

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

FINANCIAL STATEMENT AND  
FEDERAL SINGLE AUDIT REPORT  
OF

BLUFFTON-HARRISON METROPOLITAN SCHOOL DISTRICT  
WELLS COUNTY, INDIANA

July 1, 2012 to June 30, 2014



**FILED**  
06/03/2016



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### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Brad Yates	07-01-12 to 06-30-16
Superintendent of Schools	Wayne Barker	07-01-12 to 06-30-16
President of the School Board	Kent L. Park Daryl L. Elliott Brent Hiday Dawn M. Frauhiger	01-01-12 to 12-31-12 01-01-13 to 12-31-13 01-01-14 to 12-31-15 01-01-16 to 12-31-16



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**INDEPENDENT AUDITOR'S REPORT**

TO: THE OFFICIALS OF THE BLUFFTON-HARRISON METROPOLITAN  
SCHOOL DISTRICT, WELLS COUNTY, INDIANA

***Report on the Financial Statement***

We have audited the accompanying financial statement of the Bluffton-Harrison Metropolitan School District (School Corporation), which comprises the financial position and results of operations for the period of July 1, 2012 to June 30, 2014, and the related notes to the financial statement.

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

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

***Auditor's Responsibility***

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

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

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

INDEPENDENT AUDITOR'S REPORT  
(Continued)

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

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

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

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

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position and results of operations of the School Corporation for the period of July 1, 2012 to June 30, 2014.

***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, 2012 to June 30, 2014, in accordance with the financial reporting provisions of the Indiana State Board of Accounts described in Note 1.

***Other Matters***

*Supplementary Information*

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


*Other Information*

Our audit was conducted for the purpose of forming an opinion on the School Corporation's financial statement. The Combining Schedules of Receipts, Disbursements, Other Financing Sources (Uses), and Cash and Investment Balances - Regulatory Basis, Schedule of 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 April 27, 2016, on our consideration of the School Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School Corporation's internal control over financial reporting and compliance.

  
Paul D. Joyce, CPA  
State Examiner

April 27, 2016



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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 BLUFFTON-HARRISON METROPOLITAN  
SCHOOL DISTRICT, WELLS 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 Bluffton-Harrison Metropolitan School District (School Corporation), which comprises the financial position and results of operations for the period of July 1, 2012 to June 30, 2014, and the related notes to the financial statement, and have issued our report thereon dated April 27, 2016, 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.

Our consideration of the internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as item 2014-001 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***

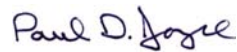
As part of obtaining reasonable assurance about whether the School Corporation's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2014-001.

***Bluffton-Harrison Metropolitan School District'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

April 27, 2016

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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.

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BLUFFTON-HARRISON METROPOLITAN SCHOOL DISTRICT  
STATEMENT OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
REGULATORY BASIS  
For the Years Ended June 30, 2013 and 2014

	Cash and Investments 07-01-12	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-13	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-14
General	\$ 2,151,520	\$ 9,351,961	\$ 9,295,226	\$ (399,995)	\$ 1,808,260	\$ 9,706,274	\$ 9,913,854	\$ 4	\$ 1,600,684
Debt Service	1,322,566	2,221,904	2,800,762	(19,515)	724,193	2,039,237	1,460,389	-	1,303,041
Capital Projects	766,591	1,392,570	1,409,869	(11,316)	737,976	1,408,357	1,397,305	(180,000)	569,028
Transportation Operating	232,976	677,169	603,199	40,446	347,392	666,275	623,482	(32,165)	358,020
School Bus Replacement	112,002	181,427	167,956	(1,493)	123,980	179,915	149,664	-	154,231
Rainy Day	960,939	-	105,877	400,000	1,255,062	41,744	217,222	250,000	1,329,584
School Lunch	55,426	678,093	692,983	5,707	46,243	703,863	682,240	4,503	72,369
Textbook Rental	124,255	179,412	188,214	-	115,453	209,169	209,731	-	114,891
Levy Excess	35,657	10,300	-	(8,122)	37,835	-	-	(37,835)	-
Child Care Program	42,461	61,965	71,414	-	33,012	54,791	41,782	-	46,021
Education License Plates	7,063	337	-	-	7,400	244	-	-	7,644
School Safe Haven	71	-	71	-	-	-	-	-	-
Scholarship Awards	461	-	-	-	461	-	-	-	461
Designated Gift	682	2,652	2,250	-	1,084	-	-	-	1,084
Gift-Skills Clinic	5,003	5,601	5,000	-	5,604	399	5,999	-	4
Foundation Grants	116	2,201	62	-	2,255	4,499	3,992	-	2,762
Gift-Under Resourced Students	90	-	-	-	90	-	90	-	-
Instruction Support	-	-	-	-	-	19,066	14,077	-	4,989
Gifted and Talented 2011-12	13,355	-	13,355	-	-	-	-	-	-
High Ability Grant 2012-13	-	28,854	22,016	-	6,838	-	6,838	-	-
Secured Schools Safety Grant	-	-	-	-	-	-	39,060	-	(39,060)
Non-English Speaking Programs P.L. 273-1999	-	2,545	2,545	-	-	-	-	-	-
Non-English Speaking Programs 10-8445	1,817	-	1,817	-	-	-	-	-	-
Non-English Speaking Programs 2013-14	-	-	-	-	-	1,999	1,999	-	-
School Technology	4,172	7,624	9,785	-	2,011	4,661	5,027	-	1,645
Performance Based Awards	-	-	-	-	-	62,500	62,500	-	-
Technology Planning Grant	1	-	1	-	-	-	-	-	-
Senator David Ford Technology	-	-	-	-	-	80,506	80,506	-	-
Title I	-	-	-	-	-	190,782	193,328	-	(2,546)
Title I 2011-12	-	5,055	5,055	-	-	-	-	-	-
Title I 2012-13	-	214,753	219,990	-	(5,237)	9,214	3,977	-	-
Project Lead the Way 2010-11	1	-	1	-	-	-	-	-	-
Project Lead the Way 10-8445	1	-	1	-	-	-	-	-	-
Indiana Pathway-Tech Prep Grant	-	8,452	8,452	-	-	-	-	-	-
Special Populations in CTE Grant	-	6,670	6,670	-	-	-	-	-	-
Area 18 Vocational FY 2013	-	305,592	330,433	-	(24,841)	31,487	6,646	-	-
Area 18 Vocational FY 2011	-	-	-	-	-	293,082	325,532	-	(32,450)
Area 18 Vocational FY 2012	-	71,776	71,776	-	-	-	-	-	-
Title II Part A FY 2011	-	48,108	48,108	-	-	-	-	-	-
Title II Part A FY 2013	-	-	-	-	-	43,344	43,344	-	-
Title II Part A FY 2012	-	15,011	16,642	-	(1,631)	34,991	33,860	-	(500)
Title III - English Proficiency	1,869	-	1,869	-	-	-	-	-	-
Title III - English Proficiency 2010-11	3,249	-	3,246	-	3	-	3	-	-
Title III - English Proficiency 2012-13	-	763	1,202	-	(439)	2,590	2,653	-	(502)
Education Jobs	-	6,046	6,046	-	-	-	-	-	-
Payroll Clearing	-	2,565,024	2,511,468	-	53,556	2,921,074	2,915,180	-	59,450
Totals	<u>\$ 5,842,344</u>	<u>\$ 18,051,865</u>	<u>\$ 18,623,361</u>	<u>\$ 5,712</u>	<u>\$ 5,276,560</u>	<u>\$ 18,710,063</u>	<u>\$ 18,440,280</u>	<u>\$ 4,507</u>	<u>\$ 5,550,850</u>

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

BLUFFTON-HARRISON METROPOLITAN SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENT

**Note 1. Summary of Significant Accounting Policies**

**A. Reporting Entity**

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

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

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

**B. Basis of Accounting**

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

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

**C. Cash and Investments**

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

**D. Receipts**

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

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

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

BLUFFTON-HARRISON METROPOLITAN SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENT  
(Continued)

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

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

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

*E. Disbursements*

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

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

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

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

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

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

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

*F. Other Financing Sources and Uses*

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

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

BLUFFTON-HARRISON METROPOLITAN SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENT  
(Continued)

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

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

**G. Fund Accounting**

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

**Note 2. Budgets**

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

**Note 3. Property Taxes**

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

**Note 4. Deposits and Investments**

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



BLUFFTON-HARRISON METROPOLITAN SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENT  
(Continued)

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

**Note 5. Risk Management**

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

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

BLUFFTON-HARRISON METROPOLITAN SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENT  
(Continued)

*B. Teachers' Retirement Fund*

*Plan Description*

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

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

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

*Funding Policy and Annual Pension Cost*

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

**Note 7. Cash Balance Deficits**

The financial statement contains some funds with deficits in cash. This is a result of the funds being set up for reimbursable grants. The reimbursement for expenditures made by the School Corporation were not received by June 30<sup>th</sup> for 2013 and 2014.

**Note 8. Holding Corporations**

The School Corporation has entered into capital leases with Bluffton-Harrison Middle School Building Corporation and Bluffton-Harrison 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 a related party of the School Corporation. Lease payments during the fiscal years 2012-2013 and 2013-2014 totaled \$2,418,500 and \$1,053,500, respectively.

BLUFFTON-HARRISON METROPOLITAN SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENT  
(Continued)

**Note 9. Subsequent Events**

On August 4, 2014, the School Corporation entered into a lease with Bluffton-Harrison Middle School Building Corporation to lease a portion of the Bluffton-Harrison Elementary School. The lease provided funds to pay for the Elementary HVAC Project. The lease has a repayment period of twelve years with total payments scheduled to be \$2,333,567.

On December 15, 2014, the School Corporation entered into a lease with Bluffton-Harrison Middle School Building Corporation to lease a portion of the Bluffton-Harrison Elementary School. The lease provided funds to pay for the Elementary Renovation Project and to refinance the capital lease with the Bluffton-Harrison High School Holding Corporation. The lease has a repayment period of 15 years with total payments scheduled to be \$21,842,074.

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#### OTHER INFORMATION - UNAUDITED

The School Corporation's Financial Reports can be found on the Indiana Department of Education website: <http://mustang.doe.state.in.us/TRENDS/fin.cfm>. This website is maintained by the Indiana Department of Education. More current financial information is available from the School Corporation Treasurer's Office. Additionally, some financial information of the School Corporation can be found on the Gateway website: <https://gateway.ifionline.org/>.

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

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

BLUFFTON-HARRISON METROPOLITAN SCHOOL DISTRICT  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2013

	General	Debt Service	Capital Projects	Transportation Operating	School Bus Replacement	Rainy Day	School Lunch	Textbook Rental
Cash and investments - beginning	\$ 2,151,520	\$ 1,322,566	\$ 766,591	\$ 232,976	\$ 112,002	\$ 960,939	\$ 55,426	\$ 124,255
Receipts:								
Local sources	230,313	2,221,904	1,392,042	660,417	181,427	-	323,938	113,016
Intermediate sources	7	-	-	-	-	-	-	-
State sources	9,103,500	-	-	-	-	-	7,306	51,560
Federal sources	-	-	-	-	-	-	341,180	-
Other	18,141	-	528	16,752	-	-	5,669	14,836
Total receipts	9,351,961	2,221,904	1,392,570	677,169	181,427	-	678,093	179,412
Disbursements:								
Current:								
Instruction	6,485,320	-	-	-	-	56,520	-	-
Support services	2,579,050	-	973,713	603,199	167,956	49,357	-	188,214
Noninstructional services	226,280	-	-	-	-	-	692,983	-
Facilities acquisition and construction	4,576	-	436,156	-	-	-	-	-
Debt services	-	2,800,762	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	9,295,226	2,800,762	1,409,869	603,199	167,956	105,877	692,983	188,214
Excess (deficiency) of receipts over disbursements	56,735	(578,858)	(17,299)	73,970	13,471	(105,877)	(14,890)	(8,802)
Other financing sources (uses):								
Sale of capital assets	5	-	-	-	-	-	5,707	-
Transfers in	-	-	-	45,957	-	400,000	-	-
Transfers out	(400,000)	(19,515)	(11,316)	(5,511)	(1,493)	-	-	-
Total other financing sources (uses)	(399,995)	(19,515)	(11,316)	40,446	(1,493)	400,000	5,707	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(343,260)	(598,373)	(28,615)	114,416	11,978	294,123	(9,183)	(8,802)
Cash and investments - ending	\$ 1,808,260	\$ 724,193	\$ 737,976	\$ 347,392	\$ 123,980	\$ 1,255,062	\$ 46,243	\$ 115,453

BLUFFTON-HARRISON METROPOLITAN SCHOOL DISTRICT  
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
REGULATORY BASIS  
For the Year Ended June 30, 2013  
(Continued)

	Levy Excess	Child Care Program	Education License Plates	School Safe Haven	Scholarship Awards	Designated Gift	Gift-Skills Clinic	Foundation Grants
Cash and investments - beginning	\$ 35,657	\$ 42,461	\$ 7,063	\$ 71	\$ 461	\$ 682	\$ 5,003	\$ 116
Receipts:								
Local sources	-	61,965	-	-	-	2,652	5,601	2,201
Intermediate sources	-	-	337	-	-	-	-	-
State sources	10,300	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total receipts	10,300	61,965	337	-	-	2,652	5,601	2,201
Disbursements:								
Current:								
Instruction	-	13,435	-	-	-	2,250	5,000	62
Support services	-	-	-	71	-	-	-	-
Noninstructional services	-	32,797	-	-	-	-	-	-
Facilities acquisition and construction	-	25,182	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	-	71,414	-	71	-	2,250	5,000	62
Excess (deficiency) of receipts over disbursements	10,300	(9,449)	337	(71)	-	402	601	2,139
Other financing sources (uses):								
Sale of capital assets	-	-	-	-	-	-	-	-
Transfers in	37,835	-	-	-	-	-	-	-
Transfers out	(45,957)	-	-	-	-	-	-	-
Total other financing sources (uses)	(8,122)	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	2,178	(9,449)	337	(71)	-	402	601	2,139
Cash and investments - ending	\$ 37,835	\$ 33,012	\$ 7,400	\$ -	\$ 461	\$ 1,084	\$ 5,604	\$ 2,255

BLUFFTON-HARRISON METROPOLITAN SCHOOL DISTRICT  
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
REGULATORY BASIS  
For the Year Ended June 30, 2013  
(Continued)

	Gift-Under Resourced Students	Instruction Support	Gifted and Talented 2011-12	High Ability Grant 2012-13	Secured Schools Safety Grant	Non-English Speaking Programs P.L. 273-1999	Non-English Speaking Programs 10-8445	Non-English Speaking Programs 2013-14
Cash and investments - beginning	\$ 90	\$ -	\$ 13,355	\$ -	\$ -	\$ -	\$ 1,817	\$ -
Receipts:								
Local sources	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	-	-	28,854	-	2,545	-	-
Federal sources	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total receipts	-	-	-	28,854	-	2,545	-	-
Disbursements:								
Current:								
Instruction	-	-	13,195	22,016	-	2,545	834	-
Support services	-	-	160	-	-	-	983	-
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	-	-	13,355	22,016	-	2,545	1,817	-
Excess (deficiency) of receipts over disbursements	-	-	(13,355)	6,838	-	-	(1,817)	-
Other financing sources (uses):								
Sale of capital assets	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	(13,355)	6,838	-	-	(1,817)	-
Cash and investments - ending	\$ 90	\$ -	\$ -	\$ 6,838	\$ -	\$ -	\$ -	\$ -



BLUFFTON-HARRISON METROPOLITAN SCHOOL DISTRICT  
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
REGULATORY BASIS  
For the Year Ended June 30, 2013  
(Continued)

	School Technology	Performance Based Awards	Technology Planning Grant	Senator David Ford Technology	Title I	Title I 2011-12	Title I 2012-13	Project Lead the Way 2010-11
Cash and investments - beginning	\$ 4,172	\$ -	\$ 1	\$ -	\$ -	\$ -	\$ -	\$ 1
Receipts:								
Local sources	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	7,624	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	5,055	214,753	-
Other	-	-	-	-	-	-	-	-
Total receipts	7,624	-	-	-	-	5,055	214,753	-
Disbursements:								
Current:								
Instruction	-	-	-	-	-	4,555	219,090	1
Support services	9,785	-	1	-	-	500	900	-
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	9,785	-	1	-	-	5,055	219,990	1
Excess (deficiency) of receipts over disbursements	(2,161)	-	(1)	-	-	-	(5,237)	(1)
Other financing sources (uses):								
Sale of capital assets	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(2,161)	-	(1)	-	-	-	(5,237)	(1)
Cash and investments - ending	\$ 2,011	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (5,237)	\$ -

BLUFFTON-HARRISON METROPOLITAN SCHOOL DISTRICT  
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
REGULATORY BASIS  
For the Year Ended June 30, 2013  
(Continued)

	Project Lead the Way 10-8445	Indiana Pathway-Tech Prep Grant	Special Populations in CTE Grant	Area 18 Vocational FY 2013	Area 18 Vocational FY 2011	Area 18 Vocational FY 2012	Title II Part A FY 2011	Title II Part A FY 2013
Cash and investments - beginning	\$ 1	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Receipts:								
Local sources	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-
Federal sources	-	8,452	6,670	305,592	-	71,776	48,108	-
Other	-	-	-	-	-	-	-	-
Total receipts	-	8,452	6,670	305,592	-	71,776	48,108	-
Disbursements:								
Current:								
Instruction	1	8,452	6,670	330,433	-	71,776	47,108	-
Support services	-	-	-	-	-	-	1,000	-
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	1	8,452	6,670	330,433	-	71,776	48,108	-
Excess (deficiency) of receipts over disbursements	(1)	-	-	(24,841)	-	-	-	-
Other financing sources (uses):								
Sale of capital assets	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(1)	-	-	(24,841)	-	-	-	-
Cash and investments - ending	\$ -	\$ -	\$ -	\$ (24,841)	\$ -	\$ -	\$ -	\$ -

BLUFFTON-HARRISON METROPOLITAN SCHOOL DISTRICT  
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
REGULATORY BASIS  
For the Year Ended June 30, 2013  
(Continued)

	Title II Part A FY 2012	Title III - English Proficiency	Title III - English Proficiency 2010-11	Title III - English Proficiency 2012-13	Education Jobs	Payroll Clearing	Totals
Cash and investments - beginning	\$ -	\$ 1,869	\$ 3,249	\$ -	\$ -	\$ -	\$ 5,842,344
Receipts:							
Local sources	-	-	-	-	-	-	5,195,476
Intermediate sources	-	-	-	-	-	-	344
State sources	-	-	-	763	-	-	9,212,452
Federal sources	15,011	-	-	-	6,046	-	1,022,643
Other	-	-	-	-	-	2,565,024	2,620,950
Total receipts	15,011	-	-	763	6,046	2,565,024	18,051,865
Disbursements:							
Current:							
Instruction	16,642	1,869	3,246	-	6,046	-	7,317,066
Support services	-	-	-	1,202	-	-	4,576,091
Noninstructional services	-	-	-	-	-	-	952,060
Facilities acquisition and construction	-	-	-	-	-	-	465,914
Debt services	-	-	-	-	-	-	2,800,762
Nonprogrammed charges	-	-	-	-	-	2,511,468	2,511,468
Total disbursements	16,642	1,869	3,246	1,202	6,046	2,511,468	18,623,361
Excess (deficiency) of receipts over disbursements	(1,631)	(1,869)	(3,246)	(439)	-	53,556	(571,496)
Other financing sources (uses):							
Sale of capital assets	-	-	-	-	-	-	5,712
Transfers in	-	-	-	-	-	-	483,792
Transfers out	-	-	-	-	-	-	(483,792)
Total other financing sources (uses)	-	-	-	-	-	-	5,712
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(1,631)	(1,869)	(3,246)	(439)	-	53,556	(565,784)
Cash and investments - ending	\$ (1,631)	\$ -	\$ 3	\$ (439)	\$ -	\$ 53,556	\$ 5,276,560

BLUFFTON-HARRISON METROPOLITAN SCHOOL DISTRICT  
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
REGULATORY BASIS  
For the Year Ended June 30, 2014

	General	Debt Service	Capital Projects	Transportation Operating	School Bus Replacement	Rainy Day	School Lunch	Textbook Rental
Cash and investments - beginning	\$ 1,808,260	\$ 724,193	\$ 737,976	\$ 347,392	\$ 123,980	\$ 1,255,062	\$ 46,243	\$ 115,453
Receipts:								
Local sources	315,483	2,039,237	1,397,398	653,231	179,915	41,744	320,651	116,194
Intermediate sources	15	-	-	-	-	-	-	-
State sources	9,371,236	-	-	-	-	-	7,341	52,930
Federal sources	-	-	-	-	-	-	370,041	-
Other	19,540	-	10,959	13,044	-	-	5,830	40,045
Total receipts	9,706,274	2,039,237	1,408,357	666,275	179,915	41,744	703,863	209,169
Disbursements:								
Current:								
Instruction	6,575,193	-	-	-	-	68,046	-	-
Support services	3,081,621	-	748,153	623,482	149,664	149,176	-	209,731
Noninstructional services	250,059	-	-	-	-	-	682,240	-
Facilities acquisition and construction	6,981	-	649,152	-	-	-	-	-
Debt services	-	1,460,389	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	9,913,854	1,460,389	1,397,305	623,482	149,664	217,222	682,240	209,731
Excess (deficiency) of receipts over disbursements	(207,580)	578,848	11,052	42,793	30,251	(175,478)	21,623	(562)
Other financing sources (uses):								
Sale of capital assets	4	-	-	-	-	-	4,503	-
Transfers in	-	-	-	37,835	-	250,000	-	-
Transfers out	-	-	(180,000)	(70,000)	-	-	-	-
Total other financing sources (uses)	4	-	(180,000)	(32,165)	-	250,000	4,503	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(207,576)	578,848	(168,948)	10,628	30,251	74,522	26,126	(562)
Cash and investments - ending	\$ 1,600,684	\$ 1,303,041	\$ 569,028	\$ 358,020	\$ 154,231	\$ 1,329,584	\$ 72,369	\$ 114,891

BLUFFTON-HARRISON METROPOLITAN SCHOOL DISTRICT  
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
REGULATORY BASIS  
For the Year Ended June 30, 2014  
(Continued)

	Levy Excess	Child Care Program	Education License Plates	School Safe Haven	Scholarship Awards	Designated Gift	Gift-Skills Clinic	Foundation Grants
Cash and investments - beginning	\$ 37,835	\$ 33,012	\$ 7,400	\$ -	\$ 461	\$ 1,084	\$ 5,604	\$ 2,255
Receipts:								
Local sources	-	54,791	-	-	-	-	399	4,499
Intermediate sources	-	-	244	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total receipts	-	54,791	244	-	-	-	399	4,499
Disbursements:								
Current:								
Instruction	-	9,986	-	-	-	-	4,999	3,992
Support services	-	-	-	-	-	-	1,000	-
Noninstructional services	-	31,796	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	-	41,782	-	-	-	-	5,999	3,992
Excess (deficiency) of receipts over disbursements	-	13,009	244	-	-	-	(5,600)	507
Other financing sources (uses):								
Sale of capital assets	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Transfers out	(37,835)	-	-	-	-	-	-	-
Total other financing sources (uses)	(37,835)	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(37,835)	13,009	244	-	-	-	(5,600)	507
Cash and investments - ending	\$ -	\$ 46,021	\$ 7,644	\$ -	\$ 461	\$ 1,084	\$ 4	\$ 2,762

BLUFFTON-HARRISON METROPOLITAN SCHOOL DISTRICT  
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
REGULATORY BASIS  
For the Year Ended June 30, 2014  
(Continued)

	Gift-Under Resourced Students	Instruction Support	Gifted and Talented 2011-12	High Ability Grant 2012-13	Secured Schools Safety Grant	Non-English Speaking Programs P.L. 273-1999	Non-English Speaking Programs 10-8445	Non-English Speaking Programs 2013-14
Cash and investments - beginning	\$ 90	\$ -	\$ -	\$ 6,838	\$ -	\$ -	\$ -	\$ -
Receipts:								
Local sources	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	19,066	-	-	-	-	-	1,999
Federal sources	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total receipts	-	19,066	-	-	-	-	-	1,999
Disbursements:								
Current:								
Instruction	90	14,077	-	4,700	-	-	-	1,999
Support services	-	-	-	2,138	39,060	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	90	14,077	-	6,838	39,060	-	-	1,999
Excess (deficiency) of receipts over disbursements	(90)	4,989	-	(6,838)	(39,060)	-	-	-
Other financing sources (uses):								
Sale of capital assets	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(90)	4,989	-	(6,838)	(39,060)	-	-	-
Cash and investments - ending	\$ -	\$ 4,989	\$ -	\$ -	\$ (39,060)	\$ -	\$ -	\$ -

BLUFFTON-HARRISON METROPOLITAN SCHOOL DISTRICT  
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
REGULATORY BASIS  
For the Year Ended June 30, 2014  
(Continued)

	School Technology	Performance Based Awards	Technology Planning Grant	Senator David Ford Technology	Title I	Title I 2011-12	Title I 2012-13	Project Lead the Way 2010-11
Cash and investments - beginning	\$ 2,011	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (5,237)	\$ -
Receipts:								
Local sources	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	4,661	62,500	-	80,506	-	-	-	-
Federal sources	-	-	-	-	190,782	-	9,214	-
Other	-	-	-	-	-	-	-	-
Total receipts	4,661	62,500	-	80,506	190,782	-	9,214	-
Disbursements:								
Current:								
Instruction	-	62,500	-	-	193,328	-	3,977	-
Support services	5,027	-	-	80,506	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	5,027	62,500	-	80,506	193,328	-	3,977	-
Excess (deficiency) of receipts over disbursements	(366)	-	-	-	(2,546)	-	5,237	-
Other financing sources (uses):								
Sale of capital assets	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(366)	-	-	-	(2,546)	-	5,237	-
Cash and investments - ending	\$ 1,645	\$ -	\$ -	\$ -	\$ (2,546)	\$ -	\$ -	\$ -

BLUFFTON-HARRISON METROPOLITAN SCHOOL DISTRICT  
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
REGULATORY BASIS  
For the Year Ended June 30, 2014  
(Continued)

	Project Lead the Way 10-8445	Indiana Pathway-Tech Prep Grant	Special Populations in CTE Grant	Area 18 Vocational FY 2013	Area 18 Vocational FY 2011	Area 18 Vocational FY 2012	Title II Part A FY 2011	Title II Part A FY 2013
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ (24,841)	\$ -	\$ -	\$ -	\$ -
Receipts:								
Local sources	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-
Federal sources	-	-	-	31,487	293,082	-	-	43,344
Other	-	-	-	-	-	-	-	-
Total receipts	-	-	-	31,487	293,082	-	-	43,344
Disbursements:								
Current:								
Instruction	-	-	-	6,646	325,532	-	-	43,344
Support services	-	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	-	-	-	6,646	325,532	-	-	43,344
Excess (deficiency) of receipts over disbursements	-	-	-	24,841	(32,450)	-	-	-
Other financing sources (uses):								
Sale of capital assets	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	-	24,841	(32,450)	-	-	-
Cash and investments - ending	\$ -	\$ -	\$ -	\$ -	\$ (32,450)	\$ -	\$ -	\$ -



BLUFFTON-HARRISON METROPOLITAN SCHOOL DISTRICT  
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
REGULATORY BASIS  
For the Year Ended June 30, 2014  
(Continued)

	Title II Part A FY 2012	Title III - English Proficiency	Title III - English Proficiency 2010-11	Title III - English Proficiency 2012-13	Education Jobs	Payroll Clearing	Totals
Cash and investments - beginning	\$ (1,631)	\$ -	\$ 3	\$ (439)	\$ -	\$ 53,556	\$ 5,276,560
Receipts:							
Local sources	-	-	-	-	-	-	5,123,542
Intermediate sources	-	-	-	-	-	-	259
State sources	-	-	-	2,590	-	-	9,602,829
Federal sources	34,991	-	-	-	-	-	972,941
Other	-	-	-	-	-	2,921,074	3,010,492
Total receipts	34,991	-	-	2,590	-	2,921,074	18,710,063
Disbursements:							
Current:							
Instruction	30,360	-	3	-	-	-	7,348,772
Support services	3,500	-	-	2,653	-	-	5,095,711
Noninstructional services	-	-	-	-	-	-	964,095
Facilities acquisition and construction	-	-	-	-	-	-	656,133
Debt services	-	-	-	-	-	-	1,460,389
Nonprogrammed charges	-	-	-	-	-	2,915,180	2,915,180
Total disbursements	33,860	-	3	2,653	-	2,915,180	18,440,280
Excess (deficiency) of receipts over disbursements	1,131	-	(3)	(63)	-	5,894	269,783
Other financing sources (uses):							
Sale of capital assets	-	-	-	-	-	-	4,507
Transfers in	-	-	-	-	-	-	287,835
Transfers out	-	-	-	-	-	-	(287,835)
Total other financing sources (uses)	-	-	-	-	-	-	4,507
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	1,131	-	(3)	(63)	-	5,894	274,290
Cash and investments - ending	\$ (500)	\$ -	\$ -	\$ (502)	\$ -	\$ 59,450	\$ 5,550,850

BLUFFTON-HARRISON METROPOLITAN SCHOOL DISTRICT  
SCHEDULE OF LEASES AND DEBT  
June 30, 2014

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities:				
Bluffton-Harrison High School Building Corporation	High School building	\$ 1,370,000	8/1/2005	2/1/2021
Bluffton-Harrison Middle School Building Corporation	HVAC Project	191,500	12/31/2008	12/31/2023
Bluffton-Harrison Middle School Building Corporation	Transportation Building/Stadium	133,000	7/15/2011	1/15/2023
Apple Inc.	Computer hardware	<u>258,617</u>	6/29/2012	1/5/2016
Total of annual lease payments		<u><u>\$ 1,953,117</u></u>		

Description of Debt		Ending Principal Balance	Principal and Interest Due Within One Year
Type	Purpose		
Governmental activities:			
Notes and loans payable	Common School Loan	<u><u>\$ 538,034</u></u>	<u><u>\$ 374,041</u></u>

BLUFFTON-HARRISON METROPOLITAN SCHOOL DISTRICT  
SCHEDULE OF CAPITAL ASSETS  
June 30, 2014

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.

	Ending Balance
Governmental activities:	
Land	\$ 227,600
Buildings	23,881,065
Machinery, equipment, and vehicles	<u>5,270,780</u>
Total capital assets	<u><u>\$ 29,379,445</u></u>

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SUPPLEMENTAL AUDIT OF  
FEDERAL AWARDS



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

TO: THE OFFICIALS OF THE BLUFFTON-HARRISON METROPOLITAN  
SCHOOL DISTRICT, WELLS COUNTY, INDIANA

***Report on Compliance for Each Major Federal Program***

We have audited the Bluffton-Harrison Metropolitan School District's (School Corporation) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the period of July 1, 2012 to June 30, 2014. The School Corporation's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

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

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

***Opinion on Each Major Federal Program***

In our opinion, the School Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the period of July 1, 2012 to June 30, 2014.

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

***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2014-002. 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.

This report replaces the previously issued Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance dated February 18, 2015. The Schedule of Expenditures of Federal Awards has been revised to correct a misstatement. This correction changed the determination of the major programs. The Special Education Cluster (IDEA) was also audited as a major program due to the change.

***Report on Internal Control Over Compliance***

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


Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2014-002 to be a material weakness.

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

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

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

  
Paul D. Joyce, CPA  
State Examiner

April 27, 2016



#### 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.

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BLUFFTON-HARRISON METROPOLITAN SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Years Ended June 30, 2013 and June 30, 2014

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 06-30-13	Total Federal Awards Expended 06-30-14
<u>Department of Agriculture</u>					
Child Nutrition Cluster					
School Breakfast Program	Indiana Department of Education	10.553	FY12-13 FY13-14	\$ 43,197 -	\$ - 43,603
Total - School Breakfast Program				43,197	43,603
National School Lunch Program	Indiana Department of Education	10.555	FY12-13 FY13-14	342,036 -	- 380,757
Total - National School Lunch Program				342,036	380,757
Total - Child Nutrition Cluster				385,233	424,360
Total - Department of Agriculture				385,233	424,360
<u>Department of Education</u>					
Title I, Part A Cluster					
Title I Grants to Local Educational Agencies	Indiana Department of Education	84.010	12-8445 13-8445 14-8445	5,055 214,753 -	- 9,214 190,782
Total - Title I, Part A Cluster				219,808	199,996
Special Education Cluster (IDEA)					
Special Education - Grants to States	Indiana Department of Education	84.027	14213-001-PN01 14214-001-PN01 99914-001-TA01	219,534 - -	102,701 226,175 5,023
Total - Special Education - Grants to States				219,534	333,899

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

BLUFFTON-HARRISON METROPOLITAN SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Years Ended June 30, 2013 and June 30, 2014  
(Continued)

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 06-30-13	Total Federal Awards Expended 06-30-14
<u>Department of Education (continued)</u>					
Special Education Cluster (IDEA) (continued)					
Special Education - Preschool Grants	Indiana Department of Education	84.173			
			14713-001-PN01	5,869	4,729
			45714-001-PN01	-	8,729
				<u>5,869</u>	<u>13,458</u>
Total - Special Education - Preschool Grants				<u>5,869</u>	<u>13,458</u>
Total - Special Education Cluster (IDEA)				<u>225,403</u>	<u>347,357</u>
Career and Technical Education - Basic Grants to States	Indiana Department of Education	84.048			
			12-4700-8445	78,446	-
			13-4700-8445	305,592	31,487
			14-4700-8445	-	293,082
				<u>384,038</u>	<u>324,569</u>
Total - Career and Technical Education - Basic Grants to States				<u>384,038</u>	<u>324,569</u>
Tech-Prep Education	Indiana Department of Education	84.243			
			C1-10PLTW-8-719	8,452	-
English Language Acquisition State Grants	Dekalb County Central United School District	84.365			
			FY09-10	1,870	-
			FY12-13	763	2,590
				<u>2,633</u>	<u>2,590</u>
Total - English Language Acquisition State Grants				<u>2,633</u>	<u>2,590</u>
Improving Teacher Quality State Grants	Indiana Department of Education	84.367			
			11-8445	48,108	-
			12-8445	15,011	34,991
			13-8445	-	43,344
				<u>63,119</u>	<u>78,335</u>
Total - Improving Teacher Quality State Grants				<u>63,119</u>	<u>78,335</u>
Education Jobs Fund	Indiana Department of Education	84.410			
			FY11-12	6,046	-
Total - Department of Education				<u>909,499</u>	<u>952,847</u>
Total federal awards expended				<u>\$ 1,294,732</u>	<u>\$ 1,377,207</u>

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

BLUFFTON-HARRISON METROPOLITAN SCHOOL DISTRICT  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**Note 1. Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the School Corporation and is presented in accordance with the cash and investment basis of accounting used in the preparation of the financial statement. Accordingly, the amount of federal awards expended is based on when the disbursement related to the award occurs except when the federal award is received on a reimbursement basis. In these instances the federal awards are considered expended when the reimbursement is received.

Circular A-133 requires an annual audit of nonfederal entities expending a total amount of federal awards equal to or in excess of \$500,000 in any fiscal year unless by constitution or statute a less frequent audit is required. In accordance with Indiana Code (IC 5-11-1-25), audits of school corporations shall be conducted biennially. Such audits shall include both years within the biennial period.

**Note 2. Subrecipients**

Of the federal expenditures presented in the schedule, the School Corporation provided federal awards to subrecipients as follows for the years ended June 30, 2013 and 2014:

Program Title	Federal CFDA Number	For the Year Ended June 30, 2013	For the Year Ended June 30, 2014
Career and Technical Education - Basic Grants to States	84.048	\$ 250,398	\$ 251,375

**Note 3. Noncash Assistance**

The School Corporation expended the following amount of noncash assistance for the years ending June 30, 2013 and 2014. This noncash assistance is also included in the federal expenditures presented in the schedule.

Program Title	Federal CFDA Number	For the Year Ended June 30, 2013	For the Year Ended June 30, 2014
Child Nutrition Cluster: Food Commodities: National School Lunch Program	10.555	\$ 44,053	\$ 54,319

BLUFFTON-HARRISON METROPOLITAN SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**Section I - Summary of Auditor's Results**

Financial Statement:

Type of auditor's report issued:	Adverse as to GAAP; Unmodified as to Regulatory Basis
Internal control over financial reporting:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Noncompliance material to financial statement noted?	yes

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?	yes

Identification of Major Programs:

Name of Federal Program or Cluster

Child Nutrition Cluster  
Title I, Part A Cluster  
Special Education Cluster (IDEA)

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

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

**Section II - Financial Statement Findings**

**FINDING 2014-001 - INTERNAL CONTROLS OVER THE PREPARATION  
OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

The School Corporation did not have a proper system of internal control in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA). The School Corporation should have proper controls in place over the preparation of the SEFA to ensure accurate reporting of federal awards. Without a proper system of internal control in place that operates effectively, material misstatements of the SEFA could remain undetected.

BLUFFTON-HARRISON METROPOLITAN SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

During the audit of the SEFA, we noted the following errors for the 2012-2013 school year: School Breakfast Program and National School Lunch Program, including Commodities, 42 were omitted totaling \$385,233, Title I Grants to Local Educational Agencies was underreported by \$50,895, Career and Technical Education - Basic Grants to States was underreported by \$71,776, Tech-Prep Education was underreported by \$8,452, English Language Acquisition State Grants was underreported by \$2,633, and the Education Jobs Fund was underreported by \$6,046. We noted the following errors for the 2013-2014 school year: School Breakfast Program and National School Lunch Program, including Commodities, were omitted totaling \$424,360 and nonfederal funds were listed resulting in the schedule being overreported by \$176,002. Audit adjustments were proposed, accepted by the School Corporation, and made to the SEFA presented in this report.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets, and all forms of information processing are necessary for proper internal control.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

OMB Circular A-133, Subpart C, section .300 states in part: "The auditee shall: . . . (d) Prepare appropriate financial statements, including the schedule of expenditures of Federal Awards in accordance with section .310."

OMB Circular A-133, Subpart C, section .310(b) states:

"Schedule of expenditures of Federal awards: The auditee shall also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple award years, the auditee may list the amount of Federal awards expended for each award year separately. At a minimum, the schedule shall:

- (1) List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For R&D, total Federal awards expended shall be shown either by individual award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included.
- (3) Provide the total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.

BLUFFTON-HARRISON METROPOLITAN SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

- (4) Include notes that describe the significant accounting policies used in preparing the schedule.
- (5) To the extent practical, pass-through entities should identify in the schedule the total amount provided to subrecipients from each Federal program.
- (6) Include, in either the schedule or a note to the schedule, the value of the Federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end. While not required, it is preferable to present this information in the schedule."

***Section III - Federal Award Findings and Questioned Costs***

***FINDING 2014-002 - ALLOWABLE COSTS/COST PRINCIPLES***

Federal Agency: Department of Education  
Federal Program: Title I Grants to Local Educational Agencies  
CFDA Number: 84.010  
Federal Award Number and Year: 12-8445, 13-8445, and 14-8445  
Pass-Through Entity: Indiana Department of Education

One of the requirements for Title I Grant funding is the maintenance of time and effort logs to document employees that are paid from both Title I Grant funds and other funds for various functions. The School Corporation did not maintain these logs until April of 2014. In prior program years, there were no employees that met the requirement for maintaining time and effort logs. During the current program year, two employees were budgeted to be paid from both the School Corporation's General fund and Title I Grant funding. These two employees should have maintained time and effort logs to document the amount of their time spent on Title I activities versus their time spent on other activities. The Title I Director did not require them to maintain these logs nor did the School Corporation's internal control system detect the noncompliance of maintaining them.

An internal control system, including segregation of duties, should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement, or a type of compliance requirement of a federal program will be prevented, or detected and corrected, on a timely basis. In order to have an effective internal control system, it is important to have proper segregation of duties. This is accomplished by making sure proper oversight, reviews, and approvals take place and to have a separation of functions over certain activities related to the program. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same activity.

34 CFR 80.22 states:

"(a) *Limitation on use of funds.* Grant funds may be used only for:

- (1) The allowable costs of the grantees, subgrantees and cost-type contractors, including allowable costs in the form of payments to fixed-price contractors; and
- (2) Reasonable fees or profit to cost type contractors but not any fee or profit (or other increment above allowable costs) to the grantee or subgrantee.



BLUFFTON-HARRISON METROPOLITAN SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

(b) For each kind of organization, there is a set of Federal principles for determining allowable costs. For the costs of a State, local, or Indian tribal government, the Secretary applies the cost principles in OMB Circular A-87, as amended on June 9, 1987."

OMB Circular A-87, Attachment B, Section 8(h), states in part:

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

(4) Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection (5) unless a statistical sampling system (see subsection (6)) or other substitute system has been approved by the cognizant Federal agency. Such documentary support will be required where employees work on:

- (a) More than one Federal award,
- (b) A Federal award and a non Federal award,
- (c) An indirect cost activity and a direct cost activity,
- (d) Two or more indirect activities which are allocated using different allocation bases, or
- (e) An unallowable activity and a direct or indirect cost activity. . . ."

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."

Lack of time and effort logs could cause payroll to be charged to Title I programs without proper evidence of employees working on Title I projects.

We recommended that management of the School Corporation maintain the time and effort logs to document time worked on Title I activities and to establish internal controls, including segregation of duties, to ensure that all compliance requirements that have a direct and material effect to the program are complied with.

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#### AUDITEE PREPARED DOCUMENT

The subsequent document was provided by management of the School Corporation. The document is presented as intended by the School Corporation.



# BLUFFTON-HARRISON METROPOLITAN SCHOOL DISTRICT

*"A LEARNING COMMUNITY WHERE A QUALITY EDUCATION EMPOWERS  
ALL STUDENTS TO LEARN AND ACHIEVE TO THEIR FULL POTENTIAL."*

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## CORRECTIVE ACTION PLAN

### Finding 2014-001 Internal Controls over Preparation of Schedule of Expenditures of Federal Awards

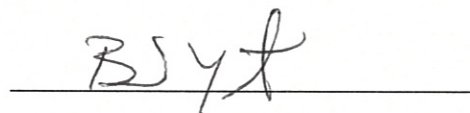
Auditee Contact Person: Brad Yates

Title of Contact Person: Assistant Superintendent / Treasurer

Phone Number: 260-824-2620

Expected Completion Date: Upon Submission of Gateway report for school year 2014-2015

Currently the Bluffton-Harrison MSD Deputy Treasurer receipts in all of the EFT's notices of the Federal Grants and I, as the treasurer of the Corporation, process the information in Gateway. Starting with the 2014-2015 Annual Report, I will have my deputy prepare the information for the report. Following its preparation, a separate member central office the personnel will verify all the information. Once the information is prepared and verified, I will also review the information prior to submission into Gateway.



February 5, 2015

Brad Yates  
Assistant Superintendent  
Bluffton-Harrison MSD  
805 East Harrison Street  
Bluffton, Indiana 46714



# BLUFFTON-HARRISON METROPOLITAN SCHOOL DISTRICT

*"A LEARNING COMMUNITY WHERE A QUALITY EDUCATION EMPOWERS  
ALL STUDENTS TO LEARN AND ACHIEVE TO THEIR FULL POTENTIAL."*

805 EAST HARRISON STREET  
BLUFFTON, IN 46714

PHONE 260.824.2620  
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WWW.BHMSD.K12.IN.US

## CORRECTIVE ACTION PLAN

### Finding 2014-002 Allowable Costs/Cost Principles

Federal Agency:	Department of Education
Federal Program:	Title I Grants to Local Educational Agencies
CFDA Number:	84.010
Federal Award Number and Year:	13-8445 14-8445
Pass-Through Entity:	Indiana Department of Education

Corrective Action: Effective immediately, Bluffton-Harrison MSD will establish Internal Controls to be in compliance with the Federal Laws. The school corporation is required to maintain time and effort reports on all full and part-time employees whose salaries are reimbursed by the grant. BHMSD uses the Department of Education recommended report titled Time Effort Log Title III. This form provides a space for employees to enter allowable hours worked each day during the month and a place to sign at the bottom to certify the reported hours represent only Title I work and are true and correct. The Preparer of the Report will verify each employee's signature on the monthly report and retain the original document or a scanned copy.

(Preparer of Report for IDOE)  
Julie Meitzler  
Principal / Title I Coordinator  
Bluffton-Harrison Elementary School  
1100 East Spring Street  
Bluffton, Indiana 46714

(Treasurer of BHMSD)  
Brad Yates  
Assistant Superintendent  
Bluffton-Harrison MSD  
805 East Harrison Street  
Bluffton, Indiana 46714

#### OTHER REPORT

In addition to this report, a Supplemental Compliance Report has been issued for the School Corporation. That report can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>.