

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

AUDIT REPORT

OF

MILL CREEK COMMUNITY SCHOOL CORPORATION

HENDRICKS COUNTY, INDIANA

July 1, 2005 to June 30, 2007



FILED

05/13/2008

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Wesley A. Hammond	07-01-05 to 06-30-08
Superintendent of Schools	Sherida L. Brower	07-01-05 to 06-30-08
President of the School Board	Maralee Edmonson James Bartee Gary Simpson	07-01-05 to 06-30-06 07-01-06 to 06-30-07 07-01-07 to 06-30-08



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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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, 2006 and 2007, which collectively comprise the 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 of America. 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 and investment 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, 2006 and 2007, 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's 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.

INDEPENDENT AUDITOR'S REPORT

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School Corporation's basic financial statements. The Combining Schedules, as listed in the Table of Contents, and Schedule of Long-Term Debt are presented for additional analysis and are not required parts of the basic financial statements. The Combining Schedules, as listed in the Table of Contents, have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Schedule of Long-Term Debt has not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on it.

STATE BOARD OF ACCOUNTS

January 31, 2008

MILL CREEK COMMUNITY SCHOOL CORPORATION
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For the Year Ended June 30, 2006

<u>Functions/Programs</u>	<u>Disbursements</u>	<u>Program Receipts</u>		<u>Totals</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Net (Disbursement) Receipts and Changes in Net Assets</u>
Governmental activities:				
Instruction	\$ 4,432,284	\$ -	\$ 52,451	\$ (4,379,833)
Support services	15,138,308	551,529	158,013	(14,428,766)
Community services	155,343	-	-	(155,343)
Nonprogrammed charges	620,085	-	-	(620,085)
Debt service	<u>2,947,799</u>	<u>-</u>	<u>-</u>	<u>(2,947,799)</u>
 Total governmental activities	 <u>\$ 23,293,819</u>	 <u>\$ 551,529</u>	 <u>\$ 210,464</u>	 <u>(22,531,826)</u>
 General receipts:				
Property taxes				6,443,950
Other local sources				1,349,431
State aid				5,833,024
Bonds and loans				8,397,876
Grants and contributions not restricted to specific programs				692,811
Sale of property, adjustments, and refunds				<u>150,143</u>
 Total general receipts				 <u>22,867,235</u>
 Change in net assets				 335,409
 Net assets - beginning				 <u>2,779,502</u>
 Net assets - ending				 <u>\$ 3,114,911</u>
 <u>Assets</u>				
Cash and investments				\$ 1,974,495
Restricted assets:				
Cash and investments				<u>1,140,416</u>
 Total assets				 <u>\$ 3,114,911</u>
 <u>Net Assets</u>				
Restricted for:				
Debt service				\$ 1,140,416
Unrestricted				<u>1,974,495</u>
 Total net assets				 <u>\$ 3,114,911</u>

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

MILL CREEK COMMUNITY SCHOOL CORPORATION
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For the Year Ended June 30, 2007

<u>Functions/Programs</u>	<u>Disbursements</u>	<u>Program Receipts</u>		<u>Totals</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Net (Disbursement) Receipts and Changes in Net Assets</u>
Governmental activities:				
Instruction	\$ 4,791,071	\$ -	\$ 58,771	\$ (4,732,300)
Support services	8,801,340	535,709	166,954	(8,098,677)
Community services	111,119	-	-	(111,119)
Nonprogrammed charges	461,219	-	-	(461,219)
Debt service	3,073,191	-	-	(3,073,191)
<u>Total governmental activities</u>	<u>\$ 17,237,940</u>	<u>\$ 535,709</u>	<u>\$ 225,725</u>	<u>(16,476,506)</u>
General receipts:				
Property taxes				6,640,677
Other local sources				1,456,517
State aid				6,088,477
Bonds and loans				1,881,821
Grants and contributions not restricted to specific programs				224,604
Sale of property, adjustments, and refunds				57,367
<u>Total general receipts</u>				<u>16,349,463</u>
Change in net assets				(127,043)
Net assets - beginning				<u>3,114,911</u>
Net assets - ending				<u>\$ 2,987,868</u>
<u>Assets</u>				
Cash and investments				\$ 1,774,339
Cash and investments				<u>1,213,529</u>
<u>Total assets</u>				<u>\$ 2,987,868</u>
<u>Net Assets</u>				
Restricted for:				
Debt service				\$ 1,213,529
Unrestricted				<u>1,774,339</u>
<u>Total net assets</u>				<u>\$ 2,987,868</u>

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

MILL CREEK COMMUNITY SCHOOL CORPORATION
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2006

	General	Transportation Operating	School Lunch	Debt Service	Capital Projects	School Bus Replacement	Construction	Other	Totals
Receipts:									
Local sources	\$ 2,870,262	\$ 743,594	\$ 446,438	\$ 2,571,537	\$ 1,107,141	\$ 147,108	\$ -	\$ 455,635	\$ 8,341,715
Intermediate sources	92	24	-	84	1,839	5	-	1,149	3,193
State sources	5,872,430	-	15,770	-	-	-	-	605,078	6,493,278
Federal sources	-	-	139,204	-	-	-	-	103,817	243,021
Bonds and loans	81,078	-	-	-	327,626	-	7,989,172	-	8,397,876
Sale of property, adjustments and refunds	147,496	42	-	-	-	-	215	2,392	150,145
Interfund loans	82,518	-	-	200,000	-	-	-	-	282,518
Total receipts	9,053,876	743,660	601,412	2,771,621	1,436,606	147,113	7,989,387	1,168,071	23,911,746
Disbursements:									
Current:									
Instruction	4,083,314	-	-	-	-	-	-	348,970	4,432,284
Support services	3,860,024	777,394	662,361	-	1,257,454	238,106	7,879,666	463,303	15,138,308
Community services	147,694	-	-	-	-	-	-	7,649	155,343
Nonprogrammed charges	596,306	-	-	-	-	-	-	23,779	620,085
Debt services	324,954	-	-	2,167,409	144,710	-	-	310,726	2,947,799
Interfund loans	-	-	-	282,518	-	-	-	-	282,518
Total disbursements	9,012,292	777,394	662,361	2,449,927	1,402,164	238,106	7,879,666	1,154,427	23,576,337
Excess (deficiency) of receipts over disbursements	41,584	(33,734)	(60,949)	321,694	34,442	(90,993)	109,721	13,644	335,409
Other financing sources (uses):									
Transfers in	-	-	-	-	-	-	-	65,456	65,456
Transfers out	(22,896)	(5,921)	-	(23,722)	(8,564)	(1,512)	-	(2,841)	(65,456)
Total other financing sources (uses)	(22,896)	(5,921)	-	(23,722)	(8,564)	(1,512)	-	62,615	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	18,688	(39,655)	(60,949)	297,972	25,878	(92,505)	109,721	76,259	335,409
Cash and investments - beginning	937,318	429,242	270,815	847,058	588,198	268,929	(709,349)	147,291	2,779,502
Cash and investments - ending	\$ 956,006	\$ 389,587	\$ 209,866	\$ 1,145,030	\$ 614,076	\$ 176,424	\$ (599,628)	\$ 223,550	\$ 3,114,911
Cash and Investment Assets - Ending									
Cash and investments	\$ 956,006	\$ 389,587	\$ 209,866	\$ -	\$ 614,076	\$ 176,424	\$ (599,628)	\$ 228,164	\$ 1,974,495
Restricted assets:									
Cash and investments	-	-	-	1,145,030	-	-	-	(4,614)	1,140,416
Total cash and investment assets - ending	\$ 956,006	\$ 389,587	\$ 209,866	\$ 1,145,030	\$ 614,076	\$ 176,424	\$ (599,628)	\$ 223,550	\$ 3,114,911
Cash and Investment Fund Balance - Ending									
Restricted for:									
Debt service	\$ -	\$ -	\$ -	\$ 1,145,030	\$ -	\$ -	\$ -	\$ (4,614)	\$ 1,140,416
Unrestricted	956,006	389,587	209,866	-	614,076	176,424	(599,628)	228,164	1,974,495
Total cash and investment fund balance - ending	\$ 956,006	\$ 389,587	\$ 209,866	\$ 1,145,030	\$ 614,076	\$ 176,424	\$ (599,628)	\$ 223,550	\$ 3,114,911

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

MILL CREEK COMMUNITY SCHOOL CORPORATION
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2007

	General	Transportation Operating	School Lunch	Debt Service	Capital Projects	School Bus Replacement	Construction	Other	Totals
Receipts:									
Local sources	\$ 3,205,032	\$ 814,292	\$ 425,994	\$ 2,399,537	\$ 1,255,907	\$ 60,139	\$ -	\$ 470,452	\$ 8,631,353
Intermediate sources	50	13	-	40	-	-	-	1,444	1,547
State sources	6,133,992	-	19,209	-	-	-	-	140,835	6,294,036
Federal sources	-	-	146,883	-	-	-	-	97,889	244,772
Bonds and loans	-	-	-	-	-	-	1,881,821	-	1,881,821
Sale of property, adjustments and refunds	55,359	622	-	-	-	-	-	1,387	57,368
Total receipts	9,394,433	814,927	592,086	2,399,577	1,255,907	60,139	1,881,821	712,007	17,110,897
Disbursements:									
Current:									
Instruction	4,576,942	-	-	-	-	-	-	214,129	4,791,071
Support services	4,011,909	826,399	523,598	-	1,527,239	134,277	1,543,559	234,359	8,801,340
Community services	107,511	-	-	-	-	-	-	3,608	111,119
Nonprogrammed charges	433,648	-	-	-	-	-	-	27,571	461,219
Debt services	81,078	-	-	2,359,440	327,626	-	-	305,047	3,073,191
Total disbursements	9,211,088	826,399	523,598	2,359,440	1,854,865	134,277	1,543,559	784,714	17,237,940
Excess (deficiency) of receipts over disbursements	183,345	(11,472)	68,488	40,137	(598,958)	(74,138)	338,262	(72,707)	(127,043)
Other financing sources (uses):									
Transfers in	22,896	5,921	-	23,722	8,564	1,512	-	2,841	65,456
Transfers out	-	-	-	-	-	-	-	(65,456)	(65,456)
Total other financing sources (uses)	22,896	5,921	-	23,722	8,564	1,512	-	(62,615)	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	206,241	(5,551)	68,488	63,859	(590,394)	(72,626)	338,262	(135,322)	(127,043)
Cash and investments - beginning	956,006	389,587	209,866	1,145,030	614,077	176,424	(599,628)	223,550	3,114,911
Cash and investments - ending	\$ 1,162,247	\$ 384,036	\$ 278,354	\$ 1,208,889	\$ 23,683	\$ 103,798	\$ (261,366)	\$ 88,228	\$ 2,987,868
Cash and Investment Assets - Ending									
Cash and investments	\$ 1,162,247	\$ 384,036	\$ 278,354	\$ -	\$ 23,683	\$ 103,798	\$ (261,366)	\$ 83,588	\$ 1,774,339
Restricted assets:									
Cash and investments	-	-	-	1,208,889	-	-	-	4,640	1,213,529
Total cash and investment assets - ending	\$ 1,162,247	\$ 384,036	\$ 278,354	\$ 1,208,889	\$ 23,683	\$ 103,798	\$ (261,366)	\$ 88,228	\$ 2,987,868
Cash and Investment Fund Balance - Ending									
Restricted for:									
Debt service	\$ -	\$ -	\$ -	\$ 1,208,889	\$ -	\$ -	\$ -	\$ 4,640	\$ 1,213,529
Unrestricted	1,162,247	384,036	278,354	-	23,683	103,798	(261,366)	83,588	1,774,339
Total cash and investment fund balance - ending	\$ 1,162,247	\$ 384,036	\$ 278,354	\$ 1,208,889	\$ 23,683	\$ 103,798	\$ (261,366)	\$ 88,228	\$ 2,987,868

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

MILL CREEK COMMUNITY SCHOOL CORPORATION
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
FIDUCIARY FUNDS
For the Year Ended June 30, 2006

	<u>Pension Trust Funds</u>	<u>Private-Purpose Trust Funds</u>	<u>Agency Funds</u>
Additions:			
Contributions:			
Other	\$ -	\$ 13,232	
Deductions:			
Benefits	88,953	-	
Administrative and general	-	10,580	
Total deductions	<u>88,953</u>	<u>10,580</u>	
Excess (deficiency) of total additions over total deductions	(88,953)	2,652	
Cash and investment fund balance - beginning	<u>355,104</u>	<u>6,502</u>	
Cash and investment fund balance - ending	<u>\$ 266,151</u>	<u>\$ 9,154</u>	
Net assets:			
Cash and investments	<u>\$ 266,151</u>	<u>\$ 9,154</u>	<u>\$ 35,744</u>
Total net assets - cash and investment basis held in trust	<u>\$ 266,151</u>	<u>\$ 9,154</u>	<u>\$ 35,744</u>

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

MILL CREEK COMMUNITY SCHOOL CORPORATION
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
FIDUCIARY FUNDS
For the Year Ended June 30, 2007

	Pension Trust Funds	Private-Purpose Trust Funds	Agency Funds
Additions:			
Contributions:			
Other	\$ -	\$ 15,555	
Deductions:			
Benefits	99,708	-	
Administrative and general	-	7,177	
Total deductions	99,708	7,177	
Excess (deficiency) of total additions over total deductions	(99,708)	8,378	
Cash and investment fund balance - beginning	266,150	9,155	
Cash and investment fund balance - ending	\$ 166,442	\$ 17,533	
Net assets:			
Cash and investments	\$ 166,442	\$ 17,533	\$ 55,478
Total net assets - cash and investment basis held in trust	\$ 166,442	\$ 17,533	\$ 55,478

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

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 School Corporation's financial reporting entity is composed of the following:

Primary Government: Mill Creek Community School Corporation

In determining the financial reporting entity, the School Corporation complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*.

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, IN 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, IN 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

The Statements of Activities and Net Assets – Cash and Investment Basis display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, liabilities, fund equity, receipts, and disbursements. 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.

The School Corporation reports the following major governmental funds:

The general fund is the primary operating fund. It accounts for all financial resources of the general government, 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 receipts and disbursements concerning providing meals to students and staff.

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 accounts for receipts and disbursements concerning construction projects for school building construction and/or remodeling.

Additionally, the School Corporation reports the following fund types:

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

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

The private-purpose trust funds report trust arrangements under which principal and income benefit the students through instructional support and support of extra-curricular activities.

C. Measurement Focus and Basis of Accounting

The government-wide, governmental fund and fiduciary fund financial statements are reported using the basis of accounting that demonstrates compliance with the cash and investment 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 and investment 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.

If the School Corporation utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges. Elimination of these charges would distort the direct costs and program receipts reported for the various functions concerned.

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 and Investment Balances

1. Cash and Investments

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

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. All property taxes collected by the County Treasurer and available for distribution were distributed to the School Corporation on or prior to June 30 of the year collected.

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

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 maximums of 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.

4. Capital Assets

Capital assets arising from cash transactions acquired for use in governmental operations are accounted for as capital outlay disbursements of the fund upon acquisition.

5. Long-Term Debt

Long-term debt arising from cash basis transactions of governmental and proprietary funds is not reported as liabilities in the basic financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as disbursements.

6. Equity Classification

Government-Wide Statements

Equity is classified as net assets and displayed in two components:

- a. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or (2) law through constitutional provisions or enabling legislation.
- b. Unrestricted net assets – All other net assets that do not meet the definition of "restricted."

It is the School Corporation's policy to first use restricted net assets prior to the use of unrestricted net assets when a disbursement is incurred for purposes for which both restricted and unrestricted net assets are available.

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

Fund Financial Statements

Governmental fund equity is classified as fund balance. Proprietary fund equity is classified the same as in the government-wide statements.

E. Receipts and Disbursements

1. Program Receipts

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.

2. Operating Receipts and Disbursements

Operating receipts and disbursements for proprietary funds and the similar discretely presented component unit result from providing services and producing and delivering goods and/or services. They also include all receipts and disbursements not related to capital and related financing, noncapital financing, or investing activities.

F. Internal and Interfund Balances and Activities

In the process of aggregating the financial information for the government-wide Statement of Activities and Net Assets – Cash and Investment Basis, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified.

Fund Financial Statements

1. Interfund services – Sales or purchases of goods and services between funds are reported as receipts and disbursements.
2. Interfund reimbursements – Repayments from funds responsible for certain disbursements to the funds that initially paid for them are reported as reimbursements.
3. Interfund transfers – Flow of assets from one fund to another where repayment is not expected is reported as transfers in and out.

Government-Wide Financial Statements

Interfund activity and balances, if any, are eliminated or reclassified in the government-wide financial statements as follows:

Internal activities – Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis except for the net amount of transfers between governmental and business-type activities, which are reported as Transfers – Internal Activities. The effects of interfund services between funds, if any, are not eliminated in the Statement of Activities and Net Assets – Cash and Investment Basis.

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

II. Stewardship, Compliance and Accountability

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. All annual appropriations lapse at calendar year end.

Prior to the first required publication, the fiscal officer of the School Corporation submits to the governing board a proposed operating budget for the year commencing the following July 1. Prior to adoption, the budget is advertised and public hearings are conducted by the governing board to obtain taxpayer comments. In September of each year, the governing board, through the passage of a resolution/ordinance, approves the budget for the next year. Copies of the budget resolution/ordinance and the advertisement for funds for which property taxes are levied or highway use taxes are received are sent to the Indiana Department of Local Government Finance. The budget becomes legally enacted after the fiscal officer of the School Corporation receives approval of the Indiana Department of Local Government Finance.

The School Corporation's management cannot transfer budgeted appropriations between object classifications of a budget without approval of the governing board. The Indiana Department of Local Government Finance must approve any revisions to the appropriations for any fund or any department of the General 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.

III. Detailed Notes on All Funds

A. Deposits and Investments

1. 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.

2. Investments

Authorization for investment activity is stated in Indiana Code 5-13. As of June 30, 2007, the School Corporation had no investments.

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

B. Interfund Transfers

Interfund transfers for the years ended June 30, 2006 and 2007, were as follows:

Transfer From	Transfer To	2006	2007
General Fund	Other governmental funds	\$ 22,896	\$ -
Transportation Operating Fund	Other governmental funds	5,921	-
Debt Service Fund	Other governmental funds	23,722	-
Capital Projects Fund	Other governmental funds	8,564	-
School Bus Replacement Fund	Other governmental funds	1,512	-
Other governmental funds	General Fund	-	22,896
Other governmental funds	Transportation Operating Fund	-	5,921
Other governmental funds	Debt Service Fund	-	23,722
Other governmental funds	Capital Projects Fund	-	8,564
Other governmental funds	School Bus Replacement Fund	-	1,512
Other governmental funds	Other governmental funds	2,841	2,841
Totals		<u>\$ 65,456</u>	<u>\$ 65,456</u>

The School Corporation typically uses transfers for cash flow purposes as provided by various statutory provisions.

IV. 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 Corporations

The School Corporation has entered into a capital lease with Mill Creek 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 lessor has been determined to be a related party of the School Corporation. Lease payments during the years ended June 30, 2006 and 2007, totaled \$1,584,000 and \$1,587,000, respectively.

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

The School Corporation has entered into a capital lease with Mill Creek West 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 lessor has been determined to be a related party of the School Corporation. Lease payments during the years ended June 30, 2006 and 2007, totaled \$104,000 and \$114,000, respectively.

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. Currently, five 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 period July 1, 2005 to June 30, 2007, disbursements of \$34,750 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	\$ 47,554
Interest on net pension obligation	(17,101)
Adjustment to annual required contribution	19,488
Annual pension cost	49,941
Contributions made	95,440
Decrease in net pension obligation	(45,499)
Net pension obligation, beginning of year	(235,874)
Net pension obligation, end of year	\$ (281,373)
Contribution rates:	
School Corporation	6%
Plan members	3%
Actuarial valuation date	07-01-06
Actuarial cost method	Entry age
Amortization method	Level percentage of projected payroll, closed
Amortization period	40 years
Amortization period (from date)	07-01-97
Asset valuation method	75% of expected actuarial value plus 25% of market value

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	06-30-04	\$ 63,777	173%	\$ (207,878)
	06-30-05	66,556	142%	(235,874)
	06-30-06	49,941	191%	(281,373)

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, 2006, and 2007, \$132,195, \$160,806, and \$183,850, 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)
07-01-04	\$ 1,642,813	\$ 1,584,099	\$ 58,714	104%	\$ 1,442,525	4%
07-01-05	1,717,476	1,368,382	349,094	126%	1,539,243	23%
07-01-06	1,293,583	1,456,661	(163,078)	89%	1,551,537	(11%)

MILL CREEK COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2006

	Special Education Preschool	Textbook Rental	Levy Excess	Educational License Plates	Early Intervention Grant	Reading Recovery	Donations, Gifts and Trust
Receipts:							
Local sources	\$ 9,450	\$ 105,091	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	1,144	-	-	-
State sources	42,673	9,932	-	-	3,231	30,759	-
Federal sources	-	-	-	-	-	-	-
Sale of property, adjustments and refunds	-	-	-	-	-	-	2,392
Total receipts	52,123	115,023	-	1,144	3,231	30,759	2,392
Disbursements:							
Current:							
Instruction	72,085	-	-	-	2,293	30,339	-
Support services	14,878	198,745	-	1,476	-	-	-
Community services	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	726
Debt services	-	-	-	-	-	-	-
Total disbursements	86,963	198,745	-	1,476	2,293	30,339	726
Excess (deficiency) of receipts over disbursements	(34,840)	(83,722)	-	(332)	938	420	1,666
Other financing sources (uses):							
Transfers in	-	-	65,456	-	-	-	-
Transfers out	(70)	-	-	-	-	-	-
Total other financing sources (uses)	(70)	-	65,456	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(34,910)	(83,722)	65,456	(332)	938	420	1,666
Cash and investments - beginning	77,795	130,822	-	1,281	1,632	-	1,118
Cash and investments - ending	<u>\$ 42,885</u>	<u>\$ 47,100</u>	<u>\$ 65,456</u>	<u>\$ 949</u>	<u>\$ 2,570</u>	<u>\$ 420</u>	<u>\$ 2,784</u>
<u>Cash and Investment Assets - Ending</u>							
Cash and investments	\$ 42,885	\$ 47,100	\$ 65,456	\$ 949	\$ 2,570	\$ 420	\$ 2,784
Restricted assets:							
Cash and investments	-	-	-	-	-	-	-
Total cash and investment assets - ending	<u>\$ 42,885</u>	<u>\$ 47,100</u>	<u>\$ 65,456</u>	<u>\$ 949</u>	<u>\$ 2,570</u>	<u>\$ 420</u>	<u>\$ 2,784</u>
<u>Cash and Investment Fund Balance - Ending</u>							
Restricted for:							
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	42,885	47,100	65,456	949	2,570	420	2,784
Total cash and investment fund balance - ending	<u>\$ 42,885</u>	<u>\$ 47,100</u>	<u>\$ 65,456</u>	<u>\$ 949</u>	<u>\$ 2,570</u>	<u>\$ 420</u>	<u>\$ 2,784</u>

MILL CREEK COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2006
 (Continued)

	Gifted and Talented	Education Technology	Drug Free Communities	Extra-Curricular Activities	Recreational Activities	Non-English Speaking
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ 30,476	\$ 8,664	\$ -
Intermediate sources	-	-	-	-	-	-
State sources	13,022	374,709	-	-	-	22
Federal sources	-	-	-	-	-	-
Sale of property, adjustments and refunds	-	-	-	-	-	-
Total receipts	13,022	374,709	-	30,476	8,664	22
Disbursements:						
Current:						
Instruction	11,522	-	-	-	-	22
Support services	296	209,897	-	-	2,012	-
Community services	-	-	-	-	7,649	-
Nonprogrammed charges	-	-	-	23,053	-	-
Debt services	-	-	-	-	-	-
Total disbursements	11,818	209,897	-	23,053	9,661	22
Excess (deficiency) of receipts over disbursements	1,204	164,812	-	7,423	(997)	-
Other financing sources (uses):						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	1,204	164,812	-	7,423	(997)	-
Cash and investments - beginning	3,433	(140,186)	324	9,340	4,111	-
Cash and investments - ending	<u>\$ 4,637</u>	<u>\$ 24,626</u>	<u>\$ 324</u>	<u>\$ 16,763</u>	<u>\$ 3,114</u>	<u>\$ -</u>
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	\$ 4,637	\$ 24,626	\$ 324	\$ 16,763	\$ 3,114	\$ -
Restricted assets:						
Cash and investments	-	-	-	-	-	-
Total cash and investment assets - ending	<u>\$ 4,637</u>	<u>\$ 24,626</u>	<u>\$ 324</u>	<u>\$ 16,763</u>	<u>\$ 3,114</u>	<u>\$ -</u>
<u>Cash and Investment Fund Balance - Ending</u>						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	4,637	24,626	324	16,763	3,114	-
Total cash and investment fund balance - ending	<u>\$ 4,637</u>	<u>\$ 24,626</u>	<u>\$ 324</u>	<u>\$ 16,763</u>	<u>\$ 3,114</u>	<u>\$ -</u>

MILL CREEK COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2006
 (Continued)

	1:1 Biology Grant	Title I 2004-2005	Title I 2005-2006	Title I 2006-2007	Title V	Serve America
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-
State sources	-	-	-	-	-	-
Federal sources	-	24,063	-	21,263	-	3,000
Sale of property, adjustments and refunds	-	-	-	-	-	-
Total receipts	-	24,063	-	21,263	-	3,000
Disbursements:						
Current:						
Instruction	-	24,063	-	24,213	-	-
Support services	5,009	-	1,500	242	1,600	490
Community services	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Total disbursements	5,009	24,063	1,500	24,455	1,600	490
Excess (deficiency) of receipts over disbursements	(5,009)	-	(1,500)	(3,192)	(1,600)	2,510
Other financing sources (uses):						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(5,009)	-	(1,500)	(3,192)	(1,600)	2,510
Cash and investments - beginning	21,486	-	-	3,192	650	-
Cash and investments - ending	<u>\$ 16,477</u>	<u>\$ -</u>	<u>\$ (1,500)</u>	<u>\$ -</u>	<u>\$ (950)</u>	<u>\$ 2,510</u>
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	\$ 16,477	\$ -	\$ (1,500)	\$ -	\$ (950)	\$ 2,510
Restricted assets:						
Cash and investments	-	-	-	-	-	-
Total cash and investment assets - ending	<u>\$ 16,477</u>	<u>\$ -</u>	<u>\$ (1,500)</u>	<u>\$ -</u>	<u>\$ (950)</u>	<u>\$ 2,510</u>
<u>Cash and Investment Fund Balance - Ending</u>						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	16,477	-	(1,500)	-	(950)	2,510
Total cash and investment fund balance - ending	<u>\$ 16,477</u>	<u>\$ -</u>	<u>\$ (1,500)</u>	<u>\$ -</u>	<u>\$ (950)</u>	<u>\$ 2,510</u>

MILL CREEK COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2006
 (Continued)

	OldNT Reimbursement	Safe and Drug Free Schools Grant	No Child Left Behind	Enhanced Education Thru Tech	Retirement/ Debt Service	Totals
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ 301,954	\$ 455,635
Intermediate sources	-	-	-	-	5	1,149
State sources	130,730	-	-	-	-	605,078
Federal sources	-	-	50,409	5,082	-	103,817
Sale of property, adjustments and refunds	-	-	-	-	-	2,392
Total receipts	<u>130,730</u>	<u>-</u>	<u>50,409</u>	<u>5,082</u>	<u>301,959</u>	<u>1,168,071</u>
Disbursements:						
Current:						
Instruction	130,474	3,200	50,759	-	-	348,970
Support services	18,606	1,376	2,094	5,082	-	463,303
Community services	-	-	-	-	-	7,649
Nonprogrammed charges	-	-	-	-	-	23,779
Debt services	-	-	-	-	310,726	310,726
Total disbursements	<u>149,080</u>	<u>4,576</u>	<u>52,853</u>	<u>5,082</u>	<u>310,726</u>	<u>1,154,427</u>
Excess (deficiency) of receipts over disbursements	<u>(18,350)</u>	<u>(4,576)</u>	<u>(2,444)</u>	<u>-</u>	<u>(8,767)</u>	<u>13,644</u>
Other financing sources (uses):						
Transfers in	-	-	-	-	-	65,456
Transfers out	-	-	-	-	(2,771)	(2,841)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,771)</u>	<u>62,615</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(18,350)</u>	<u>(4,576)</u>	<u>(2,444)</u>	<u>-</u>	<u>(11,538)</u>	<u>76,259</u>
Cash and investments - beginning	<u>18,349</u>	<u>4,576</u>	<u>2,444</u>	<u>-</u>	<u>6,924</u>	<u>147,291</u>
Cash and investments - ending	<u>\$ (1)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (4,614)</u>	<u>\$ 223,550</u>
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	\$ (1)	\$ -	\$ -	\$ -	\$ -	\$ 228,164
Restricted assets:						
Cash and investments	-	-	-	-	(4,614)	(4,614)
Total cash and investment assets - ending	<u>\$ (1)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (4,614)</u>	<u>\$ 223,550</u>
<u>Cash and Investment Fund Balance - Ending</u>						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ (4,614)	\$ (4,614)
Unrestricted	(1)	-	-	-	-	228,164
Total cash and investment fund balance - ending	<u>\$ (1)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (4,614)</u>	<u>\$ 223,550</u>

MILL CREEK COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2007

	Special Education Preschool	Textbook Rental	Levy Excess	Educational License Plates	Early Intervention Grant	Reading Recovery
Receipts:						
Local sources	\$ 13,153	\$ 109,715	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	1,444	-	-
State sources	40,878	11,299	-	-	-	63,964
Federal sources	-	-	-	-	-	-
Sale of property, adjustments and refunds	-	-	-	-	-	-
Total receipts	54,031	121,014	-	1,444	-	63,964
Disbursements:						
Current:						
Instruction	69,796	-	-	-	2,169	56,419
Support services	13,711	126,377	-	1,275	251	7,613
Community services	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Total disbursements	83,507	126,377	-	1,275	2,420	64,032
Excess (deficiency) of receipts over disbursements	(29,476)	(5,363)	-	169	(2,420)	(68)
Other financing sources (uses):						
Transfers in	70	-	-	-	-	-
Transfers out	-	-	(65,456)	-	-	-
Total other financing sources (uses)	70	-	(65,456)	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(29,406)	(5,363)	(65,456)	169	(2,420)	(68)
Cash and investments - beginning	42,885	47,100	65,456	949	2,570	420
Cash and investments - ending	<u>\$ 13,479</u>	<u>\$ 41,737</u>	<u>\$ -</u>	<u>\$ 1,118</u>	<u>\$ 150</u>	<u>\$ 352</u>
Cash and Investment Assets - Ending						
Cash and investments	\$ 13,479	\$ 41,737	\$ -	\$ 1,118	\$ 150	\$ 352
Restricted assets:						
Cash and investments	-	-	-	-	-	-
Total cash and investment assets - ending	<u>\$ 13,479</u>	<u>\$ 41,737</u>	<u>\$ -</u>	<u>\$ 1,118</u>	<u>\$ 150</u>	<u>\$ 352</u>
Cash and Investment Fund Balance - Ending						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	13,479	41,737	-	1,118	150	352
Total cash and investment fund balance - ending	<u>\$ 13,479</u>	<u>\$ 41,737</u>	<u>\$ -</u>	<u>\$ 1,118</u>	<u>\$ 150</u>	<u>\$ 352</u>

MILL CREEK COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2007
 (Continued)

	Donations, Gifts and Trust	Gifted and Talented	Education Technology	Drug Free Communities	Extra-Curricular Activities	Recreational Activities
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ 29,744	\$ 6,310
Intermediate sources	-	-	-	-	-	-
State sources	-	13,022	8,237	-	-	-
Federal sources	-	-	-	-	-	-
Sale of property, adjustments and refunds	1,387	-	-	-	-	-
Total receipts	1,387	13,022	8,237	-	29,744	6,310
Disbursements:						
Current:						
Instruction	-	7,397	-	-	-	-
Support services	-	292	66,830	-	-	-
Community services	-	-	-	-	-	3,363
Nonprogrammed charges	-	-	-	-	27,571	-
Debt services	-	-	-	-	-	-
Total disbursements	-	7,689	66,830	-	27,571	3,363
Excess (deficiency) of receipts over disbursements	1,387	5,333	(58,593)	-	2,173	2,947
Other financing sources (uses):						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	1,387	5,333	(58,593)	-	2,173	2,947
Cash and investments - beginning	2,784	4,637	24,626	324	16,763	3,114
Cash and investments - ending	<u>\$ 4,171</u>	<u>\$ 9,970</u>	<u>\$ (33,967)</u>	<u>\$ 324</u>	<u>\$ 18,936</u>	<u>\$ 6,061</u>
Cash and Investment Assets - Ending						
Cash and investments	\$ 4,171	\$ 9,970	\$ (33,967)	\$ 324	\$ 18,936	\$ 6,061
Restricted assets:						
Cash and investments	-	-	-	-	-	-
Total cash and investment assets - ending	<u>\$ 4,171</u>	<u>\$ 9,970</u>	<u>\$ (33,967)</u>	<u>\$ 324</u>	<u>\$ 18,936</u>	<u>\$ 6,061</u>
Cash and Investment Fund Balance - Ending						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	4,171	9,970	(33,967)	324	18,936	6,061
Total cash and investment fund balance - ending	<u>\$ 4,171</u>	<u>\$ 9,970</u>	<u>\$ (33,967)</u>	<u>\$ 324</u>	<u>\$ 18,936</u>	<u>\$ 6,061</u>

MILL CREEK COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2007
 (Continued)

	Non-English Speaking	Tech. Plan Buddy	1:1 Biology Grant	Title I 2005-2006	Title I 2006-2007	Title V
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-
State sources	235	3,200	-	-	-	-
Federal sources	-	-	-	-	71,586	679
Sale of property, adjustments and refunds	-	-	-	-	-	-
Total receipts	235	3,200	-	-	71,586	679
Disbursements:						
Current:						
Instruction	-	-	-	-	69,291	-
Support services	-	-	1,500	-	11,648	-
Community services	-	-	-	-	245	-
Nonprogrammed charges	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Total disbursements	-	-	1,500	-	81,184	-
Excess (deficiency) of receipts over disbursements	235	3,200	(1,500)	-	(9,598)	679
Other financing sources (uses):						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	235	3,200	(1,500)	-	(9,598)	679
Cash and investments - beginning	-	-	16,477	(1,500)	-	(950)
Cash and investments - ending	<u>\$ 235</u>	<u>\$ 3,200</u>	<u>\$ 14,977</u>	<u>\$ (1,500)</u>	<u>\$ (9,598)</u>	<u>\$ (271)</u>
Cash and Investment Assets - Ending						
Cash and investments	\$ 235	\$ 3,200	\$ 14,977	\$ (1,500)	\$ (9,598)	\$ (271)
Restricted assets:						
Cash and investments	-	-	-	-	-	-
Total cash and investment assets - ending	<u>\$ 235</u>	<u>\$ 3,200</u>	<u>\$ 14,977</u>	<u>\$ (1,500)</u>	<u>\$ (9,598)</u>	<u>\$ (271)</u>
Cash and Investment Fund Balance - Ending						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	235	3,200	14,977	(1,500)	(9,598)	(271)
Total cash and investment fund balance - ending	<u>\$ 235</u>	<u>\$ 3,200</u>	<u>\$ 14,977</u>	<u>\$ (1,500)</u>	<u>\$ (9,598)</u>	<u>\$ (271)</u>

MILL CREEK COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2007
 (Continued)

	Serve America	OldNT Reimbursement	Safe and Drug Free Schools Grant	No Child Left Behind	Retirement/ Debt Service	Totals
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ 311,530	\$ 470,452
Intermediate sources	-	-	-	-	-	1,444
State sources	-	-	-	-	-	140,835
Federal sources	-	-	3,983	21,641	-	97,889
Sale of property, adjustments and refunds	-	-	-	-	-	1,387
Total receipts	-	-	3,983	21,641	311,530	712,007
Disbursements:						
Current:						
Instruction	-	5,857	3,200	-	-	214,129
Support services	294	3,056	1,512	-	-	234,359
Community services	-	-	-	-	-	3,608
Nonprogrammed charges	-	-	-	-	-	27,571
Debt services	-	-	-	-	305,047	305,047
Total disbursements	294	8,913	4,712	-	305,047	784,714
Excess (deficiency) of receipts over disbursements	(294)	(8,913)	(729)	21,641	6,483	(72,707)
Other financing sources (uses):						
Transfers in	-	-	-	-	2,771	2,841
Transfers out	-	-	-	-	-	(65,456)
Total other financing sources (uses)	-	-	-	-	2,771	(62,615)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(294)	(8,913)	(729)	21,641	9,254	(135,322)
Cash and investments - beginning	2,510	(1)	-	-	(4,614)	223,550
Cash and investments - ending	<u>\$ 2,216</u>	<u>\$ (8,914)</u>	<u>\$ (729)</u>	<u>\$ 21,641</u>	<u>\$ 4,640</u>	<u>\$ 88,228</u>
Cash and Investment Assets - Ending						
Cash and investments	\$ 2,216	\$ (8,914)	\$ (729)	\$ 21,641	\$ -	\$ 83,588
Restricted assets:						
Cash and investments	-	-	-	-	4,640	4,640
Total cash and investment assets - ending	<u>\$ 2,216</u>	<u>\$ (8,914)</u>	<u>\$ (729)</u>	<u>\$ 21,641</u>	<u>\$ 4,640</u>	<u>\$ 88,228</u>
Cash and Investment Fund Balance - Ending						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ 4,640	\$ 4,640
Unrestricted	2,216	(8,914)	(729)	21,641	-	83,588
Total cash and investment fund balance - ending	<u>\$ 2,216</u>	<u>\$ (8,914)</u>	<u>\$ (729)</u>	<u>\$ 21,641</u>	<u>\$ 4,640</u>	<u>\$ 88,228</u>

MILL CREEK COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 PRIVATE-PURPOSE TRUST FUNDS
 For the Year Ended June 30, 2006

	Instructional Support	Extra-Curricular Activities	Miscellaneous Programs	Totals
Additions:				
Contributions:				
Other	\$ 5,287	\$ 7,945	\$ -	\$ 13,232
Deductions:				
Administrative and general	1,000	8,332	1,248	10,580
Excess (deficiency) of total additions over total deductions	4,287	(387)	(1,248)	2,652
Cash and investment fund balance - beginning	1,050	4,204	1,248	6,502
Cash and investments - June 30	<u>\$ 5,337</u>	<u>\$ 3,817</u>	<u>\$ -</u>	<u>\$ 9,154</u>
Net assets:				
Cash and investments	\$ 5,337	\$ 3,817	\$ -	\$ 9,154
Total net assets - cash and investment basis held in trust	<u>\$ 5,337</u>	<u>\$ 3,817</u>	<u>\$ -</u>	<u>\$ 9,154</u>

MILL CREEK COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 PRIVATE-PURPOSE TRUST FUNDS
 For the Year Ended June 30, 2007

	<u>Instructional Support</u>	<u>Extra-Curricular Activities</u>	<u>Totals</u>
Additions:			
Contributions:			
Other	\$ 8,425	\$ 7,130	\$ 15,555
Deductions:			
Administrative and general	4,827	2,350	7,177
Excess of total additions over total deductions	3,598	4,780	8,378
Cash and investment fund balance - beginning	5,337	3,818	9,155
Cash and investments - June 30	<u>\$ 8,935</u>	<u>\$ 8,598</u>	<u>\$ 17,533</u>
Net assets:			
Cash and investments	\$ 8,935	\$ 8,598	\$ 17,533
Total net assets - cash and investment basis held in trust	<u>\$ 8,935</u>	<u>\$ 8,598</u>	<u>\$ 17,533</u>

MILL CREEK COMMUNITY SCHOOL CORPORATION
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 For the Year Ended June 30, 2007

The School Corporation has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental Activities:		
Capital leases:		
Various holding corporations for building construction	\$ 14,395,000	\$ 1,701,500
Notes and loans payable		
Common school loans:		
Technology improvements and building construction	11,273,478	658,243
Bonds payable:		
General obligation bonds:		
Pension debt	<u>2,570,000</u>	<u>306,915</u>
Total governmental activities debt	<u>\$ 28,238,478</u>	<u>\$ 2,666,658</u>

MILL CREEK COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS

CERTIFICATION OF AVERAGE DAILY MEMBERSHIP (ADM)

The building level officials did not provide a signed certification of ADM.

Officials shall maintain records (enrollment cards, rosters, reporting forms, etc.) which substantiate the number of students claimed for ADM. The building level official (Principal, Assistant Principal, etc.) is responsible for reporting ADM to the School Corporation Central Office, should provide a written certification of ADM to properly document responsibility. The certification should at a minimum include a statement detailing the names and location of the records used (these records must be retained for public inspection and audit) to substantiate ADM claimed. (Accounting and Compliance Guidelines Manuals for Indiana Public School Corporation, Chapter 8)

CASH CHANGE FUNDS (Applies to Middle School and East Elementary ECA accounts)

The extra-curricular accounts maintain cash change funds for athletic events, bookstore receipts and/or a general cash change fund for extra-curricular activity. The cash change funds have not been established by the School Board. The cash change funds are not returned to the extra-curricular general fund, or other appropriate fund, 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 [IC 36-1-8-2]. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 6)

APPROVAL OF FORMS (Applies to All ECA Accounts)

The ECA funds at all schools were using a substitute claim form which had not been approved for use in lieu of prescribed claim form SA-1 or SA-7.

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)

ECA DEPOSITS (Applies to High School)

Receipts for moneys collected for high school athletic events were not always deposited within a reasonable time. Receipts, in some instances, were held for periods in excess of 29 days before depositing.

Indiana Code 20-41-1-9 states in part: ". . . receipts shall be deposited without unreasonable delay."

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

OFFICIAL BOND

The amounts of the official bond for extra-curricular treasurers, director of child nutrition, cafeteria cash handlers and other employees designated in a blanket bond were not the amounts approved by the School Board. The blanket bond was filed in the office of the County Recorder.

The treasurer of each extra-curricular account shall provide a faithful performance of duty bond for one year, the term of the office. The amount of the bond shall be fixed and approved by the school superintendent and principal approximating the total amount of anticipated funds which will come into the hands of the treasurer at any one time during the regular school year, IC 20-26-6-5 . . . Whenever deemed necessary to bond any other employee of a school corporation, the governing body may bond or cause to be bonded such employee or employees by either individual or blanket bonds conditioned upon faithful performance of duties, and in amounts and with surety approved by the school board. We recommended bond coverage for any employee handling funds. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 8)

CONDITION OF RECORDS

Bank reconcilements were performed but differences between bank balances and the School Corporation's accounting records were not always identified and/or corrected in a timely manner. The accounting errors identified during the course of the bank reconciliation and recorded in the accounting records subsequent to that date totaled \$8,803.61 in the aggregate, as of June 30, 2007.

Additionally, the June 30, 2007, bank reconciliation prepared by the School Corporation disclosed an unidentified difference between the reconciled bank balances and the June 30, 2007, record balances in the amount of \$1,618.21.

Indiana Code 5-13-6-1(e) states in part: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

All financial transactions pertaining to the governmental unit should be recorded in the records of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

PUBLIC RECORDS RETENTION

Checks 17100, 17135, and 17339 were voided and the original checks were not retained and presented for audit.

Indiana Code 5-15-6-3(f) concerning destruction of public records, states in part: "Original records may be disposed of only with the approval of the commission according to guidelines established by the commission."

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

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)

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.

A similar comment appeared in prior Report B27609.

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 Assets 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)

MILL CREEK COMMUNITY SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on January 31, 2008, with Sherida L. Brower, Superintendent of Schools; Wesley A. Hammond, Assistant Superintendent/Treasurer; Gary A. Simpson, President of the School Board; Stephanie J. Cummins, Deputy Treasurer; and Linda Stinson, Executive Assistant to the Superintendent. The officials concurred with our audit findings.