

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, 2015 to June 30, 2017



FILED
10/13/2018

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Executive Director of Business Services/Treasurer	Alex M. Newman	07-01-15 to 06-30-17
	(Vacant)	07-01-17 to 08-31-17
	Jerry Hawkins	09-01-17 to 06-30-19
Superintendent of Schools	Dr. Jerry L. Thacker	07-01-15 to 06-30-19
President of the School Board	Chris Riley	07-01-15 to 12-31-15
	Gary Fox	01-01-16 to 12-31-17
	Chris Riley	01-01-18 to 12-31-18



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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, 2015 to June 30, 2017, 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, 2015 to June 30, 2017.

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, 2015 to June 30, 2017, 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 Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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, Schedule of Leases and Debt, and Schedule of Capital Assets, 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 August 30, 2018, 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 solely 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 effectiveness of the School Corporation's 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

August 30, 2018



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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, 2015 to June 30, 2017, and the related notes to the financial statement, and have issued our report thereon dated August 30, 2018, wherein we noted the School Corporation followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as item 2017-001, that we consider to be a material weakness.

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

Penn-Harris-Madison School Corporation's Response to Findings

The School Corporation's response to the 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 the financial statement and, accordingly, we express no opinion on it.

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

August 30, 2018

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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, 2016 and 2017

Fund	Cash and Investments			Other Financing Sources (Uses)	Cash and Investments			Other Financing Sources (Uses)	Cash and Investments
	07-01-15	Receipts	Disbursements		06-30-16	Receipts	Disbursements		
General	\$ 6,456,765	\$ 67,917,081	\$ 65,997,402	\$ 195,389	\$ 8,571,833	\$ 68,474,280	\$ 68,375,746	\$ 159,478	\$ 8,829,845
Debt Service	2,769,878	6,799,430	7,021,680	(314,638)	2,232,990	6,769,253	6,926,243	81,769	2,157,769
Exempt Debt	3,635,835	5,522,083	6,939,526	-	2,218,392	4,236,897	4,394,501	-	2,060,788
Exempt Pension Debt	419,509	813,814	801,505	-	431,818	802,206	802,985	-	431,039
Capital Projects	815,758	6,558,088	6,727,699	122,747	768,894	6,583,614	6,262,290	-	1,090,218
School Transportation	3,220,075	6,217,284	6,191,100	116,309	3,362,568	6,343,927	6,550,950	-	3,155,545
School Bus Replacement	1,120,014	508,825	571,849	7,963	1,064,953	465,003	637,990	-	891,966
Rainy Day	3,728,274	41,369	142,262	(34,702)	3,592,679	34,065	190,835	53,772	3,489,681
GOB 17	-	-	-	-	-	-	748,692	7,190,000	6,441,308
General Obligation Bonds 2011	20,543	-	20,543	-	-	-	-	-	-
General Obligation Bonds 2012	1,246	-	1,246	-	-	-	-	-	-
General Obligation Bonds 2013	135,355	-	92,005	-	43,350	-	43,350	-	-
General Obligation Bonds 2014	389,008	-	349,135	-	39,873	-	38,734	-	1,139
General Obligation Bonds 2015	1,582,101	-	1,392,808	-	189,293	11,050	200,343	-	-
GOB 2016	-	-	218,578	4,300,000	4,081,422	-	3,068,478	-	1,012,944
School Lunch	3,875,705	3,717,243	3,871,222	-	3,721,726	3,751,680	3,787,233	-	3,686,173
Textbook Rental	924,793	905,337	269,746	65,851	1,626,235	1,051,987	439,532	30,939	2,269,629
Self-Insurance	11,677,319	11,305,185	12,395,616	-	10,586,888	11,626,540	13,200,506	-	9,012,922
Levy Excess	3,664	-	-	(3,664)	-	-	-	-	-
Joint Services and Supply - Other	6,188	-	-	-	6,188	-	-	-	6,188
Art Association	-	120,374	122,574	2,200	-	124,698	124,698	-	-
Child Care Program	822,938	1,316,038	1,206,759	-	932,217	1,426,377	1,289,852	-	1,068,742
Historical Society	-	118,904	122,136	3,232	-	123,329	123,329	-	-
Alternative Education	72,701	46,672	-	-	119,373	62,517	-	-	181,890
Lilly Counseling Grant	-	-	-	-	-	50,000	28,449	-	21,551
Splash/Challenge Days	3,072	-	-	-	3,072	-	749	-	2,323
PHM Foundation	14,616	7,516	13,163	-	8,969	12,593	13,617	-	7,945
PHM PTO/PTA Donations	11,273	6,743	2,597	-	15,419	6,148	7,228	-	14,339
Local Source Donation	15,103	12,333	8,721	-	18,715	9,441	21,229	-	6,927
Instructional Support Fund	120,429	-	960	-	119,469	-	42,632	(76,837)	-
City of Mishawaka Grant	-	124,334	115,123	-	9,211	-	9,211	-	-
Scholarships and Awards	9,707	-	3,059	-	6,648	-	-	-	6,648
Safety/Security Donations	481	-	-	-	481	-	481	-	-
Formative Assessment	-	153,483	-	(146,509)	6,974	123,924	20,461	(110,437)	-
Visual Arts/Literacy Grant	-	-	-	-	-	10,000	-	-	10,000
Visual Arts Academy Grant	-	25,000	22,433	-	2,567	-	2,567	-	-
High Ability 2014-2015	13,731	-	13,731	-	-	-	-	-	-
High Ability 2015-2016	-	78,804	67,447	-	11,357	-	11,357	-	-
High Ability 2016-2017	-	-	-	-	-	77,953	59,134	-	18,819
Computer Consortium/Ed Tech Advance	-	370,774	790,884	-	(420,110)	649,826	229,716	-	-
CSF Technology 2016	-	-	40,800	-	(40,800)	1,067,100	1,026,300	-	-
CSF Technology STAA 2016	-	-	-	-	-	213,300	213,300	-	-
CSF Technology Fall 2016	-	-	-	-	-	375,583	584,338	-	(208,755)
CSF Technology Fall 2014	(253,927)	880,554	626,627	-	-	-	-	-	-
CSF Technology 2015	(4,500)	1,020,350	1,015,850	-	-	-	-	-	-
CSF Technology STAA 2015	-	59,998	109,966	-	(49,968)	49,968	-	-	-

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, 2016 and 2017

Fund	Cash and Investments 07-01-15	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-16	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-17
Early Learning - Mary Frank	15,749	177,158	171,669	-	21,238	193,251	188,169	-	26,320
Medicaid Reimbursement	-	53,898	-	-	53,898	94,633	-	-	148,531
Secured Schools Safety Grant	-	-	990	-	(990)	21,812	20,822	-	-
NESP 2014-2015	6,797	-	6,797	-	-	-	-	-	-
NESP 2015-2016	-	51,480	33,290	-	18,190	-	18,190	-	-
NESP 2016-2017	-	-	-	-	-	56,520	25,307	-	31,213
School Technology	-	10,884	-	-	10,884	12,788	13,584	-	10,088
Career and Technical Performance Grant	-	-	-	-	-	36,302	7,306	-	28,996
Performance Award 2016-2017	-	-	-	-	-	1,155,229	1,155,229	-	-
Central Purchasing Storeroom	14,799	14,096	13,531	-	15,364	11,295	14,280	-	12,379
Digital Device Insurance Repair	21,028	49,766	48,052	-	22,742	41,883	55,554	-	9,071
MS Digital Device - Ins/Repair	-	36,280	15,743	-	20,537	52,977	37,393	-	36,121
Security Poster Grant	42	-	-	-	42	-	42	-	-
Senator David Ford Technology	(22,329)	58,192	35,863	-	-	-	-	-	-
Project Lead the Way	-	-	-	-	-	15,000	14,997	-	3
Haas Foundation Grant	-	-	-	-	-	11,000	2,000	-	9,000
Early Kindergarten Camp 16	-	2,000	3,916	-	(1,916)	3,000	1,084	-	-
Early Kindergarten Camp 17	-	-	-	-	-	8,000	108	-	7,892
Title I 2014-2015	(66,839)	219,279	152,440	-	-	-	-	-	-
Title I 2015-2016	-	965,606	1,008,621	-	(43,015)	120,838	77,823	-	-
Title I 2016-2017	-	-	-	-	-	781,499	859,510	-	(78,011)
Excep-Ed 611 Grant 2015	-	677,731	677,731	-	-	82,160	82,160	-	-
Excep-Ed 611 Grant 2016	-	1,844,934	1,901,426	-	(56,492)	217,132	160,640	-	-
Excep-Ed 611 Grant 2017	-	-	-	-	-	1,617,149	1,730,962	-	(113,813)
Penn Pals 619 Grant 2016	-	69,460	69,460	-	-	-	-	-	-
Penn Pals 619 Grant 2017	-	-	-	-	-	71,424	73,400	-	(1,976)
Medicaid Reimbursement - Federal	-	170,511	-	-	170,511	259,976	-	-	430,487
Title II A 2014-2015	(6,111)	56,441	50,330	-	-	-	-	-	-
eLearning Conference Grant 2015	-	6,420	6,420	-	-	-	-	-	-
Title II A 2015-2016	-	100,202	109,826	-	(9,624)	67,059	57,435	-	-
eLearning Conference Grant 2016	-	-	7,723	-	(7,723)	10,339	2,616	-	-
eLearning Conference Grant 2017	-	-	-	-	-	-	8,055	-	(8,055)
Title II A 2016-2017	-	-	-	-	-	46,858	59,541	-	(12,683)
Title III 2013-2014	-	13,124	13,124	-	-	-	-	-	-
Title III - 2014-2015	(11,551)	31,042	29,030	-	(9,539)	13,306	3,767	-	-
Title III - 2015-2016	-	28,937	30,879	-	(1,942)	8,139	6,245	-	(48)
Title III - 2016-2017	-	-	-	-	-	26,042	27,892	-	(1,850)
Prepaid Food Trust	83,324	1,502,977	1,515,164	-	71,137	1,634,523	1,618,618	-	87,042
Payroll	16	53,524,666	53,521,210	-	3,472	55,947,271	55,942,197	-	8,546
Clearing Account	10,195	8,799	8,533	-	10,461	8,171	7,948	-	10,684
Totals	<u>\$ 41,652,774</u>	<u>\$ 174,321,499</u>	<u>\$ 176,718,520</u>	<u>\$ 4,314,178</u>	<u>\$ 43,569,931</u>	<u>\$ 177,158,835</u>	<u>\$ 181,749,930</u>	<u>\$ 7,328,684</u>	<u>\$ 46,307,520</u>

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.

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.

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

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

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 lien date (March 1 in a year ending before January 1, 2016 and January 1 in a year beginning after December 31, 2015) 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.

C. Additional Pension Plans

The School Corporation also contributes to additional pension plans unique to the School Corporation. Information regarding these plans may be obtained from the School Corporation.

Note 7. Cash Balance Deficits

The financial statement contains some funds with deficits in cash. This is a result of timing of reimbursements for most grant funds. The Early Kindergarten Camp 16 fund had a cash balance deficit at June 30, 2016, resulting from an increase in expenditures beyond the budgeted amount.

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

Note 8. *Holding Corporations*

The School Corporation has entered into capital leases with PHM Building Corporation and the Penn High School Building Corporation (the lessors). The lessors were organized as not-for-profit corporations pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. The lessors have been determined to be related-parties of the School Corporation. Lease payments during the years ended June 30, 2016 and 2017, totaled \$4,925,001 and \$4,394,500, respectively, for the PHM Building Corporation, and \$447,000 for the year ended June 30, 2017, for the Penn High School Building Corporation.

Note 9. *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.

Note 10. *Combined Funds*

The Local Source Donation and Visual Arts Academy Grant funds were reported individually in the current financial statement, but were combined into one fund reported as Local Source donation for the prior financial statement.

The Central Purchasing Storeroom, PHM Foundation, PHM PTO/PTA Donations, and Security Poster Grant were reported individually in the current financial statement, but were combined and reported as Miscellaneous Programs in the prior financial statement.

Note 11. *Subsequent Events*

In April 2018, the School Corporation issued general obligation bonds in the amount of \$7,600,000 for the renovation of and construction of improvements to school facilities throughout the School Corporation, including the purchase of technology and equipment. The amount is to be repaid at an interest rate of 2.28 percent, beginning with the first payment due July 15, 2019, and maturing on January 15, 2025.

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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 Indiana Gateway for Government Units 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.

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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, 2016

	General	Debt Service	Exempt Debt	Exempt Pension Debt	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	GOB 2017	General Obligation Bonds 2011
Cash and investments - beginning	\$ 6,456,765	\$ 2,769,878	\$ 3,635,835	\$ 419,509	\$ 815,758	\$ 3,220,075	\$ 1,120,014	\$ 3,728,274	\$ -	\$ 20,543
Receipts:										
Local sources	2,262,399	6,799,430	5,522,083	813,814	6,558,088	6,189,134	508,825	41,369	-	-
Intermediate sources	14	-	-	-	-	-	-	-	-	-
State sources	65,649,971	-	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-	-
Other receipts	4,697	-	-	-	-	28,150	-	-	-	-
Total receipts	67,917,081	6,799,430	5,522,083	813,814	6,558,088	6,217,284	508,825	41,369	-	-
Disbursements:										
Instruction	46,344,683	-	-	-	(2,916)	-	-	2,352	-	-
Support services	18,451,510	-	-	-	4,430,337	6,191,100	571,849	139,910	-	-
Noninstructional services	1,092,354	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	108,854	-	-	-	2,300,278	-	-	-	-	20,543
Debt service	1	7,021,680	6,939,526	801,505	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	65,997,402	7,021,680	6,939,526	801,505	6,727,699	6,191,100	571,849	142,262	-	20,543
Excess (deficiency) of receipts over disbursements	1,919,679	(222,250)	(1,417,443)	12,309	(169,611)	26,184	(63,024)	(100,893)	-	(20,543)
Other financing sources (uses):										
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-	-
Sale of capital assets	14,178	-	-	-	-	-	-	-	-	-
Transfers in	181,211	-	-	-	122,747	116,309	7,963	-	-	-
Transfers out	-	(314,638)	-	-	-	-	-	(34,702)	-	-
Total other financing sources (uses)	195,389	(314,638)	-	-	122,747	116,309	7,963	(34,702)	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	2,115,068	(536,888)	(1,417,443)	12,309	(46,864)	142,493	(55,061)	(135,595)	-	(20,543)
Cash and investments - ending	\$ 8,571,833	\$ 2,232,990	\$ 2,218,392	\$ 431,818	\$ 768,894	\$ 3,362,568	\$ 1,064,953	\$ 3,592,679	\$ -	\$ -

PENN-HARRIS-MADISON SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
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 INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2016

	General Obligation Bonds 2012	General Obligation Bonds 2013	General Obligation Bonds 2014	General Obligation Bonds 2015	GOB 2016	School Lunch	Textbook Rental	Self- Insurance	Levy Excess	Joint Services and Supply - Other
Cash and investments - beginning	\$ 1,246	\$ 135,355	\$ 389,008	\$ 1,582,101	\$ -	\$ 3,875,705	\$ 924,793	\$ 11,677,319	\$ 3,664	\$ 6,188
Receipts:										
Local sources	-	-	-	-	-	1,967,031	688,191	11,305,185	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	55,259	217,146	-	-	-
Federal sources	-	-	-	-	-	1,694,953	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-	-
Total receipts	-	-	-	-	-	3,717,243	905,337	11,305,185	-	-
Disbursements:										
Instruction	-	-	-	35,757	-	3	268,674	-	-	-
Support services	-	8,420	76,859	103,561	118,216	1,451	1,072	192,661	-	-
Noninstructional services	-	-	-	-	-	3,605,280	-	-	-	-
Facilities acquisition and construction	1,246	83,585	272,276	1,253,490	100,362	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	264,488	-	12,202,955	-	-
Total disbursements	1,246	92,005	349,135	1,392,808	218,578	3,871,222	269,746	12,395,616	-	-
Excess (deficiency) of receipts over disbursements	(1,246)	(92,005)	(349,135)	(1,392,808)	(218,578)	(153,979)	635,591	(1,090,431)	-	-
Other financing sources (uses):										
Proceeds of long-term debt	-	-	-	-	4,300,000	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	65,851	-	-	-
Transfers out	-	-	-	-	-	-	-	-	(3,664)	-
Total other financing sources (uses)	-	-	-	-	4,300,000	-	65,851	-	(3,664)	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(1,246)	(92,005)	(349,135)	(1,392,808)	4,081,422	(153,979)	701,442	(1,090,431)	(3,664)	-
Cash and investments - ending	\$ -	\$ 43,350	\$ 39,873	\$ 189,293	\$ 4,081,422	\$ 3,721,726	\$ 1,626,235	\$ 10,586,888	\$ -	\$ 6,188

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, 2016

	Art Association	Child Care Program	Historical Society	Alternative Education	Lilly Counseling Grant	Splash/ Challenge Days	PHM Foundation	PHM PTO/PTA Donations	Local Source Donation	Instructional Support Fund
Cash and investments - beginning	\$ -	\$ 822,938	\$ -	\$ 72,701	\$ -	\$ 3,072	\$ 14,616	\$ 11,273	\$ 15,103	\$ 120,429
Receipts:										
Local sources	120,374	1,316,038	118,904	-	-	-	7,516	6,743	12,333	-
Intermediate sources	-	-	-	-	-	-	-	-	-	-
State sources	-	-	-	46,672	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-	-
Total receipts	120,374	1,316,038	118,904	46,672	-	-	7,516	6,743	12,333	-
Disbursements:										
Instruction	-	-	-	-	-	-	11,759	1,950	5,834	1
Support services	-	12,594	-	-	-	-	685	647	2,887	959
Noninstructional services	122,574	1,060,612	122,136	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	719	-	-	-
Debt service	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	133,553	-	-	-	-	-	-	-	-
Total disbursements	122,574	1,206,759	122,136	-	-	-	13,163	2,597	8,721	960
Excess (deficiency) of receipts over disbursements	(2,200)	109,279	(3,232)	46,672	-	-	(5,647)	4,146	3,612	(960)
Other financing sources (uses):										
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-	-
Transfers in	2,200	-	3,232	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	2,200	-	3,232	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	109,279	-	46,672	-	-	(5,647)	4,146	3,612	(960)
Cash and investments - ending	\$ -	\$ 932,217	\$ -	\$ 119,373	\$ -	\$ 3,072	\$ 8,969	\$ 15,419	\$ 18,715	\$ 119,469

PENN-HARRIS-MADISON SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
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 INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2016

	City of Mishawaka Grant	Scholarships and Awards	Safety/ Security Donations	Formative Assessment	Visual Arts/ Literacy Grant	Visual Arts Academy Grant	High Ability 2014-2015	High Ability 2015-2016	High Ability 2016-2017	Computer Consortium/ Ed Tech Advance	CSF Technology 2016
Cash and investments - beginning	\$ -	\$ 9,707	\$ 481	\$ -	\$ -	\$ -	\$ 13,731	\$ -	\$ -	\$ -	\$ -
Receipts:											
Local sources	124,334	-	-	-	-	25,000	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-	-	-
State sources	-	-	-	153,483	-	-	-	-	-	370,774	-
Federal sources	-	-	-	-	-	-	-	78,804	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-	-	-
Total receipts	124,334	-	-	153,483	-	25,000	-	78,804	-	370,774	-
Disbursements:											
Instruction	93,004	359	-	-	-	22,433	13,731	67,447	-	440,774	40,800
Support services	22,119	-	-	-	-	-	-	-	-	350,110	-
Noninstructional services	-	-	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	2,700	-	-	-	-	-	-	-	-	-
Total disbursements	115,123	3,059	-	-	-	22,433	13,731	67,447	-	790,884	40,800
Excess (deficiency) of receipts over disbursements	9,211	(3,059)	-	153,483	-	2,567	(13,731)	11,357	-	(420,110)	(40,800)
Other financing sources (uses):											
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	(146,509)	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	(146,509)	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	9,211	(3,059)	-	6,974	-	2,567	(13,731)	11,357	-	(420,110)	(40,800)
Cash and investments - ending	\$ 9,211	\$ 6,648	\$ 481	\$ 6,974	\$ -	\$ 2,567	\$ -	\$ 11,357	\$ -	\$ (420,110)	\$ (40,800)

PENN-HARRIS-MADISON SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
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 INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2016

	CSF Technology STAA 2016	CSF Technology Fall 2016	CSF Technology Fall 2014	CSF Technology 2015	CSF Technology STAA 2015	Early Learning - Mary Frank	Medicaid Reimbursement	Secured Schools Safety Grant	NESP 2014-2015	NESP 2015-2016
Cash and investments - beginning	\$ -	\$ -	\$ (253,927)	\$ (4,500)	\$ -	\$ 15,749	\$ -	\$ -	\$ 6,797	\$ -
Receipts:										
Local sources	-	-	-	-	-	177,158	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-	-
State sources	-	-	880,554	1,020,350	59,998	-	53,898	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-	51,480
Other receipts	-	-	-	-	-	-	-	-	-	-
Total receipts	-	-	880,554	1,020,350	59,998	177,158	53,898	-	-	51,480
Disbursements:										
Instruction	-	-	555,148	983,744	49,968	171,350	-	-	6,797	32,300
Support services	-	-	71,479	32,106	59,998	319	-	990	-	990
Noninstructional services	-	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	-	-	626,627	1,015,850	109,966	171,669	-	990	6,797	33,290
Excess (deficiency) of receipts over disbursements	-	-	253,927	4,500	(49,968)	5,489	53,898	(990)	(6,797)	18,190
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	-	-	253,927	4,500	(49,968)	5,489	53,898	(990)	(6,797)	18,190
Cash and investments - ending	\$ -	\$ -	\$ -	\$ -	\$ (49,968)	\$ 21,238	\$ 53,898	\$ (990)	\$ -	\$ 18,190

PENN-HARRIS-MADISON SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
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 For the Year Ended June 30, 2016

	NESP 2016-2017	School Technology	Career and Technical Performance Grant	Performance Award 2016-2017	Central Purchasing Storeroom	Digital Device Insurance Repair	MS Digital Device - Ins/Repair	Security Poster Grant	Senator David Ford Technology
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ -	\$ 14,799	\$ 21,028	\$ -	\$ 42	\$ (22,329)
Receipts:									
Local sources	-	-	-	-	14,096	49,766	36,280	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	10,884	-	-	-	-	-	-	58,192
Federal sources	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-
Total receipts	-	10,884	-	-	14,096	49,766	36,280	-	58,192
Disbursements:									
Instruction	-	-	-	-	-	-	-	-	35,863
Support services	-	-	-	-	13,531	48,052	15,743	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	-	-	-	-	13,531	48,052	15,743	-	35,863
Excess (deficiency) of receipts over disbursements	-	10,884	-	-	565	1,714	20,537	-	22,329
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	-	10,884	-	-	565	1,714	20,537	-	22,329
Cash and investments - ending	\$ -	\$ 10,884	\$ -	\$ -	\$ 15,364	\$ 22,742	\$ 20,537	\$ 42	\$ -

PENN-HARRIS-MADISON SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
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 INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2016

	Project Lead the Way	Haas Foundation Grant	Early Kindergarten Camp 16	Early Kindergarten Camp 17	Title I 2014-2015	Title I 2015-2016	Title I 2016-2017	Exep-Ed 611 Grant 2015	Exep-Ed 611 Grant 2016
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ -	\$ (66,839)	\$ -	\$ -	\$ -	\$ -
Receipts:									
Local sources	-	-	2,000	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	219,279	965,606	-	677,731	1,844,934
Other receipts	-	-	-	-	-	-	-	-	-
Total receipts	-	-	2,000	-	219,279	965,606	-	677,731	1,844,934
Disbursements:									
Instruction	-	-	3,916	-	117,490	896,200	-	644,666	1,704,148
Support services	-	-	-	-	22,280	112,421	-	33,065	197,278
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	12,670	-	-	-	-
Total disbursements	-	-	3,916	-	152,440	1,008,621	-	677,731	1,901,426
Excess (deficiency) of receipts over disbursements	-	-	(1,916)	-	66,839	(43,015)	-	-	(56,492)
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	-	-	(1,916)	-	66,839	(43,015)	-	-	(56,492)
Cash and investments - ending	\$ -	\$ -	\$ (1,916)	\$ -	\$ -	\$ (43,015)	\$ -	\$ -	\$ (56,492)

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, 2016

	Exep-Ed 611 Grant 2017	Penn Pals 619 Grant 2016	Penn Pals 619 Grant 2017	Medicaid Reimbursement - Federal	Title II A 2014-2015	eLearning Conference Grant 2015	Title II A 2015-2016	eLearning Conf Grant 2016	eLearning Conf Grant 2017
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ -	\$ (6,111)	\$ -	\$ -	\$ -	\$ -
Receipts:									
Local sources	-	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-
Federal sources	-	69,460	-	170,511	56,441	6,420	100,202	-	-
Other receipts	-	-	-	-	-	-	-	-	-
Total receipts	-	69,460	-	170,511	56,441	6,420	100,202	-	-
Disbursements:									
Instruction	-	54,592	-	-	-	-	-	-	-
Support services	-	14,868	-	-	47,381	6,420	109,826	7,723	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	2,949	-	-	-	-
Total disbursements	-	69,460	-	-	50,330	6,420	109,826	7,723	-
Excess (deficiency) of receipts over disbursements	-	-	-	170,511	6,111	-	(9,624)	(7,723)	-
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	-	-	-	170,511	6,111	-	(9,624)	(7,723)	-
Cash and investments - ending	\$ -	\$ -	\$ -	\$ 170,511	\$ -	\$ -	\$ (9,624)	\$ (7,723)	\$ -

PENN-HARRIS-MADISON SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
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 For the Year Ended June 30, 2016

	Title II A 2016-2017	Title III 2013-2014	Title III 2014-2015	Title III 2015-2016	Title III 2016-2017	Prepaid Food Trust	Payroll	Clearing Account	Totals
Cash and investments - beginning	\$ -	\$ -	\$ (11,551)	\$ -	\$ -	\$ 83,324	\$ 16	\$ 10,195	\$ 41,652,774
Receipts:									
Local sources	-	-	-	-	-	-	-	-	44,666,091
Intermediate sources	-	-	-	-	-	-	-	-	14
State sources	-	-	-	-	-	-	-	-	68,577,181
Federal sources	-	13,124	31,042	28,937	-	-	-	-	6,008,924
Other receipts	-	-	-	-	-	1,502,977	53,524,666	8,799	55,069,289
Total receipts	-	13,124	31,042	28,937	-	1,502,977	53,524,666	8,799	174,321,499
Disbursements:									
Instruction	-	13,124	29,030	30,879	-	-	-	-	52,675,860
Support services	-	-	-	-	-	-	-	-	31,471,417
Noninstructional services	-	-	-	-	-	-	-	-	6,002,956
Facilities acquisition and construction	-	-	-	-	-	-	-	-	4,141,353
Debt service	-	-	-	-	-	-	-	-	14,762,712
Nonprogrammed charges	-	-	-	-	-	1,515,164	53,521,210	8,533	67,664,222
Total disbursements	-	13,124	29,030	30,879	-	1,515,164	53,521,210	8,533	176,718,520
Excess (deficiency) of receipts over disbursements	-	-	2,012	(1,942)	-	(12,187)	3,456	266	(2,397,021)
Other financing sources (uses):									
Proceeds of long-term debt	-	-	-	-	-	-	-	-	4,300,000
Sale of capital assets	-	-	-	-	-	-	-	-	14,178
Transfers in	-	-	-	-	-	-	-	-	499,513
Transfers out	-	-	-	-	-	-	-	-	(499,513)
Total other financing sources (uses)	-	-	-	-	-	-	-	-	4,314,178
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	2,012	(1,942)	-	(12,187)	3,456	266	1,917,157
Cash and investments - ending	\$ -	\$ -	\$ (9,539)	\$ (1,942)	\$ -	\$ 71,137	\$ 3,472	\$ 10,461	\$ 43,569,931

PENN-HARRIS-MADISON SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
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 For the Year Ended June 30, 2017

	General	Debt Service	Exempt Debt	Exempt Pension Debt	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	GOB 2017	General Obligation Bonds 2011
Cash and investments - beginning	\$ 8,571,833	\$ 2,232,990	\$ 2,218,392	\$ 431,818	\$ 768,894	\$ 3,362,568	\$ 1,064,953	\$ 3,592,679	\$ -	\$ -
Receipts:										
Local sources	1,865,495	6,769,253	4,236,897	802,206	6,583,614	6,323,856	465,003	34,065	-	-
Intermediate sources	24	-	-	-	-	-	-	-	-	-
State sources	66,593,449	-	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-	-
Other receipts	15,312	-	-	-	-	20,071	-	-	-	-
Total receipts	68,474,280	6,769,253	4,236,897	802,206	6,583,614	6,343,927	465,003	34,065	-	-
Disbursements:										
Instruction	47,232,516	-	-	-	1	-	-	30	-	-
Support services	19,826,540	-	-	-	4,192,233	6,550,950	637,990	190,805	39,799	-
Noninstructional services	1,208,276	-	-	-	-	-	-	-	49,978	-
Facilities acquisition and construction	108,414	-	-	-	2,070,056	-	-	-	658,915	-
Debt service	-	6,926,243	4,394,501	802,985	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	68,375,746	6,926,243	4,394,501	802,985	6,262,290	6,550,950	637,990	190,835	748,692	-
Excess (deficiency) of receipts over disbursements	98,534	(156,990)	(157,604)	(779)	321,324	(207,023)	(172,987)	(156,770)	(748,692)	-
Other financing sources (uses):										
Proceeds of long-term debt	-	112,708	-	-	-	-	-	-	7,190,000	-
Sale of capital assets	25,976	-	-	-	-	-	-	-	-	-
Transfers in	133,502	-	-	-	-	-	-	81,837	-	-
Transfers out	-	(30,939)	-	-	-	-	-	(28,065)	-	-
Total other financing sources (uses)	159,478	81,769	-	-	-	-	-	53,772	7,190,000	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	258,012	(75,221)	(157,604)	(779)	321,324	(207,023)	(172,987)	(102,998)	6,441,308	-
Cash and investments - ending	\$ 8,829,845	\$ 2,157,769	\$ 2,060,788	\$ 431,039	\$ 1,090,218	\$ 3,155,545	\$ 891,966	\$ 3,489,681	\$ 6,441,308	\$ -

PENN-HARRIS-MADISON SCHOOL CORPORATION
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	General Obligation Bonds 2012	General Obligation Bonds 2013	General Obligation Bonds 2014	General Obligation Bonds 2015	GOB 2016	School Lunch	Textbook Rental	Self- Insurance	Levy Excess	Joint Services and Supply - Other
Cash and investments - beginning	\$ -	\$ 43,350	\$ 39,873	\$ 189,293	\$ 4,081,422	\$ 3,721,726	\$ 1,626,235	\$ 10,586,888	\$ -	\$ 6,188
Receipts:										
Local sources	-	-	-	11,050	-	2,083,940	842,958	11,626,540	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	55,002	209,029	-	-	-
Federal sources	-	-	-	-	-	1,612,738	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-	-
Total receipts	-	-	-	11,050	-	3,751,680	1,051,987	11,626,540	-	-
Disbursements:										
Instruction	-	-	-	10,575	-	89	439,427	-	-	-
Support services	-	-	-	56,352	1,032,477	1,265	105	157,263	-	-
Noninstructional services	-	-	-	-	11,565	3,568,872	-	-	-	-
Facilities acquisition and construction	-	43,350	38,734	133,416	2,024,436	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	217,007	-	13,043,243	-	-
Total disbursements	-	43,350	38,734	200,343	3,068,478	3,787,233	439,532	13,200,506	-	-
Excess (deficiency) of receipts over disbursements	-	(43,350)	(38,734)	(189,293)	(3,068,478)	(35,553)	612,455	(1,573,966)	-	-
Other financing sources (uses):										
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	30,939	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	30,939	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	(43,350)	(38,734)	(189,293)	(3,068,478)	(35,553)	643,394	(1,573,966)	-	-
Cash and investments - ending	\$ -	\$ -	\$ 1,139	\$ -	\$ 1,012,944	\$ 3,686,173	\$ 2,269,629	\$ 9,012,922	\$ -	\$ 6,188

PENN-HARRIS-MADISON SCHOOL CORPORATION
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	Art Association	Child Care Program	Historical Society	Alternative Education	Lilly Counseling Grant	Splash/ Challenge Days	PHM Foundation	PHM PTO/PTA Donations	Local Source Donation	Instructional Support Fund
Cash and investments - beginning	\$ -	\$ 932,217	\$ -	\$ 119,373	\$ -	\$ 3,072	\$ 8,969	\$ 15,419	\$ 18,715	\$ 119,469
Receipts:										
Local sources	124,698	1,426,377	123,329	-	50,000	-	12,593	6,148	9,441	-
Intermediate sources	-	-	-	-	-	-	-	-	-	-
State sources	-	-	-	62,517	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-	-
Total receipts	124,698	1,426,377	123,329	62,517	50,000	-	12,593	6,148	9,441	-
Disbursements:										
Instruction	-	-	-	-	-	-	13,172	5,214	14,720	-
Support services	-	14,303	-	-	28,449	749	445	2,014	6,509	42,632
Noninstructional services	124,698	1,135,829	123,329	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	139,720	-	-	-	-	-	-	-	-
Total disbursements	124,698	1,289,852	123,329	-	28,449	749	13,617	7,228	21,229	42,632
Excess (deficiency) of receipts over disbursements	-	136,525	-	62,517	21,551	(749)	(1,024)	(1,080)	(11,788)	(42,632)
Other financing sources (uses):										
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-	(76,837)
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-	(76,837)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	136,525	-	62,517	21,551	(749)	(1,024)	(1,080)	(11,788)	(119,469)
Cash and investments - ending	\$ -	\$ 1,068,742	\$ -	\$ 181,890	\$ 21,551	\$ 2,323	\$ 7,945	\$ 14,339	\$ 6,927	\$ -

PENN-HARRIS-MADISON SCHOOL CORPORATION
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	City of Mishawaka Grant	Scholarships and Awards	Safety/ Security/ Donations	Formative Assessment	Visual Arts/ Literacy Grant	Visual Arts Academy Grant	High Ability 2014-2015	High Ability 2015-2016	High Ability 2016-2017	Computer Consortium/ Ed Tech Advance
Cash and investments - beginning	\$ 9,211	\$ 6,648	\$ 481	\$ 6,974	\$ -	\$ 2,567	\$ -	\$ 11,357	\$ -	\$ (420,110)
Receipts:										
Local sources	-	-	-	-	10,000	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-	-
State sources	-	-	-	123,924	-	-	-	-	-	649,826
Federal sources	-	-	-	-	-	-	-	-	77,953	-
Other receipts	-	-	-	-	-	-	-	-	-	-
Total receipts	-	-	-	123,924	10,000	-	-	-	77,953	649,826
Disbursements:										
Instruction	9,211	-	-	6,974	-	2,567	-	11,357	59,134	229,716
Support services	-	-	-	13,487	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	481	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	9,211	-	481	20,461	-	2,567	-	11,357	59,134	229,716
Excess (deficiency) of receipts over disbursements	(9,211)	-	(481)	103,463	10,000	(2,567)	-	(11,357)	18,819	420,110
Other financing sources (uses):										
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	(110,437)	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	(110,437)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(9,211)	-	(481)	(6,974)	10,000	(2,567)	-	(11,357)	18,819	420,110
Cash and investments - ending	\$ -	\$ 6,648	\$ -	\$ -	\$ 10,000	\$ -	\$ -	\$ -	\$ 18,819	\$ -

PENN-HARRIS-MADISON SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
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	CSF Technology 2016	CSF Technology STAA 2016	CSF Technology Fall 2016	CSF Technology Fall 2014	CSF Technology 2015	CSF Technology STAA 2015	Early Learning - Mary Frank	Medicaid Reimbursement	Secured Schools Safety Grant	NESP 2014-2015
Cash and investments - beginning	\$ (40,800)	\$ -	\$ -	\$ -	\$ -	\$ (49,968)	\$ 21,238	\$ 53,898	\$ (990)	\$ -
Receipts:										
Local sources	-	-	-	-	-	-	193,251	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-	-
State sources	1,067,100	213,300	375,583	-	-	49,968	-	94,633	21,812	-
Federal sources	-	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-	-
Total receipts	1,067,100	213,300	375,583	-	-	49,968	193,251	94,633	21,812	-
Disbursements:										
Instruction	819,343	36,700	584,338	-	-	-	188,169	-	-	-
Support services	206,957	176,600	-	-	-	-	-	-	20,822	-
Noninstructional services	-	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	1,026,300	213,300	584,338	-	-	-	188,169	-	20,822	-
Excess (deficiency) of receipts over disbursements	40,800	-	(208,755)	-	-	49,968	5,082	94,633	990	-
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	40,800	-	(208,755)	-	-	49,968	5,082	94,633	990	-
Cash and investments - ending	\$ -	\$ -	\$ (208,755)	\$ -	\$ -	\$ -	\$ 26,320	\$ 148,531	\$ -	\$ -

PENN-HARRIS-MADISON SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
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	NESP 2015-2016	NESP 2016-2017	School Technology	Career and Technical Performance Grant	Performance Award 2016-2017	Central Purchasing Storeroom	Digital Device Insurance Repair	MS Digital Device - Ins/Repair	Security Poster Grant	Senator David Ford Technology
Cash and investments - beginning	\$ 18,190	\$ -	\$ 10,884	\$ -	\$ -	\$ 15,364	\$ 22,742	\$ 20,537	\$ 42	\$ -
Receipts:										
Local sources	-	-	-	-	-	11,295	41,883	52,977	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-	-
State sources	-	-	12,788	36,302	1,155,229	-	-	-	-	-
Federal sources	-	56,520	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-	-
Total receipts	-	56,520	12,788	36,302	1,155,229	11,295	41,883	52,977	-	-
Disbursements:										
Instruction	18,191	25,307	-	7,306	1,131,643	-	-	-	-	-
Support services	(1)	-	13,584	-	23,586	14,280	55,554	37,393	42	-
Noninstructional services	-	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	18,190	25,307	13,584	7,306	1,155,229	14,280	55,554	37,393	42	-
Excess (deficiency) of receipts over disbursements	(18,190)	31,213	(796)	28,996	-	(2,985)	(13,671)	15,584	(42)	-
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	(18,190)	31,213	(796)	28,996	-	(2,985)	(13,671)	15,584	(42)	-
Cash and investments - ending	\$ -	\$ 31,213	\$ 10,088	\$ 28,996	\$ -	\$ 12,379	\$ 9,071	\$ 36,121	\$ -	\$ -

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, 2017

	Project Lead the Way	Haas Foundation Grant	Early Kindergarten Camp 16	Early Kindergarten Camp 17	Title I 2014-2015	Title I 2015-2016	Title I 2016-2017	Exep-Ed 611 Grant 2015	Exep-Ed 611 Grant 2016
Cash and investments - beginning	\$ -	\$ -	\$ (1,916)	\$ -	\$ -	\$ (43,015)	\$ -	\$ -	\$ (56,492)
Receipts:									
Local sources	15,000	11,000	3,000	8,000	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	120,838	781,499	82,160	217,132
Other receipts	-	-	-	-	-	-	-	-	-
Total receipts	15,000	11,000	3,000	8,000	-	120,838	781,499	82,160	217,132
Disbursements:									
Instruction	14,997	2,000	1,084	108	-	37,858	771,433	66,114	144,620
Support services	-	-	-	-	-	39,965	88,077	16,046	16,020
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	14,997	2,000	1,084	108	-	77,823	859,510	82,160	160,640
Excess (deficiency) of receipts over disbursements	3	9,000	1,916	7,892	-	43,015	(78,011)	-	56,492
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	3	9,000	1,916	7,892	-	43,015	(78,011)	-	56,492
Cash and investments - ending	\$ 3	\$ 9,000	\$ -	\$ 7,892	\$ -	\$ -	\$ (78,011)	\$ -	\$ -

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, 2017

	Exep-Ed 611 Grant 2017	Penn Pals 619 Grant 2016	Penn Pals 619 Grant 2017	Medicaid Reimbursement - Federal	Title II A 2014-2015	eLearning Conference Grant 2015	Title II A 2015-2016	eLearning Conf Grant 2016	eLearning Conf Grant 2017
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ 170,511	\$ -	\$ -	\$ (9,624)	\$ (7,723)	\$ -
Receipts:									
Local sources	-	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-
Federal sources	1,617,149	-	71,424	259,976	-	-	67,059	10,339	-
Other receipts	-	-	-	-	-	-	-	-	-
Total receipts	1,617,149	-	71,424	259,976	-	-	67,059	10,339	-
Disbursements:									
Instruction	1,704,239	-	64,328	-	-	-	-	-	-
Support services	26,723	-	9,072	-	-	-	57,435	2,616	8,055
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	1,730,962	-	73,400	-	-	-	57,435	2,616	8,055
Excess (deficiency) of receipts over disbursements	(113,813)	-	(1,976)	259,976	-	-	9,624	7,723	(8,055)
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	(113,813)	-	(1,976)	259,976	-	-	9,624	7,723	(8,055)
Cash and investments - ending	\$ (113,813)	\$ -	\$ (1,976)	\$ 430,487	\$ -	\$ -	\$ -	\$ -	\$ (8,055)

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, 2017

	Title II A 2016-2017	Title III 2013-2014	Title III 2014-2015	Title III 2015-2016	Title III 2016-2017	Prepaid Food Trust	Payroll	Clearing Account	Totals
Cash and investments - beginning	\$ -	\$ -	\$ (9,539)	\$ (1,942)	\$ -	\$ 71,137	\$ 3,472	\$ 10,461	\$ 43,569,931
Receipts:									
Local sources	-	-	-	-	-	-	-	-	43,743,869
Intermediate sources	-	-	-	-	-	-	-	-	24
State sources	-	-	-	-	-	-	-	-	70,720,462
Federal sources	46,858	-	13,306	8,139	26,042	-	-	-	5,069,132
Other receipts	-	-	-	-	-	1,634,523	55,947,271	8,171	57,625,348
Total receipts	46,858	-	13,306	8,139	26,042	1,634,523	55,947,271	8,171	177,158,835
Disbursements:									
Instruction	-	-	2,919	6,245	25,412	-	-	-	53,687,057
Support services	59,541	-	-	-	2,480	-	-	-	33,669,214
Noninstructional services	-	-	-	-	-	-	-	-	6,222,547
Facilities acquisition and construction	-	-	-	-	-	-	-	-	5,077,802
Debt service	-	-	-	-	-	-	-	-	12,123,729
Nonprogrammed charges	-	-	848	-	-	1,618,618	55,942,197	7,948	70,969,581
Total disbursements	59,541	-	3,767	6,245	27,892	1,618,618	55,942,197	7,948	181,749,930
Excess (deficiency) of receipts over disbursements	(12,683)	-	9,539	1,894	(1,850)	15,905	5,074	223	(4,591,095)
Other financing sources (uses):									
Proceeds of long-term debt	-	-	-	-	-	-	-	-	7,302,708
Sale of capital assets	-	-	-	-	-	-	-	-	25,976
Transfers in	-	-	-	-	-	-	-	-	246,278
Transfers out	-	-	-	-	-	-	-	-	(246,278)
Total other financing sources (uses)	-	-	-	-	-	-	-	-	7,328,684
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(12,683)	-	9,539	1,894	(1,850)	15,905	5,074	223	2,737,589
Cash and investments - ending	\$ (12,683)	\$ -	\$ -	\$ (48)	\$ (1,850)	\$ 87,042	\$ 8,546	\$ 10,684	\$ 46,307,520

PENN-HARRIS-MADISON-SCHOOL CORPORATION
SCHEDULE OF PAYABLES AND RECEIVABLES
June 30, 2017

Government or Enterprise	Accounts Payable	Accounts Receivable
Governmental activities	\$ 4,273,780	\$ -

PENN-HARRIS-MADISON-SCHOOL CORPORATION
SCHEDULE OF LEASES AND DEBT
June 30, 2017

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities:				
PHM Building Corporation	Lease Rental 2007	\$ 2,839,000	02/08/2007	06/30/2020
Penn High School Building Corporation	Lease Rental 2016	1,539,500	04/21/2016	12/31/2020
PHM Building Corporation	Lease Rental 2009	<u>1,552,000</u>	03/12/2009	06/30/2018
Total of annual lease payments		<u>\$ 5,930,500</u>		

Type	Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:			
General obligation bonds	General Obligation Bond 2013	\$ 2,295,000	\$ 1,563,300
General obligation bonds	Qualified School Construction Bond 2010	6,990,000	686,016
General obligation bonds	Retirement/Pension Bonds	1,860,000	805,825
Notes and loans payable	CSF Tech 2016	1,067,100	118,764
Notes and loans payable	CSF Tech Fall 2015	850,500	347,855
Notes and loans payable	CSF Tech STAA 2016	213,300	37,441
Notes and loans payable	CSF Technology 2011	97,597	98,085
Notes and loans payable	CSF Technology 2011 Fall	195,220	196,684
Notes and loans payable	CSF Technology 2012	294,505	198,791
Notes and loans payable	CSF Technology 2012 Fall	392,688	199,780
Notes and loans payable	CSF Technology 2013	489,850	200,349
Notes and loans payable	CSF Technology 2013 Fall	490,177	200,482
Notes and loans payable	CSF Technology 2013 STAA	108,051	44,193
Notes and loans payable	CSF Technology 2014	683,297	201,572
Notes and loans payable	CSF Technology 2014 Fall	707,510	208,715
Notes and loans payable	CSF Technology 2014 STAA	139,909	41,273
Notes and loans payable	CSF Technology 2015	918,315	212,743
Notes and loans payable	CSF Technology STAA 2011	41,889	42,204
Notes and loans payable	CSF Technology STAA 2012	63,924	43,149
Notes and loans payable	CSFSTAA 2015	<u>91,638</u>	<u>37,408</u>
Totals		<u>\$ 17,990,470</u>	<u>\$ 5,484,629</u>

PENN-HARRIS-MADISON-SCHOOL CORPORATION
 SCHEDULE OF CAPITAL ASSETS
 June 30, 2017

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

	<u>Ending Balance</u>
Governmental activities:	
Land	\$ 4,572,471
Infrastructure	4,301,701
Buildings	335,874,874
Improvements other than buildings	19,021,942
Machinery, equipment, and vehicles	15,676,075
Construction in progress	<u>562,030</u>
Total capital assets	<u>\$ 380,009,093</u>

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



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

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

Report on Compliance for Each Major Federal Program

We have audited the Penn-Harris-Madison School Corporation's (School Corporation) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the period of July 1, 2015 to June 30, 2017. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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.

Basis for Qualified Opinion on Title I Grants to Local Educational Agencies

As described in item 2017-002 in the accompanying Schedule of Findings and Questioned Costs, the School Corporation did not comply with requirements regarding Procurement and Suspension and Debarment that are applicable to its Title I Grants to Local Educational Agencies. Compliance with such requirements is necessary, in our opinion, for the School Corporation to comply with requirements applicable to that program.

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

Basis for Qualified Opinion on Special Education Cluster (IDEA)

As described in item 2017-004 in the accompanying Schedule of Findings and Questioned Costs, the School Corporation did not comply with requirements regarding Matching, Level of Effort, Earmarking that are applicable to its Special Education Cluster (IDEA). Compliance with such requirements is necessary, in our opinion, for the School Corporation to comply with requirements applicable to that program.

Basis for Qualified Opinion on Child Nutrition Cluster

As described in items 2017-006 and 2017-008 in the accompanying Schedule of Findings and Questioned Costs, the School Corporation did not comply with requirements regarding Cash Management and Procurement and Suspension and Debarment that are applicable to its Child Nutrition Cluster. Compliance with such requirements is necessary, in our opinion, for the School Corporation to comply with requirements applicable to that program.

Qualified Opinion on Title I Grants to Local Educational Agencies

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on Title I Grants to Local Educational Agencies* paragraph, 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 the Title I Grants to Local Educational Agencies program for the period of July 1, 2015 to June 30, 2017.

Qualified Opinion on Special Education Cluster (IDEA)

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion Special Education Cluster (IDEA)* paragraph, 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 the Special Education Cluster (IDEA) for the period of July 1, 2015 to June 30, 2017.

Qualified Opinion on Child Nutrition Cluster

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on Child Nutrition Cluster* paragraph, 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 the Child Nutrition Cluster for the period of July 1, 2015 to June 30, 2017.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2017-003 and 2017-007. 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.

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

Report on Internal Control over Compliance

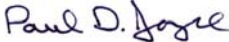
Management of the School Corporation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School Corporation's internal control over 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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School Corporation's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as items 2017-002, 2017-003, 2017-004, 2017-005, 2017-006, 2017-007, and 2017-008, that we consider 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.


Paul D. Joyce, CPA
State Examiner

August 30, 2018

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, 2016 and 2017

Federal Grantor Agency Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient 06-30-16	Total Federal Awards Expended 06-30-16	Passed Through to Subrecipient 06-30-17	Total Federal Awards Expended 06-30-17
<u>Department of Agriculture</u>							
Child Nutrition Cluster							
School Breakfast Program	Indiana Department of Education	10.553					
School Breakfast Program			FY 2016	\$ -	\$ 229,555	\$ -	\$ -
School Breakfast Program			FY 2017	-	-	-	217,261
Total - School Breakfast Program				-	229,555	-	217,261
National School Lunch Program	Indiana Department of Education	10.555					
National School Lunch Program			FY 2016	-	1,330,167	-	-
National School Lunch Program			FY 2017	-	-	-	1,252,757
Commodities				-	258,262	-	308,144
Total - National School Lunch Program				-	1,588,429	-	1,560,901
Summer Food Service Program for Children	Indiana Department of Education	10.559					
Summer Food Service Program for Children			FY 2016	-	113,198	-	-
Summer Food Service Program for Children			FY 2017	-	-	-	119,028
Total - Summer Food Service Program for Children				-	113,198	-	119,028
Total - Child Nutrition Cluster				-	1,931,182	-	1,897,190
Child and Adult Care Food Program	Indiana Department of Education	10.558					
After School Snack			FY 2016	-	22,033	-	-
After School Snack			FY 2017	-	-	-	23,692
Total - Child and Adult Care Food Program				-	22,033	-	23,692
Total - Department of Agriculture				-	1,953,215	-	1,920,882
<u>Department of Education</u>							
Special Education Cluster (IDEA)							
Special Education Grants to States	Indiana Department of Education	84.027					
Exceptional-Education (611) 2015			14215-161-PN01	-	677,731	-	82,160
Exceptional-Education (611) 2017			14217-134-PN01	-	-	-	1,617,149
Exceptional-Education (611) 2016			14216-134-PN01	-	1,844,934	-	217,132
Total - Special Education Grants to States				-	2,522,665	-	1,916,441
Special Education Preschool Grants	Indiana Department of Education	84.173					
Exceptional-Education (619) 2016			45716-134-PN01	-	69,460	-	-
Exceptional-Education (619) 2017			45717-134-PN01	-	-	-	71,424
Total - Special Education Preschool Grants				-	69,460	-	71,424
Total - Special Education Cluster (IDEA)				-	2,592,125	-	1,987,865

PENN-HARRIS-MADISON SCHOOL CORPORATION
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Years Ended June 30, 2016 and 2017

Federal Grantor Agency Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient 06-30-16	Total Federal Awards Expended 06-30-16	Passed Through to Subrecipient 06-30-17	Total Federal Awards Expended 06-30-17
Title I Grants to Local Educational Agencies	Indiana Department of Education	84.010					
Title-I			15-7175	-	219,279	-	-
Title-I			16-7175	-	965,606	-	120,838
Title-I			17-7175	-	-	-	781,499
Total - Title I Grants to Local Educational Agencies				-	1,184,885	-	902,337
English Language Acquisition State Grants	Indiana Department of Education	84.365					
Title-III			01114-063-PN01	-	13,124	-	-
Title-III			01115-082-PN01	-	31,042	-	13,306
Title-III			01116-083-PN01	-	28,937	-	-
Title-III			01116-083-PN01	-	-	-	8,139
Title III			01117-084-PN01	-	-	-	26,042
Total - English Language Acquisition State Grants				-	73,103	-	47,487
Supporting Effective Instruction State Grants	Indiana Department of Education	84.367					
Title-II			14-7175	-	56,441	-	-
Title-II			15-7175	-	100,202	-	-
Title-II			15-7175	-	-	-	67,059
Title IIA			16-7175	-	-	-	46,858
Title-II eLearning Conference Grant 2015			A58-5-15CI-2483	-	6,420	-	-
Title-II eLearning Conf. Grant 2016			A58-6-16CI-3425	-	-	-	10,339
Total - Supporting Effective Instruction State Grants				-	163,063	-	124,256
Total - Department of Education				-	4,013,176	-	3,061,945
Department of Health and Human Services							
Medicaid Cluster							
Medical Assistance Program	Indiana Office of Medicaid Policy and Planning	93.778					
Medicaid Reimbursement			7175	-	170,511	-	259,976
Total - Medicaid Cluster				-	170,511	-	259,976
Total - Department of Health and Human Services				-	170,511	-	259,976
Total federal awards expended				\$ -	\$ 6,136,902	\$ -	\$ 5,242,803

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, 2016 and 2017. The information in the SEFA is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). 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.

The Uniform Guidance requires an annual audit of nonfederal entities expending a total amount of federal awards equal to or in excess of \$750,000 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 the Uniform Guidance, 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. The School Corporation has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

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 weakness identified?	yes
Significant deficiency identified?	none reported
Noncompliance material to financial statement noted?	no

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	yes
Significant deficiency identified?	none reported
Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)?	yes

Identification of Major Programs and type of auditor's report issued on compliance for each:

CFDA Number	Name of Federal Program or Cluster	Opinion Issued
	Child Nutrition Cluster	Qualified
	Special Education Cluster (IDEA)	Qualified
84.010	Title I Grants to Local Education Agencies	Qualified

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee?	no
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Section II - Financial Statement Findings

FINDING 2017-001

Subject: Financial Transactions and Reporting
Audit Finding: Material Weakness

Condition

There were deficiencies in the internal control system of the School Corporation related to financial transactions and reporting of receipts. The School Corporation did not have controls in place to ensure that collections for Kids Club LLC were receipted and recorded correctly.

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

The School Corporation provided a before and after school care program (Kids Club) at ten of the elementary schools. A software system tracked collections at each school. Collections were given to the program director or assistant program director who prepared the Summary Collection form (SA-8), prepared the bank deposit, deposited the collections, and remitted the SA-8 to the School Corporation. The School Corporation recorded the information in the Child Care Program fund according to the SA-8. The School Corporation had not designed or implemented adequate policies and procedures to ensure that the Kids Club software system reports were reconciled to actual deposits or to amounts received into the Child Care Program fund.

Context

The lack of controls was a systemic issue throughout the audit period.

Criteria

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

An integral part of the control activity component is segregation of duties. . . .

There is an expectation of segregation of duties. If compensating controls are necessary documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . ."

Cause

Management of the School Corporation had not established a proper system of internal control.

Effect

The failure to establish controls could have enabled misstatements or irregularities to remain undetected. The failure to monitor the internal control system placed the School Corporation at risk that controls may not have been either designed properly or operating effectively to provide reasonable assurance that controls would have prevented, or detected and corrected, misstatements in a timely manner.

Recommendation

We recommended that the School Corporation establish a system of internal controls related to financial transactions and reporting of receipts.

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

Views of Responsible Officials

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

Section III - Federal Award Findings and Questioned Costs

FINDING 2017-002

Subject: Title I Grants to Local Educational Agencies - Procurement and Suspension and Debarment
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): 15-7175, 16-7175, 17-7175
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Procurement and Suspension and Debarment
Audit Findings: Material Weakness, Modified Opinion

Condition

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Procurement and Suspension and Debarment compliance requirement.

Procurement

The School Corporation did not have internal controls in place to ensure that the purchasing methods used complied with their procurement procedures and applicable state and local requirements, or that they documented their rationale for the method of procurement used. Their procurement policy did not address applicable state laws and regulations.

The School Corporation contracted with a service provider and renewed the contract annually for many years. They did not detail the history of the procurement or document the rationale for the method of procurement.

The School Corporation did not obtain price or rate quotes from an adequate number of sources for purchases of goods or services exceeding \$3,500, which fell under the small purchase procedures.

Suspension and Debarment

The School Corporation had not established an effective internal control system to ensure compliance with suspension and debarment requirements. There were no controls in place to ensure that vendors were not suspended or debarred from participation in federal programs.

The School Corporation did not perform any procedures to verify that vendors were not suspended or debarred from participation in federal programs before entering into a contract.

Context

The lack of controls and the noncompliance were systemic issues 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. . . ."

2 CFR 200.303 states in part:

"The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

7 CFR 3016.36(b)(1) states: "Grantees and subgrantees will use their own procurement procedures which reflect applicable State and local laws and regulations, provided that the procurements conform to applicable Federal law and the standards identified in this section."

2 CFR 200.318 states in part:

"(a) The non-Federal entity must use its own documented procurement procedures which reflect applicable State, local, and tribal laws and regulations, provided that the procurements conform to applicable Federal law and the standards identified in this part. . . .

(i) The non-Federal entity must maintain records sufficient to detail the history of procurement. These records will include, but are not necessarily limited to the following: rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price. . . ."

2 CFR 200.320 states in part:

"The non-Federal entity must use one of the following methods of procurement. . . .

(b) Procurement by small purchase procedures. Small purchase procedures are those relatively simple and informal procurement methods for securing services, supplies, or other property that do not cost more than the Simplified Acquisition Threshold. If small purchase procedures are used, price or rate quotations must be obtained from an adequate number of qualified sources. . . .

(f) Procurement by noncompetitive proposals. Procurement by noncompetitive proposals is procurement through solicitation of a proposal from only one source and may be used only when one or more of the following circumstances apply:

(1) The item is available only from a single source;

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

(2) The public exigency or emergency for the requirement will not permit a delay resulting from competitive solicitation;

(3) The Federal awarding agency or pass-through entity expressly authorizes non-competitive proposals in response to a written request from the non-Federal entity; or

(4) After solicitation of a number of sources, competition is determined inadequate."

2 CFR 180.300 states:

"When you enter into a covered transaction with another person at the next lower tier, you must verify that the person with whom you intend to do business is not excluded or disqualified.

You do this by:

(a) Checking SAM Exclusions; or

(b) Collecting a certification from that person; or

(c) Adding a clause or condition to the covered transaction with that person."

Cause

The School Corporation's management had not developed a system of internal controls that would have ensured compliance with the Procurement and Suspension and Debarment compliance requirement.

Effect

The failure to establish an effective internal control system enabled material noncompliance to remain undetected. Noncompliance with the grant agreement and the Procurement and Suspension and Debarment 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 Procurement and Suspension and Debarment compliance requirement.

Views of Responsible Officials

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

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

FINDING 2017-003

Subject: Title I Grants to Local Educational Agencies - Special Tests and Provisions - Annual Report Card, High School Graduation Rate
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): 15-7175, 16-7175, 17-7175
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Special Tests and Provisions - Annual Report Card, High School Graduation Rate
Audit Findings: Material Weakness, Other Matters

Condition

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the annual report card, high school graduation rate requirements.

The School Corporation did not comply with the requirement that students removed from the high school cohort graduation rate for mobility reasons have written documentation to support the students' removal from the cohort.

Context

The lack of controls and noncompliance were systemic issues throughout the audit period. Of those tested, 13.6 percent of the students listed were reported as mobile without the required supporting documentation being retained to substantiate their removal from the cohort for mobility reasons.

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. . . ."

2 CFR 200.303 states in part:

"The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

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

34 CFR 200.19(b) states in part:

"High schools—

- (1) *Graduation rate.* Consistent with paragraphs (b)(4) and (b)(5) of this section regarding reporting and determining AYP, respectively, each State must calculate a graduation rate, defined as follows, for all public high schools in the State:

(i)(A) A State must calculate a 'four-year adjusted cohort graduation rate,' defined as the number of students who graduate in four years with a regular high school diploma divided by the number of students who form the adjusted cohort for that graduating class. . . .

(ii) The term 'adjusted cohort' means the students who enter grade 9 (or the earliest high school grade) and any students who transfer into the cohort in grades 9 through 12 minus any students removed from the cohort.

(A) The term 'students who transfer into the cohort' means the students who enroll after the beginning of the entering cohort's first year in high school, up to and including in grade 12.

(B) To remove a student from the cohort, a school or LEA must confirm in writing that the student transferred out, emigrated to another country, or is deceased.

(1) To confirm that a student transferred out, the school or LEA must have official written documentation that the student enrolled in another school or in an educational program that culminates in the award of a regular high school diploma. . . ."

Cause

Management had not developed a system of internal controls that would have ensured compliance with the annual report card, high school graduation rate requirements.

Effect

The failure to establish an effective internal control system enabled material noncompliance to remain undetected. Noncompliance with the grant agreement and the annual report card, high school graduation rate requirements 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 Special Tests and Provisions - Annual Report Card, High School Graduation Rate compliance requirement.

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

Views of Responsible Officials

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

FINDING 2017-004

Subject: Special Education Cluster (IDEA) - Level of Effort - Maintenance of Effort
Federal Agency: Department of Education
Federal Programs: Special Education Grants to States, Special Education Preschool Grants
CFDA Numbers: 84.027, 84.173
Federal Award Numbers and Years (or Other Identifying Numbers): 14217-134-PN01, 45717-134-PN01
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Matching, Level of Effort, Earmarking
Audit Findings: Material Weakness, Modified Opinion

Condition

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the level of effort - maintenance of effort (MOE) requirements.

Per the instructions for the special education program applications, the School Corporation was required to use the 2015-2016 expenditure data to complete the MOE calculation for the fiscal year (FY) 2017 application and the 2016-2017 expenditure data to complete the FY 2018 application.

The School Corporation did not use the correct years' expenditure data when completing the calculation for both the FY 2017 and FY 2018 applications. The School Corporation used the 2014-2015 expenditure data to complete the calculation for the FY 2017 application and the 2015-2016 expenditure data to complete the calculation in the FY 2018 application.

The School Corporation also omitted expenditure accounts used in the prior year's MOE calculation from the FY 2017 calculation. The expenditure accounts were to be consistent unless it was an allowable exclusion or adjustment. There was not any documentation presented to support the exclusion.

Context

The lack of controls was a systemic issue throughout the audit period. The MOE calculations included incorrect data for both applications audited.

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

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

2 CFR 300.203(b) states in part:

"Compliance standard.

- (1) Except as provided in §§ 300.204 and 300.205, funds provided to an LEA under Part B of the Act must not be used to reduce the level of expenditures for the education of children with disabilities made by the LEA from local funds below the level of those expenditures for the preceding fiscal year.
- (2) An LEA meets this standard if it does not reduce the level of expenditures for the education of children with disabilities made by the LEA from at least one of the following sources below the level of those expenditures from the same source for the preceding fiscal year, except as provided in §§ 300.204 and 300.205:
 - (i) Local funds only;
 - (ii) The combination of State and local funds;
 - (iii) Local funds only on a per capita basis; or
 - (iv) The combination of State and local funds on a per capita basis. . . ."

34 CFR 300.205 states:

"(a) Amounts in excess. Notwithstanding § 300.202(a)(2) and (b) and § 300.203(b), and except as provided in paragraph (d) of this section and § 300.230(e)(2), for any fiscal year for which the allocation received by an LEA under § 300.705 exceeds the amount the LEA received for the previous fiscal year, the LEA may reduce the level of expenditures otherwise required by § 300.203(b) by not more than 50 percent of the amount of that excess.

(b) Use of amounts to carry out activities under ESEA. If an LEA exercises the authority under paragraph (a) of this section, the LEA must use an amount of local funds equal to the reduction in expenditures under paragraph (a) of this section to carry out activities that could be supported with funds under the ESEA regardless of whether the LEA is using funds under the ESEA for those activities.

(c) State prohibition. Notwithstanding paragraph (a) of this section, if an SEA determines that an LEA is unable to establish and maintain programs of FAPE that meet the requirements of section 613(a) of the Act and this part or the SEA has taken action against the LEA under section 616 of the Act and subpart F of these regulations, the SEA must prohibit the LEA from reducing the level of expenditures under paragraph (a) of this section for that fiscal year.

(d) Special rule. The amount of funds expended by an LEA for early intervening services under § 300.226 shall count toward the maximum amount of expenditures that the LEA may reduce under paragraph (a) of this section."

Cause

The School Corporation's management had not developed a system of internal controls that would have ensured compliance with the MOE requirements.

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

Effect

The failure to establish an effective internal control system enabled material noncompliance to remain undetected. Noncompliance with the grant agreement and the MOE requirements 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 Matching, Level of Effort, Earmarking compliance requirement.

Views of Responsible Officials

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

FINDING 2017-005

Subject: Child Nutrition Cluster - Internal Controls

Federal Agency: Department of Agriculture

Federal Programs: School Breakfast Program, National School Lunch Program,
Summer Food Service Program for Children

CFDA Numbers: 10.553, 10.555, 10.559

Federal Award Numbers and Years (or Other Identifying Numbers): FY 2016, FY 2017

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Eligibility, Program Income, Reporting, Special
Tests and Provisions - Paid Lunch Equity

Audit Finding: Material Weakness

Condition

An effective internal control system was not in place at the School Corporation in order to ensure compliance with the requirements listed above.

Eligibility

The School Corporation used a food service software, which automatically made the eligibility determinations dependent upon the information entered into the software by applicants or school personnel. The School Corporation did not have a proper system of oversight or review documented to ensure that the federal income guidelines entered into the software program were accurate.

Program Income

The School Corporation had not designed or implemented adequate policies and procedures to ensure that the food service program reports were reconciled to program income receipted into the School Lunch fund.

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

Reporting

The School Corporation had not designed or implemented adequate policies and procedures to ensure the accuracy of the Annual Financial Report, the Monthly Sponsor Claims (claims for reimbursement), and the School Food Authority (SFA) Verification Collection Report. The reports were completed by one individual without a proper system of oversight or review to ensure the accuracy of the reports before submission.

Special Tests and Provisions - Paid Lunch Equity (National School Lunch Program only)

The School Corporation had not designed or implemented adequate policies and procedures to ensure the accuracy of the paid lunch equity calculations. The Food Service Director completed the calculations without a documented oversight or review process.

Context

The lack of controls was a systemic issue throughout 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. . . ."

2 CFR 200.303 states in part:

"The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

Cause

The School Corporation's management had not developed or implemented a system of internal controls to ensure compliance with the grant agreement and the compliance requirements listed above.

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 have also allowed noncompliance with the compliance requirements listed above and allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the programs.

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

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation establish controls to ensure compliance with the grant agreement and the 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 2017-006

Subject: School Breakfast Program and National School Lunch Program - Cash Management

Federal Agency: Department of Agriculture

Federal Programs: School Breakfast Program, National School Lunch Program

CFDA Numbers: 10.553, 10.555

Federal Award Numbers and Years (or Other Identifying Numbers): FY 2016, FY 2017

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Cash Management

Audit Findings: Material Weakness, Modified Opinion

Condition

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Cash Management compliance requirement.

The School Corporation had not designed or implemented adequate internal controls to ensure that the School Lunch fund monthly cash balances (net cash resources) were limited to three months average expenditures in compliance with cash management requirements. There was no oversight, review, or monitoring of the cash balances.

The School Corporation did not comply with the cash management requirement that they limit cash balances (net cash resources) to three months average expenditures.

Context

The lack of controls was a systemic issue throughout the audit period. The cash balances (net cash resources) in the School Lunch fund exceeded the three months average expenditures for all 24 months of 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)

2 CFR 200.303 states in part:

"The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

7 CFR 210.14(b) states: "*Net cash resources.* The school food authority shall limit its net cash resources to an amount that does not exceed 3 months average expenditures for its nonprofit school food service or such other amount as may be approved by the State agency in accordance with § 210.19(a)."

7 CFR 220.7(e) states in part:

". . . the School Food Authority shall, with respect to participating schools under its jurisdiction:
. . .

(iv) Limit its net cash resources to an amount that does not exceed three months average expenditure for its nonprofit school food service or such other amount as may be approved by the State agency; . . ."

Cause

The School Corporation's management had not designed or implemented an effective internal control system that would have ensured compliance with the cash management requirements.

Effect

The failure to establish an effective internal control system enabled material noncompliance to go undetected. Noncompliance with the grant agreement and the cash management requirements could have resulted in the loss of federal funds to the School.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish an effective internal control system to ensure compliance and comply with the Cash Management compliance requirement.

Views of Responsible Officials

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

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

FINDING 2017-007

Subject: Child Nutrition Cluster - Equipment
Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch
Program, Summer Food Service Program
CFDA Numbers: 10.553, 10.555, 10.559
Federal Award Numbers and Years (or Other Identifying Numbers): FY 2016, FY 2017
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Equipment and Real Property Management
Audit Findings: Material Weakness, Other Matters

Condition

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the equipment requirements.

The School Corporation hired a third-party to perform a biennial inventory. The School Corporation did not perform a reconciliation of that inventory to their property records.

Context

The lack of controls and noncompliance were systemic issues throughout 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. . . ."

2 CFR 200.303 states in part:

"The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

2 CFR 200.313(d) states in part:

"*Management requirements.* Procedures for managing equipment (including replacement equipment), whether acquired in whole or in part under a Federal award, until disposition takes place will, as a minimum, meet the following requirements:

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

- (1) Property records must be maintained that include a description of the property, a serial number or other identification number, the source of funding for the property (including the FAIN), who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the project costs for the Federal award under which the property was acquired, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property.
- (2) A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years. . . ."

Cause

The School Corporation's management had not developed or implemented a system of internal controls that would have ensured compliance with the equipment requirements.

Effect

The failure to establish an effective internal control system enabled material noncompliance to go undetected. Noncompliance with the grant agreement and the equipment requirements 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 Equipment and Real Property Management compliance requirement.

Views of Responsible Officials

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

FINDING 2017-008

Subject: Child Nutrition Cluster - Procurement and Suspension and Debarment
Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program,
Summer Food Service Program for Children
CFDA Numbers: 10.553, 10.555, 10.559
Federal Award Numbers and Years (or Other Identifying Numbers): FY 2016, FY 2017
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Procurement and Suspension and Debarment
Audit Findings: Material Weakness, Modified Opinion

Condition

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the procurement and suspension and debarment requirements.

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

Procurement

The School Corporation had not established effective controls to ensure that the purchasing method used complied with 2 CFR 200.320.

The School Corporation did not always obtain price or rate quotes from an adequate number of sources for purchases of goods or services exceeding \$3,500, which fell under the small purchase procedures.

Suspension and Debarment

The School Corporation had not established an effective internal control system to ensure compliance with suspension and debarment requirements. There were no controls in place to ensure that vendors were not suspended or debarred from participation in federal programs.

The School Corporation did not perform any procedures to verify that vendors were not suspended or debarred from participation in federal programs before entering into a contract.

Context

The lack of effective controls and noncompliance were systemic issues throughout 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. . . ."

2 CFR 200.303 states in part:

"The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

2 CFR 200.320 states in part:

"The non-Federal entity must use one of the following methods of procurement. . . ."

(b) Procurement by small purchase procedures. Small purchase procedures are those relatively simple and informal procurement methods for securing services, supplies, or other property that do not cost more than the Simplified Acquisition Threshold. If small purchase procedures are used, price or rate quotations must be obtained from an adequate number of qualified sources. . . ."

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

2 CFR 180.300 states:

"When you enter into a covered transaction with another person at the next lower tier, you must verify that the person with whom you intend to do business is not excluded or disqualified.

You do this by:

- (a) Checking SAM Exclusions; or
- (b) Collecting a certification from that person; or
- (c) Adding a clause or condition to the covered transaction with that person."

Cause

The School Corporation's management had not developed a system of internal controls that would have ensured compliance with the procurement and suspension and debarment 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 Procurement and Suspension and Debarment compliance requirement.

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 2015-001

Fiscal year in which the finding initially occurred: 2015
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: IDOE
Contact Person Responsible for Corrective Action: Jerry D Hawkins
Contact Phone Number: (574)258-9591

Finding 2015-001 indicates a lack of oversight, review, or approval process pertaining to employees being paid from Title I funds. The corrective action taken has been to provide the Title I Director a list of employees being paid by the Title I Grant to be reviewed and confirmed after each pay date. This began with the September 8, 2017 payroll.

Finding 2015-001 also indicates a lack of oversight, review, or approval process in regard to the Annual Expenditure Report. The corrective action taken is the Business Office shares the Annual Expenditure Report with the Title I Director and he reviewed it and confirms for accuracy. This was completed for the October 30, 2017 submission of the Annual Expenditure Report.

Jerry D. Hawkins
Executive Director of Business Services





PENN·HARRIS·MADISON

SCHOOL CORPORATION

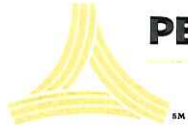
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Finding 2015-002

Fiscal year in which the finding initially occurred: 2015
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: IDOE
Contact Person Responsible for Corrective Action: Jerry D Hawkins
Contact Phone Number: (574)258-9591

Finding 2015-002 indicates a lack of oversight, review, or approval process pertaining to employees being paid from Title II funds. The corrective action taken by the Title II Director is to review and confirm that employees being paid from Title II funds is accurate. This began with the December 1, 2017 payroll.

Jerry D. Hawkins
Executive Director of Business Services



PENN·HARRIS·MADISON

SCHOOL CORPORATION

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Finding 2015-003

Fiscal year in which the finding initially occurred: 2015

Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: IDOE

Contact Person Responsible for Corrective Action: Jerry D Hawkins

Contact Phone Number: (574)258-9591

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. No corrective action has taken place as of June 21, 2018.

Jerry D. Hawkins

Executive Director of Business Services





CORRECTIVE ACTION PLAN

FINDING 2017-001

Contact Person Responsible for Corrective Action: Jerry D. Hawkins
Contact Phone Number: 574-258-9591

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

The business office has put into place internal controls that are detailed and clearly communicated. These procedures will be monitored on a weekly basis. We will prepare and review reports with the Kids Club Program Coordinator on a monthly basis.

Anticipated Completion Date: August 30, 2018

Jerry D. Hawkins
(Signature)

Spec. Dir. of Bus. Svcs.
(Title)

8-30-18
(Date)





CORRECTIVE ACTION PLAN

FINDING 2017-002

Contact Person Responsible for Corrective Action: Jerry D. Hawkins
Contact Phone Number: 574-258-9591

Views of Responsible Official: We concur with the finding

Description of Corrective Action Plan: The Title I Coordinator, Learning Division, and Business Office will work together to ensure we put controls in place and follow all procurement and suspension and debarment procedures.

Anticipated Completion Date: October 31, 2018

Jerry D. Hawkins
(Signature)

Spec Dir of Bus. Svcs.
(Title)

8-30-18
(Date)



CORRECTIVE ACTION PLAN

FINDING 2017-003

Contact Person Responsible for Corrective Action: Jerry D. Hawkins
Contact Phone Number: 574-258-9591

Views of Responsible Official: We concur with the finding

Description of Corrective Action Plan: The Business Office will meet with the Penn High School Principal to review the process for the removal of students from the cohort graduation rate for mobility reasons. We will ensure proper documentation is maintained as well as establishing a periodic review of the documentation.

Anticipated Completion Date: October 31, 2018

Jerry D. Hawkins
(Signature)

Exec Dir of Bus Svcs.
(Title)

8-30-18
(Date)





CORRECTIVE ACTION PLAN

FINDING 2017-004

Contact Person Responsible for Corrective Action: Jerry D. Hawkins
Contact Phone Number: 574-258-9591

Views of Responsible Official: We concur with the finding

Description of Corrective Action Plan: The Business Office will carefully prepare the Maintenance of Effort calculation and have a second person review for accuracy.


Anticipated Completion Date: August 30, 2018



(Signature)



(Title)



(Date)





CORRECTIVE ACTION PLAN

FINDING 2017-005

Contact Person Responsible for Corrective Action: Jerry D. Hawkins
Contact Phone Number: 574-258-9591

Views of Responsible Official: We concur with the finding

Description of Corrective Action Plan:

Eligibility: The Food Service Department will provide documentation that shows a second person is reviewing the appropriate number of eligibility applications. The Food Service Department will also have a second review of the federal income guidelines entered into the software to ensure accuracy.

Program Income: The Food Service Department will provide documentation that shows a second person is reviewing the monthly reconciliation.

Reporting: The Food Service Department will complete a review all reports and claims by a second person before submitting to the appropriate authority.

Special Tests and Provisions: The Food Service Department will review the Paid Lunch Equity calculations by a second person before submitting to the appropriate authority.

Anticipated Completion Date: September 30, 2018

Jerry D. Hawkins
(Signature)

Exec Dir. of Bus Svcs
(Title)

8-30-18
(Date)





CORRECTIVE ACTION PLAN

FINDING 2017-006

Contact Person Responsible for Corrective Action: Jerry D. Hawkins
Contact Phone Number: 574-258-9591

Views of Responsible Official: We concur with the finding

Description of Corrective Action Plan: The Food Service Department will continue to implement a plan to upgrade equipment in various kitchens. The Business Office will review with the Food Service Director semi-annually the financials of the School Lunch Program.

Anticipated Completion Date: August 30, 2018

Jerry D. Hawkins
(Signature)

Spec. Dir. of Bus. Svcs.
(Title)

8-30-18
(Date)



CORRECTIVE ACTION PLAN

FINDING 2017-007

Contact Person Responsible for Corrective Action: Jerry D. Hawkins
Contact Phone Number: 574-258-9591

Views of Responsible Official: We concur with the finding

Description of Corrective Action Plan: The Business Office will hire a third party to perform an inventory. Upon completion, the Business Office will review the report with the Food Service Department to reconcile the report.

Anticipated Completion Date: September 30, 2019



(Signature)



(Title)



(Date)



CORRECTIVE ACTION PLAN

FINDING 2017-008

Contact Person Responsible for Corrective Action: Jerry D. Hawkins
Contact Phone Number: 574-258-9591

Views of Responsible Official: We concur with the finding

Description of Corrective Action Plan: The Food Service Department and Business Office will work together to ensure we put controls in place and follow all procurement and suspension and debarment procedures.

Anticipated Completion Date: August 30, 2018

Jerry D. Hawkins
(Signature)

Exec. Dir. of Bus. Svcs.
(Title)

8-30-18
(Date)

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/>.