

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

EXAMINATION REPORT

OF

CITY OF ROCHESTER

FULTON 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	Carla Smith	01-01-04 to 12-31-07
Mayor	Philip E. Thompson	01-01-04 to 12-31-07
President of the Common Council	David Ewick Robert Miller	01-01-06 to 12-31-06 01-01-07 to 12-31-07



STATE OF INDIANA
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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE CITY OF ROCHESTER, FULTON COUNTY, INDIANA

We have examined the financial information presented herein of the City of Rochester (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 13, 2007

CITY OF ROCHESTER
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
Governmental Funds:				
General	\$ 1,034,675	\$ 7,372,748	\$ 7,343,191	\$ 1,064,232
Motor Vehicle Highway	177,959	1,570,063	1,320,520	427,502
Local Road and Street	47,438	243,393	256,949	33,882
Park and Recreation	218,767	1,333,026	1,321,120	230,673
Law Enforcement Continuing Education	3,828	2,495	1,212	5,111
Riverboat	87,230	403,765	387,777	103,218
Rainy Day	482,378	4,013,613	3,912,630	583,361
Nonreverting Park Operating	28,703	11,230	15,596	24,337
Cumulative Capital Improvement	198,367	1,464,092	1,436,463	225,996
Cumulative Capital Development	251,913	2,209,259	2,176,954	284,218
Nonreverting Park Capital Improvement	62,114	99,093	108,681	52,526
Nonreverting Community Host Fee	715,739	7,308,031	7,207,674	816,096
Police Crime	215	-	-	215
Redevelopment Commission	27,156	8	8	27,156
Economic Development Commission	453	-	-	453
Park Bond	43,737	278,209	287,365	34,581
City Building Debt	14,604	110,726	111,814	13,516
Minnow Creek Debt	263	8,585	8,063	785
Minnow Creek Maintenance	37,156	5,783	499	42,440
Minnow Creek Assessment	147,826	648,134	653,321	142,639
Operation Pullover Grant	68	4,263	3,381	950
LCC Grant	1,426	-	599	827
Marijuana Eradication	1,250	-	-	1,250
DEA Asset	7,838	-	4,701	3,137
IHFA M92-M94	80,549	100	-	80,649
IHFA HD-401-013	28,127	150	-	28,277
IHFA HM701-002	2,891	-	-	2,891
Lake Manitou Watershed Management	-	20,300	20,300	-
Levy Excess	-	20,883	20,883	-
Proprietary Funds:				
Water Utility - Operating	499,477	2,857,227	3,016,227	340,477
Water Utility - Bond and Interest	332,365	1,566,191	1,552,150	346,406
Water Utility - Depreciation	679,040	3,333,374	3,515,080	497,334
Water Utility - Customer Deposit	25,073	9,860	8,390	26,543
Wastewater Utility - Operating	417,301	5,941,209	5,708,318	650,192
Wastewater Utility - Bond and Interest	602,905	4,415,664	4,402,014	616,555
Wastewater Utility - Depreciation	228,183	1,641,605	1,637,733	232,055
Fiduciary Funds:				
Police Officers' Pension	75,310	187,679	190,118	72,871
Firefighters' Pension	67,558	216,833	188,793	95,598
Payroll	25,289	2,099,312	2,098,606	25,995
Electronic Clearing	12,939	413,035	411,276	14,698
Totals	\$ 6,668,110	\$ 49,809,938	\$ 49,328,406	\$ 7,149,642

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

CITY OF ROCHESTER
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, health and social services, culture and recreation, and general administrative services.

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 ROCHESTER
NOTES TO FINANCIAL INFORMATION
(Continued)

Note 6. 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 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.

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

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

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

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 338,265
Infrastructure	7,897,271
Buildings	2,120,458
Improvements other than buildings	1,472,671
Machinery and equipment	<u>2,988,461</u>
 Total governmental activities, capital assets not being depreciated	 \$ <u>14,817,126</u>
 Business-type activities:	
Water Utility:	
Capital assets:	
Land	\$ 23,790
Buildings	1,009,322
Improvements other than buildings	7,010,292
Machinery and equipment	<u>677,049</u>
 Total Water Utility capital assets	 <u>8,720,453</u>
 Wastewater Utility:	
Capital assets:	
Land	110,878
Buildings	3,515,268
Improvements other than buildings	8,914,840
Machinery and equipment	<u>2,464,050</u>
 Total Wastewater Utility capital assets	 <u>15,005,036</u>
 Total business-type activities capital assets	 \$ <u>23,725,489</u>

CITY OF ROCHESTER
 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:		
Capital leases:		
Park golf carts	\$ 44,264	\$ 21,724
Notes and loans payable	83,277	30,037
Bonds payable:		
General obligation bonds:		
Park facilities	150,000	36,000
City hall	460,000	-
Assessment bonds:		
Minnow creek public drain improvement	159,929	14,473
 Total governmental activities long-term debt	 <u>\$ 897,470</u>	 <u>\$ 102,234</u>
Business-type Activities:		
Water Utility		
Revenue bonds:		
1995 Waterworks refunding bonds	\$ 1,005,000	\$ -
Wastewater Utility		
Revenue bonds:		
1997 Wastewater bonds - line improvements	1,715,000	10,000
1999 Wastewater refunding bonds	275,000	215,000
 Total Wastewater Utility	 <u>1,990,000</u>	 <u>225,000</u>
 Total business-type activities long-term debt:	 <u>\$ 2,995,000</u>	 <u>\$ 225,000</u>

CITY OF ROCHESTER
EXIT CONFERENCE

The contents of this report were discussed on June 13, 2007, with Carla Smith, Clerk-Treasurer; and Philip E. Thompson, Mayor. Our examination disclosed no material items that warrant comment at this time.