

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

EXAMINATION REPORT

OF

TOWN OF ORLAND

STEUBEN COUNTY, INDIANA

January 1, 2004 to December 31, 2005



**FILED**  
12/29/2006



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OFFICIALS

| <u>Office</u>                   | <u>Official</u>   | <u>Term</u>  |
|---------------------------------|---|--|
| Clerk-Treasurer                 | Rhonda L. Engle   | 01-01-00 to 12-31-07   |
| President of the Town Council   | Marylyn Ernsberger<br>Kevin Kellett<br>Jennifer L. Steele | 01-01-04 to 12-31-04<br>01-01-05 to 12-31-05<br>01-01-06 to 12-31-06 |
| Superintendent of Water Utility | Vaughn D. Norton  | 01-01-04 to 12-31-06   |



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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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](http://www.in.gov/sboa)

INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE TOWN OF ORLAND, STEUBEN COUNTY, INDIANA

We have examined the financial information presented herein of the Town of Orland (Town), for the period of January 1, 2004 to December 31, 2005. 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, 2004 and 2005, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

STATE BOARD OF ACCOUNTS

December 5, 2006

TOWN OF ORLAND  
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, 2004 And 2005

|   | Cash and<br>Investments<br>01-01-04 | Receipts          | Disbursements     | Cash and<br>Investments<br>12-31-04 |
|---|-------------------------------------|-------------------|-------------------|-------------------------------------|
| <b>Governmental Funds:</b>                        |                                     |                   |                   |                                     |
| General   | \$ 96,296                           | \$ 94,284         | \$ 145,740        | \$ 44,840                           |
| Motor Vehicle Highway                             | 4,253                               | 16,437            | 11,444            | 9,246                               |
| Local Road and Street                             | 9,200                               | 2,107             | 8,244             | 3,063                               |
| Law Enforcement Continuing Education              | 2,439                               | 138               | 968               | 1,609                               |
| Riverboat   | 2,156                               | 2,150             | -                 | 4,306                               |
| Rainy Day   | -                                   | 1,831             | -                 | 1,831                               |
| Cumulative Capital Improvement                    | 12,597                              | 1,272             | 1,000             | 12,869                              |
| Cumulative Capital Development                    | 43,192                              | 4,801             | 13,829            | 34,164                              |
| CEDIT   | 32,786                              | 13,001            | 6,045             | 39,742                              |
| Cumulative Investment Incentive Program Repayment | 25,857                              | 1,500             | -                 | 27,357                              |
| Sanitation  | 1,281                               | 17,606            | 16,908            | 1,979                               |
| Police Gift                                       | 1,487                               | 100               | 1,014             | 573                                 |
| Park Gift   | 3,337                               | 3,672             | 2,015             | 4,994                               |
| Community Center Gift                             | 1,441                               | 2,532             | 220               | 3,753                               |
| Police Car Grant                                  | 325                                 | -                 | -                 | 325                                 |
| Police Equipment Grant                            | -                                   | 5,725             | 1,283             | 4,442                               |
| <b>Proprietary Funds:</b>                         |                                     |                   |                   |                                     |
| Water Utility - Operating                         | 25,133                              | 102,582           | 107,440           | 20,275                              |
| Water Utility - Reserve                           | 23,700                              | -                 | -                 | 23,700                              |
| Water Utility - Depreciation                      | 15,578                              | 80                | -                 | 15,658                              |
| Water Utility - Customer Deposit                  | 500                                 | 1,600             | 100               | 2,000                               |
| Water Utility - Construction                      | 18,797                              | -                 | -                 | 18,797                              |
| Water Utility - Bond and Interest                 | -                                   | 24,128            | 24,128            | -                                   |
| <b>Fiduciary Fund:</b>                            |                                     |                   |                   |                                     |
| Payroll   | 5,110                               | 99,806            | 96,783            | 8,133                               |
| <b>Totals</b>                                     | <b>\$ 325,465</b>                   | <b>\$ 395,352</b> | <b>\$ 437,161</b> | <b>\$ 283,656</b>                   |

|   | Cash and<br>Investments<br>01-01-05 | Receipts          | Disbursements     | Cash and<br>Investments<br>12-31-05 |
|---|-------------------------------------|-------------------|-------------------|-------------------------------------|
| <b>Governmental Funds:</b>                        |                                     |                   |                   |                                     |
| General   | \$ 44,840                           | \$ 279,845        | \$ 192,741        | \$ 131,944                          |
| Motor Vehicle Highway                             | 9,246                               | 34,790            | 17,052            | 26,984                              |
| Local Road and Street                             | 3,063                               | 2,107             | 1,787             | 3,383                               |
| Law Enforcement Continuing Education              | 1,609                               | 186               | 209               | 1,586                               |
| Riverboat   | 4,306                               | 2,151             | -                 | 6,457                               |
| Rainy Day   | 1,831                               | -                 | -                 | 1,831                               |
| Cumulative Capital Improvement                    | 12,869                              | 1,054             | -                 | 13,923                              |
| Cumulative Capital Development                    | 34,164                              | 18,307            | 4,421             | 48,050                              |
| CEDIT   | 39,742                              | 13,424            | 1,791             | 51,375                              |
| Cumulative Investment Incentive Program Repayment | 27,357                              | 75                | -                 | 27,432                              |
| Sanitation  | 1,979                               | 18,027            | 17,241            | 2,765                               |
| Police Gift                                       | 573                                 | 600               | -                 | 1,173                               |
| Park Gift   | 4,994                               | 1,636             | -                 | 6,630                               |
| Community Center Gift                             | 3,753                               | 2,050             | 967               | 4,836                               |
| Police Car Grant                                  | 325                                 | -                 | 325               | -                                   |
| Police Equipment Grant                            | 4,442                               | 573               | 4,940             | 75                                  |
| Levy Excess                                       | -                                   | 13,279            | -                 | 13,279                              |
| <b>Proprietary Funds:</b>                         |                                     |                   |                   |                                     |
| Water Utility - Operating                         | 20,275                              | 104,849           | 117,526           | 7,598                               |
| Water Utility - Reserve                           | 23,700                              | -                 | -                 | 23,700                              |
| Water Utility - Depreciation                      | 15,658                              | 82                | -                 | 15,740                              |
| Water Utility - Customer Deposit                  | 2,000                               | 1,000             | 499               | 2,501                               |
| Water Utility - Construction                      | 18,797                              | 2,900             | 12,668            | 9,029                               |
| Water Utility - Bond and Interest                 | -                                   | 23,432            | 23,432            | -                                   |
| <b>Fiduciary Fund:</b>                            |                                     |                   |                   |                                     |
| Payroll   | 8,133                               | 116,373           | 122,828           | 1,678                               |
| <b>Totals</b>                                     | <b>\$ 283,656</b>                   | <b>\$ 636,740</b> | <b>\$ 518,427</b> | <b>\$ 401,968</b>                   |

The accompanying notes are an integral part of the schedules.

TOWN OF ORLAND  
SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CASH AND  
INVESTMENT BALANCES BY SOURCES AND USES - PROPRIETARY FUNDS  
As Of And For The Years Ended December 31, 2004 And 2005

|  | Water Utility |           |
|--|---------------|-----------|
|  | 2004          | 2005      |
| Operating receipts:  |               |           |
| Metered receipts:  |               |           |
| Residential  | \$ 55,262     | \$ 54,418 |
| Commercial   | 10,405        | 10,094    |
| Industrial   | 15,444        | 13,859    |
| Fire protection receipts   | 14,493        | 20,837    |
| Penalties  | 1,746         | 1,003     |
| Sales tax  | 4,420         | 4,217     |
| Other  | 2,412         | 4,320     |
| Total operating receipts   | 104,182       | 108,748   |
| Operating disbursements:   |               |           |
| Salaries and wages   | 38,064        | 41,608    |
| Purchased power  | 3,550         | 3,014     |
| Materials and supplies   | 5,813         | 3,332     |
| Chemicals  | 690           | 284       |
| Contractual services   | 9,012         | 38,247    |
| Insurance disbursements  | 4,100         | 3,361     |
| Transportation expense   | 354           | 1,132     |
| Other  | 22,034        | 16,775    |
| Total operating disbursements  | 83,617        | 107,753   |
| Excess of receipts over disbursements  | 20,565        | 995       |
| Nonoperating receipts (disbursements):   |               |           |
| Interest on investments  | 285           | 575       |
| Bond principal   | (13,000)      | (13,000)  |
| Interest on revenue bonds  | (11,128)      | (10,432)  |
| Total nonoperating disbursements   | (23,843)      | (22,857)  |
| Deficiency of receipts over disbursements and<br>nonoperating receipts and disbursements | (3,278)       | (21,862)  |
| Cash basis fund balance - beginning  | 83,708        | 80,430    |
| Cash basis fund balance - ending   | \$ 80,430     | \$ 58,568 |

The accompanying notes are an integral part of the schedules.

TOWN OF ORLAND  
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, culture and recreation, general administrative services, and water.

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.

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.

TOWN OF ORLAND  
NOTES TO FINANCIAL INFORMATION  
(Continued)

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.

Note 7. Long-Term Debt

The Town has entered into debt such as bonds for Waterworks Refunding Revenue Bonds of 2002. The outstanding principal at December 31, 2005, was \$182,000.

Note 8. Defeasance of Bonds

In prior years, the Town defeased certain serial bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. At December 31, 2005, \$179,000 of bonds outstanding is considered defeased.

TOWN OF ORLAND  
 NOTES TO FINANCIAL INFORMATION  
 (Continued)

Note 9. Contingencies

On August 6, 1997, the Town agreed to a settlement in a lawsuit filed by Jones and Henry Engineers, LTD., for the payment of engineering costs associated with the construction of a sewage treatment facility and waterline extension project. In the settlement, the Town is responsible for the payment of \$356,460, together with interest at the rate of 8%, commencing from the date of settlement if any of the following conditions are met:

- A. The Town constructs and operates actual facilities for wastewater collection or treatment service for the municipality of the Town of Orland.
- B. The Town constructs and operates actual facilities for wastewater collection or treatment service to the Wall and Brown Lake Communities.
- C. The Town constructs and operates actual facilities for portable water distribution service to the Wall and Brown Lake Communities.

The above lien may be paid from no source other than from funds generated by the construction of any of the above facilities (improvements). This lien should not be constituted as a duty of the Town until such time any of the above referenced projects are constructed by the Town.

If at any time the Town becomes responsible for the payment of the lien, a special formula will be applied based on the agreement. The judgment lien shall be allocated as follows:

|  |        |                    |
|--|--------|--------------------|
| Municipality of the Town of Orland       | \$     | 178,065            |
| Wall and Brown Lake (Wastewater)         |        | 131,112            |
| Wall and Brown Lake (Water Distribution) |        | 47,283             |
| <br>Total                                | <br>\$ | <br><u>356,460</u> |

In less than a 100% project, payment of the lien shall be made on a pro-rata basis based upon the construction project undertaken, the amounts allocated above to each project, and the Estimated Domestic Users (EDU's) affected by the project. Future payments will be based on 267 EDU's for the Town of Orland and 232 EDU's for the Wall and Brown Lake area.

Formula

The number of EDU's to be serviced by the respective project divided by the total number of EDU's for that area multiplied by the allocated lien amount amortized over a three year period at an annual interest rate of 8%.

If at any time the lien is due, the Town may also choose to repay the lien or any pro rata portion thereof by a lump sum payment, instead of amortizing over three years. This may be done as long as the Town can do so without creating a general obligation.

TOWN OF ORLAND  
EXAMINATION RESULTS AND COMMENTS

DEPOSITS

One week's receipts were not deposited until the following Monday. A similar comment appeared in the prior Report B23368.

Indiana Code 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."

EMPLOYEE TIME WORKED RECORDS

Employee timecards for the Town Marshall were not turned in to the Clerk-Treasurer. Employee timecards for the Street/Water/Deputy Marshall and the Town Marshall were not signed by a supervisor/council representative. The personnel policy is not clear on who approves the timecards. The Town Marshall should turn in timecards to the Clerk-Treasurer. The Town Council should appoint a person to sign and authorize the timecards of the Town's employees.

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

LEAVE AND OVERTIME POLICY

Town employees are accruing compensatory time exceeding the normal 40 hour per week work schedule. The Town's personnel policy states that full-time employees may work hours other than those stated in the policy in an emergency, but does not establish what constitutes an emergency. The policy does not state who may approve the change in work hours and/or overtime. There is no written policy on hours worked on a holiday. The personnel policy is not clear on who approves the leave time.

Each governmental unit should adopt written policy regarding the accrual and use of leave time and compensatory time and the payment of overtime. Negotiated labor contracts approved by the governing board would be considered as written policy. The policy should conform to the requirements of all state and federal regulatory agencies. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF ORLAND  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

EMPLOYEE SERVICE RECORDS

Employee service records were not maintained and presented for audit. The leave time balances of full-time employees could not be established.

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

BARRY STREET SIDEWALK PROJECT

In October 2006, the Town of Orland hired a contractor to remove and replace the sidewalk on the north side of Barry Street. Barry Street was not constructed in the center of the street right of way. It meanders from the center to the north side of the right of way. After the contractor replaced the sidewalk, there are several running feet of the sidewalk that lies on private property outside of the right of way. Three trees on private property were also removed because they were in the way of the new sidewalk.

Generally, public funds may not be used to make improvements to property not owned by the governmental unit, unless permitted by statute, federal or state requirements, or safety concerns. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF ORLAND  
EXIT CONFERENCE

The contents of this report were discussed on December 5, 2006, with Rhonda L. Engle, Clerk-Treasurer; and Jennifer L. Steele, President of the Town Council.