

**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, 2007 to December 31, 2007



**FILED**  
10/20/2008



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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Carla Smith	01-01-04 to 12-31-11
Mayor	Philip E. Thompson Mark L. Smiley	01-01-04 to 12-31-07 01-01-08 to 12-31-11
President of the Common Council	Robert Miller Ted Denton	01-01-07 to 12-31-07 01-01-08 to 12-31-08



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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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, 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

September 25, 2008

TOWN 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, 2007

	Cash and Investments 01-01-07	Receipts	Disbursements	Cash and Investments 12-31-07
Governmental Funds:				
General	\$ 1,064,232	\$ 5,446,380	\$ 5,485,158	\$ 1,025,454
Motor Vehicle Highway	427,502	1,746,565	1,589,308	584,759
Local Road and Street	33,882	26,037	35,890	24,029
Park and Recreation	230,673	820,928	842,268	209,333
Law Enforcement Continuing Education	5,111	3,220	1,957	6,374
Riverboat	103,218	338,059	319,728	121,549
Rainy Day	583,361	3,927,870	3,756,800	754,431
Nonreverting Park Operating	24,337	31,959	37,516	18,780
Cumulative Capital Improvement	225,996	963,022	983,471	205,547
Cumulative Capital Development	284,218	735,299	851,346	168,171
Nonreverting Park Capital Improvement	52,526	153,002	75,973	129,555
Nonreverting Community Host Fee	816,096	1,005,369	1,821,465	-
Police Crime	215	-	-	215
Redevelopment Commission	27,156	-	-	27,156
Economic Development Commission	453	-	-	453
Park Bond	34,581	121,419	113,916	42,084
City Building Debt	13,516	52,645	53,023	13,138
Minnow Creek Debt	785	8,486	8,544	727
Minnow Creek Maintenance	42,440	886	415	42,911
Minnow Creek Assessment	142,639	255,832	263,398	135,073
Operation Pullover Grant	950	6,032	5,865	1,117
LCC Grant	827	-	13	814
Marijuana Eradication	1,250	-	-	1,250
DEA Asset	3,137	397,274	304,648	95,763
IHFA M92-M94	80,649	18,477	23	99,103
IHFA HD-401-013	28,277	-	-	28,277
IHFA HM701-002	2,891	-	-	2,891
Lake Manitou Watershed Management	-	7,500	7,500	-
City Building Renovations	-	2,070	-	2,070
Proprietary Funds:				
Water Utility - Operating	340,477	1,225,060	1,199,225	366,312
Water Utility - Bond and Interest	346,406	1,120,263	1,109,150	357,519
Water Utility - Depreciation	497,334	1,045,716	1,017,343	525,707
Water Utility - Customer Deposit	26,543	10,840	8,035	29,348
Wastewater Utility - Operating	650,192	2,153,382	1,938,909	864,665
Wastewater Utility - Bond and Interest	616,555	1,092,644	1,070,855	638,344
Wastewater Utility - Depreciation	232,055	820,149	758,499	293,705
Fiduciary Funds:				
Police Officers' Pension	72,871	147,371	138,591	81,651
Firefighters' Pension	95,598	225,570	166,653	154,515
Payroll	25,995	2,245,606	2,242,539	29,062
Electronic Clearing	14,698	443,761	441,136	17,323
Totals	<u>\$ 7,149,642</u>	<u>\$ 26,598,693</u>	<u>\$ 26,649,160</u>	<u>\$ 7,099,175</u>

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, 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.

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	1,491,760
Machinery and equipment	3,049,149
Construction in progress	<u>1,060,974</u>
 Total governmental activities, capital assets not being depreciated	 <u>\$ 15,957,877</u>
 Business-type activities:	
Water Utility:	
Land	\$ 23,790
Buildings	1,009,322
Improvements other than buildings	7,059,393
Machinery and equipment	<u>677,049</u>
 Total Water Utility capital assets	 <u>8,769,554</u>
 Wastewater Utility:	
Land	110,878
Buildings	3,515,268
Improvements other than buildings	8,914,840
Machinery and equipment	<u>2,478,085</u>
 Total Wastewater Utility capital assets	 <u>15,019,071</u>
 Total business-type activities capital assets	 <u>\$ 23,788,625</u>

CITY OF ROCHESTER  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF LONG-TERM DEBT  
For The Year Ended December 31, 2007

Description of Asset	Ending Balance	Within One Year
Governmental Activities:		
Capital leases:		
Park golf carts	\$ 21,017	\$ 21,017
Notes and loans payable	53,240	4,840
Bonds payable:		
General obligation bonds:		
Park facilities	77,000	38,000
City Hall	430,000	35,000
Assessment bonds:		
Minnow creek public drain improvement	<u>144,756</u>	<u>14,473</u>
Total governmental activities long-term debt	<u>\$ 726,013</u>	<u>\$ 113,330</u>
Business-type Activities:		
Water Utility		
Revenue bonds:		
1995 Waterworks refunding bonds	<u>\$ 805,000</u>	<u>\$ -</u>
Wastewater Utility		
Revenue bonds:		
1997 Wastewater bonds - line improvements	1,705,000	185,000
1999 Wastewater refunding bonds	<u>60,000</u>	<u>60,000</u>
Total Wastewater Utility	<u>1,765,000</u>	<u>245,000</u>
Total business-type activities long-term debt:	<u>\$ 2,570,000</u>	<u>\$ 245,000</u>

CITY OF ROCHESTER  
EXIT CONFERENCE

The contents of this report were discussed on September 11, 2008, with Carla Smith, Clerk-Treasurer; and Mark L. Smiley, Mayor. Our examination disclosed no material items that warrant comment at this time.