

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

FINANCIAL STATEMENT AND  
FEDERAL SINGLE AUDIT REPORT  
OF

ORLEANS COMMUNITY SCHOOLS  
ORANGE COUNTY, INDIANA

July 1, 2012 to June 30, 2014



**FILED**  
12/22/2015



TABLE OF CONTENTS

| <u>Description</u>   | <u>Page</u> |
|--|-------------|
| Schedule of Officials .....  | 2           |
| Independent Auditor's Report .....   | 3-5         |
| Independent Auditor's Report on Internal Control over Financial Reporting and on<br>Compliance and Other Matters Based on an Audit of the Financial Statement<br>Performed in Accordance With <i>Government Auditing Standards</i> ..... | 6-7         |
| Financial Statement and Accompanying Notes:  |             |
| Statement of Receipts, Disbursements, Other Financing Sources (Uses), and<br>Cash and Investment Balances - Regulatory Basis .....   | 11          |
| Notes to Financial Statement .....   | 12-17       |
| Other Information - Unaudited:   |             |
| Combining Schedules of Receipts, Disbursements, Other Financing Sources (Uses), and<br>Cash and Investment Balances - Regulatory Basis .....   | 20-27       |
| Schedule of Payables and Receivables .....   | 28          |
| Schedule of Leases and Debt .....  | 29          |
| Schedule of Capital Assets .....   | 31          |
| Supplemental Audit of Federal Awards:  |             |
| Independent Auditor's Report on Compliance for Each Major Federal Program and on<br>Internal Control Over Compliance .....   | 34-35       |
| Schedule of Expenditures of Federal Awards and Accompanying Notes:   |             |
| Schedule of Expenditures of Federal Awards .....   | 39          |
| Notes to Schedule of Expenditures of Federal Awards .....  | 40          |
| Schedule of Findings and Questioned Costs .....  | 41-48       |
| Auditee Prepared Document:   |             |
| Corrective Action Plan .....   | 50-53       |
| Other Reports .....  | 54          |

SCHEDULE OF OFFICIALS

| <u>Office</u>                    | <u>Official</u>   | <u>Term</u>  |
|----------------------------------|---|--|
| Treasurer                        | Allana Smelser<br>Theresa Robbins                               | 07-01-12 to 05-05-13<br>05-06-13 to 12-31-15   |
| Superintendent<br>of Schools     | James L. Terrell<br>Gary McClintic                              | 07-01-12 to 12-31-12<br>01-01-13 to 06-30-15   |
| President of the<br>School Board | Barry Bishop<br>Larry Johnson<br>David Henderson<br>Jon Stalker | 07-01-12 to 12-31-12<br>01-01-13 to 12-31-13<br>01-01-14 to 12-31-14<br>01-01-15 to 12-31-15 |



## INDEPENDENT AUDITOR'S REPORT

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

### **Report on the Financial Statement**

We have audited the accompanying financial statement of the Orleans Community Schools (School Corporation), which comprises the financial position and results of operations for the period of July 1, 2012 to June 30, 2014, and the related notes to the financial statement as listed in the Table of Contents.

### ***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 School Corporation'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 School Corporation'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 School Corporation 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 School Corporation for the period of July 1, 2012 to June 30, 2014.

***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 School Corporation for the period of July 1, 2012 to June 30, 2014, in accordance with the financial reporting provisions of the Indiana State Board of Accounts described in Note 1.

***Other Matters***

*Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the School Corporation's financial statement. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the *U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other 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.

*Other Information*

Our audit was conducted for the purpose of forming an opinion on the School Corporation's financial statement. The Combining Schedules of Receipts, Disbursements, Other Financing Sources (Uses), and Cash and Investment Balances - Regulatory Basis, Schedule of 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.

INDEPENDENT AUDITOR'S REPORT  
(Continued)

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued a report dated October 1, 2015, on our consideration of the School Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School Corporation's internal control over financial reporting and compliance.

  
Paul D. Joyce, CPA  
State Examiner

October 1, 2015



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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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 ORLEANS COMMUNITY SCHOOLS, 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 Orleans Community Schools (School Corporation), which comprises the financial position and results of operations for the period of July 1, 2012 to June 30, 2014, and the related notes to the financial statement, and have issued our report thereon dated October 1, 2015, wherein we noted the School Corporation 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 School Corporation'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 School Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the School Corporation'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 2014-001 and 2014-002 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 School Corporation's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed 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 2014-002.

**Orleans Community Schools' Response to Findings**

The School Corporation's response to the findings identified in our audit is described in the accompanying Corrective Action Plan. The School Corporation'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 School Corporation'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 School Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

  
Paul D. Joyce, CPA  
State Examiner

October 1, 2015

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## FINANCIAL STATEMENT AND ACCOMPANYING NOTES

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

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ORLEANS COMMUNITY SCHOOLS  
STATEMENT OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
REGULATORY BASIS  
For the Years Ended June 30, 2013 and 2014

|   | Cash and<br>Investments<br>07-01-12 | Receipts             | Disbursements        | Other<br>Financing<br>Sources (Uses) | Cash and<br>Investments<br>06-30-13 | Receipts             | Disbursements        | Other<br>Financing<br>Sources (Uses) | Cash and<br>Investments<br>06-30-14 |
|---|-------------------------------------|----------------------|----------------------|--------------------------------------|-------------------------------------|----------------------|----------------------|--------------------------------------|-------------------------------------|
| General                                     | \$ 1,730,132                        | \$ 5,313,089         | \$ 5,597,920         | \$ 10,559                            | \$ 1,455,860                        | \$ 5,562,021         | \$ 5,404,116         | \$ 2,809                             | \$ 1,616,574                        |
| Debt Service                                | 578,839                             | 667,566              | 694,000              | -                                    | 552,405                             | 696,152              | 691,875              | -                                    | 556,682                             |
| Retirement/Severance Bond Debt Service      | 179,026                             | 348,825              | 322,550              | 3,854                                | 209,155                             | 296,197              | 300,870              | -                                    | 204,482                             |
| Capital Projects                            | 71,291                              | 518,705              | 353,170              | -                                    | 236,826                             | 655,254              | 565,063              | -                                    | 327,017                             |
| School Transportation                       | 494,830                             | 485,550              | 398,190              | (299,005)                            | 283,185                             | 441,031              | 387,356              | 12,169                               | 349,029                             |
| School Bus Replacement                      | 56,699                              | 47,479               | -                    | -                                    | 104,178                             | 53,169               | 81,678               | -                                    | 75,669                              |
| Rainy Day                                   | 217,546                             | -                    | 235,851              | 300,000                              | 281,695                             | -                    | 209,338              | -                                    | 72,357                              |
| Retirement/Severance Bond                   | 305,276                             | 2,971,440            | 3,000,517            | (3,854)                              | 272,345                             | 48,094               | 67,597               | -                                    | 252,842                             |
| School Lunch                                | 145,656                             | 416,416              | 398,722              | -                                    | 163,350                             | 403,324              | 366,470              | -                                    | 200,204                             |
| Textbook Rental                             | 14,228                              | 125,321              | 90,509               | -                                    | 49,040                              | 112,803              | 92,740               | -                                    | 69,103                              |
| Levy Excess                                 | 9,766                               | 2,403                | -                    | -                                    | 12,169                              | -                    | -                    | (12,169)                             | -                                   |
| Educational License Plates                  | 19                                  | 37                   | -                    | -                                    | 56                                  | 38                   | -                    | -                                    | 94                                  |
| SAFE School Haven                           | -                                   | 9,252                | 5,026                | -                                    | 4,226                               | 15,292               | 19,518               | -                                    | -                                   |
| Instruction Support                         | 3,000                               | -                    | 3,000                | -                                    | -                                   | -                    | -                    | -                                    | -                                   |
| Miscellaneous Programs                      | -                                   | -                    | -                    | -                                    | -                                   | 1,301                | 1,301                | -                                    | -                                   |
| Riverboat Casino                            | 420,894                             | 397,537              | 425,000              | -                                    | 393,431                             | 308,356              | 431,125              | -                                    | 270,662                             |
| High Ability Grant 2013-2014                | -                                   | -                    | -                    | -                                    | -                                   | 26,992               | 26,992               | -                                    | -                                   |
| High Ability Grant 2012-2013                | -                                   | 27,257               | 27,257               | -                                    | -                                   | -                    | -                    | -                                    | -                                   |
| School Safety Security Grant 2014           | -                                   | -                    | -                    | -                                    | -                                   | -                    | 6,787                | -                                    | (6,787)                             |
| Non-English Speaking Programs P.L. 273-1999 | 137                                 | -                    | -                    | -                                    | 137                                 | -                    | -                    | -                                    | 137                                 |
| School Technology                           | 11,547                              | 8,335                | 937                  | -                                    | 18,945                              | 13,038               | 16,480               | -                                    | 15,503                              |
| Senator David Ford Technology               | -                                   | 30,000               | 24,796               | -                                    | 5,204                               | -                    | 5,204                | -                                    | -                                   |
| Title I 2011-2012                           | (16,197)                            | 67,146               | 18,434               | (32,515)                             | -                                   | 166,056              | 181,383              | -                                    | (15,327)                            |
| Title I 2012-2013                           | -                                   | 154,948              | 215,718              | 32,515                               | (28,255)                            | 48,505               | 20,250               | -                                    | -                                   |
| Title II (Part A) 2011-2013                 | -                                   | 37,744               | 39,146               | -                                    | (1,402)                             | 1,402                | -                    | -                                    | -                                   |
| Title II (Part A) 2010-2012                 | (5,715)                             | 14,389               | 16,294               | -                                    | (7,620)                             | 31,499               | 23,879               | -                                    | -                                   |
| Title II (Part A) 2013-2015                 | -                                   | -                    | -                    | -                                    | -                                   | 15,129               | 17,880               | -                                    | (2,751)                             |
| Rural Education 2011-2013                   | -                                   | 16,945               | 16,945               | -                                    | -                                   | 2,387                | 2,387                | -                                    | -                                   |
| Rural Education 2012-2014                   | -                                   | -                    | -                    | -                                    | -                                   | 15,974               | 15,974               | -                                    | -                                   |
| Payroll Withholdings                        | 586                                 | 1,450,727            | 1,450,941            | -                                    | 372                                 | 1,440,531            | 1,440,851            | -                                    | 52                                  |
| <b>Totals</b>                               | <b>\$ 4,217,560</b>                 | <b>\$ 13,111,111</b> | <b>\$ 13,334,923</b> | <b>\$ 11,554</b>                     | <b>\$ 4,005,302</b>                 | <b>\$ 10,354,545</b> | <b>\$ 10,377,114</b> | <b>\$ 2,809</b>                      | <b>\$ 3,985,542</b>                 |

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

ORLEANS COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENT

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

*A. Reporting Entity*

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

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

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

*B. Basis of Accounting*

The financial statement is reported on a regulatory basis of accounting prescribed by the 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:

Local sources which include taxes, revenue from local governmental units other than school corporations, transfer tuition, transportation fees, investment income, food services, School Corporation activities, revenue from community services activities, and other revenue from local sources.

Intermediate sources which include distributions from the County for fees collected for or on behalf of the School Corporation including educational license plate fees, congressional interest, riverboat distributions, and other similar fees.

ORLEANS COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENT  
(Continued)

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

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

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

*E. Disbursements*

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

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

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

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

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

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

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

*F. Other Financing Sources and Uses*

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

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

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

ORLEANS COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENT  
(Continued)

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

**G. Fund Accounting**

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

**Note 2. Budgets**

The operating budget is initially prepared and approved at the local level. The fiscal officer of the School Corporation submits a proposed operating budget to the governing board for the following calendar year. The budget is advertised as required by law. Prior to adopting the budget, the governing board conducts public hearings and obtains taxpayer comments. Prior to November 1, the governing board approves the budget for the next year. The budget for funds for which property taxes are levied 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 School Corporation in June and December; however, situations can arise which would delay the distributions. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100 percent of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which normally become delinquent if not paid by May 10 and November 10, respectively.

**Note 4. Deposits and Investments**

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

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

ORLEANS COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENT  
(Continued)

**Note 5. Risk Management**

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

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

**Note 6. Pension Plans**

*A. Public Employees' Retirement Fund*

*Plan Description*

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

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

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

*Funding Policy and Annual Pension Cost*

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

ORLEANS COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENT  
(Continued)

*B. Teachers' Retirement Fund*

*Plan Description*

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

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

Indiana Public Retirement System  
One North Capitol, Suite 001  
Indianapolis, IN 46204  
Ph. (888) 286-3544

*Funding Policy and Annual Pension Cost*

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

**Note 7. Cash Balance Deficits**

The financial statement contains some funds with deficits in cash at June 30, 2013 and 2014. This is a result of the funds being set up for reimbursable grants. The cash deficits arose from disbursements exceeding receipts due to timing delays in reimbursements being received from the grantors. These deficits are to be repaid from future grant reimbursement receipts.

**Note 8. Holding Corporations**

The School Corporation has entered into a capital lease with Orleans Community School Building Corporation (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. The lessor has been determined to be a related party of the School Corporation. Lease payments for the school years ended June 30, 2013, and June 30, 2014, totaled \$775,000 and \$779,000, respectively.

ORLEANS COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENT  
(Continued)

The School Corporation has entered into a capital lease with Orleans Elementary School Building Corporation (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. The lessor has been determined to be a related party of the School Corporation. Lease payments for the school years ended June 30, 2013, and June 30, 2014, totaled \$344,000 and \$344,000, respectively.

**Note 9. Subsequent Events**

The "Resolution Confirming Amendment to Elementary School Lease and Related Matters" and the "Resolution Approving Appropriation of Bond Proceeds for Elementary School Renovation Project" were approved at the September 2, 2014 Board meeting. This resulted in the First Mortgage Bonds, Series 2004 being refinanced, and the receipt of \$400,000 in proceeds to be used on elementary construction projects.

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#### OTHER INFORMATION - UNAUDITED

The School Corporation's Financial Reports can be found on the Indiana Department of Education website: <http://mustang.doe.state.in.us/TRENDS/fin.cfm>. This website is maintained by the Indiana Department of Education. More current financial information is available from the School Corporation Treasurer's Office. Additionally, some financial information of the School Corporation 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 Financial Reports of the School Corporation which are referenced above. These differences, if any, are due to adjustments made to the financial information during the course of the audit. This is a common occurrence in any financial statement audit. The financial information presented in this report is audited information, and the accuracy of such information can be determined by reading the opinion given in the Independent Auditor's Report.

The other information presented was approved by management of the School Corporation. It is presented as intended by the School Corporation.

ORLEANS COMMUNITY SCHOOLS  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2013

|   | General             | Debt<br>Service   | Retirement/<br>Severance<br>Bond<br>Debt<br>Service | Capital<br>Projects | School<br>Transportation | School<br>Bus<br>Replacement | Rainy<br>Day      | Retirement/<br>Severance<br>Bond |
|---|---------------------|-------------------|---|---------------------|--------------------------|------------------------------|-------------------|----------------------------------|
| Cash and investments - beginning  | \$ 1,730,132        | \$ 578,839        | \$ 179,026  | \$ 71,291           | \$ 494,830               | \$ 56,699                    | \$ 217,546        | \$ 305,276                       |
| Receipts:   |                     |                   |   |                     |                          |                              |                   |                                  |
| Local sources   | 29,803              | 584,233           | 348,825   | 518,705             | 485,550                  | 47,479                       | -                 | 51,577                           |
| Intermediate sources  | 463                 | 83,333            | -   | -                   | -                        | -                            | -                 | -                                |
| State sources   | 5,282,823           | -                 | -   | -                   | -                        | -                            | -                 | -                                |
| Federal sources   | -                   | -                 | -   | -                   | -                        | -                            | -                 | -                                |
| Other   | -                   | -                 | -   | -                   | -                        | -                            | -                 | 2,919,863                        |
| Total receipts  | <u>5,313,089</u>    | <u>667,566</u>    | <u>348,825</u>                                      | <u>518,705</u>      | <u>485,550</u>           | <u>47,479</u>                | <u>-</u>          | <u>2,971,440</u>                 |
| Disbursements:  |                     |                   |   |                     |                          |                              |                   |                                  |
| Current:  |                     |                   |   |                     |                          |                              |                   |                                  |
| Instruction   | 4,062,230           | -                 | -   | -                   | -                        | -                            | 22,164            | 77,474                           |
| Support services  | 1,442,102           | -                 | -   | 197,202             | 397,902                  | -                            | 213,687           | 2,923,043                        |
| Noninstructional services   | 93,588              | -                 | -   | -                   | -                        | -                            | -                 | -                                |
| Facilities acquisition and construction   | -                   | -                 | -   | 155,968             | 288                      | -                            | -                 | -                                |
| Debt services   | -                   | 694,000           | 322,550   | -                   | -                        | -                            | -                 | -                                |
| Nonprogrammed charges   | -                   | -                 | -   | -                   | -                        | -                            | -                 | -                                |
| Total disbursements   | <u>5,597,920</u>    | <u>694,000</u>    | <u>322,550</u>                                      | <u>353,170</u>      | <u>398,190</u>           | <u>-</u>                     | <u>235,851</u>    | <u>3,000,517</u>                 |
| Excess (deficiency) of receipts over disbursements  | <u>(284,831)</u>    | <u>(26,434)</u>   | <u>26,275</u>                                       | <u>165,535</u>      | <u>87,360</u>            | <u>47,479</u>                | <u>(235,851)</u>  | <u>(29,077)</u>                  |
| Other financing sources (uses):   |                     |                   |   |                     |                          |                              |                   |                                  |
| Sale of capital assets  | 10,559              | -                 | -   | -                   | 995                      | -                            | -                 | -                                |
| Transfers in  | -                   | -                 | 3,854   | -                   | -                        | -                            | 300,000           | -                                |
| Transfers out   | -                   | -                 | -   | -                   | (300,000)                | -                            | -                 | (3,854)                          |
| Total other financing sources (uses)  | <u>10,559</u>       | <u>-</u>          | <u>3,854</u>  | <u>-</u>            | <u>(299,005)</u>         | <u>-</u>                     | <u>300,000</u>    | <u>(3,854)</u>                   |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | <u>(274,272)</u>    | <u>(26,434)</u>   | <u>30,129</u>                                       | <u>165,535</u>      | <u>(211,645)</u>         | <u>47,479</u>                | <u>64,149</u>     | <u>(32,931)</u>                  |
| Cash and investments - ending   | <u>\$ 1,455,860</u> | <u>\$ 552,405</u> | <u>\$ 209,155</u>                                   | <u>\$ 236,826</u>   | <u>\$ 283,185</u>        | <u>\$ 104,178</u>            | <u>\$ 281,695</u> | <u>\$ 272,345</u>                |

ORLEANS COMMUNITY SCHOOLS  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2013  
 (Continued)

|   | School<br>Lunch   | Textbook<br>Rental | Levy<br>Excess   | Educational<br>License<br>Plates | SAFE<br>School<br>Haven | Instruction<br>Support | Miscellaneous<br>Programs | Riverboat<br>Casino |
|---|-------------------|--------------------|------------------|----------------------------------|-------------------------|------------------------|---------------------------|---------------------|
| Cash and investments - beginning  | \$ 145,656        | \$ 14,228          | \$ 9,766         | \$ 19                            | \$ -                    | \$ 3,000               | \$ -                      | \$ 420,894          |
| Receipts:   |                   |                    |                  |                                  |                         |                        |                           |                     |
| Local sources   | 132,585           | 94,172             | 2,403            | -                                | -                       | -                      | -                         | -                   |
| Intermediate sources  | -                 | -                  | -                | 37                               | -                       | -                      | -                         | 397,537             |
| State sources   | 3,537             | 31,149             | -                | -                                | 9,252                   | -                      | -                         | -                   |
| Federal sources   | 280,294           | -                  | -                | -                                | -                       | -                      | -                         | -                   |
| Other   | -                 | -                  | -                | -                                | -                       | -                      | -                         | -                   |
| Total receipts  | <u>416,416</u>    | <u>125,321</u>     | <u>2,403</u>     | <u>37</u>                        | <u>9,252</u>            | <u>-</u>               | <u>-</u>                  | <u>397,537</u>      |
| Disbursements:  |                   |                    |                  |                                  |                         |                        |                           |                     |
| Current:  |                   |                    |                  |                                  |                         |                        |                           |                     |
| Instruction   | 9,287             | -                  | -                | -                                | 5,026                   | 3,000                  | -                         | -                   |
| Support services  | -                 | 90,509             | -                | -                                | -                       | -                      | -                         | -                   |
| Noninstructional services   | 366,310           | -                  | -                | -                                | -                       | -                      | -                         | -                   |
| Facilities acquisition and construction   | 23,125            | -                  | -                | -                                | -                       | -                      | -                         | -                   |
| Debt services   | -                 | -                  | -                | -                                | -                       | -                      | -                         | 425,000             |
| Nonprogrammed charges   | -                 | -                  | -                | -                                | -                       | -                      | -                         | -                   |
| Total disbursements   | <u>398,722</u>    | <u>90,509</u>      | <u>-</u>         | <u>-</u>                         | <u>5,026</u>            | <u>3,000</u>           | <u>-</u>                  | <u>425,000</u>      |
| Excess (deficiency) of receipts over disbursements  | <u>17,694</u>     | <u>34,812</u>      | <u>2,403</u>     | <u>37</u>                        | <u>4,226</u>            | <u>(3,000)</u>         | <u>-</u>                  | <u>(27,463)</u>     |
| Other financing sources (uses):   |                   |                    |                  |                                  |                         |                        |                           |                     |
| Sale of capital assets  | -                 | -                  | -                | -                                | -                       | -                      | -                         | -                   |
| Transfers in  | -                 | -                  | -                | -                                | -                       | -                      | -                         | -                   |
| Transfers out   | -                 | -                  | -                | -                                | -                       | -                      | -                         | -                   |
| Total other financing sources (uses)  | <u>-</u>          | <u>-</u>           | <u>-</u>         | <u>-</u>                         | <u>-</u>                | <u>-</u>               | <u>-</u>                  | <u>-</u>            |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | <u>17,694</u>     | <u>34,812</u>      | <u>2,403</u>     | <u>37</u>                        | <u>4,226</u>            | <u>(3,000)</u>         | <u>-</u>                  | <u>(27,463)</u>     |
| Cash and investments - ending   | <u>\$ 163,350</u> | <u>\$ 49,040</u>   | <u>\$ 12,169</u> | <u>\$ 56</u>                     | <u>\$ 4,226</u>         | <u>\$ -</u>            | <u>\$ -</u>               | <u>\$ 393,431</u>   |

ORLEANS COMMUNITY SCHOOLS  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2013  
 (Continued)

|   | High Ability<br>Grant<br>2013-2014 | High Ability<br>Grant<br>2012-2013 | School<br>Safety<br>Security<br>Grant 2014 | Non-English<br>Speaking<br>Programs<br>P.L. 273-1999 | School<br>Technology | Senator<br>David<br>Ford<br>Technology | Title I<br>2011-2012 | Title I<br>2012-2013 |
|---|------------------------------------|------------------------------------|--|--|----------------------|--|----------------------|----------------------|
| Cash and investments - beginning  | \$ -                               | \$ -                               | \$ -                                       | \$ 137   | \$ 11,547            | \$ -                                   | \$ (16,197)          | \$ -                 |
| Receipts:   |                                    |                                    |  |  |                      |  |                      |                      |
| Local sources   | -                                  | -                                  | -  | -  | 3,844                | -                                      | -                    | -                    |
| Intermediate sources  | -                                  | -                                  | -  | -  | -                    | -                                      | -                    | -                    |
| State sources   | -                                  | 27,257                             | -  | -  | 4,491                | 30,000                                 | -                    | -                    |
| Federal sources   | -                                  | -                                  | -  | -  | -                    | -                                      | 67,146               | 154,948              |
| Other   | -                                  | -                                  | -  | -  | -                    | -                                      | -                    | -                    |
| Total receipts  | -                                  | 27,257                             | -  | -  | 8,335                | 30,000                                 | 67,146               | 154,948              |
| Disbursements:  |                                    |                                    |  |  |                      |  |                      |                      |
| Current:  |                                    |                                    |  |  |                      |  |                      |                      |
| Instruction   | -                                  | 27,257                             | -  | -  | 937                  | 24,796                                 | 18,434               | 200,447              |
| Support services  | -                                  | -                                  | -  | -  | -                    | -                                      | -                    | 14,987               |
| Noninstructional services   | -                                  | -                                  | -  | -  | -                    | -                                      | -                    | 284                  |
| Facilities acquisition and construction   | -                                  | -                                  | -  | -  | -                    | -                                      | -                    | -                    |
| Debt services   | -                                  | -                                  | -  | -  | -                    | -                                      | -                    | -                    |
| Nonprogrammed charges   | -                                  | -                                  | -  | -  | -                    | -                                      | -                    | -                    |
| Total disbursements   | -                                  | 27,257                             | -  | -  | 937                  | 24,796                                 | 18,434               | 215,718              |
| Excess (deficiency) of receipts over disbursements  | -                                  | -                                  | -  | -  | 7,398                | 5,204                                  | 48,712               | (60,770)             |
| Other financing sources (uses):   |                                    |                                    |  |  |                      |  |                      |                      |
| Sale of capital assets  | -                                  | -                                  | -  | -  | -                    | -                                      | -                    | -                    |
| Transfers in  | -                                  | -                                  | -  | -  | -                    | -                                      | -                    | 32,515               |
| Transfers out   | -                                  | -                                  | -  | -  | -                    | -                                      | (32,515)             | -                    |
| Total other financing sources (uses)  | -                                  | -                                  | -  | -  | -                    | -                                      | (32,515)             | 32,515               |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | -                                  | -                                  | -  | -  | 7,398                | 5,204                                  | 16,197               | (28,255)             |
| Cash and investments - ending   | \$ -                               | \$ -                               | \$ -                                       | \$ 137   | \$ 18,945            | \$ 5,204                               | \$ -                 | \$ (28,255)          |

ORLEANS COMMUNITY SCHOOLS  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2013  
 (Continued)

|   | Title II (Part A)<br>2011-2013 | Title II (Part A)<br>2010-2012 | Title II (Part A)<br>2013-2015 | Rural<br>Education<br>2011-2013 | Rural<br>Education<br>2012-2014 | Payroll<br>Withholdings | Totals              |
|---|--------------------------------|--------------------------------|--------------------------------|---------------------------------|---------------------------------|-------------------------|---------------------|
| Cash and investments - beginning  | \$ -                           | \$ (5,715)                     | \$ -                           | \$ -                            | \$ -                            | \$ 586                  | \$ 4,217,560        |
| Receipts:   |                                |                                |                                |                                 |                                 |                         |                     |
| Local sources   | -                              | -                              | -                              | -                               | -                               | -                       | 2,299,176           |
| Intermediate sources  | -                              | -                              | -                              | -                               | -                               | -                       | 481,370             |
| State sources   | -                              | -                              | -                              | -                               | -                               | -                       | 5,388,509           |
| Federal sources   | 37,744                         | 14,389                         | -                              | 16,945                          | -                               | -                       | 571,466             |
| Other   | -                              | -                              | -                              | -                               | -                               | 1,450,727               | 4,370,590           |
| Total receipts  | <u>37,744</u>                  | <u>14,389</u>                  | <u>-</u>                       | <u>16,945</u>                   | <u>-</u>                        | <u>1,450,727</u>        | <u>13,111,111</u>   |
| Disbursements:  |                                |                                |                                |                                 |                                 |                         |                     |
| Current:  |                                |                                |                                |                                 |                                 |                         |                     |
| Instruction   | 39,146                         | 16,294                         | -                              | 16,945                          | -                               | -                       | 4,523,437           |
| Support services  | -                              | -                              | -                              | -                               | -                               | -                       | 5,279,432           |
| Noninstructional services   | -                              | -                              | -                              | -                               | -                               | -                       | 460,182             |
| Facilities acquisition and construction   | -                              | -                              | -                              | -                               | -                               | -                       | 179,381             |
| Debt services   | -                              | -                              | -                              | -                               | -                               | -                       | 1,441,550           |
| Nonprogrammed charges   | -                              | -                              | -                              | -                               | -                               | 1,450,941               | 1,450,941           |
| Total disbursements   | <u>39,146</u>                  | <u>16,294</u>                  | <u>-</u>                       | <u>16,945</u>                   | <u>-</u>                        | <u>1,450,941</u>        | <u>13,334,923</u>   |
| Excess (deficiency) of receipts over disbursements  | <u>(1,402)</u>                 | <u>(1,905)</u>                 | <u>-</u>                       | <u>-</u>                        | <u>-</u>                        | <u>(214)</u>            | <u>(223,812)</u>    |
| Other financing sources (uses):   |                                |                                |                                |                                 |                                 |                         |                     |
| Sale of capital assets  | -                              | -                              | -                              | -                               | -                               | -                       | 11,554              |
| Transfers in  | -                              | -                              | -                              | -                               | -                               | -                       | 336,369             |
| Transfers out   | -                              | -                              | -                              | -                               | -                               | -                       | (336,369)           |
| Total other financing sources (uses)  | <u>-</u>                       | <u>-</u>                       | <u>-</u>                       | <u>-</u>                        | <u>-</u>                        | <u>-</u>                | <u>11,554</u>       |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | <u>(1,402)</u>                 | <u>(1,905)</u>                 | <u>-</u>                       | <u>-</u>                        | <u>-</u>                        | <u>(214)</u>            | <u>(212,258)</u>    |
| Cash and investments - ending   | <u>\$ (1,402)</u>              | <u>\$ (7,620)</u>              | <u>\$ -</u>                    | <u>\$ -</u>                     | <u>\$ -</u>                     | <u>\$ 372</u>           | <u>\$ 4,005,302</u> |

ORLEANS COMMUNITY SCHOOLS  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2014

|   | General             | Debt<br>Service   | Retirement/<br>Severance<br>Bond<br>Debt<br>Service | Capital<br>Projects | School<br>Transportation | School<br>Bus<br>Replacement | Rainy<br>Day     | Retirement/<br>Severance<br>Bond |
|---|---------------------|-------------------|---|---------------------|--------------------------|------------------------------|------------------|----------------------------------|
| Cash and investments - beginning  | \$ 1,455,860        | \$ 552,405        | \$ 209,155  | \$ 236,826          | \$ 283,185               | \$ 104,178                   | \$ 281,695       | \$ 272,345                       |
| Receipts:   |                     |                   |   |                     |                          |                              |                  |                                  |
| Local sources   | 56,840              | 612,819           | 296,197   | 655,254             | 441,031                  | 53,169                       | -                | 48,094                           |
| Intermediate sources  | 522                 | 83,333            | -   | -                   | -                        | -                            | -                | -                                |
| State sources   | 5,504,659           | -                 | -   | -                   | -                        | -                            | -                | -                                |
| Federal sources   | -                   | -                 | -   | -                   | -                        | -                            | -                | -                                |
| Other   | -                   | -                 | -   | -                   | -                        | -                            | -                | -                                |
| Total receipts  | <u>5,562,021</u>    | <u>696,152</u>    | <u>296,197</u>                                      | <u>655,254</u>      | <u>441,031</u>           | <u>53,169</u>                | <u>-</u>         | <u>48,094</u>                    |
| Disbursements:  |                     |                   |   |                     |                          |                              |                  |                                  |
| Current:  |                     |                   |   |                     |                          |                              |                  |                                  |
| Instruction   | 3,979,528           | -                 | -   | -                   | -                        | -                            | 11,797           | 55,240                           |
| Support services  | 1,332,227           | -                 | -   | 312,944             | 387,356                  | 81,678                       | 197,541          | 12,357                           |
| Noninstructional services   | 92,361              | -                 | -   | -                   | -                        | -                            | -                | -                                |
| Facilities acquisition and construction   | -                   | -                 | -   | 252,119             | -                        | -                            | -                | -                                |
| Debt services   | -                   | 691,875           | 300,870   | -                   | -                        | -                            | -                | -                                |
| Nonprogrammed charges   | -                   | -                 | -   | -                   | -                        | -                            | -                | -                                |
| Total disbursements   | <u>5,404,116</u>    | <u>691,875</u>    | <u>300,870</u>                                      | <u>565,063</u>      | <u>387,356</u>           | <u>81,678</u>                | <u>209,338</u>   | <u>67,597</u>                    |
| Excess (deficiency) of receipts over disbursements  | <u>157,905</u>      | <u>4,277</u>      | <u>(4,673)</u>                                      | <u>90,191</u>       | <u>53,675</u>            | <u>(28,509)</u>              | <u>(209,338)</u> | <u>(19,503)</u>                  |
| Other financing sources (uses):   |                     |                   |   |                     |                          |                              |                  |                                  |
| Sale of capital assets  | 2,809               | -                 | -   | -                   | -                        | -                            | -                | -                                |
| Transfers in  | -                   | -                 | -   | -                   | 12,169                   | -                            | -                | -                                |
| Transfers out   | -                   | -                 | -   | -                   | -                        | -                            | -                | -                                |
| Total other financing sources (uses)  | <u>2,809</u>        | <u>-</u>          | <u>-</u>  | <u>-</u>            | <u>12,169</u>            | <u>-</u>                     | <u>-</u>         | <u>-</u>                         |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | <u>160,714</u>      | <u>4,277</u>      | <u>(4,673)</u>                                      | <u>90,191</u>       | <u>65,844</u>            | <u>(28,509)</u>              | <u>(209,338)</u> | <u>(19,503)</u>                  |
| Cash and investments - ending   | <u>\$ 1,616,574</u> | <u>\$ 556,682</u> | <u>\$ 204,482</u>                                   | <u>\$ 327,017</u>   | <u>\$ 349,029</u>        | <u>\$ 75,669</u>             | <u>\$ 72,357</u> | <u>\$ 252,842</u>                |

ORLEANS COMMUNITY SCHOOLS  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2014  
 (Continued)

|   | School<br>Lunch   | Textbook<br>Rental | Levy<br>Excess  | Educational<br>License<br>Plates | SAFE<br>School<br>Haven | Instruction<br>Support | Miscellaneous<br>Programs | Riverboat<br>Casino |
|---|-------------------|--------------------|-----------------|----------------------------------|-------------------------|------------------------|---------------------------|---------------------|
| Cash and investments - beginning  | \$ 163,350        | \$ 49,040          | \$ 12,169       | \$ 56                            | \$ 4,226                | \$ -                   | \$ -                      | \$ 393,431          |
| Receipts:   |                   |                    |                 |                                  |                         |                        |                           |                     |
| Local sources   | 128,160           | 77,796             | -               | -                                | -                       | -                      | 1,301                     | -                   |
| Intermediate sources  | -                 | -                  | -               | 38                               | -                       | -                      | -                         | 308,356             |
| State sources   | 3,564             | 35,007             | -               | -                                | 15,292                  | -                      | -                         | -                   |
| Federal sources   | 271,600           | -                  | -               | -                                | -                       | -                      | -                         | -                   |
| Other   | -                 | -                  | -               | -                                | -                       | -                      | -                         | -                   |
| Total receipts  | <u>403,324</u>    | <u>112,803</u>     | <u>-</u>        | <u>38</u>                        | <u>15,292</u>           | <u>-</u>               | <u>1,301</u>              | <u>308,356</u>      |
| Disbursements:  |                   |                    |                 |                                  |                         |                        |                           |                     |
| Current:  |                   |                    |                 |                                  |                         |                        |                           |                     |
| Instruction   | 9,455             | -                  | -               | -                                | 19,518                  | -                      | 1,301                     | -                   |
| Support services  | -                 | 92,740             | -               | -                                | -                       | -                      | -                         | -                   |
| Noninstructional services   | 351,475           | -                  | -               | -                                | -                       | -                      | -                         | -                   |
| Facilities acquisition and construction   | 5,540             | -                  | -               | -                                | -                       | -                      | -                         | -                   |
| Debt services   | -                 | -                  | -               | -                                | -                       | -                      | -                         | 431,125             |
| Nonprogrammed charges   | -                 | -                  | -               | -                                | -                       | -                      | -                         | -                   |
| Total disbursements   | <u>366,470</u>    | <u>92,740</u>      | <u>-</u>        | <u>-</u>                         | <u>19,518</u>           | <u>-</u>               | <u>1,301</u>              | <u>431,125</u>      |
| Excess (deficiency) of receipts over disbursements  | <u>36,854</u>     | <u>20,063</u>      | <u>-</u>        | <u>38</u>                        | <u>(4,226)</u>          | <u>-</u>               | <u>-</u>                  | <u>(122,769)</u>    |
| Other financing sources (uses):   |                   |                    |                 |                                  |                         |                        |                           |                     |
| Sale of capital assets  | -                 | -                  | -               | -                                | -                       | -                      | -                         | -                   |
| Transfers in  | -                 | -                  | -               | -                                | -                       | -                      | -                         | -                   |
| Transfers out   | -                 | -                  | (12,169)        | -                                | -                       | -                      | -                         | -                   |
| Total other financing sources (uses)  | <u>-</u>          | <u>-</u>           | <u>(12,169)</u> | <u>-</u>                         | <u>-</u>                | <u>-</u>               | <u>-</u>                  | <u>-</u>            |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | <u>36,854</u>     | <u>20,063</u>      | <u>(12,169)</u> | <u>38</u>                        | <u>(4,226)</u>          | <u>-</u>               | <u>-</u>                  | <u>(122,769)</u>    |
| Cash and investments - ending   | <u>\$ 200,204</u> | <u>\$ 69,103</u>   | <u>\$ -</u>     | <u>\$ 94</u>                     | <u>\$ -</u>             | <u>\$ -</u>            | <u>\$ -</u>               | <u>\$ 270,662</u>   |

ORLEANS COMMUNITY SCHOOLS  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2014  
 (Continued)

|   | High Ability<br>Grant<br>2013-2014 | High Ability<br>Grant<br>2012-2013 | School<br>Safety<br>Security<br>Grant 2014 | Non-English<br>Speaking<br>Programs<br>P.L. 273-1999 | School<br>Technology | Senator<br>David<br>Ford<br>Technology | Title I<br>2011-2012 | Title I<br>2012-2013 |
|---|------------------------------------|------------------------------------|--|--|----------------------|--|----------------------|----------------------|
| Cash and investments - beginning  | \$ -                               | \$ -                               | \$ -                                       | \$ 137   | \$ 18,945            | \$ 5,204                               | \$ -                 | \$ (28,255)          |
| Receipts:   |                                    |                                    |  |  |                      |  |                      |                      |
| Local sources   | -                                  | -                                  | -  | -  | 8,550                | -                                      | -                    | -                    |
| Intermediate sources  | -                                  | -                                  | -  | -  | -                    | -                                      | -                    | -                    |
| State sources   | 26,992                             | -                                  | -  | -  | 4,488                | -                                      | -                    | -                    |
| Federal sources   | -                                  | -                                  | -  | -  | -                    | -                                      | 166,056              | 48,505               |
| Other   | -                                  | -                                  | -  | -  | -                    | -                                      | -                    | -                    |
| Total receipts  | <u>26,992</u>                      | <u>-</u>                           | <u>-</u>                                   | <u>-</u>   | <u>13,038</u>        | <u>-</u>                               | <u>166,056</u>       | <u>48,505</u>        |
| Disbursements:  |                                    |                                    |  |  |                      |  |                      |                      |
| Current:  |                                    |                                    |  |  |                      |  |                      |                      |
| Instruction   | 26,992                             | -                                  | -  | -  | 16,480               | 5,204                                  | 177,368              | 20,250               |
| Support services  | -                                  | -                                  | -  | -  | -                    | -                                      | 3,712                | -                    |
| Noninstructional services   | -                                  | -                                  | -  | -  | -                    | -                                      | 303                  | -                    |
| Facilities acquisition and construction   | -                                  | -                                  | 6,787                                      | -  | -                    | -                                      | -                    | -                    |
| Debt services   | -                                  | -                                  | -  | -  | -                    | -                                      | -                    | -                    |
| Nonprogrammed charges   | -                                  | -                                  | -  | -  | -                    | -                                      | -                    | -                    |
| Total disbursements   | <u>26,992</u>                      | <u>-</u>                           | <u>6,787</u>                               | <u>-</u>   | <u>16,480</u>        | <u>5,204</u>                           | <u>181,383</u>       | <u>20,250</u>        |
| Excess (deficiency) of receipts over disbursements  | <u>-</u>                           | <u>-</u>                           | <u>(6,787)</u>                             | <u>-</u>   | <u>(3,442)</u>       | <u>(5,204)</u>                         | <u>(15,327)</u>      | <u>28,255</u>        |
| Other financing sources (uses):   |                                    |                                    |  |  |                      |  |                      |                      |
| Sale of capital assets  | -                                  | -                                  | -  | -  | -                    | -                                      | -                    | -                    |
| Transfers in  | -                                  | -                                  | -  | -  | -                    | -                                      | -                    | -                    |
| Transfers out   | -                                  | -                                  | -  | -  | -                    | -                                      | -                    | -                    |
| Total other financing sources (uses)  | <u>-</u>                           | <u>-</u>                           | <u>-</u>                                   | <u>-</u>   | <u>-</u>             | <u>-</u>                               | <u>-</u>             | <u>-</u>             |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | <u>-</u>                           | <u>-</u>                           | <u>(6,787)</u>                             | <u>-</u>   | <u>(3,442)</u>       | <u>(5,204)</u>                         | <u>(15,327)</u>      | <u>28,255</u>        |
| Cash and investments - ending   | <u>\$ -</u>                        | <u>\$ -</u>                        | <u>\$ (6,787)</u>                          | <u>\$ 137</u>  | <u>\$ 15,503</u>     | <u>\$ -</u>                            | <u>\$ (15,327)</u>   | <u>\$ -</u>          |

ORLEANS COMMUNITY SCHOOLS  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2014  
 (Continued)

|   | Title II (Part A)<br>2011-2013 | Title II (Part A)<br>2010-2012 | Title II (Part A)<br>2013-2015 | Rural<br>Education<br>2011-2013 | Rural<br>Education<br>2012-2014 | Payroll<br>Withholdings | Totals              |
|---|--------------------------------|--------------------------------|--------------------------------|---------------------------------|---------------------------------|-------------------------|---------------------|
| Cash and investments - beginning  | \$ (1,402)                     | \$ (7,620)                     | \$ -                           | \$ -                            | \$ -                            | \$ 372                  | \$ 4,005,302        |
| Receipts:   |                                |                                |                                |                                 |                                 |                         |                     |
| Local sources   | -                              | -                              | -                              | -                               | -                               | -                       | 2,379,211           |
| Intermediate sources  | -                              | -                              | -                              | -                               | -                               | -                       | 392,249             |
| State sources   | -                              | -                              | -                              | -                               | -                               | -                       | 5,590,002           |
| Federal sources   | 1,402                          | 31,499                         | 15,129                         | 2,387                           | 15,974                          | -                       | 552,552             |
| Other   | -                              | -                              | -                              | -                               | -                               | 1,440,531               | 1,440,531           |
| Total receipts  | <u>1,402</u>                   | <u>31,499</u>                  | <u>15,129</u>                  | <u>2,387</u>                    | <u>15,974</u>                   | <u>1,440,531</u>        | <u>10,354,545</u>   |
| Disbursements:  |                                |                                |                                |                                 |                                 |                         |                     |
| Current:  |                                |                                |                                |                                 |                                 |                         |                     |
| Instruction   | -                              | 23,879                         | 17,880                         | 2,387                           | 15,974                          | -                       | 4,383,253           |
| Support services  | -                              | -                              | -                              | -                               | -                               | -                       | 2,420,555           |
| Noninstructional services   | -                              | -                              | -                              | -                               | -                               | -                       | 444,139             |
| Facilities acquisition and construction   | -                              | -                              | -                              | -                               | -                               | -                       | 264,446             |
| Debt services   | -                              | -                              | -                              | -                               | -                               | -                       | 1,423,870           |
| Nonprogrammed charges   | -                              | -                              | -                              | -                               | -                               | 1,440,851               | 1,440,851           |
| Total disbursements   | <u>-</u>                       | <u>23,879</u>                  | <u>17,880</u>                  | <u>2,387</u>                    | <u>15,974</u>                   | <u>1,440,851</u>        | <u>10,377,114</u>   |
| Excess (deficiency) of receipts over disbursements  | <u>1,402</u>                   | <u>7,620</u>                   | <u>(2,751)</u>                 | <u>-</u>                        | <u>-</u>                        | <u>(320)</u>            | <u>(22,569)</u>     |
| Other financing sources (uses):   |                                |                                |                                |                                 |                                 |                         |                     |
| Sale of capital assets  | -                              | -                              | -                              | -                               | -                               | -                       | 2,809               |
| Transfers in  | -                              | -                              | -                              | -                               | -                               | -                       | 12,169              |
| Transfers out   | -                              | -                              | -                              | -                               | -                               | -                       | (12,169)            |
| Total other financing sources (uses)  | <u>-</u>                       | <u>-</u>                       | <u>-</u>                       | <u>-</u>                        | <u>-</u>                        | <u>-</u>                | <u>2,809</u>        |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | <u>1,402</u>                   | <u>7,620</u>                   | <u>(2,751)</u>                 | <u>-</u>                        | <u>-</u>                        | <u>(320)</u>            | <u>(19,760)</u>     |
| Cash and investments - ending   | <u>\$ -</u>                    | <u>\$ -</u>                    | <u>\$ (2,751)</u>              | <u>\$ -</u>                     | <u>\$ -</u>                     | <u>\$ 52</u>            | <u>\$ 3,985,542</u> |

ORLEANS COMMUNITY SCHOOLS  
SCHEDULE OF PAYABLES AND RECEIVABLES  
June 30, 2014

| <u>Government or Enterprise</u> | <u>Accounts Payable</u> | <u>Accounts Receivable</u> |
|---------------------------------|-------------------------|----------------------------|
| Governmental activities         | <u>\$ 40,989</u>        | <u>\$ 6,787</u>            |

ORLEANS COMMUNITY SCHOOLS  
SCHEDULE OF LEASES AND DEBT  
June 30, 2014

| Type                          | Description of Debt<br>Purpose  | Ending<br>Principal<br>Balance | Principal and<br>Interest Due<br>Within One<br>Year |
|-------------------------------|---|--------------------------------|---|
| Governmental activities:      |   |                                |   |
| Capital leases                | Capital lease with Orleans Community School Building Corporation (purpose being school improvements)  | \$ 930,000                     | \$ 113,575  |
| General obligation bonds      | Refunding 2003 pension bonds  | 2,575,000                      | 303,641   |
| Capital leases                | Capital lease with Orleans Elementary School Building Corporation (purpose being purchase of existing Orleans Elementary School and improvements thereon) | 1,860,000                      | 90,000  |
| Capital leases                | Improvements at elementary school   | 1,022,000                      | 254,000   |
| Capital leases                | Lease with Orleans Community School Building Corporation (purpose being refinances 1998 bonds)  | 1,870,000                      | 350,000   |
| Capital leases                | Capital lease with Orleans Community School Building Corporation (purpose being improvements at Orleans Jr/Sr High School)                                | <u>4,285,000</u>               | <u>309,425</u>                                      |
| Total governmental activities |   | <u>12,542,000</u>              | <u>1,420,641</u>                                    |
| Totals                        |   | <u>\$ 12,542,000</u>           | <u>\$ 1,420,641</u>                                 |

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ORLEANS COMMUNITY SCHOOLS  
 SCHEDULE OF CAPITAL ASSETS  
 June 30, 2014

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<br>Balance |
|------------------------------------|-------------------|
| Governmental activities:           |                   |
| Land                               | \$ 204,082        |
| Buildings                          | 11,551,244        |
| Improvements other than buildings  | 87,250            |
| Machinery, equipment, and vehicles | 937,405           |
| Total governmental activities      | 12,779,981        |
| Total capital assets               | \$ 12,779,981     |

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SUPPLEMENTAL AUDIT OF  
FEDERAL AWARDS



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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 ORLEANS COMMUNITY SCHOOLS, ORANGE COUNTY, INDIANA

**Report on Compliance for Each Major Federal Program**

We have audited the Orleans Community Schools (School Corporation) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the period of July 1, 2012 to June 30, 2014. The School Corporation's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

***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 School Corporation'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 School Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

***Opinion on Each Major Federal Program***

In our opinion, the School Corporation 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 July 1, 2012 to June 30, 2014.

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 items 2014-003, 2014-005, and 2014-006. Our opinion on each major federal program is not modified with respect to these matters.

The School Corporation's response to the noncompliance findings identified in our audit is described in the accompanying Corrective Action Plan. The School Corporation'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 School Corporation 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 School Corporation'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 School Corporation'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 2014-003, 2014-004, 2014-005, 2014-006, and 2014-007 to be material weaknesses.

The School Corporation's response to the internal control over compliance findings identified in our audit is described in the accompanying Corrective Action Plan. The School Corporation'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

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTES

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

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ORLEANS COMMUNITY SCHOOLS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Years Ended June 30, 2013 and 2014

| Federal Grantor Agency<br>Cluster Title/Program Title/Project Title | Pass-Through Entity or Direct Grant | Federal<br>CFDA<br>Number | Pass-Through<br>Entity (or Other)<br>Identifying<br>Number | Total<br>Federal Awards<br>Expended<br>06-30-13 | Total<br>Federal Awards<br>Expended<br>06-30-14 |
|---|-------------------------------------|---------------------------|--|---|---|
| <b>U.S. Department of Agriculture</b>                               |                                     |                           |  |   |   |
| Child Nutrition Cluster   | Indiana Department of Education     |                           |  |   |   |
| School Breakfast Program  |                                     | 10.553                    | FY 2012-13, FY 2013-14                                     | \$ 58,125                                       | \$ 64,128                                       |
| National School Lunch Program                                       |                                     | 10.555                    | FY 2012-13, FY 2013-14                                     | 207,563   | 225,485   |
| Summer Food Service Program for Children                            |                                     | 10.559                    | FY 2012-13, FY 2013-14                                     | 24,399  | 10,946  |
|   |                                     |                           |  | <u>290,087</u>                                  | <u>300,559</u>                                  |
| Total - Child Nutrition Cluster                                     |                                     |                           |  |   |   |
| Total - U.S. Department of Agriculture                              |                                     |                           |  | <u>290,087</u>                                  | <u>300,559</u>                                  |
| <b>U.S. Department of Education</b>                                 |                                     |                           |  |   |   |
| Title I, Part A Cluster   |                                     |                           |  |   |   |
| Title I Grants to Local Educational Agencies                        | Indiana Department of Education     |                           |  |   |   |
| FY 2011-2012  |                                     | 84.010                    | 12-6145  | 18,433  | -   |
| FY 2012-2013  |                                     | 84.010                    | 13-6145  | 187,463   | 48,505  |
| FY 2013-2014  |                                     | 84.010                    | 14-6145  | -   | 166,056   |
|   |                                     |                           |  | <u>205,896</u>                                  | <u>214,561</u>                                  |
| Total - Title I Grants to Local Educational Agencies                |                                     |                           |  |   |   |
| Total - Title I, Part A Cluster                                     |                                     |                           |  | <u>205,896</u>                                  | <u>214,561</u>                                  |
| <b>Special Education Cluster (IDEA)</b>                             |                                     |                           |  |   |   |
| Special Education - Grants to States                                | Indiana Department of Education     |                           |  |   |   |
| FY 2010-2011  |                                     | 84.027                    | 14211-049-PN01   | 19,810  | -   |
| FY 2011-2012  |                                     | 84.027                    | 14212-049-PN01   | 39,526  | 21,508  |
| FY 2012-2013  |                                     | 84.027                    | 14213-049-PN01   | 114,680   | 36,121  |
| FY 2013-2014  |                                     | 84.027                    | 14214-049-PN01   | -   | 102,601   |
|   |                                     |                           |  | <u>174,016</u>                                  | <u>160,230</u>                                  |
| Total - Special Education - Grants to States                        |                                     |                           |  |   |   |
| Special Education - Preschool Grants                                | Indiana Department of Education     |                           |  |   |   |
| FY 2010-2011  |                                     | 84.173                    | 45711-049-PN01   | 249   | -   |
| FY 2011-2012  |                                     | 84.173                    | 45712-049-PN01   | 687   | 479   |
| FY 2012-2013  |                                     | 84.173                    | 45713-049-PN01   | 2,633   | 981   |
| FY 2013-2014  |                                     | 84.173                    | 45714-049-PN01   | -   | 2,603   |
|   |                                     |                           |  | <u>3,569</u>                                    | <u>4,063</u>                                    |
| Total - Special Education - Preschool Grants                        |                                     |                           |  |   |   |
| Total - Special Education Cluster (IDEA)                            |                                     |                           |  | <u>177,585</u>                                  | <u>164,293</u>                                  |
| <b>Rural Education</b>  |                                     |                           |  |   |   |
| Rural Education   | Indiana Department of Education     |                           |  |   |   |
| FY 2011-2013  |                                     | 84.358                    | 11-6145  | 16,945  | 2,387   |
| FY 2012-2014  |                                     | 84.358                    | 12-6145  | -   | 15,974  |
|   |                                     |                           |  | <u>16,945</u>                                   | <u>18,361</u>                                   |
| Total - Rural Education   |                                     |                           |  |   |   |
| Improving Teacher Quality State Grants                              | Indiana Department of Education     |                           |  |   |   |
| FY 2011-2013  |                                     | 84.367                    | 11-6145  | 37,744  | 1,402   |
| FY 2012-2014  |                                     | 84.367                    | 12-6145  | 7,048   | 31,499  |
| FY 2013-2015  |                                     | 84.367                    | 13-6145  | -   | 15,129  |
|   |                                     |                           |  | <u>44,792</u>                                   | <u>48,030</u>                                   |
| Total - Improving Teacher Quality State Grants                      |                                     |                           |  |   |   |
| Total - U.S. Department of Education                                |                                     |                           |  | <u>445,218</u>                                  | <u>445,245</u>                                  |
| Total federal awards expended                                       |                                     |                           |  | <u>\$ 735,305</u>                               | <u>\$ 745,804</u>                               |

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

ORLEANS COMMUNITY SCHOOLS  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**Note 1. Basis of Presentation**

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

Circular A-133 requires an annual audit of nonfederal entities expending a total amount of federal awards equal to or in excess of \$500,000 in any fiscal year unless by constitution or statute a less frequent audit is required. In accordance with Indiana Code (IC 5-11-1-25), audits of school corporations shall be conducted biennially. Such audits shall include both years within the biennial period.

**Note 2. Noncash Assistance**

The School Corporation expended the following amount of noncash assistance for the years ending June 30, 2013 and 2014. This noncash assistance is also included in the federal expenditures presented in the schedule.

| Program Title                 | Federal<br>CFDA<br>Number | 2013      | 2014      |
|-------------------------------|---------------------------|-----------|-----------|
| National School Lunch Program | 10.555                    | \$ 27,960 | \$ 28,959 |

ORLEANS COMMUNITY SCHOOLS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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

Financial Statement:

|  |  |
|--|--|
| Type of auditor's report issued:                     | Adverse as to GAAP;<br>Unmodified as to Regulatory Basis |
| Internal control over financial reporting:           |  |
| Material weaknesses identified?                      | yes  |
| Significant deficiencies identified?                 | none reported  |
| Noncompliance material to financial statement noted? | yes  |

Federal Awards:

|  |               |
|--|---------------|
| Internal control over major programs:  |               |
| Material weaknesses identified?  | yes           |
| Significant deficiencies identified?   | none reported |
| Type of auditor's report issued on compliance for major programs:  | Unmodified    |
| Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133? | yes           |

Identification of Major Programs:

Name of Federal Program or Cluster

Child Nutrition Cluster  
Title I, Part A Cluster  
Special Education Cluster (IDEA)

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

Auditee qualified as low-risk auditee? no

**Section II - Financial Statement Findings**

**FINDING 2014-001 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING**

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

1. Lack of Segregation of Duties: The School Corporation has not separated incompatible activities related to cash and investments, receipts, and payroll transactions. Bank reconciliations, receipt recording and depositing functions, and all payroll functions (including writing and signing checks) were prepared by one person with no oversight or review. The failure to establish these controls could enable material misstatements or irregularities to remain undetected. Control activities should be in place to reduce the risks of errors in financial reporting.

ORLEANS COMMUNITY SCHOOLS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

2. **Monitoring of Controls:** An evaluation of the School Corporation's system of internal control has not been conducted. The failure to monitor the internal control system places the School Corporation at risk that controls may not be either designed properly or operating effectively to provide reasonable assurance that controls will prevent, or detect and correct, material misstatements in a timely manner. Additionally, the School Corporation has no process to identify or communicate corrective actions to improve controls. Effective internal controls over financial reporting require the School Corporation to monitor and assess the quality of the system of internal control.

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 Indiana Public School Corporations, Chapter 9)

***FINDING 2014-002 - PREPARATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS***

The School Corporation 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 School Corporation Treasurer prepared and submitted the SEFA through the Gateway system; however, there was no additional oversight of the SEFA information. The School Corporation 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: (a) carryover funds received from the prior year project used to reimburse current Title I expenditures totaling \$32,515 were not included on the SEFA, and (b) numerous immaterial expenditures were incorrectly reported on the prior SEFA and also reported on the current SEFA totaling \$7,341. The net effect of the errors noted caused SEFA expenditures to be understated by \$25,174 as presented for audit. Audit adjustments were proposed, accepted by the School Corporation, 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 Indiana Public School Corporations, Chapter 9)

ORLEANS COMMUNITY SCHOOLS  
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 2014-003 - CASH MANAGEMENT***

Federal Agency: U.S. Department of Agriculture

Federal Programs: School Breakfast Program, National School Lunch Program,  
Summer Food Service Program for Children

CFDA Numbers: 10.553, 10.555, 10.559

Federal Award Numbers and Years: FY 2012-13, FY 2013-14

Pass-Through Entity: Indiana Department of Education

ORLEANS COMMUNITY SCHOOLS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

Management of the School Corporation has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the Cash Management compliance requirement.

The School Corporation is required to limit its food service program cash resources to three months' average expenditures. The ending cash balance in the School Lunch fund was greater than three months' average expenditures in all 24 months during the audit period. The cash balance exceeded the allowed balance of three months' average expenditures by an average of approximately \$56,180 per month. The three months' average expenditures were \$99,681 and \$91,617 for 2012-2013 and 2013-2014, respectively.

The failure to establish an effective internal control system places the School Corporation 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 the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the programs.

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."

7 CFR 210.14(a) states in part: "School food authorities shall maintain a nonprofit school food service."

7 CFR 210.9(b) states in part:

"Each school food authority approved to participate in the program shall . . . (2) Limit its net cash resources to an amount that does not exceed 3 months average expenditures for its nonprofit school food service or such other amount as may be approved in accordance with section 210.19(a)."

The failure to establish internal controls enabled noncompliance to go undetected. Noncompliance with the grant agreement or the compliance requirements could result in the loss of federal funds to the School Corporation.

We recommended that the School Corporation's management establish controls to ensure compliance and comply with the Cash Management requirements of the programs.

***FINDING 2014-004 - REPORTING***

Federal Agency: U.S. Department of Agriculture

Federal Program: School Breakfast Program, National School Lunch Program,  
Summer Food Service Program for Children

CFDA Number: 10.553, 10.555, 10.559

Federal Award Number and Year (or Other Identifying Number): FY 2012-13, FY 2013-14

Pass-Through Entity: Indiana Department of Education

Management of the School Corporation has not established an effective internal control system, which would include segregation of duties, related to the Reporting compliance requirement.

ORLEANS COMMUNITY SCHOOLS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

The Annual Financial Reports, monthly claims for reimbursement, and the verification reports are filed on-line. Each report is completed and filed by one person with no review or oversight.

The failure to establish an effective internal control system places the School Corporation at risk of noncompliance with the compliance requirement. A lack of segregation of duties within an internal control system could also allow noncompliance with compliance requirements and allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the programs.

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 noncompliance to go undetected. Noncompliance with the compliance requirements could result in the loss of federal funds to the School Corporation.

We recommended that the School Corporation's management establish controls, including segregation of duties, related to the compliance requirement listed above.

***FINDING 2014-005 - ALLOWABLE COSTS***

Federal Agency: U.S. Department of Agriculture  
Federal Program: National School Lunch Program, School Breakfast Program,  
Summer Food Service Program for Children  
CFDA Number: 10.553, 10.555, 10.559  
Federal Award Number and Year (or Other Identifying Number): FY 2012-13, FY 2013-14  
Pass-Through Entity: Indiana Department of Education

Management of the School Corporation has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the Allowable Costs compliance requirement.

The School Corporation did not have a system in place to ensure compliance with the Circular A-87 regulations for time and effort reporting. The School Corporation did not complete the required semiannual certification activity reports for school lunch program personnel for either of the fiscal years.

The failure to establish an effective internal control system places the School Corporation 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 the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the programs.

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."

ORLEANS COMMUNITY SCHOOLS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

OMB Circular A-87, Attachment B, Section 8(h), Compensation for personal services, states in part:

"Support of salaries and wages. These standards regarding time distribution are in addition to the standards for payroll documentation. . . .

- (3) Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first-hand knowledge of the work performed by the employee.
- (4) Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection (5) unless a statistical sampling system (see subsection (6)) or other substitute system has been approved by the cognizant Federal agency. Such documentary support will be required where employees work on:
  - (a) More than one Federal award,
  - (b) A Federal award and a non Federal award,
  - (c) An indirect cost activity and a direct cost activity,
  - (d) Two or more indirect activities which are allocated using different allocation bases, or
  - (e) An unallowable activity and a direct or indirect cost activity."

The failure to establish internal controls enabled noncompliance to go undetected. Noncompliance with the grant agreement or the compliance requirements could result in the loss of federal funds to the School Corporation.

We recommended that the School Corporation's management establish controls to ensure compliance and comply with the Allowable Costs requirements of the programs.

***FINDING 2014-006 - SPECIAL TEST AND PROVISION -  
PARTICIPATION OF PRIVATE SCHOOL CHILDREN***

Federal Agency: U.S. Department of Education  
Federal Program: Title I Grants to Local Educational Agencies  
CFDA Number: 84.010  
Federal Award Number and Year (or Other Identifying Number): 12-6145, 13-6145, 14-6145  
Pass-Through Entity: Indiana Department of Education

Management of the School Corporation has not established an effective internal control system over compliance with Special Tests and Provisions - Participation of Private School Children. The failure to establish an effective internal control system places the School Corporation at risk of noncompliance.

The School Corporation did not conduct consultations with private school officials to determine the kind of educational services to provide to eligible private school children regarding Title I Local Educational Grants requirements.

ORLEANS COMMUNITY SCHOOLS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

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."

20 USC 7881(c)(1) states:

"To ensure timely and meaningful consultation, a State educational agency, local educational agency, educational service agency, consortium of those agencies or entity shall consult with appropriate private school officials during the design and development of the programs under this chapter, on issues such as-

- (A) how the children's needs will be identified;
- (B) what services will be offered;
- (C) how, where, and by whom the services will be provided;
- (D) how the services will be assessed and how the results of the assessment will be used to improve those services; and
- (E) the size and scope of the equitable services to be provided to the eligible private school children, teachers, and other educational personnel and the amount of funds available for those services; and
- (F) how and when the agency, consortium, or entity will make decisions about the delivery of services, including a thorough consideration and analysis of the views of the private school officials on the provision of contract services through potential third-party providers."

The failure to establish internal controls has enabled noncompliance to go undetected. Noncompliance with the grant agreement or the compliance requirements could result in the loss of federal funds to the School Corporation.

We recommended that the School Corporation establish controls to ensure all grant requirements are complied with and to conduct consultations with private school officials to ensure private school children receive equal opportunity for services provided.

***FINDING 2014-007 - REPORTING***

Federal Agency: U.S. Department of Education  
Federal Program: Title I Grants to Local Educational Agencies  
CFDA Number: 84.010  
Federal Award Number and Year (or Other Identifying Number): 12-6145, 13-6145, 14-6145  
Pass-Through Entity: Indiana Department of Education

Management of the School Corporation has not established an effective internal control system, which would include segregation of duties, related to the Reporting requirement.

ORLEANS COMMUNITY SCHOOLS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

The final expenditure reports and monthly requests for reimbursements are filed on-line by the School Corporation Treasurer with no review or oversight.

The failure to establish an effective internal control system places the School Corporation at risk of noncompliance with the compliance requirements. A lack of segregation of duties within an internal control system could also allow noncompliance with compliance requirements and allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities or the program.

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 and to have a separation of functions 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 with the compliance requirements could result in the loss of federal funds to the School Corporation.

We recommended that the School Corporation's management establish controls, including segregation of duties, related to the compliance requirement listed above.

AUDITEE PREPARED DOCUMENT

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

# ORLEANS COMMUNITY SCHOOLS

## OFFICE OF THE SUPERINTENDENT

Gary McClintic, Superintendent  
Theresa Robbins, Treasurer  
Bridget Knight, Deputy Trea.  
Louise Mason, Secretary



173 W. Marley Street - Orleans, IN 47452  
(812) 865-2688 - Fax (812) 865-3428  
www.orleans.k12.in.us

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### CORRECTIVE ACTION PLAN

#### **FINDING 2014-001 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING**

Contact Person Responsible for Corrective Action: **Theresa Robbins, Treasurer**  
Contact Phone Number: **812-865-2688**

##### Description of Corrective Action:

- The treasurer developed controls during 2014 in regards to bank reconcilements. Bank reconciliation is now performed by the deputy treasurer. The reconciliation is then reviewed by the superintendent and treasurer.
- For receipt recording and depositing, these duties are to be split between the treasurer and the secretary. The treasurer will continue to record receipts while the secretary is to deliver deposits to the bank.
- With the addition of a deputy treasurer during 2013, payroll functions now have more oversight and review. Checks are now written by the deputy treasurer and signed by the treasurer. The treasurer also reviews the allowance of claims in detail each pay period.

Anticipated Completion Date: **Mostly completed, with the exception of the receipt duties where the secretary needs to be bonded (once bonded, she will begin her new duty)**

#### **FINDING 2014-002 - PREPARATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

Contact Person Responsible for Corrective Action: **Theresa Robbins, Treasurer**  
Contact Phone Number: **812-865-2688**

##### Description of Corrective Action:

- Both the superintendent and the elementary principal (who is the Title I director in addition to overseeing the cafeteria fund) will meet with the treasurer at the end of August. At this meeting, the treasurer will review the completed Schedule of Federal Awards (SEFA) with them for accuracy.

Anticipated Completion Date: **August 2015**

# ORLEANS COMMUNITY SCHOOLS

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### **FINDING 2014-003 - CASH MANAGEMENT**

Contact Person Responsible for Corrective Action: **Theresa Robbins, Treasurer**  
Contact Phone Number: **812-865-2688**

#### **Description of Corrective Action:**

- The treasurer will develop an excel spreadsheet to maintain a running three-month average. The treasurer will also communicate these numbers on a quarterly basis to both the superintendent and elementary principal. They will review these amounts and the needs of the cafeteria to determine where the excess balance should be appropriated. In addition, the treasurer and superintendent are planning to submit an application to receive FY 2016 Indirect Cost Rates, which once received should allow for a portion of money to be transferred from the cafeteria fund to the general fund.

**Anticipated Completion Date: Ongoing – the spreadsheet is to be developed by October 13<sup>th</sup> (the next board meeting) and then review of the numbers will be ongoing**

### **FINDING 2014-004 - REPORTING**

Contact Person Responsible for Corrective Action: **Christopher Stevens, Elementary Principal**  
Contact Phone Number: **812-865-2688**

#### **Description of Corrective Action:**

- The elementary ECA treasurer is reviewing reports and claims which are completed by cafeteria employees. Once she has reviewed for accuracy, she signs and dates.

**Anticipated Completion Date: August 2015**

# ORLEANS COMMUNITY SCHOOLS

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### **FINDING 2014-005 - ALLOWABLE COSTS**

Contact Person Responsible for Corrective Action: **Christopher Stevens, Elementary Principal**  
Contact Phone Number: **812-865-2688**

**Description of Corrective Action:**

- The elementary principal will ensure that the required semiannual certification activity reports for school lunch program personnel are completed on an annual basis.

Anticipated Completion Date: **August 2015**

### **FINDING 2014-006 - SPECIAL TEST AND PROVISION – PARTICIPATION OF PRIVATE SCHOOL CHILDREN**

Contact Person Responsible for Corrective Action: **Christopher Stevens, Elementary Principal**  
Contact Phone Number: **812-865-2688**

**Description of Corrective Action:**

- The elementary principal will send certified letters to the private school officials in our district inviting them to attend a meeting on a specified date. This meeting will include a presentation on the Title I program and the services available to the private school students.

Anticipated Completion Date: **September 2015**

**ORLEANS COMMUNITY SCHOOLS  
OFFICE OF THE SUPERINTENDENT**

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**FINDING 2014-007 - REPORTING**

Contact Person Responsible for Corrective Action: **Theresa Robbins, Treasurer**  
Contact Phone Number: **812-865-2688**

**Description of Corrective Action:**

- The superintendent will review and sign all reports that are submitted to Title I for both reimbursement and final reports, in order to review for errors or misrepresentations.

**Anticipated Completion Date: September 2015**

  
\_\_\_\_\_  
Signature

*Superintendent*  
\_\_\_\_\_  
Title

*10-1-15*  
\_\_\_\_\_  
Date

#### OTHER REPORTS

In addition to this report, other reports may have been issued for the School Corporation. All reports can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>.