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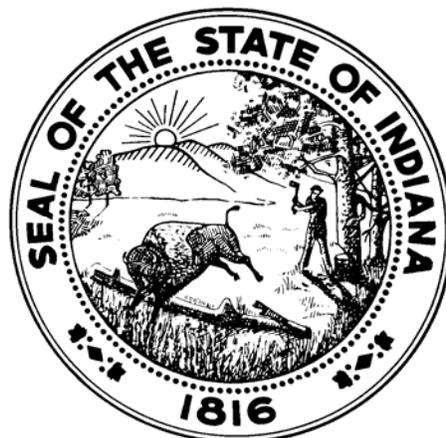
STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2765

ANNUAL FINANCIAL REPORT

2005

CITY OF RENSSELAER

JASPER COUNTY, INDIANA



FILED

09/11/2006

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Frieda Bretzinger	01-01-04 to 12-31-07
Mayor	Herbert Arihood	01-01-04 to 12-31-07
President of the Board of Public Works	Herbert Airhood	01-01-04 to 12-31-07
President of the Common Council	Richard Comigore	01-01-05 to 12-31-06
Superintendent of Water and Wastewater Utility	Michael Murphy	01-01-05 to 12-31-06
Superintendent of Electric Utility	Robert Bennett	01-01-05 to 12-31-06
Superintendent of Gas Utility	LeMoyne Koehler	01-01-05 to 12-31-06
Utility Office Manager	Arlene Castonia	01-01-05 to 12-31-06



STATE OF INDIANA
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INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

TO: THE OFFICIALS OF THE CITY OF RENSSELAER, JASPER COUNTY, INDIANA

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Rensselaer (City), as of and for the year ended December 31, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note I, the City prepares its financial statements on the prescribed basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash and investment balances of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of December 31, 2005, and the respective cash receipts and cash disbursements during the year then ended on the basis of accounting described in Note I.

In accordance with Government Auditing Standards, we have also issued a report dated August 3, 2006, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. Our report on compliance and on internal control over financial reporting should be read along with this report.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of the City taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(Continued)

The Schedule of Funding Progress, as listed in the table of contents, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The City has not presented Management's Discussion and Analysis or Budgetary Comparison Schedules that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Combining Schedules, as listed in the table of contents, Schedule of Capital Assets, and Schedule of Long-Term Debt is presented for additional analysis and are not a required part of the basic financial statements. The Combining Schedules, as listed in the table of contents, have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Schedule of Capital Assets and Schedule of Long-Term Debt have not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

August 3, 2006



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

TO: THE OFFICIALS OF THE CITY OF RENSSELAER, JASPER COUNTY, INDIANA

We have audited the financial statements of the City of Rensselaer (City), as of and for the year ended December 31, 2005, and have issued our report thereon dated August 3, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the City's management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

August 3, 2006

CITY OF RENSSELAER
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For The Year Ended December 31, 2005

Functions/Programs	Program Receipts			Net (Disbursement) Receipt and Changes in Net Assets		
	Disbursements	Charges for Services	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary government:						
Governmental activities:						
General government	\$ 3,148,312	\$ 305,702	\$ 818,123	\$ (2,024,487)	\$ -	\$ (2,024,487)
Public safety	1,172,652	19,649	-	(1,153,003)	-	(1,153,003)
Highways and streets	367,546	-	-	(367,546)	-	(367,546)
Sanitation	304,895	-	-	(304,895)	-	(304,895)
Economic development	61,506	-	-	(61,506)	-	(61,506)
Culture and recreation	205,034	-	-	(205,034)	-	(205,034)
Total governmental activities	<u>5,259,945</u>	<u>325,351</u>	<u>818,123</u>	<u>(4,116,471)</u>	<u>-</u>	<u>(4,116,471)</u>
Business-type activities:						
Water	1,290,504	1,063,091	-	-	(227,413)	(227,413)
Wastewater	2,571,819	970,661	-	-	(1,601,158)	(1,601,158)
Electric	11,227,143	6,945,598	-	-	(4,281,545)	(4,281,545)
Gas	5,676,643	5,530,057	-	-	(146,586)	(146,586)
Total business-type activities	<u>20,766,109</u>	<u>14,509,407</u>	<u>-</u>	<u>-</u>	<u>(6,256,702)</u>	<u>(6,256,702)</u>
Total primary government	<u>\$ 26,026,054</u>	<u>\$ 14,834,758</u>	<u>\$ 818,123</u>	<u>(4,116,471)</u>	<u>(6,256,702)</u>	<u>(10,373,173)</u>
General receipts:						
Property taxes				1,117,920	-	1,117,920
Other local sources				4,337	-	4,337
Bonds and loans				66,940	8,235,416	8,302,356
Grants and contributions not restricted to specific programs				2,317,018	-	2,317,018
Unrestricted investment earnings				29,201	162,278	191,479
Total general receipts				<u>3,535,416</u>	<u>8,397,694</u>	<u>11,933,110</u>
Change in net assets				(581,055)	2,140,992	1,559,937
Net assets - beginning				<u>1,073,618</u>	<u>7,331,100</u>	<u>8,404,718</u>
Net assets - ending				<u>\$ 492,563</u>	<u>\$ 9,472,092</u>	<u>\$ 9,964,655</u>
<u>Assets</u>						
Cash and investments				\$ 208,815	\$ 2,035,720	\$ 2,244,535
Restricted assets:						
Cash and investments				<u>283,748</u>	<u>7,436,372</u>	<u>7,720,120</u>
Total assets				<u>\$ 492,563</u>	<u>\$ 9,472,092</u>	<u>\$ 9,964,655</u>
<u>Net Assets</u>						
Restricted for:						
Public safety				\$ 45,900	\$ -	\$ 45,900
Highway and streets				48,946	-	48,946
Urban redevelopment and housing				6,523	-	6,523
Debt service				-	1,389,833	1,389,833
Capital outlay				84,462	-	84,462
Other purposes				97,917	6,046,539	6,144,456
Unrestricted				<u>208,815</u>	<u>2,035,720</u>	<u>2,244,535</u>
Total net assets				<u>\$ 492,563</u>	<u>\$ 9,472,092</u>	<u>\$ 9,964,655</u>

The notes to the financial statements are an integral part of this statement.

CITY OF RENSSELAER
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
GOVERNMENTAL FUNDS
For The Year Ended December 31, 2005

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Totals</u>
Receipts:			
Taxes	\$ 996,785	\$ 121,135	\$ 1,117,920
Licenses and permits	16,060	360	16,420
Intergovernmental	575,273	2,477,809	3,053,082
Charges for services	270,061	31,558	301,619
Fines and forfeits	2,189	495	2,684
Other	86,221	207,216	293,437
	<u>1,946,589</u>	<u>2,838,573</u>	<u>4,785,162</u>
Disbursements:			
General government	553,957	241,950	795,907
Public safety	1,121,538	51,114	1,172,652
Highways and streets	-	300,606	300,606
Sanitation	304,895	-	304,895
Health and welfare	-	245	245
Culture and recreation	204,176	858	205,034
Urban redevelopment and housing	-	61,506	61,506
Debt service:			
Principal	-	60,000	60,000
Interest	-	107,695	107,695
Capital outlay:			
Highways and streets	-	2,419,100	2,419,100
	<u>2,184,566</u>	<u>3,243,074</u>	<u>5,427,640</u>
Deficiency of revenue under disbursements	<u>(237,977)</u>	<u>(404,501)</u>	<u>(642,478)</u>
Other financing sources			
Interfund loans	-	66,940	66,940
Interfund services provided and used	-	900	900
	<u>-</u>	<u>67,840</u>	<u>67,840</u>
Deficiency of receipts and other financing sources under disbursements and other financing uses	<u>(237,977)</u>	<u>(336,661)</u>	<u>(574,638)</u>
Cash and investment fund balance - beginning	<u>446,792</u>	<u>691,288</u>	<u>1,138,080</u>
Cash and investment fund balance - ending	<u>\$ 208,815</u>	<u>\$ 354,627</u>	<u>\$ 563,442</u>
<u>Cash and Investment Assets - December 31</u>			
Cash and investments	\$ 208,815	\$ -	\$ 208,815
Restricted assets:			
Cash and investments	-	354,627	354,627
Total cash and investment assets - December 31	<u>\$ 208,815</u>	<u>\$ 354,627</u>	<u>\$ 563,442</u>
<u>Cash and Investment Fund Balance - December 31</u>			
Restricted for:			
Public safety	\$ -	\$ 45,900	\$ 45,900
Highway and streets	-	48,946	48,946
Urban redevelopment and housing	-	6,523	6,523
Debt service	-	70,879	70,879
Capital outlay	-	84,462	84,462
Other purposes	-	97,917	97,917
Unrestricted	<u>208,815</u>	<u>-</u>	<u>208,815</u>
Total cash and investment fund balance - December 31	<u>\$ 208,815</u>	<u>\$ 354,627</u>	<u>\$ 563,442</u>

The notes to the financial statements are an integral part of this statement.

CITY OF RENNELLAER
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
PROPRIETARY FUNDS
As of and for the Year Ended December 31, 2005

	Water Utility	Wastewater Utility	Electric Utility	Gas Utility	Total
Operating receipts:					
Metered water receipts:					
Residential	\$ 585,451	\$ -	\$ -	\$ -	\$ 585,451
Commercial	209,200	-	-	-	209,200
Residential sales	-	443,788	-	-	443,788
Commercial and industrial sales	-	329,341	-	-	329,341
Fire protection receipts	159,884	-	-	-	159,884
Penalties	4,226	9,947	16,033	17,053	47,259
Flat rate receipts	21,200	7,475	29,162	25,290	83,127
Measured revenue:					
Residential	-	-	1,552,262	2,628,821	4,181,083
Commercial	-	-	5,265,790	2,786,304	8,052,094
Other	83,130	8,063	82,351	35,938	209,482
Total operating receipts	1,063,091	798,614	6,945,598	5,493,406	14,300,709
Operating disbursements:					
Equipment and capital improvements	220,867	1,706,641	5,364,349	156,804	7,448,661
Transmission and distribution	-	-	187,158	-	187,158
Operations and maintenance	-	-	139,592	-	139,592
Insurance claims and premiums	37,288	-	-	-	37,288
Other	165,374	142,124	172,157	53,402	533,057
Salaries and wages	310,497	212,667	365,883	291,670	1,180,717
Employee pensions and benefits	39,118	26,742	101,907	37,717	205,484
Purchased power	41,597	60,982	3,749,601	4,746,750	8,598,930
Fuel for power production	2,970	-	35,752	-	38,722
Chemicals	56,009	-	-	-	56,009
Material and supplies	189,939	96,231	116,392	47,762	450,324
Contractual services	21,669	15,176	-	63,181	100,026
Taxes	-	-	92,799	70,826	163,625
Transportation disbursements	48,511	-	-	8,310	56,821
Insurance disbursements	-	48,966	145,056	90,619	284,641
Payment in lieu of taxes	-	28,898	28,499	7,824	65,221
Customer deposits refund	12,142	-	29,288	34,838	76,268
Total operating disbursements	1,145,981	2,338,427	10,528,433	5,609,703	19,622,544
Deficiency of operating receipts under operating disbursements	(82,890)	(1,539,813)	(3,582,835)	(116,297)	(5,321,835)
Nonoperating receipts (disbursements):					
Bond proceeds	-	1,959,476	6,275,940	-	8,235,416
Interest and investment receipts	13,518	15,722	87,187	45,851	162,278
Reimbursement and loan repayment from city	-	172,047	-	36,651	208,698
Debt service of principal	(105,000)	(150,000)	(325,000)	-	(580,000)
Interest and investment disbursement	(39,523)	(83,392)	(373,710)	-	(496,625)
Loan Melville Street project	-	-	-	(66,940)	(66,940)
Total nonoperating receipts (disbursements)	(131,005)	1,913,853	5,664,417	15,562	7,462,827
Excess (deficiency) of receipts over (under) disbursements and nonoperating receipts (disbursements)	(213,895)	374,040	2,081,582	(100,735)	2,140,992
Cash and investment fund balance - beginning	811,405	840,450	3,537,901	2,141,344	7,331,100
Cash and investment fund balance - ending	<u>\$ 597,510</u>	<u>\$ 1,214,490</u>	<u>\$ 5,619,483</u>	<u>\$ 2,040,609</u>	<u>\$ 9,472,092</u>
Cash and Investment Assets - December 31					
Cash and investments	\$ 44,276	\$ 106,350	\$ 1,029,009	\$ 856,085	\$ 2,035,720
Restricted assets:					
Cash and investments	553,234	1,108,140	4,590,474	1,184,524	7,436,372
Total cash and investment assets - December 31	<u>\$ 597,510</u>	<u>\$ 1,214,490</u>	<u>\$ 5,619,483</u>	<u>\$ 2,040,609</u>	<u>\$ 9,472,092</u>
Cash and Investment Fund Balance - December 31					
Restricted for:					
Debt service	\$ 205,333	\$ 367,622	\$ 816,878	\$ -	\$ 1,389,833
Other purposes	347,901	740,518	3,773,596	1,184,524	6,046,539
Unrestricted	44,276	106,350	1,029,009	856,085	2,035,720
Total cash and investment fund balance - December 31	<u>\$ 597,510</u>	<u>\$ 1,214,490</u>	<u>\$ 5,619,483</u>	<u>\$ 2,040,609</u>	<u>\$ 9,472,092</u>

The notes to the financial statements are an integral part of this statement.

CITY OF RENSSELAER
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
FIDUCIARY FUNDS
For The Year Ended December 31, 2005

	Private-Purpose Trust Funds	Agency Funds
Additions:		
Contributions:		
Other	\$ 2,940	\$ -
Agency fund additions	-	4,648,055
Total additions	2,940	4,648,055
Deductions:		
Agency fund deductions	-	4,361,331
Excess of total additions over total deductions	2,940	286,724
Cash and investment fund balance - beginning	105,577	771,308
Cash and investment fund balance - ending	\$ 108,517	\$ 1,058,032

The notes to the financial statements are an integral part of this statement.

CITY OF RENSSELAER
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

The City was established under the laws of the State of Indiana. The City operates under a Council-Mayor form of government and provides the following services: public safety (police), highways and streets, health and social services, culture and recreation, public improvements, planning and zoning, general administrative services, electric, gas, water, and wastewater.

The City's financial reporting entity is composed of the following:

Primary Government:	City of Rensselaer and its Utilities
Blended Component Unit:	Rensselaer Redevelopment Authority

In determining the financial reporting entity, the City complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The Statement of Activities and Net Assets – Cash and Investment Basis display information about the reporting government as a whole. It includes all funds of the reporting entity except for fiduciary funds. The statement distinguishes between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, liabilities, fund equity, receipts, and disbursements. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental fund:

The general fund is the primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The City reports the following major proprietary funds:

The water utility fund accounts for the operation of the water distribution system.

The wastewater utility fund accounts for the operation of the wastewater treatment plant, pumping stations and collection systems.

The electric utility fund accounts for the operation of the electric distribution system.

CITY OF RENSSELAER
NOTES TO FINANCIAL STATEMENTS
(Continued)

The gas utility fund accounts for the operation of the gas distribution system.

Additionally, the City reports the following fund types:

The private-purpose trust fund reports a trust arrangement under which principal and income benefit the Weston Cemetery Perpetual Care.

Agency funds account for assets held by the City as an agent for city payroll and tax increment financing and serves as a control of accounts for certain cash transactions during the time they are a liability to the city.

C. Measurement Focus and Basis of Accounting

The government-wide, governmental fund, proprietary fund and fiduciary fund financial statements are reported using the basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recorded when received and disbursements are recorded when paid.

The cash and investment basis of accounting differs from accounting principles generally accepted in the United States of America in that receipts are recognized when received in cash rather than when earned and disbursements are recognized when paid rather than when a liability is incurred. Investment transactions are not presented on the financial statements.

If the City utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the enterprise fund statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges.

Enterprise funds distinguish operating receipts and disbursements from nonoperating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. The principal operating receipts of the enterprise funds are charges to customers for sales and services. Operating disbursements for enterprise funds include the cost of sales and services and administrative costs. All receipts and disbursements not meeting this definition are reported as nonoperating receipts and disbursements. Internal service funds are used to account for activities provided to other departments or agencies primarily with the government. The City does not have any internal service funds.

CITY OF RENSSELAER
NOTES TO FINANCIAL STATEMENTS
(Continued)

D. Assets and Cash and Investment Balances

1. Cash and Investments

Investments are stated at cost. Any changes in fair value of the investments are reported as interest receipts in the year of the sale of the investment.

2. Capital Assets

Capital assets arising from cash transactions acquired for use in governmental or proprietary fund operations are accounted for as capital outlay disbursements of the fund upon acquisition.

3. Long-Term Debt

Long-term debt arising from cash basis transactions of governmental and proprietary funds is not reported as liabilities in the basic financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as disbursements.

4. Equity Classification

Government-Wide Statements

Equity is classified as net assets and displayed in two components:

- a. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or (2) law through constitutional provisions or enabling legislation.
- b. Unrestricted net assets – All other net assets that do not meet the definition of "restricted."

It is the City's policy to first use restricted net assets prior to the use of unrestricted net assets when a disbursement is incurred for purposes for which both restricted and unrestricted net assets are available.

Fund Financial Statements

Governmental fund equity is classified as fund balance. Proprietary fund equity is classified the same as in the government-wide statements.

E. Receipts and Disbursements

1. Program Receipts

Amounts reported as program receipts include (1) charges to customers or applicants for goods, services, or privileges provided, and (2) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general receipts rather than as program receipts. Likewise, general receipts include all taxes.

CITY OF RENSSELAER
NOTES TO FINANCIAL STATEMENTS
(Continued)

2. Operating Receipts and Disbursements

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Goods or services from such activities are provided to people outside the government (enterprise funds).

F. Internal and Interfund Balances and Activities

In the process of aggregating the financial information for the government-wide Statement of Activities and Net Assets – Cash and Investment Basis, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified.

Fund Financial Statements

1. Interfund services – Sales or purchases of goods and services between funds are reported as receipts and disbursements.
2. Interfund reimbursements – Repayments from funds responsible for certain disbursements to the funds that initially paid for them are not reported as reimbursements but as adjustments to disbursements in the respective funds.
3. Interfund transfers – Flow of assets from one fund to another where repayment is not expected is reported as transfers in and out.

Government-Wide Financial Statements

Interfund activity and balances, if any, are eliminated or reclassified in the government-wide financial statements as follows:

Internal activities – Amounts reported as interfund transfers in the fund financial statements are eliminated in the Government-Wide Statement of Activities and Net Assets – Cash and Investment Basis except for the net amount of transfers between governmental and business-type activities, which are reported as Transfers – Internal Activities. The effects of interfund services between funds, if any, are not eliminated in the Statement of Activities – Cash and Investment Basis.

II. Stewardship, Compliance and Accountability

Budgetary Information

Annual budgets are adopted on the cash basis, which is not consistent with accounting principles generally accepted in the United States of America. All annual appropriations lapse at calendar year end.

On or before August 31, the fiscal officer of the City submits to the governing board a proposed operating budget for the year commencing the following January 1. Prior to adoption, the budget is advertised and public hearings are conducted by the governing board to obtain taxpayer comments. In September of each year, the governing board, through the passage of a resolution/ordinance, approves the budget for

CITY OF RENSSELAER
NOTES TO FINANCIAL STATEMENTS
(Continued)

the next year. Copies of the budget resolution/ordinance and the advertisement for funds for which property taxes are levied or highway use taxes are received are sent to the Indiana Department of Local Government Finance. The budget becomes legally enacted after the fiscal officer of the City receives approval of the Indiana Department of Local Government Finance.

The City's management cannot transfer budgeted appropriations between object classifications of a budget without approval of the governing board. The Indiana Department of Local Government Finance must approve any revisions to the appropriations for any fund or any department of the General Fund. The legal level of budgetary control is by object and department within the fund for the General Fund and by object within the fund for all other budgeted funds.

III. Detailed Notes on All Funds

Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Indiana Code 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state funds; and has a principal office or branch that qualifies to receive public funds of the political subdivision. The bank balances were insured by the Federal Deposit Insurance Corporation or the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

IV. Other Information

A. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; and natural disasters.

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; and natural disasters are covered by commercial insurance from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance by major category of risk. Risk financing is not utilized for the other risks of loss.

B. Rate Structure – Enterprise Funds

Water Utility

On August 8, 1983, the City Council adopted Ordinance No. 10-83 to withdraw from the jurisdiction of the Indiana Utility Regulatory Commission. The current rate structure was approved by the Council on June 14, 2004.

Wastewater Utility

The current rate structure was approved by the City Council on June 14, 2004.

CITY OF RENSSELAER
NOTES TO FINANCIAL STATEMENTS
(Continued)

Electric Utility

On August 8, 1983, the City Council adopted Ordinance No. 10-83 to withdraw from the jurisdiction of the Indiana Utility Regulatory Commission. The current rate structure was approved by the Council on June 14, 2004.

Gas Utility

On August 8, 1983, the City Council adopted Ordinance No. 10-83 to withdraw from the jurisdiction of the Indiana Utility Regulatory Commission. The current rate structure was approved by the Council on June 14, 2004.

C. Pension Plans

1. Agent Multiple-Employer Defined Benefit Pension Plan

Public Employees' Retirement Fund

Plan Description

The City 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 the 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 City 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 member's 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. The 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 plan members for PERF are established by the Board of Trustees of PERF. The City's annual pension cost and related information, as provided by the actuary, is presented in this note.

Information to segregate the assets/liabilities and the actuarial study figures between the City and the Utilities is not available.

CITY OF RENSSELAER
NOTES TO FINANCIAL STATEMENTS
(Continued)

Actuarial Information for the Above Plan

	PERF
Annual required contribution	\$ 135,176
Interest on net pension obligation	(6,361)
Adjustment to annual required contribution	7,249
Annual pension cost	136,064
Contributions made	118,715
Increase in net pension obligation	17,349
Net pension obligation, beginning of year	(87,734)
Net pension obligation, end of year	\$ (70,385)
Contribution rates:	
City	5.75%
Plan members	3%
Actuarial valuation date	07-01-05
Actuarial cost method	Entry age
Amortization method	Level percentage of projected payroll, closed
Amortization period	40 years
Amortization period (from date)	07-01-97
Asset valuation method	75% of expected actuarial value plus 25% of market value

Actuarial Assumptions

Investment rate of return	7.25%
Projected future salary increases:	
Total	5%
Attributed to inflation	4%
Attributed to merit/seniority	1%
Cost-of-living adjustments	2%

Three Year Trend Information

	Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
PERF	06-30-03	\$ 108,520	99%	\$ (65,843)
	06-30-04	100,045	122%	(87,734)
	06-30-05	136,064	119%	(70,385)

CITY OF RENSSELAER
NOTES TO FINANCIAL STATEMENTS
(Continued)

2. Cost-Sharing Multiple-Employer Defined Benefit Pension Plan

1977 Police Officers' and Firefighters' Pension and Disability Fund

Plan Description

The City contributes to the 1977 Police Officers' and Firefighters' Pension and Disability Fund, a cost-sharing multiple-employer defined benefit pension plan administered by the Indiana Public Employees' Retirement Plan (PERF) for all police officers and firefighters hired after April 30, 1977.

State statute (IC 36-8-8) regulates the operations of the system, including benefits, vesting and requirements for contributions by employers and by employees. Covered employees may retire at age 55 with 20 years of service. An employee with 20 years of service may leave service, but will not receive benefits until reaching age 55. The plan also provides for death and disability benefits.

PERF 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 Costs

Plan members are required to contribute 6% of the first-class police officers' and firefighters' salary and the City is to contribute at an actuarially determined rate. The current rate, which has not changed since the inception of the plan, is 21% of the first-class police officers' and firefighters' salary. The contribution requirements of plan members and the City are established by the Board of Trustees of PERF. The City's contributions to the plan for the years ending December 31, 2005, 2004, and 2003, were \$19,637, \$15,564, and \$18,363, respectively, equal to the required contributions for each year.

CITY OF RENSSELAER
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS

Public Employees' Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-03	\$ 1,868,467	\$ 2,005,687	\$ (137,220)	93%	\$ 2,029,907	(7%)
07-01-04	1,916,958	2,342,261	(425,303)	82%	2,287,434	(19%)
07-01-05	2,010,750	2,563,707	(552,957)	78%	2,099,890	(26%)

CITY OF RENNELLAER
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2005

	Motor Vehicle Highway	Local Road and Street	Law Enforcement Continuing Education	Rainy Day	Cumulative Capital Improvement
Receipts:					
Taxes	\$ 55,014	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	360	-	-
Intergovernmental	170,341	26,149	-	-	16,365
Charges for services	5,383	-	3,155	-	-
Fines and forfeits	-	-	495	-	-
Other	3,126	-	150	-	-
Total receipts	233,864	26,149	4,160	-	16,365
Disbursements:					
General government	-	-	-	22,479	-
Public safety	-	-	3,761	-	-
Highways and streets	265,502	35,104	-	-	-
Health and welfare	-	-	-	-	-
Culture and recreation	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-
Debt service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Capital outlay:					
Highways and streets	-	-	-	-	51,529
Total disbursements	265,502	35,104	3,761	22,479	51,529
Excess (deficiency) of revenue over (under) disbursements	(31,638)	(8,955)	399	(22,479)	(35,164)
Other financing sources (uses)					
Interfund loans	-	-	-	-	-
Interfund services provided and used	-	-	-	-	-
Total other financing sources	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(31,638)	(8,955)	399	(22,479)	(35,164)
Cash and investment fund balance - beginning	74,287	15,252	1,900	22,479	89,214
Cash and investment fund balance - ending	<u>\$ 42,649</u>	<u>\$ 6,297</u>	<u>\$ 2,299</u>	<u>\$ -</u>	<u>\$ 54,050</u>
Cash and Investment Assets - December 31					
Restricted assets:					
Cash and investments	<u>\$ 42,649</u>	<u>\$ 6,297</u>	<u>\$ 2,299</u>	<u>\$ -</u>	<u>\$ 54,050</u>
Cash and Investment Fund Balance - December 31					
Restricted for:					
Public safety	\$ -	\$ -	\$ 2,299	\$ -	\$ -
Highway and streets	42,649	6,297	-	-	-
Urban redevelopment and housing	-	-	-	-	-
Debt service	-	-	-	-	-
Capital outlay	-	-	-	-	54,050
Other purposes	-	-	-	-	-
Total cash and investment fund balance - December 31	<u><u>\$ 42,649</u></u>	<u><u>\$ 6,297</u></u>	<u><u>\$ 2,299</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 54,050</u></u>

CITY OF RENNELLAER
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2005
 (Continued)

	Cumulative Capital Development	Police Drug	Community Alliance	Police K9	Drug-Free Jasper County
Receipts:					
Taxes	\$ 62,247	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-
Intergovernmental	11,239	-	-	-	-
Charges for services	-	-	-	-	-
Fines and forfeits	-	-	-	-	-
Other	4,628	-	2,750	-	3,500
Total receipts	78,114	-	2,750	-	3,500
Disbursements:					
General government	-	-	1,393	-	-
Public safety	-	-	-	2,732	4,379
Highways and streets	-	-	-	-	-
Health and welfare	-	-	-	-	-
Culture and recreation	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-
Debt service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Capital outlay:					
Highways and streets	172,088	-	-	-	-
Total disbursements	172,088	-	1,393	2,732	4,379
Excess (deficiency) of revenue over (under) disbursements	(93,974)	-	1,357	(2,732)	(879)
Other financing sources (uses)					
Interfund loans	-	-	-	-	-
Interfund services provided and used	-	-	-	-	-
Total other financing sources	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(93,974)	-	1,357	(2,732)	(879)
Cash and investment fund balance - beginning	124,386	5	1,898	2,732	3,788
Cash and investment fund balance - ending	<u>\$ 30,412</u>	<u>\$ 5</u>	<u>\$ 3,255</u>	<u>\$ -</u>	<u>\$ 2,909</u>
Cash and Investment Assets - December 31					
Restricted assets:					
Cash and investments	<u>\$ 30,412</u>	<u>\$ 5</u>	<u>\$ 3,255</u>	<u>\$ -</u>	<u>\$ 2,909</u>
Cash and Investment Fund Balance - December 31					
Restricted for:					
Public safety	\$ -	\$ 5	\$ -	\$ -	\$ 2,909
Highway and streets	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-
Debt service	-	-	-	-	-
Capital outlay	30,412	-	-	-	-
Other purposes	-	-	3,255	-	-
Total cash and investment fund balance - December 31	<u>\$ 30,412</u>	<u>\$ 5</u>	<u>\$ 3,255</u>	<u>\$ -</u>	<u>\$ 2,909</u>

CITY OF RENNELLAER
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2005
 (Continued)

	Alarm Contract	Attendance Officer	Redevelopment Commission	Redevelopment Commission Construction	Community Disability
Receipts:					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-
Intergovernmental	-	-	-	-	-
Charges for services	1,320	2,000	-	-	-
Fines and forfeits	-	-	-	-	-
Other	-	-	5	-	-
	<u>1,320</u>	<u>2,000</u>	<u>5</u>	<u>-</u>	<u>-</u>
Total receipts					
Disbursements:					
General government	-	-	-	177,444	-
Public safety	-	1,733	-	-	-
Highways and streets	-	-	-	-	-
Health and welfare	-	-	-	-	245
Culture and recreation	-	-	-	-	-
Urban redevelopment and housing	-	-	300	-	-
Debt service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Capital outlay:					
Highways and streets	-	-	-	-	-
	<u>-</u>	<u>1,733</u>	<u>300</u>	<u>177,444</u>	<u>245</u>
Total disbursements					
Excess (deficiency) of revenue over (under) disbursements	<u>1,320</u>	<u>267</u>	<u>(295)</u>	<u>(177,444)</u>	<u>(245)</u>
Other financing sources (uses)					
Interfund loans	-	-	-	-	-
Interfund services provided and used	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources					
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	<u>1,320</u>	<u>267</u>	<u>(295)</u>	<u>(177,444)</u>	<u>(245)</u>
Cash and investment fund balance - beginning	<u>3,551</u>	<u>3,296</u>	<u>6,818</u>	<u>177,444</u>	<u>759</u>
Cash and investment fund balance - ending	<u>\$ 4,871</u>	<u>\$ 3,563</u>	<u>\$ 6,523</u>	<u>\$ -</u>	<u>\$ 514</u>
<u>Cash and Investment Assets - December 31</u>					
Restricted assets:					
Cash and investments	<u>\$ 4,871</u>	<u>\$ 3,563</u>	<u>\$ 6,523</u>	<u>\$ -</u>	<u>\$ 514</u>
<u>Cash and Investment Fund Balance - December 31</u>					
Restricted for:					
Public safety	\$ 4,871	\$ -	\$ -	\$ -	\$ -
Highway and streets	-	-	-	-	-
Urban redevelopment and housing	-	-	6,523	-	-
Debt service	-	-	-	-	-
Capital outlay	-	-	-	-	-
Other purposes	-	3,563	-	-	514
	<u>-</u>	<u>3,563</u>	<u>-</u>	<u>-</u>	<u>514</u>
Total cash and investment fund balance - December 31	<u>\$ 4,871</u>	<u>\$ 3,563</u>	<u>\$ 6,523</u>	<u>\$ -</u>	<u>\$ 514</u>

CITY OF RENNELAER
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2005
 (Continued)

	Criminal Justice Victim Assistance	Criminal Justice Safer Grant	Criminal Justice Traffic Safe	Smoking Cessation	Austin Avenue Project Grant
Receipts:					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-
Intergovernmental	16,346	19,467	5,976	-	478,413
Charges for services	-	-	-	-	-
Fines and forfeits	-	-	-	-	-
Other	-	-	400	-	-
	<u>16,346</u>	<u>19,467</u>	<u>6,376</u>	<u>-</u>	<u>478,413</u>
Total receipts					
Disbursements:					
General government	-	-	-	-	-
Public safety	15,616	19,467	3,426	-	-
Highways and streets	-	-	-	-	-
Health and welfare	-	-	-	-	-
Culture and recreation	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-
Debt service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Capital outlay:					
Highways and streets	-	-	-	-	478,413
	<u>15,616</u>	<u>19,467</u>	<u>3,426</u>	<u>-</u>	<u>478,413</u>
Total disbursements					
Excess (deficiency) of revenue over (under) disbursements	<u>730</u>	<u>-</u>	<u>2,950</u>	<u>-</u>	<u>-</u>
Other financing sources (uses)					
Interfund loans	-	-	-	-	-
Interfund services provided and used	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources					
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	<u>730</u>	<u>-</u>	<u>2,950</u>	<u>-</u>	<u>-</u>
Cash and investment fund balance - beginning	<u>2,323</u>	<u>-</u>	<u>263</u>	<u>89</u>	<u>-</u>
Cash and investment fund balance - ending	<u>\$ 3,053</u>	<u>\$ -</u>	<u>\$ 3,213</u>	<u>\$ 89</u>	<u>\$ -</u>
<u>Cash and Investment Assets - December 31</u>					
Restricted assets:					
Cash and investments	<u>\$ 3,053</u>	<u>\$ -</u>	<u>\$ 3,213</u>	<u>\$ 89</u>	<u>\$ -</u>
<u>Cash and Investment Fund Balance - December 31</u>					
Restricted for:					
Public safety	\$ 3,053	\$ -	\$ 3,213	\$ -	\$ -
Highway and streets	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-
Debt service	-	-	-	-	-
Capital outlay	-	-	-	-	-
Other purposes	-	-	-	89	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>89</u>	<u>-</u>
Total cash and investment fund balance - December 31	<u>\$ 3,053</u>	<u>\$ -</u>	<u>\$ 3,213</u>	<u>\$ 89</u>	<u>\$ -</u>

CITY OF RENNELLAER
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2005
 (Continued)

	Houston Sewer Project Grant	Downtown Revitalization Grant	Melville Street Project Grant	Walk Path Grant	Drexel Park Water Tower
Receipts:					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-
Intergovernmental	1,650,130	50,000	-	-	-
Charges for services	-	5,000	-	-	-
Fines and forfeits	-	-	-	-	-
Other	-	-	-	-	-
Total receipts	1,650,130	55,000	-	-	-
Disbursements:					
General government	-	-	-	-	-
Public safety	-	-	-	-	-
Highways and streets	-	-	-	-	-
Health and welfare	-	-	-	-	-
Culture and recreation	-	-	-	-	858
Urban redevelopment and housing	-	55,000	-	1	-
Debt service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Capital outlay:					
Highways and streets	1,650,130	-	66,940	-	-
Total disbursements	1,650,130	55,000	66,940	1	858
Excess (deficiency) of revenue over (under) disbursements	-	-	(66,940)	(1)	(858)
Other financing sources (uses)					
Interfund loans	-	-	66,940	-	-
Interfund services provided and used	-	-	-	-	-
Total other financing sources	-	-	66,940	-	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	-	-	-	(1)	(858)
Cash and investment fund balance - beginning	-	-	-	1	858
Cash and investment fund balance - ending	\$ -	\$ -	\$ -	\$ -	\$ -
Cash and Investment Assets - December 31					
Restricted assets:					
Cash and investments	\$ -	\$ -	\$ -	\$ -	\$ -
Cash and Investment Fund Balance - December 31					
Restricted for:					
Public safety	\$ -	\$ -	\$ -	\$ -	\$ -
Highway and streets	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-
Debt service	-	-	-	-	-
Capital outlay	-	-	-	-	-
Other purposes	-	-	-	-	-
Total cash and investment fund balance - December 31	\$ -	\$ -	\$ -	\$ -	\$ -

CITY OF RENNELLAER
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2005
 (Continued)

	<u>Weston Cemetery</u>	<u>Aerial Fire Truck Donation</u>	<u>Tax Abatement</u>	<u>Sidewalk Maintenance</u>	<u>Public Relations</u>
Receipts:					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-
Intergovernmental	-	-	-	-	-
Charges for services	-	-	-	7,500	7,200
Fines and forfeits	-	-	-	-	-
Other	-	18,295	250	-	-
	<u>-</u>	<u>18,295</u>	<u>250</u>	<u>7,500</u>	<u>7,200</u>
Total receipts	<u>-</u>	<u>18,295</u>	<u>250</u>	<u>7,500</u>	<u>7,200</u>
Disbursements:					
General government	-	-	168	-	4,974
Public safety	-	-	-	-	-
Highways and streets	-	-	-	-	-
Health and welfare	-	-	-	-	-
Culture and recreation	-	-	-	-	-
Urban redevelopment and housing	-	-	-	6,205	-
Debt service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Capital outlay:					
Highways and streets	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>168</u>	<u>6,205</u>	<u>4,974</u>
Total disbursements	<u>-</u>	<u>-</u>	<u>168</u>	<u>6,205</u>	<u>4,974</u>
Excess (deficiency) of revenue over (under) disbursements	<u>-</u>	<u>18,295</u>	<u>82</u>	<u>1,295</u>	<u>2,226</u>
Other financing sources (uses)					
Interfund loans	-	-	-	-	-
Interfund services provided and used	-	-	-	900	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>900</u>	<u>-</u>
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>900</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	-	18,295	82	2,195	2,226
Cash and investment fund balance - beginning	300	11,255	169	2,745	3,256
Cash and investment fund balance - ending	<u>\$ 300</u>	<u>\$ 29,550</u>	<u>\$ 251</u>	<u>\$ 4,940</u>	<u>\$ 5,482</u>
<u>Cash and Investment Assets - December 31</u>					
Restricted assets:					
Cash and investments	<u>\$ 300</u>	<u>\$ 29,550</u>	<u>\$ 251</u>	<u>\$ 4,940</u>	<u>\$ 5,482</u>
<u>Cash and Investment Fund Balance - December 31</u>					
Restricted for:					
Public safety	\$ -	\$ 29,550	\$ -	\$ -	\$ -
Highway and streets	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-
Debt service	-	-	-	-	-
Capital outlay	-	-	-	-	-
Other purposes	300	-	251	4,940	5,482
	<u>300</u>	<u>-</u>	<u>251</u>	<u>4,940</u>	<u>5,482</u>
Total cash and investment fund balance - December 31	<u>\$ 300</u>	<u>\$ 29,550</u>	<u>\$ 251</u>	<u>\$ 4,940</u>	<u>\$ 5,482</u>

CITY OF RENNELLAER
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2005
 (Continued)

	Levy Excess	Riverboat	Redevelopment Bonds	Totals
Receipts:				
Taxes	\$ 3,874	\$ -	\$ -	\$ 121,135
Licenses and permits	-	-	-	360
Intergovernmental	-	33,383	-	2,477,809
Charges for services	-	-	-	31,558
Fines and forfeits	-	-	-	495
Other	-	-	174,112	207,216
	3,874	33,383	174,112	2,838,573
Total receipts				
Disbursements:				
General government	10,898	24,594	-	241,950
Public safety	-	-	-	51,114
Highways and streets	-	-	-	300,606
Health and welfare	-	-	-	245
Culture and recreation	-	-	-	858
Urban redevelopment and housing	-	-	-	61,506
Debt service:				
Principal	-	-	60,000	60,000
Interest	-	-	107,695	107,695
Capital outlay:				
Highways and streets	-	-	-	2,419,100
	10,898	24,594	167,695	3,243,074
Total disbursements				
Excess (deficiency) of revenue over (under) disbursements	(7,024)	8,789	6,417	(404,501)
Other financing sources (uses)				
Interfund loans	-	-	-	66,940
Interfund services provided and used	-	-	-	900
	-	-	-	67,840
Total other financing sources				
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(7,024)	8,789	6,417	(336,661)
Cash and investment fund balance - beginning	10,899	66,859	64,462	691,288
Cash and investment fund balance - ending	\$ 3,875	\$ 75,648	\$ 70,879	\$ 354,627
<u>Cash and Investment Assets - December 31</u>				
Restricted assets:				
Cash and investments	\$ 3,875	\$ 75,648	\$ 70,879	\$ 354,627
<u>Cash and Investment Fund Balance - December 31</u>				
Restricted for:				
Public safety	\$ -	\$ -	\$ -	\$ 45,900
Highway and streets	-	-	-	48,946
Urban redevelopment and housing	-	-	-	6,523
Debt service	-	-	70,879	70,879
Capital outlay	-	-	-	84,462
Other purposes	3,875	75,648	-	97,917
	3,875	75,648	-	97,917
Total cash and investment fund balance - December 31	\$ 3,875	\$ 75,648	\$ 70,879	\$ 354,627

CITY OF RENSSELAER
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 AGENCY FUNDS
 For The Year Ended December 31, 2005

	<u>Payroll</u>	<u>TIF</u>	<u>TIF Reserve</u>	<u>Telephone Clearing</u>	<u>Tax Clearing</u>	<u>Total</u>
Additions:						
Agency fund additions	\$ 3,510,424	\$ 313,491	\$ 177,444	\$ 36,662	\$ 610,034	\$ 4,648,055
Deductions:						
Agency fund deductions	<u>3,505,432</u>	<u>209,203</u>	<u>-</u>	<u>36,662</u>	<u>610,034</u>	<u>4,361,331</u>
Excess of total additions over total deductions	4,992	104,288	177,444	-	-	286,724
Cash and investment fund balance - beginning	<u>34,290</u>	<u>599,500</u>	<u>137,518</u>	<u>-</u>	<u>-</u>	<u>771,308</u>
Cash and investment fund balance - ending	<u>\$ 39,282</u>	<u>\$ 703,788</u>	<u>\$ 314,962</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,058,032</u>

CITY OF RENSSELAER
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS
 For The Year Ended December 31, 2005

Primary Government	Ending Balance
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 234,000
Buildings	1,525,813
Improvement other than buildings	761,026
Machinery and equipment	2,441,077
Total governmental activities, capital assets not being depreciated	\$ 4,961,916

CITY OF RENNELAER
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 For The Year Ended December 31, 2005

Description of Debt	Ending Balance
Governmental activities:	
Notes and loans payable	\$ 477,473
Bonds payable:	
Revenue bonds:	
Economic development lease rent	805,000
Special tax distribution	565,000
Total governmental activities debt	\$ 1,847,473

CITY OF RENSSELAER
AUDIT RESULT AND COMMENT

CAPITAL ASSET RECORDS

The Water, Gas, Wastewater and Electric Utilities do not maintain sufficient detailed records of capital assets for utility plant in service accounts. Upon purchase, the costs of the capital assets are added to an aggregate utility plant in service account. A detailed listing of capital assets was not maintained by the utilities. Records providing historical costs for some of the Utilities' capital assets are not available, and records classifying and summarizing the Utilities' capital assets are incomplete. Deletions or disposals of capital assets are not always recorded. Ledger balances for capital balances and accumulated depreciation are not reliable. The unit has not formally adopted a policy establishing a capitalization threshold.

Every governmental unit should have a complete inventory of all capital assets owned which reflect their acquisition value. Such inventory should be recorded in the Capital Assets Ledger form. 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)

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2765

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

TO: THE OFFICIALS OF THE CITY OF RENSSELAER, JASPER COUNTY, INDIANA

Compliance

We have audited the compliance of the City of Rensselaer (City) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended December 31, 2005. The City's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City complied in all material respects with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2005.

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133
(Continued)

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the City's management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

August 3, 2006

CITY OF RENSSELAER
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended December 31, 2005

Federal Grantor Agency/Pass-Through Entity Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
Pass-Through Indiana Housing Finance Authority			
Community Development Block Grants/Small Cities Program	14.219		\$ 50,000
Community Development Block Grants/State's Program	14.228		<u>500,000</u>
Total for federal grantor agency			<u>550,000</u>
<u>U.S. DEPARTMENT OF JUSTICE</u>			
Pass-Through Indiana Criminal Justice Institute			
Crime Victim Assistance	16.575		
		04VA065	9,873
		04VA066	9,661
		05VA050	<u>15,548</u>
Total for federal grantor agency			<u>35,082</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
Pass-Through Indiana Criminal Justice Institute			
State and Community Highway Safety	20.600		
		OP 05-02-03-79	2,600
		OP 06-02-03-63	1,804
		157PT 06-04-09-01	<u>1,972</u>
Total for federal grantor agency			<u>6,376</u>
<u>U.S. ENVIRONMENTAL PROTECTION AGENCY</u>			
Direct Grant			
Surveys, Studies, Investigations and Special Purpose Grants	66.606		
		XP - 96594501-0	<u>723,200</u>
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>			
Pass-Through State of Indiana Department of Homeland Security			
Hazard Mitigation Grant	97.039		<u>478,363</u>
Total for federal grantor agency			<u>1,207,939</u>
Total federal awards expended			<u>\$ 1,793,021</u>

The accompanying note is an integral part of the Schedule of Expenditures of Federal Awards.

CITY OF RENSSELAER
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

I. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Rensselaer (City) and is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Accordingly, the amount of federal awards expended is based on when the activity related to the award occurs. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

CITY OF RENSSELAER
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified?	no
Reportable conditions identified that are not considered to be material weaknesses?	none reported

Noncompliance material to financial statements noted? no

Federal Awards:

Internal control over major programs:

Material weaknesses identified?	no
Reportable conditions identified that are not considered to be material weaknesses?	none reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? no

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
66.606	Surveys, Studies, Investigations and Special Purpose Grants
97.039	Hazard Mitigation Grant

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? no

Section II – Financial Statement Findings

There were no items to report.

Section III – Federal Award Findings and Questioned Costs

There were no items to report.

CITY OF RENNELAER
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No items were reportable.

CITY OF RENSSELAER
EXIT CONFERENCE

The contents of this report were discussed on August 3, 2006, with Herbert Arihood, Mayor; Frieda Bretzinger, Clerk-Treasurer; and Arlene Castonia, Utility Office Manager. The officials concurred with our audit findings.