

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, 2006 to December 31, 2007



FILED
12/31/2008

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Rhonda L. Engle	01-01-04 to 12-31-11
President of the Town Council	Jennifer L. Steele Kevin Kellett	01-01-06 to 12-31-06 01-01-07 to 12-31-08
Superintendent of Water Utility	Vaughn D. Norton	01-01-06 to 12-31-08



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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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, 2006 to December 31, 2007. 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, 2006 and 2007, 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 a required part 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

December 11, 2008

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, 2006 And 2007

	Cash and Investments 01-01-06	Receipts	Disbursements	Cash and Investments 12-31-06
Governmental Funds:				
General	\$ 131,944	\$ 200,368	\$ 210,349	\$ 121,963
Motor Vehicle Highway	26,984	30,732	20,178	37,538
Local Road and Street	3,383	2,037	-	5,420
Major Moves Construction	-	181,500	-	181,500
Law Enforcement Continuing Education	1,586	486	77	1,995
Riverboat	6,457	2,146	-	8,603
Rainy Day	1,831	-	-	1,831
Cumulative Capital Improvement	13,923	1,218	-	15,141
Cumulative Capital Development	48,050	9,620	9,794	47,876
CEDIT	51,375	14,276	10,100	55,551
Cumulative Investment Incentive Program Repayment	27,432	12,284	-	39,716
Sanitation	2,765	17,714	17,377	3,102
Police Gift	1,173	100	619	654
Park Gift	6,630	546	1,850	5,326
Community Center Gift	4,836	2,146	204	6,778
Police Equipment Grant	75	-	-	75
Levy Excess	13,279	23,974	37,253	-
Proprietary Funds:				
Water Utility - Operating	7,598	103,246	104,618	6,226
Water Utility - Bond and Interest	-	23,737	23,737	-
Water Utility - Reserve	23,700	-	-	23,700
Water Utility - Depreciation	15,740	928	4	16,664
Water Utility - Customer Deposit	2,501	1,374	500	3,375
Water Utility - Construction	9,029	-	-	9,029
Fiduciary Fund:				
Payroll	1,678	118,632	112,993	7,317
Totals	\$ 401,969	\$ 747,064	\$ 549,653	\$ 599,380

	Cash and Investments 01-01-07	Receipts	Disbursements	Cash and Investments 12-31-07
Governmental Funds:				
General	\$ 121,963	\$ 136,337	\$ 189,937	\$ 68,363
Motor Vehicle Highway	37,538	15,243	16,257	36,524
Local Road and Street	5,420	2,043	-	7,463
Major Moves Construction	181,500	7,222	-	188,722
Law Enforcement Continuing Education	1,995	560	379	2,176
Riverboat	8,603	2,150	-	10,753
Rainy Day	1,831	2,394	-	4,225
Cumulative Capital Improvement	15,141	1,198	3,080	13,259
Cumulative Capital Development	47,876	3,782	3,492	48,166
CEDIT	55,551	14,747	2,594	67,704
Cumulative Investment Incentive Program Repayment	39,716	-	-	39,716
Sanitation	3,102	18,086	17,513	3,675
Police Gift	654	100	-	754
Park Gift	5,326	620	-	5,946
Community Center Gift	6,778	1,581	33	8,326
Police Equipment Grant	75	-	75	-
Levy Excess	-	2,492	-	2,492
Proprietary Funds:				
Water Utility - Operating	6,226	111,266	107,449	10,043
Water Utility - Bond and Interest	-	23,988	23,988	-
Water Utility - Reserve	23,700	-	-	23,700
Water Utility - Depreciation	16,664	213	-	16,877
Water Utility - Customer Deposit	3,375	1,300	300	4,375
Water Utility - Construction	9,029	-	-	9,029
Fiduciary Fund:				
Payroll	7,317	109,999	110,316	7,000
Totals	\$ 599,380	\$ 455,321	\$ 475,413	\$ 579,288

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

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. 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 potable water distribution service to the Wall and Brown Lake Communities.

TOWN OF ORLAND
NOTES TO FINANCIAL INFORMATION
(Continued)

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)	<u>47,283</u>
 Total	 <u><u>\$ 356,460</u></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
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS

For The Year Ended December 31, 2007

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.

General infrastructure assets completed in the current years have been reported.

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 91,500
Infrastructure	70,251
Buildings	73,253
Improvements other than buildings	6,700
Machinery and equipment	<u>119,050</u>
 Total governmental activities, capital assets not being depreciated	 <u>\$ 360,754</u>
 Business-type activities:	
Water Utility:	
Capital assets, not being depreciated:	
Land	\$ 8,856
Buildings	331,813
Improvements other than buildings	1,118,638
Machinery and equipment	<u>30,936</u>
 Total business-type activities capital assets	 <u>\$ 1,490,243</u>

TOWN OF ORLAND
EXAMINATION RESULTS AND COMMENTS

APPROPRIATIONS

The records presented for examination indicated the following expenditures in excess of budgeted appropriations:

<u>Fund</u>	<u>Year</u>	<u>Excess Amount Expended</u>
General Fund	2006	<u>\$ 5,810</u>

Indiana Code 6-1.1-18-4 states in part: ". . . the proper officers of a political subdivision shall appropriate funds in such a manner that the expenditures for a year do not exceed its budget for that year as finally determined under this article."

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 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 as to leave time. A similar comment appeared in the prior Report B29159.

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)

EMPLOYEE TIME WORKED RECORDS

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 as to 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. A similar comment appeared in the prior Report B29159.

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)

TOWN OF ORLAND
EXIT CONFERENCE

The contents of this report were discussed on December 11, 2008, with Rhonda L. Engle, Clerk-Treasurer; and Kevin Kellett, President of the Town Council. The officials concurred with our findings.