childhood Intervention (First Steps)
Cash and investments - beginning	\$ -	\$ 213,395	\$ 12,386	\$ -	\$ -	\$ -
Receipts:						
Local sources	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-
State sources	-	-	-	-	1,983,605	-
Federal sources	-	-	-	68,029	-	-
Other	-	43,383,546	10,903	-	-	-
Total receipts	-	43,383,546	10,903	68,029	1,983,605	-
Disbursements:						
Current:						
Instruction	-	-	-	64,087	-	-
Support services	-	-	-	-	1,997,337	-
Noninstructional services	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Nonprogrammed charges	-	43,587,897	8,651	-	-	-
Total disbursements	-	43,587,897	8,651	64,087	1,997,337	-
Excess (deficiency) of receipts over disbursements	-	(204,351)	2,252	3,942	(13,732)	-
Other financing sources (uses):						
Sale of capital assets	-	-	-	-	-	-
Transfers in	-	-	-	-	13,732	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	13,732	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	(204,351)	2,252	3,942	-	-
Cash and investments - ending	\$ -	\$ 9,044	\$ 14,638	\$ 3,942	\$ -	\$ -

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, 2012
 (Continued)

	School Technology Fund	Non-English Speaking Programs P.L. 273-1999	Miscellaneous Programs	Smaller Learning Communities (SLC)	Local Source/ Donations	Title I
Cash and investments - beginning	\$ 8,549	\$ 4,688	\$ 19,037	\$ -	\$ -	\$ (63)
Receipts:						
Local sources	-	-	21,026	278,060	500	-
Intermediate sources	-	-	-	-	-	-
State sources	8,713	-	-	-	-	-
Federal sources	-	25,317	-	-	-	869,445
Other	-	-	-	-	-	-
Total receipts	<u>8,713</u>	<u>25,317</u>	<u>21,026</u>	<u>278,060</u>	<u>500</u>	<u>869,445</u>
Disbursements:						
Current:						
Instruction	-	28,516	2,752	280,109	-	734,042
Support services	-	-	11,319	-	500	119,814
Noninstructional services	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	(1,624)	-	-
Total disbursements	<u>-</u>	<u>28,516</u>	<u>14,071</u>	<u>278,485</u>	<u>500</u>	<u>853,856</u>
Excess (deficiency) of receipts over disbursements	<u>8,713</u>	<u>(3,199)</u>	<u>6,955</u>	<u>(425)</u>	<u>-</u>	<u>15,589</u>
Other financing sources (uses):						
Sale of capital assets	-	-	-	-	-	-
Transfers in	-	-	-	20,560	-	(10,078)
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,560</u>	<u>-</u>	<u>(10,078)</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>8,713</u>	<u>(3,199)</u>	<u>6,955</u>	<u>20,135</u>	<u>-</u>	<u>5,511</u>
Cash and investments - ending	<u>\$ 17,262</u>	<u>\$ 1,489</u>	<u>\$ 25,992</u>	<u>\$ 20,135</u>	<u>\$ -</u>	<u>\$ 5,448</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, 2012
 (Continued)

	Title I Migrant	(IDEA, Part B) LEA Capacity Building (Sliver) Grants	Improving Teaching Quality, No Child Left, Title II, Part A	Title III, Language Instruction	Education Jobs	Totals
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 28,634,101
Receipts:						
Local sources	-	-	-	-	-	47,312,929
Intermediate sources	-	-	-	-	-	49
State sources	-	-	-	-	-	60,778,194
Federal sources	14,686	-	181,423	34,542	1,887,947	4,605,095
Other	-	-	-	-	-	43,396,249
Total receipts	<u>14,686</u>	<u>-</u>	<u>181,423</u>	<u>34,542</u>	<u>1,887,947</u>	<u>156,092,516</u>
Disbursements:						
Current:						
Instruction	3,445	-	7,562	30,448	1,887,947	48,213,401
Support services	13,075	-	144,376	-	-	38,380,502
Noninstructional services	-	-	-	-	-	5,377,662
Facilities acquisition and construction	-	-	-	-	-	3,097,047
Debt services	-	-	-	-	-	13,553,993
Nonprogrammed charges	-	-	8,149	649	-	43,605,231
Total disbursements	<u>16,520</u>	<u>-</u>	<u>160,087</u>	<u>31,097</u>	<u>1,887,947</u>	<u>152,227,836</u>
Excess (deficiency) of receipts over disbursements	<u>(1,834)</u>	<u>-</u>	<u>21,336</u>	<u>3,445</u>	<u>-</u>	<u>3,864,680</u>
Other financing sources (uses):						
Sale of capital assets	-	-	-	-	-	13,055
Transfers in	1,834	-	(21,336)	(3,445)	-	347,855
Transfers out	-	-	-	-	-	(347,855)
Total other financing sources (uses)	<u>1,834</u>	<u>-</u>	<u>(21,336)</u>	<u>(3,445)</u>	<u>-</u>	<u>13,055</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,877,735</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 32,511,836</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, 2013

	General	Debt Service	Exempt Debt	Exempt Retirement/ Serverance Bond Debt Reserve	Capital Projects	School Transportation	School Bus Replacement
Cash and investments - beginning	\$ 2,332,764	\$ 979,049	\$ 3,962,637	\$ 419,676	\$ 1,420,046	\$ 2,362,636	\$ 451,687
Receipts:							
Local sources	1,634,219	4,198,899	8,953,143	807,053	6,834,211	5,895,526	653,638
Intermediate sources	8	-	-	-	-	-	-
State sources	59,892,601	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	139,449	-	-
Other	1,156	-	-	-	-	21,246	-
Total receipts	<u>61,527,984</u>	<u>4,198,899</u>	<u>8,953,143</u>	<u>807,053</u>	<u>6,973,660</u>	<u>5,916,772</u>	<u>653,638</u>
Disbursements:							
Current:							
Instruction	45,549,687	-	-	-	-	-	-
Support services	14,346,458	-	-	-	4,377,712	5,561,630	452,683
Noninstructional services	1,067,516	-	-	-	-	-	-
Facilities acquisition and construction	111,654	-	-	-	2,571,786	-	-
Debt services	1	4,289,412	8,486,947	802,745	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	<u>61,075,316</u>	<u>4,289,412</u>	<u>8,486,947</u>	<u>802,745</u>	<u>6,949,498</u>	<u>5,561,630</u>	<u>452,683</u>
Excess (deficiency) of receipts over disbursements	<u>452,668</u>	<u>(90,513)</u>	<u>466,196</u>	<u>4,308</u>	<u>24,162</u>	<u>355,142</u>	<u>200,955</u>
Other financing sources (uses):							
Sale of capital assets	17,879	-	-	-	3,000	-	-
Transfers in	38,735	-	-	-	-	-	-
Transfers out	(192,887)	(69,678)	-	-	-	-	-
Total other financing sources (uses)	<u>(136,273)</u>	<u>(69,678)</u>	<u>-</u>	<u>-</u>	<u>3,000</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>316,395</u>	<u>(160,191)</u>	<u>466,196</u>	<u>4,308</u>	<u>27,162</u>	<u>355,142</u>	<u>200,955</u>
Cash and investments - ending	<u>\$ 2,649,159</u>	<u>\$ 818,858</u>	<u>\$ 4,428,833</u>	<u>\$ 423,984</u>	<u>\$ 1,447,208</u>	<u>\$ 2,717,778</u>	<u>\$ 652,642</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, 2013
 (Continued)

	Rainy Day	General Obligation Bonds 2009-2013	School Lunch	Textbook Rental	Self- Insurance	Joint Services and Supply - Other	Art Association
Cash and investments - beginning	\$ 4,833,113	\$ 2,367,651	\$ 2,780,260	\$ 668,123	\$ 8,860,082	\$ 6,188	\$ 67,378
Receipts:							
Local sources	38,735	-	2,050,640	675,386	10,696,719	-	120,061
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	55,754	216,599	-	-	-
Federal sources	-	-	1,465,776	-	-	-	-
Temporary loans	-	2,078,100	-	-	-	-	-
Other	-	-	-	-	-	-	-
Total receipts	<u>38,735</u>	<u>2,078,100</u>	<u>3,572,170</u>	<u>891,985</u>	<u>10,696,719</u>	<u>-</u>	<u>120,061</u>
Disbursements:							
Current:							
Instruction	-	163,670	-	120,127	-	-	-
Support services	392,312	619,182	1,330	-	9,120	-	-
Noninstructional services	-	-	3,218,194	-	-	-	187,439
Facilities acquisition and construction	-	1,785,724	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	9,591,880	-	-
Total disbursements	<u>392,312</u>	<u>2,568,576</u>	<u>3,219,524</u>	<u>120,127</u>	<u>9,601,000</u>	<u>-</u>	<u>187,439</u>
Excess (deficiency) of receipts over disbursements	<u>(353,577)</u>	<u>(490,476)</u>	<u>352,646</u>	<u>771,858</u>	<u>1,095,719</u>	<u>-</u>	<u>(67,378)</u>
Other financing sources (uses):							
Sale of capital assets	-	-	-	-	-	-	-
Transfers in	-	130,712	-	69,678	-	-	-
Transfers out	<u>(38,735)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>(38,735)</u>	<u>130,712</u>	<u>-</u>	<u>69,678</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(392,312)</u>	<u>(359,764)</u>	<u>352,646</u>	<u>841,536</u>	<u>1,095,719</u>	<u>-</u>	<u>(67,378)</u>
Cash and investments - ending	<u>\$ 4,440,801</u>	<u>\$ 2,007,887</u>	<u>\$ 3,132,906</u>	<u>\$ 1,509,659</u>	<u>\$ 9,955,801</u>	<u>\$ 6,188</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, 2013
 (Continued)

	Child Care Program	Historical Society	Alternative Education	Splash/ Challenge Days	Instructional Support Fund	Scholarships and Awards
Cash and investments - beginning	\$ 645,600	\$ 67,378	\$ 39,973	\$ 9,071	\$ 124,416	\$ 16,158
Receipts:						
Local sources	891,768	120,061	-	2,000	-	209
Intermediate sources	-	-	-	-	-	-
State sources	-	-	33,161	-	-	-
Federal sources	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total receipts	<u>891,768</u>	<u>120,061</u>	<u>33,161</u>	<u>2,000</u>	<u>-</u>	<u>209</u>
Disbursements:						
Current:						
Instruction	-	-	-	-	-	-
Support services	3,620	-	-	2,802	1,273	-
Noninstructional services	840,587	187,439	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	4,398
Total disbursements	<u>844,207</u>	<u>187,439</u>	<u>-</u>	<u>2,802</u>	<u>1,273</u>	<u>4,398</u>
Excess (deficiency) of receipts over disbursements	<u>47,561</u>	<u>(67,378)</u>	<u>33,161</u>	<u>(802)</u>	<u>(1,273)</u>	<u>(4,189)</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>47,561</u>	<u>(67,378)</u>	<u>33,161</u>	<u>(802)</u>	<u>(1,273)</u>	<u>(4,189)</u>
Cash and investments - ending	<u>\$ 693,161</u>	<u>\$ -</u>	<u>\$ 73,134</u>	<u>\$ 8,269</u>	<u>\$ 123,143</u>	<u>\$ 11,969</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, 2013
 (Continued)

	Miscellaneous Programs	Payroll	Clearing Account	Instruction Support	Education Technology	Early Childhood Intervention (First Steps)
Cash and investments - beginning	\$ -	\$ 9,044	\$ 14,638	\$ 3,942	\$ -	\$ -
Receipts:						
Local sources	10,000	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-
State sources	-	-	-	-	1,427,022	6,485
Federal sources	-	-	-	70,023	-	-
Temporary loans	-	-	-	-	-	-
Other	-	42,639,637	16,094	-	-	-
Total receipts	<u>10,000</u>	<u>42,639,637</u>	<u>16,094</u>	<u>70,023</u>	<u>1,427,022</u>	<u>6,485</u>
Disbursements:						
Current:						
Instruction	-	-	-	55,952	888,868	6,485
Support services	6,491	-	-	-	678,343	-
Noninstructional services	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Nonprogrammed charges	-	42,680,475	17,211	-	-	-
Total disbursements	<u>6,491</u>	<u>42,680,475</u>	<u>17,211</u>	<u>55,952</u>	<u>1,567,211</u>	<u>6,485</u>
Excess (deficiency) of receipts over disbursements	<u>3,509</u>	<u>(40,838)</u>	<u>(1,117)</u>	<u>14,071</u>	<u>(140,189)</u>	<u>-</u>
Other financing sources (uses):						
Sale of capital assets	-	-	-	-	-	-
Transfers in	-	-	-	-	140,189	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>140,189</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>3,509</u>	<u>(40,838)</u>	<u>(1,117)</u>	<u>14,071</u>	<u>-</u>	<u>-</u>
Cash and investments - ending	<u>\$ 3,509</u>	<u>\$ (31,794)</u>	<u>\$ 13,521</u>	<u>\$ 18,013</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, 2013
 (Continued)

	School Technology Fund	Non-English Speaking Programs P.L. 273-1999	Miscellaneous Programs	Smaller Learning Communities (SLC)	Local Source/ Donations	Title I
Cash and investments - beginning	\$ 17,262	\$ 1,489	\$ 25,992	\$ 20,135	\$ -	\$ 5,448
Receipts:						
Local sources	-	-	26,718	317,588	-	-
Intermediate sources	-	-	-	-	-	-
State sources	8,667	-	-	-	-	-
Federal sources	-	28,620	-	-	-	981,745
Temporary loans	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total receipts	<u>8,667</u>	<u>28,620</u>	<u>26,718</u>	<u>317,588</u>	<u>-</u>	<u>981,745</u>
Disbursements:						
Current:						
Instruction	-	23,020	7,667	311,593	-	913,176
Support services	16,016	-	22,875	-	-	28,076
Noninstructional services	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	6,751	-	-
Total disbursements	<u>16,016</u>	<u>23,020</u>	<u>30,542</u>	<u>318,344</u>	<u>-</u>	<u>941,252</u>
Excess (deficiency) of receipts over disbursements	<u>(7,349)</u>	<u>5,600</u>	<u>(3,824)</u>	<u>(756)</u>	<u>-</u>	<u>40,493</u>
Other financing sources (uses):						
Sale of capital assets	-	-	-	-	-	-
Transfers in	-	-	-	(19,379)	-	(45,941)
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(19,379)</u>	<u>-</u>	<u>(45,941)</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(7,349)</u>	<u>5,600</u>	<u>(3,824)</u>	<u>(20,135)</u>	<u>-</u>	<u>(5,448)</u>
Cash and investments - ending	<u>\$ 9,913</u>	<u>\$ 7,089</u>	<u>\$ 22,168</u>	<u>\$ -</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, 2013
 (Continued)

	Title I Migrant	(IDEA, Part B) LEA Capacity Building (Sliver) Grants	Improving Teaching Quality, No Child Left, Title II, Part A	Title III, Language Instruction	Education Jobs	Totals
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 32,511,836
Receipts:						
Local sources	-	-	-	-	-	43,926,574
Intermediate sources	-	-	-	-	-	8
State sources	-	-	-	-	-	61,640,289
Federal sources	2,678	70,000	169,362	35,504	38,549	2,862,257
Temporary loans	-	-	-	-	-	2,217,549
Other	-	-	-	-	-	42,678,133
Total receipts	<u>2,678</u>	<u>70,000</u>	<u>169,362</u>	<u>35,504</u>	<u>38,549</u>	<u>153,324,810</u>
Disbursements:						
Current:						
Instruction	-	70,000	(61)	38,398	38,549	48,187,131
Support services	844	-	146,504	-	-	26,667,271
Noninstructional services	-	-	-	-	-	5,501,175
Facilities acquisition and construction	-	-	-	-	-	4,469,164
Debt services	-	-	-	-	-	13,579,105
Nonprogrammed charges	-	-	8,265	900	-	52,309,880
Total disbursements	<u>844</u>	<u>70,000</u>	<u>154,708</u>	<u>39,298</u>	<u>38,549</u>	<u>150,713,726</u>
Excess (deficiency) of receipts over disbursements	<u>1,834</u>	<u>-</u>	<u>14,654</u>	<u>(3,794)</u>	<u>-</u>	<u>2,611,084</u>
Other financing sources (uses):						
Sale of capital assets	-	-	-	-	-	20,879
Transfers in	(1,834)	-	(14,654)	3,794	-	301,300
Transfers out	-	-	-	-	-	(301,300)
Total other financing sources (uses)	<u>(1,834)</u>	<u>-</u>	<u>(14,654)</u>	<u>3,794</u>	<u>-</u>	<u>20,879</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,631,963</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 35,143,799</u>

PENN-HARRIS-MADISON SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS

CONDITION OF RECORDS - LUNCH FUND REVENUES

Financial records presented for audit included numerous errors in School Lunch Fund receipt entries. One example includes the March 2012 allocation of prepaid meals to various student accounts for \$33,548, but the correct allocation total was \$196,963. This resulted in a large unallocated prepaid meal balance and incorrect receipt totals, the largest being student lunch receipts which was understated by \$120,280.

Another example of an error included the posting of Kids Club meal payments which was paid from the School Corporation's Kids Club Fund. During the school year 2011-2012, four monthly Kids Club meal payments, totaling \$47,989, were incorrectly posted to other Lunch Fund receipt accounts instead of the Kids Club receipt account.

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 Indiana Public School Corporations, Chapter 9)

INTERNAL CONTROLS - EFT VENDOR PAYMENTS

The School Corporation paid some vendors using an electronic funds transfer (EFT) in lieu of issuing a check. For these EFT payments, there was supporting documentation such as an invoice, but there was no accounts payable voucher created and neither the Treasurer nor School Board approved these disbursements. Further, the School Board had not formally approved, via an ordinance or resolution, making EFT payments. On November 11, 2013, the School Board approved a resolution authorizing EFT payments.

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 Indiana Public School Corporations, Chapter 9)

Indiana Code 5-13-5-5 states:

"(a) The fiscal body of any political subdivision may by ordinance or resolution authorize the proper legal officers of the political subdivision to transact the political subdivision's business with a financial institution or a public pension or retirement fund administered by the Indiana public retirement system through the use of electronic funds transfer.

(b) The ordinance or resolution must:

- (1) specify the types of transactions that may be conducted by electronic funds transfer; and
- (2) require the proper officers to maintain adequate documentation of the transactions so that they may be audited as provided by law."

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

OVERDRAWN CASH BALANCES

The financial statement presented in this report shows that the Payroll Fund cash balance at June 30, 2013, is negative \$31,794. During our audit, the Deputy Treasurer began performing a monthly analysis of the Payroll Fund balance.

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

INTERNAL CONTROLS (Applies to High School)

The Extra-Curricular Treasurer explained to us that there is no reconciliation of yearbooks purchased compared with yearbooks sold and no comparison of yearbooks sold with collections posted to the yearbook extra-curricular account. A similar comment appeared in prior Report B40018.

The yearbook extra-curricular account had cash balances at June 30, 2011, 2012, and 2013, of \$32,710, \$32,326, and \$9,747, respectively. Payments to the manufacturer for the previous year's yearbook, paid in the subsequent year, after June 30, were \$38,595, \$41,564, and \$19,775, respectively. This indicates deficits for all three years' yearbooks.

The yearbook sponsor sells extra yearbooks in subsequent years but does not issue receipts. No record was provided for our audit showing collections from these extra yearbooks that were sold.

As a result of our audit of the yearbook sales, the Extra-Curricular Treasurer worked with the yearbook vendor, Jostens, Inc., and the yearbook sponsor and determined that: (1) The high school paid Jostens, Inc., \$25,000 on April 26, 2013, but this payment was credited to another account. Jostens, Inc., will credit the high school's account for a portion of this payment for the balance due and will refund to the high school the difference of \$5,324.76; (2) The yearbook sponsor records indicated that some yearbooks were paid for, but the yearbooks were actually given to individuals; and (3) some unidentified differences in sales and purchases of yearbooks.

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)

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



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

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

Report on Compliance for Each Major Federal Program

We have audited the Penn-Harris-Madison School Corporation's (School Corporation) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the period of July 1, 2011 to June 30, 2013. The School Corporation's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the School Corporation's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the School Corporation's compliance.

Opinion on Each Major Federal Program

In our opinion, the School Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the period of July 1, 2011 to June 30, 2013.

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

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2013-1. Our opinion on each major federal program is not modified with respect to these matters.

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

Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as item 2013-1 that we consider to be significant deficiencies.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Paul D. Joyce, CPA
State Examiner

December 5, 2013

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The Schedule of Expenditures of Federal Awards and accompanying notes presented were prepared 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, 2012 and 2013

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 06-30-12	Total Federal Awards Expended 06-30-13
<u>Department of Agriculture</u>					
Child Nutrition Cluster					
School Breakfast Program	Indiana Department of Education	10.553		\$ 208,903	\$ 193,549
National School Lunch Program	Indiana Department of Education	10.555		1,484,703	1,410,613
Summer Food Service Program for Children	Indiana Department of Education	10.559		<u>113,519</u>	<u>119,906</u>
Total - Child Nutrition Cluster				<u>1,807,125</u>	<u>1,724,068</u>
Child and Adult Care Food Program	Indiana Department of Education	10.558		<u>7,944</u>	<u>5,499</u>
Total - Department of Agriculture				<u>1,815,069</u>	<u>1,729,567</u>
<u>Department of Education</u>					
Title I, Part A Cluster					
Title I Grants to Local Educational Agencies	Indiana Department of Education	84.010			
			11-7175	150,259	-
			12-7175	719,187	208,547
			13-7175	<u>-</u>	<u>773,193</u>
Total - Title I, Part A Cluster				<u>869,446</u>	<u>981,740</u>
Special Education Cluster (IDEA)					
Special Education - Grants to States	Indiana Department of Education	84.027		<u>-</u>	<u>70,000</u>
Total - Special Education Cluster				<u>-</u>	<u>70,000</u>
Migrant Education - State Grant Program	Indiana Department of Education	84.011		<u>14,685</u>	<u>2,678</u>
Rehabilitation Services - Vocational Rehabilitation Grants to States	Indiana Department of Education	84.126		<u>1,270</u>	<u>-</u>

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

PENN-HARRIS-MADISON SCHOOL CORPORATION
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Years Ended June 30, 2012 and 2013
 (Continued)

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 06-30-12	Total Federal Awards Expended 06-30-13
<u>Department of Education (continued)</u>					
Fund for the Improvement of Education	Direct Grant	84.215	S215L080526	278,060	316,737
English Language Acquisition State Grants	Indiana Department of Education	84.365			
			11-7175	7,374	-
			12-7175	27,169	5,290
			13-7175	-	30,215
Total - English Language Acquisition State Grants				<u>34,543</u>	<u>35,505</u>
Improving Teacher Quality State Grants	Indiana Department of Education	84.367			
			11-7175	58,305	-
			12-7175	123,116	51,372
			13-7175	-	117,988
Total - Improving Teacher Quality State Grants				<u>181,421</u>	<u>169,360</u>
Education Jobs Fund	Indiana Department of Education	84.410		1,887,946	38,549
Total - Department of Education				<u>3,267,371</u>	<u>1,614,569</u>
Total federal awards expended				<u>\$ 5,082,440</u>	<u>\$ 3,344,136</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 statement. 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, 2012 and 2013. This noncash assistance is also included in the federal expenditures presented in the schedule.

Program Title	Federal CFDA Number	2012	2013
School Breakfast Program	10.553	\$ 30,806	\$ 31,835
National School Lunch Program	10.555	210,810	232,021

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:	Adverse as to GAAP; Unmodified as to Regulatory Basis
Internal control over financial reporting:	
Material weaknesses identified?	no
Significant deficiencies identified?	none reported
Noncompliance material to financial statement noted?	no

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	no
Significant deficiencies identified?	yes
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?	yes

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
84.215	Child Nutrition Cluster
84.410	Fund for the Improvement of Education
	Education Jobs Fund

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

FINDING 2013-1 - Allowable Costs/Cost Principles

Federal Agency: Department of Education
Federal Program: Fund for the Improvement of Education
CFDA Number: 84.215
Federal Award Number and Year: S215L080526 for 2012-2013

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

The School Corporation charged various general supplies to this program within a few days of the grant end date of August 7, 2013. Although the supplies are an allowable activity per the grant budget narrative, no supporting documentation was provided to indicate how these supplies were to be used specifically for the federal program. Because of the lack of documentation, no determination could be made as to whether these general supplies are an allowable or direct cost for the program. The following schedule documents the disbursements for the various general supplies purchased, including a general description of those supplies.

Check Number	Check Date	Amount	Invoice Date	Description
316014	08-26-13	\$ 2,236.00	07-30-13	400,000 sheets of white multi-use paper
316101	08-26-13	1,935.45	08-05-13	high impact yellow and orange/black paper
316185	08-26-13	2,140.00	08-07-13	40,000 envelopes
316187	08-26-13	6,066.92	08-03-13	70 easel pads, 25 pipe cleaners, 20 cartons white view binders, 576 D and AAA batteries, post-it flags and notes, 180 black pens, etc.
316269	09-16-13	<u>3,253.48</u>	08-16-13 *	30 laminating rolls, 50 dozen postit notes, 2,000 folders, 102 reams of colored paper, 40 boxes tissue pomettes, 9 volt batteries, 25 staplers, 25 scissors, etc.
Total		<u>\$ 15,631.85</u>		

*Invoice was after grant end date, August 7, 2013, but School purchase order was dated July 29, 2013

OMB Circular A-87, Attachment A, Section C(1) states in part: "Factors affecting allowability of costs. To be allowable under Federal awards, costs must meet the following general criteria: . . . (j) Be adequately documented."

OMB Circular A-87, Attachment B, Section 26(c) states: "Only materials and supplies actually used for the performance of a Federal award may be charged as direct costs."

OMB Circular A-87, Attachment A, Section E states in part: "(1) General. Direct Costs are those that can be identified specifically with a particular final cost objective. . . . 2(b) Cost of materials acquired, consumed, or expended specifically for the purpose of those awards."

Charging general supplies to this program with no documentation to show how these supplies were and actual cost to the program has resulted in questioned costs totaling \$15,631.85. The federal agency may require that these questioned costs be repaid.

We recommended that School Corporation officials contact the federal agency to resolve this finding and questioned costs.

Charging general supplies to this program without adequate documentation indicates a weakness in the School Corporation's internal control system over Allowable Costs.

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

An internal control system should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement, or a type of compliance requirement of a federal program will be prevented, detected, and corrected, on a timely basis.

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

The failure to establish internal controls could enable material noncompliance to go undetected. Noncompliance of the grant agreement or the compliance requirements that have a direct and material effect to the program could result in the loss of federal funds to the School Corporation.

We recommended that the School Corporation's management reevaluate and monitor controls related to the grant agreement and compliance requirements that have a direct and material effect to the program.



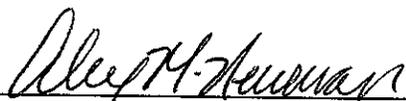
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Finding Number 2011-1 GRANT BUDGET NOT REVIEWED

CFDA Number:	84.215
Federal Award Number:	S215L080526A
Fiscal Year:	2011
Auditee Contact Person:	Alex Newman
Title of Contact Person:	Business Manager/Treasurer
Phone Number:	574-258-9591

Status of Finding:

The Business Services Department has been and will continue to work with the Learning Division and the Director of Grants and Special Projects in order to ensure that grant budgets are reviewed and understood by the Business Services Department. Grant appropriations will then be properly set up in the accounting system at the time they are received and also after any amendments have been approved.



 Alex Newman
 Business Manager/Treasurer

12/5/13

 Date



Penn-Harris-Madison School Corporation

State Board of Accounts
302 Washington St. Room E418
Indianapolis, Indiana 46204-2765

TO: Field Representatives
FROM: Alex Newman
RE: Audit Findings
DATE: November 20, 2013

Finding Number: 2013-1 Activities Allowed or Unallowed and Allowable Costs

CDFA Number: 84.215
Federal Award Number: S215L080526
Fiscal Years: 2012-2013
Audit Contact Person: Alex Newman
Title of Contact Person: Business Manager/Treasurer
Phone Number: 574-258-9591

Status of Finding:

The Business Services Department will work directly with the Learning Division to implement improved procedures for verifying and agreeing on expenditures related to our Federal Grants. Meetings will be held throughout the program period between the Business Manager and the Director of Grants and Special Projects. These meetings will be held to discuss and establish what expenditures are to be made in order to ensure that costs are allowable as defined by the grant narrative.

A handwritten signature in cursive script that reads "Alex Newman".

Alex Newman
Business Manager/Treasurer
Penn-Harris-Madison School Corporation

PENN-HARRIS-MADISON SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on December 5, 2013, with Alex M. Newman, Treasurer; Denise Seger, former Treasurer; Jerry L. Thacker, Superintendent of Schools; and Jamie Woods, School Board member. The officials concurred with our audit findings.