

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

FINANCIAL STATEMENT AND  
FEDERAL SINGLE AUDIT REPORT  
OF

MILL CREEK COMMUNITY SCHOOL CORPORATION  
HENDRICKS COUNTY, INDIANA

July 1, 2011 to June 30, 2013



**FILED**  
03/14/2014



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Lori L. Bennett	07-01-11 to 06-30-14
Superintendent of Schools	Dr. Patrick A. Spray Dr. Jill E. Jay	07-01-11 to 06-30-13 07-01-13 to 06-30-14
President of the School Board	Maralee H. Edmondson Charlie W. Morris Dr. Margaret D. Weatherman	07-01-11 to 06-30-12 07-01-12 to 12-31-13 01-01-14 to 12-31-14



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INDEPENDENT AUDITOR'S REPORT

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

***Report on the Financial Statement***

We have audited the accompanying financial statement of the Mill Creek Community School Corporation (School Corporation), which comprises the financial position and results of operations for the period of July 1, 2011 to June 30, 2013, and the related notes to the financial statement.

***Management's Responsibility for the Financial Statement***

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the financial reporting provisions of the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6). Management is responsible for and has determined that the regulatory basis of accounting, as established by the Indiana State Board of Accounts, is an acceptable basis of presentation. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the School Corporation's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School Corporation's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT  
(Continued)

***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As discussed in Note 1 of the financial statement, the School Corporation prepares its financial statement on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6), which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position and results of operations of the School Corporation for the period of July 1, 2011 to June 30, 2013.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position and results of operations of the School Corporation for the period of July 1, 2011 to June 30, 2013, in accordance with the financial reporting provisions of the Indiana State Board of Accounts described in Note 1.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued a report dated February 10, 2014, on our consideration of the School Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School Corporation's internal control over financial reporting and compliance.

***Accompanying Information***

*Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the School Corporation's financial statement. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the *U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statement taken as a whole.

INDEPENDENT AUDITOR'S REPORT  
(Continued)

Our audit was conducted for the purpose of forming an opinion on the School Corporation's financial statement. The Combining Schedules of Receipts, Disbursements, Other Financing Sources (Uses), and Cash and Investment Balances – Regulatory Basis, Schedule of Payables and Receivables, Schedule of Leases and Debt, and Schedule of Capital Assets, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the financial statement. They have not been subjected to the auditing procedures applied by us in the audit of the financial statement and, accordingly, we express no opinion on them.

  
Paul D. Joyce, CPA  
State Examiner

February 10, 2014



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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statement of the Mill Creek Community School Corporation (School Corporation), which comprises the financial position and results of operations for the period of July 1, 2011 to June 30, 2013, and the related notes to the financial statement, and have issued our report thereon dated February 10, 2014, wherein we noted the School Corporation followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America.

***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statement, we considered the School Corporation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the School Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the School Corporation's internal control.

Our consideration of the internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 2013-001 to be a material weakness.

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

***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the School Corporation's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2013-001.

***Mill Creek Community School Corporation's Response to Findings***

The School Corporation's response to the findings identified in our audit is described in the accompanying Corrective Action Plan. The School Corporation's response was not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on it.

***Purpose of This Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School Corporation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

  
Paul D. Joyce, CPA  
State Examiner

February 10, 2014

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## FINANCIAL STATEMENT

The financial statement and accompanying notes were approved by management of the School Corporation. The financial statement and notes are presented as intended by the School Corporation.

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MILL CREEK COMMUNITY SCHOOL CORPORATION  
STATEMENT OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
REGULATORY BASIS  
For the Years Ended June 30, 2012 and 2013

	Cash and Investments 07-01-11			Cash and Investments 06-30-12			Other Financing Sources (Uses)		Cash and Investments 06-30-13
	Receipts	Disbursements	Receipts	Disbursements	Receipts	Disbursements			
General	\$ 1,867,963	\$ 9,431,845	\$ 8,589,988	\$ 2,709,820	\$ 9,254,282	\$ 8,505,357	\$ (30,247)	\$ 3,428,498	
Debt Service	769,899	3,069,999	2,438,154	1,401,744	2,812,230	2,615,444	4,668	1,603,198	
Retirement/Severance Bond Debt Service	74,352	378,222	308,534	144,040	355,001	309,441	-	189,600	
Capital Projects	770,127	1,247,539	1,510,858	506,808	1,344,149	1,235,481	(187,893)	427,583	
School Transportation	509,730	851,130	997,925	362,935	948,160	899,053	3,649	415,691	
School Bus Replacement	262,984	40,153	263,971	39,166	116,204	-	-	155,370	
Rainy Day	400,000	-	-	400,000	-	-	193,475	593,475	
Construction	26,614	-	26,614	-	-	-	-	-	
School Lunch	388,145	601,877	637,977	352,045	622,120	601,544	-	372,621	
Textbook Rental	35,305	130,722	264,300	(98,273)	134,339	49,984	7,569	(6,349)	
Self-Insurance	93,209	1,528,507	1,524,670	97,046	106,805	234,098	30,247	-	
Levy Excess	-	21,468	-	21,468	-	-	(21,468)	-	
Educational License Plates	827	263	686	404	244	75	-	573	
Early Intervention Grant	-	19,827	8,717	11,110	18,155	25,945	-	3,320	
Instruction Support	6,359	609	2,734	4,234	6,553	6,823	-	3,964	
Extra-Curricular Activities	1,000	650	316	1,334	-	1,287	-	47	
Miscellaneous Programs	1,036	1,025	467	1,594	1,225	2,165	-	654	
Instruction Support	400	-	400	-	-	-	-	-	
Medicaid Reimbursement	437	2,744	1,939	1,242	6,916	3,877	-	4,281	
Recreational Activities	1,878	3,523	3,299	2,102	3,427	4,729	-	800	
Scholarships and Awards	47	-	-	47	-	-	-	47	
School Technology	3,807	8,220	8,220	3,807	8,841	9,348	-	3,300	
Miscellaneous Programs	-	2,500	2,500	-	131	-	-	131	
WCHSC	9,592	-	-	9,592	-	-	-	9,592	
Innovative School Improvement Grant	-	-	-	-	79,440	81,956	-	(2,516)	
Biology Grant	14,977	-	-	14,977	-	-	-	14,977	
Title I	-	107,862	111,805	(3,943)	132,761	134,133	-	(5,315)	
Innovative Education Program Strategies Title V (Part A)	946	-	-	946	-	-	-	946	
(IDEA, Part B) LEA Capacity Building (Sliver) Grants	-	-	-	-	67,973	67,973	-	-	
Medicaid Reimbursement - Federal	1,017	5,076	433	5,660	8,494	6,645	-	7,509	
Improving Teaching Quality, No Child Left, Title II, Part A	24,733	-	21,780	2,953	33,991	43,295	-	(6,351)	
Title III, Language Instruction	-	2,917	2,917	-	-	-	-	-	
Special Education - Part B	(7,391)	7,391	-	-	-	-	-	-	
Education Jobs	-	297,985	297,985	-	6,084	6,084	-	-	
Payroll Clearing	24,482	2,347,142	2,344,582	27,042	3,179,090	3,175,745	-	30,387	
<b>Totals</b>	<b>\$ 5,282,475</b>	<b>\$ 20,109,196</b>	<b>\$ 19,371,771</b>	<b>\$ 6,019,900</b>	<b>\$ 19,246,615</b>	<b>\$ 18,020,482</b>	<b>\$ -</b>	<b>\$ 7,246,033</b>	

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

MILL CREEK COMMUNITY SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENT

**Note 1. Summary of Significant Accounting Policies**

*A. Reporting Entity*

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

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

The accompanying financial statement presents the financial information for the School Corporation.

*B. Basis of Accounting*

The financial statement is reported on a regulatory basis of accounting prescribed by the Indiana State Board of Accounts in accordance with state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The basis of accounting involves the reporting of only cash and investments and the changes therein resulting from cash inflows (receipts) and cash outflows (disbursements) reported in the period in which they occurred.

The regulatory 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.

*C. Cash and Investments*

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

*D. Receipts*

Receipts are presented in the aggregate on the face of the financial statement. The aggregate receipts include the following sources:

Local sources which include taxes, revenue from local governmental units other than school corporations, transfer tuition, transportation fees, investment income, food services, School Corporation activities, revenue from community services activities, and other revenue from local sources.

Intermediate sources which include distributions from the County for fees collected for or on behalf of the School Corporation including educational license plate fees, congressional interest, riverboat distributions, and other similar fees.

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

State sources include distributions from the State of Indiana and are to be used by the School Corporation for various purposes. Included in state sources are unrestricted grants, restricted grants, revenue in lieu of taxes, and revenue for or on behalf of the School Corporation.

Federal sources include distributions from the federal government and are to be used by the School Corporation for various purposes. Included in federal sources are unrestricted grants, restricted grants, revenue in lieu of taxes, and revenue for or on behalf of the School Corporation.

Temporary loans which include money received from a loan obtained to pay current expenses prior to the receipt of revenue from taxes levied for that purpose. These loans, sometimes designated tax anticipation warrants, must be repaid from the next semiannual distribution of local property taxes levied for such fund.

Interfund loans which include money temporarily transferred from one fund to a depleted fund for use in paying current operating expenses. Such advancement shall not be made for a period extending beyond the budget year.

Other receipts which include amounts received from various sources which include return of petty cash, return of cash change, insurance claims for losses, sale of securities, and other receipts not listed in another category above.

*E. Disbursements*

Disbursements are presented in the aggregate on the face of the financial statement. The aggregate disbursements include the following uses:

Instruction which includes outflows for regular programs, special programs, adult and continuing education programs, summer school programs, enrichment programs, remediation, and payments to other governmental units.

Support services which include outflows for support services related to students, instruction, general administration, and school administration. It also includes outflows for central services, operation and maintenance of plant services, and student transportation.

Noninstructional services which include outflows for food service operations and community service operations.

Facilities acquisition and construction which includes outflows for the acquisition, development, construction, and improvement of new and existing facilities.

Debt services which include fixed obligations resulting from financial transactions previously entered into by the School Corporation. It includes all expenditures for the reduction of the principal and interest of the School Corporation's general obligation indebtedness.

Nonprogrammed charges which include outflows for donations to foundations, securities purchased, indirect costs, scholarships, and self-insurance payments.

Interfund loans which include money temporarily transferred from one fund to a depleted fund for use in paying current operating expenses. Such advancement shall not be made for a period extending beyond the budget year.

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

*F. Other Financing Sources and Uses*

Other financing sources and uses are presented in the aggregate on the face of the financial statement. The aggregate other financing sources and uses include the following:

Transfers in which includes money received by one fund as a result of transferring money from another fund. The transfers are used for cash flow purposes as provided by various statutory provisions.

Transfers out which includes money paid by one fund to another fund. The transfers are used for cash flow purposes as provided by various statutory provisions.

*G. Fund Accounting*

Separate funds are established, maintained, and reported by the School Corporation. Each fund is used to account for money received from and used for specific sources and uses as determined by various regulations. Restrictions on some funds are set by statute while other funds are internally restricted by the School Corporation. The money accounted for in a specific fund may only be available for use for certain, legally restricted purposes. Additionally, some funds are used to account for assets held by the School Corporation in a trustee capacity as an agent of individuals, private organizations, other funds, or other governmental units and therefore the funds cannot be used for any expenditures of the unit itself.

**Note 2. Budgets**

The operating budget is initially prepared and approved at the local level. The fiscal officer of the School Corporation submits a proposed operating budget to the governing board for the following calendar year. The budget is advertised as required by law. Prior to adopting the budget, the governing board conducts public hearings and obtains taxpayer comments. Prior to November 1, the governing board approves the budget for the next year. The budget for funds for which property taxes are levied or highway use taxes are received is subject to final approval by the Indiana Department of Local Government Finance.

**Note 3. Property Taxes**

Property taxes levied are collected by the County Treasurer and are scheduled to be distributed to the School Corporation in June and December; however, situations can arise which would delay the distributions. 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 percent 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 normally become delinquent if not paid by May 10 and November 10, respectively.

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

**Note 4. Deposits and Investments**

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

State statutes authorize 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 5. Risk Management**

The School Corporation may be 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; and natural disasters.

These risks can be mitigated through the purchase of insurance, establishment of a self-insurance fund, and/or participation in a risk pool. The purchase of insurance transfers the risk to an independent third party. The establishment of a self-insurance fund allows the School Corporation to set aside money for claim settlements. The self-insurance fund would be included in the financial statement. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks.

**Note 6. Pension Plans**

*A. Public Employees' Retirement Fund*

*Plan Description*

The Indiana Public Employees' Retirement Fund (PERF) is 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 Indiana Public Retirement System (INPRS) 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 percent of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

INPRS 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:

Indiana Public Retirement System  
1 North Capital Street, Suite 001  
Indianapolis, IN 46204  
Ph. (888) 526-1687

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

*Funding Policy and Annual Pension Cost*

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

**B. Teachers' Retirement Fund**

*Plan Description*

The Indiana Teachers' Retirement Fund (TRF) is 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 Indiana Public Retirement System (INPRS) Board, most requirements of the system, and gives the School Corporation authority to contribute to the plan. The TRF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3 percent 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.

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

Indiana Public Retirement System  
1 North Capital Street, Suite 001  
Indianapolis, IN 46204  
Ph. (888) 286-3544

*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.

**Note 7. Cash Balance Deficits**

The financial statement contains some funds with deficits in cash. The negative balances in the Textbook Rental Fund were due to poor collection practices for unpaid book rental fees and overstock of textbook inventory. The School Corporation began using a collection agency in 2010-2011 and introduced inventory controls over textbook stock in 2012-2013. At September 30, 2013, the Textbook Rental Fund no longer had a negative balance and at December 31, 2013, the Textbook Rental Fund balance was \$55,286. Other negative funds are a result of the funds being set up for reimbursable grants. The reimbursement for expenditures made by the School Corporation were not received by June 30, 2012 and 2013.

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

**Note 8. Restatements**

For the year ended June 30, 2012, certain changes have been made to the beginning balance of the financial statement to more appropriately reflect financial activity of the School Corporation. The following schedule presents a summary of the restated beginning balance.

New Fund	Balance as of June 30, 2011	Prior Period Adjustment	Balance as of July 1, 2011
Payroll Clearing	\$ -	\$ 24,482	\$ 24,482

**Note 9. Holding Corporationsp**

The School Corporation has entered into a capital lease with Mill Creek Community East Elementary School Building Corporation (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. The lessor has been determined to be a related party of the School Corporation. Lease payments during the years 2012 and 2013 totaled \$1,616,000 and \$1,648,000, respectively.

The School Corporation has entered into a capital lease with Mill Creek Multi-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 2012 and 2013 totaled \$157,000 and \$154,315, respectively.

**Note 10. Subsequent Events**

On January 8, 2014, the School Board approved issuing \$1,520,000, General Obligation Bonds of 2014, bearing interest at a rate or rates not exceeding 6 percent per annum, payable on January 15 and July 15 in each year beginning January 15, 2015. The bonds shall mature serially or be subject to mandatory redemption on January 15 and July 15 beginning July 15, 2018 through not later than January 15, 2025. The funds shall be used to fund the renovation of and improvement to Cascade High School, Cascade Middle School, Mill Creek East Elementary, and Mill Creek West Elementary Schools.

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## SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the School Corporation's Financial Reports can be found on the Indiana Department of Education website: <http://mustang.doe.state.in.us/TRENDS/fin.cfm>. This website is maintained by the Indiana Department of Education. More current financial information is available from the School Corporation Treasurer's Office.

Differences may be noted between the financial information presented in the financial statement contained in this report and the financial information presented in the Financial Reports of the School Corporation which are referenced above. These differences, if any, are due to adjustments made to the financial information during the course of the audit. This is a common occurrence in any financial statement audit. The financial information presented in this report is audited information, and the accuracy of such information can be determined by reading the opinion given in the Independent Auditor's Report.

The supplementary information presented was approved by management of the School Corporation. It is presented as intended by the School Corporation.

MILL CREEK COMMUNITY SCHOOL CORPORATION  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2012

	General	Debt Service	Retirement/ Severance Bond Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	Construction	School Lunch
Cash and investments - beginning	\$ 1,867,963	\$ 769,899	\$ 74,352	\$ 770,127	\$ 509,730	\$ 262,984	\$ 400,000	\$ 26,614	\$ 388,145
Receipts:									
Local sources	185,890	2,669,999	378,222	1,247,539	851,130	40,153	-	-	351,456
Intermediate sources	21	-	-	-	-	-	-	-	-
State sources	9,244,834	-	-	-	-	-	-	-	7,999
Federal sources	-	-	-	-	-	-	-	-	242,422
Interfund loans	-	400,000	-	-	-	-	-	-	-
Other	1,100	-	-	-	-	-	-	-	-
Total receipts	<u>9,431,845</u>	<u>3,069,999</u>	<u>378,222</u>	<u>1,247,539</u>	<u>851,130</u>	<u>40,153</u>	<u>-</u>	<u>-</u>	<u>601,877</u>
Disbursements:									
Current:									
Instruction	5,691,030	-	-	-	-	-	-	-	-
Support services	2,805,093	-	-	679,137	886,636	263,971	-	-	-
Noninstructional services	91,621	-	-	-	-	-	-	-	637,977
Facilities acquisition and construction	2,244	-	-	528,776	11,289	-	-	26,614	-
Debt services	-	2,438,154	308,534	2,945	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	300,000	100,000	-	-	-	-
Total disbursements	<u>8,589,988</u>	<u>2,438,154</u>	<u>308,534</u>	<u>1,510,858</u>	<u>997,925</u>	<u>263,971</u>	<u>-</u>	<u>26,614</u>	<u>637,977</u>
Excess (deficiency) of receipts over disbursements	<u>841,857</u>	<u>631,845</u>	<u>69,688</u>	<u>(263,319)</u>	<u>(146,795)</u>	<u>(223,818)</u>	<u>-</u>	<u>(26,614)</u>	<u>(36,100)</u>
Cash and investments - ending	<u>\$ 2,709,820</u>	<u>\$ 1,401,744</u>	<u>\$ 144,040</u>	<u>\$ 506,808</u>	<u>\$ 362,935</u>	<u>\$ 39,166</u>	<u>\$ 400,000</u>	<u>\$ -</u>	<u>\$ 352,045</u>

MILL CREEK COMMUNITY SCHOOL CORPORATION  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2012  
 (Continued)

	Textbook Rental	Self- Insurance	Levy Excess	Educational License Plates	Early Intervention Grant	Instruction Support	Extra- Curricular Activities	Miscellaneous Programs	Instruction Support
Cash and investments - beginning	\$ 35,305	\$ 93,209	\$ -	\$ 827	\$ -	\$ 6,359	\$ 1,000	\$ 1,036	\$ 400
Receipts:									
Local sources	96,660	1,528,507	21,468	-	-	609	650	1,025	-
Intermediate sources	-	-	-	263	-	-	-	-	-
State sources	34,062	-	-	-	19,827	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	<u>130,722</u>	<u>1,528,507</u>	<u>21,468</u>	<u>263</u>	<u>19,827</u>	<u>609</u>	<u>650</u>	<u>1,025</u>	<u>-</u>
Disbursements:									
Current:									
Instruction	-	-	-	-	455	471	316	-	400
Support services	264,300	-	-	686	8,262	-	-	467	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	2,263	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	1,524,670	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-
Total disbursements	<u>264,300</u>	<u>1,524,670</u>	<u>-</u>	<u>686</u>	<u>8,717</u>	<u>2,734</u>	<u>316</u>	<u>467</u>	<u>400</u>
Excess (deficiency) of receipts over disbursements	<u>(133,578)</u>	<u>3,837</u>	<u>21,468</u>	<u>(423)</u>	<u>11,110</u>	<u>(2,125)</u>	<u>334</u>	<u>558</u>	<u>(400)</u>
Cash and investments - ending	<u>\$ (98,273)</u>	<u>\$ 97,046</u>	<u>\$ 21,468</u>	<u>\$ 404</u>	<u>\$ 11,110</u>	<u>\$ 4,234</u>	<u>\$ 1,334</u>	<u>\$ 1,594</u>	<u>\$ -</u>

MILL CREEK COMMUNITY SCHOOL CORPORATION  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2012  
 (Continued)

	Medicaid Reimbursement	Recreational Activities	Scholarships and Awards	School Technology	Miscellaneous Programs	WCHSC	Biology Grant	Title I
Cash and investments - beginning	\$ 437	\$ 1,878	\$ 47	\$ 3,807	\$ -	\$ 9,592	\$ 14,977	\$ -
Receipts:								
Local sources	-	3,523	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	2,744	-	-	8,220	2,500	-	-	-
Federal sources	-	-	-	-	-	-	-	107,862
Interfund loans	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total receipts	<u>2,744</u>	<u>3,523</u>	<u>-</u>	<u>8,220</u>	<u>2,500</u>	<u>-</u>	<u>-</u>	<u>107,862</u>
Disbursements:								
Current:								
Instruction	-	-	-	-	-	-	-	111,805
Support services	1,939	197	-	8,220	2,500	-	-	-
Noninstructional services	-	3,102	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-
Total disbursements	<u>1,939</u>	<u>3,299</u>	<u>-</u>	<u>8,220</u>	<u>2,500</u>	<u>-</u>	<u>-</u>	<u>111,805</u>
Excess (deficiency) of receipts over disbursements	<u>805</u>	<u>224</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,943)</u>
Cash and investments - ending	<u>\$ 1,242</u>	<u>\$ 2,102</u>	<u>\$ 47</u>	<u>\$ 3,807</u>	<u>\$ -</u>	<u>\$ 9,592</u>	<u>\$ 14,977</u>	<u>\$ (3,943)</u>

MILL CREEK COMMUNITY SCHOOL CORPORATION  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2012  
 (Continued)

	Innovative Education Program Strategies Title V (Part A)	Medicaid Reimbursement Federal	Improving Teaching Quality No Child Left Title II, Part A	Title III Language Instruction	Special Education Part B	Education Jobs	Payroll Clearing	Totals
Cash and investments - beginning	\$ 946	\$ 1,017	\$ 24,733	\$ -	\$ (7,391)	\$ -	\$ 24,482	\$ 5,282,475
Receipts:								
Local sources	-	-	-	-	-	-	-	7,376,831
Intermediate sources	-	-	-	-	-	-	-	284
State sources	-	-	-	1,820	-	-	-	9,322,006
Federal sources	-	5,076	-	1,097	7,391	297,985	-	661,833
Interfund loans	-	-	-	-	-	-	-	400,000
Other	-	-	-	-	-	-	2,347,142	2,348,242
Total receipts	-	5,076	-	2,917	7,391	297,985	2,347,142	20,109,196
Disbursements:								
Current:								
Instruction	-	-	1,993	-	-	252,000	-	6,058,470
Support services	-	433	19,787	2,917	-	45,985	-	4,990,530
Noninstructional services	-	-	-	-	-	-	-	732,700
Facilities acquisition and construction	-	-	-	-	-	-	-	571,186
Debt services	-	-	-	-	-	-	-	2,749,633
Nonprogrammed charges	-	-	-	-	-	-	2,344,582	3,869,252
Interfund loans	-	-	-	-	-	-	-	400,000
Total disbursements	-	433	21,780	2,917	-	297,985	2,344,582	19,371,771
Excess (deficiency) of receipts over disbursements	-	4,643	(21,780)	-	7,391	-	2,560	737,425
Cash and investments - ending	\$ 946	\$ 5,660	\$ 2,953	\$ -	\$ -	\$ -	\$ 27,042	\$ 6,019,900

MILL CREEK COMMUNITY SCHOOL CORPORATION  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2013

	General	Debt Service	Retirement/ Severance Bond Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	School Lunch
Cash and investments - beginning	\$ 2,709,820	\$ 1,401,744	\$ 144,040	\$ 506,808	\$ 362,935	\$ 39,166	\$ 400,000	\$ 352,045
Receipts:								
Local sources	110,719	2,812,230	355,001	1,316,339	948,160	116,204	-	364,187
Intermediate sources	111	-	-	-	-	-	-	-
State sources	9,141,752	-	-	-	-	-	-	7,766
Federal sources	-	-	-	-	-	-	-	250,167
Temporary loans	-	-	-	27,810	-	-	-	-
Other	1,700	-	-	-	-	-	-	-
Total receipts	<u>9,254,282</u>	<u>2,812,230</u>	<u>355,001</u>	<u>1,344,149</u>	<u>948,160</u>	<u>116,204</u>	<u>-</u>	<u>622,120</u>
Disbursements:								
Current:								
Instruction	5,646,061	-	-	-	-	-	-	-
Support services	2,739,546	142,719	-	633,949	889,107	-	-	342
Noninstructional services	81,064	-	-	-	-	-	-	543,948
Facilities acquisition and construction	7,202	-	-	589,812	9,946	-	-	57,254
Debt services	-	2,472,725	309,441	11,720	-	-	-	-
Nonprogrammed charges	31,484	-	-	-	-	-	-	-
Total disbursements	<u>8,505,357</u>	<u>2,615,444</u>	<u>309,441</u>	<u>1,235,481</u>	<u>899,053</u>	<u>-</u>	<u>-</u>	<u>601,544</u>
Excess (deficiency) of receipts over disbursements	<u>748,925</u>	<u>196,786</u>	<u>45,560</u>	<u>108,668</u>	<u>49,107</u>	<u>116,204</u>	<u>-</u>	<u>20,576</u>
Other financing sources (uses):								
Transfers in	(30,247)	4,668	-	(187,893)	3,649	-	193,475	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>(30,247)</u>	<u>4,668</u>	<u>-</u>	<u>(187,893)</u>	<u>3,649</u>	<u>-</u>	<u>193,475</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>718,678</u>	<u>201,454</u>	<u>45,560</u>	<u>(79,225)</u>	<u>52,756</u>	<u>116,204</u>	<u>193,475</u>	<u>20,576</u>
Cash and investments - ending	<u>\$ 3,428,498</u>	<u>\$ 1,603,198</u>	<u>\$ 189,600</u>	<u>\$ 427,583</u>	<u>\$ 415,691</u>	<u>\$ 155,370</u>	<u>\$ 593,475</u>	<u>\$ 372,621</u>

MILL CREEK COMMUNITY SCHOOL CORPORATION  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2013  
 (Continued)

	Textbook Rental	Self- Insurance	Levy Excess	Educational License Plates	Early Intervention Grant	Instruction Support	Extra- Curricular Activities	Miscellaneous Programs
Cash and investments - beginning	\$ (98,273)	\$ 97,046	\$ 21,468	\$ 404	\$ 11,110	\$ 4,234	\$ 1,334	\$ 1,594
Receipts:								
Local sources	99,305	106,805	-	-	-	3,579	-	1,225
Intermediate sources	-	-	-	244	-	2,974	-	-
State sources	35,034	-	-	-	18,155	-	-	-
Federal sources	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total receipts	<u>134,339</u>	<u>106,805</u>	<u>-</u>	<u>244</u>	<u>18,155</u>	<u>6,553</u>	<u>-</u>	<u>1,225</u>
Disbursements:								
Current:								
Instruction	-	-	-	-	-	3,051	1,287	-
Support services	49,984	-	-	75	25,945	3,772	-	2,165
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	234,098	-	-	-	-	-	-
Total disbursements	<u>49,984</u>	<u>234,098</u>	<u>-</u>	<u>75</u>	<u>25,945</u>	<u>6,823</u>	<u>1,287</u>	<u>2,165</u>
Excess (deficiency) of receipts over disbursements	<u>84,355</u>	<u>(127,293)</u>	<u>-</u>	<u>169</u>	<u>(7,790)</u>	<u>(270)</u>	<u>(1,287)</u>	<u>(940)</u>
Other financing sources (uses):								
Transfers in	7,569	30,247	-	-	-	-	-	-
Transfers out	-	-	(21,468)	-	-	-	-	-
Total other financing sources (uses)	<u>7,569</u>	<u>30,247</u>	<u>(21,468)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>91,924</u>	<u>(97,046)</u>	<u>(21,468)</u>	<u>169</u>	<u>(7,790)</u>	<u>(270)</u>	<u>(1,287)</u>	<u>(940)</u>
Cash and investments - ending	<u>\$ (6,349)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 573</u>	<u>\$ 3,320</u>	<u>\$ 3,964</u>	<u>\$ 47</u>	<u>\$ 654</u>

MILL CREEK COMMUNITY SCHOOL CORPORATION  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2013  
 (Continued)

	Medicaid Reimbursement	Recreational Activities	Scholarships and Awards	School Technology	Miscellaneous Programs	WCHSC	Innovative School Improvement Grant	Biology Grant
Cash and investments - beginning	\$ 1,242	\$ 2,102	\$ 47	\$ 3,807	\$ -	\$ 9,592	\$ -	\$ 14,977
Receipts:								
Local sources	-	3,427	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	6,916	-	-	8,841	131	-	79,440	-
Federal sources	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total receipts	<u>6,916</u>	<u>3,427</u>	<u>-</u>	<u>8,841</u>	<u>131</u>	<u>-</u>	<u>79,440</u>	<u>-</u>
Disbursements:								
Current:								
Instruction	-	-	-	-	-	-	77,195	-
Support services	3,877	2,740	-	9,348	-	-	4,761	-
Noninstructional services	-	1,989	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	<u>3,877</u>	<u>4,729</u>	<u>-</u>	<u>9,348</u>	<u>-</u>	<u>-</u>	<u>81,956</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>3,039</u>	<u>(1,302)</u>	<u>-</u>	<u>(507)</u>	<u>131</u>	<u>-</u>	<u>(2,516)</u>	<u>-</u>
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>3,039</u>	<u>(1,302)</u>	<u>-</u>	<u>(507)</u>	<u>131</u>	<u>-</u>	<u>(2,516)</u>	<u>-</u>
Cash and investments - ending	<u>\$ 4,281</u>	<u>\$ 800</u>	<u>\$ 47</u>	<u>\$ 3,300</u>	<u>\$ 131</u>	<u>\$ 9,592</u>	<u>\$ (2,516)</u>	<u>\$ 14,977</u>

MILL CREEK COMMUNITY SCHOOL CORPORATION  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2013  
 (Continued)

	Title I	Innovative Education Program Strategies Title V (Part A)	(IDEA, Part B) LEA Capacity Building (Sliver) Grants	Medicaid Reimbursement Federal	Improving Teaching Quality No Child Left Title II, Part A	Education Jobs	Payroll Clearing	Totals
Cash and investments - beginning	\$ (3,943)	\$ 946	\$ -	\$ 5,660	\$ 2,953	\$ -	\$ 27,042	\$ 6,019,900
Receipts:								
Local sources	-	-	-	-	1,300	-	-	6,238,481
Intermediate sources	-	-	-	-	-	-	-	3,329
State sources	-	-	-	-	-	-	-	9,298,035
Federal sources	132,761	-	67,973	8,494	32,691	6,084	-	498,170
Temporary loans	-	-	-	-	-	-	-	27,810
Other	-	-	-	-	-	-	3,179,090	3,180,790
Total receipts	<u>132,761</u>	<u>-</u>	<u>67,973</u>	<u>8,494</u>	<u>33,991</u>	<u>6,084</u>	<u>3,179,090</u>	<u>19,246,615</u>
Disbursements:								
Current:								
Instruction	134,133	-	-	2,753	17,973	6,084	-	5,888,537
Support services	-	-	67,973	3,892	25,322	-	-	4,605,517
Noninstructional services	-	-	-	-	-	-	-	627,001
Facilities acquisition and construction	-	-	-	-	-	-	-	664,214
Debt services	-	-	-	-	-	-	-	2,793,886
Nonprogrammed charges	-	-	-	-	-	-	3,175,745	3,441,327
Total disbursements	<u>134,133</u>	<u>-</u>	<u>67,973</u>	<u>6,645</u>	<u>43,295</u>	<u>6,084</u>	<u>3,175,745</u>	<u>18,020,482</u>
Excess (deficiency) of receipts over disbursements	<u>(1,372)</u>	<u>-</u>	<u>-</u>	<u>1,849</u>	<u>(9,304)</u>	<u>-</u>	<u>3,345</u>	<u>1,226,133</u>
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	-	21,468
Transfers out	-	-	-	-	-	-	-	(21,468)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(1,372)</u>	<u>-</u>	<u>-</u>	<u>1,849</u>	<u>(9,304)</u>	<u>-</u>	<u>3,345</u>	<u>1,226,133</u>
Cash and investments - ending	<u>\$ (5,315)</u>	<u>\$ 946</u>	<u>\$ -</u>	<u>\$ 7,509</u>	<u>\$ (6,351)</u>	<u>\$ -</u>	<u>\$ 30,387</u>	<u>\$ 7,246,033</u>

MILL CREEK COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF PAYABLES AND RECEIVABLES  
June 30, 2013

<u>School Corporation</u>	<u>Accounts Payable</u>	<u>Accounts Receivable</u>
Governmental activities	<u>\$ 317,038</u>	<u>\$ 14,365</u>

MILL CREEK COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF LEASES AND DEBT  
June 30, 2013

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities:				
Sovereign Bank	School buses	\$ 285,438	08-20-12	12-28-13
Star Equipment	Copier equipment lease	<u>11,700</u>	03-09-12	03-09-16
Total of annual lease payments		<u>\$ 297,138</u>		

Type	Description of Debt Purpose	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:			
Capital leases	Various holding corps for building construction	\$ 7,360,000	\$ 1,802,184
Energy management lease	Cascade High School	1,800,000	57,000
General obligation bonds	Pension debt	1,206,359	285,117
	Science Lab - Cascade High School	581,000	101,298
Loans payable	Common School - technology/building construc.	10,448,917	456,400
Other debt	CPF temporary loan	<u>13,905</u>	<u>13,905</u>
Totals		<u>\$ 21,410,181</u>	<u>\$ 2,715,904</u>

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MILL CREEK COMMUNITY SCHOOL CORPORATION  
 SCHEDULE OF CAPITAL ASSETS  
 June 30, 2013

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.

	Ending Balance
Governmental activities:	
Land	\$ -
Infrastructure	-
Buildings	28,797,705
Improvements other than buildings	959,920
Machinery, equipment, and vehicles	2,121,077
Books and other	-
Total capital assets	\$ 31,878,702

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SUPPLEMENTAL AUDIT OF  
FEDERAL AWARDS



**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 AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE

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

***Report on Compliance for Each Major Federal Program***

We have audited the Mill Creek Community School Corporation's (School Corporation) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the period of July 1, 2011 to June 30, 2013. The School Corporation's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the School Corporation's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the School Corporation's compliance.

***Opinion on Each Major Federal Program***

In our opinion, the School Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the period of July 1, 2011 to June 30, 2013.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
(Continued)

***Report on Internal Control Over Compliance***

Management of the School Corporation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School Corporation's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School Corporation's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2013-002 to be material weaknesses.

The School Corporation's response to the internal control over compliance findings identified in our audit is described in the accompanying Corrective Action Plan. The School Corporation's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

  
Paul D. Joyce, CPA  
State Examiner

February 10, 2014

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## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The Schedule of Expenditures of Federal Awards and accompanying notes presented were prepared by management of the School Corporation. The schedule and notes are presented as intended by the School Corporation.

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MILL CREEK COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Years Ended June 30, 2012 and 2013

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 6/30/2012	Total Federal Awards Expended 6/30/2013
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>					
Child Nutrition Cluster School Breakfast Program	Indiana Department of Education	10.553	FY 11-12 FY 12-13	\$ 52,793 -	\$ - 46,113
Total - School Breakfast Program				<u>52,793</u>	<u>46,113</u>
National School Lunch Program	Indiana Department of Education	10.555	FY 11-12 FY 12-13	231,702 -	- 246,960
Total - National School Lunch Program				<u>231,702</u>	<u>246,960</u>
Total - Child Nutrition Cluster				<u>284,494</u>	<u>293,073</u>
Total - U.S. DEPARTMENT OF AGRICULTURE				<u>284,494</u>	<u>293,073</u>
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>					
Title I, Part A Cluster Title I Grants to Local Educational Agencies	Indiana Department of Education	84.010	2010-2011 2011-2012 2012-2013	9,961 97,901 -	- 29,262 103,499
Total - Title I, Part A Cluster				<u>107,862</u>	<u>132,761</u>
Special Education Cluster Special Education - Grants to States	Indiana Department of Education	84.027		-	67,973
ARRA - Special Education - Grants to States, Recovery Act	Old National Trail Special Services Cooperative	84.391		7,391	-
Total - Special Education Cluster				<u>7,391</u>	<u>67,973</u>
English Language Acquisition Grants	Indiana Department of Education	84.365		2,917	-
Improving Teacher Quality State Grants	Indiana Department of Education	84.367	2011-2012	-	32,691
Education Jobs Fund	Indiana Department of Education	84.410		297,985 -	- 6,084
Total - Education Jobs Fund				<u>297,985</u>	<u>6,084</u>
Total - U.S. DEPARTMENT OF EDUCATION				<u>416,155</u>	<u>239,509</u>
Total federal awards expended				<u>\$ 700,649</u>	<u>\$ 532,583</u>

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards.

MILL CREEK COMMUNITY SCHOOL CORPORATION  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**Note 1. Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Mill Creek Community School Corporation (School Corporation) and is presented in accordance with the cash and investment basis of accounting used in the preparation of the financial statement. Accordingly, the amount of federal awards expended is based on when the disbursement related to the award occurs except when the federal award is received on a reimbursement basis. In these instances the federal awards are considered expended when the reimbursement is received.

Circular A-133 requires an annual audit of nonfederal entities expending a total amount of federal awards equal to or in excess of \$500,000 in any fiscal year unless by constitution or statute a less frequent audit is required. In accordance with Indiana Code (IC 5-11-1 et seq.), audits of school corporations shall be conducted biennially. Such audits shall include both years within the biennial period.

**Note 2. Noncash Assistance**

The School Corporation expended the following amount of noncash assistance for the years ending June 30, 2012 and 2013. This noncash assistance is also included in the federal expenditures presented in the schedule.

Program Title	Federal CFDA Number	2012	2013
School Breakfast Program	10.533	\$ 7,807	\$ 6,751
National School Lunch Program	10.555	34,266	36,155

MILL CREEK COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**Section I – Summary of Auditor's Results**

Financial Statement:

Type of auditor's report issued:	Adverse as to GAAP; Unmodified as to Regulatory Basis
Internal control over financial reporting:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Noncompliance material to financial statement noted?	yes

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?	yes

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
84.410	Child Nutrition Cluster Education Jobs Fund

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? no

**Section II – Financial Statement Findings**

**FINDING 2013-001 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING**

We noted a deficiency in the internal control system of the School Corporation related to financial transactions and reporting. We believe the following deficiency constitutes a material weakness:

The School Corporation did not have a proper system of internal control in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA). The School Corporation should have proper controls in place over the preparation of the SEFA to ensure accurate reporting of federal awards. Without a proper system of internal control in place that operates effectively, material misstatements of the SEFA could remain undetected.

MILL CREEK COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

During the audit of the SEFA, we noted the following error: one Special Education Cluster grant of \$67,973 was not reported on the SEFA.

An audit adjustment was proposed and accepted by the School Corporation, and made to the SEFA presented in this report. These adjustments resulted in a presentation of the SEFA that is materially correct in relation to the financial statement.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets, and all forms of information processing are necessary for proper internal control.

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)

OMB Circular A-133, Subpart C, section .300 states in part: "The auditee shall: . . . (d) Prepare appropriate financial statements, including the schedule of expenditures of Federal Awards in accordance with section .310."

OMB Circular A-133, Subpart C, section .310(b) states:

"Schedule of expenditures of Federal awards. The auditee shall also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple award years, the auditee may list the amount of Federal awards expended for each award year separately. At a minimum, the schedule shall:

- (1) List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For R&D, total Federal awards expended shall be shown either by individual award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.
- (4) Include notes that describe the significant accounting policies used in preparing the schedule.
- (5) To the extent practical, pass-through entities should identify in the schedule the total amount provided to subrecipients from each Federal program.

MILL CREEK COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

- (6) Include, in either the schedule or a note to the schedule, the value of the Federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end. While not required, it is preferable to present this information in the schedule."

**Section III – Federal Award Findings and Questioned Costs**

**FINDING 2013-002 - NONCOMPLIANCE WITH INTERNAL CONTROLS OVER SPECIAL TESTS - VERIFICATION OF FREE AND REDUCED APPLICATIONS**

Federal Agency: U.S. Department of Agriculture

Federal Programs: School Breakfast Program, National School Lunch Program,  
CFDA Numbers: 10.553, 10.555

Federal Award Number and Year (or Other Identifying Number): For Year 2011-2012, Year 2012-2013

Pass-Through Entity: Indiana Department of Education

Management of the School Corporation has not established an effective internal control system, which would include segregation of duties, in determining the initial eligibility of students for free or reduced priced meals and for completing the verification of applications required by 7CFR Part 245.36(a). The Food Service Director both approves applications and then completes the required verification process. The verification should be done by someone other than the person who approved the applications. The failure to establish an effective internal control system places the School Corporation at risk of noncompliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system could also allow noncompliance with compliance requirements and allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the programs.

An internal control system, including segregation of duties, should be designed and operated effectively to provide reasonable assurance that material noncompliance with the grant agreement does not occur. Once applications have been approved based on income information submitted, the School Food Authority selects the required number of applications to be verified. The School Corporation's management needs to confirm that the verifications are done correctly. This includes having the verifications done by someone other than the person who approved the application. The person who does the verification should place their name and the date in the verification section. In order to have an effective internal control system, it is important to have proper segregation of duties. This is accomplished by making sure proper oversight, reviews, and approvals take place and to have a separation of functions over certain activities related to the program. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same activity.

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

The failure to establish internal controls could enable material noncompliance to go undetected. Noncompliance of the grant agreement or the compliance requirements that have a direct and material effect to the program could result in the loss of federal funds to the School Corporation.

MILL CREEK COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

We recommended that the School Corporation establish control procedures to ensure compliance with grant requirements that have a direct and material effect to the program.



Corrective Action Plan

Finding 2013-001 – Internal Controls over Financial Transactions and Reporting  
Schedule of Expenditures of Federal Awards (SEFA)

The treasurer will develop a proper system of internal control and segregation of duties as it pertains to the Internal Controls over Financial Transactions and Reporting. The treasurer shall prepare appropriate financial statements including the schedule of expenditures of Federal Awards, listing Federal programs by Federal agency, the total Federal awards expended for each individual Federal program and the CFDA number, along with the other pertinent information as described in OMB Circular A-133, Subpart C., section 310 (b). Once the SEFA is prepared, the treasurer shall have the Superintendent or Superintendent's designee, who shall be a member of the business office at the Administrative Services Center, review the schedule for reasonableness and accuracy before it is submitted. A copy of the schedule will be printed, signed by the Superintendent or Superintendent's designee and retained for audit.

Respectfully,

Handwritten signature of Jill Jay.

Jill Jay, Ph.D.  
Superintendent

Handwritten signature of Lori Bennett.

Lori Bennett  
Treasurer

2/6/2014  
Date

2/6/2014  
Date



Corrective Action Plan

Finding 2013-002 - Noncompliance with Internal Controls over Special Tests - Verification of Free and Reduced Applications

Federal Agency: Department of Agriculture

Federal Program: Child Nutrition Cluster

CFDA Numbers: 10.553 and 10.555

Federal Award Number and Year: Year 2011-2012 and Year 2012-2013

Pass-Through Entity: Indiana Department of Education

The Director of Child Nutrition who is employed by Aramark, our Food Service Management Company, has reviewed, discussed with the Superintendent, and developed procedures for an internal control system, including segregation of duties in determining eligibility for free or reduced price meals. The Director of Child Nutrition and the School Corporation's business office are now familiar with 7CFR Part 245.36 (a). The superintendent/business office designee shall review each approved application selected for verification to ensure that the initial determination was correct. The superintendent/business office designee shall place his/her signature and date in the verification section of the student's record.

Respectfully,

Jill Jay, Ph.D.  
Superintendent

Robin Bondy  
Director of Child Nutrition

2-10-14  
Date

2-10-2014  
Date

MILL CREEK COMMUNITY SCHOOL CORPORATION  
EXIT CONFERENCE

The contents of this report were discussed on February 10, 2014, with Dr. Jill E. Jay, Superintendent of Schools; Jim Diagostino, Assistant Superintendent of Schools; Linda Stinson, Executive Assistant to the Superintendent of Schools; Lori L. Bennett, Treasurer; and Dr. Margaret D. Weatherman, President of the School Board.