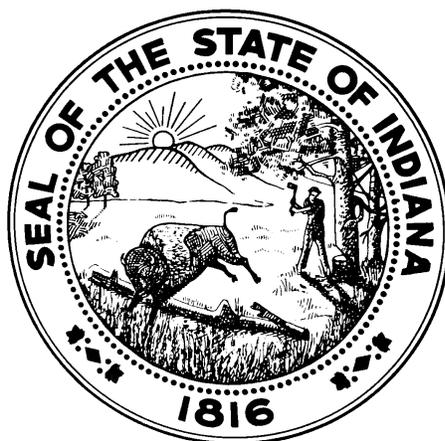


STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

AUDIT REPORT
OF
ORLEANS COMMUNITY SCHOOLS
ORANGE COUNTY, INDIANA
July 1, 2006 to June 30, 2008



FILED
05/04/2009

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Allana C. Smelser	07-01-06 to 06-30-09
Superintendent of Schools	James L. Terrell	07-01-06 to 06-30-13
President of the School Board	Mary Lou Denbo	07-01-06 to 06-30-09



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INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

TO: THE OFFICIALS OF THE ORLEANS COMMUNITY SCHOOLS, ORANGE COUNTY, INDIANA

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Orleans Community Schools (School Corporation), as of and for the years ended June 30, 2007 and 2008, which collectively comprise the School Corporation's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the School Corporation's management. Our responsibility is to express opinions on these financial statements 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 statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. 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 opinions.

As discussed in Note I, the School Corporation prepares its financial statements on the pre-scribed basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash and investment balances of the governmental activities, each major fund, and the aggregate remaining fund information of the School Corporation as of June 30, 2007 and 2008, and the respective cash receipts and cash disbursements during the years then ended on the basis of accounting described in Note I.

In accordance with Government Auditing Standards, we have also issued a report dated April 9, 2009, 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 audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(Continued)

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School Corporation's basic financial statements. 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The Schedule of Funding Progress, as listed in the Table of Contents, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The School Corporation has not presented Management's Discussion and Analysis or Budgetary Comparison Schedules that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School Corporation's basic financial statements. The Combining Schedules, as listed in the Table of Contents, Schedule of Capital Assets, and Schedule of Long-Term Debt are presented for additional analysis and are not required parts of the basic financial statements. The Combining Schedules, as listed in the Table of Contents, have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Schedule of Capital Assets and Schedule of Long-Term Debt have not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

April 9, 2009



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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

TO: THE OFFICIALS OF THE ORLEANS COMMUNITY SCHOOLS, ORANGE COUNTY, INDIANA

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Orleans Community Schools (School Corporation), as of and for the years ended June 30, 2007 and 2008, which collectively comprise the School Corporation's basic financial statements and have issued our report thereon dated April 9, 2009. 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

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 opinions on the financial statements, 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.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be significant deficiencies or material weaknesses, as defined above.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
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 statements are 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.

This report is intended solely for the information and use of the School Corporation's management, school board, and 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

April 9, 2009

ORLEANS COMMUNITY SCHOOLS
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For the Year Ended June 30, 2007

<u>Functions/Programs</u>	<u>Disbursements</u>	<u>Program Receipts</u>		<u>Net Disbursement and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Totals</u>
Governmental activities:				
Instruction	\$ 3,920,179	\$ -	\$ 72,884	\$ (3,847,295)
Support services	2,310,427	152,774	187,836	(1,969,817)
Community services	87,367	-	-	(87,367)
Nonprogrammed charges	225,009	-	-	(225,009)
Debt service	1,051,440	-	-	(1,051,440)
Total governmental activities	<u>\$ 7,594,422</u>	<u>\$ 152,774</u>	<u>\$ 260,720</u>	<u>(7,180,928)</u>
General receipts:				
Property taxes				1,747,800
Other local sources				671,260
State aid				3,551,746
Grants and contributions not restricted to specific programs				387,296
Sale of property, adjustments, and refunds				15,967
Investment earnings				215,466
Total general receipts				<u>6,589,535</u>
Change in net assets				(591,393)
Net assets - beginning				<u>3,876,455</u>
Net assets - ending				<u>\$ 3,285,062</u>
<u>Assets</u>				
Cash and investments				\$ 3,093,568
Restricted assets:				
Cash and investments				<u>191,494</u>
Total assets				<u>\$ 3,285,062</u>
<u>Net Assets</u>				
Restricted for:				
Debt service				\$ 191,494
Unrestricted				<u>3,093,568</u>
Total net assets				<u>\$ 3,285,062</u>

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

ORLEANS COMMUNITY SCHOOLS
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For the Year Ended June 30, 2008

<u>Functions/Programs</u>	<u>Disbursements</u>	<u>Program Receipts</u>		<u>Net Disbursement and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Totals</u>
Governmental activities:				
Instruction	\$ 4,079,407	\$ -	\$ 93,014	\$ (3,986,393)
Support services	3,019,933	146,551	204,163	(2,669,219)
Community services	101,210	-	-	(101,210)
Nonprogrammed charges	306,951	-	-	(306,951)
Debt service	1,049,712	-	-	(1,049,712)
Total governmental activities	<u>\$ 8,557,213</u>	<u>\$ 146,551</u>	<u>\$ 297,177</u>	<u>(8,113,485)</u>
General receipts:				
Property taxes				2,229,316
Other local sources				739,244
State aid				3,532,076
Grants and contributions not restricted to specific programs				400,497
Sale of property, adjustments, and refunds				645,652
Investment earnings				145,524
Total general receipts				<u>7,692,309</u>
Change in net assets				(421,176)
Net assets - beginning				<u>3,285,062</u>
Net assets - ending				<u>\$ 2,863,886</u>
Assets				
Cash and investments				\$ 2,618,825
Restricted assets:				
Cash and investments				<u>245,061</u>
Total assets				<u>\$ 2,863,886</u>
Net Assets				
Restricted for:				
Debt service				\$ 245,061
Unrestricted				<u>2,618,825</u>
Total net assets				<u>\$ 2,863,886</u>

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

ORLEANS COMMUNITY SCHOOLS
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2007

	General	Transportation Operating	Debt Service	Capital Projects	School Bus Replacement	Other	Totals
Receipts:							
Local sources	\$ 1,113,578	\$ 305,957	\$ 608,601	\$ 275,280	\$ 27,613	\$ 455,487	\$ 2,786,516
Intermediate sources	559	-	-	-	-	225	784
State sources	3,613,012	-	-	-	-	115,576	3,728,588
Federal sources	4,500	-	-	-	-	466,674	471,174
Sale of property, adjustments and refunds	12,686	1,814	-	-	-	1,467	15,967
Total receipts	4,744,335	307,771	608,601	275,280	27,613	1,039,429	7,003,029
Disbursements:							
Current:							
Instruction	3,600,072	-	-	-	-	320,107	3,920,179
Support services	977,577	363,097	-	454,348	47,701	467,704	2,310,427
Community services	87,130	-	-	-	-	237	87,367
Nonprogrammed charges	225,009	-	-	-	-	-	225,009
Debt services	-	-	729,015	-	-	322,425	1,051,440
Total disbursements	4,889,788	363,097	729,015	454,348	47,701	1,110,473	7,594,422
Deficiency of receipts over disbursements	(145,453)	(55,326)	(120,414)	(179,068)	(20,088)	(71,044)	(591,393)
Other financing sources (uses):							
Transfers in	318,499	-	-	-	-	19,053	337,552
Transfers out	(12,264)	-	-	(3,500)	-	(321,788)	(337,552)
Total other financing sources (uses)	306,235	-	-	(3,500)	-	(302,735)	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	160,782	(55,326)	(120,414)	(182,568)	(20,088)	(373,779)	(591,393)
Cash and investments - beginning	1,908,792	446,616	311,908	327,364	100,740	781,035	3,876,455
Cash and investments - ending	\$ 2,069,574	\$ 391,290	\$ 191,494	\$ 144,796	\$ 80,652	\$ 407,256	\$ 3,285,062
Cash and Investment Assets - Ending							
Cash and investments	\$ 2,069,574	\$ 391,290	\$ -	\$ 144,796	\$ 80,652	\$ 407,256	\$ 3,093,568
Restricted assets:							
Cash and investments	-	-	191,494	-	-	-	191,494
Total cash and investment assets - ending	\$ 2,069,574	\$ 391,290	\$ 191,494	\$ 144,796	\$ 80,652	\$ 407,256	\$ 3,285,062
Cash and Investment Fund Balance - Ending							
Restricted for:							
Debt service	\$ -	\$ -	\$ 191,494	\$ -	\$ -	\$ -	\$ 191,494
Unrestricted	2,069,574	391,290	-	144,796	80,652	407,256	3,093,568
Total cash and investment fund balance - ending	\$ 2,069,574	\$ 391,290	\$ 191,494	\$ 144,796	\$ 80,652	\$ 407,256	\$ 3,285,062

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

ORLEANS COMMUNITY SCHOOLS
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2008

	General	Transportation Operating	Debt Service	Capital Projects	School Bus Replacement	Other	Totals
Receipts:							
Local sources	\$ 1,084,731	\$ 404,806	\$ 775,951	\$ 440,920	\$ 46,845	\$ 506,652	\$ 3,259,905
Intermediate sources	541	-	-	-	-	188	729
State sources	3,596,251	-	-	-	-	102,834	3,699,085
Federal sources	-	-	-	-	-	530,666	530,666
Sale of property, adjustments and refunds	32,394	2,046	-	10,621	-	600,591	645,652
Total receipts	4,713,917	406,852	775,951	451,541	46,845	1,740,931	8,136,037
Disbursements:							
Current:							
Instruction	3,623,765	-	-	-	-	455,642	4,079,407
Support services	1,350,424	365,666	-	521,178	63,487	719,178	3,019,933
Community services	100,637	-	-	-	-	573	101,210
Nonprogrammed charges	306,951	-	-	-	-	-	306,951
Debt services	2,637	-	722,384	-	-	324,691	1,049,712
Total disbursements	5,384,414	365,666	722,384	521,178	63,487	1,500,084	8,557,213
Excess (deficiency) of receipts over disbursements	(670,497)	41,186	53,567	(69,637)	(16,642)	240,847	(421,176)
Other financing sources (uses):							
Transfers in	166,474	-	-	2,800	-	36,313	205,587
Transfers out	(32,435)	-	-	-	-	(173,152)	(205,587)
Total other financing sources (uses)	134,039	-	-	2,800	-	(136,839)	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(536,458)	41,186	53,567	(66,837)	(16,642)	104,008	(421,176)
Cash and investments - beginning	2,069,574	391,290	191,494	144,796	80,652	407,256	3,285,062
Cash and investments - ending	\$ 1,533,116	\$ 432,476	\$ 245,061	\$ 77,959	\$ 64,010	\$ 511,264	\$ 2,863,886
Cash and Investment Assets - Ending							
Cash and investments	\$ 1,533,116	\$ 432,476	\$ -	\$ 77,959	\$ 64,010	\$ 511,264	\$ 2,618,825
Restricted assets:							
Cash and investments	-	-	245,061	-	-	-	245,061
Total cash and investment assets - ending	\$ 1,533,116	\$ 432,476	\$ 245,061	\$ 77,959	\$ 64,010	\$ 511,264	\$ 2,863,886
Cash and Investment Fund Balance - Ending							
Restricted for:							
Debt service	\$ -	\$ -	\$ 245,061	\$ -	\$ -	\$ -	\$ 245,061
Unrestricted	1,533,116	432,476	-	77,959	64,010	511,264	2,618,825
Total cash and investment fund balance - ending	\$ 1,533,116	\$ 432,476	\$ 245,061	\$ 77,959	\$ 64,010	\$ 511,264	\$ 2,863,886

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

ORLEANS COMMUNITY SCHOOLS
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
FIDUCIARY FUNDS
For the Year Ended June 30, 2007

	<u>Pension Trust Fund</u>	<u>Private-Purpose Trust Funds</u>
Additions:		
Contributions:		
Employer	\$ 1,177	\$ -
Other	<u>-</u>	<u>28,500</u>
Total additions	<u>1,177</u>	<u>28,500</u>
Deductions:		
Benefits	155,333	-
Administrative and general	<u>-</u>	<u>29,286</u>
Total deductions	<u>155,333</u>	<u>29,286</u>
Deficiency of total additions over total deductions	(154,156)	(786)
Cash and investments - beginning	<u>829,057</u>	<u>4,859</u>
Cash and investments - ending	<u>\$ 674,901</u>	<u>\$ 4,073</u>
Net assets:		
Cash and investments	<u>\$ 674,901</u>	<u>\$ 4,073</u>
Total net assets - cash and investment basis held in trust	<u>\$ 674,901</u>	<u>\$ 4,073</u>

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

ORLEANS COMMUNITY SCHOOLS
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
FIDUCIARY FUNDS
For the Year Ended June 30, 2008

	<u>Pension Trust Fund</u>	<u>Private-Purpose Trust Funds</u>
Additions:		
Contributions:		
Employer	\$ 1,395	\$ -
Other	<u>-</u>	<u>535,237</u>
Total additions	<u>1,395</u>	<u>535,237</u>
Deductions:		
Benefits	124,008	-
Administrative and general	<u>-</u>	<u>156,010</u>
Total deductions	<u>124,008</u>	<u>156,010</u>
Excess (deficiency) of total additions over total deductions	(122,613)	379,227
Cash and investments - beginning	<u>674,901</u>	<u>4,073</u>
Cash and investments - ending	<u>\$ 552,288</u>	<u>\$ 383,300</u>
Net assets:		
Cash and investments	<u>\$ 552,288</u>	<u>\$ 383,300</u>
Total net assets - cash and investment basis held in trust	<u>\$ 552,288</u>	<u>\$ 383,300</u>

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

ORLEANS COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS

I. 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 School Corporation's financial reporting entity is composed of the following:

Primary Government: Orleans Community Schools

In determining the financial reporting entity, the School Corporation complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*.

Joint Venture

The School Corporation is a participant with Eastern Greene Schools, Medora Community School Corporation, Brownstown Central Community Schools, North Lawrence Community Schools, Mitchell Community Schools, and Shoals Community Schools in a joint venture to operate Orange, Lawrence, Jackson, Martin, Greene Joint Services (Co-op) which was created to provide free and appropriate services for special needs students. Each year every school in the Co-op is billed a percentage of the Co-op's total cost based on each school's proportionate share of expenses based on their average daily membership of the previous year. Complete financial statements for the joint venture can be obtained from North Lawrence Community Schools at 460 W. Street, Bedford, Indiana, 47421.

The School Corporation is a participant with thirty-six school corporations in a joint venture to operate Southern Indiana Education Center (SIEC) which was created to cooperate and share educational programs and services. Each year every school in the joint venture is billed a percentage of SIEC's total cost based on each school's average daily membership count. Complete financial statements for SIEC can be obtained from their office at 1102 Tree Lane Drive, Jasper, Indiana, 47546.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The Statement of Activities and Net Assets – Cash and Investment Basis displays information about the reporting government as a whole. It includes all funds of the reporting entity except for fiduciary funds. The statement distinguishes between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The School Corporation does not have any business-type activities.

ORLEANS COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, fund balance, receipts, and disbursements. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. However, at this time, the School Corporation has not established any enterprise funds.

The School Corporation reports the following major governmental funds:

The general fund is the primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The debt service fund accounts for debt from funds borrowed or advanced for the purchase or lease of school buildings, school buses, judgments against the corporation, equipment or capital construction, and interest on emergency and temporary loans.

The capital projects fund accounts for planned construction, repair, replacement or remodeling; and the purchase, lease, upgrade, maintenance, or repair of computer equipment.

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

The school bus replacement fund is used to account for receipts and disbursements concerning the acquisition and disposal of school buses.

Additionally, the School Corporation reports the following fund types:

The pension trust fund accounts for the activities of the retirement/severance bond fund, which accumulates resources for pension benefit payments.

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

C. Measurement Focus and Basis of Accounting

The government-wide, governmental fund and fiduciary fund financial statements are reported using the basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recorded when received and disbursements are recorded when paid.

The cash and investment basis of accounting differs from accounting principles generally accepted in the United States of America in that receipts are recognized when received in cash rather than when earned and disbursements are recognized when paid rather than when a liability is incurred. Investment transactions are not presented on the financial statements.

ORLEANS COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

If the School Corporation utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes. Elimination of these charges would distort the direct costs and program receipts reported for the various functions concerned.

When both restricted and unrestricted resources are available for use, the School Corporation's policy is to use restricted resources first, then unrestricted resources as they are needed.

D. Assets and Cash and Investment Balances

1. Cash and Investments

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

2. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the School Corporation in June and in 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.

3. Capital Assets

Capital assets arising from cash transactions acquired for use in governmental fund operations are accounted for as capital outlay disbursements of the fund upon acquisition.

4. Long-Term Debt

Long-term debt arising from cash basis transactions of governmental funds are not reported as liabilities in the basic financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as disbursements.

5. Equity Classification

Government-Wide Statements

Equity is classified as net assets and displayed in two components:

ORLEANS COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

- a. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or (2) law through constitutional provisions or enabling legislation.
- b. Unrestricted net assets – All other net assets that do not meet the definition of "restricted."

It is the School Corporation's policy to first use restricted net assets prior to the use of unrestricted net assets when a disbursement is incurred for purposes for which both restricted and unrestricted net assets are available.

Fund Financial Statements

Governmental fund equity is classified as fund balance.

E. Program Receipts

Amounts reported as program receipts include (1) charges to customers or applicants for goods, services, or privileges provided, and (2) operating grants and contributions. Internally dedicated resources are reported as general receipts rather than as program receipts. Likewise, general receipts include all taxes.

F. Internal and Interfund Balances and Activities

In the process of aggregating the financial information for the government-wide Statement of Activities and Net Assets – Cash and Investment Basis, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified.

Fund Financial Statements

Interfund transfers – Flow of assets from one fund to another where repayment is not expected is reported as transfers in and out.

Government-Wide Financial Statements

Interfund activity and balances, if any, are eliminated or reclassified in the government-wide financial statements as follows:

Internal activities – Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis.

II. Stewardship, Compliance and Accountability

A. Budgetary Information

Annual budgets are adopted on the cash basis, which is not consistent with accounting principles generally accepted in the United States of America. All annual appropriations lapse at calendar year end.

ORLEANS COMMUNITY SCHOOLS
 NOTES TO FINANCIAL STATEMENTS
 (Continued)

Prior to the first required publication, the fiscal officer of the School Corporation submits to the governing board a proposed operating budget for the year commencing the following January 1. Prior to adoption, the budget is advertised and public hearings are conducted by the governing board to obtain taxpayer comments. In September of each year, the governing board, through the passage of a resolution/ordinance, approves the budget for the next year. Copies of the budget resolution/ordinance and the advertisement for funds for which property taxes are levied or highway use taxes are received are sent to the Indiana Department of Local Government Finance. The budget becomes legally enacted after the fiscal officer of the School Corporation receives approval of the Indiana Department of Local Government Finance.

The School Corporation's management cannot transfer budgeted appropriations between object classifications of a budget without approval of the governing board. The Indiana Department of Local Government Finance must approve any revisions to the appropriations for any fund or any department of the General Fund. The legal level of budgetary control is by object and department within the fund for the General Fund and by object within the fund for all other budgeted funds.

B. Disbursements in Excess of Appropriations

For the years ended December 31, 2006 and 2007 disbursements exceeded budgeted appropriations in the following funds by the amounts below:

<u>Fund</u>	<u>2006</u>	<u>2007</u>
Rainy Day	<u>\$ 47,509</u>	<u>\$ 62,491</u>

These disbursements were funded by available fund balances.

III. Detailed Notes on All Funds

A. Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Indiana Code 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state funds and has a principal office or branch that qualifies to receive public funds of the political subdivision. The School Corporation does not have a deposit policy for custodial credit risk. At June 30, 2008, the School Corporation had deposit balances in the amount of \$3,799,474. The bank balances were insured by the Federal Deposit Insurance Corporation or the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

B. Interfund Transfers

Interfund transfers for the years ended June 30, 2007 and 2008, were as follows:

ORLEANS COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

<u>Transfer From</u>	<u>Transfer To</u>	<u>2006-2007</u>	<u>2007-2008</u>
General Fund	Other governmental funds	\$ 12,264	\$ 32,435
Capital Projects	Other governmental funds	3,500	-
Other governmental funds	General Fund	318,499	166,474
	Capital Projects	-	2,800
	Other governmental funds	<u>3,289</u>	<u>3,878</u>
Totals		<u>\$ 337,552</u>	<u>\$ 205,587</u>

The School Corporation typically uses transfers for cash flow purposes as provided by various statutory provisions.

IV. Other Information

A. Risk Management

The School Corporation is 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 (excluding postemployment benefits); and natural disasters.

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; and natural disasters are covered by commercial insurance from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance by major category of risk.

Medical Benefits to Employees

During 2006, the School Corporation joined with other governmental entities in the Hoosier Heartland School Trust, a public entity risk pool currently operating as a common risk management and insurance program for nine (9) member governmental entities. This risk pool was formed in 1999. The purpose of the risk pool is to provide a medium for the funding and administration of medical benefits to employees, retirees, and dependents (excluding postemployment benefits). The School Corporation pays an annual premium to the risk pool for its medical benefits to employees, retirees, and dependents (excluding postemployment benefits) coverage. The risk pool is considered a self-sustaining risk pool that will provide coverage for its members for up to \$5,000,000. The risk pool obtains independent coverage for insured events in excess of the \$150,000 limit.

B. Holding Corporations

The School Corporation has entered into a capital lease with Orleans 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 audit period totaled \$688,000.

ORLEANS COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

The School Corporation has entered into a capital lease with Orleans Community 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 audit period totaled \$820,000.

C. Termination Benefits

The School Corporation provided health insurance benefits as authorized by Indiana Code 5-10-8, to all employees who retire from the School Corporation on or after attaining age fifty (50) and has completed not less than ten (10) consecutive years of service with the School Corporation. Currently, eleven (11) retirees meet these eligibility requirements. The School Corporation and retirees provide 100% and 0%, respectively, of this termination benefits for a single plan. The School Corporation and retirees provide 89% and 11%, respectively, of this termination benefit for a family plan. Disbursements for this termination benefit are recognized on a pay-as-you-go basis. During the year ended June 30, 2008, disbursements of \$77,970 were recognized for this termination benefit.

In addition to the termination benefit described above, the School Corporation provides social security supplemental payments of \$250 per pay to all employees, who retire from the School Corporation on or after attaining age fifty (50) and has completed not less than ten (10) consecutive years of service with the School Corporation, until their earliest eligibility for social security benefits. These payments shall continue to be paid to the retiree's living spouse or estate, after the death of the retiree until termination as provided above for the retiree. Currently, twelve (12) retirees meet these eligibility requirements. Disbursements for this termination benefit are recognized on a pay-as-you-go basis. During the year ended June 30, 2008, disbursements of \$83,967 were recognized for this termination benefit.

D. Other Postemployment Benefits

In addition to the pension benefits described below, the School Corporation sets aside monies in a Health Reimbursement Arrangement (HRA) Account Plan. The School Corporation contributes one-half of one percent (.5%) for employees participating in the buyout and one percent (1%) for employees hired after July 1, 2004, of each employee's contract salary in effect for that school year. On or after attaining the age of fifty (50) with at least ten (10) years of service, a retired employee may use the amounts held in his/her HRA account to pay for health, dental and vision insurance premiums and to be reimbursed for unreimbursed medical expenses of the retirees and their dependents. Disbursements for those postemployment benefits are recognized on a pay-as-you-go basis. During the year ended June 30, 2008, disbursements of \$19,396 were recognized for postemployment benefits.

E. Pension Plans

1. Agent Multiple-Employer and Single-Employer Defined Benefit Pension Plan

Public Employees' Retirement Fund

Plan Description

The School Corporation contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in the defined benefit plan. State

ORLEANS COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

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 member's 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. The 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 plan members for PERF are established by the Board of Trustees of PERF. The School Corporation's annual pension cost and related information, as provided by the actuary, is presented in this note.

Actuarial Information for the Above Plan

	PERF
Annual required contribution	\$ 25,529
Interest on net pension obligation	(170)
Adjustment to annual required contribution	194
Annual pension cost	25,553
Contributions made	33,365
Decrease in net pension obligation	(7,812)
Net pension obligation, beginning of year	(2,348)
Net pension obligation, end of year	\$ (10,160)

ORLEANS COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

	<u>PERF</u>
Contribution rates:	
School Corporation	9.25%
Plan members	3.00%
Actuarial valuation date	07-01-2007
Actuarial cost method	Entry age
Amortization method	Level percentage of projected payroll, closed
Amortization period	30 years
Amortization period (from date)	07-01-97
Asset valuation method	75% of expected actuarial value plus 25% of market value

<u>Actuarial Assumptions</u>	<u>PERF</u>
Investment rate of return	7.25%
Projected future salary increases:	
Total	5%
Attributed to inflation	4%
Attributed to merit/seniority	1%
Cost-of-living adjustments	2%

Three Year Trend Information

	Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
PERF	06-30-05	\$ 20,467	67%	\$ (9,636)
	06-30-06	26,366	72%	(2,348)
	06-30-07	25,553	131%	(10,160)

2. Cost-Sharing Multiple-Employer Defined Benefit Pension Plan

Teachers' Retirement Fund

Plan Description

The School Corporation contributes to the Indiana Teachers' 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

ORLEANS COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

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 member's 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:

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

Funding Policy and Annual Pension Costs

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.

The School Corporation is to contribute at an actuarially determined rate. The current rate has been actuarially determined under the entry age normal cost method to be 6.82% of covered wages. The School Corporation's required contributions to the plan for the fiscal years ended June 30, 2006, 2007, and 2008, were \$79,108, \$91,530, and \$106,389, respectively. The School Corporation actually contributed 100% of the required contribution for each of the fiscal years.

3. Defined Contribution Pension Plan

Orleans Community School Corporation 401(a) Plan

Plan Description

The School Corporation has a defined contribution pension plan administered by the Variable Life Insurance Company (VALIC) as authorized by Section 401(a) of the Internal Revenue Code of 1986. The plan was established by written agreement between the School Corporation and the Plan Administrator. The Plan Administrator issues a publicly available financial report that includes financial statements and required supplementary information of the plan. That report may be obtained by contacting:

The Variable Life Insurance Company (VALIC)
AIG VALIC, Implementation
2929 Allen Parkway
Houston, TX 77019

ORLEANS COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

Funding Policy and Annual Pension Cost

The contribution requirements of the school corporation are established by the written agreement between the School Corporation and the Plan Administrator. The School Corporation is required to contribute one-half of one percent (.5%) of the annual contract salary of all certified and eligible noncertified employees. For the year ended June 30, 2008, employer contributions to the plan were \$54,632.

ORLEANS COMMUNITY SCHOOLS
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS

Public Employees' Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-05	\$ 225,748	\$ 347,375	\$ (121,627)	65%	\$ 289,001	(42%)
07-01-06	283,176	369,777	(86,601)	77%	287,614	(30%)
07-01-07	341,805	436,464	(94,659)	78%	337,678	(28%)

ORLEANS COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2007

	Special Education Preschool	Rainy Day	School Lunch	Textbook Rental	Levy Excess	Education License Plates
Receipts:						
Local sources	\$ 4,010	\$ -	\$ 140,004	\$ 43,793	\$ -	\$ -
Intermediate sources	-	-	-	-	-	225
State sources	14,064	-	4,055	24,373	-	-
Federal sources	-	-	159,408	-	-	-
Sale of property, adjustments and refunds	-	-	751	716	-	-
Total receipts	<u>18,074</u>	<u>-</u>	<u>304,218</u>	<u>68,882</u>	<u>-</u>	<u>225</u>
Disbursements:						
Current:						
Instruction	29,720	-	-	-	-	-
Support services	-	47,509	286,374	45,053	-	188
Community services	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Total disbursements	<u>29,720</u>	<u>47,509</u>	<u>286,374</u>	<u>45,053</u>	<u>-</u>	<u>188</u>
Excess (deficiency) of receipts over disbursements	<u>(11,646)</u>	<u>(47,509)</u>	<u>17,844</u>	<u>23,829</u>	<u>-</u>	<u>37</u>
Other financing sources (uses):						
Transfers in	-	-	-	-	-	-
Transfers out	<u>(1,954)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(316,545)</u>	<u>-</u>
Total other financing sources (uses)	<u>(1,954)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(316,545)</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(13,600)</u>	<u>(47,509)</u>	<u>17,844</u>	<u>23,829</u>	<u>(316,545)</u>	<u>37</u>
Cash and investments - beginning	<u>35,044</u>	<u>110,000</u>	<u>127,255</u>	<u>10,495</u>	<u>316,545</u>	<u>-</u>
Cash and investments - ending	<u>\$ 21,444</u>	<u>\$ 62,491</u>	<u>\$ 145,099</u>	<u>\$ 34,324</u>	<u>\$ -</u>	<u>\$ 37</u>
<u>Cash and Investment Assets - Ending</u>						
Total cash and investment assets - ending	<u>\$ 21,444</u>	<u>\$ 62,491</u>	<u>\$ 145,099</u>	<u>\$ 34,324</u>	<u>\$ -</u>	<u>\$ 37</u>
<u>Cash and Investment Fund Balance - Ending</u>						
Unrestricted	<u>\$ 21,444</u>	<u>\$ 62,491</u>	<u>\$ 145,099</u>	<u>\$ 34,324</u>	<u>\$ -</u>	<u>\$ 37</u>
Total cash and investment fund balance - ending	<u>\$ 21,444</u>	<u>\$ 62,491</u>	<u>\$ 145,099</u>	<u>\$ 34,324</u>	<u>\$ -</u>	<u>\$ 37</u>

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

ORLEANS COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2007
 (Continued)

	Safe School Haven	High Ability Grant (06-07)	Non-English Speaking Program	School Technology	Technology Planning Grant	Title 1 Grant (06-07)
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ 3,133	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-
State sources	3,500	11,618	-	-	57,966	-
Federal sources	-	-	-	-	-	235,779
Sale of property, adjustments and refunds	-	-	-	-	-	-
Total receipts	<u>3,500</u>	<u>11,618</u>	<u>-</u>	<u>3,133</u>	<u>57,966</u>	<u>235,779</u>
Disbursements:						
Current:						
Instruction	-	11,618	-	-	-	209,371
Support services	7,000	-	-	-	-	1,000
Community services	-	-	-	-	-	237
Debt services	-	-	-	-	-	-
Total disbursements	<u>7,000</u>	<u>11,618</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>210,608</u>
Excess (deficiency) of receipts over disbursements	<u>(3,500)</u>	<u>-</u>	<u>-</u>	<u>3,133</u>	<u>57,966</u>	<u>25,171</u>
Other financing sources (uses):						
Transfers in	3,500	-	-	-	-	3,289
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	<u>3,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,289</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,133</u>	<u>57,966</u>	<u>28,460</u>
Cash and investments - beginning	<u>-</u>	<u>-</u>	<u>137</u>	<u>3,081</u>	<u>-</u>	<u>-</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 137</u>	<u>\$ 6,214</u>	<u>\$ 57,966</u>	<u>\$ 28,460</u>
<u>Cash and Investment Assets - Ending</u>						
Total cash and investment assets - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 137</u>	<u>\$ 6,214</u>	<u>\$ 57,966</u>	<u>\$ 28,460</u>
<u>Cash and Investment Fund Balance - Ending</u>						
Unrestricted	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 137</u>	<u>\$ 6,214</u>	<u>\$ 57,966</u>	<u>\$ 28,460</u>
Total cash and investment fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 137</u>	<u>\$ 6,214</u>	<u>\$ 57,966</u>	<u>\$ 28,460</u>

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

ORLEANS COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2007
 (Continued)

	Title 1 Grant (07-08)	Title V Part A Grant (05-06)	Title V Part A Grant (06-07)	Title IV Drug Free Grant (06-07)	Title IV Drug Free Grant (05-06)
Receipts:					
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-
State sources	-	-	-	-	-
Federal sources	18,200	-	1,399	4,866	-
Sale of property, adjustments and refunds	-	-	-	-	-
Total receipts	<u>18,200</u>	<u>-</u>	<u>1,399</u>	<u>4,866</u>	<u>-</u>
Disbursements:					
Current:					
Instruction	21,337	2,456	-	2,572	3,448
Support services	-	-	1,399	965	-
Community services	-	-	-	-	-
Debt services	-	-	-	-	-
Total disbursements	<u>21,337</u>	<u>2,456</u>	<u>1,399</u>	<u>3,537</u>	<u>3,448</u>
Excess (deficiency) of receipts over disbursements	<u>(3,137)</u>	<u>(2,456)</u>	<u>-</u>	<u>1,329</u>	<u>(3,448)</u>
Other financing sources (uses):					
Transfers in	-	-	-	-	-
Transfers out	<u>(3,289)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>(3,289)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(6,426)	(2,456)	-	1,329	(3,448)
Cash and investments - beginning	<u>6,426</u>	<u>2,456</u>	<u>-</u>	<u>965</u>	<u>3,448</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,294</u>	<u>\$ -</u>
<u>Cash and Investment Assets - Ending</u>					
Total cash and investment assets - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,294</u>	<u>\$ -</u>
<u>Cash and Investment Fund Balance - Ending</u>					
Unrestricted	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,294</u>	<u>\$ -</u>
Total cash and investment fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,294</u>	<u>\$ -</u>

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

ORLEANS COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2007
 (Continued)

	Title II Part A Grant (06-07)	Title II Part A Grant (05-06)	Retirement Severance Bond Debt Service	Construction	Totals
Receipts:					
Local sources	\$ -	\$ -	\$ 264,547	\$ -	\$ 455,487
Intermediate sources	-	-	-	-	225
State sources	-	-	-	-	115,576
Federal sources	-	47,022	-	-	466,674
Sale of property, adjustments and refunds	-	-	-	-	1,467
Total receipts	<u>-</u>	<u>47,022</u>	<u>264,547</u>	<u>-</u>	<u>1,039,429</u>
Disbursements:					
Current:					
Instruction	5,996	33,589	-	-	320,107
Support services	8,345	-	-	69,871	467,704
Community services	-	-	-	-	237
Debt services	-	-	322,425	-	322,425
Total disbursements	<u>14,341</u>	<u>33,589</u>	<u>322,425</u>	<u>69,871</u>	<u>1,110,473</u>
Excess (deficiency) of receipts over disbursements	<u>(14,341)</u>	<u>13,433</u>	<u>(57,878)</u>	<u>(69,871)</u>	<u>(71,044)</u>
Other financing sources (uses):					
Transfers in	-	-	12,264	-	19,053
Transfers out	-	-	-	-	(321,788)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>12,264</u>	<u>-</u>	<u>(302,735)</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(14,341)</u>	<u>13,433</u>	<u>(45,614)</u>	<u>(69,871)</u>	<u>(373,779)</u>
Cash and investments - beginning	<u>14,341</u>	<u>-</u>	<u>45,614</u>	<u>105,228</u>	<u>781,035</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ 13,433</u>	<u>\$ -</u>	<u>\$ 35,357</u>	<u>\$ 407,256</u>
Cash and Investment Assets - Ending					
Total cash and investment assets - ending	<u>\$ -</u>	<u>\$ 13,433</u>	<u>\$ -</u>	<u>\$ 35,357</u>	<u>\$ 407,256</u>
Cash and Investment Fund Balance - Ending					
Unrestricted	<u>\$ -</u>	<u>\$ 13,433</u>	<u>\$ -</u>	<u>\$ 35,357</u>	<u>\$ 407,256</u>
Total cash and investment fund balance - ending	<u>\$ -</u>	<u>\$ 13,433</u>	<u>\$ -</u>	<u>\$ 35,357</u>	<u>\$ 407,256</u>

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

ORLEANS COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2008

	Special Education Preschool	Rainy Day	School Lunch	Textbook Rental	Education License Plates	Safe School Haven
Receipts:						
Local sources	\$ 4,809	\$ -	\$ 138,660	\$ 50,339	\$ -	\$ -
Intermediate sources	-	-	-	-	188	-
State sources	15,167	-	4,009	36,904	-	1,914
Federal sources	-	-	163,251	-	-	-
Sale of property, adjustments and refunds	-	-	591	-	-	-
Total receipts	<u>19,976</u>	<u>-</u>	<u>306,511</u>	<u>87,243</u>	<u>188</u>	<u>1,914</u>
Disbursements:						
Current:						
Instruction	26,313	-	3,739	-	-	-
Support services	-	62,491	323,144	85,295	150	1,914
Community services	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Total disbursements	<u>26,313</u>	<u>62,491</u>	<u>326,883</u>	<u>85,295</u>	<u>150</u>	<u>1,914</u>
Excess (deficiency) of receipts over disbursements	<u>(6,337)</u>	<u>(62,491)</u>	<u>(20,372)</u>	<u>1,948</u>	<u>38</u>	<u>-</u>
Other financing sources (uses):						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(6,337)</u>	<u>(62,491)</u>	<u>(20,372)</u>	<u>1,948</u>	<u>38</u>	<u>-</u>
Cash and investments - beginning	<u>21,444</u>	<u>62,491</u>	<u>145,099</u>	<u>34,324</u>	<u>37</u>	<u>-</u>
Cash and investments - ending	<u>\$ 15,107</u>	<u>\$ -</u>	<u>\$ 124,727</u>	<u>\$ 36,272</u>	<u>\$ 75</u>	<u>\$ -</u>
<u>Cash and Investment Assets - Ending</u>						
Total cash and investment assets - ending	<u>\$ 15,107</u>	<u>\$ -</u>	<u>\$ 124,727</u>	<u>\$ 36,272</u>	<u>\$ 75</u>	<u>\$ -</u>
<u>Cash and Investment Fund Balance - Ending</u>						
Unrestricted	<u>\$ 15,107</u>	<u>\$ -</u>	<u>\$ 124,727</u>	<u>\$ 36,272</u>	<u>\$ 75</u>	<u>\$ -</u>
Total cash and investment fund balance - ending	<u>\$ 15,107</u>	<u>\$ -</u>	<u>\$ 124,727</u>	<u>\$ 36,272</u>	<u>\$ 75</u>	<u>\$ -</u>

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

ORLEANS COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2008
 (Continued)

	Early Intervention Grant (07-08)	High Ability Grant (07-08)	Non-English Speaking Program	School Technology	Technology Planning Grant (07-08)	Title I Grant (06-07)
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ 3,746	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-
State sources	16,000	28,840	-	-	-	-
Federal sources	-	-	-	-	-	-
Sale of property, adjustments and refunds	-	-	-	-	-	-
Total receipts	<u>16,000</u>	<u>28,840</u>	<u>-</u>	<u>3,746</u>	<u>-</u>	<u>-</u>
Disbursements:						
Current:						
Instruction	16,000	28,840	-	6,692	47,042	24,582
Support services	-	-	-	786	-	-
Community services	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Total disbursements	<u>16,000</u>	<u>28,840</u>	<u>-</u>	<u>7,478</u>	<u>47,042</u>	<u>24,582</u>
Excess (deficiency) of receipts over disbursements	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,732)</u>	<u>(47,042)</u>	<u>(24,582)</u>
Other financing sources (uses):						
Transfers in	-	-	-	4,578	-	-
Transfers out	-	-	-	-	-	(3,878)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,578</u>	<u>-</u>	<u>(3,878)</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>846</u>	<u>(47,042)</u>	<u>(28,460)</u>
Cash and investments - beginning	<u>-</u>	<u>-</u>	<u>137</u>	<u>6,214</u>	<u>57,966</u>	<u>28,460</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 137</u>	<u>\$ 7,060</u>	<u>\$ 10,924</u>	<u>\$ -</u>
<u>Cash and Investment Assets - Ending</u>						
Total cash and investment assets - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 137</u>	<u>\$ 7,060</u>	<u>\$ 10,924</u>	<u>\$ -</u>
<u>Cash and Investment Fund Balance - Ending</u>						
Unrestricted	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 137</u>	<u>\$ 7,060</u>	<u>\$ 10,924</u>	<u>\$ -</u>
Total cash and investment fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 137</u>	<u>\$ 7,060</u>	<u>\$ 10,924</u>	<u>\$ -</u>

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

ORLEANS COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2008
 (Continued)

	Title I Grant (07-08)	Title V Improving School (07-08)	Title IV Drug Free Grant (07-08)	Title IV Drug Free Grant (06-07)	Title II Part A Grant (06-07)
Receipts:					
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-
State sources	-	-	-	-	-
Federal sources	283,534	1,410	4,860	-	47,063
Sale of property, adjustments and refunds	-	-	-	-	-
	<u>283,534</u>	<u>1,410</u>	<u>4,860</u>	<u>-</u>	<u>47,063</u>
Total receipts	283,534	1,410	4,860	-	47,063
Disbursements:					
Current:					
Instruction	258,230	-	228	1,304	36,248
Support services	2,393	-	-	-	-
Community services	573	-	-	-	-
Debt services	-	-	-	-	-
	<u>261,196</u>	<u>-</u>	<u>228</u>	<u>1,304</u>	<u>36,248</u>
Total disbursements	261,196	-	228	1,304	36,248
Excess (deficiency) of receipts over disbursements	<u>22,338</u>	<u>1,410</u>	<u>4,632</u>	<u>(1,304)</u>	<u>10,815</u>
Other financing sources (uses):					
Transfers in	3,878	-	-	-	-
Transfers out	-	-	-	-	-
	<u>3,878</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	3,878	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	26,216	1,410	4,632	(1,304)	10,815
Cash and investments - beginning	-	-	-	2,294	-
Cash and investments - ending	<u>\$ 26,216</u>	<u>\$ 1,410</u>	<u>\$ 4,632</u>	<u>\$ 990</u>	<u>\$ 10,815</u>
<u>Cash and Investment Assets - Ending</u>					
Total cash and investment assets - ending	<u>\$ 26,216</u>	<u>\$ 1,410</u>	<u>\$ 4,632</u>	<u>\$ 990</u>	<u>\$ 10,815</u>
<u>Cash and Investment Fund Balance - Ending</u>					
Unrestricted	<u>\$ 26,216</u>	<u>\$ 1,410</u>	<u>\$ 4,632</u>	<u>\$ 990</u>	<u>\$ 10,815</u>
Total cash and investment fund balance - ending	<u>\$ 26,216</u>	<u>\$ 1,410</u>	<u>\$ 4,632</u>	<u>\$ 990</u>	<u>\$ 10,815</u>

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

ORLEANS COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2008
 (Continued)

	Title II Part A Grant (05-06)	Retirement Severance Bond Debt Service	Construction	Construction High School	Totals
Receipts:					
Local sources	\$ -	\$ 309,098	\$ -	\$ -	\$ 506,652
Intermediate sources	-	-	-	-	188
State sources	-	-	-	-	102,834
Federal sources	30,548	-	-	-	530,666
Sale of property, adjustments and refunds	-	-	-	600,000	600,591
Total receipts	<u>30,548</u>	<u>309,098</u>	<u>-</u>	<u>600,000</u>	<u>1,740,931</u>
Disbursements:					
Current:					
Instruction	6,424	-	-	-	455,642
Support services	7,009	-	35,357	200,639	719,178
Community services	-	-	-	-	573
Debt services	-	324,691	-	-	324,691
Total disbursements	<u>13,433</u>	<u>324,691</u>	<u>35,357</u>	<u>200,639</u>	<u>1,500,084</u>
Excess (deficiency) of receipts over disbursements	<u>17,115</u>	<u>(15,593)</u>	<u>(35,357)</u>	<u>399,361</u>	<u>240,847</u>
Other financing sources (uses):					
Transfers in	-	27,857	-	-	36,313
Transfers out	-	(12,264)	-	(157,010)	(173,152)
Total other financing sources (uses)	<u>-</u>	<u>15,593</u>	<u>-</u>	<u>(157,010)</u>	<u>(136,839)</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	17,115	-	(35,357)	242,351	104,008
Cash and investments - beginning	<u>13,433</u>	<u>-</u>	<u>35,357</u>	<u>-</u>	<u>407,256</u>
Cash and investments - ending	<u>\$ 30,548</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 242,351</u>	<u>\$ 511,264</u>
Cash and Investment Assets - Ending					
Total cash and investment assets - ending	<u>\$ 30,548</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 242,351</u>	<u>\$ 511,264</u>
Cash and Investment Fund Balance - Ending					
Unrestricted	<u>\$ 30,548</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 242,351</u>	<u>\$ 511,264</u>
Total cash and investment fund balance - ending	<u>\$ 30,548</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 242,351</u>	<u>\$ 511,264</u>

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

ORLEANS COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 PRIVATE-PURPOSE TRUST FUNDS
 For the Year Ended June 30, 2007

	<u>Donation - Instruction</u>	<u>Cape School</u>	<u>Totals</u>
Additions:			
Contributions:			
Other	\$ -	\$ 28,500	\$ 28,500
Deductions:			
Administrative and general	1,000	28,286	29,286
Excess (deficiency) of total additions over total deductions	(1,000)	214	(786)
Cash and investments - beginning	1,000	3,859	4,859
Cash and investments - ending	<u>\$ -</u>	<u>\$ 4,073</u>	<u>\$ 4,073</u>
Net assets:			
Cash and investments	<u>\$ -</u>	<u>\$ 4,073</u>	<u>\$ 4,073</u>
Total net assets - cash and investment basis held in trust	<u>\$ -</u>	<u>\$ 4,073</u>	<u>\$ 4,073</u>

ORLEANS COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 PRIVATE-PURPOSE TRUST FUNDS
 For the Year Ended June 30, 2008

	Scholarships/ Awards	Donation - Miscellaneous	Cape School	Riverboat Casino	Totals
Additions:					
Contributions:					
Other	\$ 3,984	\$ 600	\$ 29,500	\$ 501,153	\$ 535,237
Deductions:					
Administrative and general	3,984	-	32,026	120,000	156,010
Excess (deficiency) of total additions over total deductions	-	600	(2,526)	381,153	379,227
Cash and investments - beginning	-	-	4,073	-	4,073
Cash and investments - ending	<u>\$ -</u>	<u>\$ 600</u>	<u>\$ 1,547</u>	<u>\$ 381,153</u>	<u>\$ 383,300</u>
Net assets:					
Cash and investments	<u>\$ -</u>	<u>\$ 600</u>	<u>\$ 1,547</u>	<u>\$ 381,153</u>	<u>\$ 383,300</u>
Total net assets - cash and investment basis held in trust	<u>\$ -</u>	<u>\$ 600</u>	<u>\$ 1,547</u>	<u>\$ 381,153</u>	<u>\$ 383,300</u>

ORLEANS COMMUNITY SCHOOLS
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS

June 30, 2008

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	\$ 204,082
Buildings	11,495,496
Improvements other than buildings	89,634
Machinery and equipment	<u>1,304,203</u>
Total governmental activities, capital assets not being depreciated	<u>\$ 13,093,415</u>

ORLEANS COMMUNITY SCHOOLS
SUPPLEMENTARY INFORMATION
SCHEDULE OF LONG-TERM DEBT
June 30, 2008

The School Corporation has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental Activities:		
Capital leases:		
1998 High school building improvements	\$ 3,125,000	\$ 351,235
2007 High school building improvements	9,874,000	106,000
2007 High school building improvements - QZAB	1,658,825	-
2004 Elementary school building improvements	2,505,000	338,555
2004 Elementary school building improvements - QZAB	1,855,000	-
Notes and loans payable	96,755	98,939
Bonds payable:		
General obligation bonds:		
2004 Pension bonds	<u>3,395,000</u>	<u>166,531</u>
Total governmental activities debt	<u>\$ 22,509,580</u>	<u>\$ 1,061,260</u>

ORLEANS COMMUNITY SCHOOLS
AUDIT RESULT AND COMMENT

APPROPRIATIONS

The records presented for audit indicated the following expenditures in excess of budgeted appropriations:

<u>Fund</u>	<u>Years</u>	<u>Excess Amount Expended</u>
Rainy Day Fund	2006	\$ 47,509
Rainy Day Fund	2007	62,491

IC 6-1.1-18-4 states in part: ". . . the proper officers of a political subdivision shall appropriate funds in such a manner that the expenditures for a year do not exceed its budget for that year as finally determined under this article."

IC 36-1-8-5.1 (c) states: "The rainy day fund is subject to the same appropriation process as other funds that receive tax money."

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

TO: THE OFFICIALS OF THE ORLEANS COMMUNITY SCHOOLS, ORANGE COUNTY, INDIANA

Compliance

We have audited the compliance of the Orleans Community Schools (School Corporation) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the years ended June 30, 2007 and 2008. 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 are applicable to each of its major federal programs for the years ended June 30, 2007 and 2008.

Internal Control Over Compliance

The 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 in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133
(Continued)

A control deficiency in a School Corporation's 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be significant deficiencies or material weaknesses, as defined above.

This report is intended solely for the information and use of the School Corporation's management, school board and 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

April 9, 2009

ORLEANS COMMUNITY SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Years Ended June 30, 2007 and 2008

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 06-30-07	Total Federal Awards Expended 06-30-08
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
Pass-Through Indiana Department of Education				
Child Nutrition Cluster				
School Breakfast Program	10.553			
FY 2006-2007		06-6145	\$ 36,152	\$ -
FY 2007-2008		07-6145	-	37,781
Total for program			<u>36,152</u>	<u>37,781</u>
National School Lunch Program	10.555			
FY 2006-2007		06-6145	150,277	-
FY 2007-2008		07-6145	-	147,130
Total for program			<u>150,277</u>	<u>147,130</u>
Total for federal grantor agency			<u>186,429</u>	<u>184,911</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>				
Pass-Through Indiana Department of Education				
Title I Grants to Local Educational Agencies				
FY 2005-2006	84.010	06-6145	21,337	-
FY 2006-2007		07-6145	210,607	24,583
FY 2007-2008		08-6145	-	256,281
Total for program			<u>231,944</u>	<u>280,864</u>
Safe and Drug Free Schools and Communities - State Grants	84.186			
FY 2005-2006		05-158	3,448	-
FY 2006-2007		6145-06	2,572	1,304
FY 2007-2008		6145-07	-	228
Total for program			<u>6,020</u>	<u>1,532</u>
State Grants for Innovative Programs FY 2006-2007	84.298	06-6145	1,399	-
Improving Teacher Quality State Grants	84.367			
FY 2004-2005		04-196	5,996	-
FY 2005-2006		05-133	33,589	6,424
FY 2006-2007		06-6145	-	36,248
Total for program			<u>39,585</u>	<u>42,672</u>
Total for federal grantor agency			<u>278,948</u>	<u>325,068</u>
Total federal awards expended			<u>\$ 465,377</u>	<u>\$ 509,979</u>

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

ORLEANS COMMUNITY SCHOOLS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

I. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Orleans Community Schools (School Corporation) and is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Accordingly, the amount of federal awards expended is based on when the activity related to the award occurs. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

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 the 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.

II. Noncash Assistance

The School Corporation expended the following amount of noncash assistance for the years ending June 30, 2007 and 2008. This noncash assistance is also included in the federal expenditures presented in the schedule.

Program Title	Federal CFDA Number	2006-07	2007-08
Child Nutrition Cluster:			
Food Commodities			
National School Lunch Program	10.555	\$ 26,481	\$ 22,158

ORLEANS COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified?	no
Significant deficiencies identified that are not considered to be material weaknesses?	none reported
Noncompliance material to financial statements noted?	no

Federal Awards:

Internal control over major programs:

Material weaknesses identified?	no
Significant deficiencies identified that are not considered to be material weaknesses?	none reported

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?	no
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Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
84.010	Child Nutrition Cluster Title I Grants to Local Educational Agencies

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

Auditee qualified as low-risk auditee?	no
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Section II – Financial Statement Findings

No matters are reportable.

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.

ORLEANS COMMUNITY SCHOOLS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

ORLEANS COMMUNITY SCHOOLS
EXIT CONFERENCE

The contents of this report were discussed on April 9, 2009, with Mary Lou Denbo, President of the School Board; James L. Terrell, Superintendent of Schools; and Allana C. Smelser, Treasurer. The officials concurred with our audit finding.