

**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, 2007 to December 31, 2009



**FILED**  
12/10/2010



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OFFICIALS

Office

Official

Term

Clerk-Treasurer

Renata Ford

01-01-04 to 12-31-11

President of the  
Town Council

Keith Moughler  
William Hubartt

01-01-07 to 12-31-07  
01-01-08 to 12-31-10



**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, 2007 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, 2007, 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 Capital Assets and Schedule of Long-Term Debt, as listed in the Table of Contents, are presented for additional analysis and are not required parts 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

October 7, 2010

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, 2007, 2008 And 2009

	Cash and Investments 01-01-07	Receipts	Disbursements	Cash and Investments 12-31-07
<b>Governmental Funds:</b>				
General	\$ (206,539)	\$ 966,298	\$ 759,375	\$ 384
Motor Vehicle Highway	116,703	259,893	269,120	107,476
Local Road and Street	679	12,590	12,509	760
Law Enforcement Continuing Education	5,764	1,141	185	6,720
Riverboat	55,501	13,872	-	69,373
TIF District	3,710	17,484	10,983	10,211
Rainy Day	13,871	30,949	10,927	33,893
Cumulative Capital Improvement	29,308	14,727	18,000	26,035
Cumulative Capital Development	38,774	33,775	39,980	32,569
County Economic Development Income Tax	94,810	75,630	62,983	107,457
Cumulative Capital Fire	111,588	51,921	31,359	132,150
Redevelopment	24,306	21,990	22,754	23,542
Park Donations	-	800	800	-
Fire Donations	84	-	84	-
Marshals Donation	1,611	8,900	7,489	3,022
Garbage	8,599	100,870	94,755	14,714
Crime Watch	53	-	53	-
Cemetery	54,564	5,990	302	60,252
<b>Proprietary Funds:</b>				
Water Utility - Operating	7,021	355,513	313,651	48,883
Water Utility - Bond and Interest	10,017	107,679	104,045	13,651
Water Utility - Debt Service Reserve	88,695	6,790	-	95,485
Water Utility - Customer Deposit	32,727	4,180	17,967	18,940
Water Utility - Construction	3,057	30,190	8,942	24,305
Water Utility - Improvement	5,769	3,683	6,000	3,452
Wastewater Utility - Operating	17,115	632,055	573,000	76,170
Wastewater Utility - Bond and Interest	40,284	222,635	222,488	40,431
Wastewater Utility - Debt Service Reserve	175,983	18,490	432	194,041
Wastewater Utility - Depreciation	14,830	5,028	390	19,468
Wastewater Utility - Customer Deposit	16,385	4,360	5,982	14,763
Wastewater Utility - Construction	1,209	30,783	7,468	24,524
<b>Fiduciary Fund:</b>				
Payroll	3,248	638,426	638,436	3,238
<b>Totals</b>	<u>\$ 769,726</u>	<u>\$ 3,676,642</u>	<u>\$ 3,240,459</u>	<u>\$ 1,205,909</u>

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

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, 2007, 2008 And 2009  
(Continued)

	Cash and Investments 01-01-08	Receipts	Disbursements	Cash and Investments 12-31-08
Governmental Funds:				
General	\$ 384	\$ 743,410	\$ 743,760	\$ 34
Motor Vehicle Highway	107,476	234,537	291,262	50,751
Local Road and Street	760	11,739	10,197	2,302
Law Enforcement Continuing Education	6,720	1,144	3,426	4,438
Riverboat	69,373	5,401	12,404	62,370
TIF District	10,211	21,848	10,850	21,209
Rainy Day	33,893	37,026	1,073	69,846
Cumulative Capital Improvement	26,035	7,155	18,000	15,190
Cumulative Capital Development	32,569	24,308	32,726	24,151
County Economic Development Income Tax	107,457	70,403	73,382	104,478
Cumulative Capital Fire	132,150	14,748	37,151	109,747
MCM Project	-	1,080,295	882,517	197,778
Redevelopment	23,542	6,717	16,315	13,944
Park Donations	-	840	840	-
Marshals Donation	3,022	6,371	4,791	4,602
Garbage	14,714	101,132	100,965	14,881
Cemetery	60,252	3,486	860	62,878
Proprietary Funds:				
Water Utility - Operating	48,883	348,054	366,254	30,683
Water Utility - Bond and Interest	13,651	106,191	106,670	13,172
Water Utility - Debt Service Reserve	95,485	6,791	-	102,276
Water Utility - Customer Deposit	18,940	3,515	1,983	20,472
Water Utility - Construction	24,305	-	7,135	17,170
Water Utility - Improvement	3,452	3,282	-	6,734
Wastewater Utility - Operating	76,170	594,832	597,547	73,455
Wastewater Utility - Bond and Interest	40,431	222,071	225,160	37,342
Wastewater Utility - Debt Service Reserve	194,041	14,215	302	207,954
Wastewater Utility - Depreciation	19,468	2,820	5,673	16,615
Wastewater Utility - Customer Deposit	14,763	3,440	1,668	16,535
Wastewater Utility - Construction	24,524	-	11,058	13,466
Fiduciary Fund:				
Payroll	3,238	661,989	661,951	3,276
Totals	<u>\$ 1,205,909</u>	<u>\$ 4,337,760</u>	<u>\$ 4,225,920</u>	<u>\$ 1,317,749</u>

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

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, 2007, 2008 And 2009  
(Continued)

	Cash and Investments 01-01-09	Receipts	Disbursements	Cash and Investments 12-31-09
Governmental Funds:				
General	\$ 34	\$ 772,548	\$ 729,250	\$ 43,332
Motor Vehicle Highway	50,751	328,687	267,751	111,687
Local Road and Street	2,302	11,054	10,621	2,735
Law Enforcement Continuing Education	4,438	4,921	3,140	6,219
Riverboat	62,370	13,768	44,924	31,214
TIF District	21,209	10,241	6,537	24,913
Rainy Day	69,846	11,144	35,514	45,476
Cumulative Capital Improvement	15,190	6,745	15,000	6,935
Cumulative Capital Development	24,151	20,316	27,867	16,600
County Economic Development Income Tax	104,478	80,592	87,216	97,854
Cumulative Capital Fire	109,747	12,211	64,563	57,395
MCM Project	197,778	210	176,065	21,923
Redevelopment	13,944	14,749	13,125	15,568
Park Donations	-	725	720	5
Marshals Donation	4,602	8,965	10,583	2,984
Garbage	14,881	105,289	106,751	13,419
Cemetery	62,878	2,657	-	65,535
Town Match Money	-	55,000	-	55,000
Proprietary Funds:				
Water Utility - Operating	30,683	340,684	365,926	5,441
Water Utility - Bond and Interest	13,172	105,239	105,390	13,021
Water Utility - Debt Service Reserve	102,276	6,790	-	109,066
Water Utility - Customer Deposit	20,472	3,480	5,997	17,955
Water Utility - Construction	17,170	-	10,195	6,975
Water Utility - Improvement	6,734	-	5,343	1,391
Wastewater Utility - Operating	73,455	603,142	631,491	45,106
Wastewater Utility - Bond and Interest	37,342	221,635	113,359	145,618
Wastewater Utility - Debt Service Reserve	207,954	10,560	-	218,514
Wastewater Utility - Depreciation	16,615	-	14,490	2,125
Wastewater Utility - Customer Deposit	16,535	3,480	5,568	14,447
Wastewater Utility - Construction	13,466	-	5,777	7,689
Fiduciary Fund:				
Payroll	3,276	661,408	664,683	1
Totals	<u>\$ 1,317,749</u>	<u>\$ 3,416,240</u>	<u>\$ 3,527,846</u>	<u>\$ 1,206,143</u>

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. 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.

TOWN OF WATERLOO  
NOTES TO FINANCIAL INFORMATION  
(Continued)

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. 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, 2009

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>1,474,628</u>
Total governmental activities, capital assets not being depreciated	<u>\$ 6,698,357</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>333,380</u>
Total Water Utility capital assets	<u>2,305,284</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>188,830</u>
Total Wastewater Utility capital assets	<u>3,896,050</u>
Total business-type activities capital assets	<u>\$ 6,201,334</u>

TOWN OF WATERLOO  
 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
Governmental activities:		
Notes and loans payable	\$ 122,773	\$ 41,568
Business-type activities:		
Water Utility:		
State Revolving Fund loan payable	\$ 1,364,000	\$ 161,710
Revenue bonds:		
2004 Waterworks Refunding Series A	615,000	71,068
2004 Waterworks Refunding Series B	445,000	31,513
Total Water Utility	2,424,000	264,291
Wastewater Utility:		
Revenue bonds:		
2006 Sewage works	410,000	57,583
Total business-type activities debt	\$ 2,834,000	\$ 321,874

TOWN OF WATERLOO  
EXAMINATION RESULTS AND COMMENTS

CUSTOMER DEPOSIT REGISTER

As stated in prior Reports B25799 and B30221, the detailed customer deposit register does not reconcile with the customer deposit amount recorded on the general ledger.

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)

ANNUAL REPORT (CTAR)

For 2007, 2008, and 2009, the annual report (CTAR) filed with State of Indiana State Board of Accounts did not agree with the Town's Fund Report, an approved form, maintained throughout the year. Total cash balance did agree. Differences were noted in various funds for receipts, disbursements, and ending fund cash balances. The funds on the CTAR that did not agree with the Fund Report also did not crossfoot on the Fund Report.

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)

ERRORS ON CLAIMS

The following deficiencies were noted on claims during the review period:

- Many claims were paid from statements only (no itemized invoices).
- Many claims were not certified by the Clerk-Treasurer.
- Claims for debt payments made by EFT were not approved by Council.

TOWN OF WATERLOO  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

IC 5-11-10-1.6 states in part:

"(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

- (1) there is a fully itemized invoice or bill for the claim;
- (2) the invoice or bill is approved by the officer or person receiving the goods and services;
- (3) the invoice or bill is filed with the governmental entity's fiscal officer;
- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim."

FUND SOURCES AND USES

Funds were disbursed from the Cumulative Capital Fire Fund in 2008 and 2009 for fire insurance in the amounts of \$23,492 and \$11,428, respectively. Also, from the Cumulative Capital Fire Fund in 2009, \$24,700 was disbursed for water tower painting. We advised the officials to repay the Cumulative Capital Fire Fund for the insurance payments from the General Fund and for the water tower painting from the Water Utility.

Sources and uses of funds should be limited to those authorized by the enabling statute, ordinance, resolution, or grant agreement. (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 October 7, 2010, with Renata Ford, Clerk-Treasurer; William Hubartt, President of the Town Council; and Dewayne Nodine, Town Manager. The officials concurred with our findings.