

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, 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	Treeva Sarles Stephanie Kaszuba	01-01-04 to 12-31-07 01-01-08 to 12-31-11
President of the Town Council	Tom Rifner Lowell Horwedel	01-01-06 to 12-31-07 01-01-08 to 12-31-08



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, 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 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

November 6, 2008

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, 2006 And 2007

	Cash and Investments 01-01-06	Receipts	Disbursements	Cash and Investments 12-31-06
Governmental Funds:				
General	\$ 116,824	\$ 366,870	\$ 349,463	\$ 134,231
Motor Vehicle Highway	20,296	47,534	16,256	51,574
Local Road and Street	1,519	4,240	-	5,759
Ordinance Violation	1,300	50	-	1,350
Law Enforcement Continuing Education	5,384	1,104	2,118	4,370
Riverboat	16,606	8,256	4,974	19,888
Rainy Day	2,781	19,896	-	22,677
Levy Excess	7,822	-	-	7,822
Cumulative Capital Improvement	2,444	4,762	-	7,206
Cumulative Capital Development	-	3,778	-	3,778
Economic Development Income Tax	9,929	11,546	1,035	20,440
Police Dog	56	5	-	61
Recycling Grant	-	7,287	-	7,287
Downtown Revitalization Grant	-	19,080	19,080	-
Proprietary Funds:				
Water Utility - Operating	34,872	213,942	208,732	40,082
Water Utility - Bond and Interest	-	54,097	52,841	1,256
Water Utility - Depreciation	28,242	12,200	2,450	37,992
Water Utility - Customer Deposit	12,465	2,225	6,734	7,956
Water Utility - Debt Reserve	36,872	696	-	37,568
Wastewater Utility - Operating	58,205	272,327	304,593	25,939
Wastewater Utility - Bond and Interest	11,059	140,156	118,476	32,739
Wastewater Utility - Depreciation	46,197	3,804	2,904	47,097
Wastewater Utility - Customer Deposit	7,684	3,350	3,925	7,109
Wastewater Utility - Debt Reserve	135,221	2,554	-	137,775
Wastewater Utility - Cash Reserve	1,076	9,629	-	10,705
Fiduciary Fund:				
Payroll	7,708	300,522	298,960	9,270
Totals	<u>\$ 564,562</u>	<u>\$ 1,509,910</u>	<u>\$ 1,392,541</u>	<u>\$ 681,931</u>

	Cash and Investments 01-01-07	Receipts	Disbursements	Cash and Investments 12-31-07
Governmental Funds:				
General	\$ 134,231	\$ 373,992	\$ 351,112	\$ 157,111
Motor Vehicle Highway	51,574	48,505	66,575	33,504
Local Road and Street	5,759	4,368	2,080	8,047
Ordinance Violation	1,350	75	-	1,425
Law Enforcement Continuing Education	4,370	5,785	5,992	4,163
Riverboat	19,888	9,355	2,000	27,243
Rainy Day	22,677	462	520	22,619
Levy Excess	7,822	-	-	7,822
Cumulative Capital Improvement	7,206	4,779	-	11,985
Cumulative Capital Development	3,778	3,599	-	7,377
Economic Development Income Tax	20,440	12,597	180	32,857
Police Dog	61	-	-	61
Recycling Grant	7,287	17,288	24,575	-
Downtown Revitalization Grant	-	2,000	3,000	(1,000)
Stormwater Drainage Grant	-	18,000	18,000	-
Proprietary Funds:				
Water Utility - Operating	40,082	210,648	223,906	26,824
Water Utility - Bond and Interest	1,256	72,578	61,850	11,984
Water Utility - Depreciation	37,992	16,393	4,385	50,000
Water Utility - Customer Deposit	7,956	2,000	1,809	8,147
Water Utility - Debt Reserve	37,568	-	-	37,568
Wastewater Utility - Operating	25,939	286,589	265,751	46,777
Wastewater Utility - Bond and Interest	32,739	123,014	120,851	34,902
Wastewater Utility - Depreciation	47,097	2,903	-	50,000
Wastewater Utility - Customer Deposit	7,109	2,940	2,425	7,624
Wastewater Utility - Debt Reserve	137,775	-	-	137,775
Wastewater Utility - Cash Reserve	10,705	6,343	-	17,048
Fiduciary Fund:				
Payroll	9,270	327,798	324,361	12,707
Totals	<u>\$ 681,931</u>	<u>\$ 1,552,011</u>	<u>\$ 1,479,372</u>	<u>\$ 754,570</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, 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.

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.

TOWN OF OTTERBEIN
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 December 31, 2007

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		
Notes and loans payable	\$ 13,681	\$ 13,681
Revenue bonds:		
Water Utility Extensions, Additions, and Improvements	<u>264,547</u>	<u>19,000</u>
Total Water Utility	<u>278,228</u>	<u>32,681</u>
Wastewater Utility		
Notes and loans payable	<u>1,087,183</u>	<u>119,051</u>
Total business-type activities	<u>\$ 1,365,411</u>	<u>\$ 151,732</u>

TOWN OF OTTERBEIN
EXAMINATION RESULTS AND COMMENTS

PENALTIES, INTEREST, AND OTHER CHARGES

Penalties and interest totaling \$527.76 were paid to the Indiana Department of Revenue due to the late remittance of December 2007 sales tax charged on water utility service. These taxes were due in January 2008 but were not remitted until April 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)

ANNUAL REPORT

The annual report for 2007, due March 1, 2008, omitted two investments of \$175,343.37 from Part 1, Statement of Receipts, Disbursements, Cash Balances, and Investments Balances and omitted all cash in depository accounts from Part 5, Cash and Investments at December 31.

Indiana Code 5-3-1-3(a) states in part:

"Within sixty (60) days after the expiration of each calendar year, the fiscal officer of each civil city and town in Indiana shall publish an annual report of the receipts and expenditures of the city or town . . ."

OVERDRAWN FUND BALANCES

The Downtown Revitalization Grant Fund was overdrawn as of December 31, 2007.

The fund balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF OTTERBEIN
EXIT CONFERENCE

The contents of this report were discussed on October 29, 2008, with Treeva Sarles, former Clerk-Treasurer. The official response has been made a part of this report and may be found on pages 10 and 11.

The contents of this report were discussed on November 6, 2008, with Stephanie Kaszuba, Clerk-Treasurer; and Lowell Horwedel, President of the Town Council. The officials concurred with the official response of the former Clerk-Treasurer, Treeva Sarles.

**Treeva Sarles, Otterbein Clerk-Treasurer 1996-2007
208 E Briar Street, Otterbein, IN 47970
Audit 2006-2007 Response**

7 November 2008

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

Otterbein Town Council Members
Town of Otterbein
P.O. Box 215
Otterbein, IN 47970

Neighbors and Citizens of the
Town of Otterbein
P.O. Box 215
Otterbein, IN 47970

To Whom It May Concern:

This week, the Indiana State Board of Accounts has completed their audit of my last two years in office as Clerk-Treasurer for the Town of Otterbein.

Once again, I am proud that they found that we had completed the thousands of transactions required each year, accurately, and in accordance with law. I have always been proud of the results of the many audits I have been through, and I have always kept a copy of the most recent audit for the public to see.

Again, this audit found that I had, for the years 2006-2007, complied with Indiana Laws and audit standards, but raised three issues.

First, the audit contends that the 2007 Annual Report did not disclose the presence of two investments. The audit does not make clear that the Annual Report can only be prepared in 2008, when I was not Clerk-Treasurer. I have no authority or responsibility to prepare that report, and while it covers a period of time that I was Clerk-Treasurer, it is not my report.

Second, similarly, the auditor reports that December 2007 tax payment (figured and due in January 2008) was not made on time in January 2008, which resulted in penalties. Again, I have no authority or responsibility because I was no longer the clerk-treasurer, to make tax payments in 2008. In addition, due to needed information, the payment cannot be made prior to the end of the year.

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7 November 2008

Third, also discovered at the end of the 2007 year was a balance reduction of a negative \$1,000.00, in a grant fund, due to the Town's "matching" requirements, which was corrected immediately by a transfer of funds.

I am proud of the many accomplishments for the benefit of the Town, during the twelve years that I served as Clerk-Treasurer, including over 2 million dollars in grants for the benefit of the Town. I want you to have all the information about this audit.

Sincerely,

A handwritten signature in cursive script that reads "Treeva Sarles". The signature is written in black ink and is positioned below the word "Sincerely,".

Treeva Sarles