

**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, 2013 to June 30, 2015



**FILED**  
07/12/2017



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Business Manager/Treasurer	Alex M. Newman	07-01-13 to 06-30-17
Superintendent of Schools	Jerry L. Thacker	07-01-13 to 06-30-18
President of the School Board	K. Jaye Galloway Chris Riley Gary Fox	01-01-13 to 12-31-13 01-01-14 to 12-31-15 01-01-16 to 12-31-17



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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, 2013 to June 30, 2015, and the related notes to the financial statement as listed in the Table of Contents.

***Management's Responsibility for the Financial Statement***

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

***Auditor's Responsibility***

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

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

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

INDEPENDENT AUDITOR'S REPORT  
(Continued)

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

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

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

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position and results of operations of the School Corporation for the period of July 1, 2013 to June 30, 2015.

***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, 2013 to June 30, 2015, in accordance with the financial reporting provisions of the Indiana State Board of Accounts described in Note 1.

***Other Matters***

*Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the School Corporation's financial statement. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by 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.

*Other Information*

Our audit was conducted for the purpose of forming an opinion on the School Corporation's financial statement. The Combining Schedules of Receipts, Disbursements, Other Financing Sources (Uses), and Cash and Investment Balances - Regulatory Basis, Schedule of Payables and Receivables, and Schedule of Leases and Debt, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the financial statement. They have not been subjected to the auditing procedures applied by us in the audit of the financial statement and, accordingly, we express no opinion on them.

INDEPENDENT AUDITOR'S REPORT  
(Continued)

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued a report dated May 8, 2017, 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.

  
Paul D. Joyce, CPA  
State Examiner

May 8, 2017



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

TO: THE OFFICIALS OF THE 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, 2013 to June 30, 2015, and the related notes to the financial statement, and have issued our report thereon dated May 8, 2017, 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the School Corporation's financial statement will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. 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.


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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the School Corporation's financial statement is free from 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*.

**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

May 8, 2017

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## FINANCIAL STATEMENT AND ACCOMPANYING NOTES

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

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, 2014 and 2015

Fund	Cash and Investments 07-01-13	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-14	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-15
General	\$ 2,649,162	\$ 63,539,234	\$ 61,567,150	\$ 397,171	\$ 5,018,417	\$ 65,226,304	\$ 63,837,169	\$ 49,213	\$ 6,456,765
Debt Service	818,859	5,774,580	4,599,234	(73,688)	1,920,517	6,099,598	5,030,007	(220,230)	2,769,878
Exempt Debt	4,428,833	8,196,230	8,289,727	-	4,335,336	7,396,000	8,095,501	-	3,635,835
Exempt Retirement/Severance Bond Debt Service	423,984	817,949	806,445	-	435,488	789,748	805,727	-	419,509
Capital Projects	1,447,205	6,661,236	7,182,828	-	925,613	6,778,160	6,983,605	95,590	815,758
School Transportation	2,717,779	5,900,971	5,589,429	-	3,029,321	6,012,171	5,904,256	82,839	3,220,075
School Bus Replacement	652,642	809,067	454,734	-	1,006,975	656,537	554,032	10,534	1,120,014
Rainy Day	4,440,802	35,717	299,519	(35,717)	4,141,283	32,880	413,009	(32,880)	3,728,274
General Obligation Bonds 2009A	2,007,887	-	50,284	(1,957,603)	-	-	-	-	-
General Obligation Bonds 2009B	-	-	91,721	100,898	9,177	-	9,177	-	-
QSCB 09/10	-	-	36,459	57,126	20,667	-	20,667	-	-
General Obligation Bonds 2011	-	-	233,812	275,178	41,366	-	20,823	-	20,543
General Obligation Bonds 2012	-	-	1,460,345	1,524,401	64,056	-	62,810	-	1,246
General Obligation Bonds 2013	-	7,899,909	6,144,284	(130,712)	1,624,913	-	1,489,558	-	135,355
General Obligation Bonds 2014	-	2,000,564	328,717	-	1,671,847	-	1,282,839	-	389,008
General Obligation Bonds 2015	-	-	-	-	-	-	417,899	2,000,000	1,582,101
School Lunch	3,132,902	3,880,962	3,182,069	-	3,831,795	3,643,193	3,599,283	-	3,875,705
Textbook Rental	1,509,658	886,964	1,317,927	73,688	1,152,383	966,743	1,282,302	87,969	924,793
Repair and Replacement	-	-	-	-	-	-	-	-	-
Self-Insurance	9,955,801	10,402,675	9,453,487	-	10,904,989	10,590,081	9,817,751	-	11,677,319
Levy Excess	-	-	-	-	-	3,664	-	-	3,664
Joint Services and Supply - Other	6,188	-	-	-	6,188	-	-	-	6,188
Art Association	-	115,246	115,246	-	-	115,202	116,862	1,660	-
Child Care Program	693,161	980,184	901,603	-	771,742	1,168,013	1,116,817	-	822,938
Historical Society	-	115,246	115,246	-	-	114,675	116,335	1,660	-
Alternative Education	73,134	25,272	73,134	-	25,272	47,429	-	-	72,701
Splash/Challenge Days	8,270	-	5,198	-	3,072	-	-	-	3,072
Instructional Support Fund	123,143	-	2,714	-	120,429	-	-	-	120,429
Scholarships and Awards	11,969	109	500	-	11,578	138	2,009	-	9,707
Miscellaneous Programs	3,510	-	952	-	2,558	-	2,077	-	481
High Ability 2012-2013	18,012	-	18,012	-	-	-	-	-	-
High Ability 2013-2014	-	76,183	58,123	-	18,060	-	18,060	-	-
High Ability 2014-2015	-	-	-	-	-	79,498	65,767	-	13,731
CSF Technology 2012 Fall	-	927,370	768,626	(158,744)	-	-	-	-	-
CSF Technology 2013	-	979,700	979,700	-	-	-	-	-	-
CSF Technology STAA 2013	-	216,103	216,103	-	-	-	-	-	-
CSF Technology 2013 Fall	-	165,290	665,687	-	(500,397)	815,064	314,667	-	-

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

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, 2014 and 2015  
(Continued)

Fund	Cash and Investments 07-01-13	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-14	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-15
CSF Technology 2014	-	-	21,000	-	(21,000)	976,138	955,138	-	-
CSF Technology STAA 2014	-	-	-	-	-	199,870	199,870	-	-
CSF Technology Fall 2014	-	-	-	-	-	130,174	384,101	-	(253,927)
CSF Technology 2015	-	-	-	-	-	-	4,500	-	(4,500)
Early Childhood Intervention (First Steps)	-	-	-	-	-	-	-	-	-
Early Learning - Mary Frank	-	440	-	-	440	95,939	80,630	-	15,749
Secured Schools Safety Grant	-	-	10,350	-	(10,350)	31,091	20,741	-	-
School Tech Fund	9,913	-	9,913	-	-	-	-	-	-
Non-English Speaking Programs P.L. 273-1999	7,090	-	7,090	-	-	-	-	-	-
NESP 2013-2014	-	24,677	19,484	-	5,193	-	5,193	-	-
NESP 2014-2015	-	-	-	-	-	23,544	16,747	-	6,797
Performance Based Awards	-	498,574	498,574	-	-	-	-	-	-
Miscellaneous Programs	22,168	60,261	24,657	-	57,772	38,035	55,077	-	40,730
SLC Supplemental 11-12	-	1,182	-	(1,182)	-	-	-	-	-
Small Learning Community 12-13	-	44,944	44,944	-	-	-	-	-	-
Digital Device Insurance Repair	-	-	-	-	-	53,848	32,820	-	21,028
Senator David Ford Technology	-	-	-	-	-	41,739	64,068	-	(22,329)
Local Source/Donation	-	-	-	-	-	27,270	12,167	-	15,103
Title I 2012-2013	-	163,852	124,414	(39,438)	-	-	-	-	-
Title I 2013-2014	-	880,740	936,422	-	(55,682)	147,217	91,535	-	-
Title I 2014-2015	-	-	-	-	-	887,342	954,181	-	(66,839)
Improving Teaching Quality, No Child Left, Title II, Part A	-	57,184	45,024	(12,160)	-	1,806	1,806	-	-
Title II A 2013-2014	-	96,200	112,061	-	(15,861)	63,490	47,629	-	-
Title II A 2014-2015	-	-	-	-	-	105,586	111,697	-	(6,111)
eLearning Conf Grant 2015	-	-	-	-	-	124	124	-	-
Title III - 2012-2013	-	13,318	5,691	(7,627)	-	1,135	1,135	-	-
Title III - 2013-2014	-	21,370	29,315	-	(7,945)	7,315	(630)	-	-
Title III Supplemental and WIDA	-	-	-	-	-	6,615	6,615	-	-
Title III - 2014-2015	-	-	-	-	-	-	11,551	-	(11,551)
Prepaid Food Trust	-	-	-	-	-	875,705	792,381	-	83,324
Payroll	(31,794)	42,421,488	42,389,231	-	463	45,107,988	45,108,435	-	16
Clearing Account	13,521	4,440	10,276	-	7,685	15,142	12,632	-	10,195
<b>Totals</b>	<b>\$ 35,143,799</b>	<b>\$ 164,695,431</b>	<b>\$ 159,297,461</b>	<b>\$ 11,591</b>	<b>\$ 40,553,360</b>	<b>\$ 159,372,211</b>	<b>\$ 160,349,152</b>	<b>\$ 2,076,355</b>	<b>\$ 41,652,774</b>

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, the following: school townships, school towns, school cities, consolidated school corporations, joint schools, metropolitan school districts, township school districts, county schools, united schools, school districts, cooperatives, educational service centers, community schools, community school corporations, and charter schools.

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

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

*B. Basis of Accounting*

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

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

*C. Cash and Investments*

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

*D. Receipts*

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

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

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

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

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

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

*Temporary loans.* Amounts 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.* Amounts received from various sources, including, but not limited to, the following: return of petty cash, return of cash change, insurance claims for losses, sale of securities, and other receipts not listed in another category above.

*E. Disbursements*

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

*Instruction.* Amounts disbursed for regular programs, special programs, adult and continuing education programs, summer school programs, enrichment programs, remediation, and payments to other governmental units.

*Support services.* Amounts disbursed for support services related to students, instruction, general administration, school administration, outflows for central services, operation and maintenance of plant services, and student transportation.

*Noninstructional services.* Amounts disbursed for food service operations and community service operations.

*Facilities acquisition and construction.* Amounts disbursed for the acquisition, development, construction, and improvement of new and existing facilities.

*Debt service.* Amounts disbursed for fixed obligations resulting from financial transactions previously entered into by the School Corporation, including: all expenditures for the reduction of the principal and interest of the School Corporation's general obligation indebtedness.

*Nonprogrammed charges.* Amounts disbursed for donations to foundations, securities purchased, indirect costs, scholarships, and self-insurance payments.

*F. Other Financing Sources and Uses*

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

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

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

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

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

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

**G. Fund Accounting**

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

**Note 2. Budgets**

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

**Note 3. Property Taxes**

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

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

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

**Note 5. Risk Management**

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

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

**Note 6. Pension Plans**

*A. Public Employees' Retirement Fund*

*Plan Description*

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

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

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

*Funding Policy and Annual Pension Cost*

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

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

*Funding Policy and Annual Pension Cost*

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

**Note 7. Negative Transfers In**

The financial statement contains transfers that appear as negative entries. This is a result of various fund balances, which, at June 30, had negative balances so transfers were made to those funds. In the following school year these transfers were reversed, which resulted in a negative receipt shown in the current school year.

**Note 8. Cash Balance Deficits**

The financial statement contains some funds with deficits in cash. This is a result of grant and certain loan expenditures for which reimbursements had not been received prior to June 30, 2014 and 2015.

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

**Note 9. *Holding Corporation***

The School Corporation entered into a capital lease with PHM Building Corporation (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. The lessor has been determined to be a related-party of the School Corporation. Lease payments during the years ended June 30, 2014 and 2015, totaled \$5,454,500 and \$5,543,000, respectively.

**Note 10. *Subsequent Events***

On March 28, 2016, the School Board approved the School Corporation to enter into a lease with the PHM Building Corporation in the amount of \$7,000,000 for Summer Projects of facility and technology upgrades and enhancements.

**Note 11. *Other Postemployment Benefits***

The School Corporation provides medical benefits to eligible retirees and their spouses. 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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## OTHER INFORMATION - UNAUDITED

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

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

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

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, 2014

	General	Debt Service	Exempt Debt	Exempt Retirement/ Severance Bond Debt Reserve	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	General Obligation Bonds 2009A	General Obligation Bonds 2009B
Cash and investments - beginning	\$ 2,649,162	\$ 818,859	\$ 4,428,833	\$ 423,984	\$ 1,447,205	\$ 2,717,779	\$ 652,642	\$ 4,440,802	\$ 2,007,887	\$ -
Receipts:										
Local sources	1,650,872	5,774,580	8,196,230	817,949	6,659,401	5,893,124	809,067	35,717	-	-
Intermediate sources	18	-	-	-	-	-	-	-	-	-
State sources	61,881,308	-	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	-	-
Other receipts	7,036	-	-	-	1,835	7,847	-	-	-	-
Total receipts	63,539,234	5,774,580	8,196,230	817,949	6,661,236	5,900,971	809,067	35,717	-	-
Disbursements:										
Instruction	45,759,155	-	-	-	-	-	-	-	-	-
Support services	14,604,446	-	-	-	4,789,558	5,589,429	454,734	299,519	50,284	91,721
Noninstructional services	1,097,233	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	101,793	-	-	-	2,393,270	-	-	-	-	-
Debt service	4,650	4,599,234	8,289,727	806,445	-	-	-	-	-	-
Nonprogrammed charges	(127)	-	-	-	-	-	-	-	-	-
Total disbursements	61,567,150	4,599,234	8,289,727	806,445	7,182,828	5,589,429	454,734	299,519	50,284	91,721
Excess (deficiency) of receipts over disbursements	1,972,084	1,175,346	(93,497)	11,504	(521,592)	311,542	354,333	(263,802)	(50,284)	(91,721)
Other financing sources (uses):										
Sale of capital assets	11,591	-	-	-	-	-	-	-	-	-
Transfers in	35,717	-	-	-	-	-	-	-	-	100,898
Transfers out	349,863	(73,688)	-	-	-	-	-	(35,717)	(1,957,603)	-
Total other financing sources (uses)	397,171	(73,688)	-	-	-	-	-	(35,717)	(1,957,603)	100,898
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	2,369,255	1,101,658	(93,497)	11,504	(521,592)	311,542	354,333	(299,519)	(2,007,887)	9,177
Cash and investments - ending	\$ 5,018,417	\$ 1,920,517	\$ 4,335,336	\$ 435,488	\$ 925,613	\$ 3,029,321	\$ 1,006,975	\$ 4,141,283	\$ -	\$ 9,177

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, 2014  
 (Continued)

	QSCB 09/10	General Obligation Bonds 2011	General Obligation Bonds 2012	General Obligation Bonds 2013	General Obligation Bonds 2014	General Obligation Bonds 2015	School Lunch	Textbook Rental	Repair and Replacement	Self- Insurance
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,132,902	\$ 1,509,658	\$ -	\$ 9,955,801
Receipts:										
Local sources	-	-	-	-	-	-	2,000,744	671,048	-	10,402,675
Intermediate sources	-	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	53,407	215,916	-	-
Federal sources	-	-	-	-	-	-	1,826,811	-	-	-
Temporary loans	-	-	-	7,899,909	2,000,564	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-	-
Total receipts	-	-	-	7,899,909	2,000,564	-	3,880,962	886,964	-	10,402,675
Disbursements:										
Instruction	-	-	-	9,155	-	-	-	1,317,927	-	-
Support services	26,939	-	-	2,294,547	279,953	-	1,491	-	-	60,993
Noninstructional services	-	-	-	-	-	-	3,180,578	-	-	-
Facilities acquisition and construction	9,520	233,812	1,460,345	3,840,582	48,764	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	9,392,494
Total disbursements	36,459	233,812	1,460,345	6,144,284	328,717	-	3,182,069	1,317,927	-	9,453,487
Excess (deficiency) of receipts over disbursements	(36,459)	(233,812)	(1,460,345)	1,755,625	1,671,847	-	698,893	(430,963)	-	949,188
Other financing sources (uses):										
Sale of capital assets	-	-	-	-	-	-	-	-	-	-
Transfers in	57,126	275,178	1,524,401	(130,712)	-	-	-	73,688	-	-
Transfers out	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	57,126	275,178	1,524,401	(130,712)	-	-	-	73,688	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	20,667	41,366	64,056	1,624,913	1,671,847	-	698,893	(357,275)	-	949,188
Cash and investments - ending	\$ 20,667	\$ 41,366	\$ 64,056	\$ 1,624,913	\$ 1,671,847	\$ -	\$ 3,831,795	\$ 1,152,383	\$ -	\$ 10,904,989

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, 2014  
 (Continued)

	Levy Excess	Joint Services and Supply - Other	Art Association	Child Care Program	Historical Society	Alternative Education	Splash/ Challenge Days	Instructional Support Fund	Scholarships and Awards	Miscellaneous Programs
Cash and investments - beginning	\$ -	\$ 6,188	\$ -	\$ 693,161	\$ -	\$ 73,134	\$ 8,270	\$ 123,143	\$ 11,969	\$ 3,510
Receipts:										
Local sources	-	-	115,246	980,184	115,246	-	-	-	109	-
Intermediate sources	-	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	25,272	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-	-
Total receipts	-	-	115,246	980,184	115,246	25,272	-	-	109	-
Disbursements:										
Instruction	-	-	-	-	-	73,134	-	-	-	-
Support services	-	-	-	3,021	-	-	5,198	2,714	-	952
Noninstructional services	-	-	115,246	898,582	115,246	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	500	-
Total disbursements	-	-	115,246	901,603	115,246	73,134	5,198	2,714	500	952
Excess (deficiency) of receipts over disbursements	-	-	-	78,581	-	(47,862)	(5,198)	(2,714)	(391)	(952)
Other financing sources (uses):										
Sale of capital assets	-	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	-	78,581	-	(47,862)	(5,198)	(2,714)	(391)	(952)
Cash and investments - ending	\$ -	\$ 6,188	\$ -	\$ 771,742	\$ -	\$ 25,272	\$ 3,072	\$ 120,429	\$ 11,578	\$ 2,558

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, 2014  
 (Continued)

	High Ability 2012-2013	High Ability 2013-2014	High Ability 2014-2015	CSF Technology 2012 Fall	CSF Technology 2013	CSF Technology STAA 2013	CSF Technology 2013 Fall	CSF Technology 2014	CSF Technology STAA 2014	CSF Technology Fall 2014
Cash and investments - beginning	\$ 18,012	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Receipts:										
Local sources	-	-	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-	-
State sources	-	-	-	927,370	979,700	216,103	165,290	-	-	-
Federal sources	-	76,183	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-	-
Total receipts	-	76,183	-	927,370	979,700	216,103	165,290	-	-	-
Disbursements:										
Instruction	18,012	58,123	-	660,000	807,198	216,103	587,289	-	-	-
Support services	-	-	-	108,626	172,502	-	78,398	21,000	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	18,012	58,123	-	768,626	979,700	216,103	665,687	21,000	-	-
Excess (deficiency) of receipts over disbursements	(18,012)	18,060	-	158,744	-	-	(500,397)	(21,000)	-	-
Other financing sources (uses):										
Sale of capital assets	-	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	(158,744)	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	(158,744)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(18,012)	18,060	-	-	-	-	(500,397)	(21,000)	-	-
Cash and investments - ending	\$ -	\$ 18,060	\$ -	\$ -	\$ -	\$ -	\$ (500,397)	\$ (21,000)	\$ -	\$ -

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, 2014  
 (Continued)

	CSF Technology 2015	Early Childhood Intervention (First Steps)	Early Learning Mary Frank	Secured Schools Safety Grant	School Tech Fund	Non-English Speaking Programs P.L. 273-1999	NESP 2013-2014	NESP 2014-2015	Performance Based Awards	Miscellaneous Programs
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ -	\$ 9,913	\$ 7,090	\$ -	\$ -	\$ -	\$ 22,168
Receipts:										
Local sources	-	-	440	-	-	-	-	-	-	60,261
Intermediate sources	-	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	498,574	-
Federal sources	-	-	-	-	-	-	24,677	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-	-
Total receipts	-	-	440	-	-	-	24,677	-	498,574	60,261
Disbursements:										
Instruction	-	-	-	-	-	7,090	19,484	-	-	13,703
Support services	-	-	-	10,350	9,913	-	-	-	498,574	10,954
Noninstructional services	-	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	-	-	-	10,350	9,913	7,090	19,484	-	498,574	24,657
Excess (deficiency) of receipts over disbursements	-	-	440	(10,350)	(9,913)	(7,090)	5,193	-	-	35,604
Other financing sources (uses):										
Sale of capital assets	-	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	440	(10,350)	(9,913)	(7,090)	5,193	-	-	35,604
Cash and investments - ending	\$ -	\$ -	\$ 440	\$ (10,350)	\$ -	\$ -	\$ 5,193	\$ -	\$ -	\$ 57,772

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, 2014  
 (Continued)

	SLC Supplemental 11-12	Small Learning Community 12-13	Digital Device Insurance Repair	Senator David Ford Technology	Local Source Donation	Title I 2012-2013	Title I 2013-2014	Title I 2014-2015	Improving Teaching Quality, No Child Left, Title II, Part A	Title II A 2013-2014
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Receipts:										
Local sources	1,182	44,944	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	163,852	880,740	-	57,184	96,200
Temporary loans	-	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-	-
Total receipts	1,182	44,944	-	-	-	163,852	880,740	-	57,184	96,200
Disbursements:										
Instruction	-	44,817	-	-	-	109,168	773,358	-	-	-
Support services	-	-	-	-	-	3,116	163,064	-	45,024	112,061
Noninstructional services	-	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	127	-	-	-	12,130	-	-	-	-
Total disbursements	-	44,944	-	-	-	124,414	936,422	-	45,024	112,061
Excess (deficiency) of receipts over disbursements	1,182	-	-	-	-	39,438	(55,682)	-	12,160	(15,861)
Other financing sources (uses):										
Sale of capital assets	-	-	-	-	-	-	-	-	-	-
Transfers in	(1,182)	-	-	-	-	(39,438)	-	-	(12,160)	-
Transfers out	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	(1,182)	-	-	-	-	(39,438)	-	-	(12,160)	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	-	-	-	-	(55,682)	-	-	(15,861)
Cash and investments - ending	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (55,682)	\$ -	\$ -	\$ (15,861)

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, 2014  
 (Continued)

	Title II A 2014-2015	eLearning Conf Grant 2015	Title III 2012-2013	Title III 2013-2014	Title III Supplemental and WIDA	Title III 2014-2015	Payroll	Clearing Account	Prepaid Food Trust	Totals
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (31,794)	\$ 13,521	\$ -	\$ 35,143,799
Receipts:										
Local sources	-	-	-	-	-	-	-	-	-	44,229,019
Intermediate sources	-	-	-	-	-	-	-	-	-	18
State sources	-	-	-	-	-	-	-	-	-	64,962,940
Federal sources	-	-	13,318	21,370	-	-	-	-	-	3,160,335
Temporary loans	-	-	-	-	-	-	-	-	-	9,900,473
Other receipts	-	-	-	-	-	-	42,421,488	4,440	-	42,442,646
Total receipts	-	-	13,318	21,370	-	-	42,421,488	4,440	-	164,695,431
Disbursements:										
Instruction	-	-	5,691	29,315	-	-	-	-	-	50,508,722
Support services	-	-	-	-	-	-	-	-	-	29,789,081
Noninstructional services	-	-	-	-	-	-	-	-	-	5,406,885
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	8,088,086
Debt service	-	-	-	-	-	-	-	-	-	13,700,056
Nonprogrammed charges	-	-	-	-	-	-	42,389,231	10,276	-	51,804,631
Total disbursements	-	-	5,691	29,315	-	-	42,389,231	10,276	-	159,297,461
Excess (deficiency) of receipts over disbursements	-	-	7,627	(7,945)	-	-	32,257	(5,836)	-	5,397,970
Other financing sources (uses):										
Sale of capital assets	-	-	-	-	-	-	-	-	-	11,591
Transfers in	-	-	(7,627)	-	-	-	-	-	-	1,717,145
Transfers out	-	-	-	-	-	-	-	-	-	(1,717,145)
Total other financing sources (uses)	-	-	(7,627)	-	-	-	-	-	-	11,591
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	-	(7,945)	-	-	32,257	(5,836)	-	5,409,561
Cash and investments - ending	\$ -	\$ -	\$ -	\$ (7,945)	\$ -	\$ -	\$ 463	\$ 7,685	\$ -	\$ 40,553,360

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, 2015

	General	Debt Service	Exempt Debt	Exempt Retirement/ Severance Bond Debt Reserve	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	General Obligation Bonds 2009A	General Obligation Bonds 2009B
Cash and investments - beginning	\$ 5,018,417	\$ 1,920,517	\$ 4,335,336	\$ 435,488	\$ 925,613	\$ 3,029,321	\$ 1,006,975	\$ 4,141,283	\$ -	\$ 9,177
Receipts:										
Local sources	2,003,197	6,099,598	7,396,000	789,748	6,726,912	5,971,947	656,537	32,880	-	-
Intermediate sources	13	-	-	-	-	-	-	-	-	-
State sources	63,207,601	-	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-	-
Other receipts	15,493	-	-	-	51,248	40,224	-	-	-	-
Total receipts	65,226,304	6,099,598	7,396,000	789,748	6,778,160	6,012,171	656,537	32,880	-	-
Disbursements:										
Instruction	46,947,319	-	-	-	4,831	-	-	184,346	-	-
Support services	15,738,631	-	-	-	4,501,321	5,904,256	554,032	228,663	-	9,177
Noninstructional services	1,048,588	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	102,630	-	-	-	2,477,453	-	-	-	-	-
Debt service	1	5,030,007	8,095,501	805,727	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	63,837,169	5,030,007	8,095,501	805,727	6,983,605	5,904,256	554,032	413,009	-	9,177
Excess (deficiency) of receipts over disbursements	1,389,135	1,069,591	(699,501)	(15,979)	(205,445)	107,915	102,505	(380,129)	-	(9,177)
Other financing sources (uses):										
Proceeds of long-term debt	-	60,022	-	-	-	-	-	-	-	-
Sale of capital assets	16,333	-	-	-	-	-	-	-	-	-
Transfers in	32,880	-	-	-	95,590	82,839	10,534	-	-	-
Transfers out	-	(280,252)	-	-	-	-	-	(32,880)	-	-
Total other financing sources (uses)	49,213	(220,230)	-	-	95,590	82,839	10,534	(32,880)	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	1,438,348	849,361	(699,501)	(15,979)	(109,855)	190,754	113,039	(413,009)	-	(9,177)
Cash and investments - ending	\$ 6,456,765	\$ 2,769,878	\$ 3,635,835	\$ 419,509	\$ 815,758	\$ 3,220,075	\$ 1,120,014	\$ 3,728,274	\$ -	\$ -

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, 2015  
 (Continued)

	QSCB 09/10	General Obligation Bonds 2011	General Obligation Bonds 2012	General Obligation Bonds 2013	General Obligation Bonds 2014	General Obligation Bonds 2015	School Lunch	Textbook Rental	Repair and Replacement	Self- Insurance
Cash and investments - beginning	\$ 20,667	\$ 41,366	\$ 64,056	\$ 1,624,913	\$ 1,671,847	\$ -	\$ 3,831,795	\$ 1,152,383	\$ -	\$ 10,904,989
Receipts:										
Local sources	-	-	-	-	-	-	1,994,084	756,070	-	10,590,081
Intermediate sources	-	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	54,400	210,673	-	-
Federal sources	-	-	-	-	-	-	1,594,709	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-	-
Total receipts	-	-	-	-	-	-	3,643,193	966,743	-	10,590,081
Disbursements:										
Instruction	-	-	-	49,726	-	44,794	-	1,282,302	-	-
Support services	20,667	-	-	314,517	95,982	37,252	1,302	-	-	147,869
Noninstructional services	-	-	-	-	-	-	3,473,974	-	-	-
Facilities acquisition and construction	-	20,823	62,810	1,125,315	1,186,857	335,853	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	124,007	-	-	9,669,882
Total disbursements	20,667	20,823	62,810	1,489,558	1,282,839	417,899	3,599,283	1,282,302	-	9,817,751
Excess (deficiency) of receipts over disbursements	(20,667)	(20,823)	(62,810)	(1,489,558)	(1,282,839)	(417,899)	43,910	(315,559)	-	772,330
Other financing sources (uses):										
Proceeds of long-term debt	-	-	-	-	-	2,000,000	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	87,969	-	-
Transfers out	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	2,000,000	-	87,969	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(20,667)	(20,823)	(62,810)	(1,489,558)	(1,282,839)	1,582,101	43,910	(227,590)	-	772,330
Cash and investments - ending	\$ -	\$ 20,543	\$ 1,246	\$ 135,355	\$ 389,008	\$ 1,582,101	\$ 3,875,705	\$ 924,793	\$ -	\$ 11,677,319

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, 2015  
 (Continued)

	Levy Excess	Joint Services and Supply - Other	Art Association	Child Care Program	Historical Society	Alternative Education	Splash/ Challenge Days	Instructional Support Fund	Scholarships and Awards	Miscellaneous Programs
Cash and investments - beginning	\$ -	\$ 6,188	\$ -	\$ 771,742	\$ -	\$ 25,272	\$ 3,072	\$ 120,429	\$ 11,578	\$ 2,558
Receipts:										
Local sources	3,664	-	115,202	1,168,013	114,675	-	-	-	138	-
Intermediate sources	-	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	47,429	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-	-
Total receipts	<u>3,664</u>	<u>-</u>	<u>115,202</u>	<u>1,168,013</u>	<u>114,675</u>	<u>47,429</u>	<u>-</u>	<u>-</u>	<u>138</u>	<u>-</u>
Disbursements:										
Instruction	-	-	-	-	-	-	-	-	-	-
Support services	-	-	-	6,741	-	-	-	-	-	2,077
Noninstructional services	-	-	116,862	1,110,076	116,335	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	2,009	-
Total disbursements	<u>-</u>	<u>-</u>	<u>116,862</u>	<u>1,116,817</u>	<u>116,335</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,009</u>	<u>2,077</u>
Excess (deficiency) of receipts over disbursements	<u>3,664</u>	<u>-</u>	<u>(1,660)</u>	<u>51,196</u>	<u>(1,660)</u>	<u>47,429</u>	<u>-</u>	<u>-</u>	<u>(1,871)</u>	<u>(2,077)</u>
Other financing sources (uses):										
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-	-
Transfers in	-	-	1,660	-	1,660	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>1,660</u>	<u>-</u>	<u>1,660</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>3,664</u>	<u>-</u>	<u>-</u>	<u>51,196</u>	<u>-</u>	<u>47,429</u>	<u>-</u>	<u>-</u>	<u>(1,871)</u>	<u>(2,077)</u>
Cash and investments - ending	<u>\$ 3,664</u>	<u>\$ 6,188</u>	<u>\$ -</u>	<u>\$ 822,938</u>	<u>\$ -</u>	<u>\$ 72,701</u>	<u>\$ 3,072</u>	<u>\$ 120,429</u>	<u>\$ 9,707</u>	<u>\$ 481</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, 2015  
 (Continued)

	High Ability 2012-2013	High Ability 2013-2014	High Ability 2014-2015	CSF Technology 2012 Fall	CSF Technology 2013	CSF Technology STAA 2013	CSF Technology 2013 Fall	CSF Technology 2014	CSF Technology STAA 2014	CSF Technology Fall 2014
Cash and investments - beginning	\$ -	\$ 18,060	\$ -	\$ -	\$ -	\$ -	\$ (500,397)	\$ (21,000)	\$ -	\$ -
Receipts:										
Local sources	-	-	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	815,064	976,138	199,870	130,174
Federal sources	-	-	79,498	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-	-
Total receipts	-	-	79,498	-	-	-	815,064	976,138	199,870	130,174
Disbursements:										
Instruction	-	18,060	65,767	-	-	-	101,362	697,639	199,870	384,101
Support services	-	-	-	-	-	-	213,305	257,499	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	-	18,060	65,767	-	-	-	314,667	955,138	199,870	384,101
Excess (deficiency) of receipts over disbursements	-	(18,060)	13,731	-	-	-	500,397	21,000	-	(253,927)
Other financing sources (uses):										
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	(18,060)	13,731	-	-	-	500,397	21,000	-	(253,927)
Cash and investments - ending	\$ -	\$ -	\$ 13,731	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (253,927)

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, 2015  
 (Continued)

	CSF Technology 2015	Early Childhood Intervention (First Steps)	Early Learning Mary Frank	Secured Schools Safety Grant	School Tech Fund	Non-English Speaking Programs P.L. 273-1999	NESP 2013-2014	NESP 2014-2015	Performance Based Awards	Miscellaneous Programs
Cash and investments - beginning	\$ -	\$ -	\$ 440	\$ (10,350)	\$ -	\$ -	\$ 5,193	\$ -	\$ -	\$ 57,772
Receipts:										
Local sources	-	-	95,939	-	-	-	-	-	-	38,035
Intermediate sources	-	-	-	-	-	-	-	-	-	-
State sources	-	-	-	31,091	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	23,544	-	-
Other receipts	-	-	-	-	-	-	-	-	-	-
Total receipts	-	-	95,939	31,091	-	-	-	23,544	-	38,035
Disbursements:										
Instruction	-	-	80,630	-	-	-	4,103	16,747	-	33,681
Support services	4,500	-	-	20,741	-	-	1,090	-	-	19,723
Noninstructional services	-	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	1,673
Debt service	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	4,500	-	80,630	20,741	-	-	5,193	16,747	-	55,077
Excess (deficiency) of receipts over disbursements	(4,500)	-	15,309	10,350	-	-	(5,193)	6,797	-	(17,042)
Other financing sources (uses):										
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(4,500)	-	15,309	10,350	-	-	(5,193)	6,797	-	(17,042)
Cash and investments - ending	\$ (4,500)	\$ -	\$ 15,749	\$ -	\$ -	\$ -	\$ -	\$ 6,797	\$ -	\$ 40,730

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, 2015  
 (Continued)

	SLC Supplemental 11-12	Small Learning Community 12-13	Digital Device Insurance Repair	Senator David Ford Technology	Local Source Donation	Title I 2012-2013	Title I 2013-2014	Title I 2014-2015	Improving Teaching Quality, No Child Left, Title II, Part A	Title II A 2013-2014
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (55,682)	\$ -	\$ -	\$ (15,861)
Receipts:										
Local sources	-	-	53,848	-	27,270	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-	-
State sources	-	-	-	41,739	-	-	-	-	-	-
Federal sources	-	-	-	-	-	147,217	887,342	1,806	63,490	-
Other receipts	-	-	-	-	-	-	-	-	-	-
Total receipts	-	-	53,848	41,739	27,270	-	147,217	887,342	1,806	63,490
Disbursements:										
Instruction	-	-	-	34,586	12,167	-	62,433	833,944	-	-
Support services	-	-	32,820	29,482	-	-	18,968	120,237	1,806	43,972
Noninstructional services	-	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	10,134	-	-	3,657
Total disbursements	-	-	32,820	64,068	12,167	-	91,535	954,181	1,806	47,629
Excess (deficiency) of receipts over disbursements	-	-	21,028	(22,329)	15,103	-	55,682	(66,839)	-	15,861
Other financing sources (uses):										
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	21,028	(22,329)	15,103	-	55,682	(66,839)	-	15,861
Cash and investments - ending	\$ -	\$ -	\$ 21,028	\$ (22,329)	\$ 15,103	\$ -	\$ -	\$ (66,839)	\$ -	\$ -

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, 2015  
 (Continued)

	Title II A 2014-2015	eLearning Conf Grant 2015	Title III 2012-2013	Title III 2013-2014	Title III Supplemental and WIDA	Title III 2014-2015	Payroll	Clearing Account	Prepaid Food Trust	Totals
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ (7,945)	\$ -	\$ -	\$ 463	\$ 7,685	\$ -	\$ 40,553,360
Receipts:										
Local sources	-	-	-	-	-	-	-	-	875,705	45,509,543
Intermediate sources	-	-	-	-	-	-	-	-	-	13
State sources	-	-	-	-	5,886	-	-	-	-	65,720,065
Federal sources	105,586	124	1,135	7,315	729	-	-	-	-	2,912,495
Other receipts	-	-	-	-	-	-	45,107,988	15,142	-	45,230,095
Total receipts	105,586	124	1,135	7,315	6,615	-	45,107,988	15,142	875,705	159,372,211
Disbursements:										
Instruction	-	-	1,135	(1,436)	6,615	11,551	-	-	-	51,076,273
Support services	111,697	124	-	-	-	-	-	-	-	28,438,451
Noninstructional services	-	-	-	-	-	-	-	-	792,381	6,658,216
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	5,313,414
Debt service	-	-	-	-	-	-	-	-	-	13,931,236
Nonprogrammed charges	-	-	-	806	-	-	45,108,435	12,632	-	54,931,562
Total disbursements	111,697	124	1,135	(630)	6,615	11,551	45,108,435	12,632	792,381	160,349,152
Excess (deficiency) of receipts over disbursements	(6,111)	-	-	7,945	-	(11,551)	(447)	2,510	83,324	(976,941)
Other financing sources (uses):										
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-	2,060,022
Sale of capital assets	-	-	-	-	-	-	-	-	-	16,333
Transfers in	-	-	-	-	-	-	-	-	-	313,132
Transfers out	-	-	-	-	-	-	-	-	-	(313,132)
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-	2,076,355
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(6,111)	-	-	7,945	-	(11,551)	(447)	2,510	83,324	1,099,414
Cash and investments - ending	\$ (6,111)	\$ -	\$ -	\$ -	\$ -	\$ (11,551)	\$ 16	\$ 10,195	\$ 83,324	\$ 41,652,774

PENN-HARRIS-MADISON SCHOOL CORPORATION  
SCHEDULE OF PAYABLES AND RECEIVABLES  
June 30, 2015

<u>Government or Enterprise</u>	<u>Accounts Payable</u>	<u>Accounts Receivable</u>
Governmental activities	<u>\$ 3,934,152</u>	<u>\$ -</u>

PENN-HARRIS-MADISON SCHOOL CORPORATION  
SCHEDULE OF LEASES AND DEBT  
June 30, 2015

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities:				
PHM Building Corporation	Lease Rental 2007	\$ 2,844,000	02/08/07	06/30/20
PHM Building Corporation	Lease Rental 2008	526,500	06/30/08	12/31/15
PHM Building Corporation	Lease Rental 2009	<u>1,554,500</u>	03/12/09	06/30/18
Total of annual lease payments		<u>\$ 4,925,000</u>		

Type	Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:			
General obligation bonds	General Obligation Bond 2009	\$ 835,000	\$ 856,444
General obligation bonds	General Obligation Bond 2013	5,300,000	1,593,550
General obligation bonds	General Obligation Bond 2014	2,000,000	938,225
General obligation bonds	Qualified School Construction Bond 2010	7,920,000	678,263
General obligation bonds	Retirement/Pension Bonds	3,200,000	801,505
General obligation bonds	General Obligation Bond 2015	2,000,000	1,062,333
Notes and loans payable	CSF Technology 2013 STAA	194,493	45,057
Notes and loans payable	CSF Technology 2013 Fall	882,319	204,404
Notes and loans payable	CSF Technology 2011	487,983	199,585
Notes and loans payable	CSF Technology STAA 2011	125,668	43,041
Notes and loans payable	CSF Technology 2011 Fall	585,660	200,589
Notes and loans payable	CSF Technology 2012	687,177	202,717
Notes and loans payable	CSF Technology STAA 2012	149,156	44,001
Notes and loans payable	CSF Technology 2012 Fall	785,376	203,707
Notes and loans payable	CSF Loan Discover/Horizon	1,961,695	2,014,529
Notes and loans payable	CSF Loan Technology 2009	103,020	103,535
Notes and loans payable	CSF Loan Technology 2009 Fall	198,293	199,780
Notes and loans payable	CSF Technology 2014 STAA	199,870	21,519
Notes and loans payable	CSF Technology 2013	<u>881,730</u>	<u>204,267</u>
Totals		<u>\$ 28,497,440</u>	<u>\$ 9,617,051</u>

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SUPPLEMENTAL AUDIT OF  
FEDERAL AWARDS



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

TO: THE OFFICIALS OF THE 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, 2013 to June 30, 2015. 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, 2013 to June 30, 2015.

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 2015-003. 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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph 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. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2015-001, 2015-002, and 2015-003 to be material weaknesses.

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

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

  
Paul D. Joyce, CPA  
State Examiner

May 8, 2017

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTES

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

PENN-HARRIS-MADISON SCHOOL CORPORATION  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Years Ended June 30, 2014 and 2015

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	Pass-Through To Subrecipient 06-30-14	Total Federal Awards Expended 06-30-14	Pass-Through To Subrecipient 06-30-15	Total Federal Awards Expended 06-30-15
<u>Department of Agriculture</u>							
Child Nutrition Cluster							
School Breakfast Program	Indiana Department of Education						
School Breakfast Program		10.553	FY 2013/2014	\$ -	\$ 214,666	\$ -	\$ -
School Breakfast Program		10.553	FY 2014/2015	-	-	-	196,275
Total - School Breakfast Program				-	214,666	-	196,275
National School Lunch Program							
National School Lunch Program	Indiana Department of Education						
National School Lunch Program		10.555	FY 2013/2014	-	1,494,859	-	-
National School Lunch Program		10.555	FY 2014/2015	-	-	-	1,286,758
National School Lunch Commodities		10.559	FY 2013/2014	-	263,611	-	-
National School Lunch Commodities		10.559	FY 2014/2015	-	-	-	264,658
Total - National School Lunch Program				-	1,758,470	-	1,551,416
Summer Food Service Program for Children							
Summer Food Service Program	Indiana Department of Education						
Summer Food Service Program		10.559	FY 2013/2014	-	109,845	-	-
Summer Food Service Program		10.559	FY 2014/2015	-	-	-	99,838
Total - Summer Food Service Program for Children				-	109,845	-	99,838
Total - Child Nutrition Cluster				-	2,082,981	-	1,847,529
Child and Adult Care Food Program							
After School Snack	Indiana Department of Education						
After School Snack		10.558	FY 2013/2014	-	7,441	-	-
After School Snack		10.558	FY 2014/2015	-	-	-	11,838
Total - Child and Adult Care Food Program				-	7,441	-	11,838
Total - Department of Agriculture				-	2,090,422	-	1,859,367
<u>Department of Education</u>							
Title I Grants to Local Education Agencies							
Title-I	Indiana Department of Education						
		84.010	13-7175	-	163,852	-	-
		84.010	14-7175	-	-	-	147,217
		84.010	15-7175	-	880,740	-	887,342
Total - Title I Grants to Local Educational Agencies				-	1,044,592	-	1,034,559

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, 2014 and 2015  
(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	Pass-Through To Subrecipient 06-30-14	Total Federal Awards Expended 06-30-14	Pass-Through To Subrecipient 06-30-15	Total Federal Awards Expended 06-30-15
<b>Department of Education (continued)</b>							
<b>Special Education Cluster</b>							
Special Education Grants to State	Indiana Department of Education	84.027					
FY 2013 Federal Part B 611 Grant			14213-041-PN01	-	446,985	-	462
FY 2014 Federal Part B 611 Grant			14214-041-PN01	-	1,373,328	-	701,145
FY 2014 Federal Technical Assistance			99914-041-PN01	-	19,095	-	16,190
FY 2015 Federal Part B 611 Grant			14215-041-PN01	-	-	-	1,116,496
				-	-	-	-
<b>Total - Special Education Grants to State</b>				-	1,839,408	-	1,834,293
<b>Special Education Preschool Grants</b>							
Special Education Preschool Grants	Indiana Department of Education	84.173					
FY 2013 Federal Part B 619 Funds			45713-041-PN01	-	8,056	-	-
FY 2014 Federal Part B 619 Funds			45714-041-PN01	-	62,901	-	7,704
FY 2015 Federal Part B 619 Funds			45715-041-PN01	-	-	-	50,553
				-	-	-	-
<b>Total - Special Education Preschool Grants</b>				-	70,957	-	58,257
<b>Total Special Education Cluster</b>				-	1,910,365	-	1,892,550
<b>Fund for the Improvement of Education</b>							
Smaller Learning Communities Grant	Direct Grant	84.215	S215L080526	-	44,944	-	-
<b>English Language Acquisition State Grants</b>							
English Language Acquisition State Grants	Indiana Department of Education						
Title-III		84.365	01113-076-PN01	-	-	-	1,135
Title-III WIDA		84.365	01113-373-PN01	-	13,318	-	729
Title-III		84.365	01114-063-PN01	-	21,370	-	7,315
Title-III Supplemental		84.365	A58-4-14OT-2055	-	-	-	5,886
				-	-	-	-
<b>Total - English Language Acquisition State Grants</b>				-	34,688	-	15,065
<b>Improving Teacher Quality State Grants</b>							
Improving Teacher Quality State Grants	Indiana Department of Education						
Title-II		84.367	12-7175	-	57,184	-	1,806
Title-II		84.367	13-7175	-	96,200	-	63,490
Title-II		84.367	14-7175	-	-	-	105,586
Title-II (eLearning Conference Grant)		84.367	A58-5-15CI-2483	-	-	-	124
				-	-	-	-
<b>Total - Improving Teacher Quality State Grants</b>				-	153,384	-	171,006
<b>Total - Department of Education</b>				-	3,187,973	-	3,113,180
<b>Total federal awards expended</b>				\$ -	\$ 5,278,395	\$ -	\$ 4,972,547

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 (SEFA) includes the federal grant activity of the School Corporation under programs of the federal government for the years ended June 30, 2014 and 2015. The information in the SEFA is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the SEFA presents only a select portion of the operations of the School Corporation, it is not intended to and does not present the financial position of the School Corporation.

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 5-11-1-25), audits of school corporations shall be conducted biennially. Such audits shall include both years within the biennial period.

**Note 2. Summary of Significant Accounting Policies**

Expenditures reported on the SEFA are reported on the cash basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowed or are limited as to reimbursement. When federal grants are received on a reimbursement basis, the federal awards are considered expended when the reimbursement is received.

**Note 3. Special Education Cooperative**

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

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?	yes
Significant deficiencies identified?	none reported
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
84.010	Title I Grants to Local Education Agencies Special Education Cluster
84.367	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
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**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 2015-001 - INTERNAL CONTROLS OVER TITLE I  
GRANTS TO LOCAL EDUCATIONAL AGENCIES**

Federal Agency: Department of Education  
Federal Program: Title I Grants to Local Educational Agencies  
CFDA Number: 84.010  
Federal Award Numbers and Years (or Other Identifying Numbers): 13-7175, 14-7175, 15-7175  
Pass-Through Entity: Indiana Department of Education

*Condition*

The School Corporation had not established an effective internal control system related to the grant agreement and the Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Period of Availability, and Reporting compliance requirements.

*Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Period of Availability*

The majority of the program expenditures were for payroll and related benefits. There was no evidence of an oversight, review, or approval process to ensure that only Title I teachers' payroll was charged to the Title I grant.

*Reporting*

The Annual Expenditure Report was prepared without evidence of an oversight, review, or approval process.

*Context*

The lack of controls was a systemic problem. There were no documented controls over the compliance requirements noted in the condition during the audit period.

*Criteria*

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. . . ."

*Cause*

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

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

*Effect*

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

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

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

*Views of Responsible Officials*

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

**FINDING 2015-002 - INTERNAL CONTROL OVER IMPROVING TEACHER QUALITY STATE GRANTS**

Federal Agency: Department of Education  
Federal Program: Improving Teacher Quality State Grants  
CFDA Number: 84.367  
Federal Award Numbers and Years (or Other Identifying Numbers): 12-7175, 13-7175, 14-7175,  
Pass-Through Entity: Indiana Department of Education

*Condition*

The School Corporation had not established an effective internal control system related to the grant agreement and the Activities Allowed or Unallowed and Period of Availability compliance requirements.

The majority of the program expenditures were for payroll. There was no evidence of an oversight, review, or approval process to ensure that only applicable teachers' payroll was charged to the Improving Teacher Quality State Grants program within the prescribed period.

*Context*

The lack of controls was a systemic problem. There were no documented controls over the compliance requirements noted in the condition during the audit period.

*Criteria*

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. . . ."

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

*Cause*

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

*Effect*

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

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

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

*Views of Responsible Officials*

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

**FINDING 2015-003 - ALLOWABLE COSTS/COST PRINCIPLES**

Federal Agency: Department of Education

Federal Program: Improving Teacher Quality State Grants

CFDA Number: 84.367

Federal Award Numbers and Years (or Other Identifying Numbers): 12-7175, 13-7175, 14-7175

Pass-Through Entity: Indiana Department of Education

*Condition*

The School Corporation had not established an effective internal control system related to the grant agreement and the Allowable Costs/Cost Principles compliance requirement.

The School Corporation paid full-time employees with the grant and, as a result, was required to prepare and maintain semiannual certifications for these employees; however, the School Corporation was not aware of this requirement and did not complete the required semiannual certifications required for these employees.

*Context*

The lack of controls and noncompliance was a systemic problem, occurring throughout the audit period.

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

*Criteria*

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. . . ."

OMB Circular A-87, Attachment B, section 8h(3) states:

"Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi annually and will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee."

*Cause*

The School Corporation had not developed or implemented a system of internal controls to ensure compliance with the Allowable Costs/Cost Principles requirements.

*Effect*

The failure to establish an effective internal control system enabled material noncompliance to go undetected. Noncompliance with the grant agreement or the compliance requirement could have resulted in the loss of federal funds to the School Corporation.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation's management establish controls to ensure compliance and comply with the Allowable Costs/Cost Principles requirements of the program.

*Views of Responsible Officials*

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

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#### AUDITEE-PREPARED DOCUMENTS

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



SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

**FINDING 2013-1**

Fiscal year in which the finding initially occurred: 2013  
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Department of Education  
Contact Person Responsible for Corrective Action: Alex Newman, Business Manager/Treasurer  
Contact Phone Number: 574-258-9591

Status of Audit Finding:

The Business Department will continue to work with the Learning Division and Grant Director to implement and follow proper procedures as they relate to our Federal Grants. Meetings are held throughout the grant period between the Business Manager and Grant Director. During these meetings, the expenditures are discussed and understood by both parties. This ensures each is aware and agrees that expenditures are allowable as defined by the grant narrative.

\_\_\_\_\_  
**Business Manager/Treasurer**

\_\_\_\_\_  
**March 28<sup>th</sup>, 2017**



**CORRECTIVE ACTION PLAN**

**FINDING 2015-001 – INTERNAL CONTROL OVER TITLE I GRANT TO LOCAL EDUCATIONAL AGENCIES**

Contact Person Responsible for Corrective Action: Alex Newman  
Contact Phone Number: (574)-258-9591

Description of Corrective Action Plan:

Finding 2015-001 indicates a lack of oversight, review, or approval process pertaining to employees being paid from Title-I funds. Moving forward, a list of employees paid from the Title-I grant fund will be provided to the Title-I Director after each pay date. The Title-I Director will review and confirm the employees being paid from Title-I funds are accurate. That documented confirmation will be forwarded back to the Business Manager and compiled with the other grant documentation.

Finding 2015-001 also indicates a lack of oversight, review, or approval process in regard to the Annual Expenditure Report. Moving forward, the Annual Expenditure Report prepared by the Business Manager will be shared with the Title-I Director. The Title-I Director will review and confirm its accuracy. That documented confirmation will be forward back to the Business Manager prior to submission.

Anticipated Completion Date: June 1<sup>st</sup>, 2017

Business Manager/Treasurer

May 8<sup>th</sup>, 2017



**CORRECTIVE ACTION PLAN**

**FINDING 2015-002 – INTERNAL CONTROL OVER ACTIVITIES ALLOWED OR UNALLOWED AND PERIOD OF AVAILABILITY**

Contact Person Responsible for Corrective Action: Alex Newman  
Contact Phone Number: (574)-258-9591

Description of Corrective Action Plan:

Finding 2015-002 indicates a lack of oversight, review, or approval process pertaining to employees being paid from Title-II funds. Moving forward, a list of employees paid from the Title-II grant fund will be provided to the Title-II Director after each pay date. The Title-II Director will review and confirm the employees being paid from Title-II funds are accurate. That documented confirmation will be forwarded back to the Business Manager and compiled with the other grant documentation.

Anticipated Completion Date: June 1<sup>st</sup>, 2017

Business Manager/Treasurer

May 8<sup>th</sup>, 2017



**CORRECTIVE ACTION PLAN**

**FINDING 2015-003 – ALLOWABLE COSTS/COST PRINCIPLES**

Contact Person Responsible for Corrective Action: Alex Newman  
Contact Phone Number: (574)-258-9591

Description of Corrective Action Plan:

Finding 2015-003 indicates the School Corporation failed to comply with the Documentation of Employee Time and Effort section of the Allowable Costs/Cost Principles requirements. The School Corporation was required to prepare and maintain semi-annual certifications for full time employees paid from Title-II funds. Moving forward, the Title-II Director will complete and maintain these semi-annual certifications to ensure compliance with the Allowable Costs/Cost Principle requirements of the Title-II grant. Those semi-annual certifications will be forwarded to the Business Manager and compiled with the other Title-II grant documentation.

Anticipated Completion Date: May 8<sup>th</sup>, 2017

Business Manager/Treasurer

May 8<sup>th</sup>, 2017

#### OTHER REPORTS

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