

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, 2008 to December 31, 2008



FILED
09/18/2009

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Carla Smith	01-01-08 to 12-31-11
Mayor	Mark L. Smiley	01-01-08 to 12-31-11
President of the Common Council	Ted Denton Barry Hazel	01-01-08 to 12-31-08 01-01-09 to 12-31-09



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, 2008 to December 31, 2008. 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, 2008, 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

July 28, 2009

CITY OF ROCHESTER
SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL, PROPRIETARY, AND FIDUCIARY FUND TYPES
As Of And For The Year Ended December 31, 2008

	Cash and Investments 01-01-08	Receipts	Disbursements	Cash and Investments 12-31-08
Governmental Funds:				
General	\$ 1,025,359	\$ 5,364,151	\$ 5,006,722	\$ 1,382,788
Motor Vehicle Highway	584,759	1,387,231	1,388,110	583,880
Local Road and Street	24,029	24,722	30,391	18,360
Park and Recreation	209,332	542,243	511,835	239,740
Law Enforcement Continuing Education	6,374	4,417	2,000	8,791
Riverboat	121,549	461,275	439,257	143,567
Rainy Day	754,430	3,630,204	3,851,272	533,362
Nonreverting Park Operating	18,780	11,829	22,613	7,996
Cumulative Capital Improvement	205,547	20,859	81,379	145,027
Cumulative Capital Development	168,171	319,278	308,140	179,309
Nonreverting Park Capital Improvement	129,555	94,590	28,698	195,447
Police Crime	215	-	208	7
Redevelopment Commission	27,156	-	-	27,156
Economic Development Commission	453	-	-	453
Park Bond	42,084	85,536	124,376	3,244
City Building Debt	13,138	56,022	56,643	12,517
Minnow Creek Debt	727	6,814	7,502	39
Minnow Creek Maintenance	42,911	6,814	300	49,425
Minnow Creek Assessment	135,074	11,717	22,674	124,117
Operation Pullover Grant	1,118	8,593	9,690	21
LCC Grant	814	1,350	1,350	814
Marijuana Eradication	1,250	-	-	1,250
DEA Asset	95,763	177,279	215,051	57,991
IHFA M92-M94	99,103	1,200	-	100,303
IHFA HD-401-013	28,277	-	-	28,277
IHFA HM701-002	2,891	-	-	2,891
Lake Manitou Watershed Management	-	17,225	17,225	-
City Building Renovations	2,070	289	289	2,070
Indiana Criminal Justice Institute Grant	-	9,392	9,392	-
Proprietary Funds:				
Water Utility - Operating	366,312	1,250,632	1,454,177	162,767
Water Utility - Bond and Interest	357,519	1,152,777	1,150,250	360,046
Water Utility - Depreciation	525,707	1,118,262	1,044,794	599,175
Water Utility - Customer Deposit	29,348	13,120	11,085	31,383
Wastewater Utility - Operating	864,665	2,219,075	2,686,298	397,442
Wastewater Utility - Bond and Interest	638,344	1,210,558	1,248,895	600,007
Wastewater Utility - Depreciation	293,705	1,677,948	945,598	1,026,055
Fiduciary Funds:				
Police Officers' Pension	81,651	151,312	114,831	118,132
Firefighters' Pension	154,515	218,895	187,883	185,527
Payroll	29,062	2,257,788	2,258,707	28,143
Electronic Clearing	17,323	553,255	555,865	14,713
Totals	\$ 7,099,080	\$ 24,066,652	\$ 23,793,500	\$ 7,372,232

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, 2008

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 backtrading (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	7,902,271
Buildings	2,330,044
Improvements other than buildings	1,520,899
Machinery and equipment	3,311,918
Construction in progress	<u>1,246,891</u>
 Total governmental activities, capital assets not being depreciated	 <u>\$ 16,650,288</u>

<u>Primary Government</u>	<u>Ending Balance</u>
Business-type activities:	
Water Utility:	
Capital assets, not being depreciated:	
Land	\$ 53,269
Buildings	1,009,322
Improvements other than buildings	7,058,224
Machinery and equipment	<u>678,114</u>
 Total Water Utility capital assets	 <u>8,798,929</u>
 Wastewater Utility:	
Capital assets, not being depreciated:	
Land	110,878
Buildings	1,922,644
Improvements other than buildings	6,043,066
Machinery and equipment	<u>215,057</u>
 Total Wastewater Utility capital assets	 <u>8,291,645</u>
 Total business-type activities capital assets	 <u>\$ 17,090,574</u>

CITY OF ROCHESTER
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 December 31, 2008

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	\$ 48,400	\$ 7,744
Bonds payable:		
General obligation bonds:		
City Hall	400,000	55,893
Assessment bonds:		
Minnow creek public drain improvement	<u>130,283</u>	<u>21,711</u>
Total governmental activities debt	<u>\$ 578,683</u>	<u>\$ 85,348</u>
Business-type activities:		
Water Utility:		
Revenue bonds:		
1995 Waterworks refunding bonds	<u>\$ 595,000</u>	<u>\$ 260,250</u>
Wastewater Utility:		
Revenue bonds:		
1997 Wastewater bonds - line improvements	<u>1,520,000</u>	<u>263,013</u>
Total business-type activities debt	<u>\$ 2,115,000</u>	<u>\$ 523,263</u>

CITY OF ROCHESTER
EXIT CONFERENCE

The contents of this report were discussed on July 28, 2009, with Carla Smith, Clerk-Treasurer; and Mark L. Smiley, Mayor. Our examination disclosed no material items that warrant comment at this time.