

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, 2016 to June 30, 2018



FILED
05/14/2019

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Theresa Robbins	01-01-16 to 12-31-19
Superintendent of Schools	Gary McClintic	07-01-16 to 06-30-22
President of the School Board	Jonathan Stalker Barry Bishop David Henderson Carl Anderson	01-01-16 to 12-31-16 01-01-17 to 12-31-17 01-01-18 to 12-31-18 01-01-19 to 12-31-19



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, 2016 to June 30, 2018, 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 from 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 to 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, 2016 to June 30, 2018.

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, 2016 to June 30, 2018, 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 Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 April 22, 2019, 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 solely 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 effectiveness of the School Corporation's 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

April 22, 2019



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

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INDEPENDENT AUDITOR'S REPORT ON 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, 2016 to June 30, 2018, and the related notes to the financial statement, and have issued our report thereon dated April 22, 2019, 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.

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 School Corporation's financial statement will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.


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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

April 22, 2019

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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, 2017 and 2018

Fund	Cash and Investments			Other Financing Sources (Uses)	Cash and Investments			Other Financing Sources (Uses)	Cash and Investments
	07-01-16	Receipts	Disbursements		06-30-17	Receipts	Disbursements		
General	\$ 1,791,973	\$ 5,414,253	\$ 5,297,344	\$ 1,495	\$ 1,910,377	\$ 5,505,494	\$ 5,425,098	\$ 1,730	\$ 1,992,503
Debt Service	449,679	981,578	1,123,250	400,000	708,007	985,294	1,125,700	178,516	746,117
Retirement/Severance Bond Debt Service	190,083	306,530	307,508	-	189,105	311,124	303,283	-	196,946
Capital Projects	530,868	780,961	556,979	(250,000)	504,850	765,275	544,408	(250,000)	475,717
School Transportation	281,200	369,564	399,556	-	251,208	426,063	402,223	-	275,048
School Bus Replacement	130,893	54,917	98,513	-	87,297	68,448	110,202	-	45,543
Rainy Day	78,310	-	130,868	250,000	197,442	11,500	149,846	250,000	309,096
Retirement/Severance Bond	197,609	67,841	83,283	-	182,167	59,867	87,909	-	154,125
Construction	123,498	-	120,599	-	2,899	-	2,899	-	-
School Lunch	165,295	400,297	400,944	-	164,648	422,746	423,638	-	163,756
Textbook Rental	-	96,164	77,805	-	18,359	108,342	124,472	41,534	43,763
Levy Excess	89	-	-	-	89	-	-	-	89
Educational License Plates	113	37	-	-	150	38	-	-	188
SAFE School Haven 2016-17	-	5,164	8,795	-	(3,631)	7,596	3,965	-	-
SAFE School Haven 2017-18	-	6,136	6,136	-	-	8,438	16,032	-	(7,594)
Comprehensive Counseling Initiative Planning Grant	-	30,000	23,533	-	6,467	-	6,467	-	-
Comprehensive Counseling Initiative Implementation Grant	-	-	-	-	-	100,000	3,000	-	97,000
Riverboat Casino	394,742	367,736	-	(400,000)	362,478	411,005	33,391	(220,050)	520,042
Formative Assessment	-	10,631	10,631	-	-	9,476	9,476	-	-
High Ability Grant 2017-18	-	-	-	-	-	27,958	27,958	-	-
High Ability Grant 2016-17	-	28,049	28,049	-	-	-	-	-	-
Secured Schools Safety Grant	-	12,991	47,991	-	(35,000)	35,000	-	-	-
Non-English Speaking Programs	137	-	-	-	137	-	-	-	137
School Technology	18,403	10,190	13,094	-	15,499	9,769	11,577	-	13,691
Career and Technical Performance Grant	-	1,903	-	-	1,903	3,223	-	-	5,126
Performance Based Awards	-	-	-	-	-	13,200	13,200	-	-
Title I 2015-16	(21,196)	72,003	50,807	-	-	-	-	-	-
Title I 2016-17	-	165,420	207,079	-	(41,659)	82,648	40,989	-	-
Title I 2016-17 School Improvement Grant	-	-	22,000	-	(22,000)	45,000	23,000	-	-
Title I 2017-18	-	-	-	-	-	165,493	216,881	-	(51,388)
Drug Free Schools	-	-	-	-	-	-	11,641	-	(11,641)
Improving Teacher Quality, Title II, Part A (2017-19)	-	-	-	-	-	-	16,063	-	(16,063)
Improving Teacher Quality, Title II, Part A (2018-20)	(7,006)	25,804	18,798	-	-	-	-	-	-
Improving Teacher Quality, Title II, Part A (2016-18)	-	-	19,996	-	(19,996)	35,710	15,714	-	-
Rural Schools and Low Income Program (2017-19)	-	11,796	16,273	-	(4,477)	5,899	1,422	-	-
Rural Schools and Low Income Program (2016-18)	(5,623)	17,537	11,914	-	-	-	12,346	-	(12,346)
Payroll Withholdings	1,049	1,435,178	1,435,472	-	755	1,497,527	1,500,323	-	(2,041)
Totals	\$ 4,320,116	\$ 10,672,680	\$ 10,517,217	\$ 1,495	\$ 4,477,074	\$ 11,122,133	\$ 10,663,123	\$ 1,730	\$ 4,937,814

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, the following: 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. Amounts received from taxes, revenue from local governmental units other than school corporations, transfer tuition, transportation fees, investment income, food services, School Corporation activities, revenue from community service activities, and other revenue from local sources.

Intermediate sources. Amounts received as distributions from the County for fees collected for or on behalf of the School Corporation including, but not limited to, the following: educational license plate fees, congressional interest, riverboat distributions, and other similar fees.

ORLEANS COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENT
(Continued)

State sources. Amounts received as distributions from the State of Indiana that are to be used by the School Corporation for various purposes, including, but not limited to, the following: unrestricted grants, restricted grants, revenue in lieu of taxes, and revenue for or on behalf of the School Corporation.

Federal sources. Amounts received as distributions from the federal government that are to be used by the School Corporation for various purposes, including, but not limited to, the following: unrestricted grants, restricted grants, revenue in lieu of taxes, and revenue for or on behalf of the School Corporation.

Interfund loans. Amounts temporarily transferred from one fund to a depleted fund for use in paying current operating expenses. Such advancement shall not be made for a period extending beyond the budget year.

Other receipts. Amounts received from various sources, including, but not limited to, the following: 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. Amounts disbursed for regular programs, special programs, adult and continuing education programs, summer school programs, enrichment programs, remediation, and payments to other governmental units.

Support services. Amounts disbursed for support services related to students, instruction, general administration, school administration, outflows for central services, operation and maintenance of plant services, and student transportation.

Noninstructional services. Amounts disbursed for food service operations and community service operations.

Facilities acquisition and construction. Amounts disbursed for the acquisition, development, construction, and improvement of new and existing facilities.

Debt service. Amounts disbursed for fixed obligations resulting from financial transactions previously entered into by the School Corporation, including: all expenditures for the reduction of the principal and interest of the School Corporation's general obligation indebtedness.

Nonprogrammed charges. Amounts disbursed for donations to foundations, securities purchased, indirect costs, scholarships, and self-insurance payments.

Interfund loans. Amounts temporarily transferred from one fund to a depleted fund for use in paying current operating expenses. Such advancement shall not be made for a period extending beyond the budget year.

ORLEANS COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENT
(Continued)

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. Amounts received when land, buildings, or equipment owned by the School Corporation are sold.

Transfers in. Amounts 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.

Transfers out. Amounts 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 amounts 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 amounts 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 lien date (March 1 in a year ending before January 1, 2016 and January 1 in a year beginning after December 31, 2015) 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.

ORLEANS COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENT
(Continued)

Note 4. Deposits and Investments

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

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

Note 5. Risk Management

The 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:

ORLEANS COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENT
(Continued)

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.

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.

ORLEANS COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENT
(Continued)

Note 7. Cash Balance Deficits

The financial statement contains some funds with deficits in cash at June 30, 2017 and 2018. This is a result of 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. In addition, the Payroll Withholdings fund deficit balance was due to timing of reimbursement payments from the extracurricular funds for payroll-related expenditures.

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 during the years 2017 and 2018 totaled \$778,000 and \$779,000, respectively.

The School Corporation has entered into a capital lease with Orleans Elementary School Building Corporation (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. The lessor has been determined to be a related-party of the School Corporation. Lease payments during the years 2017 and 2018 totaled \$344,000 and \$344,000, respectively.

Note 9. Subsequent Events

The School Corporation entered into an energy savings contract, which involves a solar project, starting in the fall of 2017 with a total project cost of \$2,450,124. Final payment to the contractor was made in July 2018. The project was financed with the Energy Bonds Series 2017 through Springs Valley Bank & Trust Company with the first payment due June 30, 2018.

On December 17, 2018, the School Board of Trustees approved a contractor to proceed with construction documents related to replacement of the roof and the remodel of three classrooms at Orleans Jr.-Sr. High School. The total project costs were estimated at \$331,062, which will be paid by the School Corporation. The School Corporation is considering the option to reimburse this cost from the first mortgage bonds that are to be issued in 2019 through one of the School Corporation's related-party holding corporations.

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OTHER INFORMATION - UNAUDITED

The School Corporation's Financial Reports can be found on the Indiana Department of Education website: <http://www.doe.in.gov/finance/school-financial-reports>. 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 Indiana Gateway for Government Units 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 School Corporation's Financial Reports 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, 2017

	General	Debt Service	Retirement/ Severance Bond Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	Retirement/ Severance Bond	Construction	School Lunch
Cash and investments - beginning	\$ 1,791,973	\$ 449,679	\$ 190,083	\$ 530,868	\$ 281,200	\$ 130,893	\$ 78,310	\$ 197,609	\$ 123,498	\$ 165,295
Receipts:										
Local sources	71,209	898,245	306,530	780,961	369,564	54,917	-	67,841	-	139,341
Intermediate sources	600	83,333	-	-	-	-	-	-	-	-
State sources	5,311,353	-	-	-	-	-	-	-	-	3,636
Federal sources	-	-	-	-	-	-	-	-	-	257,320
Interfund loans	26,069	-	-	-	-	-	-	-	-	-
Other receipts	5,022	-	-	-	-	-	-	-	-	-
Total receipts	5,414,253	981,578	306,530	780,961	369,564	54,917	-	67,841	-	400,297
Disbursements:										
Instruction	3,861,813	-	-	-	-	-	9,692	61,175	-	-
Support services	1,329,891	-	-	375,142	399,556	98,513	121,176	22,108	-	298
Noninstructional services	105,640	-	-	-	-	-	-	-	-	363,652
Facilities acquisition and construction	-	-	-	181,837	-	-	-	-	120,599	36,994
Debt service	-	1,123,250	307,508	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-	-
Total disbursements	5,297,344	1,123,250	307,508	556,979	399,556	98,513	130,868	83,283	120,599	400,944
Excess (deficiency) of receipts over disbursements	116,909	(141,672)	(978)	223,982	(29,992)	(43,596)	(130,868)	(15,442)	(120,599)	(647)
Other financing sources (uses):										
Sale of capital assets	1,495	-	-	-	-	-	-	-	-	-
Transfers in	-	400,000	-	-	-	-	250,000	-	-	-
Transfers out	-	-	-	(250,000)	-	-	-	-	-	-
Total other financing sources (uses)	1,495	400,000	-	(250,000)	-	-	250,000	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	118,404	258,328	(978)	(26,018)	(29,992)	(43,596)	119,132	(15,442)	(120,599)	(647)
Cash and investments - ending	\$ 1,910,377	\$ 708,007	\$ 189,105	\$ 504,850	\$ 251,208	\$ 87,297	\$ 197,442	\$ 182,167	\$ 2,899	\$ 164,648

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, 2017

	Textbook Rental	Levy Excess	Educational License Plates	SAFE School Haven 2016-17	SAFE School Haven 2017-18	Comprehensive Counseling Initiative Planning Grant	Comprehensive Counseling Initiative Implementation Grant	Riverboat Casino	Formative Assessment	High Ability Grant 2017-18
Cash and investments - beginning	\$ -	\$ 89	\$ 113	\$ -	\$ -	\$ -	\$ -	\$ 394,742	\$ -	\$ -
Receipts:										
Local sources	64,169	-	-	-	-	30,000	-	-	-	-
Intermediate sources	-	-	37	-	-	-	-	367,736	-	-
State sources	31,995	-	-	5,164	6,136	-	-	-	10,631	-
Federal sources	-	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-	-
Total receipts	96,164	-	37	5,164	6,136	30,000	-	367,736	10,631	-
Disbursements:										
Instruction	-	-	-	8,795	6,136	23,533	-	-	7,972	-
Support services	51,736	-	-	-	-	-	-	-	2,659	-
Noninstructional services	-	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Interfund loans	26,069	-	-	-	-	-	-	-	-	-
Total disbursements	77,805	-	-	8,795	6,136	23,533	-	-	10,631	-
Excess (deficiency) of receipts over disbursements	18,359	-	37	(3,631)	-	6,467	-	367,736	-	-
Other financing sources (uses):										
Sale of capital assets	-	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	(400,000)	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	(400,000)	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	18,359	-	37	(3,631)	-	6,467	-	(32,264)	-	-
Cash and investments - ending	\$ 18,359	\$ 89	\$ 150	\$ (3,631)	\$ -	\$ 6,467	\$ -	\$ 362,478	\$ -	\$ -

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, 2017

	High Ability Grant 2016-17	Secured Schools Safety Grant	Non-English Speaking Programs	School Technology	Career and Technical Performance Grant	Performance Based Awards	Title I 2015-16	Title I 2016-17	Title I 2016-17 School Improvement Grant	Title I 2017-18
Cash and investments - beginning	\$ -	\$ -	\$ 137	\$ 18,403	\$ -	\$ -	\$ (21,196)	\$ -	\$ -	\$ -
Receipts:										
Local sources	-	-	-	3,882	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-	-
State sources	28,049	12,991	-	6,308	1,903	-	-	-	-	-
Federal sources	-	-	-	-	-	-	72,003	165,420	-	-
Interfund loans	-	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-	-
Total receipts	28,049	12,991	-	10,190	1,903	-	72,003	165,420	-	-
Disbursements:										
Instruction	28,049	-	-	12,229	-	-	50,780	205,574	-	-
Support services	-	-	-	865	-	-	-	-	22,000	-
Noninstructional services	-	-	-	-	-	-	27	1,505	-	-
Facilities acquisition and construction	-	47,991	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-	-
Total disbursements	28,049	47,991	-	13,094	-	-	50,807	207,079	22,000	-
Excess (deficiency) of receipts over disbursements	-	(35,000)	-	(2,904)	1,903	-	21,196	(41,659)	(22,000)	-
Other financing sources (uses):										
Sale of capital assets	-	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	(35,000)	-	(2,904)	1,903	-	21,196	(41,659)	(22,000)	-
Cash and investments - ending	\$ -	\$ (35,000)	\$ 137	\$ 15,499	\$ 1,903	\$ -	\$ -	\$ (41,659)	\$ (22,000)	\$ -

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, 2017

	Drug Free Schools	Improving Teacher Quality, Title II, Part A (2017-19)	Improving Teacher Quality, Title II, Part A (2018-20)	Improving Teacher Quality, Title II, Part A (2016-18)	Rural Schools and Low Income Program (2017-19)	Rural Schools and Low Income Program (2016-18)	Payroll Withholdings	Totals
Cash and investments - beginning	\$ -	\$ -	\$ (7,006)	\$ -	\$ -	\$ (5,623)	\$ 1,049	\$ 4,320,116
Receipts:								
Local sources	-	-	-	-	-	-	-	2,786,659
Intermediate sources	-	-	-	-	-	-	-	451,706
State sources	-	-	-	-	-	-	-	5,418,166
Federal sources	-	-	25,804	-	11,796	17,537	-	549,880
Interfund loans	-	-	-	-	-	-	-	26,069
Other receipts	-	-	-	-	-	-	1,435,178	1,440,200
Total receipts	-	-	25,804	-	11,796	17,537	1,435,178	10,672,680
Disbursements:								
Instruction	-	-	18,798	19,996	15,173	8,759	-	4,338,474
Support services	-	-	-	-	1,100	3,155	-	2,428,199
Noninstructional services	-	-	-	-	-	-	-	470,824
Facilities acquisition and construction	-	-	-	-	-	-	-	387,421
Debt service	-	-	-	-	-	-	-	1,430,758
Nonprogrammed charges	-	-	-	-	-	-	1,435,472	1,435,472
Interfund loans	-	-	-	-	-	-	-	26,069
Total disbursements	-	-	18,798	19,996	16,273	11,914	1,435,472	10,517,217
Excess (deficiency) of receipts over disbursements	-	-	7,006	(19,996)	(4,477)	5,623	(294)	155,463
Other financing sources (uses):								
Sale of capital assets	-	-	-	-	-	-	-	1,495
Transfers in	-	-	-	-	-	-	-	650,000
Transfers out	-	-	-	-	-	-	-	(650,000)
Total other financing sources (uses)	-	-	-	-	-	-	-	1,495
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	7,006	(19,996)	(4,477)	5,623	(294)	156,958
Cash and investments - ending	\$ -	\$ -	\$ -	\$ (19,996)	\$ (4,477)	\$ -	\$ 755	\$ 4,477,074

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, 2018

	General	Debt Service	Retirement/ Severance Bond Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	Retirement/ Severance Bond	Construction	School Lunch
Cash and investments - beginning	\$ 1,910,377	\$ 708,007	\$ 189,105	\$ 504,850	\$ 251,208	\$ 87,297	\$ 197,442	\$ 182,167	\$ 2,899	\$ 164,648
Receipts:										
Local sources	68,610	901,961	311,124	765,275	426,063	56,948	-	59,867	-	140,881
Intermediate sources	606	83,333	-	-	-	-	-	-	-	-
State sources	5,430,133	-	-	-	-	-	-	-	-	3,655
Federal sources	-	-	-	-	-	-	-	-	-	278,210
Interfund loans	-	-	-	-	-	11,500	11,500	-	-	-
Other receipts	6,145	-	-	-	-	-	-	-	-	-
Total receipts	5,505,494	985,294	311,124	765,275	426,063	68,448	11,500	59,867	-	422,746
Disbursements:										
Instruction	3,876,108	-	-	-	-	-	13,977	64,057	-	-
Support services	1,446,279	-	-	290,304	402,223	98,702	124,369	23,852	-	189
Noninstructional services	102,711	-	-	-	-	-	-	-	-	422,524
Facilities acquisition and construction	-	-	-	174,604	-	-	-	-	2,899	925
Debt service	-	1,125,700	303,283	79,500	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	11,500	11,500	-	-	-
Total disbursements	5,425,098	1,125,700	303,283	544,408	402,223	110,202	149,846	87,909	2,899	423,638
Excess (deficiency) of receipts over disbursements	80,396	(140,406)	7,841	220,867	23,840	(41,754)	(138,346)	(28,042)	(2,899)	(892)
Other financing sources (uses):										
Sale of capital assets	1,730	-	-	-	-	-	-	-	-	-
Transfers in	-	200,000	-	-	-	-	250,000	-	-	-
Transfers out	-	(21,484)	-	(250,000)	-	-	-	-	-	-
Total other financing sources (uses)	1,730	178,516	-	(250,000)	-	-	250,000	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	82,126	38,110	7,841	(29,133)	23,840	(41,754)	111,654	(28,042)	(2,899)	(892)
Cash and investments - ending	\$ 1,992,503	\$ 746,117	\$ 196,946	\$ 475,717	\$ 275,048	\$ 45,543	\$ 309,096	\$ 154,125	\$ -	\$ 163,756

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, 2018

	Textbook Rental	Levy Excess	Educational License Plates	SAFE School Haven 2016-17	SAFE School Haven 2017-18	Comprehensive Counseling Initiative Planning Grant	Comprehensive Counseling Initiative Implementation Grant	Riverboat Casino	Formative Assessment	High Ability Grant 2017-18
Cash and investments - beginning	\$ 18,359	\$ 89	\$ 150	\$ (3,631)	\$ -	\$ 6,467	\$ -	\$ 362,478	\$ -	\$ -
Receipts:										
Local sources	75,054	-	-	-	-	-	100,000	-	-	-
Intermediate sources	-	-	38	-	-	-	-	411,005	-	-
State sources	33,288	-	-	7,596	8,438	-	-	-	9,476	27,958
Federal sources	-	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-	-
Total receipts	108,342	-	38	7,596	8,438	-	100,000	411,005	9,476	27,958
Disbursements:										
Instruction	-	-	-	3,965	16,032	6,467	-	-	9,385	27,958
Support services	124,472	-	-	-	-	-	3,000	-	91	-
Noninstructional services	-	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	33,391	-	-
Debt service	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-	-
Total disbursements	124,472	-	-	3,965	16,032	6,467	3,000	33,391	9,476	27,958
Excess (deficiency) of receipts over disbursements	(16,130)	-	38	3,631	(7,594)	(6,467)	97,000	377,614	-	-
Other financing sources (uses):										
Sale of capital assets	-	-	-	-	-	-	-	-	-	-
Transfers in	41,534	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	(220,050)	-	-
Total other financing sources (uses)	41,534	-	-	-	-	-	-	(220,050)	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	25,404	-	38	3,631	(7,594)	(6,467)	97,000	157,564	-	-
Cash and investments - ending	\$ 43,763	\$ 89	\$ 188	\$ -	\$ (7,594)	\$ -	\$ 97,000	\$ 520,042	\$ -	\$ -

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, 2018

	High Ability Grant 2016-17	Secured Schools Safety Grant	Non-English Speaking Programs	School Technology	Career and Technical Performance Grant	Performance Based Awards	Title I 2015-16	Title I 2016-17	Title I 2016-17 School Improvement Grant	Title I 2017-18
Cash and investments - beginning	\$ -	\$ (35,000)	\$ 137	\$ 15,499	\$ 1,903	\$ -	\$ -	\$ (41,659)	\$ (22,000)	\$ -
Receipts:										
Local sources	-	-	-	1,999	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-	-
State sources	-	35,000	-	7,770	3,223	13,200	-	-	-	-
Federal sources	-	-	-	-	-	-	-	82,648	45,000	165,493
Interfund loans	-	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-	-
Total receipts	-	35,000	-	9,769	3,223	13,200	-	82,648	45,000	165,493
Disbursements:										
Instruction	-	-	-	11,410	-	13,200	-	40,989	-	215,781
Support services	-	-	-	167	-	-	-	-	23,000	-
Noninstructional services	-	-	-	-	-	-	-	-	-	1,100
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-	-
Total disbursements	-	-	-	11,577	-	13,200	-	40,989	23,000	216,881
Excess (deficiency) of receipts over disbursements	-	35,000	-	(1,808)	3,223	-	-	41,659	22,000	(51,388)
Other financing sources (uses):										
Sale of capital assets	-	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	35,000	-	(1,808)	3,223	-	-	41,659	22,000	(51,388)
Cash and investments - ending	\$ -	\$ -	\$ 137	\$ 13,691	\$ 5,126	\$ -	\$ -	\$ -	\$ -	\$ (51,388)

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, 2018

	Drug Free Schools	Improving Teacher Quality, Title II, Part A (2017-19)	Improving Teacher Quality, Title II, Part A (2018-20)	Improving Teacher Quality, Title II, Part A (2016-18)	Rural Schools and Low Income Program (2017-19)	Rural Schools and Low Income Program (2016-18)	Payroll Withholdings	Totals
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ (19,996)	\$ (4,477)	\$ -	\$ 755	\$ 4,477,074
Receipts:								
Local sources	-	-	-	-	-	-	-	2,907,782
Intermediate sources	-	-	-	-	-	-	-	494,982
State sources	-	-	-	-	-	-	-	5,579,737
Federal sources	-	-	-	35,710	5,899	-	-	612,960
Interfund loans	-	-	-	-	-	-	-	23,000
Other receipts	-	-	-	-	-	-	1,497,527	1,503,672
Total receipts	-	-	-	35,710	5,899	-	1,497,527	11,122,133
Disbursements:								
Instruction	-	16,063	-	15,714	1,422	11,246	-	4,343,774
Support services	11,641	-	-	-	-	1,100	-	2,549,389
Noninstructional services	-	-	-	-	-	-	-	526,335
Facilities acquisition and construction	-	-	-	-	-	-	-	211,819
Debt service	-	-	-	-	-	-	-	1,508,483
Nonprogrammed charges	-	-	-	-	-	-	1,500,323	1,500,323
Interfund loans	-	-	-	-	-	-	-	23,000
Total disbursements	11,641	16,063	-	15,714	1,422	12,346	1,500,323	10,663,123
Excess (deficiency) of receipts over disbursements	(11,641)	(16,063)	-	19,996	4,477	(12,346)	(2,796)	459,010
Other financing sources (uses):								
Sale of capital assets	-	-	-	-	-	-	-	1,730
Transfers in	-	-	-	-	-	-	-	491,534
Transfers out	-	-	-	-	-	-	-	(491,534)
Total other financing sources (uses)	-	-	-	-	-	-	-	1,730
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(11,641)	(16,063)	-	19,996	4,477	(12,346)	(2,796)	460,740
Cash and investments - ending	\$ (11,641)	\$ (16,063)	\$ -	\$ -	\$ -	\$ (12,346)	\$ (2,041)	\$ 4,937,814

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ORLEANS COMMUNITY SCHOOLS
SCHEDULE OF PAYABLES AND RECEIVABLES
June 30, 2018

<u>Government or Enterprise</u>	<u>Accounts Payable</u>	<u>Accounts Receivable</u>
Governmental activities	<u>\$ 74,477</u>	<u>\$ 99,031</u>

ORLEANS COMMUNITY SCHOOLS
 SCHEDULE OF LEASES AND DEBT
 June 30, 2018

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities:				
Orleans Community School Building Corporation	2009 Refunding Bonds - High School Improvements	\$ 350,000	1/15/2010	7/15/2020
Orleans Community School Building Corporation	2016 Refunding Bonds - School Improvements	309,838	4/7/2016	1/15/2031
Orleans Community School Building Corporation	2007 QZAB Lease - School Improvements	117,163	7/15/2008	1/15/2023
Orleans Elementary School Building Corporation	2014 Refinancing Bond Lease - Elementary School Improvements	<u>344,000</u>	1/15/2015	1/15/2026
Total governmental activities		<u>1,121,001</u>		
Total of annual lease payments		<u>\$ 1,121,001</u>		

Type	Description of Debt Purpose	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:			
General obligation bonds	To refund taxable general obligation pension bonds of 2003	\$ 1,550,000	\$ 303,376
General obligation bonds	Installation of Solar Panels	<u>2,432,898</u>	<u>162,468</u>
Totals		<u>\$ 3,982,898</u>	<u>\$ 465,844</u>

ORLEANS COMMUNITY SCHOOLS
 SCHEDULE OF CAPITAL ASSETS
 June 30, 2018

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

	Ending Balance
Governmental activities:	
Land	\$ 204,082
Buildings	11,557,444
Improvements other than buildings	87,250
Machinery, equipment, and vehicles	<u>1,018,289</u>
Total governmental activities	<u>12,867,065</u>
Total capital assets	<u><u>\$ 12,867,065</u></u>

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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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 *OMB Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the period of July 1, 2016 to June 30, 2018. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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, 2016 to June 30, 2018.

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 the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2018-002, 2018-003, 2018-004, and 2018-005. 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 the Uniform Guidance, 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.

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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as items 2018-001, 2018-002, 2018-003, 2018-004, and 2018-005, that we consider 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.

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

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

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

April 22, 2019

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.

ORLEANS COMMUNITY SCHOOLS
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Years Ended June 30, 2017 and 2018

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient 06-30-17	Total Federal Awards Expended 06-30-17	Passed Through to Subrecipient 06-30-18	Total Federal Awards Expended 06-30-18
<u>Department of Agriculture</u>							
Child Nutrition Cluster							
School Breakfast Program	Indiana Department of Education	10.553	FY 16-17	\$ -	\$ 59,378	\$ -	\$ -
			FY 17-18	-	-	-	68,701
Total - School Breakfast Program				-	59,378	-	68,701
National School Lunch Program							
National School Lunch Fund	Indiana Department of Education	10.555	FY 16-17	-	187,509	-	-
			FY 17-18	-	-	-	198,472
Commodities			FY 16-17	-	46,644	-	-
			FY 17-18	-	-	-	42,694
Total - National School Lunch Program				-	234,153	-	241,166
Special Milk Program for Children							
Special Milk Program for Children	Indiana Department of Education	10.556	FY 16-17	-	213	-	-
			FY 17-18	-	-	-	117
Total - Special Milk Program for Children				-	213	-	117
Summer Food Service Program for Children							
Summer Food Service Program for Children	Indiana Department of Education	10.559	FY 16-17	-	10,220	-	-
			FY 17-18	-	-	-	10,920
Total - Summer Food Service Program for Children				-	10,220	-	10,920
Total - Child Nutrition Cluster				-	303,964	-	320,904
Total - Department of Agriculture				-	303,964	-	320,904
<u>Department of Education</u>							
Special Education Cluster (IDEA)							
Special Education Grants to States	Indiana Department of Education	84.027	14215-049-PN01	-	33,458	-	-
			14216-049-PN01	-	53,302	-	30,517
			14217-049-PN01	-	96,012	-	58,137
			18611-047-PN01	-	-	-	114,805
Total - Special Education Grants to States				-	182,772	-	203,459

ORLEANS COMMUNITY SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Years Ended June 30, 2017 and 2018

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient 06-30-17	Total Federal Awards Expended 06-30-17	Passed Through to Subrecipient 06-30-18	Total Federal Awards Expended 06-30-18
Special Education Preschool Grants	Indiana Department of Education	84.173	45715-049-PN01	-	34	-	-
			45716-049-PN01	-	1,662	-	43
			45717-049-PN01	-	1,541	-	2,145
			18619-047-PN01	-	-	-	1,549
Total - Special Education Preschool Grants				-	3,237	-	3,737
Total - Special Education Cluster (IDEA)				-	186,009	-	207,196
Title I Grants to Local Educational Agencies	Indiana Department of Education	84.010	FY 16-17	-	237,422	-	-
			FY 17-18	-	-	-	248,141
			FY 18 SIG	-	-	-	45,000
Total - Title I Grants to Local Educational Agencies				-	237,422	-	293,141
Rural Education							
Rural & Low Income Schools Grant	Indiana Department of Education	84.358	FY 16-17	-	29,333	-	-
			FY 17-18	-	-	-	5,899
Total - Rural Education				-	29,333	-	5,899
Supporting Effective Instruction State Grants	Indiana Department of Education	84.367	FY 16-17	-	25,804	-	-
			FY 17-18	-	-	-	35,710
Total - Supporting Effective Instruction State Grants				-	25,804	-	35,710
Total - Department of Education				-	478,568	-	541,946
Total federal awards expended				\$ -	\$ 782,532	\$ -	\$ 862,850

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 (SEFA) includes the federal grant activity of the School Corporation under programs of the federal government for the years ended June 30, 2017 and 2018. The information in the SEFA is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the SEFA presents only a select portion of the operations of the School Corporation, it is not intended to and does not present the financial position of the School Corporation.

The Uniform Guidance requires an annual audit of nonfederal entities expending a total amount of federal awards equal to or in excess of \$750,000 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. Summary of Significant Accounting Policies

Expenditures reported on the SEFA are reported on the cash basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement. When federal grants are received on a reimbursement basis, the federal awards are considered expended when the reimbursement is received. The School Corporation has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note 3. Special Education Cooperative

The School Corporation is a member of the Orange-Lawrence-Jackson-Martin-Greene Joint Services Special Education Cooperative (Cooperative), which operates the special education program for the School Corporation. As a result, activity for the Special Education Cluster (IDEA) that is presented on the SEFA is not presented as receipts and disbursements in the financial statement for the School Corporation. This activity is reported on the financial statement of the Cooperative.

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; Unmodified as to Regulatory Basis
Internal control over financial reporting:	
Material weakness identified?	no
Significant deficiency identified?	none reported
Noncompliance material to financial statement noted?	no

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	yes
Significant deficiency identified?	none reported
Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)?	yes

Identification of Major Programs and type of auditor's report issued on compliance for each:

<u>Name of Federal Program or Cluster</u>	<u>Opinion Issued</u>
Child Nutrition Cluster	Unmodified
Special Education Cluster (IDEA)	Unmodified

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

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

No matters are reportable.

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

Section III - Federal Award Findings and Questioned Costs

FINDING 2018-001

Subject: Child Nutrition Cluster - Internal Controls

Federal Agency: Department of Agriculture

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

CFDA Numbers: 10.553, 10.555, 10.556, 10.559

Federal Award Numbers and Years (or Other Identifying Numbers): FY 16-17, FY 17-18

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Program Income, Reporting, Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP), Special Tests and Provisions - Paid Lunch Equity

Audit Finding: Material Weakness

Repeat Finding

This is a repeat of Finding 2016-003 from the immediately prior audit.

Condition

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Program Income, Reporting, Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP), and Special Tests and Provisions - Paid Lunch Equity compliance requirements.

Program Income

Adequate internal controls were not in place over the Program Income compliance requirement. The School Corporation did not have procedures in place to ensure that income received through the federal program was properly recorded in the financial reporting system.

Reporting and Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP)

Adequate internal controls were not in place over the Reporting and Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) compliance requirements to ensure the accuracy of the reports filed. The same employee had sole responsibility for preparing and submitting the Monthly Sponsor Claims (claims for reimbursement), the Annual Financial Report, and the School Food Authority (SFA) Verification Collection Reports. There was no segregation of duties documented, such as an oversight, review, approval process, or other compensating control over the reports that were filed.

Special Tests and Provisions - Paid Lunch Equity (National School Lunch Program Only)

Adequate internal controls were not in place over the Special Tests and Provisions - Paid Lunch Equity compliance requirement. The same employee had sole responsibility for preparation of the paid lunch equity calculations with no evidence of an independent oversight, review, or approval process to ensure the accuracy of the calculation performed.

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

Context

The lack of controls over the Monthly Sponsor Claims (claims for reimbursement) and the Annual Financial Report was isolated to fiscal year 2016-2017. The lack of controls over the program income, School Food Authority (SFA) Verification Collection Reports, and paid lunch equity calculations was a systemic issue, which occurred throughout the audit period.

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

Cause

Management of the School Corporation had not developed or implemented a system of internal controls to ensure compliance with the grant agreement and the Program Income, Reporting, Special Test and Provisions - Verification of Free and Reduced Price Applications (NSLP), and Special Tests and Provisions - Paid Lunch Equity compliance requirements.

Effect

The failure to establish an effective internal control system placed 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 have also allowed noncompliance with the compliance requirements and allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the programs.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls to ensure compliance with the Program Income, Reporting, Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP), and Special Tests and Provisions - Paid Lunch Equity compliance requirements.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

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

FINDING 2018-002

Subject: Child Nutrition Cluster - Allowable Costs/Cost Principles
Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program, Special Milk Program for Children, Summer Food Service Program for Children
CFDA Numbers: 10.553, 10.555, 10.556, 10.559
Federal Award Numbers and Years (or Other Identifying Numbers): FY 16-17, FY 17-18
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Allowable Costs/Cost Principles
Audit Findings: Material Weakness, Other Matters

Condition

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Allowable Costs/Cost Principles compliance requirement.

The School Corporation did not maintain the appropriate time and effort reporting for all employees who worked on the federal award. The balances and financial transactions of the School Lunch fund related to the Child Nutrition Cluster were accounted for in the elementary school extracurricular account (ECA) records. The Elementary ECA Treasurer was responsible for maintaining these records. Beginning in May 2017, the School Corporation allocated one-half of the Elementary ECA Treasurer's salary to the School Lunch fund for the administrative functions of processing of claims and other financial duties related to the School Lunch fund. However, adequate time records were not maintained to support the time charged to the federal award.

Context

The noncompliance began in May 2017 and was a systemic issue during fiscal year 2017-2018.

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

2 CFR 200.430(i) states in part:

"Standards for Documentation of Personnel Expenses (1) Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must:

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

- (i) Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated;
- (ii) Be incorporated into the official records of the non-Federal entity;
- (iii) Reasonably reflect the total activity for which the employee is compensated by the non-Federal entity, not exceeding 100% of compensated activities (for IHE, this per the IHE's definition of IBS); . . .
- (vii) Support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one Federal award; a Federal award and non-Federal award; an indirect cost activity and a direct cost activity; two or more indirect activities which allocated using different allocation bases; or an unallowable activity and a direct or indirect costs activity. . . ."

Cause

Management of the School Corporation had not developed a system of internal controls related to the grant agreement and the Allowable Costs/Cost Principles compliance requirement.

Effect

The failure to establish an effective internal control system placed the School Corporation in noncompliance with the grant agreement and the Allowable Costs/Cost Principles compliance requirement. Noncompliance with the grant agreement or the compliance requirement could have resulted in the loss of federal funds to the School Corporation.

Questioned Costs

Questioned costs in the amount of \$13,232 were identified.

Recommendation

We recommended that the School Corporation's management establish controls to ensure compliance with the grant agreement and the Allowable Costs/Cost Principles compliance requirement.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

FINDING 2018-003

Subject: School Breakfast Program, National School Lunch Program - Cash Management
Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program
CFDA Numbers: 10.553, 10.555
Federal Award Numbers and Years (or Other Identifying Numbers): FY 16-17, FY 17-18
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Cash Management
Audit Findings: Material Weakness, Other Matters

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

Repeat Finding

This is a repeat of Finding 2016-001 from the immediately prior audit.

Condition

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Cash Management compliance requirement.

The School Corporation had not designed or implemented adequate policies or procedures to ensure that the net cash resources of the nonprofit food service did not exceed three months' average expenditures.

The School Corporation did not comply with the Cash Management requirement that they limit the net cash balance resources of the nonprofit food service to three months' average expenditures. A written plan to reduce the nonprofit food service's net cash resources was prepared in June 2018 by the School Corporation, but the plan was never submitted to the Indiana Department of Education for approval.

Context

The noncompliance was a systemic issue throughout the audit period. The net cash resources in the School Lunch fund, which accounted for the financial activity of the nonprofit food service, exceeded the three months' average expenditures for 20 of the 24 months during the audit period.

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

7 CFR 210.14(b) states: "*Net cash resources.* The school food authority shall 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 by the State agency in accordance with § 210.19(a)."

7 CFR 220.7(e) states in part:

"Each school food authority approved to participate in the program shall . . . with respect to participating schools under its jurisdiction: . . ."

- (iv) Limit its net cash resource to an amount that does not exceed three month average expenditure for its nonprofit school food service of such other amount as may be approved by the State agency; . . ."

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

Cause

The School Corporation's management had not developed a system of internal controls that would have ensured compliance with Cash Management compliance requirement.

Effect

The failure to establish an effective internal control system enabled noncompliance to go undetected. Noncompliance with the grant agreement or the compliance requirement could have resulted in the loss of federal funds to the School Corporation.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls to ensure compliance with the grant agreement and the Cash Management compliance requirement.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

FINDING 2018-004

Subject: School Breakfast Program, National School Lunch Program, Summer Food Service Program for Children - Equipment and Real Property Management

Federal Agency: 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 (or Other Identifying Numbers): FY 16-17, FY 17-18

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Equipment and Real Property Management

Audit Findings: Material Weakness, Other Matters

Condition

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Equipment and Real Property Management compliance requirement.

The School Corporation did not have controls in place to ensure that assets purchased for the food service program were properly inventoried and included in the capital asset listing. The School Corporation's Fixed Assets Policy established a \$2,500 threshold for capitalization of assets, but the capital asset listing for food service program assets did not include three equipment purchases that had a purchase price of \$2,500 or greater during the audit period. In addition, the capital asset listing did not always contain the serial number or other identification number, the source of funding, the titleholder, the acquisition date and cost, and if applicable, disposition data including the date of disposition and sales price.

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

The School Corporation did not request approval from the Indiana Department of Education prior to making purchases greater than \$5,000.

Context

The lack of controls and noncompliance were systemic problems, which occurred throughout the audit period.

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

2 CFR 200.313(d) states in part:

"*Management requirements.* Procedures for managing equipment (including replacement equipment), whether acquired in whole or in part under a Federal award, until disposition takes place will, as a minimum, meet the following requirements:

- (1) Property records must be maintained that include a description of the property, a serial number or other identification number, the source of funding for the property (including the FAIN), who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the project costs for the Federal award under which the property was acquired, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property.
- (2) A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years. . . ."

2 CFR 200.313(a) states in part:

". . . Title must vest in the non-Federal entity subject to the following conditions: . . .

- (2) Not encumber the property without approval of the Federal awarding agency or pass-through entity . . ."

Cause

Management of the School Corporation had not established an effective internal control system that would have ensured compliance with the grant agreement and the Equipment and Real Property Management compliance requirement.

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

Effect

The failure to establish an effective internal control system enabled material noncompliance to remain undetected. The failure to comply with the grant agreement and the Equipment and Real Property Management compliance requirement could have resulted in the loss of federal funds to the School Corporation.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish an effective system of internal controls to ensure compliance with the grant agreement and the Equipment and Real Property Management compliance requirement.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

FINDING 2018-005

Subject: School Breakfast Program, National School Lunch Program, Summer Food Service Program for Children - Procurement and Suspension and Debarment

Federal Agency: 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 (or Other Identifying Numbers): FY 16-17, FY 17-18

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Procurement and Suspension and Debarment

Audit Findings: Material Weakness, Other Matters

Repeat Finding

This is a repeat of Finding 2016-002 from the immediately prior audit.

Condition

The School Corporation had not established an effective internal control system related to the grant agreement and the Procurement and Suspension and Debarment compliance requirement.

Procurement

The School Corporation had not established effective controls to ensure proper procurement methods and procedures were followed.

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

The School Corporation did not have documented procurement procedures as required by 2 CFR 200.318 for fiscal year 2016-2017. The School Corporation established a procurement policy for 2017-2018, but the stated procedures were not always followed. Procurements from three vendors during 2016-2017 and four vendors during 2017-2018 fell within the small purchase procedures requirements, but there was no evidence that an adequate number of quotations were obtained or documentation as to the rationale to limit competition in those cases where competition was limited and that the limitation was justified.

Suspension and Debarment

The School Corporation utilized group purchasing organizations for purchases of food and dairy commodities. These organizations handled the bidding process for the School Corporation and were responsible for verifying the suspended or debarred status of the vendors selected. However, the School Corporation did not have internal controls in place to ensure the suspension and debarment requirements were followed for vendors with which it entered into covered transactions. There was no evidence that the School Corporation reviewed the vendor selections to substantiate that the group purchasing organizations actually performed the verifications of the suspended or debarred status of the vendors.

Context

The lack of controls and noncompliance were systemic issues, which occurred throughout the audit period.

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

2 CFR 200.318(a) states: "The non-Federal entity must use its own documented procurement procedures which reflect applicable State, local, and tribal laws and regulations, provided that the procurements conform to applicable Federal law and the standards identified in this part."

2 CFR 200.320 states in part:

"The non-Federal Entity must use one of the following methods of procurement.

- (a) Procurement by micro-purchases. Procurement by micro-purchase is the acquisition of supplies or services, the aggregate dollar amount of which does not exceed the micro-purchase threshold (§ 200.67 Micro-purchase). To the extent practicable, the non-Federal entity must distribute micro-purchases equitably among qualified suppliers. Micro-purchases may be awarded without soliciting competitive quotations if the non-Federal entity considers the price to be reasonable.

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

(b) Procurement by small purchase procedures. Small purchase procedures are those relatively simple and informal procurement methods for securing services, supplies, or other property that do not cost more than the Simplified Acquisition Threshold. If small purchase procedures are used, price or rate quotations must be obtained from an adequate number of qualified sources.

(c) Procurement by sealed bids (formal advertising). Bids are publicly solicited and a firm fixed price contract (lump sum or unit price) is awarded to the responsible bidder whose bid, conforming with all the material terms and conditions of the invitation for bids, is the lowest in price. The sealed bid method is the preferred method for procuring construction, if the conditions in paragraph (c)(1) of this section apply. . . ."

2 CFR 180.300 states:

"When you enter into a covered transaction with another person at the next lower tier, you must verify that the person with whom you intend to do business is not excluded or disqualified.

You do this by:

- (a) Checking the SAM Exclusions; or
- (b) Collecting a certification from that person; or
- (c) Adding a clause or condition to the covered transaction with that person."

Cause

Management of the School Corporation had not developed a system of internal controls that would have ensured compliance with the grant agreement and the Procurement and Suspension and Debarment compliance requirement.

Effect

The failure to establish an effective internal control system enabled noncompliance to go undetected. Noncompliance with the grant agreement or the compliance requirement could have resulted in the loss of federal funds to the School Corporation.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls and follow the School Corporation's documented procurement policy to ensure compliance with the grant agreement and the Procurement and Suspension and Debarment compliance requirement.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

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AUDITEE-PREPARED DOCUMENTS

The subsequent documents were provided by management of the School Corporation. The documents are presented as intended by the School Corporation.

**ORLEANS COMMUNITY SCHOOLS
OFFICE OF THE SUPERINTENDENT**

Gary McClintic, Superintendent
Theresa Robbins, Treasurer
Bridget Knight, Deputy Trea.
Chelsie Atchison, Secretary



173 W. Marley Street - Orleans, IN 47452
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www.orleans.k12.in.us

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2016-001

Fiscal year in which the finding initially occurred: FY 2014
Contact Person Responsible for Corrective Action: Theresa Robbins
Contact Phone Number: (812)865-2688

Status of Audit Finding: This is an ongoing process. The three-month average is continuing to be monitored with a spreadsheet of the cafeteria financials. In addition, a plan to reduce the cash balance is going to be developed which will need to be sent to the Indiana Department of Education for formal approval.



(Signature)

Superintendent

(Title)

4-2-19

(Date)

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2016-002

Fiscal year in which the finding initially occurred: FY 2016
Contact Person Responsible for Corrective Action: Dorothy Dorsett
Contact Phone Number: (812)865-2688

Status of Audit Finding: The cafeteria is working to address the issues. There is a procurement plan in place but it still needs to be fully implemented.



(Signature)

Superintendent

(Title)

4-2-19

(Date)

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2016-003

Fiscal year in which the finding initially occurred: FY 2014
Contact Person Responsible for Corrective Action: Dorothy Dorsett/Blair Stewart
Contact Phone Number: (812)865-2688

Status of Audit Finding: Regarding the annual financial reports and the Z reports, signatures are now occurring and fully implemented as of the 2017-2018 school year. Regarding the verification reports related to free and reduced, there needs to be a third step implemented after the cafeteria secretary sends out the letters and the cafeteria manager completes the report online. The third step needs to be a review of the completed report by Blair Stewart. This will be implemented in the 2019-2020 school year.



(Signature)

Superintendent

(Title)

4-2-19

(Date)

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2016-004

Fiscal year in which the finding initially occurred: FY 2014
Pass-Through Entity: Indiana Department of Education
Contact Person Responsible for Corrective Action: James Ellis
Contact Phone Number: (812)865-2688

Status of Audit Finding: As of the 2017-2018 school year, this has been corrected.

G. McClintic
(Signature)

Superintendent
(Title)

4-2-19
(Date)

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CORRECTIVE ACTION PLAN

FINDING 2018-001

Contact Person Responsible For Corrective Action: Theresa Robbins and Dorothy Dorsett
Contact Phone Number: (812)865-2688

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: Regarding Program Income, Fund 8400 will be set up for the upcoming school year 2019-2020 and utilized for the prepaid accounts. All deposits will be placed in this Fund 8400 until a meal is charged, at which point this becomes program income and can be transferred over to Fund 800. Procedures will be put into place to ensure the correct transfer and reporting of federal income. Regarding Verification of Free and Reduced Price Applications, oversight and a review by a second individual over these applications is to be implemented. Regarding both the Monthly Sponsor Claims and the Annual Financial Report, the control issue was resolved for the 2017-2018 year. Regarding Paid Lunch Equity, a second employee will be responsible for reviewing the calculation, and both employees will need to provide a signature on this document.

Anticipated Completion Date: Summer of 2019

FINDING 2018-002

Contact Person Responsible For Corrective Action: Theresa Robbins
Contact Phone Number: (812)865-2688

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: At the beginning of April, the Elementary ECA Treasurer began to track hours each day as either pertaining to cafeteria or to all other work. The Elementary ECA Treasurer is using a Time and Effort Log to record these hours. At the end of May, this information will be collected by the Corporation Treasurer to provide a study of her time in order to either support the 50% allocation of her time to cafeteria or to correct the percentage allocated to better reflect the study's results.

Anticipated Completion Date: June 1, 2019

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CORRECTIVE ACTION PLAN (Continued)

FINDING 2018-003

Contact Person Responsible For Corrective Action: Theresa Robbins
Contact Phone Number: (812)865-2688

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: A spreadsheet has been developed to monitor the three months average expenditures, and will continue to be updated and reviewed on a monthly basis by both the Corporation Treasurer and the Superintendent and Board. Costs will continue to be reviewed to see if applicable to the Cafeteria Fund. In addition, a written plan needs to be updated from the previous year and then submitted to the Indiana Department of Education for approval.

Anticipated Completion Date: May 31, 2019

FINDING 2018-004

Contact Person Responsible For Corrective Action: Theresa Robbins and Dorothy Dorsett
Contact Phone Number: (812)865-2688

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: The three equipment purchases discovered during the audit period will be added to the capital asset listing for the food service program. The capital asset listing will also need to be reviewed to ensure that all relevant information (such as serial number or a tag number) is contained on there. And in addition, the Corporation Treasurer and Food Service Director will coordinate who needs to request approval from the Indiana Department of Education prior to making purchases greater than \$5,000.

Anticipated Completion Date: Summer of 2019

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CORRECTIVE ACTION PLAN (Continued)

FINDING 2018-005

Contact Person Responsible For Corrective Action: Theresa Robbins and Dorothy Dorsett
Contact Phone Number: (812)865-2688

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: There is a procurement policy but the procedures need to be reviewed and followed more closely. Within the small purchase procedures requirements, an adequate number of quotations will need to be obtained or document the rationale as to the limited number of quotes. In relation to suspension and debarment (for signed contracts over \$25,000), at the beginning of each school year either the Corporation Treasurer or the Food Service Director need to verify the status of vendors and document that this has been completed.

Anticipated Completion Date: Summer of 2019



Signature

Superintendent

Title

4-17-19

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/>.