

**STATE BOARD OF ACCOUNTS**  
**302 West Washington Street**  
**Room E418**  
**INDIANAPOLIS, INDIANA 46204-2765**

AUDIT REPORT  
OF  
MILL CREEK COMMUNITY SCHOOL CORPORATION  
HENDRICKS COUNTY, INDIANA  
July 1, 2003 to June 30, 2005



**FILED**

08/15/2006



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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Robert B. Neier Jay Thivener Wesley A. Hammond	07-01-03 to 05-31-04 06-01-04 to 10-12-04 10-13-04 to 06-30-06
Superintendent of Schools	Sherida L. Brower	07-01-03 to 06-30-06
President of the School Board	Edward Arnold Maralee Edmonson	07-01-03 to 06-30-04 07-01-04 to 06-30-06



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

TO: THE OFFICIALS OF THE MILL CREEK COMMUNITY SCHOOL CORPORATION, HENDRICKS COUNTY, INDIANA

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Mill Creek Community School Corporation (School Corporation), as of and for the years ended June 30, 2004 and 2005, which collectively comprise the Mill Creek Community School Corporation's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School Corporation's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in 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 significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note I, the School Corporation prepares its financial statements on the prescribed basis of accounting that demonstrates compliance with the cash basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash and investment balances of the governmental activities, each major fund, and the aggregate remaining fund information of the School Corporation as of June 30, 2004 and 2005, and the respective cash receipts and cash disbursements during the years then ended on the basis of accounting described in Note I.

The Schedule of Funding Progress, as listed in the table of contents, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The School Corporation has not presented Management Discussion and Analysis or Budgetary Comparison Schedules, that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

STATE BOARD OF ACCOUNTS

March 27, 2006

MILL CREEK COMMUNITY SCHOOL CORPORATION  
STATEMENT OF CASH AND INVESTMENTS  
June 30, 2004

<u>Assets</u>	<u>Governmental Activities</u>
Current assets:	
Cash and investments	\$ 1,089,478
Restricted assets:	
Cash and investments	<u>2</u>
Total assets	<u>\$ 1,089,480</u>
 <u>Net Assets</u>	
Restricted for:	
Debt service	\$ 2
Unrestricted	<u>1,089,478</u>
Total net assets	<u>\$ 1,089,480</u>

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

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

<u>Assets</u>	<u>Governmental Activities</u>
Current assets:	
Cash and investments	\$ 1,775,517
Restricted assets:	
Cash and investments	<u>853,984</u>
Total assets	<u>\$ 2,629,501</u>
 <u>Net Assets</u>	
Restricted for:	
Debt service	\$ 853,984
Unrestricted	<u>1,775,517</u>
Total net assets	<u>\$ 2,629,501</u>

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

MILL CREEK COMMUNITY SCHOOL CORPORATION  
STATEMENT OF CASH ACTIVITIES  
For the Year Ended June 30, 2004

Functions/Programs	Disbursements	Program Receipts		Net (Disbursement) Receipts
		Charges for Services	Operating Grants and Contributions	Total
Governmental activities:				
Instruction	\$ 4,312,227	\$ -	\$ 68,309	\$ (4,243,918)
Support services	6,294,632	623,770	144,404	(5,526,458)
Community services	79,820	-	-	(79,820)
Nonprogrammed charges	889,134	-	-	(889,134)
Debt service	5,879,361	-	-	(5,879,361)
<b>Total governmental activities</b>	<b><u>\$ 17,455,174</u></b>	<b><u>\$ 623,770</u></b>	<b><u>\$ 212,713</u></b>	<b><u>(16,618,691)</u></b>
General receipts:				
Property taxes				4,925,345
Other local sources				896,097
State aid				5,923,625
Grants and contributions not restricted				552,778
Bonds and loans				1,868,375
Sale of property, adjustments, and refunds				<u>93,663</u>
<b>Total general receipts</b>				<b><u>14,259,883</u></b>
				Change in cash and investments (2,358,808)
Net assets - beginning				<u>3,448,288</u>
Net assets - ending				<b><u>\$ 1,089,480</u></b>

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

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

Functions/Programs	Disbursements	Program Receipts		Net (Disbursement) Receipts
		Charges for Services	Operating Grants and Contributions	Total
Governmental activities:				
Instruction	\$ 4,434,232	\$ -	\$ 61,629	\$ (4,372,603)
Support services	9,257,440	583,774	118,548	(8,555,118)
Community services	128,797	-	-	(128,797)
Nonprogrammed charges	922,207	-	-	(922,207)
Debt service	3,828,234	-	-	(3,828,234)
Total governmental activities	<u>\$ 18,570,910</u>	<u>\$ 583,774</u>	<u>\$ 180,177</u>	<u>(17,806,959)</u>
General receipts:				
Property taxes				8,248,824
Other local sources				1,892,082
State aid				5,631,040
Grants and contributions not restricted				320,243
Bonds and loans				2,985,257
Sale of property, adjustments, and refunds				<u>269,534</u>
Total general receipts				<u>19,346,980</u>
Change in cash and investments				1,540,021
Net assets - beginning				<u>1,089,480</u>
Net assets - ending				<u>\$ 2,629,501</u>

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

MILL CREEK COMMUNITY SCHOOL CORPORATION  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES  
GOVERNMENTAL FUNDS  
For The Year Ended June 30, 2004

	General	Transportation Operating	School Lunch	Textbook Rental	Debt Service	Capital Projects	School Bus Replacement	Other	Totals
<b>Receipts:</b>									
Local sources	\$ 2,190,466	\$ 568,090	\$ 407,871	\$ 215,899	\$ 2,094,490	\$ 747,983	\$ 161,321	\$ 57,765	\$ 6,443,885
Intermediate sources	247	-	-	-	-	-	-	1,080	1,327
State sources	5,871,643	76,730	21,534	15,690	28,229	-	-	403,881	6,417,707
Federal sources	-	-	119,598	-	-	-	-	151,811	271,409
Bonds and loans	1,371,604	-	-	-	308,510	188,261	-	-	1,868,375
Sale of property, adjustments and refunds	87,211	5,067	-	-	-	-	-	1,385	93,663
<b>Total receipts</b>	<b>9,521,171</b>	<b>649,887</b>	<b>549,003</b>	<b>231,589</b>	<b>2,431,229</b>	<b>936,244</b>	<b>161,321</b>	<b>615,922</b>	<b>15,096,366</b>
<b>Disbursements:</b>									
<b>Current:</b>									
Instruction	4,018,342	-	-	-	-	-	-	293,885	4,312,227
Support services	3,506,453	765,601	464,795	162,456	-	983,491	177,563	234,273	6,294,632
Community services	68,477	-	-	-	-	-	-	11,343	79,820
Nonprogrammed charges	617,474	60,000	-	-	-	-	127,000	84,660	889,134
Debt services	2,374,811	-	-	-	2,976,119	528,431	-	-	5,879,361
<b>Total disbursements</b>	<b>10,585,557</b>	<b>825,601</b>	<b>464,795</b>	<b>162,456</b>	<b>2,976,119</b>	<b>1,511,922</b>	<b>304,563</b>	<b>624,161</b>	<b>17,455,174</b>
Excess (deficiency) of total receipts over (under) total disbursements	(1,064,386)	(175,714)	84,208	69,133	(544,890)	(575,678)	(143,242)	(8,239)	(2,358,808)
Cash and investments - beginning	1,343,186	299,284	119,536	140,737	544,892	692,906	143,342	164,405	3,448,288
Cash and investments - ending	\$ 278,800	\$ 123,570	\$ 203,744	\$ 209,870	\$ 2	\$ 117,228	\$ 100	\$ 156,166	\$ 1,089,480

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

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

	General	Transportation Operating	School Lunch	Textbook Rental	Debt Service	Capital Projects	School Bus Replacement	Construction	Other	Totals
Receipts:										
Local sources	\$ 3,536,956	\$ 943,405	\$ 434,406	\$ 149,369	\$ 3,583,948	\$ 1,492,007	\$ 338,142	\$ -	\$ 208,192	\$ 10,686,425
Intermediate sources	216	11	-	-	45	37,074	3	-	905	38,254
State sources	5,677,056	2,568	20,396	13,189	-	-	-	-	182,220	5,895,429
Federal sources	-	-	96,618	-	-	-	-	-	139,414	236,032
Bonds and loans	522,174	60,000	-	-	-	144,710	127,000	2,067,373	64,000	2,985,257
Sale of property, adjustments and refunds	417,927	437	-	-	-	-	-	-	1,170	419,534
<b>Total receipts</b>	<b>10,154,329</b>	<b>1,006,421</b>	<b>551,420</b>	<b>162,558</b>	<b>3,583,993</b>	<b>1,673,791</b>	<b>465,145</b>	<b>2,067,373</b>	<b>595,901</b>	<b>20,260,931</b>
Disbursements:										
Current:										
Instruction	4,129,450	-	-	-	-	-	-	-	304,782	4,434,232
Support services	3,602,593	700,749	484,349	241,606	-	1,014,561	196,316	2,776,725	240,541	9,257,440
Community services	115,684	-	-	-	-	-	-	-	13,113	128,797
Nonprogrammed charges	451,480	-	-	-	448,220	-	-	-	22,507	922,207
Debt services	1,196,604	-	-	-	2,288,717	188,261	-	-	154,652	3,828,234
<b>Total disbursements</b>	<b>9,495,811</b>	<b>700,749</b>	<b>484,349</b>	<b>241,606</b>	<b>2,736,937</b>	<b>1,202,822</b>	<b>196,316</b>	<b>2,776,725</b>	<b>735,595</b>	<b>18,570,910</b>
Excess (deficiency) of total receipts over (under) total disbursements	658,518	305,672	67,071	(79,048)	847,056	470,969	268,829	(709,352)	(139,694)	1,690,021
Cash and investments - beginning	278,800	123,570	203,744	209,870	2	117,228	100	-	156,166	1,089,480
Cash and investments - ending	\$ 937,318	\$ 429,242	\$ 270,815	\$ 130,822	\$ 847,058	\$ 588,197	\$ 268,929	\$ (709,352)	\$ 16,472	\$ 2,779,501

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

MILL CREEK COMMUNITY SCHOOL CORPORATION  
STATEMENT OF RECEIPTS, DISBURSEMENTS,  
AND CHANGES IN CASH AND INVESTMENTS  
FIDUCIARY FUNDS  
For The Year Ended June 30, 2004

	Private-Purpose Trust Funds
Additions:	
Local sources	\$ 1,500
Deductions:	
Support services	1,918
Deficiency of total additions under total deductions	(418)
Cash and investments - beginning	3,359
Cash and investments - ending	\$ 2,941

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

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

	<u>Pension Trust Funds</u>	<u>Private-Purpose Trust Funds</u>
Additions:		
Local sources	\$ -	\$ 19,265
Intermediate sources	-	1,000
Bonds and loans	<u>2,900,000</u>	<u>-</u>
Total additions	<u>2,900,000</u>	<u>20,265</u>
Deductions:		
Instruction	-	3,250
Support services	2,544,896	3,730
Community services	<u>-</u>	<u>9,724</u>
Total deductions	<u>2,544,896</u>	<u>16,704</u>
Excess of total additions over total deductions	355,104	3,561
Cash and investments - beginning	<u>-</u>	<u>2,941</u>
Cash and investments - ending	<u>\$ 355,104</u>	<u>\$ 6,502</u>

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

MILL CREEK COMMUNITY SCHOOL CORPORATION  
 STATEMENT OF CASH AND INVESTMENTS  
 FIDUCIARY FUNDS  
 June 30, 2004

<u>Assets</u>	<u>Private-Purpose Trust Funds</u>	<u>Agency Funds</u>
Cash and investments	\$ 2,941	\$ 56,965
<u>Net Assets</u>		
Held in trust for employee benefits and other purposes	\$ 2,941	

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

MILL CREEK 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	\$ 355,104	\$ 6,502	\$ 55,491
<u>Net Assets</u>			
Held in trust for employee benefits and other purposes	<u>\$ 355,104</u>	<u>\$ 6,502</u>	

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

MILL CREEK COMMUNITY SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

The accompanying financial statements present the activities of the School Corporation (primary government). There are no significant component units which require inclusion.

Jointly Governed Organizations

The School Corporation is a participant with South Putnam Community School Corporation, Eminence Community School Corporation, North Putnam Community School Corporation, Cloverdale Community School Corporation and Greencastle Community School Corporation in a joint venture to operate Old National Trail Special Education Cooperative which was created to provide instruction for handicapped children. The School Corporation is obligated by contract to annually remit an amount depending upon the number of its participating students to supplement the Old National Trail Special Education Cooperative. Complete financial statements for the Old National Trail Special Education Cooperative can be obtained from the Old National Trail Special Service Cooperative, 522 Anderson St., P.O. Box 2667, Greencastle, Indiana 46135.

The School Corporation is a participant with Metropolitan School District of Wayne Township, Brownsburg Community School Corporation, Monroe-Gregg School District, Metropolitan School District of Decatur Township, Northwest Hendricks Community School Corporation, Danville Community School Corporation, Mooresville Consolidated Schools, Plainfield Community School Corporation, School Town of Speedway and Metropolitan School District of Pike Township in a joint venture to operate Area 31 Vocational Education (Co-op) which was created to provide vocational education. The School Corporation is obligated by contract to remit their share of the cost of the Co-op based on the number of students in the Co-op. The Co-op uses its surplus resources to undertake special projects for the School Corporation. The Co-op's continued existence depends on continued funding by the School Corporation. Complete financial statements for the Co-op can be obtained from Area 31 Career Programs, 1220 South High School Road, Indianapolis, Indiana, 46241.

The School Corporation is a participant with Danville Community School Corporation and North West Hendricks School Corporation in a joint venture to operate the Cooperative Achievement Program which was created to develop and maintain alternative education opportunities to meet the need of their citizens. The Cooperative Achievement Program's continued existence depends on the continued funding by the school corporation. Danville Community School Corporation serves as the Local Agency (LEA).

MILL CREEK COMMUNITY SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

B. Government-Wide and Fund Financial Statements

Government-wide financial statements, (i.e., the Statement of Cash and Investments and the Statement of Cash Activities) report information on all of the nonfiduciary activities of the School Corporation and its component units. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. However, there are no business-type activities to report at this time.

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

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. However, at this time, the School Corporation has not established any enterprise funds.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide, governmental fund and fiduciary financial statements are reported using the basis of accounting that demonstrates compliance with the cash basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recorded when received and disbursements are recorded when paid.

The cash basis of accounting differs from accounting principles generally accepted in the United States of America in that receipts are recognized when received in cash rather than when earned and disbursements are recognized when paid rather than when a liability is incurred. Investment transactions are not presented on the financial statements.

The School Corporation reports the following major governmental funds:

The general fund is the School Corporation's primary operating fund and accounts for all financial resources of the School Corporation, except those required to be accounted for in another fund.

The transportation operating fund accounts for financial resources for the transportation of school children to and from school.

The school lunch fund accounts for the cost of meals served to school children.

The textbook rental fund accounts for textbook fees charged and the cost of textbooks for school children.

MILL CREEK COMMUNITY SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

The debt service fund accounts for debt from funds borrowed or advanced for the purchase or lease of school buildings, school buses, judgments against the corporation, equipment or capital construction, and interest on emergency and temporary loans.

The capital projects fund accounts for planned construction, repair, replacement or remodeling; and the purchase, lease, upgrade, maintenance, or repair of computer equipment.

The school bus replacement fund is used to account for receipts and disbursements concerning the acquisition and disposal of school buses.

The construction fund is used to account for the receipts and disbursements concerning the construction of or improvement to buildings.

Additionally, the School Corporation reports the following fund types:

The private-purpose trust fund reports a trust arrangement under which principal and income benefit individuals.

Pension trust funds account for bonds and payments anticipated to be made to employees on or after the termination of employment or to pay post-retirement or severance benefits held by the School Corporation in a trustee capacity.

Agency funds account for assets held by the School Corporation as an agent for various taxing authorities and employee withholdings and serve as control of accounts for certain cash transactions during the time they are a liability to the School Corporation.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program receipts include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general receipts rather than as program receipts. Likewise, general receipts include all taxes.

When both restricted and unrestricted resources are available for use, the School Corporation's policy is to use restricted resources first, then unrestricted resources as they are needed.

D. Assets and Cash Net Assets or Equity

1. Deposits and Investments

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.

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

MILL CREEK COMMUNITY SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

2. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the School Corporation in June and in 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.

3. Compensated Absences

a. Sick Leave

Certified employees earn sick leave at the rate of 8 to 10 days per year. Unused sick leave may be accumulated indefinitely. Accumulated sick leave is paid to employees through cash payments upon retirement.

Noncertified employees earn sick leave at the rate of 3 to 8 days per year. Unused sick leave may be accumulated to a maximum ranging 70 to 170 days. Accumulated sick leave is paid to employees through cash payments upon retirement.

b. Vacation Leave

Nonteaching or administrative and noncertified School Corporation employees earn vacation leave at rates from 5 days to 15 days per year based upon the number of years of service. Vacation leave does not accumulate from year to year.

c. Personal Leave

School Corporation employees earn personal leave at the rate of 2 to 4 days per year. Personal leave does not accumulate from year to year.

II. Stewardship, Compliance and Accountability

A. Budgetary Information

Annual budgets are adopted on the cash basis, which is not consistent with accounting principles generally accepted in the United States of America. Annual appropriations lapse at calendar year end.

On or before September 10, the fiscal officer of the School Corporation submits to the School Board a proposed operating budget for the year commencing the following January 1. Prior to adoption, the budget is advertised and public hearings are conducted by the School Board to obtain taxpayer comments. No later than September 20th of each year, the School Board, through the passage of a resolution, adopts the budget for the next year. Copies of the budget resolution and the advertisement for funds for which property taxes are levied are sent to the Indiana Department of Local Government Finance. The budget becomes effective after the School Corporation receives notice from of the Indiana Department of Local Government Finance.

MILL CREEK COMMUNITY SCHOOL CORPORATION  
 NOTES TO FINANCIAL STATEMENTS  
 (Continued)

The School Corporation's management cannot transfer budgeted appropriations between object classifications of a budget without approval of the School Board. The Indiana Department of Local Government Finance must approve any revisions to the appropriations for any fund. The legal level of budgetary control is by object and department within the fund for the General Fund and by object within the fund for all other budgeted funds.

B. Cash and Investment Balance Deficits

At June 30, 2004 and 2005, the following funds reported deficits in cash and investments.

Fund	2004	2005
Computer Consortium Advancements	\$ 4,050	\$ 140,186
Drug Free Schools	1,349	-
Construction	-	709,349

Cash and investment deficits arose primarily from disbursements or expenses exceeding receipts or revenues due to the underestimate of current requirements. These deficits are to be repaid from future revenues.

III. Detailed Notes on All Funds

A. Deposits and Investments

Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Indiana Code 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state funds; and has a principal office or branch that qualifies to receive public funds of the political subdivision. The bank balances were insured by the Federal Deposit Insurance Corporation or the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

B. Capital Assets

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

Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts) are as follows:

	<u>Capitalization Threshold</u>
Land	\$ 2,500
Buildings	2,500
Improvements other than buildings	2,500
Machinery and equipment	2,500
Transportation equipment	2,500

MILL CREEK COMMUNITY SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Capital asset activity for the years ended June 30, 2004 and 2005, follows:

<u>Fiscal Year 2003-2004</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Buildings	\$ 18,565,949	\$ -	\$ -	\$ 18,565,949
Improvements other than buildings	1,143,519	-	-	1,143,519
Machinery and equipment	<u>1,851,424</u>	<u>-</u>	<u>-</u>	<u>1,851,424</u>
Total governmental activities, capital assets not being depreciated	<u>\$ 21,560,892</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,560,892</u>
 <u>Fiscal Year 2004-2005</u>				
Governmental activities:				
Capital assets, not being depreciated:				
Buildings	\$ 18,565,949	\$ -	\$ -	\$ 18,565,949
Improvements other than buildings	1,143,519	-	-	1,143,519
Machinery and equipment	<u>1,851,424</u>	<u>-</u>	<u>-</u>	<u>1,851,424</u>
Total governmental activities, capital assets not being depreciated	<u>\$ 21,560,892</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,560,892</u>

C. Construction Commitments

Construction work in progress is composed of the following:

<u>Project</u>	<u>2004</u>		<u>2005</u>	
	<u>Expended to June 30,</u>	<u>Committed</u>	<u>Expended to June 30,</u>	<u>Committed</u>
Governmental funds:				
Multi-School Building Facility Improvements	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,256,650</u>	<u>\$ 9,176,290</u>

The School Corporation is paying approximately 81% of the total construction costs from common school loan and the Mill Creek Community East Elementary School Building Corporation is paying the balance. All funds for this project have been receipted to and expended from the School Corporation Construction Fund.

D. Capital Leases

The School Corporation has entered into various capital leases for school facilities and equipment. Future minimum lease payments and present values of the net minimum lease payments under these capital leases as of June 30, 2005, follows:

MILL CREEK COMMUNITY SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

	Governmental Activities
2006	\$ 1,584,000
2007	1,587,000
2008	1,587,500
2009	1,588,500
2010	1,589,500
2011-2015	7,942,500
2016-2017	2,587,500
Total minimum lease payments	18,466,500
Less amount representing interest	4,611,500
Present value of net minimum lease payments	\$ 13,855,000

The assets acquired through capital leases still in effect are as follows:

	Governmental Activities
Buildings	\$ 18,625,000

F. Short-Term Liabilities

1. Tax Anticipation Warrants

The School Corporation issues tax anticipation warrants for cash flow purposes in advance of property tax collections and/or state tuition support distributions, depositing the proceeds in the appropriate fund.

2. Other Short-Term Loans

The School Corporation uses short-term loans to finance a variety of public projects, including operating expenditures.

Short-term debt activity for the years ended June 30, 2004 and 2005, was as follows:

	Beginning Balance	Issued/ Draws	Redeemed Repayments	Ending Balance
<u>Fiscal Year 2003-2004</u>				
Tax anticipation warrants	\$ 3,467,526	\$ 1,559,865	\$ 3,642,526	\$ 1,384,865
<u>Fiscal Year 2004-2005</u>				
Tax anticipation warrants	\$ 1,384,865	\$ 666,884	\$ 1,384,865	\$ 666,884

MILL CREEK COMMUNITY SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

G. Long-Term Liabilities

1. General Obligation Bonds

The School Corporation issues general obligation bonds to provide funds to finance retirement /severance liabilities.

General obligation bonds are direct obligations and pledge the full faith and credit of the School Corporation. General obligation bonds currently outstanding at year end are as follows:

Purpose	Interest Rates	Amount
Pension bonds	2.63% to 5.5%	<u>\$ 2,900,000</u>

Annual debt service requirements to maturity for general obligation bonds, for the years ended June 30, are as follows:

	Governmental Activities	
	Principal	Interest
2006	\$ 150,000	\$ 160,677
2007	180,000	127,990
2008	185,000	121,915
2009	190,000	114,832
2010	200,000	106,999
2011-2015	1,155,000	386,799
2016-2017	840,000	81,078
Totals	\$ 2,900,000	\$ 1,100,288

2. Notes and Loans Payable

The School Corporation has entered into various loans. Annual debt service requirements to maturity for the notes loans, are as follows:

	Governmental Activities	
	Principal	Interest
2006	\$ 437,169	\$ 38,070
2007	146,299	22,196
2008	99,878	18,575
2009	70,264	15,367
2010	64,049	12,321
2011-2015	202,421	20,242
Totals	\$ 1,020,080	\$ 126,771

MILL CREEK COMMUNITY SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

3. Changes in Long-Term Debt

Long-term debt activity for the years ended June 30, 2004 and 2005, was as follows:

<u>Fiscal Year 2003-2004</u>	<u>Balance July 1</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30</u>	<u>Due Within One Year</u>
Governmental activities:					
Capital leases	\$ 15,585,000	\$ -	\$ 845,000	\$ 14,740,000	\$ 885,000
Notes and loans payable	<u>1,831,569</u>	<u>92,762</u>	<u>482,071</u>	<u>1,442,260</u>	<u>484,329</u>
Total governmental activities long-term liabilities	<u>\$ 17,416,569</u>	<u>\$ 92,762</u>	<u>\$ 1,327,071</u>	<u>\$ 16,182,260</u>	<u>\$ 1,369,329</u>
 <u>Fiscal Year 2004-2005</u>					
Governmental activities:					
Bonds payable:					
General obligation	\$ -	\$ 2,900,000	\$ -	\$ 2,900,000	\$ 150,000
Capital leases	14,740,000	-	885,000	13,855,000	920,000
Notes and loans payable	<u>1,442,260</u>	<u>62,149</u>	<u>484,329</u>	<u>1,020,080</u>	<u>437,169</u>
Total governmental activities long-term liabilities	<u>\$ 16,182,260</u>	<u>\$ 2,962,149</u>	<u>\$ 1,369,329</u>	<u>\$ 17,775,080</u>	<u>\$ 1,507,169</u>

V. Other Information

A. Risk Management

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

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; and natural disasters are covered by commercial insurance from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance by major category of risk. Risk financing is not utilized for the other risks of loss.

B. Holding Corporation

The School Corporation has entered into a capital lease with Mill Creek Community East Elementary School Building Corporation (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation.

The facilities under the lease are included in the capital assets note of the School Corporation and the corresponding lease obligation has been included in the governmental activities column of the lease note. Lease payments during the years ended June 30, 2004 and 2005, totaled \$1,583,000 and \$1,584,500, respectively.

MILL CREEK COMMUNITY SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

C. Postemployment Benefits

In addition to the pension benefits described below, the School Corporation provides postemployment health insurance benefits, as authorized by Indiana Code 5-10-8, to all employees who retire from the School Corporation on or after attaining age 55 with at least 14 years of service and last 10 years with Mill Creek Community School. Currently, 5 retirees meet these eligibility requirements. The School Corporation provides 100% of these postemployment benefits. Disbursements for those postemployment benefits are recognized on a pay-as-you-go basis. During the year ended June 30, 2005, disbursements of \$23,270 were recognized for postemployment benefits.

D. Pension Plans

1. Agent Multiple-Employer Defined Benefit Pension Plan

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 the 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 member's 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. The 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 plan members for PERF are established by the Board of Trustees of PERF. The School Corporation's annual pension cost and related information, as provided by the actuary, is presented in this note.

MILL CREEK COMMUNITY SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Actuarial Information for the Above Plan

	PERF
Annual required contribution	\$ 62,145
Interest on net pension obligation	(11,695)
Adjustment to annual required contribution	13,327
Annual pension cost	63,777
Contributions made	110,346
Decrease in net pension obligation	(46,569)
Net pension obligation, beginning of year	(161,309)
Net pension obligation, end of year	\$ (207,878)
Contribution rates:	
School Corporation	7%
Plan members	3%
Actuarial valuation date	07-01-04
Actuarial cost method	Entry age
Amortization method	Level percentage of projected payroll, closed
Amortization period	35 years
Amortization period (from date)	07-01-97
Asset valuation method	4 year smoothed market

Actuarial Assumptions

Investment rate of return	7.25%
Projected future salary increases:	
Total	5%
Attributed to inflation	4%
Attributed to merit/seniority	1%
Cost-of-living adjustments	2%

Three Year Trend Information

	Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
PERF	06-30-02	\$ 102,341	130%	\$ (119,097)
	06-30-03	79,741	153%	(161,309)
	06-30-04	63,777	173%	(207,878)

MILL CREEK COMMUNITY SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

2. Cost-Sharing Multiple-Employer Defined Benefit Pension Plan

Teachers' Retirement Fund

Plan Description

The School Corporation contributes to the Indiana Teachers' 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 member's 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:

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

Funding Policy and Annual Pension Costs

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.

The School Corporation is to contribute at an actuarially determined rate. The current rate has been actuarially determined under the entry age normal cost method to be 6.82% of covered wages. The School Corporation's required contributions to the plan for the fiscal years ended June 30, 2005, 2004, and 2003, were \$132,195, \$134,878, and \$158,637, respectively. The School Corporation actually contributed 100% of the required contribution for each of the fiscal years.

MILL CREEK 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)	Excess of Assets Over (Unfunded) AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Excess (Unfunded) AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-02	\$ 1,541,694	\$ 1,662,878	\$ (121,184)	93%	\$ 1,337,278	(9%)
07-01-03	1,593,401	1,494,365	99,036	107%	1,489,019	7%
07-01-04	1,642,813	1,584,099	58,714	104%	1,442,525	4%

MILL CREEK COMMUNITY SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS

RECEIPT ISSUANCE (Applies to all schools)

Receipts were not issued or recorded at the time of the transactions.

Receipts shall be issued and recorded at the time of the transaction; for example, when cash or a check is received, a receipt is to be immediately prepared and given to the person making payment. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

EXTRA-CURRICULAR DISBURSEMENTS (Applies to Cascade Junior High School)

The following items were noted from the information presented for audit:

- (1) Purchase Order and Payment Authorization Vouchers (Form SA-1) were not properly authorized or approved.

The form is to be executed in full and signed by the person authorized to purchase for the particular activity concerned. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 2)

- (2) Detail of Receipts and Expenditures by Fund (Form SA-5-3) were not properly prepared and did not have sufficient itemization of receipts and expenditures.

The Detail of Receipts and Expenditures by Fund (SA 5-3) must be used to prepare a detail of each activity fund reported in Form SA 5-1. A minute detail is not necessary since receipts may be grouped according to their source and nature and expenditures may be grouped according to their purposes. An example would be the athletic fund receipts may be grouped as game receipts, tournament receipts, game contracts, season tickets, tourney tickets, schedules, I.H.S.A.A. distributions, etc. Additionally, expenditures may be grouped as dues, officials, transportation, meals, tourney tickets, medical expense, insurance, repair of equipment, laundry and cleaning, equipment, etc. Do not combine items of either receipts or disbursements to the extent that the report will be incomprehensible. Neither receipts nor expenditures should be combined and listed as miscellaneous items. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 2)

- (3) Some disbursements lacked proper documentation.

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

MILL CREEK COMMUNITY SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS  
(Continued)

EXTRA-CURRICULAR DISBURSEMENTS (Applies to Cascade Senior High School)

The following items were noted from the information presented for audit:

- (1) Some disbursements lacked proper documentation.

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9) (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

- (2) An unapproved substitute for prescribed forms "Purchase Order Accounts Payable Voucher" (Form SA-1) and "Claim for Payment" (Form SA-7) was in use but did not contain all required information and necessary approvals.

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Extra-Curricular Accounts, Chapter 7)

NONUSE OF TICKET SALES FORM SA-4 (Applies to Cascade Junior and Senior High Schools)

We noted several instances where the Form SA-4 was not used. No information was presented for audit to indicate anyone at the School accounted for the revenue generated by admission to some athletic and social events. As a result, full accountability for all money received from admissions could not be determined.

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

Ticket sales conducted by any activity should be accounted for as follows:

The treasurer should be responsible for the proper accounting for all tickets and should keep a record of the number purchased, the number issued for sale, and the number returned. The treasurer should see that proper accounting is made for the cash received from those sold. All tickets shall be prenumbered, with a different ticket color and numerical series for each price group. When cash for ticket sales is deposited with the treasurer, the treasurer's receipt issued therefore should show the number of tickets issued to the seller, the number returned unsold and the balance remitted in cash. All tickets (including free or reduced) must be listed and accounted for on the SA-4 Ticket Sales Form. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 2)

MILL CREEK COMMUNITY SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS  
(Continued)

Serially prenumbered tickets by the printing supplier should be used for all athletic and other extra-curricular activities and events for which admission is charged. Part of the prenumbered ticket should be given to the person paying for the ticket upon admission to the event. The other part of the ticket (which should also be prenumbered, referred to as the stub) should be retained. All tickets (unused tickets and stubs) should be retained for audit. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 2)

Tickets for each price group should be different colors and/or different in their series number. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 2)

EXTRA-CURRICULAR CASH CHANGE FUNDS (Applies to Cascade Junior and Senior High Schools)

Funds advanced for cash change purposes were not returned when a change in the custodian was made or at the end of the school year.

A Cash Change Fund may be established in any school corporation with the approval of the governing body (board of school trustees), where any officer or employee of the corporation is charged with the duty of collecting fees or other cash revenues. When authorized by the governing body, such Cash Change Fund shall be established by a check drawn on the General Fund (or other appropriate fund) of the school corporation in an amount to be determined by the governing body. The check is drawn in favor of the officer or employee who has been designated as custodian of the Cash Change Fund. The custodian shall convert same to cash and be held responsible for the safekeeping of such cash and the proper accounting thereof in the same manner as required for other funds of the school corporation. The governing board shall have authority to increase or decrease such fund and shall require the entire Cash Change Fund to be returned to the General Fund if and when it is no longer needed for the purpose established or when a change is made in the custodian of the fund. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 6)

INVESTMENTS (Applies to Cascade Senior High School)

Investments of the Athletic Department (a certificate of deposit and a savings account) were not in the custody of the Extra-Curricular Treasurer, were not recorded on the Register of Investments (General Form 350) and were not included in reconciliations. Interest earned on investments was automatically added to the principal and not recorded in the records. When the certificate of deposit matured, the proceeds were used along with additional monies from the savings account to purchase a new certificate of deposit at a different bank without depositing the funds and issuing a check.

Interest on investments should not be automatically added into the investment. Instead, interest on investments should be paid to the governmental unit at each maturity date and posted to the appropriate fund. Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

TEXTBOOK RENTAL CHARGES (Applies to Cascade Junior High School)

Textbook rental charges collected for the 2004-2005 school year by Cascade Junior High School averaged approximately 6% less than the amounts approved by the School Board.

MILL CREEK COMMUNITY SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS  
(Continued)

Indiana Code 26-12-2 states in part: "(a) Each governing body may purchase from a contracting publisher, at the net contract price or at a subsequent lower price, any textbook adopted by the State Board of Education and selected by the proper local officials, and may rent these textbooks to students enrolled in any public or nonpublic school which is in compliance with the minimum certification standards of the state board of education and is located within the attendance unit served by the governing body, at an annual rental not to exceed twenty-five percent (25%) of the retail price of the textbook."

EXTRA-CURRICULAR ACCOUNTS UNDEPOSITED COLLECTIONS  
(Applies to Cascade Junior High School)

During the review of the bank reconciliations, an undeposited and unendorsed check in the amount of \$112.00 was discovered. No receipt had been issued.

Indiana Code 26-6-6 states in part: ". . . receipts shall be deposited without unreasonable delay."

Receipts shall be issued and recorded at the time of the transaction; for example, when cash or a check is received, a receipt is to be immediately prepared and given to the person making payment. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

CREDIT CARDS

The Mill Creek Community School Corporation is using credit cards in some instances to purchase items without an approved credit card policy.

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

- (1) The governing board must authorize credit card use through an ordinance or resolution, which has been approved in the minutes.
- (2) Issuance and use should be handled by an official or employee designated by the board.
- (3) The purposes for which the credit card may be used must be specifically stated in the ordinance or resolution.
- (4) When the purpose for which the credit card has been issued has been accomplished, the card should be returned to the custody of the responsible person.
- (5) The designated responsible official or employee should maintain an accounting system or log which would include the names of individuals requesting usage of the cards, their position, estimated amounts to be charged, fund and account numbers to be charged, date the card is issued and returned, etc.
- (6) Credit cards should not be used to bypass the accounting system. One reason that purchase orders are issued is to provide the fiscal officer with the means to encumber and track appropriations to provide the governing board and other officials with timely and accurate accounting information and monitoring of the accounting system.

MILL CREEK COMMUNITY SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS  
(Continued)

- (7) Payment should not be made on the basis of a statement or a credit card slip only. Procedures for payments should be no different than for any other claim. Supporting documents such as paid bills and receipts must be available. Additionally, any interest or penalty incurred due to late filing or furnishing of documentation by an officer or employee should be the responsibility of that officer or employee.
- (8) If properly authorized, an annual fee may be paid.

(Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9) (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

ERRORS ON CLAIMS

The following deficiencies were noted on claims during the audit period:

- (1) Claims were not adequately itemized.
- (2) Claims or invoices did not have evidence to support receipt of goods or services. Indiana Code 5-11-10-1.6 states in part:
  - (b) "As used in this section, "claim" means a bill or an invoice submitted to a governmental entity for goods or services."
  - (c) "The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:
    - (1) there is a fully itemized invoice or bill for the claim;
    - (2) the invoice or bill is approved by the officer or person receiving the goods and services;
    - (3) the invoice or bill is filed with the governmental entity's fiscal officer;
    - (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
    - (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim."

TEXTBOOK RENTAL RECEIPTS (applies to all schools)

Textbook rental receipts were filed in a random manner. Numerical or alphabetical files were not maintained. Most receipts could not be directly traced to a bank deposit.

The original of Form TBR-2 is to be given the payer (student or parent). The duplicate is to be retained by the issuing officer and the triplicate is to remain intact in the book. The duplicate, together with rental fees collected, must be transmitted daily to the treasurer of the extra-curricular account. The treasurer may direct the issuing officer to deposit all fees collected each day and submit an acknowledged, duplicate deposit slip

MILL CREEK COMMUNITY SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS  
(Continued)

with the duplicate copies of Form TBR-2. The treasurer may also require the issuing officer to submit a summary or recap sheet of all fees collected by grade or other designated categories. If this is done, the total of the summary or recap sheet must agree with the amount on the duplicate deposit slip as well as the total of all TBR-2 forms submitted for the day. All duplicates of Form TBR-2 shall be filed alphabetically, by student last names, in the office of the treasurer for audit purposes. A separate TBR-2 should be issued for each payment.

The triplicate copy of Form TBR-2 with book list attached, if any, must be kept in the files of the issuing officer until the close of the semester. When the students return rented textbooks, the issuing officer must check the returned books to the list of those issued as shown on the copy in the files. The student should then remit for all textbooks not returned, or damaged, in accordance with the policy adopted by the school officials. All money received for lost or damaged books together with the triplicate books of Form TBR-2 containing proper notations must then be remitted to the treasurer. The treasurer will file the triplicate copy (complete books). (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 4)

#### TRAVEL CLAIMS

Many of the travel claims were paid without adequate supporting documentation, such as odometer readings. The corporation has a standard list of mileages to frequent destinations, but many claims were paid that differed from this standard list.

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

Individuals requesting reimbursement for driving personal vehicles for extra-curricular purposes should properly complete a Mileage Claim, General Form 101, prior to receiving reimbursement. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 1)

#### OFFICIAL BOND

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

Robert Neier, Treasurer, for the period 09-01-03 to 05-31-04  
Stephanie J. Cummins, Deputy Treasurer, for the period 12-31-03 to 05-22-05  
All Extra-curricular treasurers for the period, 07-01-03 to 06-30-03

No records were presented for audit to verify the existence of these official bonds.

Indiana Code 5-4-1-5.1(b) states in part: "Every elected or appointed officer, official, deputy, or employee of a political subdivision . . . shall file the bond in the office of the county recorder . . ."

#### CAPITAL ASSET RECORDS

Information presented for audit did not indicate that an inventory was taken to verify the validity of the record of capital assets. Inquiry of officials indicated that additions and deletions were not posted to the capital asset records during the audit period.

MILL CREEK COMMUNITY SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS  
(Continued)

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 General Fixed Asset Account Group Form. 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)

MILL CREEK COMMUNITY SCHOOL CORPORATION  
EXIT CONFERENCE

The contents of this report were discussed on March 20, 2006, with Sherida L. Brower, Superintendent; Wesley A. Hammond, Assistant Superintendent/Treasurer; Gary Simpson, Board Member; Stephanie J. Cummins, Deputy Treasurer; and Linda Stinson, Executive Assistant to Superintendent.