

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

EXAMINATION REPORT

OF

TOWN OF HAUBSTADT

GIBSON COUNTY, INDIANA

January 1, 2005 to December 31, 2006



**FILED**

06/06/2007



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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Bonnie J. Wagner	01-01-04 to 12-31-07
President of the Town Council	Kenneth Reinbrecht	01-01-05 to 12-31-07



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE TOWN OF HAUBSTADT, GIBSON COUNTY, INDIANA

We have examined the financial information presented herein of the Town of Haubstadt (Town), for the period of January 1, 2005 to December 31, 2006. 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, 2005 and 2006, 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

April 30, 2007

TOWN OF HAUBSTADT  
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, 2005 And 2006

	Cash and Investments 01-01-05	Receipts	Disbursements	Cash and Investments 12-31-05
Governmental Funds:				
General	\$ 127,055	\$ 395,673	\$ 382,597	\$ 140,131
Motor Vehicle Highway	122,585	74,358	61,379	135,564
Local Road and Street	12,072	7,103	15,000	4,175
Park and Recreation	29,583	50,305	45,742	34,146
Law Enforcement Continuing Education	41	178	-	219
Riverboat	19,310	9,641	-	28,951
Rainy Day	46,687	7	8,600	38,094
Old School Property - Gym	18,108	12,793	2,369	28,532
Fire Department Special Run	9,349	250	1,563	8,036
Special Police Training and Equipment	9,720	-	747	8,973
Levy Excess Fund	-	4,797	-	4,797
Cumulative Capital Improvement	7,135	4,726	6,000	5,861
County Economic Development Income Tax	150,243	49,482	30,385	169,340
Cumulative Fire	23,288	11,342	182	34,448
Proprietary Funds:				
Water Utility - Operating	53,763	266,660	238,038	82,385
Water Utility - Customer Deposit	8,810	3,600	2,745	9,665
Water Utility - Construction	9,041	-	-	9,041
Wastewater Utility - Operating	617,176	717,579	484,521	850,234
Wastewater Utility - Bond and Interest	472,647	306,995	256,288	523,354
Wastewater Utility - Reserve	48,500	-	-	48,500
Wastewater Utility - Capital Improvement	544,425	6,422	-	550,847
Fiduciary Fund:				
Payroll	2,094	245,299	244,693	2,700
Totals	<u>\$ 2,331,632</u>	<u>\$ 2,167,210</u>	<u>\$ 1,780,849</u>	<u>\$ 2,717,993</u>

	Cash and Investments 01-01-06	Receipts	Disbursements	Cash and Investments 12-31-06
Governmental Funds:				
General	\$ 140,131	\$ 349,679	\$ 366,374	\$ 123,436
Motor Vehicle Highway	135,564	70,764	91,424	114,904
Local Road and Street	4,175	7,000	11,352	(177)
Park and Recreation	34,146	50,766	47,162	37,750
Law Enforcement Continuing Education	219	1,855	-	2,074
Riverboat	28,951	10,188	21,811	17,328
Rainy Day	38,094	11,065	10,400	38,759
Old School Property - Gym	28,532	21,273	18,401	31,404
Fire Department Special Run	8,036	116	4,116	4,036
Special Police Training and Equipment	8,973	238	625	8,586
Levy Excess Fund	4,797	-	4,797	-
Cumulative Capital Improvement	5,861	5,463	6,000	5,324
County Economic Development Income Tax	169,340	58,665	500	227,505
Cumulative Fire	34,448	12,898	-	47,346
Proprietary Funds:				
Water Utility - Operating	82,385	269,737	272,943	79,179
Water Utility - Customer Deposit	9,665	6,800	5,820	10,645
Water Utility - Construction	9,041	-	-	9,041
Wastewater Utility - Operating	850,234	734,497	589,843	994,888
Wastewater Utility - Bond and Interest	523,354	309,927	255,740	577,541
Wastewater Utility - Reserve	48,500	-	-	48,500
Wastewater Utility - Improvement	-	30,456	14,076	16,380
Wastewater Utility - Capital Improvement	550,847	15,733	-	566,580
Fiduciary Fund:				
Payroll	2,700	309,339	308,984	3,055
Totals	<u>\$ 2,717,993</u>	<u>\$ 2,276,459</u>	<u>\$ 2,030,368</u>	<u>\$ 2,964,084</u>

The accompanying notes are an integral part of the schedules.

TOWN OF HAUBSTADT  
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, 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.

TOWN OF HAUBSTADT  
NOTES TO FINANCIAL INFORMATION  
(Continued)

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.

Note 6. Subsequent Events

As of February 5, 2007, the Town of Haubstadt paid in full for the fire pumper truck that they had leased in co-operation with Johnson Township. The lease originally extended until 2010.

In addition, as of January 1, 2007, the Fire Protection Territory began full operation under an agreement, between the Town of Haubstadt and Johnson Township, dated February 6, 2006, and in accordance with Indiana Code 36-8-19. The Town of Haubstadt is the provider unit and Johnson Township and the Town of Haubstadt are the participating units.

In March 2007, the Town paid \$65,000 for approximately four acres of land for use as a dump site. The property also includes a building that will be used for storage.

TOWN OF HAUBSTADT  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF CAPITAL ASSETS  
 For The Year Ended December 31, 2006

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	\$ 7,200
Buildings	128,061
Improvements other than buildings	14,391
Machinery and equipment	<u>818,415</u>
 Total governmental activities, capital assets not being depreciated	 \$ <u>968,067</u>
<u>Primary Government</u>	<u>Ending Balance</u>
Business-type activities:	
Water Utility:	
Capital assets, not being depreciated:	
Land	\$ 5,205
Buildings	23,494
Improvements other than buildings	1,371,807
Machinery and equipment	<u>62,577</u>
 Total Water Utility capital assets	 <u>1,463,083</u>
Wastewater Utility:	
Capital assets, not being depreciated:	
Land	67,602
Buildings	4,335,866
Improvements other than buildings	2,433,670
Machinery and equipment	<u>108,632</u>
 Total Wastewater Utility capital assets	 <u>6,945,770</u>
 Total business-type activities capital assets	 \$ <u>8,408,853</u>

TOWN OF HAUBSTADT  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF LONG-TERM DEBT  
 For The Year Ended December 31, 2006

Description of Asset	Ending Balance	Due Within One Year
Governmental Activities:		
Capital leases:		
Pumper Fire Truck	\$ 79,778	\$ 17,998
Total governmental activities long-term debt	<u>\$ 79,778</u>	<u>\$ 17,998</u>
The lease was paid in full in February, 2007.		
Business-type Activities:		
Wastewater Utility		
Revenue bonds:		
1998 Refunding Bonds	\$ 110,000	\$ -
State Revolving Loan Fund	<u>2,710,000</u>	<u>-</u>
Total Wastewater Utility	<u>2,820,000</u>	<u>-</u>
Total business-type activities long-term debt	<u>\$ 2,820,000</u>	<u>\$ -</u>

TOWN OF HAUBSTADT  
EXAMINATION RESULTS AND COMMENTS

OPTICAL IMAGES OF WARRANTS – (Applies to Town, Water and Wastewater Utilities)

The financial institution did not return the actual cancelled checks with the monthly bank statements, but instead returned only an optical image of the front side of the checks for some months of the examination period.

Indiana Code 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, Indiana Code 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)."

INTERNAL CONTROLS – (Applies to Town)

Controls for receipts generated by the rental of the gym facilities are insufficient in that receipts are not written by the designated person (a volunteer) who collects the rentals. No policies are in place to provide accountability for the rental dates and collections of rentals. In addition, town receipts are written for the rentals collected at the park which then are duplicated by the town clerk. Policies have not been adopted to provide sufficient controls for the park rentals.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF HAUBSTADT  
EXIT CONFERENCE

The contents of this report were discussed on April 30, 2007, with Bonnie J. Wagner, Clerk-Treasurer; and Kenneth Reinbrecht, President of the Town Council. The officials concurred with our findings.