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August 29, 2016

Board of Directors
Orange County Rehabilitative and Developmental Services, Inc.
P.O. Box 267
Paoli, IN 47454

We have reviewed the audit report prepared by Brad Parrott, CPA, for the period July 1, 2014 to June 30, 2015. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Public Accountants' opinion, the financial statements included in the report present fairly the financial condition of Orange County Rehabilitative and Developmental Services, Inc., as of June 30, 2015, and the results of its operations for the period then ended, on the basis of accounting described in the report.

The Independent Public Accountants' report is filed with this letter in our office as a matter of public record.

Paul D. Joyce
Paul D. Joyce, CPA
State Examiner

ORANGE COUNTY REHABILITATIVE AND
DEVELOPMENTAL SERVICES, INC.

PAOLI, INDIANA

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2015 AND 2014

ORANGE COUNTY REHABILITATIVE AND DEVELOPMENTAL SERVICES, INC.

CONTENTS

	<u>PAGE</u>
Independent Auditor's Report	3-4
FINANCIAL STATEMENTS:	
Statements of Financial Position	5
Statements of Activities	6
Statements of Functional Expenses	7-8
Statements of Cash Flows	9
Notes to Financial Statements	10-14
SUPPLEMENTARY INFORMATION	
Schedule of Expenditures of Federal Awards and Note to Schedule.....	15
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	16-17
Independent Auditor's Report on Compliance for each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133..	18-19

BRAD PARROTT CPA, PLLC

Certified Public Accountant

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Orange County Rehabilitative and Developmental Services, Inc.
Paoli, Indiana

Report on the Financial Statements

I have audited the accompanying financial statements of Orange County Rehabilitative and Developmental Services, Inc. (*a nonprofit organization*), which comprise the statements of financial position as of June 30, 2015 and 2014, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audits. I conducted my audits 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 I plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, I 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 statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Orange County Rehabilitative and Developmental Services, Inc. as of June 30, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

My audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements. 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 statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated February 19, 2016, on my consideration of Orange County Rehabilitative and Developmental Services, Inc.'s internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Orange County Rehabilitative and Developmental Services, Inc.'s internal control over financial reporting and compliance.

BJ / audit CPA

Henderson, Kentucky

February 19, 2016

ORANGE COUNTY REHABILITATIVE AND DEVELOPMENTAL SERVICES, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2015 AND 2014

<u>ASSETS</u>	<u>2015</u>	<u>2014</u>
Cash and cash equivalents	\$ 843,043	\$ 890,879
Investment in certificate of deposits	145,735	154,951
Investments	724,653	682,061
Accounts receivable	168,161	180,255
Prepaid insurance	15,708	21,919
Property and equipment (net of accumulated depreciation of \$ 1,193,012 and \$ 1,142,833 respectively)	<u>703,270</u>	<u>688,780</u>
 Total assets	 \$ <u>2,600,570</u>	 \$ <u>2,618,845</u>
 <u>LIABILITIES AND NET ASSETS</u>		
Accounts payable and accrued expenses	\$ 73,233	\$ 80,485
Net assets		
Unrestricted	<u>2,527,337</u>	<u>2,538,360</u>
 Total liabilities and net assets	 \$ <u>2,600,570</u>	 \$ <u>2,618,845</u>

See accompanying notes to financial statements.

ORANGE COUNTY REHABILITATIVE AND DEVELOPMENTAL SERVICES, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

UNRESTRICTED NET ASSETS

	<u>2015</u>	<u>2014</u>
Revenues and support:		
Government grants/contracts	\$ 702,726	\$ 685,460
Non-government grants/contracts	169,475	170,787
Sub-contract income	67,827	113,526
Food program	1,444,979	1,558,477
County support	45,000	45,000
Service crews	543,694	531,566
Donations	47,567	48,968
Interest and dividends	9,649	14,286
Unrealized gains	41,257	116,258
In-kind	-	112,139
Miscellaneous	<u>48,208</u>	<u>40,035</u>
Total revenue and support	<u>3,120,382</u>	<u>3,436,502</u>
Expenses:		
Program services		
Orange County Transit	433,501	447,029
Habilitation	447,071	476,436
Early intervention	55,917	55,208
Community employment	71,969	98,293
Service crew	101,727	112,997
Crane - NISH	286,165	287,985
First Chance Industries	289,731	280,753
Food program	<u>1,445,324</u>	<u>1,559,717</u>
Total expenses	<u>3,131,405</u>	<u>3,318,418</u>
Increase (decrease) in unrestricted net assets	(11,023)	118,084
Net assets, Beginning of year	<u>2,538,360</u>	<u>2,420,276</u>
Net assets, End of year	<u>\$ 2,527,337</u>	<u>\$ 2,538,360</u>

See accompanying notes to financial statements.

ORANGE COUNTY REHABILITATIVE AND DEVELOPMENTAL SERVICES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FISCAL YEAR ENDED JUNE 30, 2015

	PROGRAM SERVICES			
	Orange Co.		Early	Community
	Transit	Habilitation	Intervention	Employment
Salaries	\$ 242,040	\$ 294,922	\$ 40,005	\$ 53,064
Payroll taxes and fringe benefits	25,039	28,609	3,685	5,830
Total employee compensation	267,079	323,531	43,690	58,894
Provider reimbursement				
Rent				
Supplies	3,558	17,451	1,720	621
Telephone	5,411	3,638	38	130
Travel	338	556	12	84
Utilities	2,751	17,819	1,283	604
Accounting	8,763	7,114	427	1,135
Auditing	2,520	2,318	202	302
Van & truck expenses	68,479	8,494	1,062	2,153
Commissions				
Contracted services	2,196	2,322	134	260
Repairs & maintenance	814	8,141	347	261
Dues and subscriptions	4,824	5,292	740	1,129
Insurance	28,426	21,331	2,755	4,220
In service	2,612	1,704	100	1,242
Miscellaneous	7,065	10,185	773	372
Subtotal	404,836	429,896	53,283	71,407
Depreciation	28,665	17,175	2,634	562
Total Expense	\$ 433,501	\$ 447,071	\$ 55,917	\$ 71,969

See accompanying notes to financial statements.

Service Crews	Crane NISH	First Chance Industries	Food Program	Totals
\$ 80,055	\$ 165,502	\$ 191,449	\$ 88,113	\$ 1,155,150
7,453	12,545	16,883	7,562	107,606
87,508	178,047	208,332	95,675	1,262,756
			1,320,201	1,320,201
4,077	23,071	11,759	3,483	65,740
14	1,343	3,931	2,387	16,892
	166	204	6,600	7,960
	403	8,557	2,983	34,400
2,074	3,841	1,395	5,110	29,859
706	2,218	1,008	806	10,080
1,064	8,478	14,923		104,653
	41,547			41,547
474	1,479	802	542	8,209
	168	3,932	802	14,465
297	4,697	3,790	309	21,078
4,570	11,882	15,142	4,245	92,571
35	46	601	875	7,215
758	4,418	2,974	1,156	27,701
101,577	281,804	277,350	1,445,174	3,065,327
150	4,361	12,381	150	66,078
\$ 101,727	\$ 286,165	\$ 289,731	\$ 1,445,324	\$ 3,131,405

ORANGE COUNTY REHABILITATIVE AND DEVELOPMENTAL SERVICES, INC.
 STATEMENT OF FUNCTIONAL EXPENSES
 FISCAL YEAR ENDED JUNE 30, 2014

	PROGRAM SERVICES			
	Orange Co.		Early	Community
	Transit	Habilitation	Intervention	Employment
Salaries	\$ 233,926	\$ 258,555	\$ 37,890	\$ 63,658
Payroll taxes and fringe benefits	51,971	99,327	5,232	18,819
Total employee compensation	285,897	357,882	43,122	82,477
Provider reimbursement				
Rent				
Supplies	14,409	17,028	656	1,214
Telephone	4,610	2,703	57	114
Travel	159	115	88	628
Utilities	3,410	17,942	1,980	665
Accounting	8,883	7,194	427	1,146
Auditing	3,200	2,600	100	400
Van & truck expenses	82,233	15,791	1,596	4,791
Contracted services	5,307	3,523	68	693
Repairs & maintenance	640	2,735	481	79
Dues and subscriptions	5,561	5,854	845	1,270
Insurance	10,228	13,244	1,121	2,323
In service	980	2,526	164	1,080
Miscellaneous	5,119	5,321	1,156	787
Subtotal	430,636	454,458	51,861	97,667
Depreciation	16,393	21,978	3,347	626
Total Expense	\$ 447,029	\$ 476,436	\$ 55,208	\$ 98,293

See accompanying notes to financial statements.

Service Crews	Crane NISH	First Chance Industries	Food Program	Totals
\$ 79,968	\$ 180,133	\$ 168,826	\$ 76,911	\$ 1,099,867
19,960	20,401	35,093	25,913	276,716
99,928	200,534	203,919	102,824	1,376,583
			1,426,180	1,426,180
			4,341	4,341
1,786	21,661	8,184	2,976	67,914
9	1,129	2,384	1,931	12,937
	83	83	4,477	5,633
	443	7,945	2,144	34,529
2,098	3,897	1,386	5,148	30,179
800	1,400	500	1,000	10,000
2,706	4,472	19,945		131,534
547	37,091	524	3,031	50,784
	63	7,000	698	11,696
2	6,874	4,693	1	25,100
3,903	6,404	9,965	2,963	50,151
256	317	501	366	6,190
800	3,315	2,156	1,475	20,129
112,835	287,683	269,185	1,559,555	3,263,880
162	302	11,568	162	54,538
\$ 112,997	\$ 287,985	\$ 280,753	\$ 1,559,717	\$ 3,318,418

ORANGE COUNTY REHABILITATIVE AND DEVELOPMENTAL SERVICES, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

<u>OPERATING ACTIVITIES</u>	<u>2015</u>	<u>2014</u>
Cash flows from operating activities:		
Change in net assets	\$ (11,023)	\$ 118,084
Adjustments to reconcile operating activity to net cash provided by net operating activities:		
Depreciation	66,078	54,538
Unrealized (gains)	(41,257)	(116,258)
Non-cash income	-	(112,139)
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable	12,094	37,399
(Increase) decrease in prepaid insurance	6,211	721
Increase (decrease) in accounts payable and accrued expenses	(7,252)	4,343
Net cash provided by operations	<u>24,851</u>	(13,312)
<u>INVESTING ACTIVITIES</u>		
Purchase of property and equipment	(81,903)	(35,093)
(Increase) decrease in investment securities and certificates of deposit	<u>9,216</u> (72,687)	<u>17,197</u> (17,896)
Net increase (decrease) in cash	(47,836)	(31,208)
Cash, Beginning of year	<u>890,879</u>	<u>922,087</u>
Cash, End of year	<u>\$ 843,043</u>	<u>\$ 890,879</u>
Supplemental cash flows disclosures		
Interest Paid	\$ <u>-</u>	\$ <u>-</u>
Income Taxes Paid	\$ <u>-</u>	\$ <u>-</u>

See accompanying notes to financial statements.

ORANGE COUNTY REHABILITATIVE AND DEVELOPMENTAL SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

Note 1- Summary of Significant Accounting Policies

Nature of Activities

Orange County Rehabilitative and Developmental Services, Inc. (hereinafter referred to as "the Organization") provides assistance to individuals with developmental disabilities, physical handicaps, or emotional handicaps to improve their ability to function independently and to reach their full potential in all areas of development.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

Income Taxes

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation.

Revenue Recognition

Support is recorded as revenue in the fiscal year designated by the donor.

Revenues from cost reimbursement grants are recognized in the period expenses are incurred and claimed for reimbursement.

Revenues from performance-based grants, whereby revenue is based on units of service delivered, are recorded in the period that the Organization renders the agreed-upon services.

Cash and cash equivalents

Cash and cash equivalents include all monies in banks and highly liquid investments with maturity dates of three months or less. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments.

Investments

Investments are composed of mutual funds and are carried at fair value.

ORANGE COUNTY REHABILITATIVE AND DEVELOPMENTAL SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014
(continued)

Note 1 – Summary of Significant Accounting Policies (continued)

Property and Equipment

Furniture, equipment, and leasehold improvements are capitalized at cost. It is the Organization's policy to capitalize expenditures for these items in excess of \$ 2,500. Maintenance and repairs that do not improve or extend the useful lives of the respective assets are currently expensed. The Organization provides for depreciation of property and equipment using the straight-line method at rates designed to depreciate the cost of such assets over their estimated useful lives.

Property and equipment acquired by Orange County Rehabilitative and Developmental Services, Inc. is considered owned by the Organization. However, funding sources may maintain equitable interests in properties purchased with grant monies as well as the right to determine the use of any proceeds from the sales of those assets.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of management's estimates.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs provided by the Organization.

Note 2 – Cash

The total cash held by the Organization at June 30, 2015 and 2014, includes \$ 442,601 and \$ 509,182 respectively, in monies that are not covered by insurance provided by the federal government. It is the opinion of management that the solvency of the financial institutions is not of particular concern at this time.

ORANGE COUNTY REHABILITATIVE AND DEVELOPMENTAL SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014
(continued)

Note 3 – Fair Value Measurements

Financial Accounting Standards Board (FASB) *Accounting Standards Codification* (ASC) 820, *Fair Value Measurements and Disclosures*, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described below:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Investment securities are recorded at fair value on a recurring basis. Fair value measurement is based upon quoted prices for similar assets, if available. Mutual funds are valued at net asset value (NAV) of shares held as published at the end of the last trading day of the fiscal year.

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of June 30, 2015 and 2014:

ORANGE COUNTY REHABILITATIVE AND DEVELOPMENTAL SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014
(continued)

Note 3 -- Fair Value Measurements (continued)

Assets at Fair Value as of June 30, 2015

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual Funds	\$ 687,657	-	-	\$ 687,657
Municipal Bonds	-	36,996	-	36,996
	<u>\$ 687,657</u>	<u>\$ 36,996</u>		<u>\$ 724,653</u>

Assets at Fair Value as of June 30, 2014

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual Funds	\$ 640,260	-	-	\$ 640,260
Municipal Bonds	-	41,801	-	41,801
	<u>\$ 640,260</u>	<u>\$ 41,801</u>		<u>\$ 682,061</u>

Note 4 -- Investments

Investments as of June 30, 2015 and 2014 are summarized as follows:

	<u>2015</u>		<u>2014</u>	
	<u>Cost</u>	<u>Carrying Value</u>	<u>Cost</u>	<u>Carrying Value</u>
Vanguard Fund	\$ 348,422	\$ 687,657	\$ 348,422	\$ 640,260
Municipal Bonds	37,994	36,996	43,354	41,801
	<u>\$ 386,416</u>	<u>\$ 724,653</u>	<u>\$ 391,776</u>	<u>\$ 682,061</u>

ORANGE COUNTY REHABILITATIVE AND DEVELOPMENTAL SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014
(continued)

Note 5 – Accounts Receivable

Accounts receivables are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for uncollectible accounts and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. The allowance for doubtful accounts at June 30, 2015 and June 30, 2014 was \$10,000.

Note 6 – Property and Equipment

Property and equipment, at June 30, 2015 and 2014, is comprised of the following:

	<u>2015</u>	<u>2014</u>
Land	\$ 23,180	\$ 23,180
Buildings	1,217,356	1,199,807
Office equipment	78,634	72,116
Other equipment	108,379	108,379
Vehicles	<u>468,733</u>	<u>428,131</u>
	1,896,282	1,831,613
Accumulated depreciation	<u>1,193,012</u>	<u>1,142,833</u>
Net property and equipment	\$ <u>703,270</u>	\$ <u>688,780</u>

The Organization receives grants from time to time for van purchases, which are used by the Organization. The grants are from the Indiana Department of Transportation, which maintains a lien against the vehicles for four years. After that time, the vans become the property of the Organization. The Organization is currently operating vans subject to such liens.

Note 7 – Contingency

The Organization is substantially funded by contracts awarded by agencies of the State of Indiana. The majority of the agreements contain provisions, which permit the funding to be terminated, or the funds to be reduced, if the State discontinues or reduces current funding levels. A significant reduction in the level of this support, if it were to occur, would have a serious effect on the Organization's programs and activities.

Note 8 – Evaluation of Subsequent Events

The Organization has evaluated subsequent events through February 19, 2016, the date which the financial statements were available to be issued.

Supplementary Information

ORANGE COUNTY REHABILITATIVE AND DEVELOPMENTAL SERVICES, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND NOTE TO SCHEDULE
JUNE 30, 2015

Federal Grantor/ Pass-through Grantor Program	Federal CFDA Title	Pass-through Number	Total Expenditures
U. S. Department of Agriculture/ Indiana Department of Education Child and Adult Care Food Program	10.558	1590055	\$ 1,445,324

Note 1 – Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Orange County Rehabilitative and Developmental Services, Inc. under programs of the federal government for the year ended June 30, 2015. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of Orange County Rehabilitative and Developmental Services, Inc., it is not intended to and does not present the financial position, changes in net assets or cash flows of Orange County Rehabilitative and Developmental Services, Inc.

Note 2 – Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

BRAD PARROTT CPA, PLLC

Certified Public Accountant

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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 FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Directors
Orange County Rehabilitative and Developmental Services, Inc.
Paoli, Indiana

I have audited, in accordance with the 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 statements of Orange County Rehabilitative and Developmental Services, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2015, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued my report thereon dated February 19, 2016.

Internal Control over Financial Reporting

In planning and performing my audit of the financial statements, I considered Orange County Rehabilitative and Developmental Services, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Orange County Rehabilitative and Developmental Services, Inc.'s internal control. Accordingly, I do not express an opinion on the effectiveness of the Organization's internal control.

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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control was for the limited purpose described in the first paragraph of this section 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. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. I did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs that I consider to be a significant deficiency. (Finding 2015-001)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Orange County Rehabilitative and Developmental Services, Inc.'s financial statements are free of material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Orange County Rehabilitative and Developmental Services, Inc.'s Response to Findings

Orange County Rehabilitative and Developmental Services, Inc.'s response to the finding identified in my audit is described in the accompanying schedule of findings and questioned costs. Orange County Rehabilitative and Developmental Services, Inc.'s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, I express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

B. J. Cantor CPA

Henderson, Kentucky

February 19, 2016

BRAD PARROTT CPA, PLLC

Certified Public Accountant

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**INDEPENDENT AUDITORS'S REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY OMB CIRCULAR A-133**

Board of Directors
Orange County Rehabilitative and Developmental Services, Inc.
Paoli, Indiana

Report on Compliance for Each Major Federal Program

I have audited Orange County Rehabilitative and Developmental Services, Inc.'s compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Orange County Rehabilitative and Developmental Services, Inc.'s major federal programs for the year ended June 30, 2015. Orange County Rehabilitative and Developmental Services, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule 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

My responsibility is to express an opinion on compliance for each of Orange County Rehabilitative and Developmental Services, Inc.'s major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my 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 I 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 Orange County Rehabilitative and Developmental Services, Inc.'s compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion on compliance for each major federal program. However, my audit does not provide a legal determination of Orange County Rehabilitative and Developmental Services, Inc.'s compliance.

Opinion on Each Major Federal Program

In my opinion, Orange County Rehabilitative and Developmental Services, Inc. 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 year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of Orange County Rehabilitative and Developmental Services, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered Orange County Rehabilitative and Developmental Services, Inc.'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 an 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, I do not express an opinion on the effectiveness of Orange County Rehabilitative and Developmental Services, Inc.'s internal control over compliance.

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. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses. However, material weaknesses may exist that have not identified.

The purpose of this report on internal control over compliance is solely to describe the scope of my 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.



Henderson, Kentucky

February 19, 2016

Single Audit Reports

ORANGE COUNTY REHABILITATIVE AND DEVELOPMENTAL SERVICES, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDING JUNE 30, 2014

Section I – Summary of Auditors' Results

a. Financial Statements

Type of auditor's report issued: Unmodified opinion

Internal control over financial reporting:

Material weaknesses identified: **No**

Significant Deficiencies identified: **Yes**

Noncompliance material to financial statements: **No**

b. Federal Awards

Internal control over major programs

Material weaknesses identified: **No**

Significant Deficiencies identified: **No**

Type of auditors' report issued on compliance for major programs:

Child and Adult Care Food Program: Unmodified

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:

10.558

Child and Adult Care Food Program

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

Auditee qualified as low-risk auditee? **No**

ORANGE COUNTY REHABILITATIVE AND DEVELOPMENTAL SERVICES, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDING JUNE 30, 2015
(continued)

Section II-- Financial Statement findings

2015-001

Significant Deficiency internal control over financial statements

Criteria: Orange County Rehabilitative and Developmental Services, Inc. is required to prepare financial statements in accordance with generally accepted accounting principles. (GAAP). This is the responsibility of the Organizations management. The preparation of financial statements in accordance with GAAP requires internal controls over both recording, processing and summarizing accounting data , and preparation of financial statements, including the related footnote disclosures.

Condition: The organization has historically relied on its independent auditor to assist in the preparation of the financial statements and footnotes as part of its external financial reporting process. Accordingly, the Organization's ability to prepare financial statements in accordance with GAAP in based, in part, on its reliance on its external auditor, who cannot by definition be considered a part of the Organization's internal controls.

Questioned Costs: None

Effect: The financial statements and related footnotes and schedule of expenditures of federal awards were prepared by the auditor, but have been reviewed, approved and accepted by management.

Recommendation: Management should consider the cost and benefit for implementing this control feature.

Views of Responsible Officials and Planned Corrective Action: The organization has evaluated the cost vs. benefit of establishing internal controls over the preparation of the financial statements, and determined that it is in the best interest of the Organization to outsource this task to its external auditor, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their content and presentation.

ORANGE COUNTY REHABILITATIVE AND DEVELOPMENTAL SERVICES, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDING JUNE 30, 2015

Section III- Federal Award Findings and Questioned Costs

None

ORANGE COUNTY REHABILITATIVE AND DEVELOPMENTAL SERVICES, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDING JUNE 30, 2015

Section IV– Prior Year Audit Findings

Finding 2014-001

Condition: The organization did not have adequate controls over the preparation of GAAP based financial statements.

Status: Corrective action was considered sufficient.

Finding 2014-002: Child and Adult Care Food Program - CFDA # 10.558

Condition: The organization failed to perform required timely monitoring visits for several providers during the year. Although the organization has policies, procedures and controls over this requirement, those controls were not sufficient to prevent noncompliance. This condition was also reported in a review by the Indiana Department of Education.

2015 Update - This finding was not repeated for the year ended June 30, 2015. Additionally, the organization has not renewed this program.