

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

TOWN OF ORLEANS
ORANGE COUNTY, INDIANA

January 1, 2012 to December 31, 2013



FILED
01/30/2015

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Robert F. Henderson	01-01-12 to 12-31-15
President of the Town Council	Michael H. Fields	01-01-12 to 12-31-14



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AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE TOWN OF ORLEANS, ORANGE COUNTY, INDIANA

Report on the Financial Statement

We have audited the accompanying financial statement of the Town of Orleans (Town), which comprises the financial position and results of operations for the period of January 1, 2012 to December 31, 2013, and the related notes to the financial statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the financial reporting provisions of the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6). Management is responsible for and has determined that the regulatory basis of accounting, as established by the Indiana State Board of Accounts, is an acceptable basis of presentation. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Town's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As discussed in Note 1 of the financial statement, the Town prepares its financial statement on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6), which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position and results of operations of the Town for the period of January 1, 2012 to December 31, 2013.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position and results of operations of the Town for the period of January 1, 2012 to December 31, 2013, in accordance with the financial reporting provisions of the Indiana State Board of Accounts described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated December 11, 2014, on our consideration of the Town's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

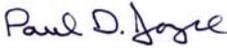
Accompanying Information

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the Town's financial statement. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the *U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statement taken as a whole.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Our audit was conducted for the purpose of forming an opinion on the Town's financial statement. The Combining Schedules of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis, Schedule of Payables and Receivables, Schedule of Leases and Debt, and Schedule of Capital Assets, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the financial statement. They have not been subjected to the auditing procedures applied by us in the audit of the financial statement and, accordingly, we express no opinion on them.


Paul D. Joyce, CPA
State Examiner

December 11, 2014



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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

TO: THE OFFICIALS OF THE TOWN OF ORLEANS, ORANGE COUNTY, INDIANA

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statement of the Town of Orleans (Town), which comprises the financial position and results of operations for the period of January 1, 2012 to December 31, 2013, and the related notes to the financial statement, and have issued our report thereon dated December 11, 2014, wherein we noted the Town followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Town's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

Our consideration of the internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2013-001 and 2013-002 to be material weaknesses.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*
(Continued)

Compliance and Other Matters

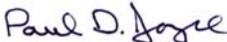
As part of obtaining reasonable assurance about whether the Town's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2013-002.

Town of Orleans's Response to Findings

The Town's response to the findings identified in our audit is described in the accompanying Corrective Action Plan. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on it.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


Paul D. Joyce, CPA
State Examiner

December 11, 2014

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FINANCIAL STATEMENT AND ACCOMPANYING NOTES

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

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TOWN OF ORLEANS
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS

For the Years Ended December 31, 2012 and 2013

Fund	Cash and Investments 01-01-12	Receipts	Disbursements	Cash and Investments 12-31-12	Receipts	Disbursements	Cash and Investments 12-31-13
GENERAL FUND	\$ 372,589	\$ 741,254	\$ 841,607	\$ 272,236	\$ 1,506,491	\$ 1,537,485	\$ 241,242
MOTOR VEHICLE HIGHWAY	220,161	98,778	138,141	180,798	101,152	155,522	126,428
LOCAL ROAD & STREET	1,981	9,223	-	11,204	9,405	7,108	13,501
AVIATION	68,151	8,561	4,676	72,036	8,461	4,150	76,347
EDIT	161,610	77,705	11,451	227,864	73,516	14,358	287,022
CUM CAP IMP - CIG TAX	25,773	5,681	9,034	22,420	5,750	-	28,170
CUM CAP DEVELOPMENT	96,512	44,627	23,739	117,400	42,005	-	159,405
CEMETERY	34,354	29,944	29,852	34,446	30,169	51,764	12,851
PARK NONREVERT OPERATIN	6,489	900	-	7,389	1,098	-	8,487
TOWN MEMORIAL	3,120	75	-	3,195	-	-	3,195
LOCAL LAW ENF CONT ED	3,258	5,239	-	8,497	1,675	1,473	8,699
RIVERBOAT	1,568,650	1,444,066	1,300,276	1,712,440	928,182	784,560	1,856,062
RAINY DAY	65,172	-	1,017	64,155	-	-	64,155
CUMULATIVE SEWER	4,138	-	-	4,138	-	-	4,138
DOGWOOD TREE DONATION	250	-	-	250	-	-	250
FIRE EQUIPMENT DONATIONS	7,290	2,025	2,332	6,983	28,283	17,286	17,980
DALLAS TYLER	342	1,051	-	1,393	1,339	-	2,732
MONIES ON DEPOSIT	150,000	-	-	150,000	-	-	150,000
CEMETERY PERP. CARE	125,596	28,300	-	153,896	2,800	-	156,696
CEMETERY DONATIONS	9,645	-	-	9,645	-	-	9,645
PETTY CASH/CASH DRAWER	200	-	-	200	-	-	200
LEVY EXCESS FUND	1,858	8,268	-	10,126	-	10,126	-
PAYROLL	21,851	549,280	531,163	39,968	588,935	610,201	18,702
SEWAGE UTILITY OPERATIN	78,698	921,444	639,755	360,387	817,078	904,341	273,124
SEWER UTIL METER DEPOSIT	32,382	4,000	2,165	34,217	7,360	2,507	39,070
SEWAGE SINKING	167,005	28,285	189,433	5,857	224,957	90,989	139,825
FEDERAL GRANTS (CAP PRO)	-	2,204,900	1,618,107	586,793	5,817,398	6,032,754	371,437
OCRA	-	32,268	32,268	-	513,732	513,732	-
SEWAGE DEBT SERVICE RESER	-	9,764	-	9,764	29,986	-	39,750
SEWAGE UTL DEPRECIATION	38,209	7,500	-	45,709	7,872	-	53,581
WATER UTILITY OPERATING	85,888	480,281	554,878	11,291	747,509	538,401	220,399
WATER UTL METER DEPOSIT	43,657	3,960	2,257	45,360	6,120	2,370	49,110
WATER UTL BOND & INTERE	84,750	-	-	84,750	-	-	84,750
WATER UTL DEPRECIATION	10,546	-	-	10,546	-	-	10,546
Totals	\$ 3,490,125	\$ 6,747,379	\$ 5,932,151	\$ 4,305,353	\$ 11,501,273	\$ 11,279,127	\$ 4,527,499

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

TOWN OF ORLEANS
NOTES TO FINANCIAL STATEMENT

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The Town was established under the laws of the State of Indiana. The Town operates under a Town Council form of government and provides some or all of the following services: public safety (police and fire), highways and streets, health and social services, culture and recreation, public improvements, planning and zoning, general administrative services, water, wastewater, electric, gas, storm water, trash, aviation, and urban redevelopment and housing.

The accompanying financial statement presents the financial information for the Town.

B. Basis of Accounting

The financial statement is reported on a regulatory basis of accounting prescribed by the Indiana State Board of Accounts in accordance with state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The basis of accounting involves the reporting of only cash and investments and the changes therein resulting from cash inflows (receipts) and cash outflows (disbursements) reported in the period in which they occurred.

The regulatory basis of accounting differs from accounting principles generally accepted in the United States of America in that receipts are recognized when received in cash, rather than when earned, and disbursements are recognized when paid, rather than when a liability is incurred.

C. Cash and Investments

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

D. Receipts

Receipts are presented in the aggregate on the face of the financial statement. The aggregate receipts include the following sources:

Taxes which can include one or more of the following: property taxes, certified shares (local option tax), property tax replacement credit (local option tax), county option income tax, wheel tax, innkeepers tax, food and beverage tax, county economic development income tax, boat and trailer excise tax, county adjusted gross income tax, and other taxes that are set by the Town.

Licenses and permits which include amounts received from businesses, occupations, or nonbusinesses that must be licensed before doing business within the government's jurisdiction or permits levied according to the benefits presumably conferred by the permit. Examples of licenses and permits include: peddler licenses, dog tax licenses, auctioneer license, building and planning permits, demolition permits, electrical permits, sign permits, and gun permits.

TOWN OF ORLEANS
NOTES TO FINANCIAL STATEMENT
(Continued)

Intergovernmental receipts which include receipts from other governments in the form of operating grants, entitlements, or payments in lieu of taxes. Examples of this type of receipts include, but are not limited to: federal grants, state grants, cigarette tax distributions received from the state, motor vehicle highway distribution received from the state, local road and street distribution received from the state, financial institution tax received from the state, auto excise surtax received from the state, commercial vehicle excise tax received from the state, major moves distributions received from the state, and riverboat receipts received from the county.

Charges for services which can include, but are not limited to the following: planning commission charges, building department charges, copies of public records, copy machine charges, accident report copies, gun permit applications, 911 telephone services, recycling fees, dog pound fees, emergency medical service fees, park rental fees, swimming pool receipts, cable tv receipts, ordinance violations, fines and fees, bond forfeitures, court costs, and court receipts.

Fines and forfeits which include receipts derived from fines and penalties imposed for the commission of statutory offenses, violation of lawful administrative rules and regulations (fines), and for the neglect of official duty and monies derived from confiscating deposits held as performance guarantees (forfeitures).

Utility fees which are comprised mostly of charges for current services.

Other receipts which include amounts received from various sources which can include, but are not limited to the following: net proceeds from borrowings; interfund loan activity; transfers authorized by statute, ordinance, resolution, or court order; internal service receipts; and fiduciary receipts.

E. Disbursements

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

Personal services include outflows for salaries, wages, and related employee benefits provided for all persons employed. In those units where sick leave, vacation leave, overtime compensation, and other such benefits are appropriated separately, such payments would also be included.

Supplies which include articles and commodities that are entirely consumed and materially altered when used and/or show rapid depreciation after use for a short period of time. Examples of supplies include office supplies, operating supplies, and repair and maintenance supplies.

Other services and charges which include, but are not limited to: professional services, communication and transportation, printing and advertising, insurance, utility services, repairs and maintenance, and rental charges.

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

TOWN OF ORLEANS
NOTES TO FINANCIAL STATEMENT
(Continued)

Capital outlay which include all outflows for land, infrastructure, buildings, improvements, and machinery and equipment having an appreciable and calculable period of usefulness.

Utility operating expenses which include all outflows for operating the utilities.

Other disbursements which include, but are not limited to the following: interfund loan payments, loans made to other funds, internal service disbursements, and transfers out that are authorized by statute, ordinance, resolution, or court order.

F. Interfund Transfers

The Town may, from time to time, transfer money from one fund to another. These transfers, if any, are included as a part of the receipts and disbursements of the affected funds and as a part of total receipts and disbursements. The transfers are used for cash flow purposes as provided by various statutory provisions.

G. Fund Accounting

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

Note 2. Budgets

The operating budget is initially prepared and approved at the local level. The fiscal officer of the Town submits a proposed operating budget to the governing board for the following calendar year. The budget is advertised as required by law. Prior to adopting the budget, the governing board conducts public hearings and obtains taxpayer comments. Prior to November 1, the governing board approves the budget for the next year. The budget for funds for which property taxes are levied or highway use taxes are received is subject to final approval by the Indiana Department of Local Government Finance.

Note 3. Property Taxes

Property taxes levied are collected by the County Treasurer and are scheduled to be distributed to the Town in June and December; however, situations can arise which would delay the distributions. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100 percent of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which normally become delinquent if not paid by May 10 and November 10, respectively.

TOWN OF ORLEANS
NOTES TO FINANCIAL STATEMENT
(Continued)

Note 4. Deposits and Investments

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

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

Note 5. Risk Management

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

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

Note 6. Pension Plan

Public Employees' Retirement Fund

Plan Description

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

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

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

TOWN OF ORLEANS
NOTES TO FINANCIAL STATEMENT
(Continued)

Funding Policy and Annual Pension Cost

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

Note 7. Restatements

For the year ended December 31, 2012, certain changes have been made to some of the beginning balances of the financial statement to more appropriately reflect financial activity of the Town. The following schedule presents a summary of restated beginning balances.

Fund Name	Balance as of December 31, 2011	Prior Period Adjustment	Balance as of January 1, 2012
General Fund	\$ 375,990	\$ (3,401)	\$ 372,589
Motor Vehicle Highway	219,913	248	220,161
Aviation	68,110	41	68,151
Cum Cap Development	96,443	69	96,512
Cemetery	34,273	81	34,354
Rainy Day	64,155	1,017	65,172
Monies on Deposit	-	150,000	150,000
Sewage Sinking	17,005	150,000	167,005
Sewage Debt Service Reser	150,000	(150,000)	-

SUPPLEMENTARY INFORMATION - UNAUDITED

For additional financial information, the Town's Annual Report information can be found on the Gateway website: <https://gateway.ifionline.org/>.

Differences may be noted between the financial information presented in the financial statement contained in this report and the financial information presented in the Annual Reports of the Town which are referenced above. These differences, if any, are due to adjustments made to the financial information during the course of the audit. This is a common occurrence in any financial statement audit. The financial information presented in this report is audited information, and the accuracy of such information can be determined by reading the opinion given in the Independent Auditor's Report.

The supplementary information presented was approved by management of the Town. It is presented as intended by the Town.

TOWN OF ORLEANS
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2012

	GENERAL FUND	MOTOR VEHICLE HIGHWAY	LOCAL ROAD & STREET	AVIATION	EDIT	CUM CAP IMP - CIG TAX	CUM CAP DEVELOPMENT	CEMETERY	PARK NONREVERT OPERATIN
Cash and investments - beginning	\$ 372,589	\$ 220,161	\$ 1,981	\$ 68,151	\$ 161,610	\$ 25,773	\$ 96,512	\$ 34,354	\$ 6,489
Receipts:									
Taxes	404,709	34,896	-	-	-	-	39,635	24,304	-
Licenses and permits	105	-	-	-	-	-	-	-	-
Intergovernmental	278,279	55,445	9,223	-	77,705	5,681	1,168	2,490	-
Charges for services	616	-	-	8,561	-	-	-	3,100	-
Fines and forfeits	56	-	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-	-	-
Other receipts	57,489	8,437	-	-	-	-	3,824	50	900
Total receipts	741,254	98,778	9,223	8,561	77,705	5,681	44,627	29,944	900
Disbursements:									
Personal services	381,473	67,568	-	-	-	-	-	19,738	-
Supplies	44,737	9,338	-	-	-	-	-	2,842	-
Other services and charges	324,137	55,653	-	4,676	-	-	-	7,191	-
Debt service - principal and interest	-	-	-	-	-	-	-	-	-
Capital outlay	68,445	5,124	-	-	-	9,034	23,739	-	-
Utility operating expenses	-	-	-	-	-	-	-	-	-
Other disbursements	22,815	458	-	-	11,451	-	-	81	-
Total disbursements	841,607	138,141	-	4,676	11,451	9,034	23,739	29,852	-
Excess (deficiency) of receipts over disbursements	(100,353)	(39,363)	9,223	3,885	66,254	(3,353)	20,888	92	900
Cash and investments - ending	\$ 272,236	\$ 180,798	\$ 11,204	\$ 72,036	\$ 227,864	\$ 22,420	\$ 117,400	\$ 34,446	\$ 7,389

TOWN OF ORLEANS
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2012
 (Continued)

	TOWN MEMORIAL	LOCAL LAW ENF CONT ED	RIVERBOAT	RAINY DAY	CUMULATIVE SEWER	DOGWOOD TREE DONATION	FIRE EQUIPMENT DONATIONS	DALLAS TYLER	MONIES ON DEPOSIT
Cash and investments - beginning	\$ 3,120	\$ 3,258	\$ 1,568,650	\$ 65,172	\$ 4,138	\$ 250	\$ 7,290	\$ 342	\$ 150,000
Receipts:									
Taxes	-	-	-	-	-	-	-	-	-
Licenses and permits	-	1,210	-	-	-	-	-	-	-
Intergovernmental	-	2,595	1,191,965	-	-	-	-	-	-
Charges for services	-	149	-	-	-	-	-	-	-
Fines and forfeits	-	228	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-	-	-
Other receipts	75	1,057	252,101	-	-	-	2,025	1,051	-
Total receipts	75	5,239	1,444,066	-	-	-	2,025	1,051	-
Disbursements:									
Personal services	-	-	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-	-	-
Other services and charges	-	-	446,737	-	-	-	2,332	-	-
Debt service - principal and interest	-	-	-	-	-	-	-	-	-
Capital outlay	-	-	436,918	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-	-	-
Other disbursements	-	-	416,621	1,017	-	-	-	-	-
Total disbursements	-	-	1,300,276	1,017	-	-	2,332	-	-
Excess (deficiency) of receipts over disbursements	75	5,239	143,790	(1,017)	-	-	(307)	1,051	-
Cash and investments - ending	\$ 3,195	\$ 8,497	\$ 1,712,440	\$ 64,155	\$ 4,138	\$ 250	\$ 6,983	\$ 1,393	\$ 150,000

TOWN OF ORLEANS
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2012
 (Continued)

	CEMETERY PERP. CARE	CEMETERY DONATIONS	PETTY CASH/CASH DRAWER	LEVY EXCESS FUND	PAYROLL	SEWAGE UTILITY OPERATIN	SEWER UTIL METER DEPOSIT	SEWAGE SINKING	FEDERAL GRANTS (CAP PRO)
Cash and investments - beginning	\$ 125,596	\$ 9,645	\$ 200	\$ 1,858	\$ 21,851	\$ 78,698	\$ 32,382	\$ 167,005	\$ -
Receipts:									
Taxes	-	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-	2,204,900
Charges for services	3,300	-	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	570,703	4,000	-	-
Other receipts	25,000	-	-	8,268	549,280	350,741	-	28,285	-
Total receipts	28,300	-	-	8,268	549,280	921,444	4,000	28,285	2,204,900
Disbursements:									
Personal services	-	-	-	-	388,549	117,149	-	-	-
Supplies	-	-	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	52,914	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-	188,933	-
Capital outlay	-	-	-	-	-	160,586	-	500	1,530,473
Utility operating expenses	-	-	-	-	-	276,906	2,165	-	87,634
Other disbursements	-	-	-	-	142,614	32,200	-	-	-
Total disbursements	-	-	-	-	531,163	639,755	2,165	189,433	1,618,107
Excess (deficiency) of receipts over disbursements	28,300	-	-	8,268	18,117	281,689	1,835	(161,148)	586,793
Cash and investments - ending	\$ 153,896	\$ 9,645	\$ 200	\$ 10,126	\$ 39,968	\$ 360,387	\$ 34,217	\$ 5,857	\$ 586,793

TOWN OF ORLEANS
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2012
 (Continued)

	OCRA	SEWAGE DEBT SERVICE RESER	SEWAGE UTL DEPRECIATION	WATER UTILITY OPERATING	WATER UTL METER DEPOSIT	WATER UTL BOND & INTERE	WATER UTL DEPRECIATION	Totals
Cash and investments - beginning	\$ -	\$ -	\$ 38,209	\$ 85,888	\$ 43,657	\$ 84,750	\$ 10,546	\$ 3,490,125
Receipts:								
Taxes	-	-	-	-	-	-	-	503,544
Licenses and permits	-	-	-	-	-	-	-	1,315
Intergovernmental	32,268	-	-	-	-	-	-	3,861,719
Charges for services	-	-	-	-	-	-	-	15,726
Fines and forfeits	-	-	-	-	-	-	-	284
Utility fees	-	-	-	475,378	3,960	-	-	1,054,041
Other receipts	-	9,764	7,500	4,903	-	-	-	1,310,750
Total receipts	<u>32,268</u>	<u>9,764</u>	<u>7,500</u>	<u>480,281</u>	<u>3,960</u>	<u>-</u>	<u>-</u>	<u>6,747,379</u>
Disbursements:								
Personal services	-	-	-	77,272	-	-	-	1,051,749
Supplies	-	-	-	-	-	-	-	56,917
Other services and charges	-	-	-	33,089	-	-	-	926,729
Debt service - principal and interest	-	-	-	-	-	-	-	188,933
Capital outlay	32,268	-	-	-	-	-	-	2,267,087
Utility operating expenses	-	-	-	397,475	2,257	-	-	766,437
Other disbursements	-	-	-	47,042	-	-	-	674,299
Total disbursements	<u>32,268</u>	<u>-</u>	<u>-</u>	<u>554,878</u>	<u>2,257</u>	<u>-</u>	<u>-</u>	<u>5,932,151</u>
Excess (deficiency) of receipts over disbursements	<u>-</u>	<u>9,764</u>	<u>7,500</u>	<u>(74,597)</u>	<u>1,703</u>	<u>-</u>	<u>-</u>	<u>815,228</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ 9,764</u>	<u>\$ 45,709</u>	<u>\$ 11,291</u>	<u>\$ 45,360</u>	<u>\$ 84,750</u>	<u>\$ 10,546</u>	<u>\$ 4,305,353</u>

TOWN OF ORLEANS
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2013

	GENERAL FUND	MOTOR VEHICLE HIGHWAY	LOCAL ROAD & STREET	AVIATION	EDIT	CUM CAP IMP - CIG TAX	CUM CAP DEVELOPMENT	CEMETERY	PARK NONREVERT OPERATIN
Cash and investments - beginning	\$ 272,236	\$ 180,798	\$ 11,204	\$ 72,036	\$ 227,864	\$ 22,420	\$ 117,400	\$ 34,446	\$ 7,389
Receipts:									
Taxes	414,601	35,331	-	-	-	-	37,289	22,844	-
Licenses and permits	484	-	-	-	-	-	-	-	-
Intergovernmental	266,129	60,288	9,405	-	73,516	5,750	1,056	1,300	-
Charges for services	396	-	-	8,461	-	-	-	4,290	-
Fines and forfeits	66	-	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-	-	-
Other receipts	824,815	5,533	-	-	-	-	3,660	1,735	1,098
Total receipts	1,506,491	101,152	9,405	8,461	73,516	5,750	42,005	30,169	1,098
Disbursements:									
Personal services	403,110	70,470	-	-	-	-	-	18,980	-
Supplies	41,290	16,038	-	-	-	-	-	2,556	-
Other services and charges	206,454	68,092	-	4,150	-	-	-	14,724	-
Debt service - principal and interest	-	-	-	-	-	-	-	-	-
Capital outlay	219,878	922	7,108	-	-	-	-	15,504	-
Utility operating expenses	-	-	-	-	-	-	-	-	-
Other disbursements	666,753	-	-	-	14,358	-	-	-	-
Total disbursements	1,537,485	155,522	7,108	4,150	14,358	-	-	51,764	-
Excess (deficiency) of receipts over disbursements	(30,994)	(54,370)	2,297	4,311	59,158	5,750	42,005	(21,595)	1,098
Cash and investments - ending	\$ 241,242	\$ 126,428	\$ 13,501	\$ 76,347	\$ 287,022	\$ 28,170	\$ 159,405	\$ 12,851	\$ 8,487

TOWN OF ORLEANS
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2013
 (Continued)

	TOWN MEMORIAL	LOCAL LAW ENF CONT ED	RIVERBOAT	RAINY DAY	CUMULATIVE SEWER	DOGWOOD TREE DONATION	FIRE EQUIPMENT DONATIONS	DALLAS TYLER	MONIES ON DEPOSIT
Cash and investments - beginning	\$ 3,195	\$ 8,497	\$ 1,712,440	\$ 64,155	\$ 4,138	\$ 250	\$ 6,983	\$ 1,393	\$ 150,000
Receipts:									
Taxes	-	-	-	-	-	-	-	-	-
Licenses and permits	-	1,280	-	-	-	-	-	-	-
Intergovernmental	-	-	928,182	-	-	-	-	-	-
Charges for services	-	170	-	-	-	-	-	-	-
Fines and forfeits	-	225	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	28,283	1,339	-
Total receipts	-	1,675	928,182	-	-	-	28,283	1,339	-
Disbursements:									
Personal services	-	-	-	-	-	-	-	-	-
Supplies	-	1,473	-	-	-	-	-	-	-
Other services and charges	-	-	175,172	-	-	-	17,286	-	-
Debt service - principal and interest	-	-	-	-	-	-	-	-	-
Capital outlay	-	-	249,333	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-	-	-
Other disbursements	-	-	360,055	-	-	-	-	-	-
Total disbursements	-	1,473	784,560	-	-	-	17,286	-	-
Excess (deficiency) of receipts over disbursements	-	202	143,622	-	-	-	10,997	1,339	-
Cash and investments - ending	\$ 3,195	\$ 8,699	\$ 1,856,062	\$ 64,155	\$ 4,138	\$ 250	\$ 17,980	\$ 2,732	\$ 150,000

TOWN OF ORLEANS
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2013
 (Continued)

	CEMETERY PERP. CARE	CEMETERY DONATIONS	PETTY CASH/CASH DRAWER	LEVY EXCESS FUND	PAYROLL	SEWAGE UTILITY OPERATIN	SEWER UTIL METER DEPOSIT	SEWAGE SINKING	FEDERAL GRANTS (CAP PRO)
Cash and investments - beginning	\$ 153,896	\$ 9,645	\$ 200	\$ 10,126	\$ 39,968	\$ 360,387	\$ 34,217	\$ 5,857	\$ 586,793
Receipts:									
Taxes	-	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-	-
Charges for services	2,800	-	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	646,774	7,360	-	-
Other receipts	-	-	-	-	588,935	170,304	-	224,957	5,817,398
Total receipts	2,800	-	-	-	588,935	817,078	7,360	224,957	5,817,398
Disbursements:									
Personal services	-	-	-	-	610,201	116,016	-	-	-
Supplies	-	-	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	47,588	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-	90,989	-
Capital outlay	-	-	-	-	-	22,984	-	-	6,022,203
Utility operating expenses	-	-	-	-	-	145,873	2,507	-	10,551
Other disbursements	-	-	-	10,126	-	571,880	-	-	-
Total disbursements	-	-	-	10,126	610,201	904,341	2,507	90,989	6,032,754
Excess (deficiency) of receipts over disbursements	2,800	-	-	(10,126)	(21,266)	(87,263)	4,853	133,968	(215,356)
Cash and investments - ending	\$ 156,696	\$ 9,645	\$ 200	\$ -	\$ 18,702	\$ 273,124	\$ 39,070	\$ 139,825	\$ 371,437

TOWN OF ORLEANS
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2013
 (Continued)

	OCRA	SEWAGE DEBT SERVICE RESER	SEWAGE UTL DEPRECIATION	WATER UTILITY OPERATING	WATER UTL METER DEPOSIT	WATER UTL BOND & INTERE	WATER UTL DEPRECIATION	Totals
Cash and investments - beginning	\$ -	\$ 9,764	\$ 45,709	\$ 11,291	\$ 45,360	\$ 84,750	\$ 10,546	\$ 4,305,353
Receipts:								
Taxes	-	-	-	-	-	-	-	510,065
Licenses and permits	-	-	-	-	-	-	-	1,764
Intergovernmental	-	-	-	-	-	-	-	1,345,626
Charges for services	-	-	-	-	-	-	-	16,117
Fines and forfeits	-	-	-	-	-	-	-	291
Utility fees	-	-	-	596,044	6,120	-	-	1,256,298
Other receipts	513,732	29,986	7,872	151,465	-	-	-	8,371,112
Total receipts	513,732	29,986	7,872	747,509	6,120	-	-	11,501,273
Disbursements:								
Personal services	-	-	-	91,949	-	-	-	1,310,726
Supplies	-	-	-	-	-	-	-	61,357
Other services and charges	-	-	-	33,756	-	-	-	567,222
Debt service - principal and interest	-	-	-	-	-	-	-	90,989
Capital outlay	513,732	-	-	-	-	-	-	7,051,664
Utility operating expenses	-	-	-	412,696	2,370	-	-	573,997
Other disbursements	-	-	-	-	-	-	-	1,623,172
Total disbursements	513,732	-	-	538,401	2,370	-	-	11,279,127
Excess (deficiency) of receipts over disbursements	-	29,986	7,872	209,108	3,750	-	-	222,146
Cash and investments - ending	\$ -	\$ 39,750	\$ 53,581	\$ 220,399	\$ 49,110	\$ 84,750	\$ 10,546	\$ 4,527,499

TOWN OF ORLEANS
 SCHEDULE OF PAYABLES AND RECEIVABLES
 December 31, 2013

Government or Enterprise	Accounts Payable	Accounts Receivable
Wastewater	\$ 9,724	\$ -
Water	2,334	-
Governmental activities	19,653	-
Totals	\$ 31,711	\$ -

TOWN OF ORLEANS
SCHEDULE OF LEASES AND DEBT
December 31, 2013

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities:				
Government Capital Corporation	Fire/Rescue Unit	\$ 21,157	2/19/2009	1/5/2019
PNC Equipment Finance LLC	Elgin Street Sweeper	<u>26,034</u>	8/23/2011	8/23/2015
Total governmental activities		<u>47,191</u>		
Total of annual lease payments		<u>\$ 47,191</u>		

Description of Debt		Ending Principal Balance	Principal and Interest Due Within One Year
Type	Purpose		
Wastewater:			
Revenue bonds	Wastewater Utility Improvements	\$ 6,169,000	\$ 231,560
Totals		<u>\$ 6,169,000</u>	<u>\$ 231,560</u>

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TOWN OF ORLEANS
SCHEDULE OF CAPITAL ASSETS
December 31, 2013

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

	Ending Balance
Governmental activities:	
Land	\$ 380,293
Infrastructure	87,412
Buildings	591,119
Improvements other than buildings	1,880,618
Machinery, equipment, and vehicles	1,436,630
Total governmental activities	4,376,072
Wastewater:	
Land	28,650
Infrastructure	6,489,963
Buildings	354,000
Improvements other than buildings	2,890,464
Machinery, equipment, and vehicles	1,175,427
Total Wastewater	10,938,504
Water:	
Land	144,971
Infrastructure	2,968,184
Buildings	31,536
Improvements other than buildings	199,983
Machinery, equipment, and vehicles	114,591
Total Water	3,459,265
Total capital assets	\$ 18,773,841

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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INDIANAPOLIS, INDIANA 46204-2769

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

TO: THE OFFICIALS OF THE TOWN OF ORLEANS, ORANGE COUNTY, INDIANA

Report on Compliance for Each Major Federal Program

We have audited the Town of Orleans's (Town) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the period of January 1, 2012 to December 31, 2013. The Town's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Town's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Town's compliance.

Opinion on Each Major Federal Program

In our opinion, the Town complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the period of January 1, 2012 to December 31, 2013.

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

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2013-003. Our opinion on each major federal program is not modified with respect to these matters.

The Town's response to the noncompliance findings identified in our audit is described in the accompanying Corrective Action Plan. The Town's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the Town is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2013-003 and 2013-004 to be material weaknesses.

The Town's response to the internal control over compliance findings identified in our audit is described in the accompanying Corrective Action Plan. The Town's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.


Paul D. Joyce, CPA
State Examiner

December 11, 2014

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTE

The Schedule of Expenditures of Federal Awards and accompanying note presented were approved by management of the Town. The schedule and note are presented as intended by the Town.

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TOWN OF ORLEANS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Years Ended December 31, 2012 and 2013

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 12-31-12	Total Federal Awards Expended 12-31-13
DEPARTMENT OF AGRICULTURE					
Water and Waste Program Cluster					
Water and Waste Disposal Systems for Rural Communities Wastewater Collection and Treatment Facilities Rehabilitation Project	Direct grant	10.760	S09093	\$ 2,204,900	\$ 5,510,100
Total - Water and Waste Program Cluster				<u>2,204,900</u>	<u>5,510,100</u>
Cooperative Forestry Assistance Volunteer Fire Assistance	Indiana Department of Natural Resources	10.664	300FR100VFA2010	5,000	-
Total - Department of Agriculture				<u>2,209,900</u>	<u>5,510,100</u>
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT					
CDBG - State-Administered CDBG Cluster					
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	Indiana Office of Community and Rural Affairs				
Wastewater Collection and Treatment Facilities Rehabilitation Project		14.228	A192-12-FF-11-100	32,268	503,732
White Castle Clearance Project		14.228	A192-13-DR2-09-225	-	145,986
Total - CDBG - State-Administered CDBG Cluster				<u>32,268</u>	<u>649,718</u>
Total - Department of Housing and Urban Development				<u>32,268</u>	<u>649,718</u>
DEPARTMENT OF TRANSPORTATION					
Highway Planning and Construction Cluster					
Highway Planning and Construction	Indiana Department of Transportation				
		20.205	DES #0902298	-	116,161
		20.205	DES #0710982	-	20,610
Total - Highway Planning and Construction Cluster				<u>-</u>	<u>136,771</u>
Total - Department of Transportation				<u>-</u>	<u>136,771</u>
Total federal awards expended				<u>\$ 2,242,168</u>	<u>\$ 6,296,589</u>

The accompanying note is an integral part of the Schedule of Expenditures of Federal Awards.

TOWN OF ORLEANS
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Basis of Presentation

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

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

TOWN OF ORLEANS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Cash and Investment: The Deputy Clerk-Treasurer prepares the monthly bank reconcilements and these are given to the Clerk-Treasurer to review and approve. There was not any evidence to verify the Clerk-Treasurer's review or approval of the bank reconciliation.

Payroll: The Town's payroll processing was handled primarily by one person within the Clerk-Treasurer's Office. When the processing of payroll is completed each week, the printed checks and supporting documentation are given to the Clerk-Treasurer for review and signature on the check. There is no audit trail to verify the Clerk-Treasurer's review and approval of the supporting documentation. Employees' payroll claims/time records are to be approved by the appropriate official or department head or fiscal officer. We found that this did not always occur. Additionally, a detailed listing of employees' weekly payroll is not approved by the Town Council. The payroll is approved in total by fund on the monthly claim docket.

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

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

FINDING 2013-002 - INTERNAL CONTROL OVER PREPARATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The Town did not have a proper system of internal control in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA). The Town should have proper controls in place over the preparation of the SEFA to ensure accurate reporting of federal awards. Without a proper system of internal control in place that operates effectively, (material) misstatements of the SEFA could remain undetected.

During the audit of the SEFA, we noted the following errors: all federal grants were not listed, all CFDA numbers were not provided, program titles were not always correct, and expenditures for some federal grants were incorrect. Audit adjustments were proposed, accepted by the Town, and made to the SEFA presented in this report.

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

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF ORLEANS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

OMB Circular A-133, Subpart C, section .300 states in part: "The auditee shall: . . . (d) Prepare appropriate financial statements, including the schedule of expenditures of Federal Awards in accordance with section .310."

OMB Circular A-133, Subpart C, section .310(b) states:

"Schedule of expenditures of Federal awards. The auditee shall also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple award years, the auditee may list the amount of Federal awards expended for each award year separately. At a minimum, the schedule shall:

- (1) List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For R&D, total Federal awards expended shall be shown either by individual award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.
- (4) Include notes that describe the significant accounting policies used in preparing the schedule.
- (5) To the extent practical, pass-through entities should identify in the schedule the total amount provided to subrecipients from each Federal program.
- (6) Include, in either the schedule or a note to the schedule, the value of the Federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end. While not required, it is preferable to present this information in the schedule."

Section III - Federal Award Findings and Questioned Costs

FINDING 2013-003 - CASH MANAGEMENT OVER COMMUNITY DEVELOPMENT BLOCK GRANTS/STATE'S PROGRAM AND NON-ENTITLEMENT GRANTS IN HAWAII

Federal Agency: Department of Housing and Urban Development

Federal Program: Community Development Block Grants/State's
Program and Non-Entitlement Grants in Hawaii

CFDA Number: 14.228

Federal Award Number and Year (or Other Identifying Number): A192-13-DR2-09-225

Pass-Through Entity: Indiana Office of Community and Rural Affairs

TOWN OF ORLEANS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

The Town has not established an effective internal control system over the compliance requirements relating to Cash Management. The Town failed to implement policies and procedures to ensure that all Community Development Block Grant (CDBG) funds received would be disbursed within the applicable financial management requirements. The failure to establish an effective internal control system places the County at risk of noncompliance with the grant agreement and compliance requirements.

The Town entered into a grant agreement for the White Castle Clearance Project (A192-13-DR2-09-225) with the Indiana Office of Rural and Community Affairs (OCRA). The Town did not pay the contractor until March 27, 2013, for a reimbursement that was deposited to the Town's bank account on March 6, 2013. This was beyond the five business days as required by the grant agreement.

The "Indiana CDBG Handbook, Community Development Block Grants" issued by the Indiana Office of Community and Rural Affairs states in part:

"6.5. Draw-downs and disbursements: . . . After approval of the Claim Voucher by the Lt. Governor's business office, the claim is forwarded to the Auditor's Office for payment. Funds are electronically transferred to the Grantee's bank account of record. If the grantee makes changes to their bank account of record, they must notify the Auditor's office of the updated account information. Grantees must be alert to the receipt of federal funds and be prepared to issue payments to their contractors within five business days of the deposit.

Under no circumstances should a Grantee retain more than \$5,000 of federal money in their bank account for more than five business days. If for any reason the federal funds cannot be disbursed during that five day period, the Grantee will be required to return all interest earned on the federal funds to OCRA by check made payable to the U.S. Treasury. Grantees are advised to keep federal funds in non-interest bearing accounts."

OMB Circular A-133, Subpart C, section .300 states in part:

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

Noncompliance of the grant agreement or the compliance requirements could result in the loss of federal funds to the Town.

We recommended that the Town establish controls, including segregation of duties, related to the grant agreement and all compliance requirements that have a direct and material effect to the program.

FINDING 2013-004 - INTERNAL CONTROLS OVER COMPLIANCE REQUIREMENTS THAT HAVE A DIRECT AND MATERIAL EFFECT TO COMMUNITY DEVELOPMENT BLOCK GRANTS/STATE'S PROGRAM AND NON-ENTITLEMENT GRANTS IN HAWAII

Federal Agency: Department of Housing and Urban Development
Federal Program: Community Development Block Grants/State's
Program and Non-Entitlement Grants in Hawaii

FDA Number: 14.228

Federal Award Number and Year (or Other Identifying Number): A192-12-FF-11-100

Pass-Through Entity: Indiana Office of Community and Rural Affairs

TOWN OF ORLEANS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

The Town has not established an effective internal control system, which would include monitoring activities of a paid consultant (Grant Administrator) to administer the grants and segregation of duties, related to the grant agreement and the compliance requirements over the Davis-Bacon Act. The failure to establish an effective internal control system places the Town at risk of noncompliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system could also allow noncompliance with compliance requirements and allow misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the program.

The Town relies on the Grant Administrator to meet compliance requirements for the Davis-Bacon Act. The Town does not request the Davis-Bacon Act documentation to verify the Grant Administrator was properly complying with these requirements nor did they monitor that certified payrolls of contractors and subcontractors were filed.

An internal control system, including segregation of duties, should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement or a compliance requirement of a federal program will be prevented, or detected and corrected, on a timely basis. In order to have an effective internal control system, it is important to have proper segregation of duties. This is accomplished by making sure proper oversight, reviews, and approvals take place over certain activities related to the program. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same activity.

OMB Circular A-133, Subpart C, section .300 states in part:

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

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

We recommended that the Town establish controls to effectively monitor the activities of paid consultants to ensure compliance related to the grant agreement and all compliance requirements that have a direct and material effect to the program.

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AUDITEE PREPARED DOCUMENT

The subsequent document was provided by management of the Town. The document is presented as intended by the Town.



CLERK-TREASURER
Robert F. Henderson, Jr.

Founded 1815
www.town.orleans.in.us/

CORRECTIVE ACTION PLAN

Section II-Financial Statement Findings

FINDING 2013-001 Internal Controls Over Financial Transactions and Reporting

Contact Person Responsible for Corrective Action:
Robert F. Henderson orleansclerk@netsurfusa.net
Theresa Nevill theresa.orianstown@netsurfusa.net
Janie Baker janie.orianstown@netsurfusa.net

Contact Phone Number: 812-865-2539

Corrective Action:

- 1) The Clerk-Treasurer regularly reviews and approves the town's monthly bank reconciliations. Upon completion of the monthly review the CT will now initial the statement portion providing an audit trail as recommended.
- 2) The Clerk-Treasurer weekly reviews the payroll summary and employee pay checks verifying & approving pay amounts along with signing each check. In addition the CT will now initial the weekly payroll summary and check to see that all time sheets are properly signed off on by the appropriate department head or town official.

The CT office has now created as recommended a separate detailed form of all employees being paid weekly to be formally approved by the town council along with the monthly claim docket.

Expected Completion Date: 12/31/14

FINDING 2013-002 Internal Control Over The Schedule of Expenditures of Federal Awards

Contact Person Responsible for Corrective Action:
Robert F. Henderson orleansclerk@netsurfusa.net
Theresa Nevill theresa.orianstown@netsurfusa.net

Contact Phone Number: 812-865-2539

Corrective Action:

The CT office has recently requested and received Council Approval to purchase and install new software in Key Fund allowing us to better track in detail all town related projects in a separate file. The new software provides detailed information on each receipt and expenditures and the project connected to it.

Expected Completion Date: 12/31/14

FINDING 2013-003 Internal Controls and Compliance Over Cash Management

Contact Person Responsible for Corrective Action:
Robert F. Henderson orleansclerk@netsurfusa.net
Theresa Nevill theresa.orianstown@netsurfusa.net
Janie Baker janie.orianstown@netsurfusa.net

Contact Phone Number: 812-865-2539

Corrective Action:

The CT along with staff are presently working to evaluate internal controls for this area and will implement a new system of segregation of duties relating to all future grant agreements.

Expected Completion Date 12/31/14

FINDING 2013-004 Internal Control Over Davis Bacon

Contact Person Responsible for Corrective Action:
Robert F. Henderson orleansclerk@netsurfusa.net
Janie Baker janie.orianstown@netsurfusa.net

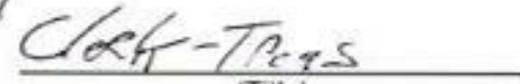
Contact Phone Number: 812-865-2539

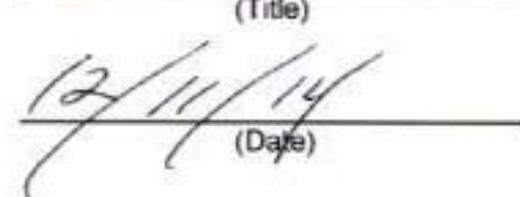
Corrective Action:

The CT along with staff are currently exploring on how best to establish the recommended proper controls related to any future grant agreements and compliance requirements.

Expected Completion Date: 2/28/15



(Signature)


(Title)


(Date)

OTHER REPORT

In addition to this report, a Supplemental Compliance Report has been issued for the Town. That report can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>.