

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

EXAMINATION REPORT

OF

CITY OF RENSSELAER

JASPER COUNTY, INDIANA

January 1, 2006 to December 31, 2006



**FILED**

08/01/2007



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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Frieda Bretzinger	01-01-04 to 12-31-07
Mayor	Herbert H. Arihood	01-01-04 to 12-31-07
President of the Common Council	Rick Comigore Carole Beaver	01-01-06 to 12-31-06 01-01-07 to 12-31-07
Superintendent of Water and Wastewater Utility	Michael Murphy	01-01-06 to 12-31-07
Superintendent of Electric Utility	Robert Bennett Donna Cochran	01-01-06 to 02-05-06 02-06-06 to 12-31-07
Superintendent of Gas Utility	LeMoyne Koehler	01-01-06 to 12-31-07
Utility Office Manager	Arlene Castongia Vacant Tammy J. Wisley	01-01-06 to 11-03-06 11-04-06 to 11-29-06 11-30-06 to 12-31-07



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

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

We have examined the financial information presented herein of the City of Rensselaer (City), for the period of January 1, 2006 to December 31, 2006. The City'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 City for the year ended December 31, 2006, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

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

June 6, 2007

CITY OF RENSSELAER  
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES  
ALL GOVERNMENTAL, PROPRIETARY AND FIDUCIARY FUND TYPES  
As Of And For The Year Ended December 31, 2006

	Cash and Investments 01-01-06	Receipts	Disbursements	Cash and Investments 12-31-06
<b>Governmental Funds:</b>				
General	\$ 208,890	\$ 2,037,342	\$ 1,972,240	\$ 273,992
Motor Vehicle Highway	42,649	327,111	257,326	112,434
Local Road and Street	6,297	25,804	21,766	10,335
Law Enforcement Continuing Education	2,299	6,220	5,090	3,429
Riverboat	75,648	33,314	19,558	89,404
Cumulative Capital Improvement	54,050	18,913	42,516	30,447
Cumulative Capital Development	30,412	78,173	215	108,370
County Economic Development Income Tax	-	242,257	77,000	165,257
Police Drug	5	-	-	5
Community Alliance	3,255	1,400	2,949	1,706
Drug Free Jasper	2,909	3,000	3,777	2,132
Alarm Contract	4,871	1,230	3,266	2,835
Attendance Officer	3,563	1,000	1,896	2,667
Redevelopment Commission	6,523	1,300	300	7,523
Community Disability Commission	514	350	-	864
Housing Commission	-	53,136	1,135	52,001
Child Safety Seat Grant	-	3,579	3,572	7
Criminal Justice Victim Assistance	3,053	20,450	22,317	1,186
Criminal Justice Safer Grant	-	14,891	14,891	-
Criminal Justice Traffic Safety	3,213	5,624	7,982	855
Smoking Cessation	89	-	-	89
Houston Sewer Project Grant	-	104,878	104,878	-
Houston Sewer EPA Grant	-	1,449,594	1,449,594	-
Downtown Revitalization Grant	-	1,000	1,000	-
Melville Street Project	-	189,501	189,501	-
Weston Cemetery Extension Donation	300	-	-	300
Aerial Fire Truck Donation	29,550	45,308	35,000	39,858
Weston Cemetery Perpetual Care	108,517	3,987	-	112,504
Tax Abatement	251	-	125	126
Sidewalk Maintenance	4,940	7,800	54	12,686
Public Relations	5,482	7,200	4,647	8,035
Levy Excess	3,875	3,873	3,875	3,873
<b>Proprietary Funds:</b>				
Water Utility - Operating	44,276	1,186,107	1,053,420	176,963
Water Utility - Bond and Interest	205,333	138,645	145,230	198,748
Water Utility - Customer Deposit	79,769	35,050	10,762	104,057
Water Utility - Improvement	268,132	-	238,431	29,701
Wastewater Utility - Operating	106,350	846,470	950,338	2,482
Wastewater Utility - Bond and Interest	367,622	1,511,370	1,509,120	369,872
Wastewater Utility - Customer Deposit	7,202	14,425	2,225	19,402
Wastewater Utility - Construction	425,709	1,436	180,520	246,625
Wastewater Utility - Improvement	272,050	101,403	194,595	178,858
On-Account	35,557	83,602	6,197	112,962
Electric Utility - Operating	1,029,009	7,562,118	7,058,266	1,532,861
Electric Utility - Bond and Interest	816,878	788,464	610,885	994,457
Electric Utility - Customer Deposit	117,338	46,062	17,557	145,843
Electric Utility - Construction	1,816,125	4,879	1,627,203	193,801
Electric Utility - Improvement	1,461,952	105,560	168,126	1,399,386
Electric Utility - Cash Reserve	378,181	5,923	-	384,104
Gas Utility - Operating	856,085	6,125,558	5,789,872	1,191,771
Gas Utility - Customer Deposit	114,163	38,260	13,960	138,463
Gas Utility - Improvement	606,497	40,054	302,940	343,611
Gas Utility - Cash Reserve	463,864	8,079	-	471,943
<b>Fiduciary Funds:</b>				
Tax Increment Finance	703,888	373,364	505,945	571,307
TIF Reserve	314,962	7,444	-	322,406
Telephone Clearing	-	16,664	16,664	-
Tax Clearing	-	682,906	682,836	70
Payroll	39,282	3,742,988	3,736,512	45,758
<b>Totals</b>	<b>\$ 11,131,379</b>	<b>\$ 28,155,066</b>	<b>\$ 29,068,074</b>	<b>\$ 10,218,371</b>

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

CITY OF RENSSELAER  
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

The City was established under the laws of the State of Indiana. The City 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.

Note 2. Fund Accounting

The City 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 City 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 City 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.

State statute (IC 5-13-9) authorizes the City 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.

CITY OF RENSSELAER  
NOTES TO FINANCIAL INFORMATION  
(Continued)

Note 6. Pension Plan

A. 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 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 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 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.

B. 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.

CITY OF RENSSELAER  
NOTES TO FINANCIAL INFORMATION  
(Continued)

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.

Note 7. Subsequent Event

The City has three major projects starting in 2007. They are:

Streetscape Grant project which will be financed mainly with a \$1,000,000 grant;

Melville Street project costing approximately \$3,735,000, financing will be provided by a grant of \$2,680,000 with the remainder coming from local sources; and

water well costing approximately \$1,839,000 financed with a \$500,000 grant and bonds.

CITY OF RENSSELAER  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF CAPITAL ASSETS  
 For The Year Ended December 31, 2006

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received.

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 234,000
Buildings	1,525,813
Improvements other than buildings	761,026
Machinery and equipment	<u>2,473,853</u>
 Total governmental activities, capital assets not being depreciated	 \$ <u>4,994,692</u>
 Business-type activities:	
Water Utility:	
Capital assets:	
Land	\$ 235,532
Buildings	1,360,000
Improvements other than buildings	2,319,834
Machinery and equipment	<u>635,974</u>
 Total Water Utility capital assets	 <u>4,551,340</u>
 Wastewater Utility:	
Capital assets:	
Land	162,829
Construction in progress	1,714,288
Buildings	4,833,440
Improvements other than buildings	3,150,115
Machinery and equipment	<u>650,370</u>
 Total Wastewater Utility capital assets	 <u>10,511,042</u>
 Electric Utility:	
Capital assets:	
Production plant	11,347,347
Distribution plant	6,621,049
General plant	<u>1,490,721</u>
 Total Electric Utility capital assets	 <u>19,459,117</u>
 Gas Utility:	
Capital assets:	
Land	8,195
Buildings	201,269
Improvements other than buildings	1,181,135
Machinery and equipment	<u>1,723,617</u>
 Total Gas Utility capital assets	 <u>3,114,216</u>
 Total business-type activities capital assets	 \$ <u>37,635,715</u>

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

Description of Debt	Ending Balance	Due Within One Year
Governmental Activities:		
Bonds payable:		
General obligation bonds:		
Economic development lease rental bonds	\$ 755,000	\$ 50,000
Special tax district bonds	<u>555,000</u>	<u>20,000</u>
Total governmental activities long-term debt	<u>\$ 1,310,000</u>	<u>\$ 70,000</u>
Business-type Activities:		
Water Utility		
Revenue bonds:		
1998 Refunding revenue bonds	\$ 390,000	\$ 90,000
2001 Revenue bonds for construction	<u>456,000</u>	<u>25,000</u>
Total Water Utility	<u>846,000</u>	<u>115,000</u>
Wastewater Utility		
Revenue bonds:		
2004 Refunding revenue bonds	1,265,000	150,000
2006 Revenue bonds for construction	<u>1,250,000</u>	<u>-</u>
Total Wastewater Utility	<u>2,515,000</u>	<u>150,000</u>
Electric Utility		
Revenue bonds:		
1998 Refunding revenue bonds	2,120,000	-
2005 Revenue bonds for construction	<u>6,340,000</u>	<u>-</u>
Total Wastewater Utility	<u>8,460,000</u>	<u>-</u>
Total business-type activities long-term debt:	<u>\$ 11,821,000</u>	<u>\$ 265,000</u>

CITY OF RENSSELAER  
EXAMINATION RESULTS AND COMMENTS

PAYROLL DEDUCTIONS

Incorrect pension amounts were withheld from some police officers. All of these excess withholdings were refunded to the officers in 2007.

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. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

PETTY CASH FUND

The Building Department Petty Cash Fund did not have cash, receipts or other documentation necessary to support the fund transactions. When we attempted to count the \$50 petty cash fund, we were told there wasn't any money and that all the receipts had been lost the week before during a trip to Indianapolis. The building inspector then took \$50 from his wallet and put it into the petty cash bag. It is not standard operating procedure to use petty cash for travel expenses.

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CAPITAL ASSET RECORDS

The Water, Gas, Wastewater and Electric Utilities do not maintain sufficient detailed records of capital assets for its 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. 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)

CITY OF RENSSELAER  
EXIT CONFERENCE

The contents of this report were discussed on June 6, 2007, with Herbert H. Arihood, Mayor; Frieda Bretzinger, Clerk-Treasurer; and Tammy J. Wisley, Utility Office Manager. The officials concurred with our findings.