

**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, 2014 to June 30, 2016



**FILED**  
07/31/2018



TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials .....	2
Independent Auditor's Report .....	3-5
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statement Performed in Accordance with <i>Government Auditing Standards</i> .....	6-7
Financial Statement and Accompanying Notes:	
Statement of Receipts, Disbursements, Other Financing Sources (Uses), and Cash and Investment Balances - Regulatory Basis .....	11
Notes to Financial Statement .....	12-16
Other Information - Unaudited:	
Combining Schedules of Receipts, Disbursements, Other Financing Sources (Uses), and Cash and Investment Balances - Regulatory Basis .....	19-24
Schedule of Payables and Receivables .....	25
Schedule of Leases and Debt .....	26
Schedule of Capital Assets .....	27
Supplemental Audit of Federal Awards:	
Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance .....	30-31
Schedule of Expenditures of Federal Awards and Accompanying Notes:	
Schedule of Expenditures of Federal Awards .....	35
Notes to Schedule of Expenditures of Federal Awards .....	36
Schedule of Findings and Questioned Costs .....	37-47
Auditee-Prepared Documents:	
Summary Schedule of Prior Audit Findings .....	50-51
Corrective Action Plan .....	52-54
Other Reports .....	55

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Renee' L. Anderson Troy Cloum	07-01-14 to 05-31-18 06-01-18 to 06-30-19
Superintendent of Schools	Kevin Emsweller	07-01-14 to 06-30-19
President of the School Board	Rick Powell	07-01-14 to 06-30-19



**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](http://www.in.gov/sboa)

INDEPENDENT AUDITOR'S REPORT

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

**Report on the Financial Statement**

We have audited the accompanying financial statement of the Tipton Community School Corporation (School Corporation), which comprises the financial position and results of operations for the period of July 1, 2014 to June 30, 2016, and the related notes to the financial statement as listed in the Table of Contents.

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

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

***Auditor's Responsibility***

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

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

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

INDEPENDENT AUDITOR'S REPORT  
(Continued)

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

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

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

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

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position and results of operations of the School Corporation for the period of July 1, 2014 to June 30, 2016.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position and results of operations of the School Corporation for the period of July 1, 2014 to June 30, 2016, in accordance with the financial reporting provisions of the Indiana State Board of Accounts described in Note 1.

***Other Matters***

*Supplementary Information*

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


*Other Information*

Our audit was conducted for the purpose of forming an opinion on the School Corporation's financial statement. The Combining Schedules of Receipts, Disbursements, Other Financing Sources (Uses), and Cash and Investment Balances - Regulatory Basis, Schedule of Payables and Receivables, Schedule of Leases and Debt, and Schedule of Capital Assets, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the financial statement. They have not been subjected to the auditing procedures applied by us in the audit of the financial statement and, accordingly, we express no opinion on them.

INDEPENDENT AUDITOR'S REPORT  
(Continued)

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued a report dated June 27, 2018, 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 solely 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 effectiveness of the School Corporation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School Corporation's internal control over financial reporting and compliance.

  
Paul D. Joyce, CPA  
State Examiner

June 27, 2018



**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](http://www.in.gov/sboa)

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statement of the Tipton Community School Corporation (School Corporation), which comprises the financial position and results of operations for the period of July 1, 2014 to June 30, 2016, and the related notes to the financial statement, and have issued our report thereon dated June 27, 2018, wherein we noted the School Corporation followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America.

**Internal Control over Financial Reporting**

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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the School Corporation's financial statement will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as item 2016-001 to be a material weakness.

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

**Compliance and Other Matters**


As part of obtaining reasonable assurance about whether the School Corporation's financial statement is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2016-001.

**Tipton Community School Corporation's Response to Findings**

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

**Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School Corporation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

  
Paul D. Joyce, CPA  
State Examiner

June 27, 2018

(This page intentionally left blank.)

## FINANCIAL STATEMENT AND ACCOMPANYING NOTES

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

(This page intentionally left blank.)

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, 2015 and 2016

Fund	Cash and Investments 07-01-14	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-15	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-16
General	\$ 1,463,796	\$ 10,820,844	\$ 10,047,778	\$ 6	\$ 2,236,868	\$ 10,839,810	\$ 10,306,726	\$ (500,000)	\$ 2,269,952
Debt Service	1,071,820	1,971,036	1,879,851	-	1,163,005	2,000,312	1,945,051	-	1,218,266
Retirement/Severance Bond Debt Service	-	-	-	-	-	-	-	-	-
Capital Projects	2,076,583	969,814	2,043,900	1,199	1,003,696	1,750,452	1,951,849	-	802,299
School Transportation	996,940	1,265,667	1,221,340	(164,232)	877,035	1,273,993	1,233,256	(249,000)	668,772
School Bus Replacement	571,039	214,060	170,003	(300,000)	315,096	215,864	118,369	-	412,591
Rainy Day	837,640	-	-	500,000	1,337,640	33,264	559,089	750,000	1,561,815
Retirement/Severance Bond	187,533	-	37,648	-	149,885	-	3,611	-	146,274
Construction	31,312	4,231	35,543	-	-	-	-	-	-
School Lunch	80,261	980,260	815,147	-	245,374	831,200	799,118	-	277,456
Textbook Rental	352,900	282,272	301,445	-	333,727	340,893	381,906	-	292,714
Levy Excess	35,768	169	-	(35,768)	169	-	-	-	169
Educational License Plates	3,944	188	-	-	4,132	169	-	-	4,301
SAFE School Haven	593	2,208	4,002	-	(1,201)	9,519	12,114	-	(3,796)
Tipton Co Foundation Grant/Planetarium Donations	1,768	52,292	6,822	-	47,238	9,610	43,548	-	13,300
Instructional Support	3,602	-	3,602	-	-	-	-	-	-
Scholarships and Awards	100	100	200	-	-	-	-	-	-
Miscellaneous Programs	7,126	12,402	14,548	(6)	4,974	94,640	38,439	-	61,175
High Ability Grant	4,871	32,997	30,828	-	7,040	33,473	22,449	-	18,064
Scholarships and Awards	-	-	-	-	-	-	-	-	-
Non-English Speaking Programs	507	1,191	506	-	1,192	3,449	1,191	-	3,450
School Technology	19,454	7,671	-	-	27,125	6,564	-	-	33,689
Miscellaneous Programs	-	-	-	-	-	18,148	20,649	-	(2,501)
Title I	(27,885)	217,462	193,469	-	(3,892)	198,541	193,067	-	1,582
IDEA	-	-	-	-	-	-	-	-	-
Improving Teacher Quality, No Child Left, Title II, Part A	(7,128)	58,532	56,293	-	(4,889)	53,685	53,322	-	(4,526)
Commerce Bank	12,213	310,660	310,025	-	12,848	273,190	269,988	-	16,050
Payroll Withholdings	11,127	2,957,897	2,949,915	-	19,109	2,899,575	2,903,703	-	14,981
Totals	<u>\$ 7,735,884</u>	<u>\$ 20,161,953</u>	<u>\$ 20,122,865</u>	<u>\$ 1,199</u>	<u>\$ 7,776,171</u>	<u>\$ 20,886,351</u>	<u>\$ 20,857,445</u>	<u>\$ 1,000</u>	<u>\$ 7,806,077</u>

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, the following: school townships, school towns, school cities, consolidated school corporations, joint schools, metropolitan school districts, township school districts, county schools, united schools, school districts, cooperatives, educational service centers, community schools, community school corporations, and charter schools.

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

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

*B. Basis of Accounting*

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

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

*C. Cash and Investments*

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

*D. Receipts*

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

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

*Intermediate sources.* Amounts received as distributions from the County for fees collected for or on behalf of the School Corporation including, but not limited to, the following: educational license plate fees, congressional interest, riverboat distributions, and other similar fees.

TIPTON COMMUNITY SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENT  
(Continued)

*State sources.* Amounts received as distributions from the State of Indiana that are to be used by the School Corporation for various purposes, including, but not limited to, the following: unrestricted grants, restricted grants, revenue in lieu of taxes, and revenue for or on behalf of the School Corporation.

*Federal sources.* Amounts received as distributions from the federal government that are to be used by the School Corporation for various purposes, including, but not limited to, the following: unrestricted grants, restricted grants, revenue in lieu of taxes, and revenue for or on behalf of the School Corporation.

*Other receipts.* Amounts received from various sources, including, but not limited to, the following: return of petty cash, return of cash change, insurance claims for losses, sale of securities, and other receipts not listed in another category above.

*E. Disbursements*

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

*Instruction.* Amounts disbursed for regular programs, special programs, adult and continuing education programs, summer school programs, enrichment programs, remediation, and payments to other governmental units.

*Support services.* Amounts disbursed for support services related to students, instruction, general administration, school administration, outflows for central services, operation and maintenance of plant services, and student transportation.

*Noninstructional services.* Amounts disbursed for food service operations and community service operations.

*Facilities acquisition and construction.* Amounts disbursed for the acquisition, development, construction, and improvement of new and existing facilities.

*Debt service.* Amounts disbursed for fixed obligations resulting from financial transactions previously entered into by the School Corporation, including: all expenditures for the reduction of the principal and interest of the School Corporation's general obligation indebtedness.

*Nonprogrammed charges.* Amounts disbursed for donations to foundations, securities purchased, indirect costs, scholarships, and self-insurance payments.

*F. Other Financing Sources and Uses*

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

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

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

TIPTON COMMUNITY SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENT  
(Continued)

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

**G. Fund Accounting**

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

**Note 2. Budgets**

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

**Note 3. Property Taxes**

Property taxes levied are collected by the County Treasurer and are scheduled to be distributed to the School Corporation in June and December; however, situations can arise which would delay the distributions. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's lien date (March 1 in a year ending before January 1, 2016 and January 1 in a year beginning after December 31, 2015) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100 percent of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which normally become delinquent if not paid by May 10 and November 10, respectively.

**Note 4. Deposits and Investments**

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

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

TIPTON COMMUNITY SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENT  
(Continued)

**Note 5. Risk Management**

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

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

**Note 6. Pension Plans**

*A. Public Employees' Retirement Fund*

*Plan Description*

The Indiana Public Employees' Retirement Fund (PERF) is a defined benefit pension plan. PERF is a cost-sharing multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in this defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the Indiana Public Retirement System (INPRS) Board, most requirements of the system, and give the School Corporation authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3 percent of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

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

Indiana Public Retirement System  
One North Capitol, Suite 001  
Indianapolis, IN 46204  
Ph. (888) 526-1687

*Funding Policy and Annual Pension Cost*

The contribution requirements of the plan members for PERF are established by the Board of Trustees of INPRS.

*B. Teachers' Retirement Fund*

*Plan Description*

The Indiana Teachers' Retirement Fund (TRF) is a defined benefit pension plan. TRF is a cost-sharing multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All employees engaged in teaching or in

TIPTON COMMUNITY SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENT  
(Continued)

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

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

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

*Funding Policy and Annual Pension Cost*

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

**Note 7. Cash Balance Deficits**

The financial statement contains some funds with deficits in cash. This is a result of funds being set up for reimbursable grants. The reimbursements for expenditures made by the School Corporation were not received by June 30, 2015 or 2016.

**Note 8. Holding Corporation**

The School Corporation has entered into a capital lease with the Tipton Community School Building Corporation (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. The lessor has been determined to be a related-party of the School Corporation. Lease payments during the years 2015 and 2016 totaled \$1,853,860 and \$1,927,037, respectively.

**Note 9. Subsequent Events**

The School Corporation issued \$11,065,000 in bonds during 2017 to fund school renovations and a solar energy project. These bonds were issued through the Tipton Community School Building Corporation. Also in 2017, the School Corporation, through the Tipton Community School Building Corporation, issued refunding bonds in the amount of \$3,760,000. These bonds were used to refund the 1998, 2006, and 2007 Building Corporation Bonds.

#### OTHER INFORMATION - UNAUDITED

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

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

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

(This page intentionally left blank.)

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, 2015

	General	Debt Service	Retirement/ Severance Bond Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	Retirement/ Severance Bond	Construction	School Lunch
Cash and investments - beginning	\$ 1,463,796	\$ 1,071,820	\$ -	\$ 2,076,583	\$ 996,940	\$ 571,039	\$ 837,640	\$ 187,533	\$ 31,312	\$ 80,261
Receipts:										
Local sources	127,192	1,971,036	-	969,814	1,265,667	214,060	-	-	-	417,039
Intermediate sources	-	-	-	-	-	-	-	-	-	-
State sources	10,693,652	-	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-	563,221
Other receipts	-	-	-	-	-	-	-	-	4,231	-
Total receipts	10,820,844	1,971,036	-	969,814	1,265,667	214,060	-	-	4,231	980,260
Disbursements:										
Instruction	6,721,821	-	-	-	-	-	-	-	-	11,546
Support services	3,079,140	-	-	1,169,636	1,221,340	170,003	-	-	-	570
Noninstructional services	246,817	-	-	-	-	-	-	-	-	305,280
Facilities acquisition and construction	-	-	-	874,264	-	-	-	-	35,543	497,751
Debt service	-	1,879,851	-	-	-	-	-	37,648	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	10,047,778	1,879,851	-	2,043,900	1,221,340	170,003	-	37,648	35,543	815,147
Excess (deficiency) of receipts over disbursements	773,066	91,185	-	(1,074,086)	44,327	44,057	-	(37,648)	(31,312)	165,113
Other financing sources (uses):										
Sale of capital assets	-	-	-	1,199	-	-	-	-	-	-
Transfers in	6	-	-	-	35,768	-	500,000	-	-	-
Transfers out	-	-	-	-	(200,000)	(300,000)	-	-	-	-
Total other financing sources (uses)	6	-	-	1,199	(164,232)	(300,000)	500,000	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	773,072	91,185	-	(1,072,887)	(119,905)	(255,943)	500,000	(37,648)	(31,312)	165,113
Cash and investments - ending	\$ 2,236,868	\$ 1,163,005	\$ -	\$ 1,003,696	\$ 877,035	\$ 315,096	\$ 1,337,640	\$ 149,885	\$ -	\$ 245,374

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, 2015

	Textbook Rental	Levy Excess	Educational License Plates	SAFE School Haven	Tipton Co Foundation Grant/ Planetarium Donations	Instructional Support	Scholarships and Awards	Miscellaneous Programs	High Ability Grant	Scholarships and Awards
Cash and investments - beginning	\$ 352,900	\$ 35,768	\$ 3,944	\$ 593	\$ 1,768	\$ 3,602	\$ 100	\$ 7,126	\$ 4,871	\$ -
Receipts:										
Local sources	237,979	169	-	-	52,292	-	-	12,402	-	-
Intermediate sources	-	-	188	-	-	-	-	-	-	-
State sources	44,293	-	-	2,208	-	-	100	-	32,997	-
Federal sources	-	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-	-
Total receipts	<u>282,272</u>	<u>169</u>	<u>188</u>	<u>2,208</u>	<u>52,292</u>	<u>-</u>	<u>100</u>	<u>12,402</u>	<u>32,997</u>	<u>-</u>
Disbursements:										
Instruction	-	-	-	4,002	-	-	-	-	30,828	-
Support services	301,445	-	-	-	6,822	3,602	-	5,498	-	-
Noninstructional services	-	-	-	-	-	-	-	9,050	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	200	-	-	-
Total disbursements	<u>301,445</u>	<u>-</u>	<u>-</u>	<u>4,002</u>	<u>6,822</u>	<u>3,602</u>	<u>200</u>	<u>14,548</u>	<u>30,828</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>(19,173)</u>	<u>169</u>	<u>188</u>	<u>(1,794)</u>	<u>45,470</u>	<u>(3,602)</u>	<u>(100)</u>	<u>(2,146)</u>	<u>2,169</u>	<u>-</u>
Other financing sources (uses):										
Sale of capital assets	-	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-	-
Transfers out	-	(35,768)	-	-	-	-	-	(6)	-	-
Total other financing sources (uses)	<u>-</u>	<u>(35,768)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(6)</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(19,173)</u>	<u>(35,599)</u>	<u>188</u>	<u>(1,794)</u>	<u>45,470</u>	<u>(3,602)</u>	<u>(100)</u>	<u>(2,152)</u>	<u>2,169</u>	<u>-</u>
Cash and investments - ending	<u>\$ 333,727</u>	<u>\$ 169</u>	<u>\$ 4,132</u>	<u>\$ (1,201)</u>	<u>\$ 47,238</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,974</u>	<u>\$ 7,040</u>	<u>\$ -</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, 2015

	Non-English Speaking Programs	School Technology	Miscellaneous Programs	Title I	IDEA	Improving Teacher Quality, No Child Left, Title II, Part A	Commerce Bank	Payroll Withholdings	Totals
Cash and investments - beginning	\$ 507	\$ 19,454	\$ -	\$ (27,885)	\$ -	\$ (7,128)	\$ 12,213	\$ 11,127	\$ 7,735,884
Receipts:									
Local sources	-	-	-	-	-	-	-	-	5,267,650
Intermediate sources	-	-	-	-	-	-	-	-	188
State sources	1,191	7,671	-	-	-	-	-	-	10,782,112
Federal sources	-	-	-	217,462	-	58,532	-	-	839,215
Other receipts	-	-	-	-	-	-	310,660	2,957,897	3,272,788
Total receipts	1,191	7,671	-	217,462	-	58,532	310,660	2,957,897	20,161,953
Disbursements:									
Instruction	-	-	-	199,709	-	45,220	-	-	7,013,126
Support services	506	-	-	(6,240)	-	11,073	-	-	5,963,395
Noninstructional services	-	-	-	-	-	-	-	-	561,147
Facilities acquisition and construction	-	-	-	-	-	-	-	-	1,407,558
Debt service	-	-	-	-	-	-	-	-	1,917,499
Nonprogrammed charges	-	-	-	-	-	-	310,025	2,949,915	3,260,140
Total disbursements	506	-	-	193,469	-	56,293	310,025	2,949,915	20,122,865
Excess (deficiency) of receipts over disbursements	685	7,671	-	23,993	-	2,239	635	7,982	39,088
Other financing sources (uses):									
Sale of capital assets	-	-	-	-	-	-	-	-	1,199
Transfers in	-	-	-	-	-	-	-	-	535,774
Transfers out	-	-	-	-	-	-	-	-	(535,774)
Total other financing sources (uses)	-	-	-	-	-	-	-	-	1,199
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	685	7,671	-	23,993	-	2,239	635	7,982	40,287
Cash and investments - ending	\$ 1,192	\$ 27,125	\$ -	\$ (3,892)	\$ -	\$ (4,889)	\$ 12,848	\$ 19,109	\$ 7,776,171

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, 2016

	General	Debt Service	Retirement/ Severance Bond Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	Retirement/ Severance Bond	Construction	School Lunch
Cash and investments - beginning	\$ 2,236,868	\$ 1,163,005	\$ -	\$ 1,003,696	\$ 877,035	\$ 315,096	\$ 1,337,640	\$ 149,885	\$ -	\$ 245,374
Receipts:										
Local sources	143,530	2,000,312	-	1,750,452	1,273,993	215,864	33,264	-	-	415,063
Intermediate sources	-	-	-	-	-	-	-	-	-	-
State sources	10,696,280	-	-	-	-	-	-	-	-	10,822
Federal sources	-	-	-	-	-	-	-	-	-	405,315
Other receipts	-	-	-	-	-	-	-	-	-	-
Total receipts	10,839,810	2,000,312	-	1,750,452	1,273,993	215,864	33,264	-	-	831,200
Disbursements:										
Instruction	6,878,328	-	-	-	-	-	-	-	-	21,169
Support services	3,173,894	-	-	675,053	1,233,256	118,369	559,089	-	-	191
Noninstructional services	254,504	-	-	-	-	-	-	-	-	324,990
Facilities acquisition and construction	-	-	-	1,276,796	-	-	-	-	-	452,768
Debt service	-	1,945,051	-	-	-	-	-	3,611	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	10,306,726	1,945,051	-	1,951,849	1,233,256	118,369	559,089	3,611	-	799,118
Excess (deficiency) of receipts over disbursements	533,084	55,261	-	(201,397)	40,737	97,495	(525,825)	(3,611)	-	32,082
Other financing sources (uses):										
Sale of capital assets	-	-	-	-	1,000	-	-	-	-	-
Transfers in	-	-	-	-	-	-	750,000	-	-	-
Transfers out	(500,000)	-	-	-	(250,000)	-	-	-	-	-
Total other financing sources (uses)	(500,000)	-	-	-	(249,000)	-	750,000	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	33,084	55,261	-	(201,397)	(208,263)	97,495	224,175	(3,611)	-	32,082
Cash and investments - ending	\$ 2,269,952	\$ 1,218,266	\$ -	\$ 802,299	\$ 668,772	\$ 412,591	\$ 1,561,815	\$ 146,274	\$ -	\$ 277,456

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, 2016

	Textbook Rental	Levy Excess	Educational License Plates	SAFE School Haven	Tipton Co Foundation Grant/ Planetarium Donations	Instructional Support	Scholarships and Awards	Miscellaneous Programs	High Ability Grant	Scholarships and Awards
Cash and investments - beginning	\$ 333,727	\$ 169	\$ 4,132	\$ (1,201)	\$ 47,238	\$ -	\$ -	\$ 4,974	\$ 7,040	\$ -
Receipts:										
Local sources	270,003	-	-	-	9,610	-	-	94,640	-	-
Intermediate sources	-	-	169	-	-	-	-	-	-	-
State sources	70,890	-	-	9,519	-	-	-	-	33,473	-
Federal sources	-	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-	-
Total receipts	340,893	-	169	9,519	9,610	-	-	94,640	33,473	-
Disbursements:										
Instruction	-	-	-	12,114	1,010	-	-	307	22,449	-
Support services	367,689	-	-	-	4,038	-	-	32,524	-	-
Noninstructional services	-	-	-	-	-	-	-	5,608	-	-
Facilities acquisition and construction	14,217	-	-	-	38,500	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	381,906	-	-	12,114	43,548	-	-	38,439	22,449	-
Excess (deficiency) of receipts over disbursements	(41,013)	-	169	(2,595)	(33,938)	-	-	56,201	11,024	-
Other financing sources (uses):										
Sale of capital assets	-	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(41,013)	-	169	(2,595)	(33,938)	-	-	56,201	11,024	-
Cash and investments - ending	\$ 292,714	\$ 169	\$ 4,301	\$ (3,796)	\$ 13,300	\$ -	\$ -	\$ 61,175	\$ 18,064	\$ -

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, 2016

	Non-English Speaking Programs	School Technology	Miscellaneous Programs	Title I	IDEA	Improving Teacher Quality, No Child Left, Title II, Part A	Commerce Bank	Payroll Withholdings	Totals
Cash and investments - beginning	\$ 1,192	\$ 27,125	\$ -	\$ (3,892)	\$ -	\$ (4,889)	\$ 12,848	\$ 19,109	\$ 7,776,171
Receipts:									
Local sources	-	-	-	-	-	-	-	-	6,206,731
Intermediate sources	-	-	-	-	-	-	-	-	169
State sources	3,449	6,564	18,148	-	-	-	-	-	10,849,145
Federal sources	-	-	-	198,541	-	53,685	-	-	657,541
Other receipts	-	-	-	-	-	-	273,190	2,899,575	3,172,765
Total receipts	3,449	6,564	18,148	198,541	-	53,685	273,190	2,899,575	20,886,351
Disbursements:									
Instruction	-	-	-	190,480	-	46,395	-	-	7,172,252
Support services	1,191	-	20,649	2,587	-	6,927	-	-	6,195,457
Noninstructional services	-	-	-	-	-	-	-	-	585,102
Facilities acquisition and construction	-	-	-	-	-	-	-	-	1,782,281
Debt service	-	-	-	-	-	-	-	-	1,948,662
Nonprogrammed charges	-	-	-	-	-	-	269,988	2,903,703	3,173,691
Total disbursements	1,191	-	20,649	193,067	-	53,322	269,988	2,903,703	20,857,445
Excess (deficiency) of receipts over disbursements	2,258	6,564	(2,501)	5,474	-	363	3,202	(4,128)	28,906
Other financing sources (uses):									
Sale of capital assets	-	-	-	-	-	-	-	-	1,000
Transfers in	-	-	-	-	-	-	-	-	750,000
Transfers out	-	-	-	-	-	-	-	-	(750,000)
Total other financing sources (uses)	-	-	-	-	-	-	-	-	1,000
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	2,258	6,564	(2,501)	5,474	-	363	3,202	(4,128)	29,906
Cash and investments - ending	\$ 3,450	\$ 33,689	\$ (2,501)	\$ 1,582	\$ -	\$ (4,526)	\$ 16,050	\$ 14,981	\$ 7,806,077

TIPTON COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF PAYABLES AND RECEIVABLES  
June 30, 2016

<u>Government or Enterprise</u>	<u>Accounts Payable</u>	<u>Accounts Receivable</u>
Governmental activities	<u>\$ 744,914</u>	<u>\$ 26,587</u>

TIPTON COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF LEASES AND DEBT  
June 30, 2016

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities:				
Tipton Community School Building Corporation	First Mortgage Bonds Series 2008 Transportation Facility	\$ 679,000	12/16/2008	12/31/2020
Tipton Community School Building Corporation	First Mortgage Bonds Series 2006 MS	177,000	12/14/2006	12/31/2021
Tipton Community School Building Corporation	First Mortgage Bonds Series 2007 Refund 1998 Bonds	940,043	1/17/2007	6/30/2020
Tipton Community School Building Corporation	First Mortgage Bonds Series 2012A HS	42,000	7/3/2012	12/31/2023
Tipton Community School Building Corporation	First Mortgage Bonds Series 2012B MS	48,000	7/3/2012	12/31/2023
Tipton Community School Building Corporation	First Mortgage Bonds Series 2013 MS/EL	<u>40,000</u>	12/31/2013	12/31/2023
Total governmental activities		<u>1,926,043</u>		
Total of annual lease payments		<u>\$ 1,926,043</u>		

TIPTON COMMUNITY SCHOOL CORPORATION  
 SCHEDULE OF CAPITAL ASSETS  
 June 30, 2016

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

	<u>Ending Balance</u>
Governmental activities:	
Land	\$ 600,000
Infrastructure	10
Buildings	73,693,196
Improvements other than buildings	13,112,041
Machinery, equipment, and vehicles	<u>2,837,315</u>
Total governmental activities	<u>90,242,562</u>
Total capital assets	<u>\$ 90,242,562</u>

(This page intentionally left blank.)

SUPPLEMENTAL AUDIT OF  
FEDERAL AWARDS



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

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

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

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, 2014 to June 30, 2016. The School Corporation's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

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

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

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

In our opinion, the School Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the period of July 1, 2014 to June 30, 2016.

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

**Other Matters**

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2016-003 and 2016-005. Our opinion on each major federal program is not modified with respect to these matters.

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

**Report on Internal Control over Compliance**


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

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance, described in the accompanying Schedule of Findings and Questioned Costs as items 2016-002, 2016-003, 2016-004, and 2016-005, to be material weaknesses.

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

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

  
Paul D. Joyce, CPA  
State Examiner

June 27, 2018

(This page intentionally left blank.)

#### SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTES

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

(This page intentionally left blank.)

TIPTON COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Years Ended June 30, 2015 and 2016

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient 06-30-15	Total Federal Awards Expended 06-30-15	Passed Through to Subrecipient 06-30-16	Total Federal Awards Expended 06-30-16
<b>Department of Agriculture</b>							
Child Nutrition Cluster							
School Breakfast Program	Indiana Department of Education	10.553	FY 2015	\$ -	\$ 92,738	\$ -	\$ -
			FY 2016	-	-	-	72,988
Total - School Breakfast Program				-	92,738	-	72,988
National School Lunch Program							
National School Lunch Program	Indiana Department of Education	10.555	FY 2014-2015	-	459,566	-	-
			FY 2015-2016	-	-	-	332,327
National School Lunch Program - Commodities			FY 2014-2015	-	58,547	-	-
			FY 2015-2016	-	-	-	57,539
Total - National School Lunch Program				-	518,113	-	389,866
Total - Child Nutrition Cluster				-	610,851	-	462,854
Total - Department of Agriculture				-	610,851	-	462,854
<b>Department of Education</b>							
Special Education Cluster (IDEA)							
Special Education Grants to States	Indiana Department of Education	84.027	14213-035-PN01	-	3,742	-	-
			14214-035-PN01	-	252,764	-	1,918
			14215-035-PN01	-	143,046	-	225,609
			14216-035-PN01	-	-	-	136,243
			9914-035-PN01	-	2,458	-	3,282
Total - Special Education Grants to States				-	402,010	-	367,052
Special Education Preschool Grants	Indiana Department of Education	84.173	45713-035-PN01	-	1,146	-	-
			45714-035-PN01	-	7,897	-	87
			45715-035-PN01	-	6,877	-	12,196
			45716-035-PN01	-	-	-	13,536
Total - Special Education Preschool Grants				-	15,920	-	25,819
Total - Special Education Cluster (IDEA)				-	417,930	-	392,871
Title I Grants to Local Educational Agencies	Indiana Department of Education	84.010	14-7945	-	72,911	-	-
			15-7945	-	144,550	-	59,614
			16-7945	-	-	-	138,927
Total - Title I Grants to Local Educational Agencies				-	217,461	-	198,541
Supporting Effective Instruction State Grants	Indiana Department of Education	84.367	13-7945	-	11,069	-	-
			14-7945	-	47,463	-	3,706
			15-7945	-	-	-	49,979
Total - Supporting Effective Instruction State Grants				-	58,532	-	53,685
Total - Department of Education				-	693,923	-	645,097
Total federal awards expended				\$ -	\$ 1,304,774	\$ -	\$ 1,107,951

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

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

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

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

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; Unmodified as to Regulatory Basis
Internal control over financial reporting:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Noncompliance material to financial statement noted?	yes

Federal Awards:

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

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
84.010	Child Nutrition Cluster Special Education Cluster (IDEA) Title I Grants to Local Educational Agencies

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

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

**Section II - Financial Statement Findings**

**FINDING 2016-001**

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

*Repeat Finding*

This is a repeat finding from the immediately prior audit. The prior audit finding number was 2014-001.

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

*Condition*

The School Corporation did not have a proper system of internal control in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA).

The School Corporation had not established effective internal controls over the federal award information entered into the Indiana Gateway for Government Units (Gateway), which is a financial reporting system used to compile the School Corporation's SEFA. One employee prepared the federal award information entered into Gateway without a control in place to prevent, or detect and correct, errors prior to submission.

*Context*

The SEFA presented for audit contained the following errors:

1. The Child Nutrition Cluster expenditures were understated by \$58,547 for the 2015 fiscal year and overstated by \$224,010 for the 2016 fiscal year.
2. The Special Education Cluster (IDEA) expenditures were understated by \$4,888 and \$1,676 for the 2015 and 2016 fiscal years, respectively.
3. The Supporting Effective Instruction State Grants program expenditures were overstated by \$6,253 and \$3,449 for the 2015 and 2016 fiscal years, respectively.

Audit adjustments were proposed, accepted by the School Corporation, and made to the SEFA.

*Criteria*

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

An integral part of the control activity component is segregation of duties. . . .

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . ."

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

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

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

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

- (1) List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For R&D, total Federal awards expended shall be shown either by individual award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.
- (4) Include notes that describe the significant accounting policies used in preparing the schedule.
- (5) To the extent practical, pass-through entities should identify in the schedule the total amount provided to subrecipients from each Federal Program.
- (6) Include, in either the schedule or a note to the schedule, the value of the Federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end. While not required, it is preferable to present this information in the schedule."

*Cause*

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

*Effect*

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

*Recommendation*

We recommended that the School Corporation's management establish controls related to the preparation of the SEFA.

*Views of Responsible Officials*

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

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

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

***FINDING 2016-002***

Subject: Child Nutrition Cluster - Internal Controls

Federal Agency: Department of Agriculture

Federal Programs: School Breakfast Program, National School Lunch Program

CFDA Numbers: 10.553, 10.555

Federal Award Numbers and Years (or Other Identifying Numbers): FY 2015, FY 2016, FY 2014-2015  
FY 2015-2016

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Allowable Costs/Cost Principles, Eligibility, Reporting,  
Special Tests and Provisions - Verification of Free  
and Reduced Price Applications (NSLP)

Audit Finding: Material Weakness

*Repeat Finding*

This is a repeat finding from the immediately prior audit report related to the Allowable Costs/Cost Principles compliance requirement. The prior audit finding number was 2014-002.

*Condition*

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Allowable Costs/Cost Principles, Eligibility, Reporting, and Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) compliance requirements.

*Allowable Costs/Cost Principles*

Food costs were paid for by an outside vendor, which administered the Child Nutrition Cluster programs for the School Corporation. These costs were then billed to the School Corporation, along with management fees and labor costs. There was no one at the School Corporation level who reviewed the detailed invoices that supported the food costs billed by the outside vendor.

*Eligibility*

There were no controls in place to ensure that the eligibility determinations for free and reduced price meals were accurate. One employee processed the applications for free and reduced price meals, which included determining eligibility, without oversight, review, or other compensating control.

*Reporting*

There were no controls in place to ensure that required Annual Financial Reports and Verification Summary Reports were complete and accurate prior to submission. One employee prepared and submitted the Annual Financial Reports and the Verification Summary Reports without oversight, review or approval, or other compensating control.

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

*Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP)*

There were no controls in place to ensure that the required verifications of original eligibility determinations for free and reduced price meals were accurate. One employee verified the applications for free and reduced price meals, which included verification of eligibility, without oversight, review, or other compensating control.

*Context*

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

*Criteria*

OMB Circular A-133, Subpart C, section .300 states in part:

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

2 CFR 200.303 states in part:

"The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

*Cause*

Management had not developed a system of internal controls that ensured compliance with the Allowable Costs/Cost Principles, Eligibility, Reporting, and Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) compliance requirements.

*Effect*

The failure to establish an effective internal control system placed the School Corporation at risk of noncompliance with the grant agreement and the Allowable Costs/Cost Principles, Eligibility, Reporting, and Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) compliance requirements. A lack of segregation of duties within an internal control system could have also allowed noncompliance with the compliance requirements and allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the programs.

*Questioned Costs*

There were no questioned costs identified.

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

*Recommendation*

We recommended that the School Corporation's management establish controls related to the grant agreement and compliance requirements listed above.

*Views of Responsible Officials*

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

**FINDING 2016-003**

Subject: Child Nutrition Cluster - Cash Management

Federal Agency: Department of Agriculture

Federal Programs: School Breakfast Program, National School Lunch Program

CFDA Numbers: 10.553, 10.555

Federal Award Numbers and Years (or Other Identifying Numbers): FY 2015, FY 2016, FY 2014-2015,  
FY 2015-2016

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Cash Management

Audit Findings: Material Weakness, Other Matters

*Repeat Finding*

This is a repeat of finding from the immediately prior audit report. The prior audit finding number was 2014-003.

*Condition*

An effective internal control system, which would include segregation of duties, was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Cash Management compliance requirement.

The School Corporation failed to comply with the Cash Management requirement that its net cash resources in the School Lunch fund be limited to the three months average expenditures of the food service program. The School Lunch fund cash balance was in excess of the three months average expenditures of the food service program for 19 of the 24 months tested during the audit period.

*Context*

The lack of controls and noncompliance were systemic issues, which occurred throughout the audit period.

*Criteria*

OMB Circular A-133, Subpart C, section .300 states in part:

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

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

2 CFR 200.303 states in part:

"The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

7 CFR 210.14(b) states: "*Net cash resources.* The school food authority shall limit its net cash resources to an amount that does not exceed 3 months average expenditures for its nonprofit school food service or such other amount as may be approved by the State agency in accordance with § 210.19(a)."

7 CFR 220.7(e) states in part:

". . . the School Food Authority shall, with respect to participating schools under its jurisdiction:  
. . .

(iv) Limit its net cash resource to an amount that does not exceed three months average expenditure for its nonprofit school food service or such other amount as may be approved by the State agency; . . ."

*Cause*

Management had not developed a system of internal controls that ensured compliance with the Cash Management compliance requirement.

*Effect*

The failure to establish an effective internal control system, which would include segregation of duties, placed the School Corporation in noncompliance with the grant agreement and the Cash Management compliance requirement.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation's management establish controls to ensure compliance with the grant agreement and the Cash Management compliance requirement.

*Views of Responsible Officials*

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

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

***FINDING 2016-004***

Subject: Title I Grants to Local Educational Agencies - Internal Controls  
Federal Agency: Department of Education  
Federal Program: Title I Grants to Local Educational Agencies  
CFDA Number: 84.010  
Federal Award Numbers and Years (or Other Identifying Numbers): 14-7945, 15-7945, 16-7945  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirements: Cash Management, Eligibility, and Reporting  
Audit Finding: Material Weakness

*Condition*

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Cash Management, Eligibility, and Reporting compliance requirements.

*Cash Management*

The reimbursement requests were being prepared by one individual without an oversight, review, or approval process.

*Eligibility*

Individual student eligibility determinations, based on student test scores depending on grade level, were being made by one individual without a documented oversight, review, or approval process.

*Reporting*

Final Expenditure reports and Reimbursement Requests were being prepared by one individual without an oversight, review, or approval process.

*Context*

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

*Criteria*

OMB Circular A-133, Subpart C, section .300 states in part:

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

2 CFR 200.303 states in part:

"The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal

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

award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . . "

*Cause*

Management had not developed a system of internal controls that would have ensured compliance with the Cash Management, Eligibility, and Reporting compliance requirements.

*Effect*

The failure to establish an effective internal control system, which would include segregation of duties, placed the School Corporation at risk of noncompliance with the grant agreement and the Cash Management, Eligibility, and Reporting compliance requirements.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation's management establish controls to ensure compliance with the grant agreement and the Cash Management, Eligibility, and Reporting compliance requirements.

*Views of Responsible Officials*

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

**FINDING 2016-005**

Subject: Title I Grants to Local Educational Agencies - Allowable Costs/Cost Principles

Federal Agency: Department of Education

Federal Program: Title I Grants to Local Educational Agencies

CFDA Number: 84.010

Federal Award Numbers and Years (or Other Identifying Numbers): 14-7945, 15-7645, 16-7945

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Allowable Costs/Cost Principles

Audit Findings: Material Weakness, Other Matters

*Condition*

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Allowable Costs/Cost Principles compliance requirement.

The School Corporation had not implemented adequate controls to ensure that time and effort documentation was prepared and/or approved. Required time and effort logs for employees who worked on multiple activities or cost objectives during the audit period were not presented for audit in three of the four required reporting periods during the audit.

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

*Context*

The lack of controls and noncompliance were systemic issues, which occurred throughout the audit period.

*Criteria*

OMB Circular A-133, Subpart C, section .300 states in part:

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

2 CFR 200.303 states in part:

"The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

OMB Circular A-87, Attachment B, section 8h states in part:

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

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

2 CFR 200.430(i) states in part:

"*Standards for Documentation of Personnel Expenses* (1) Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must:

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

- (i) Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated;
- (ii) Be incorporated into the official records of the non-Federal entity;
- (iii) Reasonably reflect the total activity for which the employee is compensated by the non-Federal entity, not exceeding 100% of compensated activities (for IHE, this per the IHE's definition of IBS); . . .
- (vii) Support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one Federal award; a Federal award and non-Federal award; an indirect cost activity and a direct cost activity; two or more indirect activities which are allocated using different allocation bases; or an unallowable activity and a direct or indirect cost activity. . . ."

2 CFR 200.207(a) states in part: "The Federal awarding agency or pass-through entity may impose additional specific award conditions as needed . . ."

Title I Fiscal Handbook 2015-2016, Basic Title I, Part A and D states: "Title I funded staff paid solely from Title I funds complete a Semi-Annual Certification twice a year. Employees who work on multiple activities must maintain a time and effort log at least once a month."

*Cause*

Management had not developed a system of internal controls that would have ensured compliance with the Allowable Costs/Cost Principles compliance requirement.

*Effect*

The failure to establish an effective internal control system placed the School Corporation in non-compliance with the grant agreement and the Allowable Costs/Cost Principles compliance requirement.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation's management establish controls to ensure compliance with the grant agreement and the Allowable Costs/Cost Principles compliance requirement.

*Views of Responsible Officials*

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

(This page intentionally left blank.)

#### AUDITEE-PREPARED DOCUMENTS

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



# TIPTON COMMUNITY SCHOOL CORPORATION

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

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

TCSC

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

### ***FINDING 2014-001 – Preparation of the Schedule of Expenditures of Federal Awards***

Fiscal year in which the finding initially occurred: 2014  
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: N/A  
Contact Person Responsible for Corrective Action: Renee' Anderson  
Contact Phone Number: 765-675-2147

Status of Audit Finding: We are working to implement controls which will allow the accurate completion of the SEFA.

### ***FINDING 2014-002 – Allowable Costs/Cost Principals***

Federal Agency: U.S. Department of Agriculture: Pass Through  
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 12-13, FY 13-14  
Pass-Through Entity: Indiana Department of Education

Status of Audit Finding: We have improved controls over allowable costs as we are currently reviewing monthly invoices which support reimbursement to our food service vendor.

### ***FINDING 2014-003 – Cash Management***

Federal Agency: U.S. Department of Agriculture: Pass Through  
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 12-13, FY 13-14  
Pass-Through Entity: Indiana Department of Education

Status of Audit Finding: We have worked with our food service vendor to reduce excessive cash balances in our school lunch fund.

### ***FINDING 2014-004 – Special Tests and Provisions***

Federal Agency: U.S. Department of Agriculture: Pass Through  
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 12-13, FY 13-14  
Pass-Through Entity: Indiana Department of Education

Status of Audit Finding: The School Board increased school lunch/breakfast prices to ensure that the school corporation is in compliance with federal guidelines regarding paid lunch equity.

***FINDING 2014-005 – Allowable Costs/Cost Principals***

Federal Agency: U.S. Department of Education

Federal Program: Special Education – Grants to States

CFDA Number: 84.027

Federal Award Number and Year (or Other Identifying Number): 14211-035-PN01, 14212-035-PN01,

14213-035-PN01, 14214-

135-PN01

Pass-Through Entity: Indiana Department of Education

Status of Audit Finding: Tipton Schools is in the process of evaluating internal controls to ensure that semi-annual certifications at KASEC are available for audit.



# 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

### *FINDING 2016-001*

Contact Person Responsible for Corrective Action: Renee' Anderson  
Contact Phone Number: 765-675-2147

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

We will work on improving controls over preparing the Schedule of Expenditure of Federal Awards.

Anticipated Completion Date: June 30, 2018

### *FINDING 2016-002*

Contact Person Responsible for Corrective Action: Renee' Anderson  
Contact Phone Number: 765-675-2147

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

We will improve our internal controls over the compliance requirements detailed in the finding.

Anticipated Completion Date: Immediately

*FINDING 2016-003*

Contact Person Responsible for Corrective Action: Renee' Anderson  
Contact Phone Number: 765-675-2147

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

We submitted a plan, which was accepted by the Indiana Department of Education which described how we were going to reduce excessive cash balances in our school lunch fund.

Anticipated Completion Date: December 31, 2018

*FINDING 2016-004*

Contact Person Responsible for Corrective Action: Renee' Anderson  
Contact Phone Number: 765-675-2147

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

We will work on improving controls over the compliance requirements and issues described in the finding.

Anticipated Completion Date: December 31, 2018

*FINDING 2016-005*

Contact Person Responsible for Corrective Action: Renee' Anderson

Contact Phone Number: 765-675-2147

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

We will work on improving controls over the compliance issues noted in the finding.

Anticipated Completion Date:

Time and effort logs detailing which employees worked on multiple activities or cost activities for the Title I program will be available during the next audit.

#### OTHER REPORTS

In addition to this report, other reports may have been issued for the School Corporation. All reports can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>.