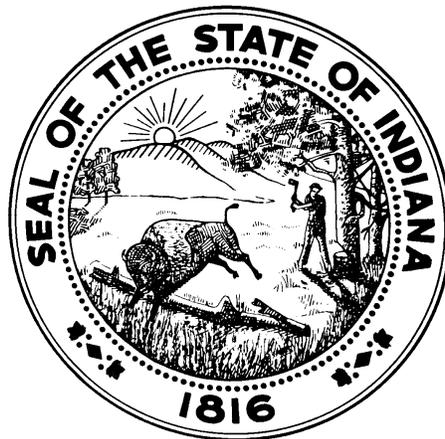


STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

EXAMINATION REPORT
OF
CITY OF RENSSELAER
JASPER COUNTY, INDIANA
January 1, 2007 to December 31, 2007



FILED
10/09/2008

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Frieda Bretzinger	01-01-04 to 12-31-11
Mayor	Herbert H. Arihood	01-01-04 to 12-31-11
President of the Common Council	Carol Beaver William Hollerman	01-01-07 to 12-31-07 01-01-08 to 12-31-08
Superintendent of Water and Wastewater Utility	Michael Murphy	01-01-07 to 12-31-08
Electric Utility Coordinator	Donna Cochran	01-01-07 to 12-31-08
President of Gas Utility	LeMoyne Koehler	01-01-07 to 12-31-08
Utility Office Manager	Tammy J. Wisley	01-01-07 to 12-31-08



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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, 2007 to December 31, 2007. 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, 2007, 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

August 27, 2008

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, 2007

	Cash and Investments 01-01-07	Receipts	Disbursements	Cash and Investments 12-31-07
Governmental Funds:				
General	\$ 273,992	\$ 2,263,469	\$ 2,284,145	\$ 253,316
Motor Vehicle Highway	112,434	245,667	318,634	39,467
Local Road and Street	10,335	26,558	32,691	4,202
Law Enforcement Continuing Education	3,429	5,935	4,478	4,886
Rainy Day Fund	-	73,037	-	73,037
Riverboat	89,404	109,725	117,103	82,026
Cumulative Capital Improvement	30,447	18,595	38,715	10,327
Cumulative Capital Development	108,370	33,920	224	142,065
County Economic Development Income Tax	165,257	439,451	305,914	298,794
Police Drug	5	673	-	678
Community Alliance	1,706	600	747	1,559
Drug Free Jasper	2,132	4,000	2,864	3,268
Alarm Contract	2,835	1,230	-	4,065
Attendance Officer	2,667	2,000	1,701	2,966
Redevelopment Commission	7,523	625	1,631	6,517
Community Disability Commission	864	-	-	864
Housing Commission	52,001	50,895	50,017	52,879
Child Safety Seat Grant	7	4,732	3,872	867
Comprehensive Planning Grant	-	50,000	50,000	-
US Office of Justice Grant	-	3,534	3,534	-
Criminal Justice Victim Assistance	1,186	23,201	15,324	9,063
Criminal Justice Safer Grant	-	14,766	14,765	0
Criminal Justice Traffic Safety	855	5,681	5,661	875
Smoking Cessation	89	-	-	89
Recycling Grant	-	20,000	15,929	4,071
Downtown Revitalization Grant	-	30,678	30,678	-
Melville Street Project	-	226,911	226,911	-
Weston Cemetery Extension Donation	300	10,300	250	10,350
Aerial Fire Truck Donation	39,858	10,000	39,858	10,000
Weston Cemetery Perpetual Care	112,504	153,025	150,000	115,529
Tax Abatement	126	200	148	178
Sidewalk Maintenance	12,686	7,200	3,413	16,473
Public Relations	8,035	7,200	4,688	10,547

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

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, 2007
(Continued)

	Cash and Investments 01-01-07	Receipts	Disbursements	Cash and Investments 12-31-07
Proprietary Funds:				
Water Utility - Operating	176,963	1,103,824	1,089,157	191,630
Water Utility - Bond and Interest	198,748	452,329	445,399	205,678
Water Utility - Customer Deposit	104,057	159,458	147,426	116,088
Water Utility - Improvement	29,701	60,000	35,092	54,609
Wastewater Utility - Operating	2,482	1,070,525	837,045	235,963
Wastewater Utility - Bond and Interest	369,872	610,269	619,459	360,682
Wastewater Utility - Customer Deposit	19,402	14,550	4,687	29,265
Wastewater Utility - Construction	246,625	101,876	157,270	191,231
Wastewater Utility - Improvement	178,858	-	147,602	31,256
On-Account	112,962	48,034	14,557	146,439
Electric Utility - Operating	1,532,861	7,594,105	7,343,137	1,783,830
Electric Utility - Bond and Interest	994,457	1,796,601	1,947,826	843,232
Electric Utility - Customer Deposit	145,843	249,841	228,740	166,944
Electric Utility - Construction	193,801	101,765	122,873	172,694
Electric Utility - Improvement	1,399,386	1,631,478	2,430,572	600,292
Electric Utility - Cash Reserve	384,104	265,854	450,105	199,853
Gas Utility - Operating	1,191,771	5,326,892	5,231,680	1,286,983
Gas Utility - Customer Deposit	138,463	238,450	223,572	153,341
Gas Utility - Improvement	343,611	290,508	546,000	88,119
Gas Utility - Cash Reserve	471,943	525,528	500,184	497,287
Fiduciary Funds:				
Tax Increment Finance	571,307	263,559	458,165	376,702
TIF Reserve	322,406	312,089	300,137	334,358
Telephone Clearing	-	39,101	39,101	-
Tax Clearing	70	633,761	633,831	-
Levy Excess	3,873	4,046	3,873	4,046
Payroll	45,758	3,884,049	3,880,956	48,851
Totals	<u>\$ 10,218,371</u>	<u>\$ 30,622,300</u>	<u>\$ 31,562,341</u>	<u>\$ 9,278,330</u>

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, 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.

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.

Note 6. Pension Plans

1. 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

CITY OF RENSSELAER
NOTES TO FINANCIAL INFORMATION
(Continued)

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.

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

CITY OF RENSSELAER
NOTES TO FINANCIAL INFORMATION
(Continued)

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:

The Streetscape Grant project, a downtown revitalization project with a total cost estimated to be \$1,275,000, which will be financed mainly with a \$1,000,000 grant.

The Melville Street project, costing approximately \$3,735,000 which will be financed with a grant of \$2,680,000. The remaining funding will come from local sources. The City issued general obligation bonds on May 29, 2008, in the amount of \$1,335,000, to pay for the local match portion of this project.

The Water Utility Well #6 project, costing \$725,934, which will be financed by a CDBG Grant of \$517,650. The balance will be paid by local funding.

CITY OF RENSSELAER
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS
 For The Year Ended December 31, 2007

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	798,536
Machinery and equipment	<u>2,556,092</u>
 Total governmental activities, capital assets not being depreciated	 \$ <u>5,114,441</u>
Business-type activities:	
Water Utility:	
Depreciable capital assets:	
Buildings	\$ 1,360,000
Infrastructure	3,322,462
Machinery and equipment	<u>3,521,611</u>
 Total Water Utility capital assets	 <u>8,204,073</u>
Wastewater Utility:	
Depreciable capital assets:	
Land	162,829
Buildings	4,833,440
Infrastructure	1,726,169
Machinery and equipment	<u>575,044</u>
 Total Wastewater Utility capital assets	 <u>7,297,482</u>
Gas Utility:	
Depreciable capital assets:	
Land	8,195
Buildings	219,677
Infrastructure	2,744,962
Machinery and equipment	<u>324,416</u>
 Total Gas Utility capital assets	 <u>3,297,250</u>
Electric Utility:	
Depreciable capital assets:	
Buildings	425,440
Infrastructure	9,707,477
Machinery and equipment	<u>1,298,395</u>
 Total Electric Utility capital assets	 <u>11,431,312</u>
 Total business-type activities capital assets	 \$ <u>30,230,117</u>

CITY OF RENSSELAER
SUPPLEMENTARY INFORMATION
SCHEDULE OF LONG-TERM DEBT
December 31, 2007

The City has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental Activities:		
Notes and loans payable	\$ 296,905	\$ 95,346
Bonds payable:		
General obligation bonds:		
Economic development lease rental bonds	705,000	55,000
Special tax district bonds	<u>535,000</u>	<u>20,000</u>
Total governmental activities debt	<u>\$ 1,536,905</u>	<u>\$ 170,346</u>
Business-type Activities:		
Water Utility		
Revenue bonds:		
1998 Refunding revenue bonds	\$ 300,000	\$ 102,500
2001 Revenue bonds for construction	<u>431,000</u>	<u>37,500</u>
Total Water Utility	<u>731,000</u>	<u>140,000</u>
Wastewater Utility		
Revenue bonds:		
2004 Refunding revenue bonds	1,115,000	195,165
2006 Revenue bonds for construction	<u>1,250,000</u>	<u>52,220</u>
Total Wastewater Utility	<u>2,365,000</u>	<u>247,385</u>
Electric Utility:		
Revenue bonds:		
1998 Refunding revenue bonds	1,775,000	449,175
2005 Revenue bonds for construction	<u>6,340,000</u>	<u>332,850</u>
Total Electric Utility	<u>8,115,000</u>	<u>782,025</u>
Total business-type activities debt:	<u>\$ 11,211,000</u>	<u>\$ 1,169,410</u>

CITY OF RENSSELAER
EXAMINATION RESULTS AND COMMENTS

BUILDING DEPARTMENT FEES

During our examination of the City of Rensselaer, we reviewed the fees charged by the building department. We noted one instance where the fee charged did not agree to the rate schedule.

Fees should only be collected as specifically authorized by statute or properly authorized resolutions or ordinances, as applicable, which are not contrary to statutory or Constitutional provisions. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

FUND SOURCES AND USES

Funds were disbursed from the City General Fund, Promotion of City Business Appropriation, for meals and other expenditures which were not supported by documentation to indicate the expenses were for the promotion of economic development or city tourism.

Sources and uses of funds should be limited to those authorized by the enabling statute, ordinance, resolution, or grant agreement. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CITY OF RENNELAER
EXIT CONFERENCE

The contents of this report were discussed on August 27, 2008, with Frieda Bretzinger, Clerk-Treasurer; and William Hollerman, President of the Common Council. The officials concurred with our findings.