

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

FINANCIAL STATEMENT AND  
FEDERAL SINGLE AUDIT REPORT  
OF

COWAN COMMUNITY SCHOOL CORPORATION  
DELAWARE COUNTY, INDIANA

July 1, 2010 to June 30, 2012



**FILED**  
02/21/2013



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### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Janet L. McIntosh	07-01-10 to 06-30-13
Superintendent of Schools	Dennis G. Chambers	07-01-10 to 06-30-13
President of the School Board	Alan Wright Michael Downham Alan Wright	07-01-10 to 06-30-11 07-01-11 to 12-31-12 01-01-13 to 12-31-13



**STATE OF INDIANA**  
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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statement of the Cowan Community School Corporation (School Corporation), for the period of July 1, 2010 to June 30, 2012. This financial statement is the responsibility of the School Corporation's management. 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 includes consideration of internal control over financial reporting as a basis for designing 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 over reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the School Corporation prepares its financial statement on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the State Board of Accounts as allowed by 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 effects on the financial statement of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material. The basis of accounting noted above is a different basis than that used in the prior period.

In our opinion, because of the matter discussed in the preceding paragraph, the financial statement referred to above does not present fairly, in conformity 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, 2010 to June 30, 2012.

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, 2010 to June 30, 2012, on the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued a report dated January 31, 2013, 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

INDEPENDENT AUDITOR'S REPORT  
(Continued)

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 and should be considered in assessing the results of our audit.

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 reports 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.

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 Receivables and Payables, Schedule of Long-Term 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.

STATE BOARD OF ACCOUNTS

January 31, 2013



**STATE OF INDIANA**  
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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 COWAN COMMUNITY SCHOOL  
CORPORATION, DELAWARE COUNTY, INDIANA

We have audited the financial statement of the Cowan Community School Corporation (School Corporation), for the period of July 1, 2010 to June 30, 2012, and have issued our report thereon dated January 31, 2013. 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.

Internal Control Over Financial Reporting

Management of the School Corporation is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the School Corporation's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School Corporation's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be a material weakness.

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 statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as item 2012-1 to be a material weakness.

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.

The School Corporation's response to the findings identified in our audit is described in the accompanying Corrective Action Plan. We did not audit the School Corporation's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the School Corporation's management, School Board, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

January 31, 2013

## FINANCIAL STATEMENT

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

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COWAN COMMUNITY SCHOOL CORPORATION  
STATEMENT OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
REGULATORY BASIS  
For the Years Ended June 30, 2011 and 2012

	Cash and Investments 07-01-10		Other Financing Sources (Uses)		Cash and Investments 06-30-11		Other Financing Sources (Uses)		Cash and Investments 06-30-12	
	Receipts	Disbursements			Receipts	Disbursements			Receipts	Disbursements
General	\$ 672,496	\$ 4,230,577	\$ 4,234,924	\$ -	\$ 668,149	\$ 4,513,983	\$ 4,383,055	\$ -	\$ 799,077	
Debt Service	23,902	1,408,420	823,804	-	608,518	752,580	909,492	-	451,606	
Retirement/Severance Bond Debt Service	(6,074)	121,641	72,919	-	42,648	64,392	70,135	-	36,905	
Capital Projects	3,441	473,076	279,959	-	196,558	333,030	390,580	-	139,008	
School Transportation Operating	103,398	518,363	268,264	(82,581)	270,916	307,220	294,505	(80,000)	203,631	
School Bus Replacement	50,513	135,267	68,845	-	116,935	106,871	75,638	-	148,168	
Rainy Day	253,190	2,309	100	90,000	345,399	-	102,997	80,000	322,402	
Retirement/Severance Bond	74,605	1,451	4,967	-	71,089	-	-	-	71,089	
School Lunch	126,334	410,719	343,756	-	193,297	422,813	372,517	-	243,593	
Textbook Rental	72,735	101,107	56,549	-	117,293	105,757	141,854	-	81,196	
Levy Excess	-	7,419	-	(7,419)	-	-	-	-	-	
Educational License Plates	2,477	53	63	-	2,467	94	-	-	2,561	
ELEM/HS Donation	47,074	28,917	21,355	-	54,636	43,044	34,766	-	62,914	
Elementary Target Donation	1,298	507	33	-	1,772	410	1,289	-	893	
Ball Brothers Wellness Grant	2,359	-	420	-	1,939	-	-	-	1,939	
Gifted/ Talented 2009-2010	985	-	803	-	182	-	182	-	-	
Gifted/ Talented 2010-2011	-	27,674	27,256	-	418	-	418	-	-	
Gifted/ Talented 2011-2012	-	-	-	-	-	27,012	27,012	-	-	
School Technology	-	8,220	6,165	-	2,055	8,220	8,220	-	2,055	
Consolidation Study	4,732	-	-	-	4,732	-	-	-	4,732	
Beginning Teacher Mentorship	22	-	-	-	22	-	22	-	-	
Section 125 Balance	3,048	161	780	-	2,429	1,374	825	-	2,978	
E-Rate Funding	-	4,920	1,240	-	3,680	4,920	839	-	7,761	
Title I 2009-2010	10,884	-	-	(10,884)	-	-	-	-	-	
Title I 2010-2011	-	26,129	44,545	10,884	(7,532)	28,604	21,072	-	-	
Title I 2011-2012	-	-	-	-	-	46,919	49,658	-	(2,739)	
Special Education (IDEA) 2009-2010	25,947	-	25,947	-	-	-	-	-	-	
Special Education (IDEA) 2010-2011	-	104,963	125,276	-	(20,313)	40,487	20,174	-	-	
Special Education (IDEA) 2011-2012	-	-	-	-	-	96,739	126,937	-	(30,198)	
Drug Free Schools	670	1,500	2,170	-	-	335	335	-	-	
Professional Development	899	-	863	-	36	-	-	-	36	
Improving Teacher Quality Title II, Part A 2009-2010	2,839	17,561	20,400	-	-	-	-	-	-	
Improving Teacher Quality Title II, Part A 2010-2011	3,754	19,906	23,660	-	-	-	-	-	-	
Improving Teacher Quality Title II, Part A 2011-2012	-	-	-	-	-	15,972	16,627	-	(655)	
ARRA Title I - Grants to LEAs	10,479	-	10,479	-	-	-	-	-	-	
ARRA Special Education - Part B	1,646	55,703	69,942	-	(12,593)	15,683	3,090	-	-	
ARRA Education Jobs	-	-	-	-	-	97,201	102,216	-	(5,015)	
Payroll	-	972,173	972,173	-	-	992,879	992,897	-	(18)	
Clearing	-	257,262	257,262	-	-	250,869	250,869	-	-	
<b>Totals</b>	<b>\$ 1,493,653</b>	<b>\$ 8,935,998</b>	<b>\$ 7,764,919</b>	<b>\$ -</b>	<b>\$ 2,664,732</b>	<b>\$ 8,277,408</b>	<b>\$ 8,398,221</b>	<b>\$ -</b>	<b>\$ 2,543,919</b>	

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

COWAN COMMUNITY SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENT

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

*A. Reporting Entity*

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

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

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

*B. Basis of Accounting*

The financial statement is reported on a regulatory basis of accounting prescribed by the 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. Receipts are recorded when received and disbursements are recorded when paid.

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 may 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.

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.

COWAN COMMUNITY SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENT  
(Continued)

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

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

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

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

*E. Disbursements*

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

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

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

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

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

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

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

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

COWAN COMMUNITY SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENT  
(Continued)

*F. Other Financing Sources and Uses*

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

Proceeds of long-term debt which includes money received in relation to the issuance of bonds or other long-term debt issues.

Sale of capital assets which includes money received when land, buildings, or equipment owned by the School Corporation is sold.

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

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

*G. Fund Accounting*

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

**Note 2. Budgets**

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

COWAN COMMUNITY SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENT  
(Continued)

**Note 4. Deposits and Investments**

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

State statutes authorize the School Corporation to invest in securities including, but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

**Note 5. Risk Management**

The School Corporation may be exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; medical benefits to employees, retirees, and dependents; and natural disasters.

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

**Note 6. Pension Plans**

*A. Public Employees' Retirement Fund*

*Plan Description*

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

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

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

COWAN COMMUNITY SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENT  
(Continued)

*Funding Policy and Annual Pension Cost*

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

*B. Teacher's Retirement Fund*

*Plan Description*

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

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

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

*Funding Policy and Annual Pension Cost*

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

## 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.

COWAN COMMUNITY SCHOOL CORPORATION  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2011

	General	Debt Service	Retirement/ Severance Bond Debt Service	Capital Projects	School Transportation Operating	School Bus Replacement	Rainy Day	Retirement/ Severance Bond	School Lunch
Cash and investments - beginning	\$ 672,496	\$ 23,902	\$ (6,074)	\$ 3,441	\$ 103,398	\$ 50,513	\$ 253,190	\$ 74,605	\$ 126,334
Receipts:									
Local sources	165,461	1,395,905	121,641	473,076	500,536	135,267	2,309	1,451	261,110
Intermediate sources	32	-	-	-	-	-	-	-	-
State sources	4,065,084	12,515	-	-	-	-	-	-	6,060
Federal sources	-	-	-	-	-	-	-	-	141,003
Interfund loans	-	-	-	-	17,827	-	-	-	-
Other	-	-	-	-	-	-	-	-	2,546
Total receipts	<u>4,230,577</u>	<u>1,408,420</u>	<u>121,641</u>	<u>473,076</u>	<u>518,363</u>	<u>135,267</u>	<u>2,309</u>	<u>1,451</u>	<u>410,719</u>
Disbursements:									
Current:									
Instruction	2,687,136	-	-	-	-	-	-	-	-
Support services	1,462,182	-	-	208,839	268,264	68,845	-	4,813	5,761
Noninstructional services	85,606	-	-	-	-	-	-	154	337,995
Facilities acquisition and construction	-	-	-	53,293	-	-	100	-	-
Debt services	-	823,804	72,919	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	17,827	-	-	-	-	-
Total disbursements	<u>4,234,924</u>	<u>823,804</u>	<u>72,919</u>	<u>279,959</u>	<u>268,264</u>	<u>68,845</u>	<u>100</u>	<u>4,967</u>	<u>343,756</u>
Excess (deficiency) of receipts over disbursements	<u>(4,347)</u>	<u>584,616</u>	<u>48,722</u>	<u>193,117</u>	<u>250,099</u>	<u>66,422</u>	<u>2,209</u>	<u>(3,516)</u>	<u>66,963</u>
Other financing sources (uses):									
Transfers in	-	-	-	-	7,419	-	90,000	-	-
Transfers out	-	-	-	-	(90,000)	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(82,581)</u>	<u>-</u>	<u>90,000</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(4,347)</u>	<u>584,616</u>	<u>48,722</u>	<u>193,117</u>	<u>167,518</u>	<u>66,422</u>	<u>92,209</u>	<u>(3,516)</u>	<u>66,963</u>
Cash and investments - ending	<u>\$ 668,149</u>	<u>\$ 608,518</u>	<u>\$ 42,648</u>	<u>\$ 196,558</u>	<u>\$ 270,916</u>	<u>\$ 116,935</u>	<u>\$ 345,399</u>	<u>\$ 71,089</u>	<u>\$ 193,297</u>

COWAN COMMUNITY SCHOOL CORPORATION  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2011  
 (Continued)

	Textbook Rental	Levy Excess	Educational License Plates	ELEM/HS Donation	Elementary Target Donation	Ball Brothers Wellness Grant	Gifted/ Talented 2009-2010	Gifted/ Talented 2010-2011	School Technology
Cash and investments - beginning	\$ 72,735	\$ -	\$ 2,477	\$ 47,074	\$ 1,298	\$ 2,359	\$ 985	\$ -	\$ -
Receipts:									
Local sources	87,544	7,419	15	28,917	507	-	-	-	-
Intermediate sources	-	-	38	-	-	-	-	-	-
State sources	13,563	-	-	-	-	-	-	27,674	8,220
Federal sources	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	101,107	7,419	53	28,917	507	-	-	27,674	8,220
Disbursements:									
Current:									
Instruction	-	-	63	16,726	33	-	803	27,256	-
Support services	56,549	-	-	4,629	-	74	-	-	6,165
Noninstructional services	-	-	-	-	-	346	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-
Total disbursements	56,549	-	63	21,355	33	420	803	27,256	6,165
Excess (deficiency) of receipts over disbursements	44,558	7,419	(10)	7,562	474	(420)	(803)	418	2,055
Other financing sources (uses):									
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	(7,419)	-	-	-	-	-	-	-
Total other financing sources (uses)	-	(7,419)	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	44,558	-	(10)	7,562	474	(420)	(803)	418	2,055
Cash and investments - ending	\$ 117,293	\$ -	\$ 2,467	\$ 54,636	\$ 1,772	\$ 1,939	\$ 182	\$ 418	\$ 2,055

COWAN COMMUNITY SCHOOL CORPORATION  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2011  
 (Continued)

	Consolidation Study	Beginning Teacher Mentorship	Section 125 Balance	E-Rate Funding	Title I 2009-2010	Title I 2010-2011	Special Educational (IDEA) 2009-2010	Special Educational (IDEA) 2010-2011	Drug Free Schools
Cash and investments - beginning	\$ 4,732	\$ 22	\$ 3,048	\$ -	\$ 10,884	\$ -	\$ 25,947	\$ -	\$ 670
Receipts:									
Local sources	-	-	161	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-
Federal sources	-	-	-	4,920	-	26,129	-	104,963	1,500
Interfund loans	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	-	-	161	4,920	-	26,129	-	104,963	1,500
Disbursements:									
Current:									
Instruction	-	-	495	-	-	24,382	25,947	125,276	2,170
Support services	-	-	237	1,240	-	20,163	-	-	-
Noninstructional services	-	-	48	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-
Total disbursements	-	-	780	1,240	-	44,545	25,947	125,276	2,170
Excess (deficiency) of receipts over disbursements	-	-	(619)	3,680	-	(18,416)	(25,947)	(20,313)	(670)
Other financing sources (uses):									
Transfers in	-	-	-	-	-	10,884	-	-	-
Transfers out	-	-	-	-	(10,884)	-	-	-	-
Total other financing sources (uses)	-	-	-	-	(10,884)	10,884	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	(619)	3,680	(10,884)	(7,532)	(25,947)	(20,313)	(670)
Cash and investments - ending	\$ 4,732	\$ 22	\$ 2,429	\$ 3,680	\$ -	\$ (7,532)	\$ -	\$ (20,313)	\$ -

COWAN COMMUNITY SCHOOL CORPORATION  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2011  
 (Continued)

	Professional Development	Improving Teacher Quality Title II Part A 2009-2010	Improving Teacher Quality Title II Part A 2010-2011	ARRA Title I Grants to LEAs	ARRA Special Education Part B	Payroll	Clearing	Totals
Cash and investments - beginning	\$ 899	\$ 2,839	\$ 3,754	\$ 10,479	\$ 1,646	\$ -	\$ -	\$ 1,493,653
Receipts:								
Local sources	-	-	-	-	-	-	-	3,181,319
Intermediate sources	-	-	-	-	-	-	-	70
State sources	-	-	-	-	-	-	-	4,133,116
Federal sources	-	17,561	19,906	-	55,703	-	-	371,685
Interfund loans	-	-	-	-	-	-	-	17,827
Other	-	-	-	-	-	972,173	257,262	1,231,981
Total receipts	-	17,561	19,906	-	55,703	972,173	257,262	8,935,998
Disbursements:								
Current:								
Instruction	863	19,743	23,635	10,479	69,942	-	-	3,034,949
Support services	-	657	25	-	-	-	-	2,108,443
Noninstructional services	-	-	-	-	-	-	-	424,149
Facilities acquisition and construction	-	-	-	-	-	-	-	53,393
Debt services	-	-	-	-	-	-	-	896,723
Nonprogrammed charges	-	-	-	-	-	972,173	257,262	1,229,435
Interfund loans	-	-	-	-	-	-	-	17,827
Total disbursements	863	20,400	23,660	10,479	69,942	972,173	257,262	7,764,919
Excess (deficiency) of receipts over disbursements	(863)	(2,839)	(3,754)	(10,479)	(14,239)	-	-	1,171,079
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	-	108,303
Transfers out	-	-	-	-	-	-	-	(108,303)
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(863)	(2,839)	(3,754)	(10,479)	(14,239)	-	-	1,171,079
Cash and investments - ending	\$ 36	\$ -	\$ -	\$ -	\$ (12,593)	\$ -	\$ -	\$ 2,664,732

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

	General	Debt Service	Retirement/ Severance Bond Debt Service	Capital Projects	School Transportation Operating	School Bus Replacement	Rainy Day	Retirement/ Severance Bond	School Lunch
Cash and investments - beginning	\$ 668,149	\$ 608,518	\$ 42,648	\$ 196,558	\$ 270,916	\$ 116,935	\$ 345,399	\$ 71,089	\$ 193,297
Receipts:									
Local sources	125,333	752,580	64,392	333,030	307,220	106,871	-	-	252,215
Intermediate sources	16	-	-	-	-	-	-	-	-
State sources	4,388,634	-	-	-	-	-	-	-	6,327
Federal sources	-	-	-	-	-	-	-	-	156,989
Other	-	-	-	-	-	-	-	-	7,282
Total receipts	<u>4,513,983</u>	<u>752,580</u>	<u>64,392</u>	<u>333,030</u>	<u>307,220</u>	<u>106,871</u>	<u>-</u>	<u>-</u>	<u>422,813</u>
Disbursements:									
Current:									
Instruction	2,896,026	-	-	-	-	-	-	-	-
Support services	1,396,305	-	-	343,211	294,505	75,638	-	-	14,468
Noninstructional services	90,724	-	-	-	-	-	-	-	358,049
Facilities acquisition and construction	-	-	-	47,369	-	-	102,997	-	-
Debt services	-	909,492	70,135	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	<u>4,383,055</u>	<u>909,492</u>	<u>70,135</u>	<u>390,580</u>	<u>294,505</u>	<u>75,638</u>	<u>102,997</u>	<u>-</u>	<u>372,517</u>
Excess (deficiency) of receipts over disbursements	<u>130,928</u>	<u>(156,912)</u>	<u>(5,743)</u>	<u>(57,550)</u>	<u>12,715</u>	<u>31,233</u>	<u>(102,997)</u>	<u>-</u>	<u>50,296</u>
Other financing sources (uses):									
Transfers in	-	-	-	-	-	-	80,000	-	-
Transfers out	-	-	-	-	(80,000)	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(80,000)</u>	<u>-</u>	<u>80,000</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>130,928</u>	<u>(156,912)</u>	<u>(5,743)</u>	<u>(57,550)</u>	<u>(67,285)</u>	<u>31,233</u>	<u>(22,997)</u>	<u>-</u>	<u>50,296</u>
Cash and investments - ending	<u>\$ 799,077</u>	<u>\$ 451,606</u>	<u>\$ 36,905</u>	<u>\$ 139,008</u>	<u>\$ 203,631</u>	<u>\$ 148,168</u>	<u>\$ 322,402</u>	<u>\$ 71,089</u>	<u>\$ 243,593</u>

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

	Textbook Rental	Educational License Plates	ELEM/HS Donation	Elementary Target Donation	Ball Brothers Wellness Grant	Gifted/ Talented 2009-2010	Gifted/ Talented 2010-2011	Gifted/ Talented 2011-12	School Technology
Cash and investments - beginning	\$ 117,293	\$ 2,467	\$ 54,636	\$ 1,772	\$ 1,939	\$ 182	\$ 418	\$ -	\$ 2,055
Receipts:									
Local sources	86,470	-	43,044	410	-	-	-	-	-
Intermediate sources	-	94	-	-	-	-	-	-	-
State sources	19,287	-	-	-	-	-	-	27,012	8,220
Federal sources	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	105,757	94	43,044	410	-	-	-	27,012	8,220
Disbursements:									
Current:									
Instruction	-	-	25,328	1,289	-	182	418	27,012	-
Support services	141,854	-	9,438	-	-	-	-	-	8,220
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	141,854	-	34,766	1,289	-	182	418	27,012	8,220
Excess (deficiency) of receipts over disbursements	(36,097)	94	8,278	(879)	-	(182)	(418)	-	-
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	(36,097)	94	8,278	(879)	-	(182)	(418)	-	-
Cash and investments - ending	\$ 81,196	\$ 2,561	\$ 62,914	\$ 893	\$ 1,939	\$ -	\$ -	\$ -	\$ 2,055

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

	Consolidation Study	Beginning Teacher Mentorship	Section 125 Balance	E-Rate Funding	Title I 2010-2011	Title I 2011-2012	Special Educational (IDEA) 2010-2011	Special Educational (IDEA) 2011-2012
Cash and investments - beginning	\$ 4,732	\$ 22	\$ 2,429	\$ 3,680	\$ (7,532)	\$ -	\$ (20,313)	\$ -
Receipts:								
Local sources	-	-	1,374	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-
Federal sources	-	-	-	4,920	28,604	46,919	40,487	96,739
Other	-	-	-	-	-	-	-	-
Total receipts	-	-	1,374	4,920	28,604	46,919	40,487	96,739
Disbursements:								
Current:								
Instruction	-	22	552	-	14,946	21,886	20,174	126,937
Support services	-	-	224	839	6,126	27,772	-	-
Noninstructional services	-	-	49	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	-	22	825	839	21,072	49,658	20,174	126,937
Excess (deficiency) of receipts over disbursements	-	(22)	549	4,081	7,532	(2,739)	20,313	(30,198)
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	-	(22)	549	4,081	7,532	(2,739)	20,313	(30,198)
Cash and investments - ending	\$ 4,732	\$ -	\$ 2,978	\$ 7,761	\$ -	\$ (2,739)	\$ -	\$ (30,198)

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

	Drug Free Schools	Professional Development	Improving Teacher Quality Title II Part A 2011-2012	ARRA Special Education Part B	ARRA Education Jobs	Payroll	Clearing	Totals
Cash and investments - beginning	\$ -	\$ 36	\$ -	\$ (12,593)	\$ -	\$ -	\$ -	\$ 2,664,732
Receipts:								
Local sources	-	-	-	-	-	-	-	2,072,939
Intermediate sources	-	-	-	-	-	-	-	110
State sources	-	-	-	-	-	-	-	4,449,480
Federal sources	335	-	15,972	15,683	97,201	-	-	503,849
Other	-	-	-	-	-	992,879	250,869	1,251,030
Total receipts	335	-	15,972	15,683	97,201	992,879	250,869	8,277,408
Disbursements:								
Current:								
Instruction	335	-	16,627	3,090	92,200	-	-	3,247,024
Support services	-	-	-	-	10,016	-	-	2,328,616
Noninstructional services	-	-	-	-	-	-	-	448,822
Facilities acquisition and construction	-	-	-	-	-	-	-	150,366
Debt services	-	-	-	-	-	-	-	979,627
Nonprogrammed charges	-	-	-	-	-	992,897	250,869	1,243,766
Total disbursements	335	-	16,627	3,090	102,216	992,897	250,869	8,398,221
Excess (deficiency) of receipts over disbursements	-	-	(655)	12,593	(5,015)	(18)	-	(120,813)
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	-	80,000
Transfers out	-	-	-	-	-	-	-	(80,000)
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	(655)	12,593	(5,015)	(18)	-	(120,813)
Cash and investments - ending	\$ -	\$ 36	\$ (655)	\$ -	\$ (5,015)	\$ (18)	\$ -	\$ 2,543,919

COWAN COMMUNITY SCHOOL CORPORATION  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF RECEIVABLES AND PAYABLES  
June 30, 2012

	<u>Receivables</u>	<u>Payables</u>
Totals	<u>\$ 12,641</u>	<u>\$ 15,561</u>

COWAN COMMUNITY SCHOOL CORPORATION  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF LONG-TERM DEBT  
 June 30, 2012

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Notes and loans payable	\$ 5,172,091	\$ 777,681
Bonds payable:		
Revenue/Severance Bonds	<u>160,000</u>	<u>67,260</u>
Total debt	<u>\$ 5,332,091</u>	<u>\$ 844,941</u>

COWAN COMMUNITY SCHOOL CORPORATION  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF CAPITAL ASSETS  
 June 30, 2012

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

	Ending Balance
Capital assets, not being depreciated:	
Land	\$ 506,441
Buildings	11,327,782
Improvements other than buildings	1,886,142
Machinery and equipment	1,548,412
 Total capital assets not being depreciated	 \$ 15,268,777

COWAN COMMUNITY SCHOOL CORPORATION  
AUDIT RESULT AND COMMENT

***INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING***

We noted a deficiency in the internal control system of the School Corporation related to financial transactions and reporting.

Lack of Segregation of Duties:

Control activities should be selected and developed to reduce the risks to the achievement of financial reporting objectives. The School Corporation has not separated incompatible activities related to the processing of receipts and the reconciliation of the bank account balances to the record balances. The failure to establish these controls could enable material misstatements or irregularities to go undetected.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

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SUPPLEMENTAL AUDIT OF  
FEDERAL AWARDS



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT  
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON  
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

We have audited the Cowan Community School Corporation's (School Corporation) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of its major federal programs for the period of July 1, 2010 to June 30, 2012. 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. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the School Corporation's management. Our responsibility is to express an opinion on the School Corporation's compliance based on our audit.

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. Our audit does not provide a legal determination of the School Corporation's compliance with those requirements.

In our opinion, the School Corporation complied, in all material respects, with the 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, 2010 to June 30, 2012.

Internal Control Over Compliance

Management of the School Corporation is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the School Corporation's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT  
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON  
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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.

A deficiency in internal control over compliance 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, 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.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying Schedule of Findings and Questioned Costs as items 2012-2 and 2012-3. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

The School Corporation's response to the findings identified in our audit is described in the accompanying Corrective Action Plan. We did not audit the School Corporation's response and, accordingly, we express no opinion on the response.

This report is intended solely for the information and use of the School Corporation's management, School Board, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

January 31, 2013

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## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

COWAN COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For The Years Ended June 30, 2011 and 2012

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 06-30-11	Total Federal Awards Expended 06-30-12
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
Pass-Through Indiana Department of Education				
Child Nutrition Cluster				
School Breakfast Program				
	10.553			
		FY 2010-2011	\$ 38,281	\$ -
		FY 2011-2012	-	35,340
Total for program			<u>38,281</u>	<u>35,340</u>
National School Lunch Program				
	10.555			
		FY 2010-2011	127,599	-
		FY 2011-2012	-	147,292
Total for program			<u>127,599</u>	<u>147,292</u>
Total for federal grantor agency			<u>165,880</u>	<u>182,632</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>				
Pass-Through Indiana Department of Education				
Title I, Part A Cluster				
Title I Grants to Local Educational Agencies				
	84.010			
		FY 09-10	10,884	-
		FY 10-11	44,544	21,072
		FY 11-12	-	49,656
Total for program			<u>55,428</u>	<u>70,728</u>
ARRA - Title I Grants to Local Educational Agencies - Recovery Act				
	84.389			
		FY 10-11	10,479	-
Total for cluster			<u>65,907</u>	<u>70,728</u>
Pass-Through Muncie Community Schools				
Special Education Cluster				
Special Education - Grants to States				
	84.027			
		FY 09-10	25,947	-
		FY 10-11	125,274	20,174
		FY 11-12	-	126,937
Total for program			<u>151,221</u>	<u>147,111</u>
ARRA - Special Education - Grants to States, Recovery Act				
	84.391			
		FY 10-11	69,942	3,089
Total for cluster			<u>221,163</u>	<u>150,200</u>
Pass-Through Indiana Department of Education				
Safe and Drug-Free Schools and Communities - State Grants				
	84.186			
		FY 09-10	2,170	335
Improving Teacher Quality State Grants				
	84.367			
		FY 09-10	20,399	-
		FY 10-11	23,660	-
		FY 11-12	-	16,627
Total for program			<u>44,059</u>	<u>16,627</u>
Education Jobs Fund				
	84.410			
		FY 11-12	-	102,216
Total for federal grantor agency			<u>333,299</u>	<u>340,106</u>
Total federal awards expended			<u>\$ 499,179</u>	<u>\$ 522,738</u>

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

COWAN COMMUNITY SCHOOL CORPORATION  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**Note 1. Basis of Presentation**

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

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

**Note 2. Noncash Assistance**

The School Corporation expended the following amount of noncash assistance for the years ending June 30, 2011 and 2012. This noncash assistance is also included in the federal expenditures presented in the schedule.

Program Title	Federal CFDA Number	2010-11	2011-12
School Breakfast Program	10.553	\$ 5,741	\$ 4,962
National School Lunch Program	10.555	19,136	20,681

COWAN COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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

Financial Statement:

Type of auditor's report issued:	Adverse as to GAAP; Unqualified as to Regulatory Basis
Internal control over financial reporting:	
Material weaknesses identified?	yes
Significant deficiencies identified?	no
Noncompliance material to financial statement noted?	no

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	no
Significant deficiencies identified?	yes
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	yes

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
N/A	Child Nutrition Cluster
N/A	Special Education Cluster

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

Auditee qualified as low-risk auditee? no

**Section II – Financial Statement Findings**

**FINDING 2012-1 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING**

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

Lack of Segregation of Duties:

Control activities should be selected and developed at various levels of the School Corporation to reduce risks to achievement of financial reporting objectives. The School Corporation has not separated incompatible actives related to receipts and the reconciliation of bank account balances to the record balances. The failure to establish controls could enable material misstatements or irregularities to go undetected.

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

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

Controls over the receipting, disbursing, recording and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

We recommended that the School Corporation separate incompatible activities in the processing of receipts and the reconciliation of bank account balances to the record balances.

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

***Finding 2012 - 2 - INTERNAL CONTROLS OVER CASH MANAGEMENT AND REPORTING***

Federal Agency: U.S. Department of Education  
Federal Program: National School Lunch Program and School Breakfast Program  
CFDA Number: 10.555 and 10.553  
Pass-Through Entity: Indiana Department of Education

Management of the School Corporation has not established an effective internal control system related to the grant agreement and cash management and reporting compliance requirements. We were unable to verify that the School Corporation reviewed reimbursement requests to ensure their accuracy prior to submitting them to the Indiana Department of Education. The failure to establish an effective internal control system places the School Corporation at risk of noncompliance with the grant agreement and the reporting and cash management compliance requirements and can allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the grant.

An internal control system should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement, or a type of compliance requirement of a federal program will be prevented, detected and corrected, on a timely basis.

Circular A133 Subpart C section .300(b) states:

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

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

We recommended that the School Corporation's management establish controls to ensure that non-compliance could not go undetected related to the cash management and reporting compliance requirements.

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

***Finding 2012 - 3 - INTERNAL CONTROLS OVER CASH MANAGEMENT AND REPORTING***

Federal Agency: U.S. Department of Education  
Federal Program: Special Education - Grants to States and ARRA -  
Special Education - Grants to States, Recovery Act  
CFDA Number: 84.027 and 84.391  
Pass-Through Entity: Muncie Community Schools

Management of the School Corporation has not established an effective internal control system related to the grant agreement and cash management and reporting compliance requirements. We were unable to verify that the School Corporation reviewed reimbursement requests to ensure their accuracy prior to submitting them to Muncie Community Schools. The failure to establish an effective internal control system places the School Corporation at risk of noncompliance with the grant agreement and the reporting and cash management compliance requirements and can allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the grant.

An internal control system should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement, or a type of compliance requirement of a federal program will be prevented, detected and corrected, on a timely basis.

Circular A133 Subpart C section .300(b) states: "The auditee shall: Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

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

We recommended that the School Corporation's management establish controls to ensure that non-compliance could not go undetected related to the cash management and reporting compliance requirements.



# Cowan Community School Corporation

Dennis G. Chambers - Superintendent

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## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

### Finding Number 2010-1, Internal Controls over Financial Transactions and Reporting

Original SBA Audit Report Number:	B38469
Fiscal Year	July 1, 2008 to June 30, 2010
Auditee Contact Person	Janet McIntosh
Title of Contact Person	Treasurer
Phone Number	(765) 284-0315
Status of Finding:	Still an Issue but Federal Government Closed the Audit Report

### Finding Number 2010-2, Special Education Cluster – Cash Management

Original SBA Audit Report Number:	B38469
Fiscal Year	July 1, 2008 to June 30, 2010
Auditee Contact Person	Janet McIntosh
Title of Contact Person	Treasurer
Phone Number	(765) 284-0315
Status of Finding:	Corrective Action Taken

### Finding Number 2010-3, Special Education Cluster – Cash Management

Original SBA Audit Report Number:	B38469
Fiscal Year	July 1, 2008 to June 30, 2010
Auditee Contact Person	Janet McIntosh
Title of Contact Person	Treasurer
Phone Number	(765) 284-0315
Status of Finding:	Corrective Action Taken

Dated this 16<sup>th</sup> day of January, 2013

Dennis G. Chambers, Superintendent

Janet L. McIntosh, Treasurer

COWAN COMMUNITY SCHOOL CORPORATION  
CORRECTIVE PLAN OF ACTION  
AUDIT PERIOD 07/01/2010 TO 06/30/2012  
JANUARY 31, 2013

Section II - Financial Statement Findings

FINDING 2012 – 1, INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

Contact Person: Janet L. McIntosh  
Anticipated Correction Date: January 31, 2013

We are a small public school corporation and are not able to hire enough employees to separate incompatible activities in the processing of receipts. We will use the employees that we have to try to assure that all receipts are properly processed.

The Superintendent will review the reconciliation of the bank statement balances to the recorded fund balances and document his approval.

Section III – Federal Award Findings and Questions Costs

FINDING 2012 -2, INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

Federal Agency: U. S. Department of Education  
Federal Program: Child Nutrition Cluster  
CFDA Number: 10.555  
Pass-Through Entity: Indiana Department of Education  
Contact Person: Janet L. McIntosh  
Anticipated Correction Date: January 31, 2013

The Treasurer or Superintendent will document the review of the CND-1 report

FINDING 2012 – 3, INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

Federal Agency: U.S. Department of Education  
Federal Program: Special Education Cluster  
CFDA Number: 84.027 and 84.319  
Pass-Through Entity: Muncie Community Schools

The superintendent will document his review of the appropriation/expenditure report and document his review of the reimbursement requests before submission to Muncie Community Schools.

Signed: Dennis G. Chambers  
Dennis G. Chambers, Supt.

Signed: Alan D. Wright  
Alan Wright, Board President

Signed: Janet L. McIntosh  
Janet L. McIntosh, Treasurer

COWAN COMMUNITY SCHOOL CORPORATION  
EXIT CONFERENCE

The contents of this report were discussed on January 31, 2013, with Janet L. McIntosh, Treasurer; Dennis G. Chambers, Superintendent of Schools; and Alan Wright, President of the School Board. The officials concurred with our audit finding.