

**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, 2014 to June 30, 2016



**FILED**  
01/31/2018



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Brad Yates	07-01-14 to 06-30-18
Superintendent of Schools	Wayne Barker	07-01-14 to 06-30-18
President of the School Board	Brent Hiday Dawn M. Frauhiger	01-01-14 to 12-31-15 01-01-16 to 12-31-17



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INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE 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, 2014 to June 30, 2016, 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, 2014 to June 30, 2016.

***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, 2014 to June 30, 2016, in accordance with the financial reporting provisions of the Indiana State Board of Accounts described in Note 1.

***Other Matters***

*Supplementary Information*

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

*Other Information*

Our audit was conducted for the purpose of forming an opinion on the School Corporation's financial statement. The Combining Schedules of Receipts, Disbursements, Other Financing Sources (Uses), and Cash and Investment Balances - Regulatory Basis, Schedule of Payables and Receivables, 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 December 21, 2017, on our consideration of the School Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School Corporation's internal control over financial reporting and compliance.

  
Paul D. Joyce, CPA  
State Examiner

December 21, 2017



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

TO: THE OFFICIALS OF THE 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, 2014 to June 30, 2016, and the related notes to the financial statement, and have issued our report thereon dated December 21, 2017, wherein we noted the School Corporation followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America.

**Internal Control over Financial Reporting**

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

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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the School Corporation's financial statement will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as item 2016-001 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 from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed 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 2016-001.

**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

December 21, 2017

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## FINANCIAL STATEMENT AND ACCOMPANYING NOTES

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

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BLUFFTON-HARRISON METROPOLITAN SCHOOL DISTRICT  
STATEMENT OF RECEIPTS, DISBURSEMENTS, OTHER  
SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
REGULATORY BASIS  
For the Years Ended June 30, 2015 and 2016

Fund	Cash and Investments 07-01-14	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-15	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-16
General	\$ 1,600,684	\$ 10,291,552	\$ 9,687,298	\$ (150,000)	\$ 2,054,938	\$ 10,581,691	\$ 10,023,034	\$ (300,000)	\$ 2,313,595
Debt Service	1,303,041	2,312,093	3,113,574	-	501,560	3,009,395	2,570,635	-	940,320
Capital Projects	569,028	1,491,670	1,439,994	-	620,704	1,466,734	1,446,797	-	640,641
School Transportation	358,020	715,805	719,512	-	354,313	749,725	722,646	-	381,392
School Bus Replacement	154,231	184,394	186,380	-	152,245	189,163	149,159	-	192,249
Rainy Day	1,329,584	137,302	236,339	150,000	1,380,547	52,445	76,441	300,000	1,656,551
School Lunch	72,369	695,319	720,159	1,828	49,357	746,554	778,648	5,990	23,253
Textbook Rental	114,891	220,216	202,180	-	132,927	220,753	218,473	82,900	218,107
Child Care Program	46,021	59,213	40,334	-	64,900	145,400	102,182	-	108,118
Educational License Plates	7,644	188	-	-	7,832	188	-	-	8,020
Alternative Education	-	-	-	-	-	3,965	-	-	3,965
Scholarships and Awards	461	-	-	-	461	-	-	-	461
Designated Gift	1,084	-	-	-	1,084	-	445	-	639
Gift-Skills Clinic	4	6,000	6,004	-	-	-	-	-	-
Foundation Grants	2,762	2,500	2,714	-	2,548	3,500	2,469	-	3,579
Foundation Grants - Wells County	-	4,000	885	-	3,115	3,312	6,184	-	243
Formative Assessment	-	-	-	-	-	13,974	12,560	-	1,414
High Ability 13-14	4,989	-	4,989	-	-	-	-	-	-
High Ability 14-15	-	28,955	26,750	-	2,205	-	2,205	-	-
High Ability 15-16	-	-	-	-	-	30,348	23,559	-	6,789
Secured Schools Safety Grant	(39,060)	66,451	70,535	-	(43,144)	49,185	6,041	-	-
Non-English Speaking Programs 15-16	-	-	-	-	-	4,397	3,797	-	600
Non-English Speaking Programs 14-15	-	2,458	2,458	-	-	-	-	-	-
School Technology	1,645	4,713	4,524	-	1,834	6,564	5,162	-	3,236
Performance Based Awards	-	62,500	62,500	-	-	-	-	-	-
Construction, Remodeling, and Equipping Buildings	-	-	-	-	-	7,279	1,961	-	5,318
Senator David Ford Technology	-	20,249	20,303	-	(54)	182	128	-	-
Title I 13-14	(2,546)	10,668	8,122	-	-	-	-	-	-
Title I 14-15	-	241,306	245,737	-	(4,431)	6,997	2,566	-	-
Title I 15-16	-	-	-	-	-	219,009	226,968	-	(7,959)
Perkins - Rural Schools	-	12,184	49,184	-	(37,000)	87,816	50,816	-	-
Area 18 Perkins Grant 15-16	-	-	-	-	-	297,613	300,899	-	(3,286)
Area 18 Perkins Grant 13-14	(32,450)	38,583	6,133	-	-	-	-	-	-
Area 18 Perkins Grant 14-15	-	262,431	289,115	-	(26,684)	46,030	19,346	-	-
Title II Part A FY 2014	-	29,274	33,046	-	(3,772)	18,922	15,150	-	-
Title II Part A FY 2013	-	3,500	3,500	-	-	-	-	-	-
Title II Part A FY 2012	(500)	500	-	-	-	25,293	29,112	-	(3,819)
Title III - English Proficiency 2012-13	(502)	502	-	-	-	-	-	-	-
Prepaid Lunches	8,714	289,425	280,482	-	17,657	277,517	283,145	-	12,029
Payroll Clearing	50,736	2,473,281	2,461,933	-	62,084	2,527,342	2,528,300	-	61,126
<b>Totals</b>	<b>\$ 5,550,850</b>	<b>\$ 19,667,232</b>	<b>\$ 19,924,684</b>	<b>\$ 1,828</b>	<b>\$ 5,295,226</b>	<b>\$ 20,791,293</b>	<b>\$ 19,608,828</b>	<b>\$ 88,890</b>	<b>\$ 6,566,581</b>

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, 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.

BLUFFTON-HARRISON METROPOLITAN SCHOOL DISTRICT  
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:

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

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

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

*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.

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.

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

**Note 5. Risk Management**

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

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

**Note 6. Pension Plans**

*A. Public Employees' Retirement Fund*

*Plan Description*

The Indiana Public Employees' Retirement Fund (PERF) is a defined benefit pension plan. PERF is 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 grant expenditure reimbursements not being received by the end of the fiscal year.

**Note 8. Holding Corporation**

The School Corporation has entered into capital leases with Bluffton-Harrison Middle School Building Corporation (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. The lessor has been determined to be a related-party of the School Corporation. Lease payments during the years 2014-2015 and 2015-2016 totaled \$2,703,000 and \$2,350,000, respectively.

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

**Note 9. Combined Funds**

Funds related to Payroll Clearing and Prepaid Lunches were reported individually in the current financial statement, but were combined into one fund for the prior financial statement.

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## OTHER INFORMATION - UNAUDITED

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

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

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

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, 2015

	General	Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	School Lunch
Cash and investments - beginning	\$ 1,600,684	\$ 1,303,041	\$ 569,028	\$ 358,020	\$ 154,231	\$ 1,329,584	\$ 72,369
Receipts:							
Local sources	425,172	2,312,093	1,399,895	697,715	184,394	137,002	295,039
Intermediate sources	11	-	-	-	-	-	-
State sources	9,833,753	-	-	-	-	-	7,587
Federal sources	-	-	-	-	-	-	386,963
Other receipts	32,616	-	91,775	18,090	-	300	5,730
Total receipts	10,291,552	2,312,093	1,491,670	715,805	184,394	137,302	695,319
Disbursements:							
Instruction	6,606,602	-	-	-	-	35,252	-
Support services	2,772,164	-	886,571	719,512	186,380	63,785	-
Noninstructional services	263,775	-	-	-	-	-	720,159
Facilities acquisition and construction	44,757	-	553,423	-	-	137,302	-
Debt service	-	3,113,574	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	9,687,298	3,113,574	1,439,994	719,512	186,380	236,339	720,159
Excess (deficiency) of receipts over disbursements	604,254	(801,481)	51,676	(3,707)	(1,986)	(99,037)	(24,840)
Other financing sources (uses):							
Sale of capital assets	-	-	-	-	-	-	1,828
Transfers in	-	-	-	-	-	150,000	-
Transfers out	(150,000)	-	-	-	-	-	-
Total other financing sources (uses)	(150,000)	-	-	-	-	150,000	1,828
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	454,254	(801,481)	51,676	(3,707)	(1,986)	50,963	(23,012)
Cash and investments - ending	\$ 2,054,938	\$ 501,560	\$ 620,704	\$ 354,313	\$ 152,245	\$ 1,380,547	\$ 49,357

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, 2015

	Textbook Rental	Child Care Program	Educational License Plates	Alternative Education	Scholarships and Awards	Designated Gift	Gift-Skills Clinic
Cash and investments - beginning	\$ 114,891	\$ 46,021	\$ 7,644	\$ -	\$ 461	\$ 1,084	\$ 4
Receipts:							
Local sources	118,570	59,213	-	-	-	-	6,000
Intermediate sources	-	-	188	-	-	-	-
State sources	54,773	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-
Other receipts	46,873	-	-	-	-	-	-
Total receipts	220,216	59,213	188	-	-	-	6,000
Disbursements:							
Instruction	-	1,427	-	-	-	-	4,999
Support services	202,180	-	-	-	-	-	1,005
Noninstructional services	-	38,907	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	202,180	40,334	-	-	-	-	6,004
Excess (deficiency) of receipts over disbursements	18,036	18,879	188	-	-	-	(4)
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	18,036	18,879	188	-	-	-	(4)
Cash and investments - ending	\$ 132,927	\$ 64,900	\$ 7,832	\$ -	\$ 461	\$ 1,084	\$ -

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, 2015

	Foundation Grants	Foundation Grants - Wells County	Formative Assessment	High Ability 13-14	High Ability 14-15	High Ability 15-16	Secured Schools Safety Grant
Cash and investments - beginning	\$ 2,762	\$ -	\$ -	\$ 4,989	\$ -	\$ -	\$ (39,060)
Receipts:							
Local sources	2,500	4,000	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	-	-	28,955	-	66,451
Federal sources	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-
Total receipts	2,500	4,000	-	-	28,955	-	66,451
Disbursements:							
Instruction	2,714	885	-	4,989	26,750	-	-
Support services	-	-	-	-	-	-	70,535
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	2,714	885	-	4,989	26,750	-	70,535
Excess (deficiency) of receipts over disbursements	(214)	3,115	-	(4,989)	2,205	-	(4,084)
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	(214)	3,115	-	(4,989)	2,205	-	(4,084)
Cash and investments - ending	\$ 2,548	\$ 3,115	\$ -	\$ -	\$ 2,205	\$ -	\$ (43,144)

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, 2015

	Non-English Speaking Programs 15-16	Non-English Speaking Programs 14-15	School Technology	Performance Based Awards	Construction, Remodeling, and Equipping Buildings	Senator David Ford Technology	Title I 13-14
Cash and investments - beginning	\$ -	\$ -	\$ 1,645	\$ -	\$ -	\$ -	\$ (2,546)
Receipts:							
Local sources	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-
State sources	-	2,458	4,713	62,500	-	20,249	-
Federal sources	-	-	-	-	-	-	10,668
Other receipts	-	-	-	-	-	-	-
Total receipts	-	2,458	4,713	62,500	-	20,249	10,668
Disbursements:							
Instruction	-	1,958	-	62,500	-	-	8,122
Support services	-	500	4,524	-	-	20,303	-
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	-	2,458	4,524	62,500	-	20,303	8,122
Excess (deficiency) of receipts over disbursements	-	-	189	-	-	(54)	2,546
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	-	-	189	-	-	(54)	2,546
Cash and investments - ending	\$ -	\$ -	\$ 1,834	\$ -	\$ -	\$ (54)	\$ -

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, 2015

	Title I 14-15	Title I 15-16	Perkins - Rural Schools	Area 18 Perkins Grant 15-16	Area 18 Perkins Grant 13-14	Area 18 Perkins Grant 14-15	Title II Part A FY 2014
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ -	\$ (32,450)	\$ -	\$ -
Receipts:							
Local sources	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-
Federal sources	241,306	-	12,184	-	38,583	262,431	29,274
Other receipts	-	-	-	-	-	-	-
Total receipts	241,306	-	12,184	-	38,583	262,431	29,274
Disbursements:							
Instruction	245,737	-	49,184	-	6,133	289,115	30,546
Support services	-	-	-	-	-	-	2,500
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	245,737	-	49,184	-	6,133	289,115	33,046
Excess (deficiency) of receipts over disbursements	(4,431)	-	(37,000)	-	32,450	(26,684)	(3,772)
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	(4,431)	-	(37,000)	-	32,450	(26,684)	(3,772)
Cash and investments - ending	\$ (4,431)	\$ -	\$ (37,000)	\$ -	\$ -	\$ (26,684)	\$ (3,772)

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, 2015

	Title II Part A FY 2013	Title II Part A FY 2012	Title III - English Proficiency 2012-13	Prepaid Lunches	Payroll Clearing	Totals
Cash and investments - beginning	\$ -	\$ (500)	\$ (502)	\$ 8,714	\$ 50,736	\$ 5,550,850
Receipts:						
Local sources	-	-	-	-	-	5,641,593
Intermediate sources	-	-	-	-	-	199
State sources	-	-	502	-	-	10,081,941
Federal sources	3,500	500	-	-	-	985,409
Other receipts	-	-	-	289,425	2,473,281	2,958,090
Total receipts	3,500	500	502	289,425	2,473,281	19,667,232
Disbursements:						
Instruction	-	-	-	-	-	7,376,913
Support services	3,500	-	-	-	-	4,933,459
Noninstructional services	-	-	-	-	-	1,022,841
Facilities acquisition and construction	-	-	-	-	-	735,482
Debt service	-	-	-	-	-	3,113,574
Nonprogrammed charges	-	-	-	280,482	2,461,933	2,742,415
Total disbursements	3,500	-	-	280,482	2,461,933	19,924,684
Excess (deficiency) of receipts over disbursements	-	500	502	8,943	11,348	(257,452)
Other financing sources (uses):						
Sale of capital assets	-	-	-	-	-	1,828
Transfers in	-	-	-	-	-	150,000
Transfers out	-	-	-	-	-	(150,000)
Total other financing sources (uses)	-	-	-	-	-	1,828
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	500	502	8,943	11,348	(255,624)
Cash and investments - ending	\$ -	\$ -	\$ -	\$ 17,657	\$ 62,084	\$ 5,295,226

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, 2016

	General	Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	School Lunch
Cash and investments - beginning	\$ 2,054,938	\$ 501,560	\$ 620,704	\$ 354,313	\$ 152,245	\$ 1,380,547	\$ 49,357
Receipts:							
Local sources	363,344	3,009,395	1,442,694	734,400	189,163	52,445	303,223
Intermediate sources	11	-	-	-	-	-	-
State sources	10,160,659	-	-	-	-	-	7,464
Federal sources	-	-	-	-	-	-	430,421
Other receipts	57,677	-	24,040	15,325	-	-	5,446
Total receipts	10,581,691	3,009,395	1,466,734	749,725	189,163	52,445	746,554
Disbursements:							
Instruction	6,920,635	-	-	-	-	49,589	-
Support services	2,845,910	-	875,518	719,602	149,159	26,852	-
Noninstructional services	248,902	-	-	-	-	-	778,648
Facilities acquisition and construction	7,587	-	571,279	3,044	-	-	-
Debt service	-	2,570,635	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	10,023,034	2,570,635	1,446,797	722,646	149,159	76,441	778,648
Excess (deficiency) of receipts over disbursements	558,657	438,760	19,937	27,079	40,004	(23,996)	(32,094)
Other financing sources (uses):							
Sale of capital assets	-	-	-	-	-	-	5,990
Transfers in	-	-	-	-	-	300,000	-
Transfers out	(300,000)	-	-	-	-	-	-
Total other financing sources (uses)	(300,000)	-	-	-	-	300,000	5,990
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	258,657	438,760	19,937	27,079	40,004	276,004	(26,104)
Cash and investments - ending	\$ 2,313,595	\$ 940,320	\$ 640,641	\$ 381,392	\$ 192,249	\$ 1,656,551	\$ 23,253

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, 2016

	Textbook Rental	Child Care Program	Educational License Plates	Alternative Education	Scholarships and Awards	Designated Gift	Gift-Skills Clinic
Cash and investments - beginning	\$ 132,927	\$ 64,900	\$ 7,832	\$ -	\$ 461	\$ 1,084	\$ -
Receipts:							
Local sources	114,006	145,400	-	-	-	-	-
Intermediate sources	-	-	188	-	-	-	-
State sources	59,757	-	-	3,965	-	-	-
Federal sources	-	-	-	-	-	-	-
Other receipts	46,990	-	-	-	-	-	-
Total receipts	220,753	145,400	188	3,965	-	-	-
Disbursements:							
Instruction	-	15,162	-	-	-	-	-
Support services	218,473	-	-	-	-	445	-
Noninstructional services	-	87,020	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	218,473	102,182	-	-	-	445	-
Excess (deficiency) of receipts over disbursements	2,280	43,218	188	3,965	-	(445)	-
Other financing sources (uses):							
Sale of capital assets	82,900	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	82,900	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	85,180	43,218	188	3,965	-	(445)	-
Cash and investments - ending	\$ 218,107	\$ 108,118	\$ 8,020	\$ 3,965	\$ 461	\$ 639	\$ -

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, 2016

	Foundation Grants	Foundation Grants - Wells County	Formative Assessment	High Ability 13-14	High Ability 14-15	High Ability 15-16	Secured Schools Safety Grant
Cash and investments - beginning	\$ 2,548	\$ 3,115	\$ -	\$ -	\$ 2,205	\$ -	\$ (43,144)
Receipts:							
Local sources	3,500	3,312	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	13,974	-	-	30,348	49,185
Federal sources	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-
Total receipts	3,500	3,312	13,974	-	-	30,348	49,185
Disbursements:							
Instruction	2,469	6,184	-	-	1,402	23,559	-
Support services	-	-	12,560	-	803	-	6,041
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	2,469	6,184	12,560	-	2,205	23,559	6,041
Excess (deficiency) of receipts over disbursements	1,031	(2,872)	1,414	-	(2,205)	6,789	43,144
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	1,031	(2,872)	1,414	-	(2,205)	6,789	43,144
Cash and investments - ending	\$ 3,579	\$ 243	\$ 1,414	\$ -	\$ -	\$ 6,789	\$ -

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, 2016

	Non-English Speaking Programs 15-16	Non-English Speaking Programs 14-15	School Technology	Performance Based Awards	Construction, Remodeling, and Equipping Buildings	Senator David Ford Technology	Title I 13-14
Cash and investments - beginning	\$ -	\$ -	\$ 1,834	\$ -	\$ -	\$ (54)	\$ -
Receipts:							
Local sources	-	-	-	-	7,279	-	-
Intermediate sources	-	-	-	-	-	-	-
State sources	4,397	-	6,564	-	-	182	-
Federal sources	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-
Total receipts	4,397	-	6,564	-	7,279	182	-
Disbursements:							
Instruction	3,797	-	-	-	-	-	-
Support services	-	-	5,162	-	1,961	128	-
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	3,797	-	5,162	-	1,961	128	-
Excess (deficiency) of receipts over disbursements	600	-	1,402	-	5,318	54	-
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	600	-	1,402	-	5,318	54	-
Cash and investments - ending	\$ 600	\$ -	\$ 3,236	\$ -	\$ 5,318	\$ -	\$ -

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, 2016

	Title I 14-15	Title I 15-16	Perkins - Rural Schools	Area 18 Perkins Grant 15-16	Area 18 Perkins Grant 13-14	Area 18 Perkins Grant 14-15	Title II Part A FY 2014
Cash and investments - beginning	\$ (4,431)	\$ -	\$ (37,000)	\$ -	\$ -	\$ (26,684)	\$ (3,772)
Receipts:							
Local sources	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-
Federal sources	6,997	219,009	87,816	295,213	-	46,030	18,922
Other receipts	-	-	-	2,400	-	-	-
Total receipts	6,997	219,009	87,816	297,613	-	46,030	18,922
Disbursements:							
Instruction	1,566	225,538	50,816	300,899	-	19,346	12,650
Support services	1,000	1,430	-	-	-	-	2,500
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	2,566	226,968	50,816	300,899	-	19,346	15,150
Excess (deficiency) of receipts over disbursements	4,431	(7,959)	37,000	(3,286)	-	26,684	3,772
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	4,431	(7,959)	37,000	(3,286)	-	26,684	3,772
Cash and investments - ending	\$ -	\$ (7,959)	\$ -	\$ (3,286)	\$ -	\$ -	\$ -

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, 2016

	Title II Part A FY 2013	Title II Part A FY 2012	Title III - English Proficiency 2012-13	Prepaid Lunches	Payroll Clearing	Totals
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ 17,657	\$ 62,084	\$ 5,295,226
Receipts:						
Local sources	-	-	-	-	-	6,368,161
Intermediate sources	-	-	-	-	-	199
State sources	-	-	-	-	-	10,336,495
Federal sources	-	25,293	-	-	-	1,129,701
Other receipts	-	-	-	277,517	2,527,342	2,956,737
Total receipts	-	25,293	-	277,517	2,527,342	20,791,293
Disbursements:						
Instruction	-	25,612	-	-	-	7,659,224
Support services	-	3,500	-	-	-	4,871,044
Noninstructional services	-	-	-	-	-	1,114,570
Facilities acquisition and construction	-	-	-	-	-	581,910
Debt service	-	-	-	-	-	2,570,635
Nonprogrammed charges	-	-	-	283,145	2,528,300	2,811,445
Total disbursements	-	29,112	-	283,145	2,528,300	19,608,828
Excess (deficiency) of receipts over disbursements	-	(3,819)	-	(5,628)	(958)	1,182,465
Other financing sources (uses):						
Sale of capital assets	-	-	-	-	-	88,890
Transfers in	-	-	-	-	-	300,000
Transfers out	-	-	-	-	-	(300,000)
Total other financing sources (uses)	-	-	-	-	-	88,890
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	(3,819)	-	(5,628)	(958)	1,271,355
Cash and investments - ending	\$ -	\$ (3,819)	\$ -	\$ 12,029	\$ 61,126	\$ 6,566,581

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BLUFFTON-HARRISON METROPOLITAN SCHOOL DISTRICT  
SCHEDULE OF PAYABLES AND RECEIVABLES  
June 30, 2016

<u>Government or Enterprise</u>	<u>Accounts Payable</u>	<u>Accounts Receivable</u>
Governmental activities	<u>\$ 135,597</u>	<u>\$ -</u>

BLUFFTON-HARRISON METROPOLITAN SCHOOL DISTRICT  
 SCHEDULE OF LEASES AND DEBT  
 June 30, 2016

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities:				
Bluffton-Harrison Middle School Building Corporation	Middle School HVAC Project	\$ 192,000	12/31/2008	12/31/2023
Bluffton-Harrison Middle School Building Corporation	Transportation Building/Stadium	337,000	7/15/2011	1/15/2023
Bluffton-Harrison Middle School Building Corporation	Elementary Renovation (includes refinanced high school debt)	1,830,000	7/15/2015	1/15/2028
Bluffton-Harrison Middle School Building Corporation	Elementary HVAC	<u>36,000</u>	7/15/2015	1/15/2025
Total of annual lease payments		<u>\$ 2,395,000</u>		

BLUFFTON-HARRISON METROPOLITAN SCHOOL DISTRICT  
 SCHEDULE OF CAPITAL ASSETS  
 June 30, 2016

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	\$ 227,600
Buildings	23,881,065
Machinery, equipment, and vehicles	4,193,892
Construction in progress	<u>10,000,000</u>
Total capital assets	<u>\$ 38,302,557</u>

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SUPPLEMENTAL AUDIT OF  
FEDERAL AWARDS



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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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, 2014 to June 30, 2016. 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, 2014 to June 30, 2016.

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 OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School Corporation's internal control over compliance.

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2016-002 and 2016-003 to be material weaknesses.

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

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

  
Paul D. Joyce, CPA  
State Examiner

December 21, 2017

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTES

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

BLUFFTON-HARRISON METROPOLITAN SCHOOL DISTRICT  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 For the Years Ended June 30, 2015 and 2016

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Pass-Through To Subrecipients 06-30-15	Total Federal Awards Expended 06-30-15	Pass-Through To Subrecipients 06-30-16	Total Federal Awards Expended 06-30-16
<u>Department of Agriculture</u>							
Child Nutrition Cluster							
School Breakfast Program	Indiana Department of Education	10.553					
			FY 14-15	\$ -	\$ 41,600	\$ -	\$ -
			FY 15-16	-	-	-	52,528
Total - School Breakfast Program				-	41,600	-	52,528
National School Lunch Program	Indiana Department of Education	10.555					
			FY 14-15	-	339,863	-	-
			FY 15-16	-	-	-	366,161
Commodities			FY 14-15	-	54,471	-	-
			FY 15-16	-	-	-	58,124
Total - National School Lunch Program				-	394,334	-	424,285
Summer Food Service Program for Children	Indiana Department of Education	10.559					
			FY 14-15	-	5,500	-	-
			FY 15-16	-	-	-	11,732
Total - Summer Food Service Program for Children				-	5,500	-	11,732
Total - Child Nutrition Cluster				-	441,434	-	488,545
Total - Department of Agriculture				-	441,434	-	488,545
<u>Department of Education</u>							
Title I Grants to Local Educational Agencies	Indiana Department of Education	84.010					
			14-8445	-	10,668	-	-
			15-8445	-	241,306	-	6,997
			16-8445	-	-	-	219,009
Total - Title I Grants to Local Educational Agencies				-	251,974	-	226,006
Special Education Cluster (IDEA)							
Special Education_Grants to States	Indiana Department of Education	84.027					
			14213-001-PN01	-	67	-	-
			14214-001-PN01	-	94,344	-	143
			14215-001-PN01	-	197,849	-	124,081

BLUFFTON-HARRISON METROPOLITAN SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Years Ended June 30, 2015 and 2016

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Pass-Through To Subrecipients 06-30-15	Total Federal Awards Expended 06-30-15	Pass-Through To Subrecipients 06-30-16	Total Federal Awards Expended 06-30-16
			14216-001-PN01	-	-	-	186,076
			99914-001-TA01	-	2,256	-	59
Total - Special Education_Grants to States				-	294,516	-	310,359
Special Education_Preschool Grants	Indiana Department of Education	84.173					
			45714-001-PN01	-	1,499	-	-
			45715-001-PN01	-	7,113	-	2,995
			45716-001-PN01	-	-	-	8,965
Total - Special Education_Preschool Grants				-	8,612	-	11,960
Total - Special Education Cluster (IDEA)				-	303,128	-	322,319
Career and Technical Education -- Basic Grants to States	Indiana Department of Education	84.048					
			14-4700-8445	150	38,583	-	-
			15-4700-8445	204,293	262,431	-	46,030
			16-4700-8445	-	-	220,162	295,213
			A58-5-15CI-2755	-	12,184	50,000	87,816
Total - Career and Technical Education -- Basic Grants to States				204,443	313,198	270,162	429,059
English Language Acquisition State Grants	DeKalb County Central United School District	84.365					
			01113-101-PN01	-	502	-	-
Supporting Effective Instruction State Grants	Indiana Department of Education	84.367					
			12-8445	-	500	-	-
			13-8445	-	3,500	-	-
			14-8445	-	29,274	-	18,922
			15-8445	-	-	-	25,293
Total - Supporting Effective Instruction State Grants				-	33,274	-	44,215
Total - Department of Education				204,443	902,076	270,162	1,021,599
Total federal awards expended				\$ 204,443	\$ 1,343,510	\$ 270,162	\$ 1,510,144

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 (SEFA) includes the federal grant activity of the School Corporation under programs of the federal government for the years ended June 30, 2015 and 2016. The information in the SEFA is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the SEFA presents only a select portion of the operations of the School Corporation, it is not intended to and does not present the financial position of the School Corporation.

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

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

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

**Note 3. Special Education Cooperative**

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

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 weakness identified?	yes
Significant deficiency identified?	none reported
Noncompliance material to financial statement noted?	yes

Federal Awards:

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

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
84.010	Title I Grants to Local Educational Agencies Special Education Cluster (IDEA)
84.048	Career and Technical Education -- Basic Grants to States

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 2016-001**

Subject: Preparation of the Schedule of Expenditures of Federal Awards  
Audit Findings: Material Weakness, Noncompliance

*Repeat Finding*

This is a repeat finding from the immediate prior report. The prior report finding number was 2014-001.

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

*Condition*

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).

*Context*

The SEFA contained the following errors:

1. The Special Education Cluster (IDEA) expenditures were overstated by \$221,722 in fiscal year 2015 and understated by \$127,278 in fiscal year 2016.
2. The Career and Technical Education -- Basic Grants to States subrecipient amounts were not included, resulting in understatements of \$204,443 and \$270,162 in fiscal years 2015 and 2016, respectively.
3. The Career and Technical Education -- Basic Grants to States expenditures were overstated by \$2,400 in fiscal year 2016.
4. The Summer Food Service Program for Children expenditures were not included, resulting in understatements of \$5,500 and \$11,732 in fiscal years 2015 and 2016, respectively.
5. The National School Lunch Program commodities were understated by \$9,261 in fiscal year 2016. Audit adjustments were proposed, accepted by the School Corporation, and made to the SEFA.

*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. . . ."

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 § \_\_.310. . . ."

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

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 total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.
- (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."

2 CFR 200.508 states in part: "The auditee must: . . . (b) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with § 200.510 Financial statements. . . ."

2 CFR 200.510(b) states:

*"Schedule of expenditures of Federal awards.* The auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with § 200.502 Basis for determining Federal awards expended. 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 Federal award years, the auditee may list the amount of Federal awards expended for each Federal award year separately. At a minimum, the schedule must:

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

- (1) List individual Federal programs by Federal agency. For a cluster of programs, provide the cluster name, list individual Federal programs within the cluster of programs, and provide the applicable Federal agency name. For R&D, total Federal awards expended must be shown either by individual Federal 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 must be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available. For a cluster of programs also provide the total for the cluster.
- (4) Include the total amount provided to subrecipients from each Federal program.
- (5) For loan or loan guarantee programs described in § 200.502 Basis for determining Federal awards expended, paragraph (b), identify in the notes to the schedule the balances outstanding at the end of the audit period. This is in addition to including the total Federal awards expended for loan or loan guarantee programs in the schedule.
- (6) Include notes that describe that significant accounting policies used in preparing the schedule, and note whether or not the auditee elected to use the 10% de minimis cost rate as covered in § 200.414 Indirect (F&A) costs."

*Cause*

Management had not established a system of internal control that would have ensured proper reporting of the SEFA.

*Effect*

Without a proper system of internal control in place that operated effectively, material misstatements of the SEFA remained undetected. The SEFA contained the errors identified in the *Context*.

*Recommendation*

We recommended that the School Corporation's management establish controls to ensure accurate and complete reporting of federal expenditures on the SEFA.

*Views of Responsible Officials*

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

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

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

**FINDING 2016-002**

Subject: Special Education Cluster (IDEA) - Matching, Level of Effort, Earmarking and Reporting

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): 14213-001-PN01, 14214-001-PN01,  
14215-001-PN01, 14216-001-PN01,  
99914-001-TA01, 45714-001-PN01,  
45715-001-PN01, 45716-001-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Matching, Level of Effort, Earmarking; Reporting

Audit Finding: Material Weakness

*Condition*

The School Corporation was a member of the Adams-Wells Special Services Cooperative (Cooperative). The Cooperative operated the Special Education program on behalf of the School Corporation and managed the Special Education grants. There was no oversight of the Cooperative by the School Corporation. Since the grant agreements were between the Indiana Department of Education (IDOE) and each member school corporation of the Cooperative, each member school corporation was ultimately responsible for ensuring compliance with the requirements.

An effective internal control system was not in place at the Cooperative in order to ensure compliance with requirements related to the grant agreement and the Matching, Level of Effort, Earmarking and Reporting compliance requirements.

*Contextp*

The Cooperative's internal control was that the reports were to be reviewed by the Director prior to submission to the IDOE. The Quarterly Proportionate Share Monitoring Reports for Non-Public Schools presented for audit were not the original reviewed and signed reports. Also, some of the reports presented were incomplete. Per inquiry of School Corporation's officials, there was no oversight, at the School Corporation, over the filing of required reports submitted to the IDOE.

Of the Quarterly Proportionate Share Monitoring Reports for Non-Public Schools presented for the audit, we could not verify the reported "proportionate share" expenditures. Per inquiry of the Director of the Cooperative, the reported expenditures were calculated by multiplying the applicable monthly reimbursed expenditures by the nonpublic school usage percentage, which was calculated based on a Time Study conducted annually by the Cooperative's Director. A copy of the Time Study was requested, but, it was not available for audit.

The lack of controls was a systemic problem, which occurred throughout the audit period.

BLUFFTON-HARRISON METROPOLITAN SCHOOL DISTRICT  
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). . . ."

*Cause*

Management had not designed or implemented a system of internal control for the Matching, Level of Effort, Earmarking, and Reporting compliance requirements.

*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.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation's management establish controls related to the Matching, Level of Effort, Earmarking and Reporting compliance requirements.

*Views of Responsible Officials*

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

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

***FINDING 2016-003***

Subject: Title I Grants to Local Educational Agencies - Cash Management and Reporting  
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): 14-8445, 15-8445, 16-8445  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirements: Cash Management, Reporting  
Audit Finding: Material Weakness

*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 following compliance requirements: Cash Management and Reporting.

*Context*

There were no controls in place to ensure that the Monthly Reimbursement Requests and the Annual Expenditures Reports for fiscal year 2015 and 2016 were accurate. Reports were prepared and filed by the Title I Director with no other review, oversight or approval process, or any other compensating control. The lack of controls was a systematic problem, occurring 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 had not developed a system of internal controls that segregated key functions.

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

*Effect*

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

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

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

#### AUDITEE-PREPARED DOCUMENTS

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



# BLUFFTON-HARRISON METROPOLITAN SCHOOL DISTRICT

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ALL STUDENTS TO LEARN AND ACHIEVE TO THEIR FULL POTENTIAL."

805 EAST HARRISON STREET  
BLUFFTON, IN 46714

PHONE 260.824.2620  
FAX 260.824.6011  
WWW.BHMSD.ORG

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

### **FINDING 2014-001**

Fiscal year in which the finding occurred: 2014  
Contact Person Responsible for Corrective Action: Brad Yates  
Contact Phone number: 260-824-2620

Status of Audit Finding:

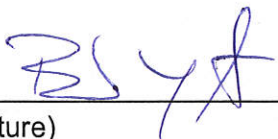
The district continues to improve preparation procedures for the Schedule of Federal Assistance. Preparation, review, and submission have been correctly segregated between school personnel, yet additional areas of improvement may be identified and addressed.


### **FINDING 2014-002**

Fiscal year in which the finding initially occurred: 2014  
Pass-Through Entity: Indiana Department of Education  
Contact Person Responsible for Corrective Action: Brad Yates  
Contact Phone Number: 260-824-2620

Status of Audit Finding:

The district has successfully implemented corrective action regarding the internal control best practice of maintaining time and effort reports for all full and part-time employees whose salaries are reimbursed by the grant.

  
\_\_\_\_\_  
(Signature)

  
\_\_\_\_\_  
(Title)



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## CORRECTIVE ACTION PLAN

### Finding 2016-001

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 2017-2018  
Views of Responsible Officials: We concur with the findings.

The district submitted the report timely but with errors. Bluffton-Harrison MSD is working to understand the information required to be entered into Gateway for this specific report. In practice, the Deputy Treasurer receipts in all of the EFT's notices of the Federal Grants and I, as the treasurer of the Corporation, review the information in Gateway prior to the Deputy Treasurer's submission of the report.

As indicated in the Finding 2016-001, the district will ensure Federal programs within a cluster (Special Education Cluster), Federal programs as subrecipients (Career and Technical Education), and all aspects of Federal programs (National School Lunch Program) are included in the report. At the time of preparation, if any questions arise from the Deputy Treasurer and/or Treasurer regarding the preparation process or inclusion of expenditures for a particular Federal program, the district will contact the State Board of Accounts for assistance in accurately preparing the report to ensure accuracy and thoroughness.

December 21, 2017

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



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## CORRECTIVE ACTION PLAN

### Finding 2016-002

Auditee Contact Person: Brad Yates  
Title of Contact Person: Assistant Superintendent / Treasurer  
Phone number: 260-824-2620  
Expected Completion Date: Immediately  
Views of Responsible Officials: We concur with the findings.

Additional control processes have been implemented to enhance internal controls over reporting conducted by both the district and the Adams-Wells Special Education Cooperative. The district will review the Adams-Wells Special Education Cooperative internal control practices to ensure compliance with requirements related to the grant agreement and the Matching, Level of Effort, Earmarking, and Reporting compliance requirements. Quarterly, the district Assistant Superintendent/Treasurer will engage the Adams-Wells Special Education Cooperative Director and/or Treasurer to review Quarterly Proportionate Share Monitoring Reports. After review, the district will provide any relative commentary for the reports, and then the district will approve of the report for submittal to the State.

December 21, 2017

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Assistant Superintendent  
Bluffton-Harrison MSD  
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## CORRECTIVE ACTION PLAN

### Finding 2016-003

Auditee Contact Person: Brad Yates  
Title of Contact Person: Assistant Superintendent / Treasurer  
Phone number: 260-824-2620  
Expected Completion Date: Immediately  
Views of Responsible Officials: We concur with the findings.

The district will correct internal control procedures related to Title I cash management and reporting. Corrective internal control procedures will include the following: The Deputy Treasurer will report Title I expenditures to the Assistant Superintendent/Treasurer. Following receipt of the expenditure report, the Assistant Superintendent/Treasurer will prepare the Title I reimbursement request using the provided expenditure report. Prior to submission by the Assistant Superintendent/Treasurer, the Title I Coordinator/Elementary School Principal will review the reimbursement request and provide signed approval of the request to the Assistant Superintendent/Treasurer. Following review and approval, the Assistant Superintendent/Treasurer will electronically submit the reimbursement request.

December 21, 2017

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

#### 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/>.