

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

EXAMINATION REPORT

OF

MILL CREEK COMMUNITY SCHOOL CORPORATION

HENDRICKS COUNTY, INDIANA

July 1, 2007 to June 30, 2009



**FILED**

05/21/2010



## TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Officials .....	2
Independent Accountant's Report.....	3
Schedules of Receipts, Disbursements, and Cash and Investment Balances .....	4-5
Notes to Schedules .....	6-10
Supplementary Information:	
Schedule of Capital Assets.....	11
Schedule of Long-Term Debt .....	12
Examination Results and Comments:	
Approval of Forms .....	13
Condition of Records .....	13-14
Overdrawn Fund Balances .....	14
Exit Conference.....	15
Official Response .....	16

OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Wesley Hammond	10-13-04 to 06-30-10
Superintendent of Schools	Sherida L. Brower Patrick Spray	07-01-03 to 06-30-08 07-01-09 to 06-30-10
President of the School Board	Gary Simpson	07-01-07 to 06-30-10



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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

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

INDEPENDENT ACCOUNTANT'S REPORT

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

We have examined the financial information presented herein of the Mill Creek Community School Corporation (School Corporation), for the period of July 1, 2007 to June 30, 2009. The School Corporation's management is responsible for the financial information presented herein. Our responsibility is to express an opinion based on our examination.

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

In our opinion, the financial information referred to above presents fairly, in all material respects, the financial information of the School Corporation for the years ended June 30, 2008 and 2009, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

The Schedule of Capital Assets and Schedule of Long-Term Debt, as listed in the Table of Contents, are presented for additional analysis and are not a required part of the basic financial information. They have not been subjected to the examination procedures applied to the basic financial information and, accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

February 17, 2010

MILL CREEK COMMUNITY SCHOOL CORPORATION  
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES  
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES  
As Of And For The Years Ended June 30, 2008 And 2009

	Cash and Investments 07-01-07	Receipts	Disbursements	Cash and Investments 06-30-08
Governmental Funds:				
Major Funds:				
General	\$ 1,162,247	\$ 10,319,314	\$ 10,142,836	\$ 1,338,725
Debt Service	1,208,890	2,656,669	3,202,660	662,899
Capital Projects	23,682	1,653,023	1,403,319	273,386
Transportation Operating	383,758	797,391	862,944	318,205
Construction	(261,366)	270,905	9,380	158
School Lunch	278,216	628,575	568,641	338,150
Nonmajor Funds:				
Retirement Bond Debt Service	4,642	361,702	308,508	57,836
Bus Replacement	103,798	-	146,316	(42,518)
Special Education Preschool	13,478	74,572	99,651	(11,600)
Textbook Rental	41,737	118,244	139,257	20,725
Education License Plates	1,118	525	1,302	341
SAFE School Haven	-	151	-	151
Early Intervention Program	151	17,598	17,749	-
Reading Recovery	352	-	352	-
Donations, Gifts and Trusts	4,171	-	4,171	-
Miscellaneous Programs	-	925	118	807
Gifted and Talented	9,969	-	9,969	-
Education Technology/Second Grade Laptops	(33,967)	184,506	150,539	-
Drug Free Communities	324	-	-	324
High School Student Fees	18,936	-	18,936	-
Recreational Activities	6,060	4,965	6,060	4,965
Non-English Speaking Programs	235	1,063	-	1,298
Tech Plan Buddy	3,200	-	3,200	-
Miscellaneous Programs	-	-	308	(308)
Western Crossroads HS Consortium	-	50,000	16,438	33,562
1:1 Biology Project	14,977	-	-	14,977
Title I Grant	-	71,799	71,799	-
Title I 05-06	(1,500)	1,500	-	-
Title I 06-07	(9,598)	78,529	68,932	-
Title V Grant	(271)	3,732	3,395	66
Serve America	2,216	-	-	2,216
ONT Reimbursement	(8,912)	-	(8,912)	-
Drug Free Schools	-	3,502	3,502	-
Safe and Drug Free Schools Grant	(729)	1,721	1,706	(714)
Title II Part A No Child Left Behind	21,641	66,627	86,515	1,753
Pension Trust Fund:				
Retirement Bond	166,443	-	98,594	67,849
Private-Purpose Trust Funds:				
Instructional Support	8,935	3,020	5,750	6,205
Extra-Curricular Activities	8,598	10,310	16,310	2,598
Fiduciary Fund:				
Agency Funds	55,478	2,224,164	2,234,923	44,719
Totals	<u>\$ 3,226,907</u>	<u>\$ 19,605,033</u>	<u>\$ 19,695,166</u>	<u>\$ 3,136,774</u>

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

MILL CREEK COMMUNITY SCHOOL CORPORATION  
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES  
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES  
As Of And For The Years Ended June 30, 2008 And 2009  
(Continued)

	Cash and Investments 07-01-08	Receipts	Disbursements	Cash and Investments 06-30-09
Governmental Funds:				
Major Funds:				
General	\$ 1,338,725	\$ 10,050,869	\$ 11,212,647	\$ 176,947
Debt Service	662,899	1,835,006	2,391,461	106,444
Capital Projects	273,386	1,717,604	1,921,911	69,079
Transportation Operating	318,205	1,041,970	1,045,689	314,486
Construction	158	800,000	68,525	731,633
School Lunch	338,150	599,532	506,916	430,766
Fiscal Stabilization/Stimulus		780,046	-	780,046
Nonmajor Funds:				
Retirement Bond Debt Service	57,836	383,083	438,453	2,466
Bus Replacement	(42,518)	166,348	-	123,830
Special Education Preschool	(11,600)	50,145	51,060	(12,515)
Textbook Rental	20,725	111,530	181,884	(49,629)
Education License Plates	341	712	285	768
SAFE School Haven	151	2,450	2,601	-
Early Intervention Program	-	47,410	47,410	-
Miscellaneous Programs	807	1,776	1,013	1,570
Economic Ed Mini Grant	-	940	940	-
Education Technology/Second Grade Laptops	-	31,680	29,250	2,430
Drug Free Communities	324	-	324	-
Recreational Activities	4,965	4,065	7,418	1,612
Non-English Speaking Programs	1,298	1,798	-	3,096
Miscellaneous Programs	(308)	31,680	31,372	-
Western Crossroads HS Consortium	33,562	-	14,910	18,652
1:1 Biology Project	14,977	-	-	14,977
Title I Grant	-	119,709	115,791	3,918
Title V Grant	66	-	45	21
Serve America	2,216	-	2,216	-
Drug Free Schools	-	3,468	4,560	(1,092)
Safe and Drug Free Schools Grant	(714)	714	-	-
Title II Part A No Child Left Behind	1,753	43,722	-	45,475
Pension Trust Fund:				
Retirement Bond	67,849	-	40,071	27,778
Private-Purpose Trust Funds:				
Instructional Support	6,205	2,796	6,313	2,688
Extra-Curricular Activities	2,598	2,184	326	4,455
Fiduciary Fund:				
Agency Funds	44,719	2,789,653	2,818,789	15,583
Totals	<u>\$ 3,136,774</u>	<u>\$ 20,620,890</u>	<u>\$ 20,942,180</u>	<u>\$ 2,815,484</u>

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

MILL CREEK COMMUNITY SCHOOL CORPORATION  
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

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

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

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.

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 Avon Community School Corporation 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.

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).

Note 2. Fund Accounting

A. 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 receipts, disbursements and balances. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds.

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

The Form 9 semiannual reports submitted by the School Corporation to the Indiana Department of Education did not accurately reflect the financial activity of the School Corporation. As a result, the Statement of Activities and the Statements of Receipts, Disbursements and Fund Balances for individual funds normally presented in the financial statements of school corporations could not be prepared or presented in these financial statements. While the abbreviated Schedules of Receipts, Disbursements and Cash Balances presented in the basic financial statements reflect the aggregate amounts for the individual funds, detailed amounts for receipts and disbursements are not presented.

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

The construction fund is used to account for financial resources used for construction and renovation of various school facilities.

The school lunch fund is used to account for financial resources used to provide nutritious meals to school students.

The fiscal stabilization - education fund is used to account for federal stimulus monies received to supplement general activities of the school corporation.

Additionally, the School Corporation reports the following fund types:

The pension trust funds account for the activities of the pension trust fund which accumulate resources for pension benefit payments.

The private-purpose trust fund reports a trust arrangement under which principal and income benefit the students of the School Corporation.

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

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

B. Measurement Focus and Basis of Accounting

The 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 financial statements for governmental funds would use the modified accrual basis of accounting. All financials would be presented on the accrual basis of accounting.

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.

Note 3. Budgets

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

Note 4. Property Taxes

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

Note 5. Deposits and Investments

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

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

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.

Note 6. 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 this defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the PERF Board, most requirements of the system, and give the School Corporation authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

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

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

Funding Policy and Annual Pension Cost

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

Teacher's Retirement Fund

Plan Description

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

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

account consists of members' contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The School Corporation may elect to make the contributions on behalf of the member.

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

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

Funding Policy and Annual Pension Cost

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

MILL CREEK COMMUNITY SCHOOL CORPORATION  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF CAPITAL ASSETS  
 For The Year Ended June 30, 2009

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

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Buildings	\$ 28,797,705
Improvements other than buildings	959,920
Machinery and equipment	<u>2,121,077</u>
Total governmental activities, capital assets not being depreciated	<u>\$ 31,878,702</u>

MILL CREEK COMMUNITY SCHOOL CORPORATION  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF LONG-TERM DEBT  
 June 30, 2009

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	\$ 12,245,000	\$ 1,748,000
Notes and loans payable:		
Common school loans:		
Technology improvements and building construction	10,931,132	603,051
Bonds payable:		
General obligation bonds:		
Pension debt	<u>2,095,000</u>	<u>307,749</u>
Total governmental activities debt	<u>\$ 25,271,132</u>	<u>\$ 2,658,800</u>

MILL CREEK COMMUNITY SCHOOL CORPORATION  
EXAMINATION RESULTS AND COMMENTS

APPROVAL OF FORMS

Mill Creek School Corporation was using the following computer generated forms which have not been approved for use by the State Board of Accounts:

TBR Form 2

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 Indiana Public School Corporations, Chapter 9)

CONDITION OF RECORDS

The following deficiencies relating to the recordkeeping were noted.

The School Corporation switched accounting systems in March of 2007. The School Corporation used both the new system and the old system until June 30, 2007. The beginning balances that were entered into the new system were not the correct amounts. Therefore, the fund balances in the system are not correct. There were also a considerable number of posting errors. These errors included amounts not recorded to the proper fund or category and fund balances not properly carried from one accounting period to the next. Additionally, record balances were not reconciled to depository balances during the period examined.

The Biannual (Form 9) Financial Reports submitted by the School Corporation to the Indiana Department of Education did not accurately reflect the financial activity of the School Corporation. As a result, the Statement of Activities and the Statements of Receipts, Disbursements and Fund Balances for individual funds normally presented in the financial statements of school corporations could not be prepared or presented in these financial statements. While the abbreviated Schedules of Receipts, Disbursements and Cash Balances presented in the basic financial statements reflect the aggregate amounts for the individual funds, detailed amounts for receipts and disbursements are not presented.

IC 5-13-6-1(e) states: "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."

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

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 Indiana Public School Corporations, Chapter 9)

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)

OVERDRAWN FUND BALANCES

The balances of the following funds were overdrawn as of June 30 for the years indicated.

<u>Fund</u>	<u>2008</u>	<u>2009</u>
Bus Replacement	\$ 42,518	\$ -
Pre-Sch Spec Ed	11,600	12,515
Textbook Rental	-	49,629
Miscellaneous Programs	308	-
Safe and Drug Free School Grant	714	-
Drug Free Schools	-	1,092

The balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance 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 3, 2010, with Patrick Spray, Superintendent of Schools; Wesley Hammond, Treasurer; and Gary Simpson, President of the School Board. The official response has been made a part of this report and may be found on page 17.



To: SBOA  
From: Wesley A. Hammond, Assistant Superintendent/Treasurer  
Date: March 15, 2010  
Re: Response to Audit Comments

Below is a response we would like included as a part of the final audit report for the Mill Creek Community School Corporation Audit for the Period July 1, 2007 through June 30, 2009.

Mill Creek Community School Corporation  
Response to Audit Comments July 1, 2007, through June 30, 2009

The Mill Creek Community School Corporation is in agreement with the findings of the State Board of Accounts audit of the school corporation's financial records for the period July 1, 2007 through June 30, 2009.

The computer generated TBR Form 2 that had not been approved for use by the State Board of Accounts will be submitted for approval.

Fund balances in the general ledger have been identified for the audit period and will be corrected and carried forward from the end of the audit period. Bank reconciliation is currently being maintained monthly, from June 30, 2009, forward.

Fund balances overdrawn as of June 30, 2008, and June 30, 2009, have been corrected bringing all overdrawn fund balances, except for the Textbook Rental Fund, into balance. Currently, steps are being taken to increase revenue and to bring this fund back into balance as well.