

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

TRI-CENTRAL COMMUNITY SCHOOLS
TIPTON COUNTY, INDIANA

July 1, 2010 to June 30, 2012



FILED
03/19/2013

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Sue Shockney Lisa Dever	07-01-10 to 06-30-11 07-01-11 to 06-30-13
Superintendent of Schools	Dr. Lee Williford Dr. Robert Boyd (Interim)	07-01-10 to 12-31-12 01-01-13 to 06-30-13
President of the School Board	Mike Harlow Chris Kelley	07-01-10 to 01-14-13 01-15-13 to 12-31-13



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

TO: THE OFFICIALS OF THE TRI-CENTRAL COMMUNITY SCHOOLS, TIPTON COUNTY, INDIANA

We have audited the accompanying financial statement of the Tri-Central Community Schools (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.

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

INDEPENDENT AUDITOR'S REPORT
(Continued)

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, Schedule of Long-Term Debt, and Schedule of Capital Assets, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the financial statement. They have not been subjected to the auditing procedures applied by us in the audit of the financial statement and, accordingly, we express no opinion on them.



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 TRI-CENTRAL COMMUNITY SCHOOLS, TIPTON COUNTY, INDIANA

We have audited the financial statement of the Tri-Central Community Schools (School Corporation), for the period of July 1, 2010 to June 30, 2012, and have issued our report thereon dated February 21, 2013, wherein we noted the School Corporation followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America. 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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TRI-CENTRAL COMMUNITY SCHOOLS
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	\$ 1,442,876	\$ 6,002,558	\$ 6,750,466	\$ -	\$ 694,968	\$ 5,681,504	\$ 6,069,451	\$ (78)	\$ 306,943
Debt Service	795,084	1,165,132	1,188,239	-	771,977	1,177,302	1,203,635	(8,943)	736,701
Retirement/Severance Bond Debt Service	130,672	219,562	226,116	-	124,118	222,174	220,548	-	125,744
Capital Projects	1,244,459	785,337	847,635	-	1,182,161	688,667	778,405	(4,105)	1,088,318
School Transportation	430,258	653,830	515,161	14,669	583,596	700,432	451,556	(5,160)	827,312
School Bus Replacement	109,264	75,966	-	-	185,230	40,982	-	(306)	225,906
Rainy Day	133,297	-	-	40,000	173,297	-	-	-	173,297
Retirement/Severance Bond	356,137	-	6,985	-	349,152	-	22,346	-	326,806
School Lunch	70,790	314,566	332,460	-	52,896	464,866	309,128	94	208,728
Textbook Rental	10,482	78,157	45,262	-	43,377	86,087	66,667	(16)	62,781
Levy Excess	-	14,669	-	(14,669)	-	-	-	18,514	18,514
Educational License Plates	19	94	113	-	-	-	-	-	-
Non-English Speaking Programs 2009-10	-	-	-	-	-	3,324	3,324	-	-
Non-English Speaking Programs 2010-11	-	2,977	2,977	-	-	-	-	-	-
Miscellaneous Programs	-	-	-	-	-	1,050	-	-	1,050
CAPE Grant	313	-	313	-	-	-	-	-	-
Cargill Library Grant	400	-	-	-	400	-	400	-	-
Tipton County Foundation Musical Grant	-	3,068	3,068	-	-	-	-	-	-
MAC Grant	-	500	413	-	87	-	-	-	87
Tipton County Foundation Weather Bug	-	13,440	13,440	-	-	-	-	-	-
APS Grant 2010-11	-	300	300	-	-	-	-	-	-
Pioneer/Smart Board Grant	1,598	-	-	-	1,598	-	-	-	1,598
Excess PTRC Distributions	8,362	-	-	-	8,362	-	-	-	8,362
Recognition Award Grant	4,210	5,820	5,185	-	4,845	4,040	4,013	-	4,872
High Ability 2010-11	-	28,922	28,922	-	-	-	-	-	-
High Ability 2011-12	-	-	-	-	-	27,694	27,694	-	-
Title I 2009-10	8,916	-	6,035	(2,881)	-	-	-	-	-
Title I 2010-11	-	78,942	75,254	2,881	6,569	-	6,569	-	-
Title I 2011-12	-	-	-	-	-	77,814	84,705	-	(6,891)
Title I Migrant 2010-11	-	19,535	19,535	-	-	-	-	-	-
Title I Migrant 2011-12	-	-	-	-	-	34,467	34,495	-	(28)
IDEA	-	-	-	-	-	62,747	62,747	-	-
Title IV Part A 2009-10	-	-	-	-	-	463	463	-	-
Title II 2011-13	-	-	-	-	-	17,723	22,815	-	(5,092)
Title II 2009-10	2,497	3,000	5,497	-	-	-	-	-	-
Title II 2010-11	-	18,500	18,242	-	258	14,494	14,752	-	-
Title III Language Instruction	1,309	(1,309)	-	-	-	-	-	-	-
Title III 2009-10	-	1,309	1,309	-	-	-	-	-	-
Title III 2010-11	-	3,361	3,361	-	-	-	-	-	-
Title I Grants to LEAs	(1,514)	4,900	3,386	-	-	-	-	-	-
Special Education Part B	(886)	98,204	82,611	-	14,707	2,918	17,625	-	-
Special Education Part B Preschool	(1,025)	3,176	2,151	-	-	-	-	-	-
Education Jobs	-	-	-	-	-	195,221	195,221	-	-
Payroll Clearing	879	1,454,752	1,452,799	-	2,832	1,393,640	1,391,850	-	4,622
Prepaid Lunch	86,060	200,911	182,346	-	104,625	188,081	273,064	-	19,642
Totals	\$ 4,834,457	\$ 11,250,179	\$ 11,819,581	\$ 40,000	\$ 4,305,055	\$ 11,085,690	\$ 11,261,473	\$ -	\$ 4,129,272

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

TRI-CENTRAL COMMUNITY SCHOOLS
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.

TRI-CENTRAL COMMUNITY SCHOOLS
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.

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.

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.

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.

TRI-CENTRAL COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENT
(Continued)

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.

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.

TRI-CENTRAL COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENT
(Continued)

Note 5. Risk Management

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

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

Note 6. Pension Plans

A. Public Employees' Retirement Fund

Plan Description

The Indiana Public Employees' Retirement Fund (PERF) is a defined benefit pension plan. PERF is 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.

TRI-CENTRAL COMMUNITY SCHOOLS
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.

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.

TRI-CENTRAL COMMUNITY SCHOOLS
 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	School Lunch	Textbook Rental
Cash and investments - beginning	\$ 1,442,876	\$ 795,084	\$ 130,672	\$ 1,244,459	\$ 430,258	\$ 109,264	\$ 133,297	\$ 356,137	\$ 70,790	\$ 10,482
Receipts:										
Local sources	65,032	1,165,132	219,562	768,240	652,681	75,966	-	-	184,523	54,854
Intermediate sources	-	-	-	-	-	-	-	-	-	-
State sources	5,906,241	-	-	-	-	-	-	-	4,209	22,992
Federal sources	-	-	-	-	-	-	-	-	125,834	-
Other	31,285	-	-	17,097	1,149	-	-	-	-	311
Total receipts	<u>6,002,558</u>	<u>1,165,132</u>	<u>219,562</u>	<u>785,337</u>	<u>653,830</u>	<u>75,966</u>	<u>-</u>	<u>-</u>	<u>314,566</u>	<u>78,157</u>
Disbursements:										
Current:										
Instruction	4,276,791	-	-	-	-	-	-	3,260	-	-
Support services	2,299,723	-	-	438,477	515,161	-	-	3,425	-	45,262
Noninstructional services	173,952	-	-	-	-	-	-	300	332,460	-
Facilities acquisition and construction	-	-	-	409,158	-	-	-	-	-	-
Debt services	-	1,188,239	226,116	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	<u>6,750,466</u>	<u>1,188,239</u>	<u>226,116</u>	<u>847,635</u>	<u>515,161</u>	<u>-</u>	<u>-</u>	<u>6,985</u>	<u>332,460</u>	<u>45,262</u>
Excess (deficiency) of receipts over disbursements	<u>(747,908)</u>	<u>(23,107)</u>	<u>(6,554)</u>	<u>(62,298)</u>	<u>138,669</u>	<u>75,966</u>	<u>-</u>	<u>(6,985)</u>	<u>(17,894)</u>	<u>32,895</u>
Other financing sources (uses):										
Sale of capital assets	-	-	-	-	-	-	40,000	-	-	-
Transfers in	-	-	-	-	14,669	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,669</u>	<u>-</u>	<u>40,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(747,908)</u>	<u>(23,107)</u>	<u>(6,554)</u>	<u>(62,298)</u>	<u>153,338</u>	<u>75,966</u>	<u>40,000</u>	<u>(6,985)</u>	<u>(17,894)</u>	<u>32,895</u>
Cash and investments - ending	<u>\$ 694,968</u>	<u>\$ 771,977</u>	<u>\$ 124,118</u>	<u>\$ 1,182,161</u>	<u>\$ 583,596</u>	<u>\$ 185,230</u>	<u>\$ 173,297</u>	<u>\$ 349,152</u>	<u>\$ 52,896</u>	<u>\$ 43,377</u>

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

	Levy Excess	Educational License Plates	Non-English Speaking Programs 2010-11	CAPE Grant	Cargill Library Grant	Tipton County Foundation Musical Grant	MAC Grant	Tipton County Foundation Weather Bug	APS Grant 2010-11
Cash and investments - beginning	\$ -	\$ 19	\$ -	\$ 313	\$ 400	\$ -	\$ -	\$ -	\$ -
Receipts:									
Local sources	-	-	-	-	-	3,068	500	13,440	300
Intermediate sources	-	94	-	-	-	-	-	-	-
State sources	14,669	-	2,977	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	14,669	94	2,977	-	-	3,068	500	13,440	300
Disbursements:									
Current:									
Instruction	-	-	2,977	313	-	-	-	-	-
Support services	-	113	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	3,068	413	13,440	300
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	-	113	2,977	313	-	3,068	413	13,440	300
Excess (deficiency) of receipts over disbursements	14,669	(19)	-	(313)	-	-	87	-	-
Other financing sources (uses):									
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	(14,669)	-	-	-	-	-	-	-	-
Total other financing sources (uses)	(14,669)	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	(19)	-	(313)	-	-	87	-	-
Cash and investments - ending	\$ -	\$ -	\$ -	\$ -	\$ 400	\$ -	\$ 87	\$ -	\$ -

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

	Pioneer/Smart Board Grant	Excess PTRC Distributions	Recognition Award Grant	High Ability 2010-11	Title I 2009-10	Title I 2010-11	Title I Migrant 2010-11	Title II 2009-10	Title II 2010-11
Cash and investments - beginning	\$ 1,598	\$ 8,362	\$ 4,210	\$ -	\$ 8,916	\$ -	\$ -	\$ 2,497	\$ -
Receipts:									
Local sources	-	-	5,820	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	28,922	-	-	-	-	-
Federal sources	-	-	-	-	-	78,942	19,535	3,000	18,500
Other	-	-	-	-	-	-	-	-	-
Total receipts	-	-	5,820	28,922	-	78,942	19,535	3,000	18,500
Disbursements:									
Current:									
Instruction	-	-	-	28,922	6,035	75,254	19,535	5,497	18,242
Support services	-	-	5,185	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	-	-	5,185	28,922	6,035	75,254	19,535	5,497	18,242
Excess (deficiency) of receipts over disbursements	-	-	635	-	(6,035)	3,688	-	(2,497)	258
Other financing sources (uses):									
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	2,881	-	-	-
Transfers out	-	-	-	-	(2,881)	-	-	-	-
Total other financing sources (uses)	-	-	-	-	(2,881)	2,881	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	635	-	(8,916)	6,569	-	(2,497)	258
Cash and investments - ending	\$ 1,598	\$ 8,362	\$ 4,845	\$ -	\$ -	\$ 6,569	\$ -	\$ -	\$ 258

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

	Title III Language Instruction	Title III 2009-10	Title III 2010-11	Title I Grants to LEAs	Special Education Part B	Special Education Part B Preschool	Payroll Clearing	Prepaid Lunch	Totals
Cash and investments - beginning	\$ 1,309	\$ -	\$ -	\$ (1,514)	\$ (886)	\$ (1,025)	\$ 879	\$ 86,060	\$ 4,834,457
Receipts:									
Local sources	-	-	-	-	-	-	-	-	3,209,118
Intermediate sources	-	-	-	-	-	-	-	-	94
State sources	-	-	-	-	-	-	-	-	5,980,010
Federal sources	(1,309)	1,309	3,361	4,900	98,204	3,176	-	-	355,452
Other	-	-	-	-	-	-	1,454,752	200,911	1,705,505
Total receipts	(1,309)	1,309	3,361	4,900	98,204	3,176	1,454,752	200,911	11,250,179
Disbursements:									
Current:									
Instruction	-	1,309	3,361	3,386	81,600	2,151	-	-	4,528,633
Support services	-	-	-	-	1,011	-	-	-	3,308,357
Noninstructional services	-	-	-	-	-	-	-	-	506,712
Facilities acquisition and construction	-	-	-	-	-	-	-	-	426,379
Debt services	-	-	-	-	-	-	-	-	1,414,355
Nonprogrammed charges	-	-	-	-	-	-	1,452,799	182,346	1,635,145
Total disbursements	-	1,309	3,361	3,386	82,611	2,151	1,452,799	182,346	11,819,581
Excess (deficiency) of receipts over disbursements	(1,309)	-	-	1,514	15,593	1,025	1,953	18,565	(569,402)
Other financing sources (uses):									
Sale of capital assets	-	-	-	-	-	-	-	-	40,000
Transfers in	-	-	-	-	-	-	-	-	17,550
Transfers out	-	-	-	-	-	-	-	-	(17,550)
Total other financing sources (uses)	-	-	-	-	-	-	-	-	40,000
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(1,309)	-	-	1,514	15,593	1,025	1,953	18,565	(529,402)
Cash and investments - ending	\$ -	\$ -	\$ -	\$ -	\$ 14,707	\$ -	\$ 2,832	\$ 104,625	\$ 4,305,055

TRI-CENTRAL COMMUNITY SCHOOLS
 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
Cash and investments - beginning	\$ 694,968	\$ 771,977	\$ 124,118	\$ 1,182,161	\$ 583,596	\$ 185,230	\$ 173,297	\$ 349,152
Receipts:								
Local sources	56,219	1,177,302	222,174	684,248	697,756	40,982	-	-
State sources	5,612,470	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-
Other	12,815	-	-	4,419	2,676	-	-	-
Total receipts	5,681,504	1,177,302	222,174	688,667	700,432	40,982	-	-
Disbursements:								
Current:								
Instruction	3,820,156	-	-	-	-	-	-	14,764
Support services	2,090,584	-	-	421,424	451,556	-	-	7,322
Noninstructional services	158,599	-	-	-	-	-	-	260
Facilities acquisition and construction	-	-	-	356,981	-	-	-	-
Debt services	112	1,203,635	220,548	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	6,069,451	1,203,635	220,548	778,405	451,556	-	-	22,346
Excess (deficiency) of receipts over disbursements	(387,947)	(26,333)	1,626	(89,738)	248,876	40,982	-	(22,346)
Other financing sources (uses):								
Transfers in	(78)	-	-	-	-	-	-	-
Transfers out	-	(8,943)	-	(4,105)	(5,160)	(306)	-	-
Total other financing sources (uses)	(78)	(8,943)	-	(4,105)	(5,160)	(306)	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(388,025)	(35,276)	1,626	(93,843)	243,716	40,676	-	(22,346)
Cash and investments - ending	\$ 306,943	\$ 736,701	\$ 125,744	\$ 1,088,318	\$ 827,312	\$ 225,906	\$ 173,297	\$ 326,806

TRI-CENTRAL COMMUNITY SCHOOLS
 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	Non-English Speaking Programs 2009-10	Miscellaneous Programs	Cargill Library Grant	MAC Grant	Pioneer/Smart Board Grant
Cash and investments - beginning	\$ 52,896	\$ 43,377	\$ -	\$ -	\$ -	\$ 400	\$ 87	\$ 1,598
Receipts:								
Local sources	274,346	59,735	-	-	1,050	-	-	-
State sources	4,494	26,052	-	3,324	-	-	-	-
Federal sources	185,986	-	-	-	-	-	-	-
Other	40	300	-	-	-	-	-	-
Total receipts	464,866	86,087	-	3,324	1,050	-	-	-
Disbursements:								
Current:								
Instruction	-	-	-	3,324	-	-	-	-
Support services	-	66,667	-	-	-	400	-	-
Noninstructional services	309,128	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	309,128	66,667	-	3,324	-	400	-	-
Excess (deficiency) of receipts over disbursements	155,738	19,420	-	-	1,050	(400)	-	-
Other financing sources (uses):								
Transfers in	94	(16)	18,514	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	94	(16)	18,514	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	155,832	19,404	18,514	-	1,050	(400)	-	-
Cash and investments - ending	\$ 208,728	\$ 62,781	\$ 18,514	\$ -	\$ 1,050	\$ -	\$ 87	\$ 1,598

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

	Excess PTRC Distributions	Recognition Award Grant	High Ability 2011-12	Title I 2010-11	Title I 2011-12	Title I Migrant 2011-12	IDEA	Title IV Part A 2009-10
Cash and investments - beginning	\$ 8,362	\$ 4,845	\$ -	\$ 6,569	\$ -	\$ -	\$ -	\$ -
Receipts:								
Local sources	-	4,040	-	-	-	-	-	-
State sources	-	-	27,694	-	-	-	-	-
Federal sources	-	-	-	-	77,814	34,467	62,747	463
Other	-	-	-	-	-	-	-	-
Total receipts	-	4,040	27,694	-	77,814	34,467	62,747	463
Disbursements:								
Current:								
Instruction	-	-	27,694	6,569	84,705	28,855	62,747	-
Support services	-	4,013	-	-	-	5,640	-	463
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	-	4,013	27,694	6,569	84,705	34,495	62,747	463
Excess (deficiency) of receipts over disbursements	-	27	-	(6,569)	(6,891)	(28)	-	-
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	-	27	-	(6,569)	(6,891)	(28)	-	-
Cash and investments - ending	\$ 8,362	\$ 4,872	\$ -	\$ -	\$ (6,891)	\$ (28)	\$ -	\$ -

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

	Title II 2011-13	Title II 2010-11	Special Education Part B	Education Jobs	Payroll Clearing	Prepaid Lunch	Totals
Cash and investments - beginning	\$ -	\$ 258	\$ 14,707	\$ -	\$ 2,832	\$ 104,625	\$ 4,305,055
Receipts:							
Local sources	-	-	-	-	-	-	3,217,852
State sources	-	-	-	-	-	-	5,674,034
Federal sources	17,723	14,494	2,918	195,221	-	-	591,833
Other	-	-	-	-	1,393,640	188,081	1,601,971
Total receipts	<u>17,723</u>	<u>14,494</u>	<u>2,918</u>	<u>195,221</u>	<u>1,393,640</u>	<u>188,081</u>	<u>11,085,690</u>
Disbursements:							
Current:							
Instruction	22,815	14,752	9,300	173,333	-	-	4,269,014
Support services	-	-	8,325	21,888	-	-	3,078,282
Noninstructional services	-	-	-	-	-	-	467,987
Facilities acquisition and construction	-	-	-	-	-	-	356,981
Debt services	-	-	-	-	-	-	1,424,295
Nonprogrammed charges	-	-	-	-	1,391,850	273,064	1,664,914
Total disbursements	<u>22,815</u>	<u>14,752</u>	<u>17,625</u>	<u>195,221</u>	<u>1,391,850</u>	<u>273,064</u>	<u>11,261,473</u>
Excess (deficiency) of receipts over disbursements	<u>(5,092)</u>	<u>(258)</u>	<u>(14,707)</u>	<u>-</u>	<u>1,790</u>	<u>(84,983)</u>	<u>(175,783)</u>
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	18,514
Transfers out	-	-	-	-	-	-	(18,514)
Total other financing sources (uses)	<u>-</u>	<u>-</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>(5,092)</u>	<u>(258)</u>	<u>(14,707)</u>	<u>-</u>	<u>1,790</u>	<u>(84,983)</u>	<u>(175,783)</u>
Cash and investments - ending	<u>\$ (5,092)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,622</u>	<u>\$ 19,642</u>	<u>\$ 4,129,272</u>

TRI-CENTRAL COMMUNITY SCHOOLS
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 June 30, 2012

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities:				
2009 Capital lease	Energy savings	\$ 214,500	07-15-10	01-15-22
2008 Capital lease	School buildings and improvements	<u>1,001,000</u>	07-15-08	01-15-22
Total of annual lease payments		<u>\$ 1,215,500</u>		

Type	Description of Debt Purpose	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:			
General obligation bonds	Pension benefits	<u>\$ 1,750,000</u>	<u>\$ 113,134</u>

TRI-CENTRAL COMMUNITY SCHOOLS
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS
 June 30, 2012

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

	<u>Ending Balance</u>
Capital assets:	
Land	\$ 60,000
Buildings	16,907,570
Improvements other than buildings	1,326,454
Machinery and equipment	6,079,746
Construction in progress	<u>-</u>
 Total capital assets	 <u><u>\$ 24,373,770</u></u>

TRI-CENTRAL COMMUNITY SCHOOLS
AUDIT RESULTS AND COMMENTS

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:

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 receipts, disbursements, payroll and related liabilities, and cash and investment balances. The failure to establish these controls could enable material misstatements or irregularities to remain undetected.
2. 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.

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)

CREDIT CARDS

Tri-Central Community Schools does not have adequate written guidelines for the usage of credit cards.

The State Board of Accounts will not take exception to the use of credit cards by a governmental unit provided the following criteria are observed:

- (1) The governing board must authorize credit card use through an ordinance or resolution, which has been approved in the minutes.
- (2) Issuance and use should be handled by an official or employee designated by the board.
- (3) The purposes for which the credit card may be used must be specifically stated in the ordinance or resolution.
- (4) When the purpose for which the credit card has been issued has been accomplished, the card should be returned to the custody of the responsible person.

TRI-CENTRAL COMMUNITY SCHOOLS
AUDIT RESULTS AND COMMENTS
(Continued)

- (5) The designated responsible official or employee should maintain an accounting system or log which would include the names of individuals requesting usage of the cards, their position, estimated amounts to be charged, fund and account numbers to be charged, date the card is issued and returned, etc.
- (6) Credit cards should not be used to bypass the accounting system. One reason that purchase orders are issued is to provide the fiscal officer with the means to encumber and track appropriations to provide the governing board and other officials with timely and accurate accounting information and monitoring of the accounting system.
- (7) Payment should not be made on the basis of a statement or a credit card slip only. Procedures for payments should be no different than for any other claim. Supporting documents such as paid bills and receipts must be available. Additionally, any interest or penalty incurred due to late filing or furnishing of documentation by an officer or employee should be the responsibility of that officer or employee.
- (8) If properly authorized, an annual fee may be paid.

(Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

RECEIPT ISSUANCE/DEPOSITS

Receipts were not always issued at the time of the transaction. Nine receipts tested were dated three to four days after the deposit had already been made. Generally, corporation receipts were written once a week. Additionally, for eight receipts tested, the form of payment on the receipt did not agree with the deposit information. For these eight items, the receipts indicated checks as the only form of payment, while the deposit information indicated a combination of cash and checks.

Further testing indicated that sixteen school lunch receipts tested were not deposited timely. Generally, the school lunch receipts were remitted to the corporation treasurer for deposit once a week.

Indiana Code 5-13-6-1(c) states in part:

"Except as provided in subsection (d), all local officers, except township trustees, who collect public funds of their respective political subdivisions, shall deposit funds not later than the business day following the receipt of funds on business days of the depository in the depository or depositories selected by the several local boards of finance that have jurisdiction of the funds. . . . Public funds deposited under this subsection shall be deposited in the same form in which they were received."

Receipts shall be issued and recorded at the time of the transaction; for example, when cash or a check is received, a receipt is to be immediately prepared and given to the person making payment. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

TRI-CENTRAL COMMUNITY SCHOOLS
AUDIT RESULTS AND COMMENTS
(Continued)

ENCUMBRANCES

During the audit period, purchase orders included as encumbrances at year end were not supported by outstanding contracts or invoices.

The State Board of Accounts is of the audit position that when purchase orders or contracts have been written during the year for the necessary purchases of the school corporation and such purchase orders or contracts have been entered in the Ledger of Appropriations Allotments, Encumbrances, Disbursements and Balances to encumber a sufficient amount of the proper appropriation to provide for payment when due, a permissible procedure is available to carry forward to the next budget year any amounts so encumbered which have not been liquidated as of December 31. Any such encumbrances carried forward must be for the exact amount of the purchase orders or contracts outstanding shall be carried to the same program and expenditure account in the ledger for the new budget year as that in which they appeared for the year ending December 31. These amounts when carried forward, should be entered individually on each of the expenditure accounts affected and in total on the program (appropriation) account as an opening entry separate from the next annual appropriation amount. The total amount of encumbered appropriations carried forward for any fund must not exceed the fund cash balance or the available appropriation balance as of December 31 or a funding difficulty could exist during the new budget year. (The School Administrator and Uniform Compliance Guidelines, Volume 164, December 2003)

Indiana Code 6-1.1-18-4 states: "Except as otherwise provided in this chapter, the proper officers of a political subdivision shall appropriate funds in such a manner that the expenditures for a year do not exceed its budget for that year as finally determined under this article."

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 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 TRI-CENTRAL COMMUNITY SCHOOLS, TIPTON COUNTY, INDIANA

Compliance

We have audited the Tri-Central Community Schools (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. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2012-2.

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

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)

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.

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.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying Schedule of Findings and Questioned Costs as items 2012-3. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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.

TRI-CENTRAL COMMUNITY SCHOOLS
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
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
Pass-Through Indiana Department of Education				
Child Nutrition Cluster				
School Breakfast Program	10.553	FY 2010-11	\$ 16,727	\$ -
		FY 2011-12	-	24,222
National School Lunch Program	10.555	FY 2010-11	127,616	-
		FY 2011-12	-	185,457
Total for cluster			<u>144,343</u>	<u>209,679</u>
Total for federal grantor agency			<u>144,343</u>	<u>209,679</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>				
Pass-Through Indiana Department of Education				
Title I, Part A Cluster				
Title I Grants to Local Educational Agencies	84.010	10-7935	6,035	-
		11-7935	81,823	-
		12-7935	-	77,814
Total for program			<u>87,858</u>	<u>77,814</u>
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	FY 2009-10	3,386	-
Total for cluster			<u>91,244</u>	<u>77,814</u>
Special Education Cluster (IDEA)				
Special Education_Grants to States	84.027	FY 2011-12	-	62,747
Pass-Through Kokomo Area Special Education Cooperative				
ARRA - Special Education Grants to States, Recovery Act	84.391	FY 2009-10	82,611	19,010
ARRA - Special Education - Preschool Grants, Recovery Act	84.392	FY 2009-10	2,151	-
Total for cluster			<u>84,762</u>	<u>81,757</u>
Pass-Through Indiana Department of Education				
Migrant Education_State Grant Program	84.011	7935F10-11 38211-017-PN01	19,535	-
			-	34,467
Total for program			<u>19,535</u>	<u>34,467</u>
Safe and Drug-Free Schools and Communities_State Grants	84.186	FY 2009-10	-	463
Pass-Through Wabash Valley Education Service Center				
English Language Acquisition State Grants	84.365	FY 2009-10	1,309	-
		FY 2010-11	3,361	-
Total for program			<u>4,670</u>	<u>-</u>
Pass-Through Indiana Department of Education				
Improving Teacher Quality State Grants	84.367	09-7935	5,497	-
		10-7935	18,500	14,494
		11-7935	-	17,723
Total for program			<u>23,997</u>	<u>32,217</u>
Education Jobs Fund	84.410	7935	-	195,221
Total for federal grantor agency			<u>224,208</u>	<u>421,939</u>
Total federal awards expended			<u>\$ 368,551</u>	<u>\$ 631,618</u>

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

TRI-CENTRAL COMMUNITY SCHOOLS
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 Tri-Central Community Schools (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	\$ 18,509	\$ 23,694

TRI-CENTRAL COMMUNITY SCHOOLS
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?	yes
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 OMB Circular A-133?	yes

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
	Child Nutrition Cluster
	Special Education Cluster (IDEA)

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

Auditee qualified as low-risk auditee? no

Section II – Financial Statement Findings

FINDING 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:

2. 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 receipts, disbursements, payroll and related liabilities, and cash and investment balances. The failure to establish these controls could enable material misstatements or irregularities to remain undetected.

TRI-CENTRAL COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

2. 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.

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

FINDING 2012-2 - VERIFICATION

Federal Agency: U.S. Department of Agriculture
Federal Program: School Breakfast Program, National School Lunch Program
CFDA Number: 10.553; 10.555
Federal Award Number and Year (or Other Identifying Number): FY 2011-12
Pass-Through Entity: Indiana Department of Education

Supporting documentation for the verification process performed during the 2011-12 school year was not retained. The School Corporation is to retain documentation to support the verification efforts. The results for the verification performed during the 2011-2012 school year could not be audited.

7CFR Part 245.6a(c)(1) states: "The local educational agency must verify eligibility of children in a sample of household applications approved for free and reduced price meal benefits for that school year."

7CFR Part 3016.42(a)(1) states: "This section applies to all financial and programmatic records, supporting documents, statistical records, and other records of grantees or subgrantees which are: (i) Required to be maintained by the terms of this part, program regulations or the grant agreement."

7 CFR Part 3016.42(b) states: "Except as otherwise provided, records must be maintained for three years for the starting date specified in paragraph (c) of this section."

Noncompliance with the grant agreement or the compliance requirement that have a direct and material effect to the program could result in the loss of federal funds to the School Corporation.

We recommended School Corporation officials retain all verification information to document to verification of student eligibility status and maintain adequate, auditable files.

TRI-CENTRAL COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

FINDING 2012-3 - INTERNAL CONTROL/REPORTING

Federal Agency: U.S. Department of Education

Federal Program: Special Education - Grants to States, ARRA – Special Education Grants to States, Recovery Act, ARRA – Special Education - Preschool Grants, Recovery Act

CFDA Number: 84.027; 84.391; 84.392

Federal Award Number and Year (or Other Identifying Number): FY 2009-10; FY 2011-12

Pass-Through Entity: Indiana Department of Education, Kokomo Area Special Education Cooperative

While reviewing the School Corporation's process for preparing reports for this program, it was noted that the reports were filed appropriately; however, there was no evidence of management oversight of the reports prior to submission, which could help in alleviating any potential reporting errors.

OMB Circular A-133 section .330(b) states:

"The auditee shall: Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

The failure to establish internal controls could enable material noncompliance to go undetected. Noncompliance, which could result from a lack of proper controls, of the grant agreement or the compliance requirements that have a direct and material effect to the program could result in the loss of federal funds to the school corporation.

We recommended school corporation officials further enhance their internal control procedures, specifically by management reviewing and verifying reports prior to submission.

TRI-CENTRAL COMMUNITY SCHOOLS

4774 NORTH 200 WEST
SHARPSVILLE, INDIANA 46068-9457
TELEPHONE (765)963-2585
FAX (765)963-3042

SCHOOL BOARD MEMBERS

Chris Kelley, President
Dan DeLong, Vice President
Kolby Dickover, Secretary
Jerry Femung
Mike Harlow
Carol Kinder
Craig Smith

INTERIM SUPERINTENDENT
Robert L. Boyd, Ph.D.

CORRECTIVE ACTION PLAN

FINDING 2012-1, INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

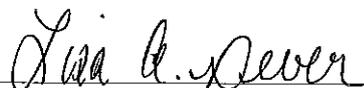
Auditee Contact Person: Lisa A. Dever
Contact Person Title: Corporation Treasurer
Contact Phone Number: 765-963-2585

The management of the Tri-Central Community Schools will assess our procedures and attempt to institute processes that would involve, at least on a sample basis, reviews of the duties being performed by the corporation treasurer and any others necessary, including, but not limited to preparing financial statements. Management will also monitor the system of internal control in the future to determine the effectiveness and efficiency of the systems in place.

The school corporation is a very small governmental unit and management has determined that the cost associated with employing additional staff necessary to properly segregate the duties would outweigh the benefits of additional internal control structure. Management acknowledges and assumes the risk inherent with the current design of the business office.



Interim Superintendent, Tri-Central Community Schools



Corporation Treasurer, Tri-Central Community Schools

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Robert L. Boyd, Ph.D.

CORRECTIVE ACTION PLAN

FINDING 2012-2 – VERIFICATION

Federal Program: Child Nutrition Cluster
CFDA Number: 10.553; 10.555
Pass-Through Entity: Indiana Department of Education
Auditee Contact Person: Lisa A. Dever
Title of Contact Person: Corporation Treasurer
Phone Number: 765-963-2585

Better care will be taken, along with corporation oversight, to insure all proper documentation related to and resulting from the verification process is filed and retained for audit according to the school's retention schedule.

FINDING 2012-3 – INTERNAL CONTROL/REPORTING

Federal Program: Special Education Cluster (IDEA)
CFDA Number: 84.027; 84.391; 84.392
Pass-Through Entity: Indiana Department of Education
Auditee Contact Person: Lisa A. Dever
Title of Contact Person: Corporation Treasurer
Phone Number: 765-963-2585

The corporation office has immediately revised the process used for submitting grant reports. Changes had already been made to the budgeting process for grants in that the budget approved was entered into the data management system and then printed and sent to management for review and monthly oversight. Steps have been taken immediately to process and send reimbursement requests and all reports to management for review prior to submission. Management will approve and initial, then return to the corporation office for submission.



Corporation Treasurer, Lisa A. Dever

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TRI-CENTRAL COMMUNITY SCHOOLS
EXIT CONFERENCE

The contents of this report were discussed on February 21, 2013, with Lisa Dever, Treasurer; Dr. Robert Boyd, Superintendent of Schools; and Cynthia Tarrh, Secretary. The officials concurred with our audit findings.