

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

EXAMINATION REPORT
OF
TAYLOR COMMUNITY SCHOOL CORPORATION
HOWARD COUNTY, INDIANA
July 1, 2004 to June 30, 2006



FILED
01/16/2007

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Deborah M. Barton	07-01-04 to 06-30-07
Superintendent of Schools	Dr. Ronald Mayes	07-01-04 to 06-30-07
President of the School Board	Shirley Davis Scott D. Maple	07-01-04 to 06-30-05 07-01-05 to 06-30-07



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

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

INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE TAYLOR COMMUNITY SCHOOL
CORPORATION, HOWARD COUNTY, INDIANA

We have examined the financial information presented herein of the Taylor Community School Corporation (School Corporation), for the period of July 1, 2004 to June 30, 2006. The School Corporation's management is responsible for the financial information presented herein. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the financial information presented herein and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the financial information referred to above presents fairly, in all material respects, the financial information of the School Corporation for the years ended June 30, 2005 and 2006, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

STATE BOARD OF ACCOUNTS

October 16, 2006

TAYLOR COMMUNITY SCHOOL CORPORATION
STATEMENT OF CASH AND INVESTMENTS
June 30, 2005

<u>Assets</u>	<u>Governmental Activities</u>
Current assets:	
Cash and investments	\$ 796,997
Restricted assets:	
Cash and investments	<u>378,478</u>
Total assets	<u>\$ 1,175,475</u>
 <u>Net Assets</u>	
Restricted for:	
Debt service	\$ 378,478
Unrestricted	<u>796,997</u>
Total net assets	<u>\$ 1,175,475</u>

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

TAYLOR COMMUNITY SCHOOL CORPORATION
STATEMENT OF CASH AND INVESTMENTS
June 30, 2006

<u>Assets</u>	<u>Governmental Activities</u>
Current assets:	
Cash and investments	\$ 2,293,422
Restricted assets:	
Cash and investments	<u>42,497</u>
Total assets	<u>\$ 2,335,919</u>
 <u>Net Assets</u>	
Restricted for:	
Debt service	\$ 42,497
Unrestricted	<u>2,293,422</u>
Total net assets	<u>\$ 2,335,919</u>

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

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

Functions/Programs	Disbursements	Program Receipts		Net
		Charges for Services	Operating Grants and Contributions	(Disbursement) Receipts
				Total
Governmental activities:				
Instruction	\$ 5,719,743	\$ -	\$ 90,851	\$ (5,628,892)
Support services	6,821,197	429,979	186,981	(6,204,237)
Community services	172,985	-	-	(172,985)
Nonprogrammed charges	186,037	-	-	(186,037)
Debt service	<u>3,687,131</u>	<u>-</u>	<u>-</u>	<u>(3,687,131)</u>
Total governmental activities	<u>\$ 16,587,093</u>	<u>\$ 429,979</u>	<u>\$ 277,832</u>	<u>(15,879,282)</u>
General receipts:				
Property taxes				5,878,845
Other local sources				1,090,741
State aid				6,216,172
Grants and contributions not restricted				298,290
Bonds and loans				2,492,875
Sale of property, adjustments, and refunds				334,408
Investment earnings				33,741
Intergovernmental transfers				<u>720,000</u>
Total general receipts and intergovernmental transfers				<u>17,065,072</u>
Change in cash and investments				1,185,790
Net assets - beginning				<u>(10,315)</u>
Net assets - ending				<u>\$ 1,175,475</u>

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

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

Functions/Programs	Disbursements	Program Receipts		Net
		Charges for Services	Operating Grants and Contributions	(Disbursement) Receipts
				Total
Governmental activities:				
Instruction	\$ 5,714,652	\$ -	\$ 66,736	\$ (5,647,916)
Support services	6,945,238	467,278	219,534	(6,258,426)
Community services	162,034	-	-	(162,034)
Nonprogrammed charges	1,713,579	-	-	(1,713,579)
Debt service	<u>3,891,702</u>	<u>-</u>	<u>-</u>	<u>(3,891,702)</u>
Total governmental activities	<u>\$ 18,427,205</u>	<u>\$ 467,278</u>	<u>\$ 286,270</u>	<u>(17,673,657)</u>
General receipts:				
Property taxes				6,384,992
Other local sources				1,021,115
State aid				6,290,747
Grants and contributions not restricted				284,696
Bonds and loans				1,468,316
Sale of property, adjustments, and refunds				1,705,415
Investment earnings				80,693
Intergovernmental transfers				<u>1,598,127</u>
Total general receipts and intergovernmental transfers				<u>18,834,101</u>
Change in cash and investments				1,160,444
Net assets - beginning				<u>1,175,475</u>
Net assets - ending				<u>\$ 2,335,919</u>

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

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

	General	Transportation Operating	Rainy Day Fund	Debt Service	Capital Projects	School Bus Replacement	Construction Fund	Other	Totals
Receipts:									
Local sources	\$ 3,335,007	\$ 509,701	\$ -	\$ 1,812,402	\$ 1,027,226	\$ 91,234	\$ -	\$ 657,346	\$ 7,432,916
Intermediate sources	15	-	-	-	-	-	-	375	390
State sources	6,293,611	-	-	-	-	-	-	39,555	6,333,166
Federal sources	-	-	-	-	-	-	-	459,128	459,128
Bonds and loans	2,287,027	175,848	-	30,000	-	-	-	-	2,492,875
Sale of property, adjustments and refunds	313,071	1,236	-	-	6,772	-	-	13,329	334,408
Intergovernmental transfers	720,000	-	-	-	-	-	-	-	720,000
Total receipts	12,948,731	686,785	-	1,842,402	1,033,998	91,234	-	1,169,733	17,772,883
Disbursements:									
Current:									
Instruction	5,479,699	-	-	-	-	-	-	240,044	5,719,743
Support services	4,410,705	574,065	-	-	1,067,502	60,000	-	708,925	6,821,197
Community services	170,377	-	-	-	-	-	-	2,608	172,985
Nonprogrammed charges	151,032	-	-	-	30,000	-	-	5,006	186,038
Debt services	1,673,985	163,006	-	1,654,398	-	-	-	195,741	3,687,130
Total disbursements	11,885,798	737,071	-	1,654,398	1,097,502	60,000	-	1,152,324	16,587,093
Excess (deficiency) of total receipts over (under) total disbursements	1,062,933	(50,286)	-	188,004	(63,504)	31,234	-	17,409	1,185,790
Cash and investments - beginning	(678,549)	184,421	-	198,344	309,961	24,044	-	(48,536)	(10,315)
Cash and investments - ending	\$ 384,384	\$ 134,135	\$ -	\$ 386,348	\$ 246,457	\$ 55,278	\$ -	\$ (31,127)	\$ 1,175,475

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

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

	General	Transportation Operating	Rainy Day Fund	Debt Service	Capital Projects	School Bus Replacement	Construction Fund	Other	Totals
Receipts:									
Local sources	\$ 3,389,899	\$ 541,589	\$ -	\$ 2,130,837	\$ 905,496	\$ 90,411	\$ -	\$ 895,156	\$ 7,953,388
Intermediate sources	15	-	-	-	-	-	-	675	690
State sources	6,344,187	-	-	-	-	-	-	110,519	6,454,706
Federal sources	-	-	-	-	-	-	-	407,007	407,007
Bonds and loans	1,150,275	156,633	-	-	161,408	-	-	-	1,468,316
Sale of property, adjustments and refunds	5,106	2,809	-	-	17,774	-	1,652,749	26,977	1,705,415
Intergovernmental transfers	811,397	-	755,000	-	30,000	-	-	1,730	1,598,127
Total receipts	11,700,879	701,031	755,000	2,130,837	1,114,678	90,411	1,652,749	1,442,064	19,587,649
Disbursements:									
Current:									
Instruction	5,230,214	-	249,044	-	-	-	-	235,394	5,714,652
Support services	4,377,085	513,929	101,554	-	1,054,434	118,670	-	779,566	6,945,238
Community services	157,603	-	4,402	-	-	-	-	29	162,034
Nonprogrammed charges	115,453	-	-	785,000	-	-	782,906	30,220	1,713,579
Debt services	1,649,810	171,420	-	1,683,057	-	-	-	387,415	3,891,702
Total disbursements	11,530,165	685,349	355,000	2,468,057	1,054,434	118,670	782,906	1,432,624	18,427,205
Excess (deficiency) of total receipts over (under) total disbursements	170,714	15,682	400,000	(337,220)	60,244	(28,259)	869,843	9,440	1,160,444
Cash and investments - beginning	384,384	134,135	-	386,348	246,457	55,278	-	(31,127)	1,175,475
Cash and investments - ending	\$ 555,098	\$ 149,817	\$ 400,000	\$ 49,128	\$ 306,701	\$ 27,019	\$ 869,843	\$ (21,687)	\$ 2,335,919

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

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

<u>Assets</u>	<u>Pension Trust Funds</u>	<u>Private-Purpose Trust Funds</u>	<u>Agency Funds</u>
Cash and investments	\$ 183,819	\$ 4,938	\$ 47,441
<u>Net Assets</u>			
Held in trust for employee benefits and other purposes	<u>\$ 183,819</u>	<u>\$ 4,938</u>	

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

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

<u>Assets</u>	<u>Pension Trust Funds</u>	<u>Private-Purpose Trust Funds</u>	<u>Agency Funds</u>
Cash and investments	\$ 47,299	\$ 3,578	\$ 44,827
<u>Net Assets</u>			
Held in trust for employee benefits and other purposes	<u>\$ 47,299</u>	<u>\$ 3,578</u>	

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

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

	Pension Trust Funds	Private-Purpose Trust Funds
Additions:		
Local sources	\$ -	\$ 5,931
Bonds and loans	3,964,000	-
Sale of property, adjustments and refunds	-	12,974
Total additions	3,964,000	18,905
Deductions:		
Support services	2,553,448	13,967
Nonprogrammed charges	720,000	-
Debt services	506,733	-
Total deductions	3,780,181	13,967
Excess of total additions over total deductions	183,819	4,938
Cash and investments - beginning	-	-
Cash and investments - ending	\$ 183,819	\$ 4,938

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

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

	<u>Pension Trust Funds</u>	<u>Private-Purpose Trust Funds</u>
Additions:		
Local sources	\$ -	\$ 2,835
Sale of property, adjustments and refunds	<u>-</u>	<u>61</u>
Total additions	<u>-</u>	<u>2,896</u>
Deductions:		
Instruction	-	507
Support services	136,520	2,649
Nonprogrammed charges	<u>-</u>	<u>1,100</u>
Total deductions	<u>136,520</u>	<u>4,256</u>
Deficiency of total additions under total deductions	(136,520)	(1,360)
Cash and investments - beginning	<u>183,819</u>	<u>4,938</u>
Cash and investments - ending	<u>\$ 47,299</u>	<u>\$ 3,578</u>

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

TAYLOR COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

School Corporation, as used herein, shall include, but is not limited to, school townships, school towns, school cities, consolidated school corporations, joint schools, metropolitan school districts, township school districts, county schools, united schools, school districts, cooperatives, educational service centers, community schools, community school corporations, and charter schools.

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

Note 2. Fund Accounting

The School Corporation uses funds to report on its cash and investments and the results of its operations on a cash basis. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities.

Note 3. Budgets

The operating budget is initially prepared and approved at the local level. In addition, funds for which property taxes are levied are subject to final approval by the Indiana Department of Local Government Finance.

Note 4. Property Taxes

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

Note 5. Deposits and Investments

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

State statute (IC 5-13-9) authorizes the School Corporation to invest in securities including, but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

TAYLOR COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL INFORMATION
(Continued)

Note 6. Pension Plans

Public Employees' Retirement Fund

Plan Description

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

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

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

Funding Policy and Annual Pension Cost

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

Teacher's Retirement Fund

Plan Description

The School Corporation contributes to the Indiana Teacher's Retirement Fund (TRF), a defined benefit pension plan. TRF is a cost-sharing multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All employees engaged in teaching or in the supervision of teaching in the public schools of the State of Indiana are eligible to participate in TRF. State statute (IC 5-10.2) governs, through the TRF Board, most requirements of the system, and gives the School Corporation authority to contribute to the plan. The TRF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The School Corporation may elect to make the contributions on behalf of the member.

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

TAYLOR COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL INFORMATION
(Continued)

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

Funding Policy and Annual Pension Cost

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

TAYLOR COMMUNITY SCHOOL CORPORATION
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS

Public Employees' Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-03	\$ 1,184,556	\$ 1,329,269	\$ (144,713)	89%	\$ 1,118,105	(13%)
07-01-04	1,243,206	1,423,554	(180,348)	87%	1,400,588	(13%)
07-01-05	1,337,207	1,603,922	(266,715)	83%	1,645,116	(16%)

TAYLOR COMMUNITY SCHOOL CORPORATION
EXAMINATION RESULTS AND COMMENTS

APPROPRIATIONS

The records presented for audit indicated the following expenditures in excess of budgeted appropriations:

<u>Fund</u>	<u>Year</u>	<u>Excess Amount Expended</u>
General	2004	<u>\$ 36,548</u>

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

FEDERAL AND STATE AGENCIES - COMPLIANCE REQUIREMENTS CND-1 REPORTS

The CND-1, claim for reimbursement, reports were filed late with the Department of Education 5 out of 10 reports in the 2004-2005 school year and 4 out of 10 reports in the 2005-2006 school year.

Political subdivisions are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings and filing requirements concerning reports and other procedural matters of federal and state agencies, including opinions of the Attorney General of the State of Indiana, and court decisions. Governmental units should file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

Each governmental unit is responsible for compliance with all rules, regulations, guidelines, and directives of the Internal Revenue Service and the Indiana Department of Revenue. All questions concerning taxes should be directed to these agencies. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

EXTRA-CURRICULAR DISBURSEMENTS (Applies to Taylor Primary School)

The following item was noted from the information presented for audit:

A teacher was paid from the Extra-curricular Account, for being a referee, without going through the payroll process.

Pay of teachers and other personnel for service at interscholastic athletic events such as ticket takers, scoreboard personnel, etc., are expenses of the Athletic Fund of the Extra-Curricular Account. Pay of concession stand supervisors and of ticket takers, etc., for fine arts events should be paid from the proceeds of the activity sponsoring these events. Payment to all such personnel must be by way of a payroll. If an extra-curricular payroll is not maintained, the payments may be made a part of the corporation payroll and charged to a school corporation General Fund appropriation; however, the General Fund must be reimbursed for such payment by the activity which the employees served. (The School Administrator and Uniform Compliance Guidelines, Volume 130, Page 5) (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 1)

TAYLOR COMMUNITY SCHOOL CORPORATION
EXAMINATION RESULTS AND COMMENTS
(Continued)

AVERAGE DAILY MEMBERSHIP (ADM) - INCORRECT REPORTING TO THE STATE

The information presented for examination indicates enrollment figures on Form 30A, Report of Average Daily Membership (ADM) for State Support, were incorrect for the school years ending June 30, 2005. The class listing presented was dated December 2004. No class listings were presented for the September 17, 2004, count date. The difference between the ADM count reported on the Form 30A and the verified figures are shown below:

<u>School Year</u>	<u>Grade</u>	<u>Count as Reported on Form 30A</u>	<u>Class Listing Enrollment Figures</u>	<u>Difference</u>
2004-2005	Kindergarten	48.50	49.50	1.00
2004-2005	1 through 12	1,496.66	1,508.00	11.34

School Officials should contact the Indiana Department of Education, Division of School Finance, to determine possible steps to be taken to correct any overpayment/underpayment applicable to the School Corporation because of incorrect reporting. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 8)

PENALTIES, INTEREST AND OTHER CHARGES – CONTROL ENVIRONMENT

The controls over the disbursing and accounting for the financial activities were insufficient. A control environment was not established to ensure that all payroll tax payments and other invoices were properly paid, by the required due dates, in the event of illness to a key employee or employees. Without these controls, the School Corporation paid penalties and interest totaling \$4,179.32 to the Indiana Department of Revenue and \$54.59 to other vendors during the examination period.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the governmental unit.

Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit.

Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

TAYLOR COMMUNITY SCHOOL CORPORATION
EXAMINATION RESULTS AND COMMENTS
(Continued)

FEES

The School Corporation, at the time of charging and collecting textbook rental fees, requires other fees to be paid including, but not limited to; technology fee (printer cartridges, etc.), athletic fee (to grant admission to athletic events), handbook fee (calendar and rules book), activity fee, and students in twelfth grade, a graduation fee. School Officials could not always provide documentation to verify students received consumable goods or services equal to the fee charged.

The Constitution of the State of Indiana, Article 8, Section 1 states: "Knowledge and learning, generally diffused throughout a community, being essential to the preservation of a free government; it shall be the duty of the General Assembly to encourage, by all suitable means, moral, intellectual, scientific, and agricultural improvement; and to provide, by law, for a general and uniform system of Common Schools, wherein tuition shall be without charge, and equally open to all."

Fees should only be collected as specifically authorized by statute or properly authorized resolutions or ordinances, as applicable, which are not contrary to statutory or Constitutional provisions. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

OPTICAL IMAGES OF CHECKS (Applies to Taylor High/Middle School and Taylor Intermediate School)

The financial institution did not return the actual cancelled checks with the monthly bank statements, but instead returned an optical image of only the front side of the checks.

Indiana Code 5-15-6-3(a) concerning optical imaging of checks states in part:

". . . 'original records' includes the optical image of a check or deposit document when:

- (1) the check or deposit document is recorded, copied, or reproduced by an optical imaging process . . . ; and
- (2) the drawer of the check receives an optical image of the check after the check is processed for payment . . ."

Furthermore, Indiana Code 26-2-8-111 states in part:

"(a) If a law requires that certain records be retained, that requirement is met by retaining an electronic record of the information in the record that:

- (1) accurately reflects the information set forth in the record after it was first generated in its final form as an electronic record or otherwise; and
- (2) remains accessible for later reference."

"(e) If a law requires retention of a check, that requirement is satisfied by retention of an electronic record of the information on the front and back of the check in accordance with subsection (a)."

TAYLOR COMMUNITY SCHOOL CORPORATION
EXAMINATION RESULTS AND COMMENTS
(Continued)

HONORS DIPLOMAS - INCORRECT REPORTING TO THE STATE

The information presented for examination indicates Honors Diplomas numbers reported to the Department of Education were incorrect for the school years ending June 30, 2005 and 2006. The difference between the count reported for Honor Diplomas and the verified figures are shown below:

School Year	Count as Reported on Form 30A	Actual Honor Diploma Recipients	Difference
2004-2005	21	20	1
2005-2006	20	19	1

School Officials should contact the Indiana Department of Education, Division of School Finance, to determine possible steps to be taken to correct any overpayment/underpayment applicable to the School Corporation because of incorrect reporting. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 8)

CAPITAL ASSET RECORDS

The School Corporation did not complete an inventory or record of capital assets using Form 369 for the period under examination.

Every governmental unit should have a complete inventory of all capital assets owned which reflect their acquisition value. Such inventory should be recorded on the applicable Capital Asset Ledger. A complete inventory should be taken at least every two years for good internal control and for verifying account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

OVERDRAWN CASH BALANCES

The cash balance of the School Lunch Fund, Textbook Rental Fund, Indiana Respect Fund and Pension Debt Fund was overdrawn at June 30, 2005. The cash balance of the Textbook Rental Fund and the Pension Debt Fund were also overdrawn at June 30, 2006.

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Gs Manual for Indiana Public School Corporations, Chapter 9)

TAYLOR COMMUNITY SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on October 30, 2006, and December 11, 2006, with Dr. Ronald Mayes, Superintendent of Schools; Deborah M. Barton, Treasurer; and Michelle Haus, Deputy Treasurer. Also, the contents of this report were discussed on October 30, 2006, with Scott D. Maple, President of the School Board. The official response has been made a part of this report and may be found on page 23.

TAYLOR COMMUNITY SCHOOL CORPORATION

Office of the Superintendent

3750 E. Co. Rd. 300 So.

(765) 453-3035 • FAX (765) 455-8531

Kokomo, Indiana 46902

Dr. Ron Mayes
Superintendent of Schools

BOARD OF SCHOOL TRUSTEES

Scott D. Maple, *President*
Jeffrey A. Kellar, *Vice President*
Angela J. Ford, *Secretary*
Dennis L. Marler, *Member*
Brian E. Cox, *Member*

December 19, 2006

Indiana State Board of Accounts
302 West Washington Street
4th Floor, Room E418
Indianapolis, IN 46204-2765

Re: Official Response to Audit Report

To Whom It May Concern:

Please consider the following to be the official response of the Taylor Community School Corporation in regard to our most recent audit for the period of July 1, 2004 until June 30, 2006. It is my understanding that this official response will become part of the formal audit.

The Taylor Community School Corporation appreciates the work of the State Board of Accounts and acknowledges the deficiencies noted. The late filing of some federal and state reports is noted. We believe that we have made significant improvements in this area. Nevertheless, as a result of your findings, we have established improved scheduling of such reporting as well as back-up plans in case of illness or other unforeseen circumstances. Likewise, different records verifying Average Daily Membership (ADM) have already been corrected and procedures for future documentation, established. We certainly failed to complete the required fixed asset inventory. The correct inventory process is now near completion. Other issues noted, are certainly unique exceptions which have or are soon to be corrected.

As we address these and other issues, we anticipate calling on the State Board of Accounts on numerous occasions for guidance and assistance. The Taylor Community School Corporation looks forward to the next formal audit, at which time we hope to verify our success.

Respectfully submitted,



Dr. Ron Mayes
Superintendent of Schools

"Commitment to Excellence"