

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

FINANCIAL STATEMENT AND  
FEDERAL SINGLE AUDIT REPORT  
OF

TIPTON COMMUNITY SCHOOL CORPORATION  
TIPTON COUNTY, INDIANA

July 1, 2010 to June 30, 2012



**FILED**  
03/18/2013



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Renee' Anderson	07-01-10 to 06-30-13
Superintendent of Schools	Dave Bergdoll Kevin Emsweller	07-01-10 to 06-30-11 07-01-11 to 06-30-13
President of the School Board	Ken Ehman Mike Bullick Rick Powell	07-01-10 to 06-30-11 07-01-11 to 06-30-12 07-01-12 to 12-31-13



**STATE OF INDIANA**  
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INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE TIPTON COMMUNITY SCHOOL  
CORPORATION, TIPTON COUNTY, INDIANA

We have audited the accompanying financial statement of the Tipton Community School Corporation (School Corporation), for the period of July 1, 2010 to June 30, 2012. This financial statement is the responsibility of the School Corporation's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing 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 over reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. 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 opinion.

As discussed in Note 1, the School Corporation prepares its financial statement on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the State Board of Accounts as allowed by 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 effects on the financial statement of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material. The basis of accounting noted above is a different basis than that used in the prior period.

In our opinion, because of the matter discussed in the preceding paragraph, the financial statement referred to above does not present fairly, in conformity 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, 2010 to June 30, 2012.

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, 2010 to June 30, 2012, on the basis of accounting described in Note 1.

INDEPENDENT AUDITOR'S REPORT  
(Continued)

In accordance with Government Auditing Standards, we have also issued a report dated February 21, 2013, 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 and should be considered in assessing the results of our audit.

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 reports 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.

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, 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.



Bruce Hartman  
State Examiner

February 21, 2013



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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 TIPTON COMMUNITY SCHOOL  
CORPORATION, TIPTON COUNTY, INDIANA

We have audited the financial statement of the Tipton Community School Corporation (School Corporation), for the period of July 1, 2010 to June 30, 2012, and have issued our report thereon dated February 21, 2013. 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.

Internal Control Over Financial Reporting

Management of the School Corporation is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the School Corporation's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School Corporation's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been 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 material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as item 2012-1 to be material weaknesses.

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

Compliance and Other Matters

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

The School Corporation's response to the findings identified in our audit is described in the accompanying Corrective Action Plan. We did not audit the School Corporation's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the School Corporation's management, School Board, others within the entity, 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.



Bruce Hartman  
State Examiner

February 21, 2013

## FINANCIAL STATEMENT

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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TIPTON COMMUNITY SCHOOL CORPORATION  
STATEMENT OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
REGULATORY BASIS  
For the Years Ended June 30, 2011 and 2012

	Cash and Investments 07-01-10	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-11	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-12
General	\$ 287,143	\$ 10,140,766	\$ 10,033,778	\$ -	\$ 394,131	\$ 9,960,906	\$ 10,046,575	\$ (3,544)	\$ 304,918
Debt Service	839,353	1,471,488	1,470,354	(11,921)	828,566	1,495,686	1,510,025	-	814,227
Retirement/Severance Bond Debt Service	8,612	119,006	117,874	-	9,744	119,857	122,915	-	6,686
Capital Projects	2,837,500	1,723,507	1,698,866	174,354	3,036,495	1,593,127	1,651,108	12,965	2,991,479
School Transportation	896,725	1,111,601	1,188,978	26,452	845,800	1,171,172	1,101,151	-	915,821
School Bus Replacement	256,697	145,076	101,734	-	300,039	170,923	52,442	-	418,520
Rainy Day	837,640	-	-	-	837,640	-	-	-	837,640
Retirement/Severance Bond	312,086	1,446	29,163	-	284,369	14	32,286	-	252,097
Construction	354,130	364	345,600	-	8,894	-	8,692	-	202
School Lunch	153,605	771,583	793,137	-	132,051	850,603	845,330	-	137,324
Textbook Rental	297,455	213,819	254,140	11,921	269,055	222,780	266,187	-	225,648
Levy Excess	-	26,452	-	(26,452)	-	35,768	-	-	35,768
Educational License Plates	3,518	150	399	-	3,269	-	-	-	3,269
Early Intervention Grant	-	-	-	-	-	18,960	18,960	-	-
Tipton County Foundation Grant	714	5,105	6,155	933	597	3,500	2,930	-	1,167
Council on Alcohol, Tobacco and Drugs	2,885	-	640	-	2,245	-	1,600	-	645
Cargill Library Scholarship	124	-	124	-	-	200	-	-	200
Tipton High School Tobacco Grant	931	-	927	-	4	-	4	-	-
Blue Devil Science Award	98,200	-	200	-	98,000	-	98,000	-	-
Miscellaneous Programs	3,769	6,284	6,342	(933)	2,778	1,896	795	-	3,879
High Ability Grant	3,096	32,505	35,601	-	-	31,381	31,381	-	-
Non-English Speaking Programs P.L. 273-1999	623	-	-	-	623	393	395	-	621
School Technology	-	7,070	5,805	-	1,265	7,069	4,644	-	3,690
Title I 2009-2010	62,643	6,500	42,668	(26,475)	-	-	-	-	-
Title I 2010-2011	-	100,824	108,305	26,475	18,994	45,446	64,440	-	-
Title I 2011-2012	-	-	-	-	-	94,050	105,955	-	(11,905)
Safe and Drug-Free Schools	2,104	-	1,845	-	259	-	259	-	-
School Technology	28,417	-	28,101	-	316	-	316	-	-
Improving Teaching Quality, No Child Left, Title II, Part A	-	44,790	44,790	-	-	27,037	29,705	-	(2,668)
ITQ, Enhanced Education Through Technology, Title II, Part D	692	-	692	-	-	-	-	-	-
ARRA - Title I Grants	19,081	21,676	40,757	-	-	18,119	18,076	-	43
Special Education Part B	(1,683)	146,057	117,152	-	27,222	12,965	30,766	(9,421)	-
Special Education Part B Preschool	1,784	2,095	2,420	-	1,459	10,113	11,572	-	-
Special Education Technology	-	-	-	-	-	70,054	58,738	-	11,316
Education Jobs	-	499,112	324,808	(174,304)	-	4,798	4,798	-	-
Payroll Withholdings	3,455	3,082,633	3,077,766	-	8,322	2,895,446	2,895,153	-	8,615
Commerce Bank	5,731	351,767	353,667	-	3,831	300,034	299,244	-	4,621
<b>Totals</b>	<b>\$ 7,317,030</b>	<b>\$ 20,031,676</b>	<b>\$ 20,232,788</b>	<b>\$ 50</b>	<b>\$ 7,115,968</b>	<b>\$ 19,162,297</b>	<b>\$ 19,314,442</b>	<b>\$ -</b>	<b>\$ 6,963,823</b>

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

TIPTON COMMUNITY SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENT

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

*A. Reporting Entity*

School Corporation, as used herein, shall include, but is not limited to, 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 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. Receipts are recorded when received and disbursements are recorded when paid.

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

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

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

TIPTON COMMUNITY SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENT  
(Continued)

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

Interfund loans which include money temporarily transferred from one fund to a depleted fund for use in paying current operating expenses. Such advancement shall not be made for a period extending beyond the budget year.

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

*E. Disbursements*

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

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

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

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

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

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

Nonprogrammed charges which include outflows for donations to foundations, securities purchased indirect costs, scholarships, funds held temporarily for an authorized recipient and self-insurance payments.

Interfund loans which include money temporarily transferred from one fund to a depleted fund for use in paying current operating expenses. Such advancement shall not be made for a period extending beyond the budget year.

*F. Other Financing Sources and Uses*

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

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

TIPTON COMMUNITY SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENT  
(Continued)

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

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

*G. Fund Accounting*

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

**Note 2. Budgets**

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

**Note 3. Property Taxes**

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

**Note 4. Deposits and Investments**

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

TIPTON COMMUNITY SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENT  
(Continued)

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

**Note 5. Risk Management**

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

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

**Note 6. Pension Plans**

*A. Public Employees' Retirement Fund*

*Plan Description*

The Indiana Public Employees' Retirement Fund (PERF) is a defined benefit pension plan. PERF is 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 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  
1 North Capital Street, 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.

TIPTON COMMUNITY SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENT  
(Continued)

*B. Teacher's Retirement Fund*

*Plan Description*

The Indiana Teacher's 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  
1 North Capital Street, 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 some funds which have been established for reimbursable grants.

**Note 8. Holding Corporations**

The School Corporation has entered into a capital lease with the Tipton Elementary School Building Corporation and the Tipton Middle School Building Corporation (the lessors). The lessors were organized as not for profit corporations pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. The lessor has been determined to be a related party of the School Corporation. Lease payments during the years 2011 and 2012 totaled \$1,466,354 and \$1,506,025, respectively.

TIPTON COMMUNITY SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENT  
(Continued)

**Note 9. Subsequent Events**

On May 22, 2012, the School Corporation entered into a capital lease with the Tipton Community School Building Corporation for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. Subsequent to the audit period, the Tipton Community School Building Corporation issued \$1,640,000 in First Mortgage Bonds, Series A and \$1,900,000 in First Mortgage Bonds, Series B. Annual lease rental payments in amounts ranging from \$90,000 to \$1,249,000 are to be made by the School Corporation to the Tipton Community School Building Corporation beginning on June 30, 2013, and ending on December 31, 2023.

In addition, the School Corporation has taken the preliminary steps to obtain \$1,975,000 in financing to fund general facility improvement, renovation and equipping projects through the issuance of First Mortgage Bonds, Series 2013 by the Tipton Community School Building Corporation.

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## SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the School Corporation's Financial Reports can be found on the Indiana Department of Education website: <http://mustang.doe.state.in.us/TRENDS/fin.cfm>. This website is maintained by the Indiana Department of Education. More current financial information is available from the School Corporation Treasurer's office.

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

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

TIPTON COMMUNITY SCHOOL CORPORATION  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2011

	General	Debt Service	Retirement/ Severance Bond Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	Retirement/ Severance Bond	Construction
Cash and investments - beginning	\$ 287,143	\$ 839,353	\$ 8,612	\$ 2,837,500	\$ 896,725	\$ 256,697	\$ 837,640	\$ 312,086	\$ 354,130
Receipts:									
Local sources	108,638	1,469,302	119,006	1,723,507	1,111,601	145,076	-	1,446	364
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	10,032,003	2,186	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-
Other	125	-	-	-	-	-	-	-	-
Total receipts	<u>10,140,766</u>	<u>1,471,488</u>	<u>119,006</u>	<u>1,723,507</u>	<u>1,111,601</u>	<u>145,076</u>	<u>-</u>	<u>1,446</u>	<u>364</u>
Disbursements:									
Current:									
Instruction	6,790,884	-	-	-	-	-	-	-	-
Support services	3,003,731	-	-	890,068	1,188,978	101,734	-	-	-
Noninstructional services	239,163	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	634,494	-	-	-	-	345,600
Debt services	-	1,470,354	117,874	-	-	-	-	29,163	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	174,304	-	-	-	-	-
Total disbursements	<u>10,033,778</u>	<u>1,470,354</u>	<u>117,874</u>	<u>1,698,866</u>	<u>1,188,978</u>	<u>101,734</u>	<u>-</u>	<u>29,163</u>	<u>345,600</u>
Excess (deficiency) of receipts over disbursements	<u>106,988</u>	<u>1,134</u>	<u>1,132</u>	<u>24,641</u>	<u>(77,377)</u>	<u>43,342</u>	<u>-</u>	<u>(27,717)</u>	<u>(345,236)</u>
Other financing sources (uses):									
Sale of capital assets	-	-	-	50	-	-	-	-	-
Transfers in	-	-	-	174,304	26,452	-	-	-	-
Transfers out	-	(11,921)	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>(11,921)</u>	<u>-</u>	<u>174,354</u>	<u>26,452</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>106,988</u>	<u>(10,787)</u>	<u>1,132</u>	<u>198,995</u>	<u>(50,925)</u>	<u>43,342</u>	<u>-</u>	<u>(27,717)</u>	<u>(345,236)</u>
Cash and investments - ending	<u>\$ 394,131</u>	<u>\$ 828,566</u>	<u>\$ 9,744</u>	<u>\$ 3,036,495</u>	<u>\$ 845,800</u>	<u>\$ 300,039</u>	<u>\$ 837,640</u>	<u>\$ 284,369</u>	<u>\$ 8,894</u>

TIPTON COMMUNITY SCHOOL CORPORATION  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2011  
 (Continued)

	School Lunch	Textbook Rental	Levy Excess	Educational License Plates	Tipton County Foundation Grant	Council on Alcohol, Tobacco and Drugs	Cargill Library Scholarship	Tipton High School Tobacco Grant	Blue Devil Science Award
Cash and investments - beginning	\$ 153,605	\$ 297,455	\$ -	\$ 3,518	\$ 714	\$ 2,885	\$ 124	\$ 931	\$ 98,200
Receipts:									
Local sources	485,171	167,093	26,452	-	5,105	-	-	-	-
Intermediate sources	-	-	-	150	-	-	-	-	-
State sources	12,196	46,726	-	-	-	-	-	-	-
Federal sources	274,216	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	<u>771,583</u>	<u>213,819</u>	<u>26,452</u>	<u>150</u>	<u>5,105</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Disbursements:									
Current:									
Instruction	-	-	-	-	-	-	124	-	200
Support services	9,825	254,025	-	399	6,155	640	-	927	-
Noninstructional services	300,180	-	-	-	-	-	-	-	-
Facilities acquisition and construction	483,132	115	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-
Total disbursements	<u>793,137</u>	<u>254,140</u>	<u>-</u>	<u>399</u>	<u>6,155</u>	<u>640</u>	<u>124</u>	<u>927</u>	<u>200</u>
Excess (deficiency) of receipts over disbursements	<u>(21,554)</u>	<u>(40,321)</u>	<u>26,452</u>	<u>(249)</u>	<u>(1,050)</u>	<u>(640)</u>	<u>(124)</u>	<u>(927)</u>	<u>(200)</u>
Other financing sources (uses):									
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	-	11,921	-	-	933	-	-	-	-
Transfers out	-	-	(26,452)	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>11,921</u>	<u>(26,452)</u>	<u>-</u>	<u>933</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(21,554)</u>	<u>(28,400)</u>	<u>-</u>	<u>(249)</u>	<u>(117)</u>	<u>(640)</u>	<u>(124)</u>	<u>(927)</u>	<u>(200)</u>
Cash and investments - ending	<u>\$ 132,051</u>	<u>\$ 269,055</u>	<u>\$ -</u>	<u>\$ 3,269</u>	<u>\$ 597</u>	<u>\$ 2,245</u>	<u>\$ -</u>	<u>\$ 4</u>	<u>\$ 98,000</u>

TIPTON COMMUNITY SCHOOL CORPORATION  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2011  
 (Continued)

	Miscellaneous Programs	High Ability Grant	Non-English Speaking Programs P.L. 273-1999	School Technology	Title I 2009-2010	Title I 2010-2011	Safe and Drug-Free Schools	School Technology	Improving Teaching Quality, No Child Left, Title II, Part A
Cash and investments - beginning	\$ 3,769	\$ 3,096	\$ 623	\$ -	\$ 62,643	\$ -	\$ 2,104	\$ 28,417	\$ -
Receipts:									
Local sources	6,284	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	32,505	-	7,070	-	-	-	-	-
Federal sources	-	-	-	-	6,500	100,824	-	-	44,790
Interfund loans	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	6,284	32,505	-	7,070	6,500	100,824	-	-	44,790
Disbursements:									
Current:									
Instruction	200	35,601	-	-	34,546	108,305	-	28,101	44,790
Support services	6,142	-	-	5,805	8,122	-	1,845	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-
Total disbursements	6,342	35,601	-	5,805	42,668	108,305	1,845	28,101	44,790
Excess (deficiency) of receipts over disbursements	(58)	(3,096)	-	1,265	(36,168)	(7,481)	(1,845)	(28,101)	-
Other financing sources (uses):									
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	200	-	-	-	-	26,475	-	-	-
Transfers out	(1,133)	-	-	-	(26,475)	-	-	-	-
Total other financing sources (uses)	(933)	-	-	-	(26,475)	26,475	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(991)	(3,096)	-	1,265	(62,643)	18,994	(1,845)	(28,101)	-
Cash and investments - ending	\$ 2,778	\$ -	\$ 623	\$ 1,265	\$ -	\$ 18,994	\$ 259	\$ 316	\$ -

TIPTON COMMUNITY SCHOOL CORPORATION  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2011  
 (Continued)

	ITQ, Enhanced Education Through Technology, Title II, Part D	ARRA - Title I Grants	Special Education Part B	Special Education Part B Preschool	Education Jobs	Payroll Withholdings	Commerce Bank	Totals
Cash and investments - beginning	\$ 692	\$ 19,081	\$ (1,683)	\$ 1,784	\$ -	\$ 3,455	\$ 5,731	\$ 7,317,030
Receipts:								
Local sources	-	16	57	3	-	-	-	5,369,121
Intermediate sources	-	-	-	-	-	-	-	150
State sources	-	-	-	-	-	-	-	10,132,686
Federal sources	-	21,660	146,000	2,092	324,808	-	-	920,890
Interfund loans	-	-	-	-	174,304	-	-	174,304
Other	-	-	-	-	-	3,082,633	351,767	3,434,525
Total receipts	-	21,676	146,057	2,095	499,112	3,082,633	351,767	20,031,676
Disbursements:								
Current:								
Instruction	692	-	70,866	2,420	262,175	-	-	7,378,904
Support services	-	40,757	46,286	-	52,783	-	-	5,618,222
Noninstructional services	-	-	-	-	9,850	-	-	549,193
Facilities acquisition and construction	-	-	-	-	-	-	-	1,463,341
Debt services	-	-	-	-	-	-	-	1,617,391
Nonprogrammed charges	-	-	-	-	-	3,077,766	353,667	3,431,433
Interfund loans	-	-	-	-	-	-	-	174,304
Total disbursements	692	40,757	117,152	2,420	324,808	3,077,766	353,667	20,232,788
Excess (deficiency) of receipts over disbursements	(692)	(19,081)	28,905	(325)	174,304	4,867	(1,900)	(201,112)
Other financing sources (uses):								
Sale of capital assets	-	-	-	-	-	-	-	50
Transfers in	-	-	-	-	-	-	-	240,285
Transfers out	-	-	-	-	(174,304)	-	-	(240,285)
Total other financing sources (uses)	-	-	-	-	(174,304)	-	-	50
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(692)	(19,081)	28,905	(325)	-	4,867	(1,900)	(201,062)
Cash and investments - ending	\$ -	\$ -	\$ 27,222	\$ 1,459	\$ -	\$ 8,322	\$ 3,831	\$ 7,115,968

TIPTON COMMUNITY SCHOOL CORPORATION  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2012

	General	Debt Service	Retirement/ Severance Bond Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	Retirement/ Severance Bond	Construction
Cash and investments - beginning	\$ 394,131	\$ 828,566	\$ 9,744	\$ 3,036,495	\$ 845,800	\$ 300,039	\$ 837,640	\$ 284,369	\$ 8,894
Receipts:									
Local sources	129,124	1,495,686	119,857	1,593,127	1,171,172	170,923	-	14	-
State sources	9,831,782	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	<u>9,960,906</u>	<u>1,495,686</u>	<u>119,857</u>	<u>1,593,127</u>	<u>1,171,172</u>	<u>170,923</u>	<u>-</u>	<u>14</u>	<u>-</u>
Disbursements:									
Current:									
Instruction	6,624,698	-	-	-	-	-	-	-	-
Support services	3,178,295	-	-	718,720	1,101,151	52,442	-	-	-
Noninstructional services	243,582	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	932,388	-	-	-	-	8,692
Debt services	-	1,510,025	122,915	-	-	-	-	32,286	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	<u>10,046,575</u>	<u>1,510,025</u>	<u>122,915</u>	<u>1,651,108</u>	<u>1,101,151</u>	<u>52,442</u>	<u>-</u>	<u>32,286</u>	<u>8,692</u>
Excess (deficiency) of receipts over disbursements	<u>(85,669)</u>	<u>(14,339)</u>	<u>(3,058)</u>	<u>(57,981)</u>	<u>70,021</u>	<u>118,481</u>	<u>-</u>	<u>(32,272)</u>	<u>(8,692)</u>
Other financing sources (uses):									
Transfers in	1,949	-	-	12,965	-	-	-	-	-
Transfers out	(5,493)	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>(3,544)</u>	<u>-</u>	<u>-</u>	<u>12,965</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(89,213)</u>	<u>(14,339)</u>	<u>(3,058)</u>	<u>(45,016)</u>	<u>70,021</u>	<u>118,481</u>	<u>-</u>	<u>(32,272)</u>	<u>(8,692)</u>
Cash and investments - ending	<u>\$ 304,918</u>	<u>\$ 814,227</u>	<u>\$ 6,686</u>	<u>\$ 2,991,479</u>	<u>\$ 915,821</u>	<u>\$ 418,520</u>	<u>\$ 837,640</u>	<u>\$ 252,097</u>	<u>\$ 202</u>

TIPTON COMMUNITY SCHOOL CORPORATION  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2012  
 (Continued)

	School Lunch	Textbook Rental	Levy Excess	Educational License Plates	Early Intervention Grant	Tipton County Foundation Grant	Council on Alcohol, Tobacco and Drugs	Cargill Library Scholarship	Tipton High School Tobacco Grant
Cash and investments - beginning	\$ 132,051	\$ 269,055	\$ -	\$ 3,269	\$ -	\$ 597	\$ 2,245	\$ -	\$ 4
Receipts:									
Local sources	484,991	176,418	35,768	-	-	3,500	-	-	-
State sources	12,328	46,362	-	-	18,960	-	-	-	-
Federal sources	353,284	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	200	-
Total receipts	850,603	222,780	35,768	-	18,960	3,500	-	200	-
Disbursements:									
Current:									
Instruction	-	-	-	-	18,960	-	-	-	-
Support services	929	266,161	-	-	-	2,930	1,600	-	4
Noninstructional services	308,597	-	-	-	-	-	-	-	-
Facilities acquisition and construction	535,804	26	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	845,330	266,187	-	-	18,960	2,930	1,600	-	4
Excess (deficiency) of receipts over disbursements	5,273	(43,407)	35,768	-	-	570	(1,600)	200	(4)
Other financing sources (uses):									
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	5,273	(43,407)	35,768	-	-	570	(1,600)	200	(4)
Cash and investments - ending	\$ 137,324	\$ 225,648	\$ 35,768	\$ 3,269	\$ -	\$ 1,167	\$ 645	\$ 200	\$ -

TIPTON COMMUNITY SCHOOL CORPORATION  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2012  
 (Continued)

	Blue Devil Science Award	Miscellaneous Programs	High Ability Grant	Non-English Speaking Programs P.L. 273-1999	School Technology	Title I 2010-2011	Title I 2011-2012	Safe and Drug-Free Schools	School Technology
Cash and investments - beginning	\$ 98,000	\$ 2,778	\$ -	\$ 623	\$ 1,265	\$ 18,994	\$ -	\$ 259	\$ 316
Receipts:									
Local sources	-	1,896	-	-	-	-	-	-	-
State sources	-	-	31,381	393	7,069	-	-	-	-
Federal sources	-	-	-	-	-	45,446	94,050	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	-	1,896	31,381	393	7,069	45,446	94,050	-	-
Disbursements:									
Current:									
Instruction	98,000	-	31,381	-	-	64,440	105,955	-	316
Support services	-	795	-	395	4,644	-	-	259	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	98,000	795	31,381	395	4,644	64,440	105,955	259	316
Excess (deficiency) of receipts over disbursements	(98,000)	1,101	-	(2)	2,425	(18,994)	(11,905)	(259)	(316)
Other financing sources (uses):									
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(98,000)	1,101	-	(2)	2,425	(18,994)	(11,905)	(259)	(316)
Cash and investments - ending	\$ -	\$ 3,879	\$ -	\$ 621	\$ 3,690	\$ -	\$ (11,905)	\$ -	\$ -

TIPTON COMMUNITY SCHOOL CORPORATION  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2012  
 (Continued)

	Improving Teaching Quality, No Child Left, Title II, Part A	ARRA - Title I Grants	Special Education Part B	Special Education Part B Preschool	Special Education Technology	Education Jobs	Payroll Withholdings	Commerce Bank	Totals
Cash and investments - beginning	\$ -	\$ -	\$ 27,222	\$ 1,459	\$ -	\$ -	\$ 8,322	\$ 3,831	\$ 7,115,968
Receipts:									
Local sources	-	-	-	-	-	-	-	-	5,382,476
State sources	-	-	-	-	-	-	-	-	9,948,275
Federal sources	27,037	18,119	12,965	10,113	70,054	4,798	-	-	635,866
Other	-	-	-	-	-	-	2,895,446	300,034	3,195,680
Total receipts	27,037	18,119	12,965	10,113	70,054	4,798	2,895,446	300,034	19,162,297
Disbursements:									
Current:									
Instruction	29,705	-	(3,179)	11,572	-	4,798	-	-	6,986,646
Support services	-	18,076	33,945	-	58,738	-	-	-	5,439,084
Noninstructional services	-	-	-	-	-	-	-	-	552,179
Facilities acquisition and construction	-	-	-	-	-	-	-	-	1,476,910
Debt services	-	-	-	-	-	-	-	-	1,665,226
Nonprogrammed charges	-	-	-	-	-	-	2,895,153	299,244	3,194,397
Total disbursements	29,705	18,076	30,766	11,572	58,738	4,798	2,895,153	299,244	19,314,442
Excess (deficiency) of receipts over disbursements	(2,668)	43	(17,801)	(1,459)	11,316	-	293	790	(152,145)
Other financing sources (uses):									
Transfers in	-	1,949	3,544	-	-	-	-	-	20,407
Transfers out	-	(1,949)	(12,965)	-	-	-	-	-	(20,407)
Total other financing sources (uses)	-	-	(9,421)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(2,668)	43	(27,222)	(1,459)	11,316	-	293	790	(152,145)
Cash and investments - ending	\$ (2,668)	\$ 43	\$ -	\$ -	\$ 11,316	\$ -	\$ 8,615	\$ 4,621	\$ 6,963,823

TIPTON COMMUNITY SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS

***INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING***

We noted several deficiencies in the internal control system of the school related to financial transactions and reporting. We believe the following deficiencies constitute material weaknesses:

1. Lack of Segregation of Duties: Control activities should be selected and developed at various levels of the school administration to reduce risks to achievement of financial reporting objectives. The school has not separated incompatible activities related to receipts, disbursements, and cash and investment balances. The failure to establish these controls could enable material misstatements or irregularities to go undetected.
2. Preparing Financial Statements: Effective internal control over financial reporting involves the identification and analysis of the risks of material misstatement to the School Corporation's audited financial statements and then determining how those identified risks should be managed. The School Corporation has not identified risks to the preparation of reliable financial statements and as a result has failed to design effective controls over the preparation of the financial statements to prevent or detect material misstatements, including notes to the financial statements.
3. Monitoring of Controls: Effective internal control over financial reporting requires the School Board to monitor and assess the quality of the School Corporation's system of internal control. The School Board has not performed either an ongoing or separate evaluation of their system of internal controls. The failure to exercise their oversight responsibility places the School Corporation at risk that controls may not be designed or operating effectively to provide reasonable assurance that controls will prevent or detect material misstatements in a timely manner. Additionally, the School Corporation has no process to identify or communicate corrective actions to improve controls.

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

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

TIPTON COMMUNITY SCHOOL CORPORATION  
 AUDIT RESULTS AND COMMENTS  
 (Continued)

**OFFICIAL BONDS**

The following official bonds were not filed in the Office of the County Recorder:

<u>School Year</u>	<u>Official</u>
2010-2011	Renee' Anderson, Treasurer
2010-2011	Tonja Carter, Deputy Treasurer
2010-2011	Jayne Day, Tipton High School Extra-Curricular Treasurer
2010-2011	Leslie Howe, Tipton Elementary School Extra-Curricular Treasurer
2011-2012	Theresa Ehman, Tipton Middle School Extra-Curricular Treasurer

The treasurer of the school corporation, and the deputy treasurer if one is appointed, for each school year commencing July 1, shall each give a bond for the faithful performance of duty, written by an insurance company licensed to do business in the State of Indiana, in an amount determined by the governing body. The treasurer shall be responsible under the treasurer's bond for the acts of any deputy treasurer appointed as provided in IC 20-26-4-5. All bonds must be made payable to the State of Indiana, IC 5-4-1-10; and approved by the governing body of the school corporation. The State Board of Accounts is of the audit position bonds should be filed and recorded in the office of the county recorder. No charge is made for recording official bonds, IC 36-2-7-10.

The treasurer of each extra-curricular account shall provide a faithful performance of duty bond for one year, the term of the office. The amount of the bond shall be fixed and approved by the school superintendent and principal approximating the total amount of anticipated funds which will come into the hands of the treasurer at any one time during the regular school year, IC 20-41-1-6. The State Board of Accounts is of the audit position bonds should be filed and recorded in the office of the county recorder and a new bond shall be issued and filed each year. If either school lunch funds or textbook rental funds are handled through an extra-curricular account, the governing body of the school corporation shall approve the amount of the bond of the treasurer, IC 20-41-2-6. The bond may be either an individual bond for each extra-curricular treasurer or a single blanket position bond for all extra-curricular treasurers, IC 20-41-1-6. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 8)

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SUPPLEMENTAL AUDIT OF  
FEDERAL AWARDS



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS  
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT  
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON  
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

TO: THE OFFICIALS OF THE TIPTON COMMUNITY SCHOOL  
CORPORATION, TIPTON COUNTY, INDIANA

Compliance

We have audited the Tipton Community School Corporation's (School Corporation) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of its major federal programs for the period of July 1, 2010 to June 30, 2012. 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 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. 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 could have a direct and material effect on each of its major federal programs for the period of July 1, 2010 to June 30, 2012.

Internal Control Over Compliance

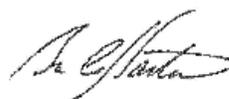
Management of the School Corporation is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the School Corporation's internal control over compliance with requirements that could have a direct and material effect on a major federal program 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, 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.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT  
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON  
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133  
(Continued)

A deficiency in internal control over compliance 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, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

The School Corporation's response to the findings identified in our audit is described in the accompanying Corrective Action Plan. We did not audit the School Corporation's response and, accordingly, we express no opinion on the response.

This report is intended solely for the information and use of the School Corporation's management, School Board, others within the entity, 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.



Bruce Hartman  
State Examiner

February 21, 2013

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## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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.

TIPTON COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For The Years Ended June 30, 2011 and 2012

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 06-30-11	Total Federal Awards Expended 06-30-12
<b>U.S. DEPARTMENT OF AGRICULTURE</b>				
Pass-Through Indiana Department of Education Child Nutrition Cluster School Breakfast Program	10.553	FY 10-11 FY 11-12	\$ 39,043 -	\$ - 56,369
Total for program			<u>39,043</u>	<u>56,369</u>
National School Lunch Program	10.555	FY 10-11 FY 11-12	280,712 -	- 352,868
Total for program			<u>280,712</u>	<u>352,868</u>
Total for cluster			<u>319,755</u>	<u>409,237</u>
Total for federal grantor agency			<u>319,755</u>	<u>409,237</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>				
Pass-Through Indiana Department of Education Title I, Part A Cluster Title I Grants to Local Educational Agencies	84.010	10-7945 11-7945 12-7945	42,666 100,822 -	- 45,446 80,074
Total for program			<u>143,488</u>	<u>125,520</u>
ARRA Title 1 Grants to Local Educational Agencies, Recovery Act	84.389	FY 10-11 FY 11-12	40,755 -	- 18,077
Total for program			<u>40,755</u>	<u>18,077</u>
Total for cluster			<u>184,243</u>	<u>143,597</u>
Special Education Cluster (IDEA) Special Education - Grants to States	84.027	FY 11-12	-	70,054
Pass-Through Western School Corporation ARRA Special Education Grants to States, Recovery Act	84.391	33310-035-SN01	-	12,965
Pass-Through Kokomo-Center Township Consolidated School Corporation ARRA Special Education Grants to States, Recovery Act	84.391	33310-035-SN01	117,153	30,765
Total for program			<u>117,153</u>	<u>43,730</u>
ARRA Special Education - Preschool Grants, Recovery Act	84.392	44410-035-SN01	2,421	11,572
Total for cluster			<u>119,574</u>	<u>125,356</u>
Pass-Through Indiana Department of Education Safe and Drug-Free Schools and Communities - State Grants	84.186	FY 08-09 FY 09-10	1,706 138	- -
Total for program			<u>1,844</u>	<u>-</u>
Improving Teacher Quality State Grants	84.367	FY 09-10 FY 10-11 FY 11-12	692 44,790 28,101	- 17,173 316
Total for program			<u>73,583</u>	<u>17,489</u>
Education Jobs Fund	84.410	FY 10-11 FY 11-12	324,808 -	- 4,798
Total for program			<u>324,808</u>	<u>4,798</u>
Total for federal grantor agency			<u>704,052</u>	<u>291,240</u>
Total federal awards expended			<u>\$ 1,023,807</u>	<u>\$ 700,477</u>

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

TIPTON COMMUNITY SCHOOL CORPORATION  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**Note 1. Basis of Presentation**

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

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

**Note 2. Noncash Assistance**

The School Corporation expended the following amount of noncash assistance for the years ending June 30, 2011 and 2012. This noncash assistance is also included in the federal expenditures presented in the schedule.

Program Title	Federal CFDA Number	2011	2012
National School Lunch Program	10.555	\$ 45,537	\$ 55,953

TIPTON COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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

Financial Statement:

Type of auditor's report issued:	Adverse as to GAAP; Unqualified as to Regulatory Basis
Internal control over financial reporting:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Noncompliance material to financial statement noted?	no

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	no
Significant deficiencies identified?	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
84.410	Title I, Part A Cluster Special Education Cluster (IDEA) Education Jobs Fund

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 2012-1 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING**

We noted several deficiencies in the internal control system of the School Corporation related to financial transactions and reporting. We believe the following deficiencies constitute material weaknesses:

TIPTON COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

1. Lack of Segregation of Duties: Control activities should be selected and developed at various levels of the School Corporation to reduce risks to the achievement of financial reporting objectives. The School Corporation has not separated incompatible activities related to cash and investment balances. The failure to establish these controls could enable material misstatements or irregularities to remain undetected.
2. Preparing Financial Statements: Effective internal control over financial reporting involves the identification and analysis of the risks of material misstatement to the School Corporation's audited financial statements and then determining how those identified risks should be managed. The School Corporation has not identified risks to the preparation of reliable financial statements and as a result has failed to design effective controls over the preparation of the financial statements to prevent or detect material misstatements, including notes to the financial statements.
3. Monitoring of Controls: Effective internal control over financial reporting requires the School Board to monitor and assess the quality of the School Corporation's system of internal control. The School Board has not performed either an ongoing or separate evaluation of their system of internal controls. The failure to exercise their oversight responsibility places the School Corporation at risk that controls may not be designed or operating effectively to provide reasonable assurance that controls will prevent or detect material misstatements in a timely manner. Additionally, the School Corporation has no process to identify or communicate corrective actions to improve controls.

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

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

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

No matters are reportable.



# TIPTON COMMUNITY SCHOOL CORPORATION

Kevin R. Emsweller, Superintendent  
John K. Junco, Assistant Superintendent

Renee L. Anderson, Treasurer  
Brian D. Witherow, Director of Technology

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

### FINDING 2010-2 INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND RECORDING

Federal Agency: U.S. Department of Education  
Pass-Through Entity: Indiana Department of Education  
Federal Programs: Title I, Part A Cluster, State and Fiscal Stabilization Cluster  
CFDA Numbers: 84.010, 84.389, 84.394  
Award Number and Year: FY 2008-2009, FY 2009-2010  
Auditee Contact Person: Renee' Anderson  
Title of Contact Person: Treasurer  
Phone Number: 765-765-2147

Currently we are examining ways in which we can improve the internal control system at the school corporation. However, we are a small governmental unit and have determined that the cost associated with employing additional staff necessary to properly segregate duties in our business office outweighs the benefits of a stronger internal control structure. Since the prior audit, we have implemented additional controls regarding reviews done of payroll disbursements and vendor payments before these transactions occur.

### FINDING 2010-3 CASH MANAGEMENT

Federal Agency: U.S. Department of Education  
Pass-Through Entity: Indiana Department of Education  
Federal Program: 84.010 and 84.389  
Award Number and Year: FY 2008-2009, FY 2009-2010  
Auditee Contact Person: Renee' Anderson  
Title of Contact Person: Treasurer  
Phone Number: 765-765-2147

We have monitored cash balances in the Title I grant funds during your current audit period to ensure that cash balances are kept at a minimum per program requirements.

Renee' Anderson  
Treasurer, Tipton Community School Corporation

TCSC



# TIPTON COMMUNITY SCHOOL CORPORATION

Kevin R. Emsweller, Superintendent  
John K. Junco, Assistant Superintendent

Reneé L. Anderson, Treasurer  
Brian D. Witherow, Director of Technology

## CORRECTIVE ACTION PLAN – SECTION II FINANCIAL STATEMENT FINDING 2012-1, INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

The management of the Tipton Community School Corporation has reviewed financial statement finding 2012-1, Internal Controls over Financial Transactions and Reporting relating to their audit for the period July 1, 2010 to Jun 30, 2012. We offer the following corrective actions:

Lack of segregation of duties: The School Corporation will review their office procedures and attempt to institute improved controls that would involve reviews of the Treasurer's cash reconcilements on a monthly basis. However, the School Corporation is a small governmental unit and management has determined that the cost associated with employing additional staff necessary to segregate duties in the business office would outweigh the benefits of a stronger internal control structure. Management acknowledges and assumes the risk inherent with the current design of the business office.

A handwritten signature in cursive script, reading "Kevin Emsweller", positioned above a horizontal line.

Kevin Emsweller, Superintendent of Schools

A handwritten signature in cursive script, reading "Renee Anderson", positioned above a horizontal line.

Renee' Anderson, Treasurer

TIPTON COMMUNITY SCHOOL CORPORATION  
EXIT CONFERENCE

The contents of this report were discussed on February 21, 2013, with Renee' Anderson, Treasurer; Kevin Emsweller, Superintendent of Schools; and Rick Powell, President of the School Board. The officials concurred with our audit findings.