

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, 2008 to June 30, 2010



FILED
02/28/2011

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Allana C. Smelser	07-01-08 to 06-30-11
Superintendent of Schools	James L. Terrell	07-01-08 to 06-30-15
President of the School Board	Mary Lou Denbo Larry Johnson	07-01-08 to 06-30-10 07-01-10 to 06-30-11



STATE OF INDIANA
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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, 2009 and 2010, 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 prescribed 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, 2009 and 2010, 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 February 3, 2011, on our consideration of the School Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards 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 School Corporation has not presented Management's Discussion and Analysis, Schedules of Funding Progress, 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

February 3, 2011



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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, 2009 and 2010, which collectively comprise the School Corporation's basic financial statements and have issued our report thereon dated February 3, 2011. 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, the 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

February 3, 2011

ORLEANS COMMUNITY SCHOOLS
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For the Year Ended June 30, 2009

<u>Functions/Programs</u>	<u>Disbursements</u>	<u>Program Receipts</u>		<u>Totals</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Net (Disbursements) Receipts and Changes in Net Assets</u>
Governmental activities:				
Instruction	\$ 3,942,039	\$ -	\$ 121,601	\$ (3,820,438)
Support services	2,252,960	146,066	214,802	(1,892,092)
Noninstructional services	414,826	-	-	(414,826)
Facilities acquisition and construction	533,421	-	-	(533,421)
Debt service	1,042,136	-	-	(1,042,136)
Nonprogrammed charges	218,356	-	-	(218,356)
Total governmental activities	\$ 8,403,738	\$ 146,066	\$ 336,403	(7,921,269)
General receipts:				
Property taxes				2,217,251
Other local sources				834,897
State aid				3,883,792
Grants and contributions not restricted to specific programs				865,011
Sale of property				3,079
Investment earnings				28,680
Other				20
Total general receipts				7,832,730
Change in net assets				(88,539)
Net assets - beginning				2,863,886
Net assets - ending				\$ 2,775,347
<u>Assets</u>				
Cash and investments				\$ 2,557,201
Restricted assets:				
Cash and investments				218,146
Total assets				\$ 2,775,347
<u>Net Assets</u>				
Restricted for:				
Debt service				\$ 218,146
Unrestricted				2,557,201
Total net assets				\$ 2,775,347

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, 2010

<u>Functions/Programs</u>	<u>Disbursements</u>	<u>Program Receipts</u>		<u>Totals</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Net (Disbursements) Receipts and Changes in Net Assets</u>
Governmental activities:				
Instruction	\$ 4,248,208	\$ -	\$ 98,272	\$ (4,149,936)
Support services	2,260,733	136,205	248,755	(1,875,773)
Noninstructional services	422,071	-	-	(422,071)
Facilities acquisition and construction	307,893	-	-	(307,893)
Debt service	883,834	-	-	(883,834)
Nonprogrammed charges	246,803	-	-	(246,803)
<u>Total governmental activities</u>	<u>\$ 8,369,542</u>	<u>\$ 136,205</u>	<u>\$ 347,027</u>	<u>(7,886,310)</u>
General receipts:				
Property taxes				2,309,688
Other local sources				652,945
State aid				5,080,654
Grants and contributions not restricted to specific programs				778,894
Sale of property				1,328
Investment earnings				5,068
Other				3,809
<u>Total general receipts</u>				<u>8,832,386</u>
Change in net assets				946,076
Net assets - beginning				<u>2,775,347</u>
Net assets - ending				<u>\$ 3,721,423</u>
<u>Assets</u>				
Cash and investments				\$ 3,202,577
Restricted assets:				
Cash and investments				<u>518,846</u>
<u>Total assets</u>				<u>\$ 3,721,423</u>
<u>Net Assets</u>				
Restricted for:				
Debt service				\$ 518,846
Unrestricted				<u>3,202,577</u>
<u>Total net assets</u>				<u>\$ 3,721,423</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, 2009

	General	Transportation Operating	Fiscal Stabilization Education (Stimulus)	Debt Service	Other	Totals
Receipts:						
Local sources	\$ 994,197	\$ 431,772	\$ -	\$ 698,287	\$ 1,059,380	\$ 3,183,636
Intermediate sources	1,330	-	-	41,667	256	43,253
State sources	3,976,557	-	-	-	82,468	4,059,025
Federal sources	14,160	-	440,922	-	571,104	1,026,186
Other	-	20	-	-	-	20
Total receipts	4,986,244	431,792	440,922	739,954	1,713,208	8,312,120
Disbursements:						
Current:						
Instruction	3,552,414	-	-	-	389,625	3,942,039
Support services	1,467,163	376,082	-	-	409,715	2,252,960
Noninstructional services	99,615	-	-	-	315,211	414,826
Facilities acquisition and construction	-	27,787	-	-	505,634	533,421
Debt services	-	-	-	710,605	331,531	1,042,136
Nonprogrammed charges	218,356	-	-	-	-	218,356
Total disbursements	5,337,548	403,869	-	710,605	1,951,716	8,403,738
Excess (deficiency) of receipts over disbursements	(351,304)	27,923	440,922	29,349	(238,508)	(91,618)
Other financing sources (uses):						
Sale of capital assets	3,079	-	-	-	-	3,079
Transfers in	339,089	-	-	-	540,875	879,964
Transfers out	(169,867)	(169,895)	-	(78,715)	(461,487)	(879,964)
Total other financing sources (uses)	172,301	(169,895)	-	(78,715)	79,388	3,079
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(179,003)	(141,972)	440,922	(49,366)	(159,120)	(88,539)
Cash and investments - beginning	1,533,116	432,476	-	245,061	653,233	2,863,886
Cash and investments - ending	<u>\$ 1,354,113</u>	<u>\$ 290,504</u>	<u>\$ 440,922</u>	<u>\$ 195,695</u>	<u>\$ 494,113</u>	<u>\$ 2,775,347</u>
Cash and Investment Assets - Ending						
Cash and investments	\$ 1,354,113	\$ 290,504	\$ 440,922	\$ -	\$ 471,662	\$ 2,557,201
Restricted assets:						
Cash and investments	-	-	-	195,695	22,451	218,146
Total cash and investment assets - ending	\$ 1,354,113	\$ 290,504	\$ 440,922	\$ 195,695	\$ 494,113	\$ 2,775,347
Cash and Investment Fund Balance - Ending						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ 195,695	\$ 22,451	\$ 218,146
Unrestricted	1,354,113	290,504	440,922	-	471,662	2,557,201
Total cash and investment fund balance - ending	\$ 1,354,113	\$ 290,504	\$ 440,922	\$ 195,695	\$ 494,113	\$ 2,775,347

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, 2010

	General	Transportation Operating	Fiscal Stabilization Education (Stimulus)	Debt Service	Other	Totals
Receipts:						
Local sources	\$ 34,710	\$ 654,740	\$ -	\$ 943,480	\$ 1,382,106	\$ 3,015,036
Intermediate sources	5,402	-	-	83,333	132	88,867
State sources	5,150,321	-	-	-	80,304	5,230,625
Federal sources	-	-	166,898	-	809,055	975,953
Other	3,809	-	-	-	-	3,809
Total receipts	5,194,242	654,740	166,898	1,026,813	2,271,597	9,314,290
Disbursements:						
Current:						
Instruction	3,179,250	-	485,949	-	583,009	4,248,208
Support services	1,369,824	375,064	26,226	-	489,619	2,260,733
Noninstructional services	101,754	-	-	-	320,317	422,071
Facilities acquisition and construction	-	661	-	-	307,232	307,893
Debt services	16,079	-	-	554,241	313,514	883,834
Nonprogrammed charges	151,158	-	95,645	-	-	246,803
Total disbursements	4,818,065	375,725	607,820	554,241	2,013,691	8,369,542
Excess (deficiency) of receipts over disbursements	376,177	279,015	(440,922)	472,572	257,906	944,748
Other financing sources (uses):						
Sale of capital assets	1,328	-	-	-	-	1,328
Transfers in	58,278	131,564	-	-	275,339	465,181
Transfers out	-	(101,053)	-	(149,421)	(214,707)	(465,181)
Total other financing sources (uses)	59,606	30,511	-	(149,421)	60,632	1,328
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	435,783	309,526	(440,922)	323,151	318,538	946,076
Cash and investments - beginning	1,354,113	290,504	440,922	195,695	494,113	2,775,347
Cash and investments - ending	<u>\$ 1,789,896</u>	<u>\$ 600,030</u>	<u>\$ -</u>	<u>\$ 518,846</u>	<u>\$ 812,651</u>	<u>\$ 3,721,423</u>
Cash and Investment Assets - Ending						
Cash and investments	\$ 1,789,896	\$ 600,030	\$ -	\$ -	\$ 812,651	\$ 3,202,577
Restricted assets:						
Cash and investments	-	-	-	518,846	-	518,846
Total cash and investment assets - ending	\$ 1,789,896	\$ 600,030	\$ -	\$ 518,846	\$ 812,651	\$ 3,721,423
Cash and Investment Fund Balance - Ending						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ 518,846	\$ -	\$ 518,846
Unrestricted	1,789,896	600,030	-	-	812,651	3,202,577
Total cash and investment fund balance - ending	\$ 1,789,896	\$ 600,030	\$ -	\$ 518,846	\$ 812,651	\$ 3,721,423

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, 2009

	Pension Trust Fund	Private-Purpose Trust Funds
Additions:		
Contributions:		
Employer	\$ 13,697	\$ -
Other	16,397	441,931
Total additions	30,094	441,931
Deductions:		
Benefits	121,980	-
Administrative and general	-	220,198
Total deductions	121,980	220,198
Excess (deficiency) of total additions over total deductions	(91,886)	221,733
Cash and investment fund balance - beginning	552,288	383,300
Cash and investment fund balance - ending	\$ 460,402	\$ 605,033
Net assets:		
Cash and investments	\$ 460,402	\$ 605,033
Total net assets - cash and investment basis held in trust	\$ 460,402	\$ 605,033

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, 2010

	Pension Trust Fund	Private-Purpose Trust Funds
Additions:		
Contributions:		
Other	\$ 38,194	\$ 352,046
Deductions:		
Benefits	105,242	-
Administrative and general	-	504,000
Total deductions	105,242	504,000
Deficiency of total additions over total deductions	(67,048)	(151,954)
Cash and investment fund balance - beginning	460,403	605,034
Cash and investment fund balance - ending	\$ 393,355	\$ 453,080
Net assets:		
Cash and investments	\$ 393,355	\$ 453,080
Total net assets - cash and investment basis held in trust	\$ 393,355	\$ 453,080

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 Ventures

The School Corporation is a participant 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 Orange, Lawrence, Jackson, Martin, Greene Joint Services can be obtained from North Lawrence Community Schools at 460 W. Street, Bedford, IN 47421.

The School Corporation is a participant 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 the Southern Indiana Education Center can be obtained from Southern Indiana Education Center's office at 1102 Tree Lane Drive, Jasper IN 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 equity, 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 transportation operating fund accounts for financial resources for the transportation of schoolchildren to and from school.

The fiscal stabilization education (stimulus) fund accounts for receipts and disbursements of cash received from the federal government to be used to supplement funding of local, state, and federal programs.

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.

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 funds report trust arrangements 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.

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. Restricted Assets

All restricted assets, as presented in the accompanying financial statements, are restricted due to third party debt agreements.

2. 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.

3. Property Taxes

Normally, 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. 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 may 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.

4. 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.

5. Long-Term Debt

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

ORLEANS COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

6. Equity Classification

Government-Wide Statements

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

- 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."

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, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general receipts rather than as program receipts. Likewise, general receipts include all taxes.

F. Internal and Interfund 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 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, if any, is 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.

ORLEANS COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

G. Rounding Differences

The financial statements may contain immaterial differences due to rounding of amounts when the statements were compiled. These differences are considered trivial and do not affect the overall presentation of the financial statements.

II. Stewardship, Compliance and Accountability

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.

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. Prior to November 1, 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 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.

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. IC 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, 2010, the School Corporation had deposit balances in the amount of \$4,642,966.

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.

ORLEANS COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

B. Interfund Transfers

Interfund transfers for the years ended June 30, 2009 and 2010, were as follows:

Transfer From	Transfer To	2008	2009
General Fund	Other Governmental Funds	169,867	\$ -
Debt Service Fund	Other Governmental Funds	78,715	149,421
Transportation Operating Fund	Other Governmental Funds	169,895	101,053
Other Governmental Funds	General Fund	339,088	58,278
	Transportation Operating Fund	-	131,564
	Other Governmental Funds	122,399	24,865
		<u>879,964</u>	<u>465,181</u>
Totals		<u>\$ 879,964</u>	<u>\$ 465,181</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; 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; medical benefits to employees, retirees, and dependents; and natural disasters are covered by commercial insurance from independent third parties.

Settled claims from risks covered by commercial insurance 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, Retirees, and Dependents

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 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.

ORLEANS COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

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 years 2009 and 2010 totaled \$344,000 and \$344,000, respectively.

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 years 2009 and 2010 totaled \$456,000 and \$706,000, respectively.

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 50 and have completed not less than 10 consecutive years of service with the School Corporation. Currently, 16 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, 2010, disbursements of \$103,808 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 50 and have completed not less than 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, 9 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, 2010, disbursements of \$61,500 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 .5% for employees participating in the buyout and 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 50 with at least 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, 2010, disbursements of \$23,491 were recognized for postemployment benefits.

ORLEANS COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

E. Pension Plans

1. Agent Multiple-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 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

The contribution requirements of plan members for PERF are established by the Board of Trustees of PERF. The total contributions made to PERF by the School Corporation during the period were \$79,641.

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 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.

ORLEANS COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

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's contributions to the plan during the period were \$381,488.

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 included 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

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 .5% of the annual contract salary of all certified and eligible noncertified employees. For the year ended June 30, 2009 and 2010, employer contributions to the plan were \$17,194 and \$17,933, respectively.

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, 2009

	Special Education Preschool	Rainy Day	School Lunch	Textbook Rental	Levy Excess	Education License Plates	Early Intervention Reading Recovery (08-09)
Receipts:							
Local sources	\$ 4,341	\$ -	\$ 147,809	\$ 53,090	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	256	-
State sources	18,867	-	4,072	29,689	-	-	1,000
Federal sources	-	-	181,072	-	-	-	-
Total receipts	23,208	-	332,953	82,779	-	256	1,000
Disbursements:							
Current:							
Instruction	23,615	-	7,988	-	-	-	1,000
Support services	-	-	119	93,985	-	313	-
Noninstructional services	-	-	313,262	-	-	-	-
Facilities acquisition and construction	-	-	10,944	-	-	-	-
Debt services	-	-	-	-	-	-	-
Total disbursements	23,615	-	332,313	93,985	-	313	1,000
Excess (deficiency) of receipts over disbursements	(407)	-	640	(11,206)	-	(57)	-
Other financing sources (uses):							
Transfers in	-	47,000	-	-	311,232	-	-
Transfers out	(524)	-	-	-	(311,232)	-	-
Total other financing sources (uses)	(524)	47,000	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(931)	47,000	640	(11,206)	-	(57)	-
Cash and investments - beginning	15,107	-	124,727	36,272	-	75	-
Cash and investments - ending	\$ 14,176	\$ 47,000	\$ 125,367	\$ 25,066	\$ -	\$ 18	\$ -
Cash and Investment Assets - Ending							
Cash and investments	\$ 14,176	\$ 47,000	\$ 125,367	\$ 25,066	\$ -	\$ 18	\$ -
Restricted assets:							
Cash and investments	-	-	-	-	-	-	-
Total cash and investment assets - ending	\$ 14,176	\$ 47,000	\$ 125,367	\$ 25,066	\$ -	\$ 18	\$ -
Cash and Investment Fund Balance - Ending							
Restricted for:							
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	14,176	47,000	125,367	25,066	-	18	-
Total cash and investment fund balance - ending	\$ 14,176	\$ 47,000	\$ 125,367	\$ 25,066	\$ -	\$ 18	\$ -

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, 2009
 (Continued)

	High Ability Grant (08-09)	Non-English Speaking Program	School Technology	Technology Planning Grant	Title I Grant (07-08)	Title I Grant (08-09)	Title V Improving School (07-08)
Receipts:							
Local sources	\$ -	\$ -	\$ 6,029	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-	-
State sources	28,840	-	-	-	-	-	-
Federal sources	-	-	-	-	-	300,922	-
Total receipts	28,840	-	6,029	-	-	300,922	-
Disbursements:							
Current:							
Instruction	28,840	-	6,976	10,924	23,475	231,538	-
Support services	-	-	-	-	-	18,972	1,410
Noninstructional services	-	-	-	-	-	1,949	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Total disbursements	28,840	-	6,976	10,924	23,475	252,459	1,410
Excess (deficiency) of receipts over disbursements	-	-	(947)	(10,924)	(23,475)	48,463	(1,410)
Other financing sources (uses):							
Transfers in	-	-	-	-	-	2,741	-
Transfers out	-	-	-	-	(2,741)	-	-
Total other financing sources (uses)	-	-	-	-	(2,741)	2,741	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	(947)	(10,924)	(26,216)	51,204	(1,410)
Cash and investments - beginning	-	137	7,060	10,924	26,216	-	1,410
Cash and investments - ending	\$ -	\$ 137	\$ 6,113	\$ -	\$ -	\$ 51,204	\$ -
Cash and Investment Assets - Ending							
Cash and investments	\$ -	\$ 137	\$ 6,113	\$ -	\$ -	\$ 51,204	\$ -
Restricted assets:							
Cash and investments	-	-	-	-	-	-	-
Total cash and investment assets - ending	\$ -	\$ 137	\$ 6,113	\$ -	\$ -	\$ 51,204	\$ -
Cash and Investment Fund Balance - Ending							
Restricted for:							
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	-	137	6,113	-	-	51,204	-
Total cash and investment fund balance - ending	\$ -	\$ 137	\$ 6,113	\$ -	\$ -	\$ 51,204	\$ -

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, 2009
 (Continued)

	Title IV Drug Free Grant (07-08)	Title IV Drug Free Grant (08-09)	Title IV Drug Free Grant (06-07)	Title III Part A Grant (06-07)	Title II Part A Grant (07-08)	Title II Part A Grant (08-09)	Rural Low Income School (09-11)
Receipts:							
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-
Federal sources	-	3,970	-	-	17,470	20,537	21,334
Total receipts	-	3,970	-	-	17,470	20,537	21,334
Disbursements:							
Current:							
Instruction	4,632	977	990	9,457	39,213	-	-
Support services	-	-	-	1,358	-	-	-
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Total disbursements	4,632	977	990	10,815	39,213	-	-
Excess (deficiency) of receipts over disbursements	(4,632)	2,993	(990)	(10,815)	(21,743)	20,537	21,334
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	(4,632)	2,993	(990)	(10,815)	(21,743)	20,537	21,334
Cash and investments - beginning	4,632	-	990	10,815	30,548	-	-
Cash and investments - ending	\$ -	\$ 2,993	\$ -	\$ -	\$ 8,805	\$ 20,537	\$ 21,334
Cash and Investment Assets - Ending							
Cash and investments	\$ -	\$ 2,993	\$ -	\$ -	\$ 8,805	\$ 20,537	\$ 21,334
Restricted assets:							
Cash and investments	-	-	-	-	-	-	-
Total cash and investment assets - ending	\$ -	\$ 2,993	\$ -	\$ -	\$ 8,805	\$ 20,537	\$ 21,334
Cash and Investment Fund Balance - Ending							
Restricted for:							
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	-	2,993	-	-	8,805	20,537	21,334
Total cash and investment fund balance - ending	\$ -	\$ 2,993	\$ -	\$ -	\$ 8,805	\$ 20,537	\$ 21,334

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, 2009
 (Continued)

	Rural Low Income School (07-09)	Retirement Severance Bond Debt Service	Capital Projects	School Bus Replacement	Construction High School	Totals
Receipts:						
Local sources	\$ -	\$ 287,494	\$ 531,313	\$ 29,304	\$ -	\$ 1,059,380
Intermediate sources	-	-	-	-	-	256
State sources	-	-	-	-	-	82,468
Federal sources	25,799	-	-	-	-	571,104
Total receipts	25,799	287,494	531,313	29,304	-	1,713,208
Disbursements:						
Current:						
Instruction	-	-	-	-	-	389,625
Support services	-	-	249,588	41,222	2,748	409,715
Noninstructional services	-	-	-	-	-	315,211
Facilities acquisition and construction	-	-	376,042	-	118,648	505,634
Debt services	-	331,531	-	-	-	331,531
Total disbursements	-	331,531	625,630	41,222	121,396	1,951,716
Excess (deficiency) of receipts over disbursements	25,799	(44,037)	(94,317)	(11,918)	(121,396)	(238,508)
Other financing sources (uses):						
Transfers in	-	131,564	48,338	-	-	540,875
Transfers out	-	(65,076)	(31,980)	(49,934)	-	(461,487)
Total other financing sources (uses)	-	66,488	16,358	(49,934)	-	79,388
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	25,799	22,451	(77,959)	(61,852)	(121,396)	(159,120)
Cash and investments - beginning	-	-	77,959	64,010	242,351	653,233
Cash and investments - ending	\$ 25,799	\$ 22,451	\$ -	\$ 2,158	\$ 120,955	\$ 494,113
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	\$ 25,799	\$ -	\$ -	\$ 2,158	\$ 120,955	\$ 471,662
Restricted assets:						
Cash and investments	-	22,451	-	-	-	22,451
Total cash and investment assets - ending	\$ 25,799	\$ 22,451	\$ -	\$ 2,158	\$ 120,955	\$ 494,113
<u>Cash and Investment Fund Balance - Ending</u>						
Restricted for:						
Debt service	\$ -	\$ 22,451	\$ -	\$ -	\$ -	\$ 22,451
Unrestricted	25,799	-	-	2,158	120,955	471,662
Total cash and investment fund balance - ending	\$ 25,799	\$ 22,451	\$ -	\$ 2,158	\$ 120,955	\$ 494,113

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, 2010

	Special Education Preschool	Rainy Day	School Lunch	Textbook Rental	Levy Excess	Education License Plates	Early Intervention Reading Recovery (09-10)
Receipts:							
Local sources	\$ -	\$ -	\$ 138,401	\$ 51,737	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	132	-
State sources	9,625	-	4,022	29,550	-	-	8,500
Federal sources	-	-	215,239	-	-	-	-
Total receipts	9,625	-	357,662	81,287	-	132	8,500
Disbursements:							
Current:							
Instruction	13,861	-	9,039	-	-	-	8,500
Support services	-	-	59	72,305	-	38	-
Noninstructional services	-	-	320,317	-	-	-	-
Facilities acquisition and construction	-	-	8,794	-	-	-	-
Debt services	-	-	-	-	-	-	-
Total disbursements	13,861	-	338,209	72,305	-	38	8,500
Excess (deficiency) of receipts over disbursements	(4,236)	-	19,453	8,982	-	94	-
Other financing sources (uses):							
Transfers in	-	248,000	-	-	3,261	-	-
Transfers out	(9,940)	-	-	-	-	-	-
Total other financing sources (uses)	(9,940)	248,000	-	-	3,261	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(14,176)	248,000	19,453	8,982	3,261	94	-
Cash and investments - beginning	14,176	47,000	125,367	25,066	-	18	-
Cash and investments - ending	\$ -	\$ 295,000	\$ 144,820	\$ 34,048	\$ 3,261	\$ 112	\$ -
<u>Cash and Investment Assets - Ending</u>							
Cash and investments	\$ -	\$ 295,000	\$ 144,820	\$ 34,048	\$ 3,261	\$ 112	\$ -
<u>Cash and Investment Fund Balance - Ending</u>							
Unrestricted	\$ -	\$ 295,000	\$ 144,820	\$ 34,048	\$ 3,261	\$ 112	\$ -

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, 2010
 (Continued)

	High Ability Grant (09-10)	Non-English Speaking Program	School Technology	Title I Grant (09-10)	Title I Grant (08-09)	Title IV Drug Free Grant (09-11)	Title IV Drug Free Grant (08-09)
Receipts:							
Local sources	\$ -	\$ -	\$ 5,648	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-	-
State sources	28,607	-	-	-	-	-	-
Federal sources	-	-	-	300,059	-	5,105	-
Total receipts	28,607	-	5,648	300,059	-	5,105	-
Disbursements:							
Current:							
Instruction	23,361	-	3,126	216,354	27,126	43	2,993
Support services	-	-	5,918	17,351	-	-	-
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Total disbursements	23,361	-	9,044	233,705	27,126	43	2,993
Excess (deficiency) of receipts over disbursements	5,246	-	(3,396)	66,354	(27,126)	5,062	(2,993)
Other financing sources (uses):							
Transfers in	-	-	-	24,078	-	-	-
Transfers out	-	-	-	-	(24,078)	-	-
Total other financing sources (uses)	-	-	-	24,078	(24,078)	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	5,246	-	(3,396)	90,432	(51,204)	5,062	(2,993)
Cash and investments - beginning	-	137	6,113	-	51,204	-	2,993
Cash and investments - ending	\$ 5,246	\$ 137	\$ 2,717	\$ 90,432	\$ -	\$ 5,062	\$ -
<u>Cash and Investment Assets - Ending</u>							
Cash and investments	\$ 5,246	\$ 137	\$ 2,717	\$ 90,432	\$ -	\$ 5,062	\$ -
<u>Cash and Investment Fund Balance - Ending</u>							
Unrestricted	\$ 5,246	\$ 137	\$ 2,717	\$ 90,432	\$ -	\$ 5,062	\$ -

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, 2010
 (Continued)

	Title II Part A Grant (09-10)	Title II Part A Grant (08-09)	Rural Low Income School (09-11)	Rural Low Income School (07-09)	Title I ARRA Stimulus (09)	Special Education Part B Stimulus (09)
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-
State sources	-	-	-	-	-	-
Federal sources	20,000	28,800	21,309	-	88,045	125,277
Total receipts	20,000	28,800	21,309	-	88,045	125,277
Disbursements:						
Current:						
Instruction	8,805	44,254	21,334	25,799	75,776	98,129
Support services	-	-	-	-	4,164	-
Noninstructional services	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Total disbursements	8,805	44,254	21,334	25,799	79,940	98,129
Excess (deficiency) of receipts over disbursements	11,195	(15,454)	(25)	(25,799)	8,105	27,148
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	11,195	(15,454)	(25)	(25,799)	8,105	27,148
Cash and investments - beginning	8,805	20,537	21,334	25,799	-	-
Cash and investments - ending	\$ 20,000	\$ 5,083	\$ 21,309	\$ -	\$ 8,105	\$ 27,148
Cash and Investment Assets - Ending						
Cash and investments	\$ 20,000	\$ 5,083	\$ 21,309	\$ -	\$ 8,105	\$ 27,148
Cash and Investment Fund Balance - Ending						
Unrestricted	\$ 20,000	\$ 5,083	\$ 21,309	\$ -	\$ 8,105	\$ 27,148

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, 2010
 (Continued)

	Special Education Preschool Part B Stimulus (09)	Retirement Severance Bond Debt Service	Capital Projects	School Bus Replacement	Construction High School	Totals
Receipts:						
Local sources	\$ -	\$ 423,414	\$ 734,366	\$ 28,540	\$ -	\$ 1,382,106
Intermediate sources	-	-	-	-	-	132
State sources	-	-	-	-	-	80,304
Federal sources	5,221	-	-	-	-	809,055
Total receipts	5,221	423,414	734,366	28,540	-	2,271,597
Disbursements:						
Current:						
Instruction	4,509	-	-	-	-	583,009
Support services	-	-	386,018	-	3,766	489,619
Noninstructional services	-	-	-	-	-	320,317
Facilities acquisition and construction	-	-	181,249	-	117,189	307,232
Debt services	-	313,514	-	-	-	313,514
Total disbursements	4,509	313,514	567,267	-	120,955	2,013,691
Excess (deficiency) of receipts over disbursements	712	109,900	167,099	28,540	(120,955)	257,906
Other financing sources (uses):						
Transfers in	-	-	-	-	-	275,339
Transfers out	-	(132,351)	(48,338)	-	-	(214,707)
Total other financing sources (uses)	-	(132,351)	(48,338)	-	-	60,632
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	712	(22,451)	118,761	28,540	(120,955)	318,538
Cash and investments - beginning	-	22,451	-	2,158	120,955	494,113
Cash and investments - ending	\$ 712	\$ -	\$ 118,761	\$ 30,698	\$ -	\$ 812,651
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	\$ 712	\$ -	\$ 118,761	\$ 30,698	\$ -	\$ 812,651
<u>Cash and Investment Fund Balance - Ending</u>						
Unrestricted	\$ 712	\$ -	\$ 118,761	\$ 30,698	\$ -	\$ 812,651

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, 2009

	Donation - Miscellaneous Programs	Donation - Miscellaneous Supplies	Donation - Miscellaneous	Cape School	Riverboat Casino	Totals
Additions:						
Contributions:						
Other	\$ -	\$ 51	\$ 1,000	\$ 5,000	\$ 435,880	\$ 441,931
Deductions:						
Administrative and general	600	51	1,000	6,547	212,000	220,198
Excess (deficiency) of total additions over total deductions	(600)	-	-	(1,547)	223,880	221,733
Cash and investment fund balance - beginning	600	-	-	1,547	381,153	383,300
Cash and investments - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 605,033</u>	<u>\$ 605,033</u>
Net assets:						
Cash and investments	\$ -	\$ -	\$ -	\$ -	\$ 605,033	\$ 605,033
Total net assets - cash and investment basis held in trust	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 605,033</u>	<u>\$ 605,033</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, 2010

	Donation - Miscellaneous Programs	Riverboat Casino	Totals
Additions:			
Contributions:			
Other	\$ 39	\$ 352,007	\$ 352,046
Deductions:			
Administrative and general	-	504,000	504,000
Excess (deficiency) of total additions over total deductions	39	(151,993)	(151,954)
Cash and investment fund balance - beginning	-	605,034	605,034
Cash and investments - ending	\$ 39	\$ 453,041	\$ 453,080
Net assets:			
Cash and investments	\$ 39	\$ 453,041	\$ 453,080
Total net assets - cash and investment basis held in trust	\$ 39	\$ 453,041	\$ 453,080

ORLEANS COMMUNITY SCHOOLS
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS
 June 30, 2010

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>955,103</u>
 Total governmental activities, capital assets not being depreciated	 <u><u>\$ 12,744,315</u></u>

ORLEANS COMMUNITY SCHOOLS
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 June 30, 2010

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:		
2009 High school building improvements	\$ 9,095,000	\$ 775,551
2004 Elementary school building improvements	3,765,000	340,260
Bonds payable:		
General obligation bonds:		
2004 Pension bonds	<u>3,110,000</u>	<u>332,096</u>
Total governmental activities debt	<u>\$ 15,970,000</u>	<u>\$ 1,447,907</u>

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

Telephone: (317) 232-2513
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Web Site: www.in.gov/sboa

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, 2009 and 2010. 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, 2009 and 2010.

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

February 3, 2011

ORLEANS COMMUNITY SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Years Ended June 30, 2009 and 2010

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 06-30-09	Total Federal Awards Expended 06-30-10
U.S. DEPARTMENT OF AGRICULTURE				
Pass-Through Indiana Department of Education				
Child Nutrition Cluster				
School Breakfast Program	10.553	6145	\$ 46,794	\$ 57,034
National School Lunch Program	10.555	6145	151,790	173,912
Total for federal grantor agency			<u>198,584</u>	<u>230,946</u>
U.S. DEPARTMENT OF EDUCATION				
Pass-Through Indiana Department of Education				
Title I, Part A Cluster				
Title I Grants to Local Educational Agencies				
FY 2007-08	84.010	08-6145	23,476	-
FY 2008-09		09-6145	252,459	27,126
FY 2009-10		10-6145	-	233,705
Total for program			<u>275,935</u>	<u>260,831</u>
ARRA - Title I Grants to Local Educational Agencies, Recovery Act				
FY 2009-10	84.389	10-6145	-	79,939
Total for cluster			<u>275,935</u>	<u>340,770</u>
Special Education Cluster (IDEA)				
ARRA - Special Education - Grants to States, Recovery Act				
FY 2009-10	84.391	33310-049-SN01	-	98,129
ARRA - Special Education - Preschool Grants, Recovery Act				
FY 2009-10	84.392	44410-049-SN01	-	4,509
Total for cluster			<u>-</u>	<u>102,638</u>
State Fiscal Stabilization Fund Cluster				
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act				
FY 09-10	84.394	6145	-	607,820
Safe and Drug-Free Schools and Communities - State Grants				
FY 2006-07	84.186	06-6145	990	-
FY 2007-08		07-6145	4,632	-
FY 2008-09		08-6145	977	2,993
FY 2009-10		09-6145	-	43
Total for program			<u>6,599</u>	<u>3,036</u>
State Grants for Innovative Programs				
FY 2007-08	84.298	07-6145	1,410	-
Rural Education				
FY 2007-09	84.358	07-6145	-	25,799
FY 2008-10		08-6145	-	21,334
Total for program			<u>-</u>	<u>47,133</u>
Improving Teacher Quality State Grants				
FY 2006-07	84.367	06-6145	10,814	-
FY 2007-08		07-6145	39,213	8,805
FY 2008-09		08-6145	-	44,254
Total for program			<u>50,027</u>	<u>53,059</u>
Total for federal grantor agency			<u>333,971</u>	<u>1,154,456</u>
Total federal awards expended			<u>\$ 532,555</u>	<u>\$ 1,385,402</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 cash and investment basis of accounting used in the preparation of the financial statements. 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 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, 2009 and 2010. This noncash assistance is also included in the federal expenditures presented in the schedule.

Program Title	Federal CFDA Number	2008-2009	2009-2010
Child Nutrition Cluster:			
Food Commodities:			
School Breakfast Program	10.553	\$ 4,288	\$ 7,807
National School Lunch Program	10.555	14,081	19,137

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

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
	Title I, Part A Cluster
	Special Education Cluster
	State Fiscal Stabilization Fund 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

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 February 3, 2011, with James L. Terrell, Superintendent of Schools, and Allana C. Smelser, Treasurer. Our audit disclosed no material items that warrant comment at this time.