

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

EXAMINATION REPORT  
OF  
TOWN OF WATERLOO  
DEKALB COUNTY, INDIANA  
January 1, 2005 to December 31, 2006



**FILED**  
08/02/2007



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OFFICIALS

Office

Official

Term

Clerk-Treasurer

Renata Ford

01-01-04 to 12-31-07

President of the Town Council

William Hubartt  
Keith Moughler

01-01-05 to 12-31-05  
01-01-06 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 WATERLOO, DEKALB COUNTY, INDIANA

We have examined the financial information presented herein of the Town of Waterloo (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.

STATE BOARD OF ACCOUNTS

July 16, 2007

TOWN OF WATERLOO  
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
<b>Governmental Funds:</b>				
General	\$ 5,227	\$ 735,643	\$ 718,548	\$ 22,322
Motor Vehicle Highway	268,890	217,825	269,285	217,430
Local Road and Street	113,787	12,894	67,796	58,885
Law Enforcement Continuing Education	4,822	1,367	154	6,035
Riverboat	27,784	13,873	21,308	20,349
Rainy Day	11,851	-	-	11,851
Cumulative Capital Improvement	18	16,801	971	15,848
Cumulative Capital Development	71,581	18,840	39,709	50,712
County Economic Development Income Tax	86,319	93,419	45,299	134,439
Cumulative Capital Fire	133,658	18,613	12,470	139,801
Redevelopment	71,060	15,579	24,344	62,295
Park Donations	-	640	640	-
Fire Donations	84	-	-	84
Marshals Donation	2,479	9,171	8,437	3,213
Garbage	(1,772)	107,679	96,895	9,012
Crime Watch	1,444	-	1,391	53
Cemetery	47,029	4,582	1,005	50,606
<b>Proprietary Funds:</b>				
Water Utility - Operating	758	339,639	318,749	21,648
Water Utility - Bond and Interest	69,198	127,659	196,856	1
Water Utility - Debt Reserve	-	81,904	-	81,904
Water Utility - Customer Deposit	25,103	4,460	666	28,897
Water Utility - Construction	112,683	358	85,164	27,877
Water Utility - Construction (Town Match Money)	221,747	303,379	525,126	-
Water Utility - Improvement	117,446	3,635	28,662	92,419
Wastewater Utility - Operating	(5,148)	587,830	568,473	14,209
Wastewater Utility - Bond and Interest	50,614	146,628	164,671	32,571
Wastewater Utility - Debt Reserve	20,609	86,772	112	107,269
Wastewater Utility - Depreciation	3,151	6,159	-	9,310
Wastewater Utility - Customer Deposit	8,251	4,520	334	12,437
Wastewater Utility - Construction	555,999	6,833	196,343	366,489
<b>Fiduciary Fund:</b>				
Payroll	4,700	570,967	571,976	3,691
<b>Totals</b>	<b>\$ 2,029,372</b>	<b>\$ 3,537,669</b>	<b>\$ 3,965,384</b>	<b>\$ 1,601,657</b>

	Cash and Investments 01-01-06	Receipts	Disbursements	Cash and Investments 12-31-06
<b>Governmental Funds:</b>				
General	\$ 22,322	\$ 504,853	\$ 733,714	\$ (206,539)
Motor Vehicle Highway	217,430	158,989	259,716	116,703
Local Road and Street	58,885	141,815	200,021	679
Law Enforcement Continuing Education	6,035	1,574	1,845	5,764
Riverboat	20,349	35,152	-	55,501
TIF District	-	3,710	-	3,710
Rainy Day	11,851	2,020	-	13,871
Cumulative Capital Improvement	15,848	13,460	-	29,308
Cumulative Capital Development	50,712	21,452	33,390	38,774
County Economic Development Income Tax	134,439	80,325	119,954	94,810
Cumulative Capital Fire	139,801	8,497	36,710	111,588
Redevelopment	62,295	6,000	43,989	24,306
Park Donations	-	784	784	-
Fire Donations	84	-	-	84
Marshals Donation	3,213	6,359	7,961	1,611
Garbage	9,012	94,703	95,116	8,599
Crime Watch	53	-	-	53
Cemetery	50,606	3,958	-	54,564
<b>Proprietary Funds:</b>				
Water Utility - Operating	21,648	333,317	347,944	7,021
Water Utility - Bond and Interest	1	122,170	112,154	10,017
Water Utility - Debt Reserve	81,904	6,791	-	88,695
Water Utility - Customer Deposit	28,897	4,040	210	32,727
Water Utility - Construction	27,877	374	25,194	3,057
Water Utility - Improvement	92,419	3,352	90,002	5,769
Wastewater Utility - Operating	14,209	658,228	655,322	17,115
Wastewater Utility - Bond and Interest	32,571	220,328	212,615	40,284
Wastewater Utility - Debt Reserve	107,269	69,071	357	175,983
Wastewater Utility - Depreciation	9,310	5,520	-	14,830
Wastewater Utility - Customer Deposit	12,437	4,000	52	16,385
Wastewater Utility - Construction	366,489	630,874	996,154	1,209
<b>Fiduciary Fund:</b>				
Payroll	3,691	620,903	621,346	3,248
<b>Totals</b>	<b>\$ 1,601,657</b>	<b>\$ 3,762,619</b>	<b>\$ 4,594,550</b>	<b>\$ 769,726</b>

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

TOWN OF WATERLOO  
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, health and social services, culture and recreation, and general administrative services.

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 WATERLOO  
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 WATERLOO  
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.

General infrastructure assets (those reported by governmental activities) are included regardless of their acquisition date or amount. The government was able to estimate the historical cost for the initial reporting of these assets through backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year.) As the government constructs or acquires additional capital assets each period, including infrastructure assets, they are reported at historical cost.

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 411,631
Infrastructure	4,206,398
Buildings	603,493
Improvements other than buildings	2,207
Machinery and equipment	<u>1,413,543</u>
 Total governmental activities, capital assets not being depreciated	 <u><u>\$ 6,637,272</u></u>

<u>Primary Government</u>	<u>Ending Balance</u>
Business-type activities:	
Water Utility:	
Capital assets, not being depreciated:	
Land	\$ 14,373
Buildings	254,201
Improvements other than buildings	1,703,330
Machinery and equipment	<u>327,037</u>
 Total Water Utility capital assets	 <u>2,298,941</u>
Wastewater Utility:	
Capital assets, not being depreciated:	
Land	46,792
Buildings	366,247
Improvements other than buildings	3,294,181
Machinery and equipment	<u>166,530</u>
 Total Wastewater Utility capital assets	 <u>3,873,750</u>
 Total business-type activities capital assets	 <u><u>\$ 6,172,691</u></u>

TOWN OF WATERLOO  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF LONG-TERM DEBT

For The Year Ended December 31, 2006

The Town has entered into the following debt:

Description of Debt	Ending Balance	Due Within One Year
Governmental Activities:		
Notes and loans payable	\$ 70,249	\$ 7,956
Total governmental activities long-term debt	<u>\$ 70,249</u>	<u>\$ 7,956</u>
Business-type Activities:		
Water Utility		
Notes and loans payable - SRF	\$ 1,391,000	\$ 16,000
Revenue bonds:		
2004 Waterworks Refunding Series A	735,000	40,000
2004 Waterworks Refunding Series B	<u>485,000</u>	<u>10,000</u>
Total Water Utility	<u>2,611,000</u>	<u>66,000</u>
Wastewater Utility		
Capital leases:		
Sewer grinder	5,313	5,313
Revenue bonds:		
1993 Sewage Refunding	190,000	90,000
2006 Sewage works	<u>550,000</u>	<u>35,000</u>
Total Wastewater Utility	<u>745,313</u>	<u>130,313</u>
Total business-type activities long-term debt:	<u>\$ 3,356,313</u>	<u>\$ 196,313</u>

TOWN OF WATERLOO  
EXAMINATION RESULTS AND COMMENTS

CUSTOMER DEPOSIT REGISTER

As stated in prior Report B25799, the detailed customer deposit register does not reconcile with the customer deposit amount recorded on the general ledger.

Not reconciling the customer deposit register to customer deposits per the ledger may lead to errors such as improper refunds to customers.

The Clerk-Treasurer should reconcile the customer deposit register to customer deposit amount in the ledger and make any necessary adjustments.

At all times, the manual and computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

DELINQUENT ACCOUNT WRITE-OFFS

There is currently no policy in place for writing off delinquent utility accounts and no accounts have been written off since the current Clerk-Treasurer took office in May of 2001. In November 2005, the Clerk-Treasurer did submit a list of delinquent accounts to the Town Council and they were approved to be written off. However, the accounts were only moved from the active to the inactive list. The account balances have not been adjusted.

Reports showing customer account balances are not run each month. These reports are necessary for monitoring accounts that have become delinquent.

The governing body of a governmental unit should have a written policy concerning a procedure for the writing off of bad debts, uncollectible accounts receivable, or any adjustments to record balances.

Documentation should exist for all efforts made by the governmental unit to collect amounts owed prior to any write-offs.

Officials or employees authorizing, directing or executing write-offs or adjustments to records which are not documented or warranted may be held personally responsible. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

OVERDRAWN FUND BALANCE

The General Fund was overdrawn in 2006. Tax distributions were not received by December 31.

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 WATERLOO  
EXIT CONFERENCE

The contents of this report were discussed on July 16, 2007, with Renata Ford, Clerk-Treasurer. The official concurred with our findings.