

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

MITCHELL COMMUNITY SCHOOLS
LAWRENCE COUNTY, INDIANA

July 1, 2011 to June 30, 2013



FILED
01/28/2014

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Independent Auditor's Report	3-5
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	6-7
Financial Statement:	
Statement of Receipts, Disbursements, Other Financing Sources (Uses), and Cash and Investment Balances - Regulatory Basis.....	11
Notes to Financial Statement.....	12-17
Supplementary Information - Unaudited:	
Combining Schedules of Receipts, Disbursements, Other Financing Sources (Uses), and Cash and Investment Balances - Regulatory Basis.....	20-27
Schedule of Leases and Debt	28
Schedule of Capital Assets.....	29
Audit Results and Comments:	
Average Daily Membership (ADM) - Incorrect Reporting to the State	30
Overdrawn Cash Balances.....	30
Supplemental Audit of Federal Awards:	
Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance.....	32-33
Schedule of Expenditures of Federal Awards	36-37
Notes to Schedule of Expenditures of Federal Awards.....	38
Schedule of Findings and Questioned Costs	39-40
Auditee Prepared Schedules:	
Summary Schedule of Prior Audit Findings	41-42
Corrective Action Plan.....	43
Exit Conference.....	44

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	M. Malinda Powell	07-01-11 to 12-31-13
Superintendent of Schools	Dr. Steve E. Phillips	07-01-11 to 06-30-16
President of the School Board	Christopher S. Shaw	07-01-11 to 12-31-13



INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE MITCHELL COMMUNITY SCHOOLS, LAWRENCE COUNTY, INDIANA

Report on the Financial Statement

We have audited the accompanying financial statement of the Mitchell Community Schools (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 January 9, 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 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

January 9, 2014



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

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 MITCHELL COMMUNITY SCHOOLS, LAWRENCE 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 Mitchell Community Schools (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 January 9, 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.

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. A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.


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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

January 9, 2014

(This page intentionally left blank.)

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.

(This page intentionally left blank.)

MITCHELL COMMUNITY SCHOOLS
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	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-12	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-13
General	\$ 3,372,189	\$ 11,882,377	\$ 11,773,384	\$ -	\$ 3,481,182	\$ 11,370,876	\$ 11,557,372	\$ 15,785	\$ 3,310,471
Debt Service	1,859,261	2,337,428	2,653,983	-	1,542,706	2,481,071	2,649,281	-	1,374,496
Retirement/Severance Bond Debt Service	7,842	(7,842)	-	-	-	-	-	-	-
Capital Projects	1,768,537	1,435,972	1,007,985	(1,250,000)	946,524	1,422,925	1,106,729	(425,000)	837,720
School Transportation	614,297	1,039,704	956,766	(250,000)	447,235	1,006,070	956,810	(146,740)	349,755
School Bus Replacement	139,835	19,759	73,554	-	86,040	100,959	82,333	-	104,666
Rainy Day	445,043	-	19,368	1,500,000	1,925,675	76,302	186,192	600,000	2,415,785
School Lunch	286,244	609,541	609,860	-	285,925	619,091	617,211	-	287,805
Textbook Rental	123,105	199,829	346,629	-	(23,695)	178,808	183,941	(15,785)	(44,613)
Levy Excess	42,181	-	-	-	42,181	-	-	-	42,181
Educational License Plates	713	19	-	-	732	131	-	-	863
Alternative Education	-	-	-	-	-	2,580	-	-	2,580
Early Intervention Grant	5,702	-	1,119	-	4,583	-	4,583	-	-
Early Intervention 2012-13	-	-	-	-	-	9,550	1,266	-	8,284
Reading Recovery	(2,732)	12,282	5,043	-	4,507	100	4,607	-	-
School Intervention and Career Counseling	-	-	-	-	-	10,000	10,000	-	-
Miscellaneous Programs	39	-	-	-	39	-	39	-	-
National Rural Education Grant	500	-	500	-	-	-	-	-	-
High Ability Grant	33,257	31,968	25,560	(33,257)	6,408	-	6,408	-	-
High Ability Salaries 12-13	-	-	-	-	-	34,474	34,474	-	-
Teacher Quality Improvement Program	-	-	33,257	33,257	-	-	-	-	-
Performance Based Awards	354	-	-	-	354	-	354	-	-
Cape Grant PDK MJHS	567	-	-	-	567	-	567	-	-
PDK Cape Grant Hatfield	8,794	-	1,092	-	7,702	-	-	-	7,702
Excess PTRC Distributions	-	23,422	-	-	23,422	8,437	-	(28,260)	3,599
Title I	-	53,109	234,310	-	(181,201)	277,750	96,549	-	-
Title I P.L 107-110 2010/11	(1,848)	193,203	119,665	-	71,690	-	-	-	71,690
Title I 2012-13	-	-	-	-	-	257,943	353,608	-	(95,665)
Title V, Part A-Library Grant	236	-	236	-	-	-	-	-	-
Title V 2009-10	1,299	-	-	-	1,299	-	1,299	-	-
Drug Free Schools-Title IV, PTA	2,553	-	-	-	2,553	70	2,623	-	-
Title IV, PART A SY 2009/10	-	1,113	1,113	-	-	-	-	-	-
School To Career	67	-	-	-	67	-	67	-	-
T.II Class Size Reduction 2009-10	(178)	178	-	-	-	-	-	-	-
T.II Class Size Reduction 2010-11	(85,139)	97,553	12,414	-	-	-	-	-	-
Title 2 Class Size Reduction 2011-12	-	83,268	83,268	-	-	-	-	-	-
T.II Class Size Reduction 2012-13	-	-	-	-	-	86,072	86,072	-	-
Title I - Grants to LEAs	(14,347)	28,697	14,350	-	-	-	-	-	-
Special Education - Part B	(42,839)	159,410	116,571	-	-	-	-	-	-
Education Jobs	-	112,409	229,001	-	(116,592)	278,506	161,914	-	-
Payroll Withholdings	64,775	4,373,273	4,390,932	-	47,116	4,473,899	4,459,437	-	61,578
Totals	\$ 8,630,307	\$ 22,686,672	\$ 22,709,960	\$ -	\$ 8,607,019	\$ 22,695,614	\$ 22,563,736	\$ -	\$ 8,738,897

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

MITCHELL COMMUNITY SCHOOLS
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.

MITCHELL COMMUNITY SCHOOLS
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.

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.

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.

MITCHELL COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENT
(Continued)

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.

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.

MITCHELL COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENT
(Continued)

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

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

MITCHELL COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENT
(Continued)

(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. Negative Receipts and Disbursements

The financial statement contains some receipts and disbursements which appear as negative entries. This is a result of errors made in the prior period were corrected by reversing the original entry. The error made in the prior period was corrected by reversing the original entry. Since the original entry and the correction were made in separate periods, a negative receipt/disbursement was shown in the current period.

Note 8. Cash Balance Deficits

The financial statement contains some funds with deficits in cash. This is a result of the funds being set up for reimbursable grants or state reimbursements. The reimbursement for expenditures made by the School Corporation were not received by June 30. In addition, the Textbook Rental Fund had a deficit balance caused by disbursements exceeding receipts for the two years of the audit period.

Note 9. Restatements

For the year ended June 30, 2011, certain changes have been made to one of the beginning balances 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.

MITCHELL COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENT
(Continued)

Fund Name	Balance as of June 30, 2011	Prior Period Adjustment	Balance as of July 1, 2011
Payroll Withholdings	\$ -	\$ 64,775	\$ 64,775

Note 10. Holding Corporations

The School Corporation has entered into a capital lease with Mitchell High School Building Corporation (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. The lessor has been determined to be a related party of the School Corporation. Lease payments during the years ended June 30, 2012 and 2013 totaled \$1,464,000 and \$1,516,000, respectively.

The School Corporation has entered into a capital lease with Mitchell 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 \$748,000 and \$715,000, respectively.

The School Corporation has entered into a capital lease with Mitchell 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 ended June 30, 2012 and 2013 totaled \$342,000 and \$342,000, respectively.

(This page intentionally left blank.)

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.

MITCHELL COMMUNITY SCHOOLS
 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/ Serverance Bond Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	School Lunch	Textbook Rental
Cash and investments - beginning	\$ 3,372,189	\$ 1,859,261	\$ 7,842	\$ 1,768,537	\$ 614,297	\$ 139,835	\$ 445,043	\$ 286,244	\$ 123,105
Receipts:									
Local sources	284,991	2,337,428	(7,842)	1,430,797	1,021,036	19,759	-	205,154	106,803
Intermediate sources	83	-	-	-	-	-	-	-	-
State sources	11,592,116	-	-	-	-	-	-	5,858	92,376
Federal sources	-	-	-	-	-	-	-	398,029	-
Other	5,187	-	-	5,175	18,668	-	-	500	650
Total receipts	11,882,377	2,337,428	(7,842)	1,435,972	1,039,704	19,759	-	609,541	199,829
Disbursements:									
Current:									
Instruction	8,222,294	-	-	-	-	-	-	-	41,601
Support services	3,546,335	-	-	825,328	956,766	73,554	19,368	8,984	288,510
Noninstructional services	295	-	-	-	-	-	-	600,876	-
Facilities acquisition and construction	545	-	-	182,657	-	-	-	-	-
Debt services	3,915	2,653,983	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	16,518
Total disbursements	11,773,384	2,653,983	-	1,007,985	956,766	73,554	19,368	609,860	346,629
Excess (deficiency) of receipts over disbursements	108,993	(316,555)	(7,842)	427,987	82,938	(53,795)	(19,368)	(319)	(146,800)
Other financing sources (uses):									
Transfers in	-	-	-	-	-	-	1,500,000	-	-
Transfers out	-	-	-	(1,250,000)	(250,000)	-	-	-	-
Total other financing sources (uses)	-	-	-	(1,250,000)	(250,000)	-	1,500,000	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	108,993	(316,555)	(7,842)	(822,013)	(167,062)	(53,795)	1,480,632	(319)	(146,800)
Cash and investments - ending	\$ 3,481,182	\$ 1,542,706	\$ -	\$ 946,524	\$ 447,235	\$ 86,040	\$ 1,925,675	\$ 285,925	\$ (23,695)

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

	Levy Excess	Educational License Plates	Early Intervention Grant	Reading Recovery	Miscellaneous Programs	National Rural Education Grant	High Ability Grant	Teacher Quality Improvement Program	Performance Based Awards
Cash and investments - beginning	\$ 42,181	\$ 713	\$ 5,702	\$ (2,732)	\$ 39	\$ 500	\$ 33,257	\$ -	\$ 354
Receipts:									
Local sources	-	19	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	12,282	-	-	31,968	-	-
Federal sources	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	-	19	-	12,282	-	-	31,968	-	-
Disbursements:									
Current:									
Instruction	-	-	-	-	-	-	25,560	33,257	-
Support services	-	-	1,119	5,043	-	500	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	-	-	1,119	5,043	-	500	25,560	33,257	-
Excess (deficiency) of receipts over disbursements	-	19	(1,119)	7,239	-	(500)	6,408	(33,257)	-
Other financing sources (uses):									
Transfers in	-	-	-	-	-	-	-	33,257	-
Transfers out	-	-	-	-	-	-	(33,257)	-	-
Total other financing sources (uses)	-	-	-	-	-	-	(33,257)	33,257	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	19	(1,119)	7,239	-	(500)	(26,849)	-	-
Cash and investments - ending	<u>\$ 42,181</u>	<u>\$ 732</u>	<u>\$ 4,583</u>	<u>\$ 4,507</u>	<u>\$ 39</u>	<u>\$ -</u>	<u>\$ 6,408</u>	<u>\$ -</u>	<u>\$ 354</u>

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

	Cape Grant PDK MJHS	PDK Cape Grant Hatfield	Excess PTRC Distributions	Title I	Title I P.L. 107-110 2010/11	Title V, Part A-Library Grant	Title V 2009-10	Drug Free Schools-Title IV, PTA	Title IV, PART A SY 2009/10
Cash and investments - beginning	\$ 567	\$ 8,794	\$ -	\$ -	\$ (1,848)	\$ 236	\$ 1,299	\$ 2,553	\$ -
Receipts:									
Local sources	-	-	23,422	-	8,894	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-
Federal sources	-	-	-	53,109	184,309	-	-	-	1,113
Other	-	-	-	-	-	-	-	-	-
Total receipts	-	-	23,422	53,109	193,203	-	-	-	1,113
Disbursements:									
Current:									
Instruction	-	-	-	167,110	87,914	-	-	-	-
Support services	-	1,092	-	67,200	31,751	236	-	-	1,113
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	-	1,092	-	234,310	119,665	236	-	-	1,113
Excess (deficiency) of receipts over disbursements	-	(1,092)	23,422	(181,201)	73,538	(236)	-	-	-
Other financing sources (uses):									
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	(1,092)	23,422	(181,201)	73,538	(236)	-	-	-
Cash and investments - ending	\$ 567	\$ 7,702	\$ 23,422	\$ (181,201)	\$ 71,690	\$ -	\$ 1,299	\$ 2,553	\$ -

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

	School To Career	T.II Class Class Size Reduction 2009-10	T.II Class Class Size Reduction 2010-11	Title 2 Class Size Reduction 2011-12	Title I Grants to LEAs	Special Education Part B	Education Jobs	Payroll Withholdings	Totals
Cash and investments - beginning	\$ 67	\$ (178)	\$ (85,139)	\$ -	\$ (14,347)	\$ (42,839)	\$ -	\$ 64,775	\$ 8,630,307
Receipts:									
Local sources	-	-	-	-	-	-	-	-	5,430,461
Intermediate sources	-	-	-	-	-	-	-	-	83
State sources	-	-	-	-	-	-	-	-	11,734,600
Federal sources	-	178	97,553	83,268	28,697	159,410	112,409	-	1,118,075
Other	-	-	-	-	-	-	-	4,373,273	4,403,453
Total receipts	-	178	97,553	83,268	28,697	159,410	112,409	4,373,273	22,686,672
Disbursements:									
Current:									
Instruction	-	-	12,414	83,268	14,350	118,338	229,001	-	9,035,107
Support services	-	-	-	-	-	(5,767)	-	-	5,821,132
Noninstructional services	-	-	-	-	-	-	-	-	601,171
Facilities acquisition and construction	-	-	-	-	-	-	-	-	183,202
Debt services	-	-	-	-	-	-	-	-	2,657,898
Nonprogrammed charges	-	-	-	-	-	4,000	-	4,390,932	4,411,450
Total disbursements	-	-	12,414	83,268	14,350	116,571	229,001	4,390,932	22,709,960
Excess (deficiency) of receipts over disbursements	-	178	85,139	-	14,347	42,839	(116,592)	(17,659)	(23,288)
Other financing sources (uses):									
Transfers in	-	-	-	-	-	-	-	-	1,533,257
Transfers out	-	-	-	-	-	-	-	-	(1,533,257)
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	178	85,139	-	14,347	42,839	(116,592)	(17,659)	(23,288)
Cash and investments - ending	\$ 67	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (116,592)	\$ 47,116	\$ 8,607,019

MITCHELL COMMUNITY SCHOOLS
 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	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	School Lunch	Textbook Rental
Cash and investments - beginning	\$ 3,481,182	\$ 1,542,706	\$ 946,524	\$ 447,235	\$ 86,040	\$ 1,925,675	\$ 285,925	\$ (23,695)
Receipts:								
Local sources	118,705	2,481,071	1,393,543	1,005,099	100,959	-	198,186	104,124
Intermediate sources	11	-	-	-	-	-	-	-
State sources	11,143,040	-	-	-	-	-	5,188	71,057
Federal sources	-	-	-	-	-	-	415,217	-
Other	109,120	-	29,382	971	-	76,302	500	3,627
Total receipts	<u>11,370,876</u>	<u>2,481,071</u>	<u>1,422,925</u>	<u>1,006,070</u>	<u>100,959</u>	<u>76,302</u>	<u>619,091</u>	<u>178,808</u>
Disbursements:								
Current:								
Instruction	8,111,735	-	-	-	-	-	-	41,850
Support services	3,442,972	-	828,482	956,810	82,333	186,192	12,651	142,091
Noninstructional services	316	-	-	-	-	-	604,420	-
Facilities acquisition and construction	-	-	278,247	-	-	-	-	-
Debt services	2,349	2,649,281	-	-	-	-	140	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	<u>11,557,372</u>	<u>2,649,281</u>	<u>1,106,729</u>	<u>956,810</u>	<u>82,333</u>	<u>186,192</u>	<u>617,211</u>	<u>183,941</u>
Excess (deficiency) of receipts over disbursements	<u>(186,496)</u>	<u>(168,210)</u>	<u>316,196</u>	<u>49,260</u>	<u>18,626</u>	<u>(109,890)</u>	<u>1,880</u>	<u>(5,133)</u>
Other financing sources (uses):								
Transfers in	15,785	-	-	28,260	-	600,000	-	-
Transfers out	-	-	(425,000)	(175,000)	-	-	-	(15,785)
Total other financing sources (uses)	<u>15,785</u>	<u>-</u>	<u>(425,000)</u>	<u>(146,740)</u>	<u>-</u>	<u>600,000</u>	<u>-</u>	<u>(15,785)</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(170,711)</u>	<u>(168,210)</u>	<u>(108,804)</u>	<u>(97,480)</u>	<u>18,626</u>	<u>490,110</u>	<u>1,880</u>	<u>(20,918)</u>
Cash and investments - ending	<u>\$ 3,310,471</u>	<u>\$ 1,374,496</u>	<u>\$ 837,720</u>	<u>\$ 349,755</u>	<u>\$ 104,666</u>	<u>\$ 2,415,785</u>	<u>\$ 287,805</u>	<u>\$ (44,613)</u>

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

	Levy Excess	Educational License Plates	Alternative Education	Early Intervention Grant	Early Intervention 2012-13	Reading Recovery	School Intervention and Career Counseling	Miscellaneous Programs
Cash and investments - beginning	\$ 42,181	\$ 732	\$ -	\$ 4,583	\$ -	\$ 4,507	\$ -	\$ 39
Receipts:								
Local sources	-	131	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	-	2,580	-	9,550	100	10,000	-
Federal sources	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total receipts	-	131	2,580	-	9,550	100	10,000	-
Disbursements:								
Current:								
Instruction	-	-	-	-	1,266	-	10,000	-
Support services	-	-	-	4,583	-	4,607	-	39
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	-	-	-	4,583	1,266	4,607	10,000	39
Excess (deficiency) of receipts over disbursements	-	131	2,580	(4,583)	8,284	(4,507)	-	(39)
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	131	2,580	(4,583)	8,284	(4,507)	-	(39)
Cash and investments - ending	\$ 42,181	\$ 863	\$ 2,580	\$ -	\$ 8,284	\$ -	\$ -	\$ -

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

	High Ability Grant	High Ability Salaries 12-13	Performance Based Awards	Cape Grant PDK MJHS	PDK Cape Grant Hatfield	Excess PTRC Distributions	Title I	Title I P.L. 107-110 2010/11
Cash and investments - beginning	\$ 6,408	\$ -	\$ 354	\$ 567	\$ 7,702	\$ 23,422	\$ (181,201)	\$ 71,690
Receipts:								
Local sources	-	-	-	-	-	8,437	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	34,474	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	277,750	-
Other	-	-	-	-	-	-	-	-
Total receipts	-	34,474	-	-	-	8,437	277,750	-
Disbursements:								
Current:								
Instruction	6,408	34,474	354	-	-	-	76,528	-
Support services	-	-	-	567	-	-	20,021	-
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	6,408	34,474	354	567	-	-	96,549	-
Excess (deficiency) of receipts over disbursements	(6,408)	-	(354)	(567)	-	8,437	181,201	-
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	(28,260)	-	-
Total other financing sources (uses)	-	-	-	-	-	(28,260)	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(6,408)	-	(354)	(567)	-	(19,823)	181,201	-
Cash and investments - ending	\$ -	\$ -	\$ -	\$ -	\$ 7,702	\$ 3,599	\$ -	\$ 71,690

MITCHELL COMMUNITY SCHOOLS
 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 2012-13	Title V 2009-10	Drug Free Schools-Title IV, PTA	School To Career	T.II Class Class Size Reduction 2012-13	Education Jobs	Payroll Withholdings	Totals
Cash and investments - beginning	\$ -	\$ 1,299	\$ 2,553	\$ 67	\$ -	\$ (116,592)	\$ 47,116	\$ 8,607,019
Receipts:								
Local sources	-	-	-	-	-	-	-	5,410,255
Intermediate sources	-	-	-	-	-	-	-	11
State sources	-	-	-	-	-	-	-	11,275,989
Federal sources	257,943	-	70	-	86,072	278,506	-	1,315,558
Other	-	-	-	-	-	-	4,473,899	4,693,801
Total receipts	257,943	-	70	-	86,072	278,506	4,473,899	22,695,614
Disbursements:								
Current:								
Instruction	281,761	-	2,623	67	86,072	161,914	-	8,815,052
Support services	71,847	1,299	-	-	-	-	-	5,754,494
Noninstructional services	-	-	-	-	-	-	-	604,736
Facilities acquisition and construction	-	-	-	-	-	-	-	278,247
Debt services	-	-	-	-	-	-	-	2,651,770
Nonprogrammed charges	-	-	-	-	-	-	4,459,437	4,459,437
Total disbursements	353,608	1,299	2,623	67	86,072	161,914	4,459,437	22,563,736
Excess (deficiency) of receipts over disbursements	(95,665)	(1,299)	(2,553)	(67)	-	116,592	14,462	131,878
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	-	644,045
Transfers out	-	-	-	-	-	-	-	(644,045)
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(95,665)	(1,299)	(2,553)	(67)	-	116,592	14,462	131,878
Cash and investments - ending	\$ (95,665)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 61,578	\$ 8,738,897

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

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities:				
Mitchell Elementary School Building Corp	Lease Elementary Building	\$ 715,000	07-15-09	07-15-19
Mitchell Multi School Building Corp	Lease Multiple Buildings	171,000	11-20-90	01-05-14
Mitchell High School Building Corp	Lease High School Building	<u>1,490,500</u>	03-16-05	07-15-27
Total of annual lease payments		<u>\$ 2,376,500</u>		

MITCHELL 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.

	<u>Ending Balance</u>
Governmental activities:	
Land	\$ 1,989,811
Buildings	30,286,874
Machinery, equipment, and vehicles	2,693,892
Construction in progress H.S. Cafeteria	<u>551,691</u>
Total capital assets	<u><u>\$ 35,522,267</u></u>

MITCHELL COMMUNITY SCHOOLS
AUDIT RESULTS AND COMMENTS

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

The information presented for audit indicates enrollment figures on Form No. 30A, Report of Average Daily Membership (ADM) for State Support, were incorrect for the school year ending June 30, 2013.

The enrollment count date for 2013 was September 14, 2012. The difference between the count reported on the ADM and the verified figures are shown below:

School Year 2012-2013				
Grade	Enrollment Figures Supplied By Building	Corporation Enrollment Figures	Difference	
Kindergarten	60.5	60.5	-	
Grade 1	128	127	1	
Grade 2	129	129	-	
Grade 3	117	119	(2)	
Grade 4	120	121	(1)	
Grade 5	136	138	(2)	
Grade 6	143	143	-	
Grade 7	128	128	-	
Grade 8	136	137	(1)	
Grade 9	152	152	-	
Grade 10	152	151	1	
Grade 11	132	132	-	
Grade 12	148	147	1	
Totals	1,681.5	1,684.5	(3)	

In addition, six students were identified by name and student identification number that were not included in the School Corporation total of 1,684.5.

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

OVERDRAWN CASH BALANCES

The financial statement presented in this report included the following funds with overdrawn cash balances at June 30:

Fund	Years	Overdrawn
Textbook Rental	2011-2012	\$ 23,695
Textbook Rental	2012-2013	44,613

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

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

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

TO: THE OFFICIALS OF THE MITCHELL COMMUNITY SCHOOLS, LAWRENCE COUNTY, INDIANA

Report on Compliance for Each Major Federal Program

We have audited the Mitchell Community Schools' (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 2013-001 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

January 9, 2014

(This page intentionally left blank.)

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.

MITCHELL COMMUNITY SCHOOLS
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 06-30-12	Total Federal Awards Expended 06-30-13
<u>U.S. DEPARTMENT OF AGRICULTURE</u>					
Child Nutrition Cluster					
School Breakfast Program	Indiana Department of Education	10.553	FY 2012 FY 2013	\$ 99,201 -	\$ - 104,634
Total - School Breakfast Program				<u>99,201</u>	<u>104,634</u>
National School Lunch Program	Indiana Department of Education	10.555	FY 2012 FY 2013	351,400 -	- 353,144
Total - National School Lunch Program				<u>351,400</u>	<u>353,144</u>
Summer Food Service Program For Children	Indiana Department of Education	10.559	FY 2013	-	7,047
Total - Summer Food Service Program For Children				<u>-</u>	<u>7,047</u>
Total - Child Nutrition Cluster				<u>450,601</u>	<u>464,825</u>
Total - Department of Agriculture				<u>450,601</u>	<u>464,825</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>					
Title I, Part A Cluster					
Title I Grants to Local Educational Agencies	Indiana Department of Education	84.010	11-5085 12-5085 13-5085	184,309 53,109 -	- 277,750 257,943
Total - Title I Grants to Local Educational Agencies				<u>237,418</u>	<u>535,693</u>
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	Indiana Department of Education	84.389	SY2010-2011	28,698	-
Total - Title I, Part A Cluster				<u>266,116</u>	<u>535,693</u>

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

MITCHELL COMMUNITY SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Years Ended June 30, 2012 and 2013
(Continued)

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 06-30-12	Total Federal Awards Expended 06-30-13
<u>U.S. DEPARTMENT OF EDUCATION (continued)</u>					
Special Education Cluster (IDEA)					
ARRA - Special Education Grants to States, Recovery Act	North Lawrence Community Schools	84.391	33310-049-SN01	159,410	-
Total - Special Education - Grants to States				159,410	-
Total - Special Education Cluster (IDEA)				159,410	-
Safe and Drug Free Schools and Communities - State Grants					
	Indiana Department of Education	84.186	SY2009-2010	1,113	-
Improving Teacher Quality State Grants					
	Indiana Department of Education	84.367	11-5085	97,553	-
			12-5085	83,268	-
			13-5085	-	86,072
Total - Improving Teacher Quality State Grants				180,821	86,072
Education Jobs Fund					
	Indiana Department of Education	84.410	11-5085	112,409	278,506
Total - Department of Education				719,869	900,271
Total federal awards expended				<u>\$ 1,170,470</u>	<u>\$ 1,365,096</u>

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

MITCHELL COMMUNITY SCHOOLS
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 Mitchell Community Schools (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
Child Nutrition Cluster:			
Food Commodities:			
School Breakfast Program	10.553	\$ 11,629	\$ 11,339
National School Lunch Program	10.555	40,943	38,269

MITCHELL COMMUNITY SCHOOLS
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?	no
Significant deficiencies identified?	none reported
Noncompliance material to financial statement noted?	no

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	Title I, Part A Cluster Special Education Cluster (IDEA) 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

No matters are reportable.

MITCHELL COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Section III – Federal Award Findings and Questioned Costs

***FINDING 2013-001 - INTERNAL CONTROLS OVER LEVEL OF EFFORT FOR
ARRA - SPECIAL EDUCATION GRANTS TO STATES, RECOVERY ACT***

Federal Agency: Department of Education
Federal Program: ARRA - Special Education Grants to States, Recovery Act
CFDA Number: 84.391
Federal Award Number: 33310-049-SN01
Pass-Through Entity: North Lawrence Community Schools

Management of the School Corporation has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and one of the compliance requirements that have a direct and material effect on the program. This includes the compliance requirements for level of effort. The failure to establish an effective internal control system places the School Corporation at risk of noncompliance with the grant agreement and the compliance requirement. 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 grant.

The School Corporation had not designed or implemented adequate policies or procedures for the requirements of the level of effort. The Assistant Superintendent of Schools used the School Corporation's financial records and source documents to prepare a spreadsheet to calculate the level of effort. The total amounts were reported to North Lawrence Community Schools (the LEA). No one at the School Corporation reviewed the calculation made by the Assistant Superintendent of Schools. This would allow errors to be included in the calculations and go undetected.

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 School Corporation's management needs to establish and implement internal control procedures that will ensure compliance with the requirements for level of effort.

We recommended that the School Corporation's management establish controls to ensure all grant requirements are complied with.

Dr. Steve E. Phillips
SUPERINTENDENT

Phillip Storm
ASSISTANT SUPERINTENDENT

Malinda Powell
TREASURER

Debbie Arthur
SECY. TO BOARD/
DEPUTY TREASURER

Debbie Ellis
BENEFITS/SECRETARY

Mitchell Community Schools

441 North 8th Street • Mitchell, Indiana 47446
Phone 812-849-4481 • Fax 812-849-2133

BOARD OF TRUSTEES

Steve Burton

Marnie J. McKnight

Crystal D. Mikels

Patrick Redman

Christopher S. Shaw

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FEDERAL FINDING 2011-3, REPORTING

Federal Agency: Department of Education
Federal Program: Title I Grants to Local Education Agencies
CFDA Number: 84.010
Federal Award Number and Year: 09-5085, SY 2008-09; 10-5085, SY 2009-10; 11-5085, SY 2010-11
Pass-through Entity: Indiana Department of Education

Original SBA Audit Report Number: B40127
Fiscal Year: July 1, 2009 to June 30, 2011
Auditee Contact Person: Phillip Storm
Title of Contact Person: Assistant Superintendent
Phone Number: 812-849-4481
Status of Finding: Fiscal Monitoring Report on file for Title I Received 1/28/13.
No Issues Found

FEDERAL FINDING 2011-4, ACTIVITIES ALLOWED AND ALLOWABLE COST

Federal Agency: DEPARTMENT OF EDUCATION
Federal Program: ARRA - STATE FISCAL STABILIZATION FUND (SFSF) – EDUCATION STATE GRANTS,
RECOVERY ACT
CFDA Number: 84.394
Pass-through Entity: Indiana Department of Education

Original SBA Audit Report Number: B40127
Fiscal Year: July 1, 2009 to June 30, 2011
Auditee Contact Person: Phillip Storm
Title of Contact Person: Assistant Superintendent
Phone Number: 812-849-4481
Status of Finding: Special Ed and ARRA fiscal audit results: All comments
Satisfactory. No Findings. Received report 2/8/13

FEDERAL FINDING 2011-5, INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING - MATERIAL WEAKNESSES

Summary Schedule of Prior Audit Findings (1)

Federal Agency: DEPARTMENT OF EDUCATION

Federal Program: TITLE I, GRANTS TO LOCAL EDUCATIONAL AGENCIES; ARRA – TITLE I, GRANTS TO LOCAL EDUCATIONAL AGENCIES, RECOVERY ACT; ARRA – SPECIAL EDUCATION GRANTS TO STATES, RECOVERY ACT; ARRA – SPECIAL EDUCATION – PRESCHOOL GRANTS, RECOVERY ACT; ARRA - STATE FISCAL STABILIZATION FUND (SFSF); – EDUCATION STATE GRANTS, RECOVERY ACT
CFDA Number: 84.010; 84.394; 84.391; 84.392; 84.394

Federal Award Number and Year 09-5085, SY 2008-09; 10-5085, SY 2009-10; 11-5085, SY 2010-11 SY 2006-07; SY 2008-09, SY 2009-10, SY 2010-11

Pass-through Entity: Indiana Department of Education; North Lawrence Community Schools

Original SBA Audit Report Number:	B40127
Fiscal Year	July 1, 2009 to June 30, 2011
Auditee Contact Person	Phillip Storm
Title of Contact Person	Assistant Superintendent
Phone Number	812-849-4481
Status of Finding:	Fiscal Monitoring report on file for Title I. Received 1/28/13. No Issues Found



12-17-13

Dr. Steve E. Phillips
SUPERINTENDENT

Phillip Storm
ASSISTANT SUPERINTENDENT

Malinda Powell
TREASURER

Debbie Arthur
SECY. TO BOARD/
DEPUTY TREASURER

Debbie Ellis
BENEFITS/SECRETARY

Mitchell Community Schools

441 North 8th Street • Mitchell, Indiana 47446
Phone 812-849-4481 • Fax 812-849-2133

BOARD OF TRUSTEES

Steve Burton

Marnie J. McKnight

Crystal D. Mikels

Patrick Redman

Christopher S. Shaw

January 9, 2014

FINDING 2013-001 INTERNAL CONTROLS OVER COMPLIANCE REQUIREMENTS THAT HAVE A DIRECT AND MATERIAL EFFECT ON LEVEL OF EFFORT FOR ARRA-SPECIAL EDUCATION GRANTS TO STATES, RECOVERY ACT

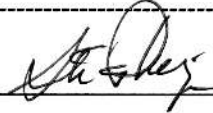
Federal Agency: Department of Education

Federal Program: ARRA-Special Education Grants to States, Recovery Act

CFDA Number: 84.391

Federal Award Number: 33310-049-SN01

Pass-Through Entity: North Lawrence Community Schools

From: Dr. Steve Phillips 

RE: Audit Finding

In regard to the finding copied below, Mitchell Community Schools will take the following action:

- As of January 1, 2014, the Treasurer and/or Superintendent will review and sign off on MOE reports prepared by the Assistant Superintendent
- It should be noted that the ARRA fund specifically mentioned no longer exists

MITCHELL COMMUNITY SCHOOLS
EXIT CONFERENCE

The contents of this report were discussed on January 9, 2014, with Christopher S. Shaw, President of the School Board; Dr. Steve E. Phillips, Superintendent of Schools; Phillip Storm, Assistant Superintendent of Schools; and M. Malinda Powell, Treasurer.