

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

SUPPLEMENTAL COMPLIANCE REPORT  
OF

CLERK-TREASURER  
TOWN OF WATERLOO  
DEKALB COUNTY, INDIANA

January 1, 2013 to December 31, 2015



**FILED**  
02/02/2017



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Renata Ford	01-01-12 to 12-31-19
President of the Town Council	Candice Surber	01-01-13 to 05-13-14
	William Hubartt	05-14-14 to 12-31-14
	David Bolton	01-01-15 to 12-31-16
Superintendent of Water Utility	James Rodman	01-01-13 to 03-31-14
	Chris Lalonde	04-01-14 to 12-31-16
Superintendent of Wastewater Utility	Chad Ritter	01-01-13 to 09-30-13
	(Vacant)	10-01-13 to 01-05-14
	Chris Lalonde	01-06-14 to 12-31-16



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE TOWN OF WATERLOO, DEKALB COUNTY, INDIANA

This report is supplemental to our examination report of the Town of Waterloo (Town), for the period January 1, 2013 to December 31, 2015. It has been provided as a separate report so that the reader may easily identify any Examination Results and Comments that pertain to the Town. It should be read in conjunction with our Financial Statements Examination Report of the Town, which provides our opinion on the Town's financial statements. This report may be found [www.in.gov/sboa/](http://www.in.gov/sboa/).

As authorized under Indiana Code 5-11-1, we performed procedures to determine compliance with applicable Indiana laws and uniform compliance guidelines established by the Indiana State Board of Accounts. The Examination Results and Comments contained herein describe the identified reportable instances of noncompliance found as a result of these procedures. Our tests were not designed to identify all instances of noncompliance; therefore, noncompliance may exist that is unidentified.

Any Official Response to the Examination Results and Comments, incorporated within this report, was not verified for accuracy.

*Paul D. Joyce*  
Paul D. Joyce, CPA  
State Examiner

December 20, 2016

CLERK-TREASURER  
TOWN OF WATERLOO  
EXAMINATION RESULTS AND COMMENTS

***PENALTIES AND INTEREST***

The Town made a principal and interest payment on their State Revolving Fund loan after the January 1, 2013 due date. This resulted in penalties and interest of \$174.22, which were paid on July 1, 2013.

Also, the Town made late payments to the Indiana Department of Revenue for Utility Sales Tax and Utility Receipts Tax during the examination period in 2015. This resulted in penalties and interest of \$305.81 being incurred and paid.

A similar comment appeared in prior Report B41306.

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)

We requested Renata Ford (Ford), Clerk-Treasurer, to reimburse the Town in the amount of \$480.03 for penalties and interest paid. (See Summary of Charges, page 10)

Ford reimbursed the Town \$480.03 on December 20, 2016. (See Summary of Charges, page 10)

***BANK ACCOUNT RECONCILIATIONS***

Depository reconciliations of the funds ledger to the bank account balances were conducted by Ford; however, they did not balance at December 31, 2013, or December 31, 2015.

The variance at December 31, 2013, was \$3,470. Further investigation by Ford during our examination identified a reconciling item of \$5,584, leaving an unidentified difference of \$2,114.

The variance at December 31, 2015, was \$8,236. Additional investigation by Ford during our examination identified the variance as an outstanding deposit.

The most current reconciliation completed as of the date of this report was June 30, 2016, which included an unidentified variance of \$3,989.

Indiana Code 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

CLERK-TREASURER  
TOWN OF WATERLOO  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

**ANNUAL FINANCIAL REPORT**

The Annual Financial Reports (AFR) for 2013, 2014, and 2015 contained errors and did not match the Town's accounting records. The following deficiencies were present during our examination:

1. Some funds were not included in the Town's ledger or financial statements. These funds had separate bank accounts and financial activity. Examination adjustments were proposed, accepted by the Town, and made to the financial statements presented for examination.
2. The Schedule of Leases and Debt was incorrect and did not include the balance of the 2008 Economic Development Revenue Bonds.
3. The Schedule of Accounts Payables and Receivables and the Schedule of Capital Assets were not correct and were not presented as Supplementary Information to the financial statements.
4. The grants schedule had numerous errors. Grant programs were not accurately reported and the expenditure amounts were overstated in 2013, 2014, and 2015 by \$1,888,964, \$3,884,579, and \$4,368,997, respectively.
5. The 2014 AFR was not filed until April 16, 2015, and the 2015 AFR was not filed until March 22, 2016. The 2014 report was filed 47 days late and the 2015 report was filed 22 days late.

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under IC 5-14-3.8-7."

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)

**CONDITION OF RECORDS**

Financial records presented for examination were not always reflective of the activity of the Town's ledger and contained the following deficiencies:

1. In 2014, the Financial Institution Tax (FIT) and Commercial Vehicle Excise Tax (CVET) distributions of \$5,387 were erroneously posted to the General Fund instead of the Motor Vehicle Highway, Cumulative Capital Development, and Economic Development Commission Funds.
2. There were numerous corrections in the ledgers. Correcting entries were not summarized and the reasons supporting the entries were not properly documented.
3. There were numerous transfers in the ledger that did not have an adequate audit trail to identify transfers in with the corresponding transfer out.

CLERK-TREASURER  
TOWN OF WATERLOO  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

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**OVERDRAWN CASH BALANCE**

The financial statements presented for examination included the following fund with an overdrawn cash balance at December 31, 2015. There were other funds that had overdrawn cash balances due to grant funds operating on a reimbursement basis; however, those funds are not included below.

Fund	Amount Overdrawn
Water Utility-Bond And Interest	\$ 9,302

The cash 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)

**CERTIFIED REPORT OF NAMES, ADDRESSES, DUTIES AND  
COMPENSATION OF PUBLIC EMPLOYEES (FORM 100-R)**

In 2014, the Form 100-R only reported one biweekly pay for each employee instead of their annual compensation.

Indiana Code 5-11-13-1 states in part:

"Every state, county, city, town, township, or school official . . . shall during the month of January of each year prepare, make, and sign a certified report, correctly and completely showing the names and business addresses of each and all officers, employees, and agents . . . and the respective duties and compensation of each, and shall forthwith file said report in the office of the state examiner of the state board of accounts."

Political subdivisions are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings, and filing requirements concerning reports and other procedural matters of federal and state agencies, including opinions of the Attorney General of the State of Indiana, and court decisions. Governmental units should file accurate reports required by federal and state agencies. Non-compliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

**OFFICIAL BOND**

The Clerk-Treasurer's Surety Bond during the examination period was insufficient per the Indiana Code. The coverage during the examination period was \$90,000; however, the coverage should have been \$120,000 for 2013 and 2014 and \$150,000 for 2015.



CLERK-TREASURER  
TOWN OF WATERLOO  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

Indiana Code 5-4-1-18 states in part:

"(a) . . . the following city, town, county, or township officers and employees shall file an individual surety bond: . . .

(2) Town judges and clerk-treasurers. . . .

(c) . . . the fiscal bodies of the respective units shall fix the amount of the bond of . . . town clerk-treasurers . . . as follows:

- (1) The amount must equal thirty thousand dollars (\$30,000) for each one million dollars (\$1,000,000) of receipts of the officer's office during the last complete fiscal year before the purchase of the bond, subject to subdivision (2).
- (2) The amount may not be less than thirty thousand dollars (\$30,000) nor more than three hundred thousand dollars (\$300,000) unless the fiscal body approves a greater amount for the officer or employee. . . ."

***LOANS BETWEEN FUNDS***

The Town passed Resolution 10-05 concerning temporary loans the Water Utility received from the Cumulative Fire fund (\$24,700) and the County Economic Development Income Tax fund (\$29,740) which were to be paid back by December 31, 2011. The Water Utility still owes \$4,000 to the Cumulative Fire fund and \$29,740 to the County Economic Development Income Tax fund. These amounts are still unpaid as of December 31, 2015.

In 2010, a total of \$26,750 was disbursed from the Rainy Day fund for Water Utility Painting, which included \$10,000 noted in Resolution 10-05. In 2011, \$20,000 was paid back to the Rainy Day fund leaving a balance of \$6,750. This amount is still unpaid as of December 31, 2015.

A similar comment appeared in prior Report B41306.

Indiana Code 36-1-8-4 states in part:

"(a) . . . (3) Except as provided in subsection (b), the prescribed period must end during the budget year of the year in which the transfer occurs; (4) The amount transferred must be returned to the other fund at the end of the prescribed period . . .

(b) If the fiscal body of a political subdivision determines that an emergency exists that requires an extension of the prescribed period of a transfer under this section, the prescribed period may be extended for not more than six (6) months beyond the budget year of the year in which the transfer occurs if the fiscal body does the following:

- (1) Passes an ordinance or a resolution that contains the following:
  - (A) A statement that the fiscal body has determined that an emergency exists.
  - (B) A brief description of the grounds for the emergency.
  - (C) The date the loan will be repaid that is not more than six (6) months beyond the budget year in which the transfer occurs.

CLERK-TREASURER  
TOWN OF WATERLOO  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

- (2) Immediately forwards the ordinance or resolution to the state board of accounts and department of local government finance."

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)

***CUSTOMER DEPOSIT REGISTER***

The detailed customer deposit register (Meter Deposit Report) did not reconcile with the customer deposit cash amount recorded on the Fund Report. Also, the difference between the Meter Deposit Report and the Fund Report has not remained constant from year to year.

Similar comments have appeared in several prior reports.

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)

***CAPITAL ASSET RECORDS***

As stated in prior Report B41306, the Town did not maintain capital asset records.

Every governmental unit should have a complete inventory of all capital assets owned which reflects their acquisition value. Such inventory should be recorded in the applicable Capital Assets Ledger. A complete inventory should be taken every year for good internal control and for verifying account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CLERK-TREASURER  
TOWN OF WATERLOO  
EXIT CONFERENCE

The contents of this report were discussed on December 20, 2016, with Renata Ford, Clerk-Treasurer; William Hubartt, Town Council member; and Tena Woenker, Town Manager.

CLERK-TREASURER  
TOWN OF WATERLOO  
SUMMARY OF CHARGES

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Renata Ford, Clerk-Treasurer:			
Penalties and Interest, page 4			
Penalties and interest on late payment on State Revolving Fund loan	\$ 174.22	\$	\$
Penalties and interest on late payment of sales tax	198.81		
Penalties and interest on late payment of Utility Receipts Tax in 2015	107.00		
Payment December 20, 2016, Receipt No. 17033	<u>                    </u>	<u>480.03</u>	<u>                    </u> -
Totals	<u>\$ 480.03</u>	<u>\$ 480.03</u>	<u>\$</u> <u>                    </u> -