

TIPTON COMMUNITY SCHOOL DISTRICT  
TIPTON, IOWA

INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS

JUNE 30, 2012

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TIPTON COMMUNITY SCHOOL DISTRICT

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>Board of Education</u>		
(Before September 2011 election)		
Duane Webb	President	2011
Sue McGuinty	Vice President	2011
Mark Forest	Board Member	2011
Bill Schwitzer	Board Member	2013
Diane Wallick	Board Member	2013
(After September 2011 election)		
Duane Webb	President	2015
Bill Schwitzer	Vice President	2013
Diane Wallick	Board Member	2013
Brad Goetz	Board Member	2015
Nolan Ford	Board Member	2015
<u>School Officials</u>		
Richard Grimoskas	Superintendent	2014
Jim Becker	District Secretary/Treasurer and Business Manager	2012
Brian Gruhn	Attorney	Indefinite

## INDEPENDENT AUDITOR'S REPORT

To the Board of Education of  
Tipton Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Tipton Community School District, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Tipton Community School District at June 30, 2012, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated October 5, 2012 on our consideration of Tipton Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, and contracts. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 6 through 16 and 52 through 54 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U. S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Tipton Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the four years ended June 30, 2011 (which are not presented herein) and expressed unqualified opinions on those financial statements. The financial statements for the year ended June 30, 2007 (which are not presented herein) were audited by other auditors who disclaimed an opinion on the discretely presented component unit and expressed unqualified opinions on the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information. The financial statements for the two years ended June 30, 2006 (which are not presented herein) were audited by other auditors who expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 7 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of District management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Oskaloosa, Iowa  
October 5, 2012

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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Tipton Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2012. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2012 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$8,005,660 in fiscal 2011 to \$8,193,466 in fiscal 2012, and General Fund expenditures increased from \$7,721,331 in fiscal 2011 to \$7,816,201 in fiscal 2012. The District's General Fund balance increased from \$1,264,462 in fiscal 2011 to \$1,641,727 in fiscal 2012, a 29.84% increase.
- The increase in General Fund revenue in fiscal year 2012 was attributable to an increase in state aid money. The increase in expenditures was due primarily to the negotiated salary and benefits settlement and teacher quality payments to the certified staff. The increase in expenditures was offset enough by the increase in revenues to allow the district to have an increase in the general fund balance.
- The continued interest rate environment during the 2012 fiscal year resulted in interest earnings in the General Fund alone decreasing from \$1,325 in fiscal 2011 to \$302 in fiscal 2012.

### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Tipton Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Tipton Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Tipton Community School District acts solely as an agent or custodian for the benefit of those outside of the District.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the non-major Governmental Funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

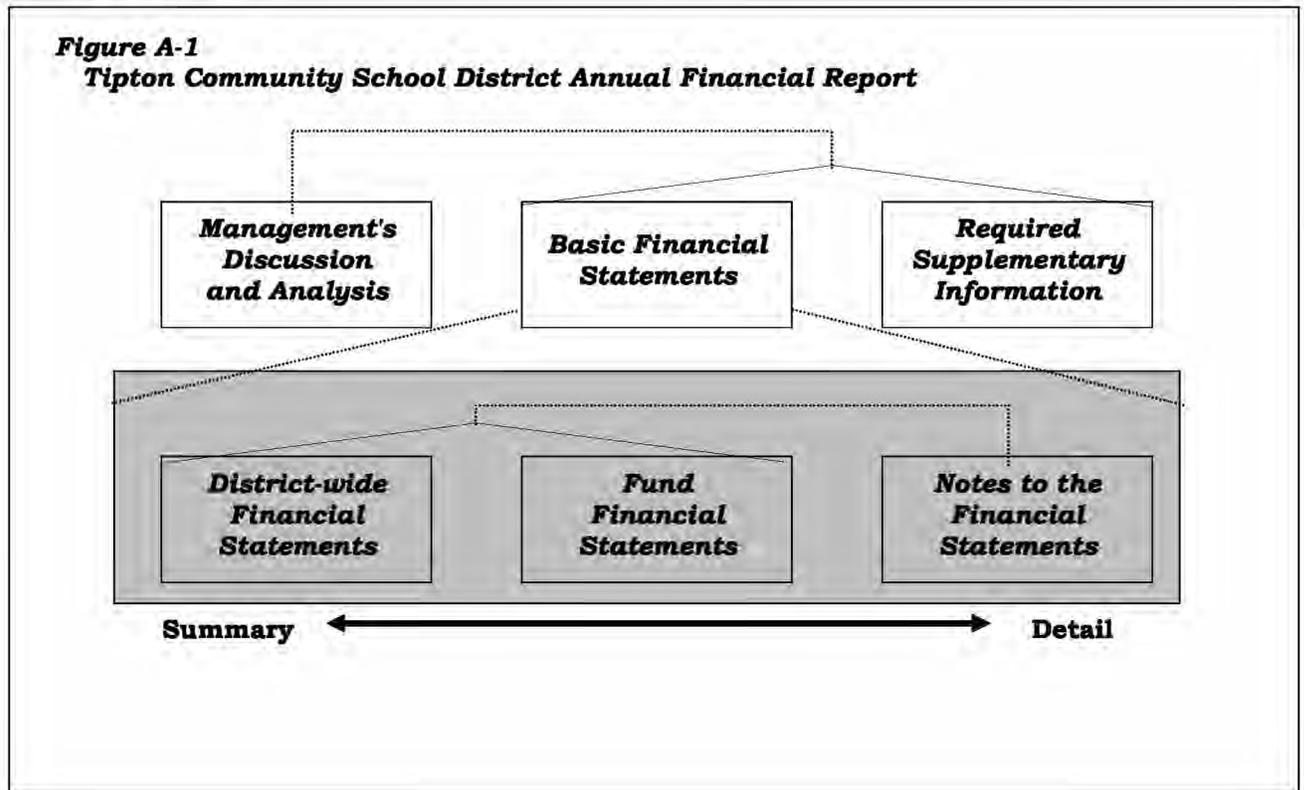


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

<b>Figure A-2 Major Features of the Government-wide and Fund Financial Statements</b>				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: Food services Flexible benefits	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of revenues, expenses and changes in fund net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

## **REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES**

### *Government-wide Financial Statements*

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

### *Fund Financial Statements*

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Capital Projects Fund and Debt Service Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds*: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund. Internal service funds, (the other type of proprietary fund) report activities that provide supplies or services for other District programs or activities. The District currently has one internal service fund, the Flexible Benefits fund.

The required financial statements for proprietary funds include a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

- 3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust and Agency Funds.
- Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.
  - Agency Funds – These are funds through which the District administers and accounts for certain federal and/or state grants on behalf of other Districts and certain revenue collected for District employee purchases of pop and related expenditures.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2012 compared to June 30, 2011.

Figure A-3

### Condensed Statement of Net Assets

	Governmental		Business-type		Total		Total
	Activities		Activities		School District		Change
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2011-2012</u>
Current and other assets	\$7,572,053	\$ 7,411,233	\$58,632	\$ 51,534	\$7,630,685	\$ 7,462,767	2.25%
Capital assets	<u>8,249,209</u>	<u>7,880,233</u>	<u>47,925</u>	<u>53,260</u>	<u>8,297,134</u>	<u>7,933,493</u>	4.58%
Total assets	<u>15,821,262</u>	<u>15,291,466</u>	<u>106,557</u>	<u>104,794</u>	<u>15,927,819</u>	<u>15,396,260</u>	3.45%
Long-term obligations	3,898,000	4,265,754	-	-	3,898,000	4,265,754	-8.62%
Other liabilities	<u>3,970,859</u>	<u>3,895,083</u>	<u>34,367</u>	<u>22,831</u>	<u>4,005,226</u>	<u>3,917,914</u>	2.23%
Total liabilities	<u>7,868,859</u>	<u>8,160,837</u>	<u>34,367</u>	<u>22,831</u>	<u>7,903,226</u>	<u>8,183,668</u>	-3.43%
Net assets							
Invested in capital assets,							
net of related debt	4,744,209	3,835,233	47,925	53,260	4,792,134	3,888,493	23.24%
Restricted	1,758,944	2,037,728	-	-	1,758,944	2,037,728	-13.68%
Unrestricted	<u>1,449,250</u>	<u>1,257,668</u>	<u>24,265</u>	<u>28,703</u>	<u>1,473,515</u>	<u>1,286,371</u>	14.55%
Total net assets	<u>\$7,952,403</u>	<u>\$ 7,130,629</u>	<u>\$72,190</u>	<u>\$ 81,963</u>	<u>\$ 8,024,593</u>	<u>\$ 7,212,592</u>	11.26%

The District's combined net assets increased by approximately 11%, or \$812,001, from the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets decreased by \$278,784, or approximately 13.68% from the prior year. The decrease was primarily a result of funds restricted from capital projects in which the funds were expensed on building projects in the current fiscal year.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased by \$187,144, or approximately 14.55%. This increase in unrestricted net assets was a result of an increase in state aid for the 2012 fiscal year.

Figure A-4 shows the change in net assets for the year ended June 30, 2012.

	Figure A-4 Change in Net Assets						
	Governmental Activities		Business Type Activities		Total District		Change
	2012	2011	2012	2011	2012	2011	2011-2012
<b>Revenues</b>							
<b>Program revenues</b>							
Charges for service and sales	\$ 1,101,674	\$ 994,072	\$ 262,490	\$ 275,695	\$ 1,364,164	\$ 1,269,767	7.43%
Operating grants and contributions	1,320,811	1,500,658	195,993	201,939	1,516,804	1,702,597	-10.91%
Capital grants and contributions	-	-	5,975	20,357	5,975	20,357	-70.65%
<b>General revenues</b>							
Property tax	3,147,996	3,199,915	-	-	3,147,996	3,199,915	-1.62%
Income Surtax	406,298	407,594	-	-	406,298	407,594	-.32%
Local option sales and service tax	632,847	543,350	-	-	632,847	543,350	16.47%
Unrestricted state grants	3,493,890	3,081,737	-	-	3,493,890	3,081,737	13.37%
Unrestricted investment earnings	5,172	8,778	36	62	5,208	8,840	-41.09%
Other	<u>30,270</u>	<u>51,238</u>	<u>-</u>	<u>-</u>	<u>30,270</u>	<u>51,238</u>	-40.92%
<b>Total revenues</b>	<u>10,138,958</u>	<u>9,787,342</u>	<u>464,494</u>	<u>498,053</u>	<u>10,603,452</u>	<u>10,285,395</u>	3.09%
<b>Program expenses</b>							
<b>Governmental activities</b>							
Instruction	5,884,926	5,611,945	-	-	5,884,926	5,611,945	4.86%
Support services	2,524,214	2,443,475	-	-	2,524,214	2,443,475	3.30%
Non-instructional programs	-	19,818	474,267	500,146	474,267	519,964	-8.79%
Other expenses	908,044	919,425	-	-	908,044	919,425	-1.24%
Loss on Sale of Fixed Assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	0%
<b>Total expenses</b>	<u>9,317,184</u>	<u>8,994,663</u>	<u>474,267</u>	<u>500,146</u>	<u>9,791,451</u>	<u>9,494,809</u>	3.12%
Excess (deficiency) before transfers	821,774	792,679	(9,773)	(2,093)	812,001	790,586	2.71%
Transfers	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	0%
<b>Change in net assets</b>	<u>821,774</u>	<u>\$ 792,679</u>	<u>(9,773)</u>	<u>\$ (2,093)</u>	<u>812,001</u>	<u>\$ 790,586</u>	2.71%

In fiscal 2012, property tax and unrestricted state grants account for 65.5% of the revenue from governmental activities while charges for services and sales and operating grants and contributions account for 98.7% of the revenue from business type activities.

The District's total revenues were \$10,603,452 of which \$10,138,958 was for governmental activities and \$464,494 was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 3.09% increase in revenues and a 3.12% increase in expenses. Property tax decreased \$51,919. The increase in expenses comes mostly in the instruction and support service areas due to the negotiated salary and benefits settlement with certified and non-certified staff.

**Governmental Activities**

Revenues for governmental activities were \$10,138,958 and expenses were \$9,317,184. The District was able to balance the budget with increased revenue.

The following table presents the total and net cost of the District’s major governmental activities: instruction, support services, non-instructional programs and other expenses.

Figure A-5

	Total and Net Cost of Governmental Activities					
	Total Cost of Services			Net Cost of Services		
	2012	2011	Change 2011-2012	2012	2011	Change 2011-2012
Instruction	\$ 5,884,926	\$ 5,611,945	4.86%	\$3,960,845	\$ 3,698,615	7.09%
Support services	2,524,214	2,443,475	3.3%	2,339,190	2,193,668	6.63%
Non-Instructional Programs	-	19,818	-100.00%	-	19,818	-100.00%
Other Expenses	<u>908,044</u>	<u>919,425</u>	-1.24%	<u>594,664</u>	<u>587,832</u>	1.16%
Total expenses	<u>\$9,317,184</u>	<u>\$ 8,994,663</u>	3.59%	<u>\$ 6,894,699</u>	<u>\$ 6,499,933</u>	6.07%

- The cost financed by users of the District’s programs was \$1,101,674.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,320,811
- The net cost of governmental activities was financed with \$4,187,141 in property and other taxes and \$3,493,890 in unrestricted state and federal grants.

**Business Type Activities**

Revenues for business type activities were \$464,494 representing a 6.74 percent decrease over the prior year while expenses totaled \$474,267, a 5.17 percent decrease over the prior year. The District’s business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

During the year ended June 30, 2012, the District’s revenue decreased due to a decrease in institutional revenue. The expenses also decreased due to purchased food being lower.

**INDIVIDUAL FUND ANALYSIS**

As previously noted, Tipton Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$3,199,331, which is above last year’s ending fund balances of \$3,110,646. The primary reason for the increase in combined fund balances in fiscal 2012 is due to the District’s general fund revenues exceeding general fund expenses by \$377,265. Governmental funds excluding the general fund decreased due to facility projects, which were completed in fiscal year 2012.

### **Governmental Fund Highlights**

- The District's increase in the general fund financial position is the result of receiving more in state aid in fiscal year 2012 as compared to fiscal year 2011. The District's increase in general fund expenditures was in large part due to personnel salary and benefit settlements.
- The General Fund balance increased from \$1,264,462 to \$1,641,727, as stated earlier this increase is due to additional state aid received in fiscal year 2012.
- The Capital Projects Fund balance decreased from \$1,022,912 in fiscal 2011 to \$813,221 in fiscal 2012. Beginning with the 2011 fiscal year, the physical plant and equipment levy funds are included in the capital projects funds. The physical plant and equipment fund balance accounts for \$469,159 of the total capital project fund balance. The District had several smaller projects, which were expensed in 2012, and the District completed the conversion of the pool area into a new weight room. This project is the most significant reason for the decrease in capital project funds.
- The Debt Service Fund balance decreased from \$231,553 in fiscal 2011 to \$214,509 in fiscal 2012. The District continues to hold a reserve for the elementary project bond issue. The payment on the elementary project bond has a payment date of January 1 and July 1 each year.

### **Proprietary Fund Highlights**

School Nutrition Fund net assets decreased from \$81,963 at June 30, 2011 to \$72,190 at June 30, 2012, representing a decrease of approximately 11.92%. For fiscal 2012, the District's increase in accrued salaries and benefits resulted in a decrease in net assets. Depreciation of capital assets also contributed to the overall decrease in net assets.

### **BUDGETARY HIGHLIGHTS**

Over the course of the year, Tipton Community School District amended its annual budget one time to reflect additional expenditures associated with total support services expenses and total other expenses.

The District's revenues were \$525,853 more than budgeted revenues, a variance of approximately 5.2%. A large portion of this variance came from local sources where the district began whole grade sharing with a neighboring district, which increased tuition revenue. Special education tuition also increased in fiscal 2012.

Total expenditures were \$481,748 less than the amended budget, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority. The District then manages or controls spending through its line-item budget. As a result, the District's certified budget for the General Fund should always exceed actual expenditures for the year. However, expenditures in the Instruction function still exceeded the budget by \$67,612 due to curriculum materials ordered in May and June and received in June 2012.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2012, the District had invested \$8,297,134, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of approximately 4.58% from last year. More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Depreciation expense for the year was \$357,087.

The original cost of the District's capital assets was \$13,719,424. Governmental funds account for \$13,448,887, with the remainder of \$270,537 accounted for in the Proprietary, School Nutrition Fund.

The increase in original cost of capital assets during the 2012 fiscal year occurred due to equipment purchased throughout the year, small remodeling projects, and the conversion of the swimming pool area to a weight room at the high school.

Figure A-6

	Capital Assets, Net of Depreciation							
	Governmental		Business-type		Total		Total	
	Activities		Activities		School District		Change	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2011-2012</u>	
Land	\$ 43,300	\$ 43,300	\$ -	\$ -	\$ 43,300	\$ 43,300	0.00%	
Construction in progress	167,135	60,004	-	-	167,135	60,004	178.54%	
Buildings and improvements	7,297,270	6,990,707	-	-	7,297,270	6,990,707	4.39%	
Improvements other than buildings	196,077	221,801	-	-	196,077	221,801	-11.60%	
Furniture and equipment	<u>545,427</u>	<u>564,421</u>	<u>47,925</u>	<u>53,260</u>	<u>593,352</u>	<u>617,681</u>	-3.94%	
Totals	<u>\$8,249,209</u>	<u>\$7,880,233</u>	<u>\$ 47,925</u>	<u>\$ 53,260</u>	<u>\$8,297,134</u>	<u>\$7,933,493</u>	4.58%	

### Long-Term Debt

At June 30, 2012, the District had \$3,898,000 in general obligation, revenue and other long-term debt outstanding. This represents a decrease of approximately 8.62% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

Figure A-7  
Outstanding Long-term Obligations

	Total		Total
	School District		Change
	<u>2012</u>	<u>2011</u>	<u>2011-2012</u>
General obligation bonds	\$ 3,015,000	\$ 3,370,000	-10.53%
Revenue bonds	490,000	675,000	-27.41%
Capital loan notes	-	-	0%
Capital leases	-	-	0%
Early retirement	246,000	128,654	91.21%
Net OPEB Liability	<u>147,000</u>	<u>92,100</u>	59.61%
Total	<u>\$ 3,898,000</u>	<u>\$ 4,265,754</u>	-8.62%

### **ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE**

At the time these financial statements were prepared and audited, the District was aware of circumstances that could affect its financial health in the future:

- Tipton Community School District has experienced a stable enrollment in the past couple years. The District expects to hold stable over the next few years.
- The current economic outlook in the United States and the State of Iowa may have an adverse effect on the financial health of the district. The state announced an allowable growth of 2% for the 2012-13 fiscal year however, the state has not announced an allowable growth rate for the 2013-2014 fiscal year. The allowable growth rate for 2012-13 is more than offset by increased salary and benefit packages offered within the district. Not knowing an allowable growth rate for 2013-14 leaves an unknown variable in discussing future budgets.
- The District has recently approved an auditorium remodeling project and new wrestling room construction project. Revenue bonds were sold October 3, 2012 in the amount of \$3,925,000 at a true interest rate of 1.56% with a repayment schedule of 10 years. This will use a significant portion of the one-cent sales tax funds available to the district over the 10-year period.
- The Governor's Blueprint for Education will once again be discussed in the legislature. This may affect the financial health of the District. Many questions remain regarding how these possible changes will affect school finances.

### **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Jim Becker, District Secretary/Treasurer, Tipton Community School District, 400 East 6<sup>th</sup> Street, Tipton, Iowa 52772.

## Basic Financial Statements

TIPTON COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS

June 30, 2012

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
<b>Assets</b>			
Cash and pooled investments	\$ 3,808,833	\$ 38,818	\$ 3,847,651
Receivables:			
Property tax:			
Current year	35,041	-	35,041
Succeeding year	2,903,000	-	2,903,000
Income surtax	420,864	-	420,864
Accrued interest	516	-	516
Accounts	2,378	72	2,450
Due from other governments	401,421	-	401,421
Inventories	-	19,742	19,742
Capital assets, net of accumulated depreciation (note 4)	8,249,209	47,925	8,297,134
	<hr/>	<hr/>	<hr/>
Total assets	15,821,262	106,557	15,927,819
<b>Liabilities</b>			
Accounts payable	180,943	600	181,543
Salaries and benefits payable	767,010	33,767	800,777
Due to other governments	100,905	-	100,905
Accrued interest payable	19,001	-	19,001
Deferred revenue:			
Succeeding year property tax	2,903,000	-	2,903,000
Long-term liabilities (note 5):			
Portion due within one year:			
Early retirement	54,000	-	54,000
Bonds payable	560,000	-	560,000
Portion due after one year:			
Early retirement	192,000	-	192,000
Bonds payable	2,945,000	-	2,945,000
Net OPEB liability	147,000	-	147,000
	<hr/>	<hr/>	<hr/>
Total liabilities	7,868,859	34,367	7,903,226

TIPTON COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS

June 30, 2012

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
Net Assets			
Invested in capital assets, net of related debt	\$ 4,744,209	\$ 47,925	\$ 4,792,134
Restricted for:			
Categorical funding (note 10)	170,828	-	170,828
Physical plant and equipment levy purposes	679,591	-	679,591
Other special revenue purposes	368,955	-	368,955
Debt service	205,308	-	205,308
Capital projects	334,262	-	334,262
Unrestricted	<u>1,449,250</u>	<u>24,265</u>	<u>1,473,515</u>
 Total net assets	 <u>\$ 7,952,403</u>	 <u>\$ 72,190</u>	 <u>\$ 8,024,593</u>

See notes to financial statements.

TIPTON COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES  
Year Ended June 30, 2012

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental Activities:</b>				
Instruction	\$ 5,884,926	\$ 1,098,307	\$ 825,774	\$ -
Support services:				
Student services	226,421	-	166,746	-
Instructional staff services	480,940	-	9,100	-
Administration services	804,257	-	5,811	-
Operation and maintenance of plant services	659,435	3,367	-	-
Transportation services	353,161	-	-	-
	<u>2,524,214</u>	<u>3,367</u>	<u>181,657</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	218,844	-	-	-
Long-term debt interest and fiscal charges	143,355	-	-	-
AEA flowthrough	313,380	-	313,380	-
Depreciation (unallocated) *	232,465	-	-	-
	<u>908,044</u>	<u>-</u>	<u>313,380</u>	<u>-</u>
Total governmental activities	<u>9,317,184</u>	<u>1,101,674</u>	<u>1,320,811</u>	<u>-</u>
<b>Business-Type Activities:</b>				
Non-instructional programs:				
Food service operations	474,267	262,490	195,993	5,975
Total	<u>\$ 9,791,451</u>	<u>\$ 1,364,164</u>	<u>\$ 1,516,804</u>	<u>\$ 5,975</u>

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
\$ (3,960,845)	\$ -	\$ (3,960,845)
(59,675)	-	(59,675)
(471,840)	-	(471,840)
(798,446)	-	(798,446)
(656,068)	-	(656,068)
(353,161)	-	(353,161)
(2,339,190)	-	(2,339,190)
(218,844)	-	(218,844)
(143,355)	-	(143,355)
-	-	-
(232,465)	-	(232,465)
(594,664)	-	(594,664)
(6,894,699)	-	(6,894,699)
-	(9,809)	(9,809)
(6,894,699)	(9,809)	(6,904,508)

TIPTON COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES  
Year Ended June 30, 2012

Functions/Programs

---

General revenues:

Property tax levied for:

General purposes

Debt service

Capital outlay

Income surtax

Statewide sales, services and use tax

Unrestricted state grants

Unrestricted investment earnings

Other

Total general revenues

Change in net assets

Net assets beginning of year

Net assets end of year

\* = This amount excludes the depreciation included  
in the direct expenses of the various programs.

See notes to financial statements.

Net (Expense) Revenue  
and Changes in Net Assets

---

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>		<u>Total</u>
\$	2,558,943	\$ -	-	\$ 2,558,943
	407,944	-	-	407,944
	181,109	-	-	181,109
	406,298	-	-	406,298
	632,847	-	-	632,847
	3,493,890	-	-	3,493,890
	5,172	36	-	5,208
	30,270	-	-	30,270
	<hr/> 7,716,473	36	-	<hr/> 7,716,509
	821,774	(9,773)	-	812,001
	<hr/> 7,130,629	81,963	-	<hr/> 7,212,592
\$	<u><u>7,952,403</u></u>	<u><u>72,190</u></u>	-	<u><u>8,024,593</u></u>

TIPTON COMMUNITY SCHOOL DISTRICT

BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2012

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
<b>Assets</b>				
Cash and pooled investments	\$ 2,395,349	\$ 672,951	\$ 740,533	\$ 3,808,833
Receivables:				
Property tax:				
Current year	27,076	1,987	5,978	35,041
Succeeding year	2,220,000	183,000	500,000	2,903,000
Income surtax	210,432	210,432	-	420,864
Accrued interest	-	-	516	516
Accounts	530	-	1,848	2,378
Due from other governments	121,108	280,313	-	401,421
<b>Total assets</b>	<b><u>\$ 4,974,495</u></b>	<b><u>\$ 1,348,683</u></b>	<b><u>\$ 1,248,875</u></b>	<b><u>\$ 7,572,053</u></b>

TIPTON COMMUNITY SCHOOL DISTRICT

BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2012

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 36,632	\$ 142,030	\$ 2,281	\$ 180,943
Salaries and benefits payable	764,799	-	2,211	767,010
Due to other governments	100,905	-	-	100,905
Deferred revenue:				
Succeeding year property tax	2,220,000	183,000	500,000	2,903,000
Other	210,432	210,432	-	420,864
<b>Total liabilities</b>	<b>3,332,768</b>	<b>535,462</b>	<b>504,492</b>	<b>4,372,722</b>
<b>Fund balances:</b>				
<b>Restricted for:</b>				
Categorical funding (note 10)	170,828	-	-	170,828
Revenue bonds	-	-	51,000	51,000
Revenue bonds sinking fund	-	-	104,800	104,800
Debt service	-	-	58,709	58,709
Management levy purposes	-	-	160,919	160,919
Student activities	-	-	144,294	144,294
Kindergarten enhancement	-	-	224,661	224,661
School infrastructure	-	344,062	-	344,062
Physical plant and equipment	-	469,159	-	469,159
<b>Assigned for:</b>				
Specific instructional services	16,962	-	-	16,962
Wellness	10,289	-	-	10,289
COBRA retiree insurance	7,179	-	-	7,179
Unassigned	1,436,469	-	-	1,436,469
<b>Total fund balances</b>	<b>1,641,727</b>	<b>813,221</b>	<b>744,383</b>	<b>3,199,331</b>
<b>Total liabilities and fund balances</b>	<b>\$ 4,974,495</b>	<b>\$ 1,348,683</b>	<b>\$ 1,248,875</b>	<b>\$ 7,572,053</b>

See notes to financial statements.

TIPTON COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF NET ASSETS  
 June 30, 2012

Total fund balances of governmental funds	\$ 3,199,331
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	8,249,209
Other long-term assets, including income surtax receivable, are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	420,864
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(19,001)
Long-term liabilities, including early retirement, bonds payable, and net OPEB liability, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(3,898,000)</u>
Net assets of governmental activities	<u>\$ 7,952,403</u>

See notes to financial statements.

TIPTON COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
Year Ended June 30, 2012

	General	Capital Projects	Nonmajor	Total
<b>Revenues:</b>				
Local sources:				
Local tax	\$ 2,630,285	\$ 1,021,145	\$ 541,965	\$ 4,193,395
Tuition	584,187	-	-	584,187
Other	134,396	24,883	365,342	524,621
Intermediate sources	28,308	-	-	28,308
State sources	4,436,720	119	356	4,437,195
Federal sources	379,570	-	-	379,570
Total revenues	<u>8,193,466</u>	<u>1,046,147</u>	<u>907,663</u>	<u>10,147,276</u>
<b>Expenditures:</b>				
Current:				
Instruction	5,311,317	-	423,157	5,734,474
Support services:				
Student services	224,743	-	-	224,743
Instructional staff services	354,957	100,035	-	454,992
Administration services	727,750	-	61,068	788,818
Operation and maintenance of plant services	625,115	52,052	39,252	716,419
Transportation services	258,939	9,748	38,043	306,730
	<u>2,191,504</u>	<u>161,835</u>	<u>138,363</u>	<u>2,491,702</u>
Other expenditures:				
Facilities acquisition	-	831,003	-	831,003
Long term debt:				
Principal	-	-	540,000	540,000
Interest and fiscal charges	-	-	148,032	148,032
AEA flowthrough	313,380	-	-	313,380
	<u>313,380</u>	<u>831,003</u>	<u>688,032</u>	<u>1,832,415</u>
Total expenditures	<u>7,816,201</u>	<u>992,838</u>	<u>1,249,552</u>	<u>10,058,591</u>
Excess (deficiency) of revenues over (under) expenditures	<u>377,265</u>	<u>53,309</u>	<u>(341,889)</u>	<u>88,685</u>

TIPTON COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
Year Ended June 30, 2012

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
Other financing sources (uses):				
Interfund transfers in (note 3)	\$ -	\$ 18,500	\$ 281,500	\$ 300,000
Interfund transfers out (note 3)	-	(281,500)	(18,500)	(300,000)
Total other financing sources (uses)	<u>-</u>	<u>(263,000)</u>	<u>263,000</u>	<u>-</u>
Net change in fund balances	377,265	(209,691)	(78,889)	88,685
Fund balances beginning of year	<u>1,264,462</u>	<u>1,022,912</u>	<u>823,272</u>	<u>3,110,646</u>
Fund balances end of year	<u>\$ 1,641,727</u>	<u>\$ 813,221</u>	<u>\$ 744,383</u>	<u>\$ 3,199,331</u>

See notes to financial statements.

## TIPTON COMMUNITY SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
Year Ended June 30, 2012

Net change in fund balances - total governmental funds \$ 88,685

Amounts reported for governmental activities in the Statement of Activities  
are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

	Expenditures for capital assets	\$ 709,117	
	Depreciation expense	<u>(340,141)</u>	368,976

Income surtax revenue not received until several months after the District's fiscal year end is not considered available revenue and is deferred in the governmental funds. It is, however, recorded as revenue in the Statement of Activities. (8,318)

Repayment of long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets. 540,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. 4,677

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

	Early retirement	(117,346)	
	Net OPEB liability	<u>(54,900)</u>	<u>(172,246)</u>

Change in net assets of governmental activities \$ 821,774

See notes to financial statements.

## TIPTON COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
June 30, 2012

	<u>Enterprise</u> <u>School</u> <u>Nutrition</u>	<u>Internal</u> <u>Service</u> <u>Flexible</u> <u>Benefits</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 38,818	\$ 1,365
Accounts receivable	72	-
Inventories	19,742	-
Capital assets, net of accumulated depreciation (note 4)	<u>47,925</u>	<u>-</u>
Total assets	<u>106,557</u>	<u>1,365</u>
<b>Liabilities</b>		
Accounts payable	600	-
Salaries and benefits payable	<u>33,767</u>	<u>-</u>
Total liabilities	<u>34,367</u>	<u>-</u>
<b>Net Assets</b>		
Invested in capital assets	47,925	-
Unrestricted	<u>24,265</u>	<u>1,365</u>
Total net assets	<u>\$ 72,190</u>	<u>\$ 1,365</u>

See notes to financial statements.

TIPTON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
PROPRIETARY FUNDS  
Year Ended June 30, 2012

	<u>Enterprise School Nutrition</u>	<u>Internal Service Flexible Benefits</u>
Operating revenues:		
Local sources:		
Charges for services	\$ 262,490	\$ 46,850
Operating expenses:		
Non-instructional programs:		
Salaries	143,759	-
Benefits	80,394	-
Purchased services	1,737	-
Supplies	231,291	-
Depreciation	16,946	-
Other	140	50,798
	<u>474,267</u>	<u>50,798</u>
Operating loss	(211,777)	(3,948)
Non-operating revenues:		
Interest on investments	36	-
Contributions	4,800	-
Capital contributions	5,975	-
State sources	4,353	-
Federal sources	186,840	-
Total non-operating revenues	<u>202,004</u>	<u>-</u>
Change in net assets	(9,773)	(3,948)
Net assets beginning of year	<u>81,963</u>	<u>5,313</u>
Net assets end of year	<u>\$ 72,190</u>	<u>\$ 1,365</u>

See notes to financial statements.

TIPTON COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
Year Ended June 30, 2012

	<u>Enterprise</u> <u>School</u> <u>Nutrition</u>	<u>Internal</u> <u>Service</u> <u>Flexible</u> <u>Benefits</u>
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 259,119	\$ -
Cash received from miscellaneous operating activities	3,371	46,850
Cash payments to employees for services	(213,217)	-
Cash payments to suppliers for goods or services	<u>(202,028)</u>	<u>(50,798)</u>
Net cash used by operating activities	<u>(152,755)</u>	<u>(3,948)</u>
Cash flows from non-capital financing activities:		
Contributions received	4,800	-
State grants received	4,353	-
Federal grants received	<u>156,882</u>	<u>-</u>
Net cash provided by non-capital financing activities	<u>166,035</u>	<u>-</u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	<u>(5,636)</u>	<u>-</u>
Cash flows from investing activities:		
Interest on investments	<u>36</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	7,680	(3,948)
Cash and cash equivalents beginning of year	<u>31,138</u>	<u>5,313</u>
Cash and cash equivalents end of year	<u>\$ 38,818</u>	<u>\$ 1,365</u>

TIPTON COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
Year Ended June 30, 2012

	<u>Enterprise School Nutrition</u>	<u>Internal Service Flexible Benefits</u>
Reconciliation of operating loss to net cash used by operating activities:		
Operating loss	\$ (211,777)	\$ (3,948)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation	16,946	-
Commodities used	29,958	-
(Increase) in accounts receivable	(72)	-
Decrease in inventories	654	-
Increase in accounts payable	600	-
Increase in salaries and benefits payable	<u>10,936</u>	<u>-</u>
Net cash used by operating activities	<u>\$ (152,755)</u>	<u>\$ (3,948)</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2012, the District received \$29,958 of federal commodities and \$5,975 of contributed equipment.

See notes to financial statements.

TIPTON COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF FIDUCIARY NET ASSETS  
 FIDUCIARY FUNDS  
 June 30, 2012

	Private Purpose Trust	
	Scholarship	Agency
<b>Assets:</b>		
Cash and pooled investments	\$ 336,518	\$ 9,400
Accrued interest receivable	1,119	-
Accounts receivable	-	50
Total assets	337,637	9,450
<b>Liabilities:</b>		
Other payables	-	9,450
<b>Net assets:</b>		
Reserved for scholarships	\$ 337,637	\$ -

See notes to financial statements.

TIPTON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
Year Ended June 30, 2012

	<u>Private Purpose Trust</u>	<u>Scholarship</u>
<b>Additions:</b>		
Local sources:		
Gifts and contributions	\$ 500	
Interest	<u>4,343</u>	
Total additions	<u>4,843</u>	
<b>Deductions:</b>		
Instruction:		
Scholarships awarded		<u>62,800</u>
Change in net assets		(57,957)
Net assets beginning of year		<u>395,594</u>
Net assets end of year		<u>\$ 337,637</u>
See notes to financial statements.		

TIPTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 1. Summary of Significant Accounting Policies

Tipton Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the City of Tipton, Iowa, and agricultural territory in Cedar County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Tipton Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on, the District. Tipton Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations – The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Cedar County Assessor's Conference Board.

The District appoints the trustees of the Tipton School Foundation, Inc. board, which is considered a related organization.

B. Basis of Presentation

District-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt attributable to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

TIPTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the District-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds. Combining schedules are also included for the Capital Projects Fund accounts.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

The District reports the following major proprietary fund:

The Enterprise, School Nutrition Fund is used to account for the food service operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements with restrictions of income earned to be used to benefit individuals through scholarship awards.

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

TIPTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting

The District-wide financial statements and the proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

The proprietary funds of the District apply all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

TIPTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting (continued)

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust, which is valued at amortized cost, and non-negotiable certificates of deposit, which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Current year property tax receivable represents unpaid taxes from the current year. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the District-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

The property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2010 assessed property valuations; is for the tax accrual period July 1, 2011 through June 30, 2012 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2011.

TIPTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Income Surtax Receivable – Income surtax budgeted for the fiscal year ended June 30, 2012 will not be received by the District until several months after the fiscal year end. Accordingly, income surtax is recorded as a receivable and included in deferred revenue on the modified accrual basis for the governmental funds. For the District-wide statements, on the Statement of Activities the income surtax revenue is recognized.

Due From Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets – Capital assets, which include property, furniture, and equipment, are reported in the applicable governmental or business-type activities columns in the District-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 2,500
Buildings	2,500
Improvements other than buildings	2,500
Intangibles	25,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	2,500

Capital assets are depreciated using the straight line method of depreciation over the following estimated useful lives:

Asset Class	Estimated Useful Lives
Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	4-12 years

Salaries and Benefits Payable – Payroll and related expenses for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

TIPTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collectible within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of the succeeding year property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of the succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Long-term Liabilities – In the District-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation and sick leave. The District's policy is not to reimburse for sick leave or vacation. Vacation can only be used by the employee in the year it is earned. The District has no compensated absences liability at June 30, 2012.

Fund Equity – In the governmental fund financial statements, fund balances are classified as follows:

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Assigned – Amounts the Board of Education intends to use for specific purposes.

Unassigned – All amounts not included in the preceding classifications.

Restricted Net Assets – In the District-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgets and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2012, expenditures in the instruction function exceeded the amount budgeted.

TIPTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2012 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2012, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	Amortized Cost
Diversified Portfolio	\$ 2,729,719

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit Risk – The investment in the Iowa Schools Joint Investment Trust was rated AAAM by Standard & Poor's Financial Services.

Note 3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2012 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects	\$ 281,500
Capital Projects	Debt Service	18,500
Total		\$ 300,000

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

TIPTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 4. Capital Assets

Capital assets activity for the year ended June 30, 2012 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 43,300	\$ -	\$ -	\$ 43,300
Construction in progress	60,004	602,777	495,646	167,135
<b>Total capital assets not being depreciated</b>	<b>103,304</b>	<b>602,777</b>	<b>495,646</b>	<b>210,435</b>
Capital assets being depreciated:				
Buildings	10,634,572	505,028	-	11,139,600
Improvements other than buildings	514,480	-	-	514,480
Furniture and equipment	1,521,608	96,958	34,194	1,584,372
<b>Total capital assets being depreciated</b>	<b>12,670,660</b>	<b>601,986</b>	<b>34,194</b>	<b>13,238,452</b>
Less accumulated depreciation for:				
Buildings	3,643,865	198,465	-	3,842,330
Improvements other than buildings	292,679	25,724	-	318,403
Furniture and equipment	957,187	115,952	34,194	1,038,945
<b>Total accumulated depreciation</b>	<b>4,893,731</b>	<b>340,141</b>	<b>34,194</b>	<b>5,199,678</b>
<b>Total capital assets being depreciated, net</b>	<b>7,776,929</b>	<b>261,845</b>	<b>-</b>	<b>8,038,774</b>
<b>Governmental activities capital assets, net</b>	<b>\$ 7,880,233</b>	<b>\$ 864,622</b>	<b>\$ 495,646</b>	<b>\$ 8,249,209</b>
<b>Business-type activities:</b>				
Furniture and equipment	\$ 266,869	\$ 11,611	\$ 7,943	\$ 270,537
Less accumulated depreciation	213,609	16,946	7,943	222,612
<b>Business-type activities capital assets, net</b>	<b>\$ 53,260</b>	<b>\$ (5,335)</b>	<b>\$ -</b>	<b>\$ 47,925</b>

TIPTON COMMUNITY SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2012

Note 4. Capital Assets (continued)

Depreciation expense was charged by the District to the following functions:

Governmental activities:

Instruction	\$ 12,160
Support services:	
Instructional staff	23,577
Administration	9,926
Operation and maintenance of plant services	6,257
Transportation	<u>55,756</u>
Unallocated depreciation	<u>107,676</u>
Total governmental activities depreciation expense	<u><u>\$ 340,141</u></u>

Business-type activities:

Food service operations	<u><u>\$ 16,946</u></u>
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TIPTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 5. Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2012 is as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
Early retirement	\$ 128,654	\$ 150,000	\$ 32,654	\$ 246,000	\$ 54,000
General obligation bonds	3,370,000	-	355,000	3,015,000	370,000
Revenue bonds	675,000	-	185,000	490,000	190,000
Net OPEB liability	92,100	54,900	-	147,000	-
<b>Total</b>	<b>\$ 4,265,754</b>	<b>\$ 204,900</b>	<b>\$ 572,654</b>	<b>\$ 3,898,000</b>	<b>\$ 614,000</b>

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and employees must have completed fifteen years of full-time continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education.

The early retirement benefit for each eligible employee is equal to \$30,000. Early retirement benefits will be paid annually over five years into a 403(b) account.

At June 30, 2012, the District has obligations to nine participants with a total liability of \$246,000. Actual early retirement expenditures for the year ended June 30, 2012 totaled \$32,654. The long-term portion of early retirement is recorded as a long-term liability of the Governmental Activities in the District-wide financial statements.

TIPTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 5. Long-Term Liabilities (continued)

Bonds Payable

Details of the District's June 30, 2012 general obligation bonded indebtedness are as follows:

Year Ending June 30,	General Obligation Bonds Issue dated January 5, 2005			
	Interest Rates	Principal	Interest	Total
2013	3.35 %	\$ 110,000	\$ 63,327	\$ 173,327
2014	3.45	110,000	59,643	169,643
2015	3.55	115,000	55,847	170,847
2016	3.65	120,000	51,765	171,765
2017	3.80	125,000	47,385	172,385
2018-2022	3.90-4.20	705,000	159,550	864,550
2023-2024	4.25-4.30	330,000	21,420	351,420
		<u>\$ 1,615,000</u>	<u>\$ 458,937</u>	<u>\$ 2,073,937</u>

Year Ending June 30,	General Obligation Bonds Refunding Issue dated March 15, 2005			
	Interest Rates	Principal	Interest	Total
2013	3.30 %	\$ 260,000	\$ 47,090	\$ 307,090
2014	3.30	270,000	38,510	308,510
2015	3.30	280,000	29,600	309,600
2016	3.40	290,000	20,360	310,360
2017	3.50	300,000	10,500	310,500
		<u>\$ 1,400,000</u>	<u>\$ 146,060</u>	<u>\$ 1,546,060</u>

Year Ending June 30,	Total		
	Principal	Interest	Total
2013	\$ 370,000	\$ 110,417	\$ 480,417
2014	380,000	98,153	478,153
2015	395,000	85,447	480,447
2016	410,000	72,125	482,125
2017	425,000	57,885	482,885
2018-2022	705,000	159,550	864,550
2023-2024	330,000	21,420	351,420
	<u>\$ 3,015,000</u>	<u>\$ 604,997</u>	<u>\$ 3,619,997</u>

TIPTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 5. Long-Term Liabilities (continued)

Revenue Bonds

Details of the District's June 30, 2012 local option sales and services tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2013	4.00 %	\$ 190,000	\$ 17,700	\$ 207,700
2014	4.00	200,000	10,000	210,000
2015	4.00	100,000	2,000	102,000
		<u>\$ 490,000</u>	<u>\$ 29,700</u>	<u>\$ 519,700</u>

The District pledged future local option (statewide) sales and services tax revenues to repay the \$1,400,000 bonds issued in June 2006. The bonds were issued for the purpose of financing a portion of the costs of an elementary school upgrade. The bonds are payable solely from the proceeds of the local option (statewide) sales and services tax revenues received by the District and are payable through 2015. The bonds are not a general obligation of the District and the debt is not subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require approximately 15 to 35 percent of the local option (statewide) sales and services tax revenues. The total principal and interest remaining to be paid on the bonds is \$519,700. For the current year, \$185,000 of principal and \$25,200 of interest was paid on the bonds and total statewide sales and services tax revenues were \$632,847.

The resolution providing for the issuance of the local option sales and services tax revenue bonds includes the following provisions:

- (a) Commencing August 1, 2006 through June 1, 2007, monthly deposits of \$4,545 were required to be made to the Reserve Fund. Commencing July 1, 2007 monthly deposits of \$4,167 were required to be made to the Reserve Fund until the maximum reserve requirement of 10% of stated principal amount is met. The Reserve Fund is used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the Sinking Account.
- (b) All proceeds from the local option sales and services tax shall be placed in the Revenue Account.
- (c) Monies in the Revenue Account shall be disbursed to make monthly deposits into a Sinking Fund to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- (d) All monies remaining in the Revenue Account after the required transfer to the Sinking Fund may be transferred to the Project Fund to be used for any lawful purpose.

Note 6. Other Postemployment Benefits (OPEB)

Plan Description – The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 107 active and 6 retired members in the plan. Retired participants must be age 55 or older at retirement.

TIPTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 6. Other Postemployment Benefits (OPEB) (continued)

The medical/prescription drug coverage is provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy – The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation – The District’s annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District’s annual OPEB cost for the year ended June 30, 2012, the amount actually contributed to the plan and changes in the District’s net OPEB obligation:

Annual required contribution	\$ 61,200
Interest on net OPEB obligation	2,300
Adjustment to annual required contribution	<u>(5,200)</u>
Annual OPEB cost	58,300
Contributions made	<u>(3,400)</u>
Increase in net OPEB obligation	54,900
Net OPEB obligation beginning of year	<u>92,100</u>
Net OPEB obligation end of year	<u><u>\$ 147,000</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2012.

For the year ended June 30, 2012, the District contributed \$3,400 to the medical plan.

The District’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2012 are summarized as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2012	\$ 58,300	5.8%	\$ 147,000

Funded Status and Funding Progress – As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2011 through June 30, 2012, the actuarial accrued liability was \$365,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$365,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$4,905,000, and the ratio of the UAAL to covered payroll was 7.4%. As of June 30, 2012, there were no trust fund assets.

TIPTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 6. Other Postemployment Benefits (OPEB) (continued)

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2009 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%.

Mortality rates are from the 94 Group Annuity Mortality Table projected to 2000, applied on a 2/3 female, 1/3 male basis. The UAAL is being amortized as a level dollar cost over service of the group on a closed basis over 30 years.

Note 7. Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 5.38% of their annual covered salary and the District is required to contribute 8.07% of annual covered payroll for the year ended June 30, 2012. Contribution requirements are established by State statute. The District's contributions to IPERS for the years ended June 30, 2012, 2011, and 2010 were \$391,069, \$336,101, and \$311,130, respectively, equal to the required contributions for each year.

Note 8. Risk Management

Tipton Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

TIPTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 9. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$313,380 for the year ended June 30, 2012 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 10. Categorical Funding

The District's fund balance restricted for categorical funding at June 30, 2012 is comprised of the following programs:

Program	Amount
Beginning teacher mentoring and induction	\$ 4,032
Salary improvement program	42,316
Professional development for model core curriculum	29,103
Professional development	30,516
Four year old preschool	64,818
Project lead the way	43
Total	\$ 170,828

Note 11. Contingency

The District has one ongoing lawsuit. The District's insurance carrier is providing coverage for the lawsuit. The outcome of the case cannot be determined at this time.

Note 12. Subsequent Events

In September 2012, the District approved contracts totaling \$3,339,000 for the high school auditorium remodeling and wrestling room improvement projects.

In October 2012, the District issued \$3,925,000 of school infrastructure sales, services, and use tax revenue bonds. Proceeds from the issuance will be used to finance the high school auditorium remodeling and wrestling room improvement projects. The bonds will be paid over ten years with interest rates ranging from 1.00% to 1.85%.

**Required Supplementary Information**

TIPTON COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances –  
Budget and Actual – All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year Ended June 30, 2012

	Governmental	Proprietary	Total	Budgeted Amounts		Final to Actual Variance
	Funds - Actual	Fund - Actual		Original	Final	
<b>REVENUES:</b>						
Local sources	\$ 5,302,203	\$ 273,301	\$ 5,575,504	\$ 5,112,849	\$ 5,112,849	\$ 462,655
Intermediate sources	28,308	-	28,308	22,000	22,000	6,308
State sources	4,437,195	4,353	4,441,548	4,662,368	4,662,368	(220,820)
Federal sources	379,570	186,840	566,410	288,700	288,700	277,710
<b>Total revenues</b>	<b>10,147,276</b>	<b>464,494</b>	<b>10,611,770</b>	<b>10,085,917</b>	<b>10,085,917</b>	<b>525,853</b>
<b>EXPENDITURES/EXPENSES:</b>						
Instruction	5,734,474	-	5,734,474	5,666,862	5,666,862	(67,612)
Support services	2,491,702	-	2,491,702	2,625,591	2,675,591	183,889
Non-instructional programs	-	474,267	474,267	556,000	556,000	81,733
Other expenditures	1,832,415	-	1,832,415	1,916,153	2,116,153	283,738
<b>Total expenditures/expenses</b>	<b>10,058,591</b>	<b>474,267</b>	<b>10,532,858</b>	<b>10,764,606</b>	<b>11,014,606</b>	<b>481,748</b>
Excess (deficiency) of revenues over (under) expenditures/ expenses	88,685	(9,773)	78,912	(678,689)	(928,689)	1,007,601
Balance beginning of year	3,110,646	81,963	3,192,609	2,559,664	2,559,664	632,945
Balance end of year	\$ <u>3,199,331</u>	\$ <u>72,190</u>	\$ <u>3,271,521</u>	\$ <u>1,880,975</u>	\$ <u>1,630,975</u>	\$ <u>1,640,546</u>

See accompanying independent auditor's report.

TIPTON COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING  
Year Ended June 30, 2012

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except internal service, private-purpose trust and agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the accrual basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted expenditures by \$250,000.

During the year ended June 30, 2012, expenditures in the instruction function exceeded the amount budgeted.

TIPTON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN  
(In Thousands)

Required Supplementary Information  
Year Ended June 30, 2012

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	\$ -	\$ 382	\$ 382	0.0%	\$ 4,747	8.1%
2011	July 1, 2009	-	365	365	0.0%	4,910	7.4%
2012	July 1, 2009	-	365	365	0.0%	4,905	7.4%

See note 6 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

See accompanying independent auditor's report.

Supplementary Information

## TIPTON COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
June 30, 2012

	Special Revenue				Total
	Management Levy	Student Activity	District Support Trust	Debt Service	
<b>Assets</b>					
Cash and pooled investments	\$ 159,415	\$ 146,622	\$ 224,461	\$ 210,035	\$ 740,533
Receivables:					
Property tax:					
Current year	1,504	-	-	4,474	5,978
Succeeding year	130,000	-	-	370,000	500,000
Accrued interest	-	316	200	-	516
Accounts	-	1,848	-	-	1,848
<b>Total assets</b>	<b>\$ 290,919</b>	<b>\$ 148,786</b>	<b>\$ 224,661</b>	<b>\$ 584,509</b>	<b>\$ 1,248,875</b>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities:</b>					
Accounts payable	\$ -	\$ 2,281	\$ -	\$ -	\$ 2,281
Salaries and benefits payable	-	2,211	-	-	2,211
Deferred revenue:					
Succeeding year property tax	130,000	-	-	370,000	500,000
<b>Total liabilities</b>	<b>130,000</b>	<b>4,492</b>	<b>-</b>	<b>370,000</b>	<b>504,492</b>
<b>Fund balances:</b>					
<b>Restricted for:</b>					
Revenue bonds	-	-	-	51,000	51,000
Revenue bonds sinking fund	-	-	-	104,800	104,800
Debt service	-	-	-	58,709	58,709
Management levy purposes	160,919	-	-	-	160,919
Student activities	-	144,294	-	-	144,294
Kindergarten enhancement	-	-	224,661	-	224,661
<b>Total fund balances</b>	<b>160,919</b>	<b>144,294</b>	<b>224,661</b>	<b>214,509</b>	<b>744,383</b>
<b>Total liabilities and fund balances</b>	<b>\$ 290,919</b>	<b>\$ 148,786</b>	<b>\$ 224,661</b>	<b>\$ 584,509</b>	<b>\$ 1,248,875</b>

See accompanying independent auditor's report.

TIPTON COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 Year Ended June 30, 2012

	Special Revenue				Total
	Management Levy	Student Activity	District Support Trust	Debt Service	
Revenues:					
Local sources:					
Local tax	\$ 134,289	\$ -	\$ -	\$ 407,676	\$ 541,965
Other	9,239	353,192	2,867	44	365,342
State sources	88	-	-	268	356
Total revenues	<u>143,616</u>	<u>353,192</u>	<u>2,867</u>	<u>407,988</u>	<u>907,663</u>
Expenditures:					
Current:					
Instruction	32,654	387,628	2,875	-	423,157
Support services:					
Administration services	61,068	-	-	-	61,068
Operation and maintenance of plant services	39,125	127	-	-	39,252
Transportation services	7,175	30,868	-	-	38,043
Other expenditures:					
Long term debt:					
Principal	-	-	-	540,000	540,000
Interest and fiscal charges	-	-	-	148,032	148,032
Total expenditures	<u>140,022</u>	<u>418,623</u>	<u>2,875</u>	<u>688,032</u>	<u>1,249,552</u>
Excess (deficiency) of revenues over (under) expenditures	3,594	(65,431)	(8)	(280,044)	(341,889)
Other financing sources (uses):					
Interfund transfers in	-	-	-	281,500	281,500
Interfund transfers out	-	-	-	(18,500)	(18,500)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>263,000</u>	<u>263,000</u>
Net change in fund balances	3,594	(65,431)	(8)	(17,044)	(78,889)
Fund balances beginning of year	<u>157,325</u>	<u>209,725</u>	<u>224,669</u>	<u>231,553</u>	<u>823,272</u>
Fund balances end of year	<u>\$ 160,919</u>	<u>\$ 144,294</u>	<u>\$ 224,661</u>	<u>\$ 214,509</u>	<u>\$ 744,383</u>

See accompanying independent auditor's report.

## TIPTON COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET  
CAPITAL PROJECTS ACCOUNTS  
June 30, 2012

	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
<b>Assets</b>			
Cash and pooled investments	\$ 178,316	\$ 494,635	\$ 672,951
Receivables:			
Property tax:			
Current year	-	1,987	1,987
Succeeding year	-	183,000	183,000
Income surtax	-	210,432	210,432
Due from other governments	280,313	-	280,313
<b>Total assets</b>	<b>\$ 458,629</b>	<b>\$ 890,054</b>	<b>\$ 1,348,683</b>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 114,567	\$ 27,463	\$ 142,030
Deferred revenue:			
Succeeding year property tax	-	183,000	183,000
Other	-	210,432	210,432
<b>Total liabilities</b>	<b>114,567</b>	<b>420,895</b>	<b>535,462</b>
<b>Fund balances:</b>			
Restricted for:			
School infrastructure	344,062	-	344,062
Physical plant and equipment	-	469,159	469,159
<b>Total fund balances</b>	<b>344,062</b>	<b>469,159</b>	<b>813,221</b>
<b>Total liabilities and fund balances</b>	<b>\$ 458,629</b>	<b>\$ 890,054</b>	<b>\$ 1,348,683</b>

See accompanying independent auditor's report.

TIPTON COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 CAPITAL PROJECTS ACCOUNTS  
 Year Ended June 30, 2012

	<u>Statewide Sales, Services and Use Tax</u>	<u>Physical Plant and Equipment Levy</u>	<u>Total</u>
Revenues:			
Local sources:			
Local tax	\$ 632,847	\$ 388,298	\$ 1,021,145
Other	24,804	79	24,883
State sources	-	119	119
Total revenues	<u>657,651</u>	<u>388,496</u>	<u>1,046,147</u>
Expenditures:			
Current:			
Support services:			
Instructional staff services	100,035	-	100,035
Operation and maintenance of plant services	-	52,052	52,052
Transportation services	-	9,748	9,748
Other expenditures:			
Facilities acquisition	601,404	229,599	831,003
Total expenditures	<u>701,439</u>	<u>291,399</u>	<u>992,838</u>
Excess (deficiency) of revenues over (under) expenditures	(43,788)	97,097	53,309
Other financing sources (uses):			
Interfund transfers in	18,500	-	18,500
Interfund transfers out	(281,500)	-	(281,500)
Total other financing sources (uses)	<u>(263,000)</u>	<u>-</u>	<u>(263,000)</u>
Net change in fund balances	(306,788)	97,097	(209,691)
Fund balances beginning of year	<u>650,850</u>	<u>372,062</u>	<u>1,022,912</u>
Fund balances end of year	<u>\$ 344,062</u>	<u>\$ 469,159</u>	<u>\$ 813,221</u>

See accompanying independent auditor's report.

TIPTON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
Year Ended June 30, 2012

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Drama Club	\$ 1,649	\$ 8,502	\$ 10,005	\$ 146
Forensics	8,639	4,881	5,205	8,315
Choir	1,327	5,026	6,353	-
Instrumental Music	6,934	3,163	4,510	5,587
Middle School Music	114	3,012	3,126	-
High School Band Color Guard	393	-	297	96
High School Athletics	8,683	88,665	92,381	4,967
Cross Country Special	481	3,448	3,108	821
Golf Special	1,635	5,229	6,316	548
Boys Basketball Special	2,657	7,972	8,076	2,553
Football Special	1,997	24,293	24,927	1,363
Baseball Special	450	11,322	11,772	-
Boys Track Special	1,872	6,170	5,371	2,671
Wrestling Special	3,605	6,080	8,092	1,593
Girls Basketball Special	753	17,682	12,643	5,792
Volleyball Special	6,086	7,825	8,372	5,539
Softball Special	4,504	1,999	3,451	3,052
Girls Track Special	139	-	-	139
Athletic Strength & Conditioning	2,102	1,666	3,206	562
Donald Crock Memorial Weight Equipment	40,000	-	40,000	-
Girls Swimming Special	89	1,309	1,398	-
Academic Decathlon	-	1,408	1,408	-
Art Club	316	285	345	256
Thespians	257	1,060	716	601
Honor Society	-	363	363	-
Football Cheerleaders	3,402	8,219	7,447	4,174
Basketball Cheerleaders	420	-	-	420
Wrestling Cheerleaders	2,082	1,696	1,356	2,422
High School Student Council	4,088	1,371	1,573	3,886
FFA	7,997	29,491	29,047	8,441
FCCLA	2,533	4,714	5,341	1,906
Yearbook	7,193	11,380	18,573	-
Spanish	217	2,635	2,576	276
Elementary Grade Fund	9,029	11,096	10,170	9,955
Invention Convention	119	-	-	119
Middle School Yearbook	-	79	79	-
Middle School Activity Fund	4,411	11,479	12,365	3,525
Middle School Athletics	-	11,949	11,949	-
MDT Fund	427	1,128	1,386	169
Middle School Lifeskills	382	706	628	460
Jump Rope for Heart	702	-	18	684

TIPTON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
Year Ended June 30, 2012

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Middle School Student Council	\$ 667	\$ 948	\$ 676	\$ 939
Gifted and Talented	199	-	-	199
Elementary TAG	321	-	-	321
FTC	-	65	-	65
Class of 2012	1,294	27	1,321	-
Class of 2013	661	19,835	20,018	478
Class of 2014	401	2,285	220	2,466
Class of 2015	-	180	63	117
Tigerette Dance Squad	2,133	8,954	7,914	3,173
Investment Account Interest	64,817	1,774	13,081	53,510
Special Projects	1,548	1,821	1,381	1,988
Transportation	-	10,000	10,000	-
<b>Total</b>	<b>\$ 209,725</b>	<b>\$ 353,192</b>	<b>\$ 418,623</b>	<b>\$ 144,294</b>

See accompanying independent auditor's report.

TIPTON COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES  
 AGENCY FUND  
 Year Ended June 30, 2012

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance End of Year</u>
<b>Assets</b>				
Cash	\$ 9,378	\$ 8,561	\$ 8,539	\$ 9,400
Accounts receivable	193	(143)	-	50
<b>Total assets</b>	<u>\$ 9,571</u>	<u>\$ 8,418</u>	<u>\$ 8,539</u>	<u>\$ 9,450</u>
<b>Liabilities</b>				
Other payables	<u>\$ 9,571</u>	<u>\$ 8,418</u>	<u>\$ 8,539</u>	<u>\$ 9,450</u>

See accompanying independent auditor's report.

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TIPTON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS  
FOR THE LAST EIGHT YEARS

	Modified Accrual Basis			
	Years Ended June 30,			
	2012	2011	2010	2009
<b>Revenues:</b>				
Local sources:				
Local tax	\$ 4,193,395	\$ 4,162,007	\$ 3,818,350	\$ 3,721,436
Tuition	584,187	513,656	454,684	432,158
Other	524,621	510,049	345,053	396,192
Intermediate sources	28,308	30,383	30,629	23,409
State sources	4,437,195	4,069,375	3,623,567	4,081,829
Federal sources	379,570	515,262	750,321	275,527
<b>Total revenues</b>	<b>\$ 10,147,276</b>	<b>\$ 9,800,732</b>	<b>\$ 9,022,604</b>	<b>\$ 8,930,551</b>
<b>Expenditures:</b>				
Instruction	\$ 5,734,474	\$ 5,475,655	\$ 5,175,067	\$ 4,985,836
Support services:				
Student services	224,743	245,884	230,682	234,799
Instructional staff services	454,992	469,406	375,483	379,133
Administration services	788,818	841,808	801,923	770,167
Operation and maintenance of plant services	716,419	689,259	686,938	656,989
Transportation services	306,730	341,048	305,485	318,296
Non-instructional programs	-	18,462	37,999	61,259
Other expenditures:				
Facilities acquisition	831,003	245,942	197,003	546,262
Long-term debt:				
Principal	540,000	515,000	505,000	480,000
Interest and fiscal charges	148,032	166,203	183,405	199,558
AEA flowthrough	313,380	331,593	328,048	287,197
<b>Total expenditures</b>	<b>\$ 10,058,591</b>	<b>\$ 9,340,260</b>	<b>\$ 8,827,033</b>	<b>\$ 8,919,496</b>

See accompanying independent auditor's report.

	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
\$	3,705,645	\$ 3,499,396	\$ 3,347,746	\$ 3,141,934
	564,210	557,699	575,238	418,697
	515,771	455,001	505,022	345,796
	28,510	33,830	-	-
	3,963,555	3,492,687	3,418,405	3,282,078
	147,642	177,607	186,231	215,590
\$	<u>8,925,333</u>	<u>8,216,220</u>	<u>8,032,642</u>	<u>7,404,095</u>
\$	4,740,671	\$ 4,541,923	\$ 4,260,694	\$ 4,329,539
	224,472	208,885	198,545	186,142
	357,069	306,552	399,113	438,747
	750,366	698,086	712,732	668,015
	612,096	609,347	571,910	562,547
	313,045	216,528	207,774	156,664
	46,322	-	-	39,178
	194,041	1,113,924	981,799	2,468,005
	600,732	466,512	3,053,645	268,645
	220,324	195,487	402,845	263,245
	273,614	247,228	237,619	231,345
\$	<u>8,332,752</u>	<u>8,604,472</u>	<u>11,026,676</u>	<u>9,612,072</u>

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

To the Board of Education of  
Tipton Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Tipton Community School District as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated October 5, 2012. We conducted our audit in accordance with U.S. generally accepted auditing standards 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

The management of Tipton Community School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Tipton Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Tipton Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Tipton Community School District's internal control over financial reporting.

Our consideration of 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 all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of the 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 a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part I of the accompanying Schedule of Findings to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Tipton Community School District's financial statements are 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. However, we noted certain immaterial instances of noncompliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about Tipton Community School District's operations for the year ended June 30, 2012 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Tipton Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Tipton Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Tipton Community School District and other parties to whom Tipton Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Tipton Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Oskaloosa, Iowa  
October 5, 2012

TIPTON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2012

Part I: Findings Related to the Basic Financial Statements:

Instances of Non-Compliance:

No matters were reported.

Internal Control Deficiencies:

I-A-12 Fundraiser Controls – We noted inadequate fundraiser controls over one fundraiser tested. We noted that the required reconciliation form was not turned in. In addition, actual revenues turned in to the District were \$2,481 less than expected revenues based on the related invoices and projected profit margin. Upon further investigation of this matter, we noted that there was not a reconciliation of food items given to students to sell and the returned inventory and sales money.

Recommendation – The District should enforce the fundraiser control requirements, including accounting for all associated receipts, disbursements and items for sale. The District should educate all personnel responsible for fundraisers on the importance of the fundraiser controls.

Response – We will communicate the need for tighter fundraiser controls to all applicable personnel and will make sure the required reconciliations are properly completed in the future.

Conclusion – Response accepted.

I-B-12 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the same individual performs the following duties: recording and processing cash receipts and bank deposits, recording disbursements and preparing and distributing checks, and preparing bank reconciliations in the various funds.

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review its procedures to obtain the maximum internal control possible under the circumstances.

Response – We will review our procedures and implement changes to improve controls as we deem necessary.

Conclusion – Response accepted.

I-C-12 Purchase Orders – The District currently uses purchase orders in the purchasing process. However, we noted three purchase orders out of forty tested that were completed after the goods had been ordered.

Recommendation – The advantage of using a purchase order system is that approval of the items being purchased is noted prior to ordering the items. Although districts are not required to use a purchase order system, the benefits to financial management make the system desirable. The District's current purchase order system should be reviewed and any necessary changes made so that all disbursements are approved by the appropriate administrator before ordering of supplies takes place.

Response – We will comply with this recommendation. We are currently working on educating all individuals involved as to the importance of the purchase order system.

TIPTON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2012

Part I: Findings Related to the Basic Financial Statements (continued):

Internal Control Deficiencies (continued):

I-C-12 Purchase Orders (continued)

Conclusion – Response accepted.

TIPTON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2012

Part II: Other Findings Related to Statutory Reporting:

II-A-12 Certified Budget – Expenditures for the year ended June 30, 2012, exceeded the amount budgeted in the instruction function.

Recommendation – The budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response – We will amend our budget before expenditures exceed the budget in the future.

Conclusion – Response accepted.

II-B-12 Questionable Expenditures – No expenditures that we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.

II-C-12 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

II-D-12 Business Transactions – Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Brad Goetz, Board Member Father is owner of Family Foods	Supplies	\$14,448

In accordance with Chapter 279.7A of the Code of Iowa, the transaction appears to represent a conflict of interest since the cumulative amount was more than \$2,500 for the fiscal year.

Recommendation – The District should consult their legal counsel to resolve this situation.

Response – We will consult our attorney about this.

Conclusion – Response accepted.

II-E-12 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.

II-F-12 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.

II-G-12 Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.

II-H-12 Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

TIPTON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2012

Part II: Other Findings Related to Statutory Reporting (continued):

- II-I-12 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District’s investment policy were noted.
- II-J-12 Certified Annual Report – The Certified Annual Report was certified to the Iowa Department of Education timely and we noted no significant deficiencies in the amounts reported.
- II-K-12 Categorical Funding – No instances were noted of categorical funding being used to supplant rather than supplement other funds.
- II-L-12 Statewide Sales and Services Tax – No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2012, the District reported the following information regarding the statewide sales, services and use tax revenue in the District’s CAR:

Beginning balance		\$	650,850
Revenues/transfers in:			
Sales tax revenues	\$	632,847	
Interest		95	
Other local revenues		24,709	
Transfers from other funds:			
Debt Service Fund		<u>18,500</u>	676,151
Expenditures/transfers out:			
School infrastructure construction		601,404	
Equipment		100,035	
Transfers to other funds:			
Debt Service Fund		<u>281,500</u>	<u>982,939</u>
Ending balance		\$	<u><u>344,062</u></u>

For the year ended June 30, 2012, the District reduced the following levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa:

	Rate of Levy Reduction Per \$1,000 of Taxable Valuation	Property Tax Dollars Reduced
	<u>          </u>	<u>          </u>
Debt service levy	\$ 0.29884	\$ 70,000