

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

EXAMINATION REPORT
OF
TOWN OF ORLEANS
ORANGE COUNTY, INDIANA
January 1, 2008 to December 31, 2009



FILED
12/20/2010

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Officials	2
Independent Accountant's Report.....	3
Financial Information:	
Schedules of Receipts, Disbursements, and Cash and Investment Balances	4
Notes to Financial Information	5-6
Supplementary Information:	
Schedule of Capital Assets.....	7
Schedule of Long-Term Debt	8
Examination Results and Comments:	
Collections Not Deposited	9
Personal Expenses.....	9
Charges Filed Against Leslie Ann Dalton, Former Deputy Clerk-Treasurer	9
Optical Images of Warrants	10
Approval of Claims	10
Deposits.....	11
Customer Deposit Register	11
Bank Account Reconciliations	11
Penalties, Interest, and Other Charges	12
Hydrant Rental.....	12
Capital Asset Records	12
Exit Conference.....	13
Official Response	14
Summary	15

OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Robert F. Henderson	01-01-08 to 12-31-11
President of the Town Council	Donald B. McClintock	01-01-08 to 03-20-08
	Randy G. Lawyer	03-21-08 to 12-31-08
	Mike Fields	01-01-09 to 12-31-10



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

INDEPENDENT ACCOUNTANT'S REPORT

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

We have examined the financial information presented herein of the Town of Orleans (Town), for the period of January 1, 2008 to December 31, 2009. The Town's management is responsible for the financial information presented herein. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the financial information presented herein and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the financial information referred to above presents fairly, in all material respects, the financial information of the Town for the years ended December 31, 2008 and 2009, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

The Schedule of Capital Assets and Schedule of Long-Term Debt, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the basic financial information. They have not been subjected to the examination procedures applied to the basic financial information and, accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

November 3, 2010

TOWN OF ORLEANS
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL, PROPRIETARY, AND FIDUCIARY FUND TYPES
As Of And For The Years Ended December 31, 2008 And 2009

	Cash and Investments 01-01-08	Receipts	Disbursements	Cash and Investments 12-31-08
Governmental Funds:				
General	\$ 850,459	\$ 605,877	\$ 684,660	\$ 771,676
Motor Vehicle Highway	81,623	86,552	76,220	91,955
Local Road and Street	13,145	9,930	3,685	19,390
Cemetery	52,360	42,314	40,314	54,360
Cemetery Donations	9,645	-	-	9,645
Casino	-	1,400,165	1,051,303	348,862
Nonreverting Aviation	39	-	39	-
Nonreverting Park Donations	2,606	1,130	1,680	2,056
Aviation	37,645	23,320	12,263	48,702
Local Law Enforcement Continuing Education	2,738	2,432	1,900	3,270
Fire Equipment Donations	2,752	500	450	2,802
Dogwood Tree Donations	250	-	-	250
Rainy Day	-	54,160	-	54,160
Jimmie M. Stalker Memorial	1,545	962	495	2,012
Cumulative Capital Improvement	10,126	7,392	-	17,518
Economic Development Income Tax	323,174	58,691	109,623	272,242
Cumulative Capital Development	110,550	41,300	66,406	85,444
Cumulative Building and Sinking	4,138	-	-	4,138
Proprietary Funds:				
Water Utility - Operating	165,685	510,274	584,147	91,812
Water Utility - Bond and Interest	273,673	61,772	47,650	287,795
Water Utility - Debt Service Reserve	36,800	-	-	36,800
Water Utility - Depreciation	21,101	24,009	33,931	11,179
Water Utility - Customer Deposit	34,582	3,120	2,450	35,252
Wastewater Utility - Operating	72,161	371,134	397,318	45,977
Wastewater Utility - Bond and Interest	36,257	70,863	56,350	50,770
Wastewater Utility - Debt Service Reserve	150,000	-	-	150,000
Wastewater Utility - Depreciation	73,532	20,175	26,368	67,339
Wastewater Utility - Customer Deposit	28,112	2,864	2,264	28,712
Fiduciary Funds:				
Dallas Tyler Trust	146	855	1,215	(214)
Cemetery Perpetual Care	108,296	1,655	-	109,951
Payroll	4,097	507,857	506,295	5,659
Totals	\$ 2,507,237	\$ 3,909,303	\$ 3,707,026	\$ 2,709,514

	Cash and Investments 01-01-09	Receipts	Disbursements	Cash and Investments 12-31-09
Governmental Funds:				
General	\$ 771,676	\$ 531,801	\$ 824,774	\$ 478,703
Motor Vehicle Highway	91,955	112,738	72,716	131,977
Local Road and Street	19,390	9,365	4,691	24,064
Cemetery	54,360	45,367	54,243	45,484
Cemetery Donations	9,645	-	-	9,645
Casino	348,862	1,147,478	1,052,865	443,475
Nonreverting Park Donations	2,056	5,557	4,094	3,519
Aviation	48,702	11,623	12,708	47,617
Local Law Enforcement Continuing Education	3,270	1,942	4,994	218
Fire Equipment Donations	2,802	8,322	10,034	1,090
Dogwood Tree Donations	250	-	-	250
Rainy Day	54,160	19,125	35,000	38,285
Jimmie M. Stalker Memorial	2,012	542	-	2,554
Cumulative Capital Improvement	17,518	6,970	1,398	23,090
Economic Development Income Tax	272,242	65,261	285,262	52,241
Cumulative Capital Development	85,444	65,555	102,449	48,550
Cumulative Building and Sinking	4,138	-	-	4,138
Proprietary Funds:				
Water Utility - Operating	91,812	501,546	545,444	47,914
Water Utility - Bond and Interest	287,795	19,742	47,950	259,587
Water Utility - Debt Service Reserve	36,800	-	-	36,800
Water Utility - Depreciation	11,179	7,540	8,173	10,546
Water Utility - Customer Deposit	35,252	3,921	2,241	36,932
Wastewater Utility - Operating	45,977	371,018	362,075	54,920
Wastewater Utility - Bond and Interest	50,770	20,000	64,650	6,120
Wastewater Utility - Debt Service Reserve	150,000	-	-	150,000
Wastewater Utility - Depreciation	67,339	6,651	37,561	36,429
Wastewater Utility - Customer Deposit	28,712	3,650	2,050	30,312
Fiduciary Funds:				
Dallas Tyler Trust	(214)	405	180	11
Cemetery Perpetual Care	109,951	5,130	-	115,081
Payroll	5,659	563,014	561,687	6,986
Totals	\$ 2,709,514	\$ 3,534,263	\$ 4,097,239	\$ 2,146,538

The accompanying notes are an integral part of the financial information.

TOWN OF ORLEANS
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

The Town was established under the laws of the State of Indiana. The Town provides the following services: public safety, highways and streets, culture and recreation, planning and zoning, general administrative services, water and wastewater.

Note 2. Fund Accounting

The Town uses funds to report on its cash and investments and the results of its operations on a cash basis. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities.

Note 3. Budgets

The operating budget is initially prepared and approved at the local level. In addition, funds for which property taxes are levied or highway use taxes are received are subject to final approval by the Indiana Department of Local Government Finance.

Note 4. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the Town in June and December. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100% 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 become delinquent if not paid by May 10 and November 10, respectively. All property taxes collected by the County Treasurer and available for distribution were distributed to the Town on or prior to December 31 of the year collected.

Note 5. Deposits and Investments

Deposits, made in accordance with Indiana Code 5-13, with financial institutions in the State of Indiana at year end were 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.

TOWN OF ORLEANS
NOTES TO FINANCIAL INFORMATION
(Continued)

State statute (IC 5-13-9) authorizes the Town to invest in securities including, but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

Note 6. Pension Plan

Public Employees' Retirement Fund

Plan Description

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

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

Public Employees' Retirement Fund
Harrison Building, Room 800
143 West Market Street
Indianapolis, IN 46204
Ph. (317) 233-4162

Funding Policy and Annual Pension Cost

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

TOWN OF ORLEANS
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS
For The Year Ended December 31, 2009

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

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 349,986
Buildings	312,465
Improvements other than buildings	1,703,165
Machinery and equipment	<u>1,033,408</u>
 Total governmental activities, capital assets not being depreciated	 <u>\$ 3,399,024</u>
 Business-type activities:	
Water Utility:	
Capital assets, not being depreciated:	
Land	\$ 14,998
Buildings	11,061
Improvements other than buildings	1,602,465
Machinery and equipment	<u>113,561</u>
 Total Water Utility capital assets	 <u>1,742,085</u>
 Wastewater Utility:	
Capital assets, not being depreciated:	
Land	41,069
Buildings	233,000
Improvements other than buildings	5,511,466
Machinery and equipment	<u>942,746</u>
 Total Wastewater Utility capital assets	 <u>6,728,281</u>
 Total business-type activities, capital assets not being depreciated	 <u>\$ 8,470,366</u>

TOWN OF ORLEANS
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 December 31, 2009

The Town has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Business-type activities:		
Water Utility:		
Revenue bonds:		
1974 Water systems improvements	\$ 203,000	\$ 47,150
Wastewater Utility:		
Revenue bonds:		
2006 Wastewater improvements	310,000	62,150
Total business-type activities debt	<u>\$ 513,000</u>	<u>\$ 109,300</u>

TOWN OF ORLEANS
EXAMINATION RESULTS AND COMMENTS

COLLECTIONS NOT DEPOSITED

A comparison of the records to the bank account indicated cash necessary to balance of \$3,223.15. This amount corresponds to Utility collections from September 16, 2009, that were never deposited. The Water Utility collections totaled \$1,848.73 and the Wastewater Utility collections totaled \$1,374.42.

IC 5-13-6-1(d) states: "A city (other than a consolidated city) or a town shall deposit funds not later than the next business day following the receipt of the funds in depositories: (1) selected by the city or town as provided in an ordinance adopted by the city or the town; and (2) approved as depositories of state funds."

Funds misappropriated, diverted or unaccounted for through malfeasance, misfeasance, or nonfeasance in office of any officer or employee may be the personal obligation of the responsible officer or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Leslie A. Dalton, former Deputy Clerk-Treasurer, has been requested to repay the Town Utilities the collections not deposited in the amount of \$3,223.15. (See Summary, page 15)

PERSONAL EXPENSES

Check 683, dated September 17, 2009 for \$800, was supported by an accounts payable voucher made out to Daugherty's Services, Inc. However, there was no invoice to support the claim and the check was made out to Leslie A. Dalton.

Public funds may not be used to pay for personal items or for expenses which do not relate to the functions and purposes of the governmental unit. Any personal expenses paid by the governmental entity may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Funds misappropriated, diverted or unaccounted for through malfeasance, misfeasance, or nonfeasance in office of any officer or employee may be the personal obligation of the responsible officer or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Leslie A. Dalton, former Deputy Clerk-Treasurer, has been requested to repay the Town General Fund for personal expenses in the amount of \$800.00. (See Summary, page 15)

CHARGES FILED AGAINST LESLIE ANN DALTON, FORMER DEPUTY CLERK-TREASURER

On October 26, 2010, the Orange County Superior Court issued a "Finding and Judgment and Sentencing Order" against Leslie Ann Dalton for Cause No. 59D01-1001-FD-042. This Order was the result of a plea agreement to the above referenced cause number to one count of theft, a Class D Felony, with the understanding that judgment of conviction shall be entered as a Class A Misdemeanor and requires payment of full restitution. On October 29, 2010, the Town of Orleans wrote receipt number 15388 for \$4,023.15. The receipt was made out to the Orange County Circuit Court Clerk for the collection of the payment of full restitution from Leslie A. Dalton for Cause Number 59D01-1001-FD-042.

TOWN OF ORLEANS
EXAMINATION RESULTS AND COMMENTS
(Continued)

OPTICAL IMAGES OF WARRANTS

The financial institution did not return the actual cancelled checks with the monthly bank statements.

IC 5-15-6-3 concerning optical imaging of checks states in part:

"(a) . . . 'original records' . . . includes the optical image of a check or deposit document when:

- (1) the check or deposit document is recorded, copied, or reproduced by an optical imaging process . . . ; and
- (2) the drawer of the check receives an optical image of the check after the check is processed for payment . . . "

Further, IC 26-2-8-111 states in part:

"(a) If a law requires that certain records be retained, that requirement is met by retaining an electronic record of the information in the record that:

- (1) accurately reflects the information set forth in the record after it was first generated in its final form as an electronic record or otherwise: and
- (2) remains accessible for later reference."

"(e) If a law requires retention of a check, that requirement is satisfied by retention of an electronic record of the information on the front and back of the check in accordance with subsection (a)."

APPROVAL OF CLAIMS

The following deficiencies were noted on claims during the examination period:

- (1) Claims were not certified by the fiscal officer.
- (2) Claims were not adequately itemized.
- (3) All claims did not have board approval.
- (4) Claims or invoices did not have evidence to support receipt of goods or services.

IC 5-11-10-2(a) states:

"Claims against a political subdivision of the state must be approved by the officer or person receiving the goods or services, be audited for correctness and approved by the disbursing officer of the political subdivision, and, where applicable, be allowed by the governing body having jurisdiction over allowance of such claims before they are paid. If the claim is against a governmental entity (as defined in section 1.6 of this chapter), the claim must be certified by the fiscal officer."

TOWN OF ORLEANS
EXAMINATION RESULTS AND COMMENTS
(Continued)

DEPOSITS

Receipts for meter deposits and reconnect fees were routinely deposited later than the next business day. In one instance water and sewer meter deposits were held for 43 days before deposit.

IC 5-13-6-1(d) states: "A city (other than a consolidated city) or a town shall deposit funds not later than the next business day following the receipt of the funds in depositories (1) selected by the city or town as provided in an ordinance adopted by the city or the town; and (2) approved as depositories of state funds."

CUSTOMER DEPOSIT REGISTER

The Town had been keeping the prescribed Form 314, Guarantee Deposit Register, and the approved computerized form. The two forms do not reconcile and neither form reconciles with the customer deposit amount recorded on the general ledger.

A detailed listing of customer accounts was not prepared as of December 31, 2009, for the computerized form. The prescribed Form 314, Guarantee Deposit Register was totaled as of December 31, 2009. That calculated balance in the Guaranteed Deposit Register for the Water Utility was \$1,032.31 more than the bank balance and the Wastewater Utility balance was \$1,150 more than the bank balance.

At all times, the manual and computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

BANK ACCOUNT RECONCILIATIONS

Depository reconciliations of the fund balances to the bank account balances were not complete. The December 31, 2009 Water Utility reconciliation included an unidentified adjustment of \$63,291.69. During the examination it was discovered that the amount resulted from an error caused by posting the December 23, 2009, Utility collections incorrectly.

As of November 1, 2010, the depository reconciliations of the fund balances to the bank account balances had not been completed since February 2010.

IC 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsibility for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF ORLEANS
EXAMINATION RESULTS AND COMMENTS
(Continued)

PENALTIES, INTEREST, AND OTHER CHARGES

Penalties and interest totaling \$1,022.30 were paid to the Indiana Department of Revenue (IDOR) on July 14, 2009. This amount resulted from a tax audit by the IDOR due to the underpayment of utility receipts tax for the years 2002, 2003, 2004, 2005, 2006, and 2007 and the underpayment of sales tax for the years 2006, 2007 and 2008.

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the governmental unit.

Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit.

Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee.

(Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

HYDRANT RENTAL

The Town of Orleans owes the Water Utility hydrant rental of \$23,170 and \$54,670 for the years 2008 and 2009, respectively, pursuant to Rate Ordinance No. 2005-5 passed by the Town Council on February 17, 2005.

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CAPITAL ASSET RECORDS

The capital asset records presented for examination had not been updated since December 31, 2007. A current inventory of capital assets had not been conducted and reconciled back to the detailed listing.

Every governmental unit should have a complete inventory of all capital assets owned which reflects their acquisition value. Such inventory should be recorded on the applicable Capital Assets Ledger. A complete inventory should be taken every year for good internal control and for verifying account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF ORLEANS
EXIT CONFERENCE

The contents of this report were discussed on November 3, 2010, with Robert F. Henderson, Clerk-Treasurer; Janie Baker, Town Council member; and Theresa Nevill, Deputy Clerk-Treasurer. The official response has been made a part of this report and may be found on page 14.

A certified letter was sent to Leslie A. Dalton, former Deputy Clerk-Treasurer, on November 1, 2010, informing her that the examination of the Town had been completed, and giving her the opportunity to discuss the contents of the report and to make an official response. Although the letter was signed as received on November 4, 2010, no contact was ever made indicating that she wished to discuss the report or make an official response.

TOWN COUNCIL
Randy G. Lawyer
Michael H. Fields
Jason Lawyer



The Town of ORLEANS

161 E. PRICE AVE.
ORLEANS, IN 47452
Phone 812-865-2539
Fax 812-865-3413
orleanstownhall@netsurfusa.net

CLERK-TREASURER
Robert F. Henderson, Jr.

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

November 8, 2010

OFFICIAL RESPONSE

State Board of Accounts
302 W Washington St., RM E 418
Indianapolis, IN 46204-2765

Collections Not Deposited

All monies for the Town of Orleans are now being deposited daily.

Charges Collected

Every effort possible was made by the Clerk-Treasurer to insure the safe guarding of the town's assets including but not limited to contacting the SBA, the Town Marshal, Council President, the immediate suspension of the employee and removal of the same from all of the town accounts, contacting the accounting software provider, and initiating an in-depth investigation at the town's financial institution.

Optical Images of Warrants

Optical images of all cancelled checks have been requested from the town's financial institution and have been received starting with January, 2010 until the present month. This request had previously been made of our local bank several times in the past.

Customer Deposit Register

This item is largely as a result of the Clerk's Office switching over from all manual records to computer and new accounting software.

Penalties, Interest and Other Charges

Clerk's Staff were not aware that this state form had to be filed by this office and it had never been previously brought to the attention of the Clerk-Treasurer's Office.

Sincerely,


Robert F. Henderson, Jr.
Orleans Town Clerk-Treasurer

TOWN OF ORLEANS
SUMMARY

	Charges	Credits	Balance Due
Leslie A. Dalton, former Deputy Clerk-Treasurer:			
Collections Not Deposited, page 9	\$ 3,223.15	\$	\$
Paid by Leslie A. Dalton, former Deputy Clerk-Treasurer, Deposited on October 29, 2010, Receipt 15388		3,223.15	-
Personal Expenses, page 9	800.00		
Paid by Leslie A. Dalton, former Deputy Clerk-Treasurer, Deposited on October 29, 2010, Receipt 15388		800.00	-
Totals	\$ 4,023.15	\$ 4,023.15	\$ -