

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

EXAMINATION REPORT  
OF  
COWAN COMMUNITY SCHOOL CORPORATION  
DELAWARE COUNTY, INDIANA  
July 1, 2004 to June 30, 2006



**FILED**  
01/12/2007



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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Janet L. McIntosh	07-01-04 to 06-30-07
Superintendent of Schools	Larry D. John	07-01-04 to 06-30-07
President of the School Board	Michael Downham Alan Wright Jana D. Norris	07-01-04 to 06-30-05 07-01-05 to 06-30-06 07-01-06 to 06-30-07



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE COWAN COMMUNITY SCHOOL  
CORPORATION, DELAWARE COUNTY, INDIANA

We have examined the financial information presented herein of the Cowan Community School Corporation (School Corporation), for the period of July 1, 2004 to June 30, 2006. The School Corporation's management is responsible for the financial information presented herein. Our responsibility is to express an opinion based on our examination.

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

In our opinion, the financial information referred to above present fairly, in all material respects, the financial information of the School Corporation for the years ended June 30, 2005 and 2006, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

Our examination was conducted for the purpose of forming an opinion on the financial information that collectively comprises the School Corporation's basic financial information. The supplementary schedules of Capital Assets and Long-Term Debt are presented for additional analysis and are not a required part of the basic financial information. The Schedule of Capital Assets and Schedule of Long-Term Debt have not been subjected to the examination procedures applied by us in the examination of the basic financial information and accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

December 13, 2006

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

<u>Assets</u>	<u>Governmental Activities</u>
Current assets:	
Cash and investments	\$ 1,221,111
Restricted assets:	
Cash and investments	<u>555,544</u>
Total assets	<u>\$ 1,776,655</u>
 <u>Net Assets</u>	
Restricted for:	
Debt service	\$ 555,544
Unrestricted	<u>1,221,111</u>
Total net assets	<u>\$ 1,776,655</u>

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

COWAN COMMUNITY SCHOOL CORPORATION  
STATEMENT OF CASH AND INVESTMENTS  
June 30, 2006

<u>Assets</u>	<u>Governmental Activities</u>
Current assets:	
Cash and investments	\$ 1,052,425
Restricted assets:	
Cash and investments	<u>1,177,217</u>
Total assets	<u>\$ 2,229,642</u>
 <u>Net Assets</u>	
Restricted for:	
Debt service	\$ 1,177,217
Unrestricted	<u>1,052,425</u>
Total net assets	<u>\$ 2,229,642</u>

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

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

Functions/Programs	Disbursements	Program Receipts		Net (Disbursement) Receipts
		Charges for Services	Operating Grants and Contributions	Total
Governmental activities:				
Instruction	\$ 1,860,841	\$ -	\$ 32,246	\$ (1,828,595)
Support services	7,184,224	260,356	28,979	(6,894,889)
Community services	84,049	-	-	(84,049)
Nonprogrammed charges	189,761	-	-	(189,761)
Debt service	1,137,866	-	-	(1,137,866)
<b>Total governmental activities</b>	<b>\$ 10,456,741</b>	<b>\$ 260,356</b>	<b>\$ 61,225</b>	<b>(10,135,160)</b>
General receipts:				
Property taxes				2,707,350
Other local sources				558,266
State aid				2,520,383
Grants and contributions not restricted				287,720
Bonds and loans				4,826,092
Sale of property, adjustments, and refunds				1,225
Investment earnings				25,725
Total general receipts				10,926,761
Change in cash and investments				791,601
Net assets - beginning				985,054
Net assets - ending				\$ 1,776,655

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

COWAN COMMUNITY SCHOOL CORPORATION  
STATEMENT OF CASH ACTIVITIES  
For the Year Ended June 30, 2006

Functions/Programs	Disbursements	Program Receipts		Net (Disbursement) Receipts
		Charges for Services	Operating Grants and Contributions	Total
Governmental activities:				
Instruction	\$ 1,811,043	\$ -	\$ 27,523	\$ (1,783,520)
Support services	4,774,002	252,414	53,334	(4,468,254)
Community services	80,498	-	-	(80,498)
Nonprogrammed charges	241,860	-	-	(241,860)
Debt service	458,626	-	-	(458,626)
<b>Total governmental activities</b>	<b><u>\$ 7,366,029</u></b>	<b><u>\$ 252,414</u></b>	<b><u>\$ 80,857</u></b>	<b><u>(7,032,758)</u></b>
General receipts:				
Property taxes				2,405,504
Other local sources				528,060
State aid				2,689,021
Grants and contributions not restricted				252,510
Bonds and loans				1,542,190
Sale of property, adjustments, and refunds				4,993
Investment earnings				<u>63,467</u>
<b>Total general receipts</b>				<b><u>7,485,745</u></b>
<b>Change in cash and investments</b>				<b>452,987</b>
<b>Net assets - beginning</b>				<b><u>1,776,655</u></b>
<b>Net assets - ending</b>				<b><u>\$ 2,229,642</u></b>

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

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

	General	Transportation Operating	Debt Service	Capital Projects	School Bus Replacement	Construction	Other	Totals
Receipts:								
Local sources	\$ 1,491,257	\$ 314,759	\$ 845,067	\$ 499,863	\$ 97,499	\$ -	\$ 302,864	\$ 3,551,309
Intermediate sources	32	-	-	-	-	-	356	388
State sources	2,540,166	-	-	-	-	-	102,960	2,643,126
Federal sources	-	-	-	-	-	-	226,202	226,202
Bonds and loans	-	-	-	-	-	4,826,092	-	4,826,092
Sale of property, adjustments and refunds	51	-	-	-	-	-	1,174	1,225
Intergovernmental transfers	-	-	-	-	-	-	45,281	45,281
<b>Total receipts</b>	<b>4,031,506</b>	<b>314,759</b>	<b>845,067</b>	<b>499,863</b>	<b>97,499</b>	<b>4,826,092</b>	<b>678,837</b>	<b>11,293,623</b>
Disbursements:								
Current:								
Instruction	1,663,995	-	-	-	-	-	196,846	1,860,841
Support services	1,685,908	260,685	-	328,787	103,934	4,488,574	316,336	7,184,224
Community services	83,337	-	-	-	-	-	712	84,049
Nonprogrammed charges	198,158	1,855	3,186	2,956	648	-	28,239	235,042
Debt services	550,000	60,000	404,807	90,000	-	-	33,059	1,137,866
<b>Total disbursements</b>	<b>4,181,398</b>	<b>322,540</b>	<b>407,993</b>	<b>421,743</b>	<b>104,582</b>	<b>4,488,574</b>	<b>575,192</b>	<b>10,502,022</b>
Excess (deficiency) of total receipts over (under) total disbursements	(149,892)	(7,781)	437,074	78,120	(7,083)	337,518	103,645	791,601
Cash and investments - beginning	456,195	70,610	115,154	132,838	27,881	6,926	175,450	985,054
Cash and investments - ending	<u>\$ 306,303</u>	<u>\$ 62,829</u>	<u>\$ 552,228</u>	<u>\$ 210,958</u>	<u>\$ 20,798</u>	<u>\$ 344,444</u>	<u>\$ 279,095</u>	<u>\$ 1,776,655</u>

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

COWAN COMMUNITY SCHOOL CORPORATION  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES  
GOVERNMENTAL FUNDS  
For The Year Ended June 30, 2006

	General	Transportation Operating	Debt Service	Capital Projects	School Bus Replacement	Construction	Other	Totals
Receipts:								
Local sources	\$ 1,225,077	\$ 259,608	\$ 1,011,972	\$ 376,878	\$ 32,046	\$ 5,947	\$ 337,376	\$ 3,248,904
Intermediate sources	16	-	-	-	-	-	525	541
State sources	2,705,281	-	-	-	-	-	57,905	2,763,186
Federal sources	3,000	-	-	-	-	-	256,202	259,202
Bonds and loans	-	-	-	-	-	1,542,190	-	1,542,190
Sale of property, adjustments and refunds	322	-	-	-	-	-	4,671	4,993
Intergovernmental transfers	17,065	-	-	-	-	-	13,062	30,127
<b>Total receipts</b>	<b>3,950,761</b>	<b>259,608</b>	<b>1,011,972</b>	<b>376,878</b>	<b>32,046</b>	<b>1,548,137</b>	<b>669,741</b>	<b>7,849,143</b>
Disbursements:								
Current:								
Instruction	1,594,450	-	-	-	-	-	216,593	1,811,043
Support services	1,732,068	253,630	1,596	435,849	36,770	1,895,532	418,557	4,774,002
Community services	80,498	-	-	-	-	-	-	80,498
Nonprogrammed charges	243,185	314	1,370	472	84	-	26,562	271,987
Debt services	-	-	385,275	-	-	-	73,351	458,626
<b>Total disbursements</b>	<b>3,650,201</b>	<b>253,944</b>	<b>388,241</b>	<b>436,321</b>	<b>36,854</b>	<b>1,895,532</b>	<b>735,063</b>	<b>7,396,156</b>
Excess (deficiency) of total receipts over (under) total disbursements	300,560	5,664	623,731	(59,443)	(4,808)	(347,395)	(65,322)	452,987
Cash and investments - beginning	306,303	62,829	552,228	210,958	20,798	344,444	279,095	1,776,655
Cash and investments - ending	<u>\$ 606,863</u>	<u>\$ 68,493</u>	<u>\$ 1,175,959</u>	<u>\$ 151,515</u>	<u>\$ 15,990</u>	<u>\$ (2,951)</u>	<u>\$ 213,773</u>	<u>\$ 2,229,642</u>

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

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

	Pension Trust Funds	Private-Purpose Trust Funds
Additions:		
Local sources	\$ 884	\$ 38,713
Bonds and loans	555,000	-
Total additions	555,884	38,713
Deductions:		
Instruction	-	15,510
Support services	461,177	15,853
Total deductions	461,177	31,363
Excess of total additions over total deductions	94,707	7,350
Cash and investments - beginning	-	15,706
Cash and investments - ending	\$ 94,707	\$ 23,056

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

COWAN COMMUNITY SCHOOL CORPORATION  
STATEMENT OF RECEIPTS, DISBURSEMENTS,  
AND CHANGES IN CASH AND INVESTMENTS  
FIDUCIARY FUNDS  
For The Year Ended June 30, 2006

	Pension Trust Funds	Private-Purpose Trust Funds
Additions:		
Local sources	\$ 2,438	\$ 5,618
Deductions:		
Instruction	-	6,675
Support services	15,161	1,556
Total deductions	15,161	8,231
Deficiency of total additions under total deductions	(12,723)	(2,613)
Cash and investments - beginning	94,707	23,056
Cash and investments - ending	\$ 81,984	\$ 20,443

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

COWAN COMMUNITY SCHOOL CORPORATION  
STATEMENT OF CASH AND INVESTMENTS  
FIDUCIARY FUNDS  
June 30, 2005

<u>Assets</u>	<u>Pension Trust Funds</u>	<u>Private-Purpose Trust Funds</u>
Cash and investments	\$ 94,707	\$ 23,056
<u>Net Assets</u>		
Held in trust for employee benefits and other purposes	\$ 94,707	\$ 23,056

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

COWAN COMMUNITY SCHOOL CORPORATION  
 STATEMENT OF CASH AND INVESTMENTS  
 FIDUCIARY FUNDS  
 June 30, 2006

<u>Assets</u>	<u>Pension Trust Funds</u>	<u>Private-Purpose Trust Funds</u>
Cash and investments	\$ 81,984	\$ 20,443
<u>Net Assets</u>		
Held in trust for employee benefits and other purposes	\$ 81,984	\$ 20,443

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

COWAN COMMUNITY SCHOOL CORPORATION  
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

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

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

Note 2. Fund Accounting

The School Corporation uses funds to report on its cash and investments and the results of its operations on a cash basis. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities.

Note 3. Budgets

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

Note 4. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the School Corporation in June and December. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100% of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which become delinquent if not paid by May 10 and November 10, respectively. All property taxes collected by the County Treasurer and available for distribution were distributed to the School Corporation on or prior to June 30 of the year collected.

Note 5. Deposits and Investments

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

State statute (IC 5-13-9) authorizes the School Corporation to invest in securities including, but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

COWAN COMMUNITY SCHOOL CORPORATION  
NOTES TO FINANCIAL INFORMATION  
(Continued)

Note 6. Pension Plans

Public Employees' Retirement Fund

Plan Description

The School Corporation contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in this defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the PERF Board, most requirements of the system, and give the School Corporation authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

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

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

Funding Policy and Annual Pension Cost

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

Teacher's Retirement Fund

Plan Description

The School Corporation contributes to the Indiana Teacher's Retirement Fund (TRF), a defined benefit pension plan. TRF is a cost-sharing multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All employees engaged in teaching or in the supervision of teaching in the public schools of the State of Indiana are eligible to participate in TRF. State statute (IC 5-10.2) governs, through the TRF Board, most requirements of the system, and gives the School Corporation authority to contribute to the plan. The TRF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The School Corporation may elect to make the contributions on behalf of the member.

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

COWAN COMMUNITY SCHOOL CORPORATION  
NOTES TO FINANCIAL INFORMATION  
(Continued)

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

Funding Policy and Annual Pension Cost

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

COWAN COMMUNITY SCHOOL CORPORATION  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF FUNDING PROGRESS

Public Employees' Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Excess of Assets Over (Unfunded) AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Excess (Unfunded) AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-03	\$ 416,959	\$ 416,198	\$ 761	100%	\$ 423,787	0%
07-01-04	426,616	473,706	(47,090)	90%	460,819	(10%)
07-01-05	447,654	519,930	(72,276)	86%	428,221	(17%)

COWAN COMMUNITY SCHOOL CORPORATION  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF CAPITAL ASSETS

June 30, 2006

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

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 260,000
Buildings	16,601,128
Improvements other than buildings	2,248,448
Machinery and equipment	2,556,833
Construction in progress	<u>6,272,227</u>
Total governmental activities, capital assets not being depreciated	<u>\$ 27,938,636</u>

COWAN COMMUNITY SCHOOL CORPORATION  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF LONG-TERM DEBT

June 30, 2006

CAPITAL LEASES

The School Corporation has entered into the following capital leases:  
 School Building Energy Savings Renovations

Description of Debt	Ending Balance	Due Within One Year
Governmental Activities:		
Capital leases:		
Energy Savings Renovations	\$ 103,661	\$ 82,318
Loans payable	8,792,538	970,000
Bonds payable:		
General obligation bonds:		
Elementary school roof	305,000	50,000
Pension	<u>485,000</u>	<u>50,000</u>
Total governmental activities long-term debt	<u>\$ 9,686,199</u>	<u>\$ 1,152,318</u>

COWAN COMMUNITY SCHOOL CORPORATION  
EXAMINATION RESULTS AND COMMENTS

TRANSFER TUITION - CHILDREN OF EMPLOYEES

Starting in fiscal year 2004-2005 employees of the School Corporation who do not live in the School Corporation District have not been required to pay transfer tuition for their children who are being educated by the School Corporation.

Indiana Code 20-26-11-6 states in part:

- "(a) A school corporation may accept a transferring student without approval of the transferor corporation under section 2 of this chapter.
- (b) A transfer may not be accepted unless the requesting parents or student pays transfer tuition in an amount determined under the formula established . . ."

DEPOSITS - ATHLETIC EVENT TICKET SALES RECEIPTS

We noted in a test of school year 2005-2006 ticket sales reports for athletic events, that the money collected for 32 of the 80 events was deposited 4 days or more after the date of the event.

Indiana Code 20-41-1-9 states in part: "(a) The treasurer shall deposit all receipts in one (1) bank account. The receipts shall be deposited without unreasonable delay."

CAPITAL ASSET RECORDS

Capital asset records presented for examination were not one complete record, did not include all capital assets, and did not provide accurate totals of capital assets on hand.

Every governmental unit should have a complete inventory of all capital assets owned which reflect their acquisition value. Such inventory should be recorded on the applicable Capital Asset Ledger. A complete inventory should be taken at least every two years for good internal control and for verifying account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

COWAN COMMUNITY SCHOOL CORPORATION  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

TICKET SALES REPORT SHORTAGE

The ticket sales report dated November 21, 2005, for the girls' basketball game with Monroe Central, showed ticket sales in the amount of \$572 and a deposit of \$356 which left a difference of \$216. On November 21, 2006, the Athletic Director reimbursed the Jr./Sr. High School Athletic Fund for the amount of the difference.

Governmental units have a responsibility to collect amounts owed to the governmental unit pursuant to procedures authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

POSTING AND REPORTING ERROR – PROPERTY TAX DISTRIBUTION

Property taxes in the December 30, 2005, distribution were receipted to the License Excise Tax receipt account and were reported incorrectly on the Biannual Financial Report (Form 9).

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

OVERDRAWN CASH BALANCE

The cash balance of the Construction Fund was overdrawn in 2006.

The cash balance of any fund may not be reduced below zero. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

COWAN COMMUNITY SCHOOL CORPORATION  
EXIT CONFERENCE

The contents of this report were discussed on December 13, 2006, with Janet L. McIntosh, Treasurer; Larry D. John, Superintendent of Schools; and Jana D. Norris, President of the School Board. The officials concurred with our findings.

COWAN COMMUNITY SCHOOL CORPORATION  
 DELAWARE COUNTY  
 SUMMARY

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Athletic Director:			
Ticket Sales Report Shortage, page 21	\$ 216	\$	\$
Receipt 435, November 21, 2006	<u>          </u>	<u>216</u>	<u>          -</u>
 Totals	 <u>\$ 216</u>	 <u>\$ 216</u>	 <u>\$ -</u>