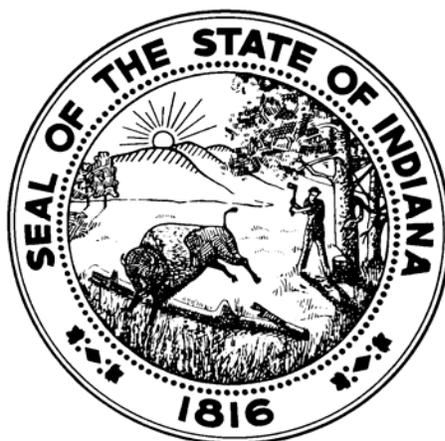


STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

AUDIT REPORT
OF
TIPPECANOE SCHOOL CORPORATION
TIPPECANOE COUNTY, INDIANA
July 1, 2004 to June 30, 2006



FILED
03/28/2007

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials.....	2
Independent Auditor's Report on Financial Statements and Supplementary Schedule of Expenditures of Federal Awards	3-4
Independent Auditor's Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards.....	5
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Cash and Investments	6-7
Statement of Cash Activities	8-9
Fund Financial Statements:	
Governmental Funds:	
Statement of Receipts, Disbursements, and Cash and Investment Balances – Governmental Funds.....	10-11
Fiduciary Funds:	
Statement of Receipts, Disbursements, and Changes in Cash and Investments – Fiduciary Funds.....	12-13
Statement of Cash and Investments – Fiduciary Funds	14-15
Notes to Financial Statements	16-27
Required Supplementary Information:	
Schedules of Funding Progress.....	28
Other Report.....	29
Supplemental Audit of Federal Awards:	
Independent Auditor's Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133	32-33
Schedule of Expenditures of Federal Awards.....	34-35
Notes to Schedule of Expenditures of Federal Awards	36
Schedule of Findings and Questioned Costs.....	37
Summary Schedule of Prior Audit Findings	38
Exit Conference.....	39

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Dr. Mark D. Miller	07-01-04 to 06-30-07
Superintendent of Schools	Dr. Richard Wood	07-01-04 to 06-30-08
President of the School Board	Dr. Tim Gibb Kathryn D. Dale Alan R. Kemper	07-01-04 to 06-30-05 07-01-05 to 06-30-06 07-01-06 to 06-30-07



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

TO: THE OFFICIALS OF THE TIPPECANOE SCHOOL CORPORATION, TIPPECANOE COUNTY, INDIANA

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Tippecanoe School Corporation (School Corporation), as of and for the years ended June 30, 2005 and 2006, which collectively comprise the School Corporation's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School Corporation's management. Our responsibility is to express opinions on these financial statements 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 statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note I, the School Corporation prepares its financial statements on the prescribed basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash and investment balances of the governmental activities, each major fund, and the aggregate remaining fund information of the School Corporation as of June 30, 2005 and 2006, and the respective cash receipts and cash disbursements during the years then ended on the basis of accounting described in Note I.

In accordance with Government Auditing Standards, we have also issued a report dated March 14, 2007, 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 and grants. Our report on compliance and on internal control over financial reporting should be read along with this report.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of the School Corporation taken as a whole. 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(Continued)

The Schedule of Funding Progress, as listed in the table of contents, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The School Corporation has not presented Management's Discussion and Analysis or Budgetary Comparison Schedules that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

STATE BOARD OF ACCOUNTS

March 14, 2007



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

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

TO: THE OFFICIALS OF THE TIPPECANOE SCHOOL CORPORATION, TIPPECANOE COUNTY, INDIANA

We have audited the financial statements of the Tippecanoe School Corporation (School Corporation), as of and for the years ended June 30, 2005 and 2006, and have issued our report thereon dated March 14, 2007. 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.

Compliance

As part of obtaining reasonable assurance about whether the School Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School Corporation's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the School Corporation's management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

March 14, 2007

TIPPECANOE SCHOOL CORPORATION
STATEMENT OF CASH AND INVESTMENTS
June 30, 2005

<u>Assets</u>	<u>Governmental Activities</u>
Current assets:	
Cash and investments	\$ 42,998,981
Restricted assets:	
Cash and investments	<u>5,184,360</u>
Total assets	<u>\$ 48,183,341</u>
 <u>Net Assets</u>	
Restricted for:	
Debt service	\$ 5,184,360
Unrestricted	<u>42,998,981</u>
Total net assets	<u>\$ 48,183,341</u>

The accompanying notes are an integral part of the financial statements.

TIPPECANOE SCHOOL CORPORATION
STATEMENT OF CASH AND INVESTMENTS
June 30, 2006

<u>Assets</u>	<u>Governmental Activities</u>
Current assets:	
Cash and investments	\$ 36,665,684
Restricted assets:	
Cash and investments	<u>6,242,646</u>
Total assets	<u>\$ 42,908,330</u>
 <u>Net Assets</u>	
Restricted for:	
Debt service	\$ 6,242,646
Unrestricted	<u>36,665,684</u>
Total net assets	<u>\$ 42,908,330</u>

The accompanying notes are an integral part of the financial statements.

TIPPECANOE SCHOOL CORPORATION
STATEMENT OF CASH ACTIVITIES
For the Year Ended June 30, 2005

Functions/Programs	Disbursements	Program Receipts		Net (Disbursement) Receipts
		Charges for Services	Operating Grants and Contributions	Total
Governmental activities:				
Instruction	\$ 32,574,004	\$ -	\$ 502,992	\$ (32,071,012)
Support services	47,110,193	3,173,305	1,079,106	(42,857,782)
Community services	770,582	-	-	(770,582)
Nonprogrammed charges	7,200,928	-	-	(7,200,928)
Debt service	26,852,899	-	-	(26,852,899)
Total governmental activities	<u>\$ 114,508,606</u>	<u>\$ 3,173,305</u>	<u>\$ 1,582,098</u>	<u>(109,753,203)</u>
General receipts:				
Property taxes				63,479,893
Other local sources				8,436,561
State aid				27,340,395
Grants and contributions not restricted				2,355,448
Bonds and loans				29,951,437
Sale of property, adjustments, and refunds				848,298
Investment earnings				907,247
Transfers:				
Intergovernmental				937,743
Total general receipts and transfers				<u>134,257,022</u>
Change in cash and investments				24,503,819
Net assets - beginning				<u>23,679,522</u>
Net assets - ending				<u>\$ 48,183,341</u>

The accompanying notes are an integral part of the financial statements.

TIPPECANOE SCHOOL CORPORATION
STATEMENT OF CASH ACTIVITIES
For the Year Ended June 30, 2006

Functions/Programs	Disbursements	Program Receipts		Net (Disbursement) Receipts
		Charges for Services	Operating Grants and Contributions	Total
Governmental activities:				
Instruction	\$ 33,840,953	\$ -	\$ 441,532	\$ (33,399,421)
Support services	54,494,537	3,342,070	1,221,803	(49,930,664)
Community services	783,710	-	-	(783,710)
Nonprogrammed charges	10,271,550	-	-	(10,271,550)
Debt service	29,475,781	-	-	(29,475,781)
Total governmental activities	<u>\$ 128,866,531</u>	<u>\$ 3,342,070</u>	<u>\$ 1,663,335</u>	<u>(123,861,126)</u>
General receipts:				
Property taxes				55,210,642
Other local sources				6,919,572
State aid				30,142,779
Grants and contributions not restricted				2,490,468
Bonds and loans				20,245,900
Sale of property, adjustments, and refunds				817,207
Investment earnings				1,761,652
Transfers:				
Intergovernmental				<u>997,895</u>
Total general receipts and transfers				<u>118,586,115</u>
Change in cash and investments				(5,275,011)
Net assets - beginning				<u>48,183,341</u>
Net assets - ending				<u><u>\$ 42,908,330</u></u>

The accompanying notes are an integral part of the financial statements.

TIPPECANOE SCHOOL CORPORATION
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
GOVERNMENTAL FUNDS
For The Year Ended June 30, 2005

	General	Transportation Operating	Debt Service	Capital Projects	School Bus Replacement	Construction Fund	Other	Totals
Receipts:								
Local sources	\$ 37,154,150	\$ 5,426,652	\$ 13,656,360	\$ 14,475,222	\$ 1,692,958	\$ 154,936	\$ 3,363,284	\$ 75,923,562
Intermediate sources	69,901	-	-	-	-	-	3,544	73,445
State sources	27,945,335	22,662	-	58,323	-	-	639,377	28,665,697
Federal sources	30	-	-	-	-	-	2,612,213	2,612,243
Bonds and loans	19,449,605	200,000	-	-	200,000	10,101,832	-	29,951,437
Sale of property, adjustments and refunds	293,055	3,656	-	19,365	42,833	-	489,389	848,298
Intergovernmental transfers	102,118	158,826	-	-	17,000	-	659,799	937,743
Total receipts	85,014,194	5,811,796	13,656,360	14,552,910	1,952,791	10,256,768	7,767,606	139,012,425
Disbursements:								
Current:								
Instruction	30,891,913	-	-	-	-	-	1,682,091	32,574,004
Support services	23,554,603	4,281,676	-	9,950,792	287,478	4,046,758	4,988,886	47,110,193
Community services	672,676	-	-	-	-	-	97,906	770,582
Nonprogrammed charges	3,865,120	1,000,000	303,826	-	1,100,000	-	931,982	7,200,928
Debt services	16,615,170	-	10,237,729	-	-	-	-	26,852,899
Total disbursements	75,599,482	5,281,676	10,541,555	9,950,792	1,387,478	4,046,758	7,700,865	114,508,606
Excess of total receipts over total disbursements	9,414,712	530,120	3,114,805	4,602,118	565,313	6,210,010	66,741	24,503,819
Cash and investments - beginning	2,987,586	1,357,316	2,069,555	13,498,129	305,641	-	3,461,295	23,679,522
Cash and investments - ending	<u>\$ 12,402,298</u>	<u>\$ 1,887,436</u>	<u>\$ 5,184,360</u>	<u>\$ 18,100,247</u>	<u>\$ 870,954</u>	<u>\$ 6,210,010</u>	<u>\$ 3,528,036</u>	<u>\$ 48,183,341</u>

The accompanying notes are an integral part of the financial statements.

TIPPECANOE SCHOOL CORPORATION
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
GOVERNMENTAL FUNDS
For The Year Ended June 30, 2006

	General	Transportation Operating	Debt Service	Capital Projects	School Bus Replacement	Construction Fund	Other	Totals
Receipts:								
Local sources	\$ 31,207,212	\$ 4,609,667	\$ 13,360,784	\$ 12,606,799	\$ 1,278,543	\$ 138,985	\$ 3,899,220	\$ 67,101,210
Intermediate sources	128,301	-	-	-	-	-	4,425	132,726
State sources	30,688,985	22,884	-	62,417	-	-	641,657	31,415,943
Federal sources	-	-	-	-	-	-	2,880,639	2,880,639
Bonds and loans	15,845,900	2,000,000	-	-	2,400,000	-	-	20,245,900
Sale of property, adjustments and refunds	236,775	50,720	-	29,731	-	-	499,981	817,207
Intergovernmental transfers	140,519	158,322	-	-	-	-	699,054	997,895
Total receipts	78,247,692	6,841,593	13,360,784	12,698,947	3,678,543	138,985	8,624,976	123,591,520
Disbursements:								
Current:								
Instruction	32,026,861	-	-	-	-	-	1,814,092	33,840,953
Support services	24,476,030	4,569,252	-	13,695,485	2,179,215	4,478,588	5,095,967	54,494,537
Community services	682,713	-	-	-	-	-	100,997	783,710
Nonprogrammed charges	8,120,572	200,000	276,322	-	778,000	-	896,656	10,271,550
Debt services	17,449,605	-	12,026,176	-	-	-	-	29,475,781
Total disbursements	82,755,781	4,769,252	12,302,498	13,695,485	2,957,215	4,478,588	7,907,712	128,866,531
Excess (deficiency) of total receipts over (under) total disbursements	(4,508,089)	2,072,341	1,058,286	(996,538)	721,328	(4,339,603)	717,264	(5,275,011)
Cash and investments - beginning	12,402,298	1,887,436	5,184,360	18,100,247	870,954	6,210,010	3,528,036	48,183,341
Cash and investments - ending	<u>\$ 7,894,209</u>	<u>\$ 3,959,777</u>	<u>\$ 6,242,646</u>	<u>\$ 17,103,709</u>	<u>\$ 1,592,282</u>	<u>\$ 1,870,407</u>	<u>\$ 4,245,300</u>	<u>\$ 42,908,330</u>

The accompanying notes are an integral part of the financial statements.

TIPPECANOE SCHOOL CORPORATION
STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH AND INVESTMENTS
FIDUCIARY FUNDS
For The Year Ended June 30, 2005

	Pension Trust Funds	Private-Purpose Trust Funds
Additions:		
Local sources	\$ -	\$ 139
Transfers	109,275	-
Total additions	109,275	139
Deductions:		
Support services	-	559
Excess (deficiency) of total additions over (under) total deductions	109,275	(420)
Cash and investments - beginning	-	4,133
Cash and investments - ending	\$ 109,275	\$ 3,713

The accompanying notes are an integral part of the financial statements.

TIPPECANOE SCHOOL CORPORATION
STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH AND INVESTMENTS
FIDUCIARY FUNDS
For The Year Ended June 30, 2006

	Pension Trust Funds	Private-Purpose Trust Funds
Additions:		
Local sources	\$ -	\$ 655
Deductions:		
Support services	-	722
Deficiency of total additions under total deductions	-	(67)
Cash and investments - beginning	109,275	3,713
Cash and investments - ending	\$ 109,275	\$ 3,646

The accompanying notes are an integral part of the financial statements.

TIPPECANOE SCHOOL CORPORATION
STATEMENT OF CASH AND INVESTMENTS
FIDUCIARY FUNDS
June 30, 2005

<u>Assets</u>	<u>Pension Trust Funds</u>	<u>Private-Purpose Trust Funds</u>
Cash and investments	\$ 109,275	\$ 3,713
	<u> </u>	<u> </u>
<u>Net Assets</u>		
Held in trust for employee benefits and other purposes	\$ 109,275	\$ 3,713
	<u> </u>	<u> </u>

The accompanying notes are an integral part of the financial statements.

TIPPECANOE SCHOOL CORPORATION
 STATEMENT OF CASH AND INVESTMENTS
 FIDUCIARY FUNDS
 June 30, 2006

<u>Assets</u>	<u>Pension Trust Funds</u>	<u>Private-Purpose Trust Funds</u>
Cash and investments	\$ 109,275	\$ 3,646
	<u> </u>	<u> </u>
<u>Net Assets</u>		
Held in trust for employee benefits and other purposes	\$ 109,275	\$ 3,646
	<u> </u>	<u> </u>

The accompanying notes are an integral part of the financial statements.

TIPPECANOE SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS

I. 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.

These financial statements present the School Corporation (primary government). There are no significant component units which require inclusion.

In determining the financial reporting entity, the School Corporation complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*.

Joint Venture

The School Corporation is a participant with Area Vocation Education District 19 consisting of Benton Community School Corporation, Clinton Central School Corporation, Clinton Prairie School Corporation, Community Schools of Frankfort, Rossville Consolidated School District, Lafayette School Corporation, Tippecanoe School Corporation and West Lafayette Community School Corporation in a joint venture to operate the Wildcat Creek Career Co-operative which was created to provide vocational instruction for handicapped students. The Wildcat Creek Area Vocational Co-op's continued existence depends on continued funding by the School Corporation. Complete financial statements for the Wildcat Creek Area Vocational Co-op can be obtained from Tippecanoe School Corporation, 21 Elston Road, Lafayette, IN 47905.

The School Corporation is a participant with Lafayette School Corporation and West Lafayette School Corporation in a joint venture to operate Greater Lafayette Area Special Services (GLASS) which was created to provide instruction for handicapped students. Tippecanoe School Corporation is obligated by contract to remit 45% of the net costs of GLASS. The GLASS program's continued existence depends on continued funding by the School Corporation. Complete financial statements for the GLASS program can be obtained from Lafayette School Corporation, Hiatt Center, 2300 Cason Street, Lafayette, IN 47904.

The School Corporation is a participant with Tippecanoe County Office of Family and Children, Lafayette School Corporation, West Lafayette School Corporation and Tippecanoe County Juvenile Alternatives to operate A Tippecanoe County Learning Alternative School (ATLAS) to provide an educational alternative for expelled middle-school students. Tippecanoe School Corporation is the designated Local Educational Agency (LEA) and as such has agreed to maintain all appropriate accounting, attendance and capital asset records. Complete financial statements for the ATLAS program can be obtained from the Tippecanoe School Corporation, 21 Elston Road, Lafayette, IN 47905.

TIPPECANOE SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

Related Organizations

The School Corporation's officials are also responsible for appointing the members of the boards of other organizations, but the School Corporation's accountability for these organizations does not extend beyond making the appointments. The School Corporation appoints the board members of the West Lafayette Library and the Indiana Cooperative Library Services Authority.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The Statement of Cash and Investments and the Statement of Cash Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statement distinguishes between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, liabilities, fund equity, receipts, and disbursements. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. However, at this time, the School Corporation has not established any enterprise funds.

The School Corporation reports the following major governmental funds:

The general fund is the primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The transportation operating fund accounts for financial resources for the transportation of school children to and from school.

The debt service fund accounts for debt from funds borrowed or advanced for the purchase or lease of school buildings, school buses, judgments against the corporation, equipment or capital construction, and interest on emergency and temporary loans.

The capital projects fund accounts for planned construction, repair, replacement or remodeling; and the purchase, lease, upgrade, maintenance, or repair of computer equipment.

The school bus replacement fund is used to account for receipts and disbursements concerning the acquisition and disposal of school buses.

The construction fund is used to account for receipts and disbursements concerning the construction of new school buildings.

TIPPECANOE SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

Additionally, the School Corporation reports the following fund types:

The pension trust funds account for bonds and payments anticipated to be made to employees on or after the termination of employment or to pay post-retirement or severance benefits held by the School Corporation in a trustee capacity.

The private-purpose trust fund reports a trust arrangement under which principal and income benefit the students of Tippecanoe School Corporation through scholarships.

C. Measurement Focus and Basis of Accounting

The government-wide, governmental fund, proprietary fund and fiduciary fund financial statements are reported using the basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

The cash and investment 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. Investment transactions are not presented on the financial statements.

If the School Corporation utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Goods or services from such activities are provided to people outside the government (enterprise funds) or other departments or agencies primarily within the government (internal service funds). The School Corporation does not have any enterprise funds.

When both restricted and unrestricted resources are available for use, the School Corporation's policy is to use restricted resources first, then unrestricted resources as they are needed.

D. Assets and Cash and Investment Balances

1. Cash and Investments

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

2. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the School Corporation in June and in December. 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% 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 become delinquent if not

TIPPECANOE SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

paid by May 10 and November 10, respectively. All property taxes collected by the County Treasurer and available for distribution were distributed to the School Corporation on or prior to December 31 of the year collected.

3. Compensated Absences

a. Sick Leave

Employees earn sick leave at the rate of 7 to 13 days per year based on years of service. Unused sick leave may be accumulated to a maximum of 77 to 252 days based on staff classification. Accumulated sick leave is not paid to employees.

b. Vacation Leave

Nonteaching or administrative and noncertified School Corporation employees earn vacation leave at rates from 10 days to 22 days per year based upon the number of years of service. Vacation leave may be accumulated to a maximum of 36 days. Accumulated vacation leave is paid to employees through cash payments upon termination.

c. Personal Leave

School Corporation employees earn personal leave at the rate of 1 to 3 days per year. Personal leave does accumulate to a maximum of 6 days.

4. Capital Assets

Capital assets arising from cash transactions acquired for use in governmental or proprietary fund operations are accounted for as capital outlay disbursements of the fund upon acquisition.

5. Long-Term Debt

Long-term debt arising from cash basis transactions of governmental is not reported as liabilities in the basic financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as disbursements.

6. Equity Classification

Government-Wide Statements

Equity is classified as net assets and displayed in two components:

- a. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or (2) law through constitutional provisions or enabling legislation.
- b. Unrestricted net assets – All other net assets that do not meet the definition of "restricted."

It is the School Corporation's policy to first use restricted net assets prior to the use of unrestricted net assets when a disbursement is incurred for purposes for which both restricted and unrestricted net assets are available.

TIPPECANOE SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

Fund Financial Statements

Governmental fund equity is classified as fund balance.

E. Receipts and Disbursements

1. Program Receipts

Amounts reported as program receipts include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general receipts rather than as program receipts. Likewise, general receipts include all taxes.

2. Operating Receipts and Disbursements

Includes all receipts and disbursements not related to capital and related financing, noncapital financing, or investing activities.

F. Internal and Interfund Balances and Activities

In the process of aggregating the financial information for the government-wide Statement of Cash Activities, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified.

Fund Financial Statements

1. Interfund services – Sales or purchases of goods and services between funds are reported as receipts and disbursements.

2. Interfund reimbursements – Repayments from funds responsible for certain disbursements to the funds that initially paid for them are reported as reimbursements.

3. Interfund transfers – Flow of assets from one fund to another where repayment is not expected is reported as transfers in and out.

II. Stewardship, Compliance and Accountability

Budgetary Information

Annual budgets are adopted on the cash basis, which is not consistent with accounting principles generally accepted in the United States of America. All annual appropriations lapse at calendar year end.

Prior to the first required publication, the fiscal officer of the School Corporation submits to the governing board a proposed operating budget for the year commencing the following July 1. Prior to adoption, the budget is advertised and public hearings are conducted by the governing board to obtain taxpayer comments. In September of each year, the governing board, through the passage of a resolution/ordinance, approves the budget for the next year. Copies of the budget resolution/ordinance and the advertisement for funds for which property taxes are levied or highway use taxes are received are sent to the Indiana Department of Local Government Finance. The budget becomes legally enacted after the fiscal officer of the School Corporation receives approval of the Indiana Department of Local Government Finance.

TIPPECANOE SCHOOL CORPORATION
 NOTES TO FINANCIAL STATEMENTS
 (Continued)

The School Corporation's management cannot transfer budgeted appropriations between object classifications of a budget without approval of the governing board. The Indiana Department of Local Government Finance must approve any revisions to the appropriations for any fund or any department of the General Fund. The legal level of budgetary control is by object and department within the fund for the General Fund and by object within the fund for all other budgeted funds.

III. Detailed Notes on All Funds

A. Deposits and Investments

1. Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Indiana Code 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state funds and has a principal office or branch that qualifies to receive public funds of the political subdivision. The bank balances were insured by the Federal Deposit Insurance Corporation or the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

2. Investments

Authorization for investment activity is stated in Indiana Code 5-13. As of June 30, 2006, the School Corporation had the following investments:

Investment Type	Primary Government Market Value
Repurchase agreements	\$ 1,640,077

Investment Policies

Indiana Code 5-13-9 authorizes the School Corporation to invest in securities backed by the full faith and credit of the United States Treasury or fully guaranteed by the United States of America and issued by the United States Treasury, a federal agency, a federal instrumentality, or a federal government sponsored enterprise. Indiana Code also authorizes the unit to invest in securities fully guaranteed and issued by a federal agency, a federal instrumentality or a federal government sponsored enterprise. These investments are required by statute to have a stated final maturity of not more than two years.

Indiana Code also provides for investment in money market mutual funds that are in the form of securities of, or interest in, an open-end, no-load, management-type investment company or investment trust registered under the provision of the federal Investment Company Act of 1940, as amended. Investments in money market mutual funds may not exceed 50% of the funds held by the School Corporation and available for investment. The portfolio of an investment company or

TIPPECANOE SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

investment trust used must be limited to direct obligations of the United States of America, obligations issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise or repurchase agreements fully collateralized by direct obligations of the United States of America or obligations issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise. The form of securities of, or interest in, an investment company or investment trust must be rated as AAA, or its equivalent by Standard and Poor's Corporation or its successor or Aaa, or its equivalent, by Moody's Investors Service, Inc., or its successor. The form of securities in an investment company or investment trust should have a stated final maturity of one day.

Additionally, the School Corporation may enter into repurchase agreements with depositories designated by the State Board of Finance as depositories for state deposits involving the unit's purchase and guaranteed resale of any interest-bearing obligations issued or fully insured or guaranteed by the United States of America, a United States of America government agency, an instrumentality of the United States of America, or a federal government sponsored enterprise. The repurchase agreement is considered to have a stated final maturity of one day. This agreement must be fully collateralized by interest-bearing obligations as determined by their current market value.

Investment Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The School Corporation does not have a formal investment policy for custodial credit risk for investments. At June 30, 2006, the School Corporation held investments in a repurchase agreement in the amount of \$1,640,077. These investments were collateralized with securities held by the counterparty's trust department or agent but not in the School Corporation's name.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The School Corporation must follow state statute and limit the stated final maturities of the investments to no more than two years.

Investment Type	Investment Maturities (in Years)		
	Less Than 1	1-2	More Than 2
Repurchase agreements	\$ 1,640,077	\$ -	\$ -

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The School Corporation does not have a policy in regards to concentration of credit risk. United States of America government and United States of America governmental agency securities are exempt from this policy requirement.

TIPPECANOE SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

Foreign Currency Risk

The School Corporation does not have a formal policy in regards to foreign currency risk.

B. Interfund Transfers

Interfund transfers for the years ended June 30, 2005 and 2006, were as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>2005</u>	<u>2006</u>
General Fund	Other governmental	\$ 109,275	\$ -
Debt Service	Transportation Operating	158,826	158,322
	Other governmental	145,000	118,000
School Bus Replacement	Other governmental	100,000	178,000
Other governmental	School Bus Replacement	<u>17,000</u>	<u>-</u>
Totals		<u>\$ 530,101</u>	<u>\$ 454,322</u>

The School Corporation typically uses transfers for cash flow purposes according to various statutes.

IV. Other Information

A. Risk Management

The School Corporation is 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; and natural disasters.

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; and natural disasters are covered by commercial insurance from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance by major category of risk.

B. Holding Corporations

The School Corporation has entered into a capital lease with the Tippecanoe 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. Lease payments during the year totaled \$2,445,000.

The School Corporation has entered into a capital lease with the Tippecanoe County Elementary 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. Lease payments during the year totaled \$3,114,962.

TIPPECANOE SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

The School Corporation has entered into a capital lease with the Wea Ridge Middle School Holding 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. Lease payments during the year totaled \$750,000.

C. Subsequent Events

On July 12, 2006, a contract for the construction of the Woodland Elementary School was awarded to Hagerman Construction Corporation in the amount of \$15,015,000. The work is to be substantially complete by March 31, 2008.

The new Battle Ground Middle School construction started May 3, 2006, and should be substantially completed by April 15, 2008.

Both the Woodland Elementary and the Battle Ground Middle School projects are funded by the Tippecanoe County NMSE School Building Corporation. Tippecanoe School Corporation has entered into a capital lease agreement with the Tippecanoe County NMSE School Building Corporation at a rate of \$6,680,000 per year. The first installment is due on the day that the buildings are completed and ready for occupancy or June 30, 2008, whichever is later.

On August 9, 2006, a contract for the construction of the Harrison High School Academic Center Project was awarded to J.R. Kelly Company, Inc., in the amount of \$2,126,000. The work is to be substantially complete by July 6, 2007. Also a contract for the construction of Concession/Restroom Buildings at the Baseball Complex at Harrison High School and at the Baseball Complex at McCutcheon High School was awarded to J.R. Kelly Company, Inc., in the amount of \$720,700. The work was substantially complete by March 5, 2007.

All three of these projects are to be funded from the Capital Projects Fund.

Also on August 9, 2006, the Board of School Trustees passed a resolution for an additional appropriation of \$2,000,000 for the establishment of a Construction Fund to be used for the construction of two new school buildings and the related infrastructure and facilities and equipment and technology.

D. Post Employment Benefits

In addition to the pension benefits described below, the School Corporation provides postemployment health insurance benefits, as authorized by Indiana Code 5-10-8, to all employees who retire from the School Corporation on or after attaining age 55 with at least 10 years of service. Currently, 37 retirees meet these eligibility requirements. Retirees have the option of receiving \$3,550 applied toward the premium of single health plan insurance coverage with the School Corporation, or a cash payment of \$3,550 (for the School Year 2005-2006). Disbursements for those post employment benefits are recognized on a pay-as-you-go basis. During the year ended June 30, 2006, disbursements of \$131,350 were recognized for post employment benefits.

TIPPECANOE SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

E. Pension Plans

1. Agent Multiple-Employer Defined Benefit Pension Plans

Public Employees' Retirement Fund

Plan Description

The School Corporation contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in the defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the PERF 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 member's contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

PERF 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. The report may be obtained by contacting:

Public Employees' Retirement Fund
Harrison Building, Room 800
143 West Market Street
Indianapolis, IN 46204
Ph. (317) 233-4162

Funding Policy and Annual Pension Cost

The contribution requirements of plan members for PERF are established by the Board of Trustees of PERF. The School Corporation's annual pension cost and related information, as provided by the actuary, is presented in this note.

Actuarial Information for the Above Plan

	PERF
Annual required contribution	\$ 281,751
Interest on net pension obligation	(25,049)
Adjustment to annual required contribution	28,545
Annual pension cost	285,247
Contributions made	301,848
Decrease in net pension obligation	(16,601)
Net pension obligation, beginning of year	(345,500)
Net pension obligation, end of year	\$ (362,101)

TIPPECANOE SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

	PERF
Contribution rates:	
School Corporation	5.5%
Plan members	3%
Actuarial valuation date	07-01-05
Actuarial cost method	Entry age
Amortization method	Level percentage of projected payroll, closed
Amortization period	40 years
Amortization period (from date)	07-01-97
Asset valuation method	75% of expected actuarial value plus 25% of Market value

Actuarial Assumptions

Investment rate of return	7.25%
Projected future salary increases:	
Total	5%
Attributed to inflation	4%
Attributed to merit/seniority	1%
Cost-of-living adjustments	2%

Three Year Trend Information

	Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
PERF	06-30-03	\$ 259,298	103%	\$ (285,656)
	06-30-04	233,718	126%	(345,500)
	06-30-05	285,247	129%	(362,101)

2. Cost-Sharing Multiple-Employer Defined Benefit Pension Plan

Teachers' Retirement Fund

Plan Description

The School Corporation contributes to the Indiana Teachers' Retirement Fund (TRF), 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 TRF 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

TIPPECANOE SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

annuity provided by the member's annuity savings account. The annuity savings account consists of member's contributions, set by state statute at 3% 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.

TRF 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:

Teachers' Retirement Fund
150 West Market Street
Indianapolis, IN 46204
Ph. (317) 232-3860

Funding Policy and Annual Pension Costs

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.

The School Corporation is to contribute at an actuarially determined rate. The current rate has been actuarially determined under the entry age normal cost method to be 6.82% of covered wages. The School Corporation's required contributions to the plan for the fiscal years ended June 30, 2004, 2005, and 2006, were \$877,368, \$1,018,788, and \$1,163,360, respectively. The School Corporation actually contributed 100% of the required contribution for each of the fiscal years.

TIPPECANOE SCHOOL CORPORATION
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS

Public Employees' Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-03	\$ 3,760,160	\$ 3,800,906	\$ (40,746)	99%	\$ 4,563,646	(1%)
07-01-04	3,896,367	4,367,671	(471,304)	89%	4,862,578	(10%)
07-01-05	4,135,923	4,937,516	(801,593)	84%	5,249,262	(15%)

TIPPECANOE SCHOOL CORPORATION
OTHER REPORT

The audit report presented herein was prepared in addition to other official reports prepared for the individual School Corporation offices listed below:

Dayton Elementary Supplemental

(This page intentionally left blank.)

SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

TO: THE OFFICIALS OF THE TIPPECANOE SCHOOL CORPORATION, TIPPECANOE COUNTY, INDIANA

Compliance

We have audited the compliance of the Tippecanoe School Corporation (School Corporation) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the years ended June 30, 2005 and 2006. 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. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the School Corporation's management. Our responsibility is to express an opinion on the School Corporation's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States; 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. Our audit does not provide a legal determination of the School Corporation's compliance with those requirements.

In our opinion, the School Corporation complied in all material respects with the requirements referred to above that are applicable to each of its major federal programs for the years ended June 30, 2005 and 2006.

Internal Control Over Compliance

The management of the School Corporation is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the School Corporation's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133
(Continued)

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the School Corporation's management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

March 14, 2007

TIPPECANOE SCHOOL CORPORATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Years Ended June 30, 2005 and 2006

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 06-30-05	Total Federal Awards Expended 06-30-06
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
Pass-Through Indiana Department of Education				
Child Nutrition Cluster				
School Breakfast Program	10.553		\$ 152,154	\$ 181,299
National School Lunch Program	10.555		856,595	1,030,943
Special Milk Program for Children	10.556		<u>10,865</u>	<u>9,558</u>
Total for cluster			<u>1,019,614</u>	<u>1,221,800</u>
Team Nutrition Grants	10.574	CNTN-04-IN-1	-	1,109
		CNTN-05-IN-1	<u>-</u>	<u>925</u>
Total for program			<u>-</u>	<u>2,034</u>
Total for federal grantor agency			<u>1,019,614</u>	<u>1,223,834</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>				
Pass-Through Indiana Department of Education				
Title I Grants to Local Education Agencies				
	84.010	04-7865	61,187	-
		05-7865	751,594	76,848
		06-7865	-	891,922
New Horizons			<u>1,644</u>	<u>-</u>
Total for program			<u>814,425</u>	<u>968,770</u>
Vocational Education - Basic Grants to States				
Carl D. Perkins Vocational and Applied Technology				
Basic Secondary Area Vocational District Grant	84.048	04-4700-7865	100,050	-
		05-4700-7865	280,148	98,172
		06-4700-7865	<u>-</u>	<u>284,261</u>
Total for program			<u>380,198</u>	<u>382,433</u>
Safe and Drug Free Schools and Communities - State Grants				
Title IV-Part A	84.186	03-045	-	-
		04-029	9,570	-
		05-004	32,625	6,699
			<u>-</u>	<u>31,970</u>
Total for program			<u>42,195</u>	<u>38,669</u>
State Grants for Innovative Programs				
Title V-Part A - Innovative Programs	84.298	SY 04-05	-	-
		SY 05-06	49,731	-
			<u>-</u>	<u>34,113</u>
Total for program			<u>49,731</u>	<u>34,113</u>

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

TIPPECANOE SCHOOL CORPORATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Years Ended June 30, 2005 and 2006
(Continued)

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 06-30-05	Total Federal Awards Expended 06-30-06
<u>U.S. DEPARTMENT OF EDUCATION (continued)</u>				
Pass-Through Indiana Department of Education (continued)				
English Language Acquisition Grants Title III	84.365		-	-
		FY 2003-2004	1,019	-
		FY 2004-2005	46,828	357
		FY 2005-2006	-	54,838
Total for program			<u>47,847</u>	<u>55,195</u>
Improving Teacher Quality State Grants Title II-Part A	84.367		-	-
		SY 03-04	26,996	-
		SY 04-05	301,994	18,058
		SY 05-06	-	304,541
Title II-Part D		SY 03-04	13,137	-
		SY 04-05	6,714	12,460
		SY 05-06	-	7,585
Total for program			<u>348,841</u>	<u>342,644</u>
Total for federal grantor agency			<u>1,683,237</u>	<u>1,821,824</u>
<u>CORPORATION FOR NATIONAL COMMUNITY SERVICE</u>				
Pass-Through Indiana Department of Education				
Learn and Serve American - School and Community Based Programs	94.004	FY 2003-2004	1,419	-
Total for program			<u>1,419</u>	-
Total for federal grantor agency			<u>1,419</u>	-
Total federal awards expended			<u>\$ 2,704,270</u>	<u>\$ 3,045,658</u>

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

TIPPECANOE SCHOOL CORPORATION
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

I. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Tippecanoe School Corporation (School Corporation) and is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Accordingly, the amount of federal awards expended is based on when the activity related to the award occurs. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

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 the Indiana Code (IC 5-11-1 et seq.), audits of School Corporations shall be conducted biennially. Such audits shall include both years within the biennial period.

II. 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, 2005 and 2006:

Program Title	Federal CFDA Number	2005	2006
Vocational Education Grants to States	84.048	\$ 265,132	\$ 266,346

III. Noncash Assistance

The School Corporation expended the following amount of noncash assistance for the years ending June 30, 2005 and 2006. This noncash assistance is also included in the federal expenditures presented in the schedule.

Program Title	Federal CFDA Number	2005	2006
School Breakfast Program	10.553	\$ 16,686	\$ 19,447
National School Lunch Program	10.555	93,440	108,905
Special Milk Program	10.556	1,112	1,297

TIPPECANOE SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified?	no
Reportable conditions identified that are not considered to be material weaknesses?	none reported

Noncompliance material to financial statements noted?	no
---	----

Federal Awards:

Internal control over major programs:

Material weaknesses identified?	no
Reportable conditions identified that are not considered to be material weaknesses?	none reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	no
--	----

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
----------------	------------------------------------

84.010	Title I Grants to Local Education Agencies
--------	--

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

Auditee qualified as low-risk auditee?	yes
--	-----

Section II – Financial Statement Findings

No matters are reportable.

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.

TIPPECANOE SCHOOL CORPORATION
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

TIPPECANOE SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on March 14, 2007, with Dr. Richard Wood, Superintendent of Schools; Dr. Mark D. Miller, Treasurer; and Linda Y. Day, Vice President of School Board of Trustees. The officials concurred with our audit findings.