

B37736

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

EXAMINATION REPORT
OF
TOWN OF OTTERBEIN
BENTON COUNTY, INDIANA
January 1, 2008 to December 31, 2009



FILED
11/04/2010

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Stephanie Kaszuba Treeva Sarles (Interim) Treeva Sarles	01-01-08 to 01-21-10 01-22-10 to 02-28-10 03-01-10 to 12-31-11
President of the Town Council	Lowell Horwedel	01-01-08 to 12-31-10



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE TOWN OF OTTERBEIN, BENTON COUNTY, INDIANA

We have examined the financial information presented herein of the Town of Otterbein (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 Long-Term Debt, as listed in the Table of Contents, is presented for additional analysis and is not a required part of the basic financial information. It has not been subjected to the examination procedures applied to the basic financial information and, accordingly, we express no opinion on it.

STATE BOARD OF ACCOUNTS

August 31, 2010

TOWN OF OTTERBEIN
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	\$ 157,161	\$ 326,269	\$ 393,880	\$ 89,550
Motor Vehicle Highway	33,504	35,122	16,953	51,673
Local Road and Street	8,047	4,232	-	12,279
Ordinance Violation	1,425	-	-	1,425
Law Enforcement Continuing Education	4,163	541	1,534	3,170
Riverboat	27,243	8,231	1,000	34,474
Rainy Day	22,619	529	-	23,148
Levy Excess	7,822	-	-	7,822
Cumulative Capital Improvement	11,985	4,566	-	16,551
Cumulative Capital Development	7,377	1,774	-	9,151
Economic Development Income Tax	32,857	16,459	120	49,196
Police Dog	61	-	-	61
Downtown Revitalization Grant	(1,000)	3,000	2,000	-
Stormwater Drainage Grant	-	11,880	11,880	-
Proprietary Funds:				
Water Utility - Operating	26,774	230,630	239,622	17,782
Water Utility - Bond and Interest	11,984	67,350	78,690	644
Water Utility - Depreciation	50,000	-	-	50,000
Water Utility - Customer Deposit	8,147	1,702	1,870	7,979
Water Utility - Debt Reserve	37,568	-	-	37,568
Wastewater Utility - Operating	46,777	282,520	235,633	93,664
Wastewater Utility - Bond and Interest	34,902	133,835	168,677	60
Wastewater Utility - Depreciation	50,000	-	-	50,000
Wastewater Utility - Customer Deposit	7,624	2,098	2,685	7,037
Wastewater Utility - Debt Service Reserve	137,775	-	-	137,775
Wastewater Utility - Cash Reserve	17,048	-	-	17,048
Fiduciary Fund:				
Payroll	12,707	336,045	320,415	28,337
Totals	<u>\$ 754,570</u>	<u>\$ 1,466,783</u>	<u>\$ 1,474,959</u>	<u>\$ 746,394</u>

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

TOWN OF OTTERBEIN
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
(Continued)

	Cash and Investments 01-01-09	Receipts	Disbursements	Cash and Investments 12-31-09
Governmental Funds:				
General	\$ 89,550	\$ 516,184	\$ 361,608	\$ 244,126
Motor Vehicle Highway	51,673	34,148	57,227	28,594
Local Road and Street	12,279	4,018	8,900	7,397
Ordinance Violation	1,425	1	-	1,426
Law Enforcement Continuing Education	3,170	975	1,188	2,957
Riverboat	34,474	2,228	29,999	6,703
Rainy Day	23,148	4,585	14,000	13,733
Levy Excess	7,822	-	-	7,822
Cumulative Capital Improvement	16,551	4,218	10,000	10,769
Cumulative Capital Development	9,151	4,736	11,700	2,187
Economic Development Income Tax	49,196	12,904	2,130	59,970
Police Dog	61	900	80	881
Downtown Revitalization Grant	-	-	-	-
Stormwater Drainage Grant	-	-	-	-
Proprietary Funds:				
Water Utility - Operating	17,782	228,376	216,901	29,257
Water Utility - Operations Clearing	-	524	-	524
Water Utility - Bond and Interest	644	87,713	81,947	6,410
Water Utility - Depreciation	50,000	3,117	3,078	50,039
Water Utility - Customer Deposit	7,979	2,120	2,208	7,891
Water Utility - Debt Reserve	37,568	37,500	37,568	37,500
Water Utility - Cash Reserve	-	1,431	-	1,431
Wastewater Utility - Operating	93,664	313,104	352,211	54,557
Wastewater Utility - Operations Clearing	-	1,041	-	1,041
Wastewater Utility - Bond and Interest	60	270,400	259,216	11,244
Wastewater Utility - Depreciation	50,000	25,059	-	75,059
Wastewater Utility - Customer Deposit	7,037	3,180	2,686	7,531
Wastewater Utility - Debt Service Reserve	137,775	138,000	137,775	138,000
Wastewater Utility - Cash Reserve	17,048	22,812	-	39,860
Otterbein Utilities	-	155,396	152,828	2,568
Fiduciary Fund:				
Payroll	28,337	317,040	337,164	8,213
Totals	<u>\$ 746,394</u>	<u>\$ 2,191,710</u>	<u>\$ 2,080,414</u>	<u>\$ 857,690</u>

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

TOWN OF OTTERBEIN
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, roads and streets, culture and recreation, general administrative services, and water and wastewater utilities.

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 OTTERBEIN
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. Subsequent Events

Sale of Donated Property

On December 28, 2009, the Town of Otterbein was donated a piece of property known as The Otterbein Nursing Home located at 706 E. Oxford Street in Otterbein, IN. As of January 2010, the Tippecanoe County Assessor records showed an assessed value of the property of \$341,100. On August 10, 2010, the Town sold the property to Echo-Pac, Inc., for \$250,000. After closing costs of \$30,708.54, the Town received a balance of \$219,291.46.

Water Utility Project Grant

The Town of Otterbein Water Utility was awarded CDBG Grant Number CF-07-500 in the amount of \$395,000 on September 21, 2009. The Town was required to provide matching funds of \$195,640. The matching funds were provided through a sixty month loan with Farmers & Merchants Bank in Otterbein. The Town awarded the project contract to Graves Plumbing, Inc. The estimated date of completion is December 15, 2010.

TOWN OF OTTERBEIN
 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:		
Water Project 1979	\$ 230,000	\$ 32,550
Wastewater Utility:		
Revenue bonds:		
SRF WWT Project 1998	<u>937,402</u>	<u>132,381</u>
Total business-type activities debt	<u>\$ 1,167,402</u>	<u>\$ 164,931</u>

TOWN OF OTTERBEIN
EXAMINATION RESULTS AND COMMENTS

2008 ORDINANCES

All 2008 ordinances presented for examination had no attestation signature by Stephanie Kaszuba, Clerk-Treasurer, as required by law.

IC 36-5-2-10.2 states:

"Within a reasonable time after an ordinance of the legislative body is adopted, the clerk-treasurer shall record it in a book kept for that purpose. The record must include:

- (1) the signature of the executive;
- (2) the attestation of the clerk-treasurer; and
- (3) the date of each recorded item.

The record or a certified copy of it constitutes presumptive evidence of the adoption of the ordinance."

2008 COUNCIL MINUTES

The 2008 council minutes were not complete. They did not always document actions taken by the board and the October 2008 minutes were not presented for examination.

IC 36-5-6-6(a) states in part:

"The clerk-treasurer shall do the following: . . .

Serve as clerk of the legislative body by attending its meetings and recording its proceedings."

Memoranda (minutes) of the meeting shall include the following items:

1. Date, time, and place of the meeting;
2. Members present and absent;
3. The general substance of all matters proposed, discussed or decided; and
4. A record of all votes taken, by individual members if there is a roll call. The memorandum should be available to the public within a reasonable period of time after the meeting. [IC 5-14-1.5-4]

(Accounting and Compliance Guidelines for Clerk-Treasurers in Indiana, Chapter 7)

RECEIPT ISSUANCE

In some instances, 2008 receipts were written after the funds had been deposited and appeared to be written at the time the depository reconciliation was prepared. Also, in 2008, receipts were not always marked as to the classification of the payment received, i.e. cash, check, money order.

TOWN OF OTTERBEIN
EXAMINATION RESULTS AND COMMENTS
(Continued)

Receipts shall be issued and recorded at the time of the transaction; for example, when cash or a check is received, a receipt is to be immediately prepared and given to the person making payment. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

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)

CONDITION OF RECORDS

The following deficiencies relating to the recordkeeping were noted during the course of our examination:

Numerous posting errors were noted in 2008 records, including:

1. The posting of receipts and disbursements to the wrong funds;
2. The posting of receipts and disbursements to the correct fund but to the wrong account; and
3. Duplicate postings of the same receipt or check.

Other errors included:

1. The Fund Report with Investments for each month did not reconcile with the annual postings to the Revenue Detail History and/or the History by Appropriation Reports for four of the twelve months in 2008. For example, the Fund Report with Investments February 2008 for the Water Utility only had MTD Revenue for the Operating fund of \$18,001.72 and no other receipts posted for any other water funds. The Revenue Detail History for all of 2008 had \$18,252.61 posted to the Operating fund, \$10,280.00 posted to the Bond and Interest Fund and \$120.00 posted to the Customer Deposit Fund. The monthly report for June 2008 had no amounts in the Revenue MTD and the Disbursements MTD columns.
2. Six of the twelve outstanding checklists for the Town general bank account were incorrect.

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)

DEPOSITS

In numerous instances, 2008 receipts were deposited later than the next business day.

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."

TOWN OF OTTERBEIN
EXAMINATION RESULTS AND COMMENTS
(Continued)

DISTRIBUTION OF GROSS REVENUES TO THE VARIOUS FUNDS

Gross revenues were not being distributed to the various utility funds in accordance with Revenue Bond Ordinance 78-2. Per the Ordinance, the depreciation account (fund) is to receive 14% of the gross revenues of the Water Utility. In 2008 and 2009, no gross revenues were transferred to the depreciation account.

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)

PENALTIES, INTEREST AND OTHER CHARGES

During the course of the examination the following penalties, interest and other charges were noted:

1. On November 24, 2008, Chase Card Services was paid \$29.00 for a late fee.
2. The Clerk-Treasurer hired a consulting service for assistance with the 2009 budget. The cost was \$600. The Council had not approved the hiring of the service and denied the claim for payment.
3. Mileage was paid to Clerk-Treasurer Stephanie Kaszuba in excess of actual miles traveled. The amount claimed was 366 miles, actual miles traveled were 314.82. This resulted in an overpayment of \$29.94.
4. Petty cash was determined to be short by \$6.62 at the time Ms. Kaszuba left office.
5. During 2008, the Clerk-Treasurer's salary was overpaid by \$281.88.
6. Penalties and interest totaling \$431.85 were paid to the Indiana Department of Revenue for the late payment of 2008 sales taxes and 2008 payroll withholdings of state and county taxes.

The following untimely payments could have resulted in additional charges, but did not:

1. On November 1, 2008, the Worker's Compensation Insurance was allowed to lapse due to non-payment. The insurance was reinstated December 17, 2008, when payment was received by the vendor.
2. During 2008, the debt payments made to Alliance Bank were paid late, six out of twelve times.

We request that Stephanie Kaszuba, prior Clerk-Treasurer, reimburse the Town \$1,379.29 for penalties, interest and other unauthorized charges. On January 21, 2009, Stephanie Kaszuba did reimburse the town \$629.00 for the credit card late charge and the unauthorized hiring of the consultant. We are requesting that the additional \$750.29 also be reimbursed to the Town of Otterbein. (See Summary, page 15)

TOWN OF OTTERBEIN
EXAMINATION RESULTS AND COMMENTS
(Continued)

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)

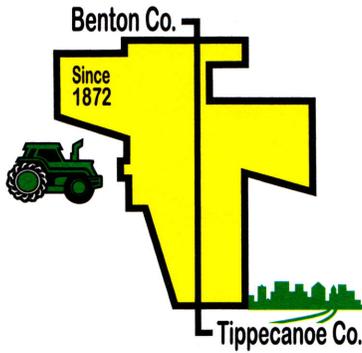
OFFICIAL BOND

Stephanie Kaszuba, prior Clerk-Treasurer, had an official bond with Fidelity and Deposit Company of Maryland, for the period of December 6, 2007 to January 1, 2008, in the amount of \$15,000.

TOWN OF OTTERBEIN
EXIT CONFERENCE

The contents of this report were discussed on August 26, 2010, with Lowell Horwedel, President of Town Council; Treeva Sarles, Clerk-Treasurer; and Mary L. Fultz, Deputy Clerk-Treasurer. The official response has been made a part of this report and may be found on page 14.

The contents of this report were discussed on August 31, 2010, with Stephanie Kaszuba, prior Clerk-Treasurer.



OTTERBEIN, INDIANA

"The Town Between Two Counties"

104 E. 2nd St. • P.O. Box 215 • 47970
Phone 765.583.4944 • Fax 765.583.3290

August 26, 2010

Indiana State Board of Accounts
302 W Washington Street
Indianapolis, IN 46204-2765

Councilmen, Neighbors and Citizens of the
Town of Otterbein
PO Box 215
Otterbein, IN 47970

To Whom It May Concern:

Today, the Indiana State Board of Accounts has completed their audit of the years 2008 and 2009. I was not in office in 2008. I returned to office from my previous years of service full-time on March 1, 2009. Therefore, most of the audit findings in this report as you can see refers to the time I was not in office. I hope that Stephanie Kaszuba responds to this report but I cannot speak on her behalf.

There was one audit finding in this report that I am responsible for and would like to comment in regards to it; titled Distribution of Gross Revenues to the various Funds. It is true that in accordance with the Revenue Bond Ordinance 78-2 (The Water Revenue Bond) that the Depreciation Fund is to receive 14% of the gross revenues of the Water to Utility. However, there was not cash sufficient to do so and operate the utility without a larger rate increase. Prior to this audit, this had been brought to the Council's attention and the Council had already solicited quotes for a financial review (rate study) to be done. The Council is planning to make a decision regarding which firm to hire at the September 7, 2010 council meeting. The Council and I have made it abundantly clear that the Council is not willing to impose a high rate increase upon the citizens and that the firm in which they hire must look at alternative ways to correct this issue.

Please understand; that even though money was not deposited into the depreciation account in 2009, the depreciation account does have \$50,000 in it, which is a long way from when I originally came into to office to serve the Otterbein community in 1996, when there was \$0.00 in a depreciation account. Unfortunately, we should always do our best to follow all existing ordinances, however sometimes it is in the best interest of the community to not jump into a quick response by raising rates immediately and take the time to look at alternative solutions to a problem. I was working with the Council to solve this issue prior to this audit and will continue to work with the Council to solve this issue until the solution is created with the least amount of impact on the citizens.

I am proud of the many accomplishments I have made for the benefit of the town, and am honored that after leaving office that you chose to put me back into office and I will continue to work hard to serve you the citizens.

Sincerely,

Treeva Sarles, IAMC, CMC
Clerk-Treasurer

TOWN OF OTTERBEIN
SUMMARY

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Stephanie Kaszuba, former Clerk-Treasurer:			
Penalties, Interest and Other Charges, pages 11 and 12	\$ 1,379.29	\$	\$
Reimbursement by Stephanie Kaszuba, Receipt Number 783	<u> </u>	<u>629.00</u>	<u>750.29</u>
Totals	<u>\$ 1,379.29</u>	<u>\$ 629.00</u>	<u>\$ 750.29</u>

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AFFIDAVIT

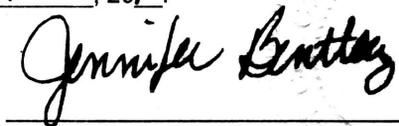
STATE OF INDIANA)
)
Montgomery COUNTY)

I, Ronda Conrad, Field Examiner, being duly sworn on my oath, state that the foregoing report based on the official records of the Town of Otterbein, Benton County, Indiana, for the period from January 1, 2008 to December 31, 2009, is true and correct to the best of my knowledge and belief.



Field Examiner

Subscribed and sworn to before me this 21 day of October, 2010.



Clerk of the Circuit Court

