

B36997

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, 2009 to December 31, 2009



FILED
05/18/2010

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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 City Council	Barry Hazel Mark McCall	01-01-09 to 12-31-09 01-01-10 to 12-31-10



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, 2009 to December 31, 2009. 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, 2009, 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

March 16, 2010

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, 2009

	Cash and Investments 01-01-09	Receipts	Disbursements	Cash and Investments 12-31-09
Governmental Funds:				
General	\$ 1,382,788	\$ 2,139,336	\$ 2,579,990	\$ 942,134
Motor Vehicle Highway	583,880	805,850	882,141	507,589
Local Road and Street	18,360	23,348	24,911	16,797
Park and Recreation	239,740	654,437	501,873	392,304
Law Enforcement Continuing Education	8,791	5,779	2,000	12,570
Riverboat	143,567	40,290	23,030	160,827
Rainy Day	533,362	136,029	-	669,391
Nonreverting Park Operating	7,996	17,019	25,015	-
Public Safety - LOIT	-	262,404	-	262,404
Cumulative Capital Improvement	145,027	19,812	-	164,839
Cumulative Capital Development	179,309	130,255	66,300	243,264
Nonreverting Park Capital Improvement	195,447	103,686	-	299,133
Police Crime	7	-	7	-
City Court Costs	-	109,077	-	109,077
Redevelopment Commission	27,156	-	-	27,156
Economic Development Commission	453	-	-	453
Park Bond	3,244	337	-	3,581
City Building Debt	12,517	53,379	55,032	10,864
Minnow Creek Debt	39	7,385	7,260	164
Minnow Creek Maintenance	49,425	2,014	-	51,439
Minnow Creek Assessment	124,117	10,899	21,950	113,066
Operation Pullover Grant	21	4,473	4,489	5
LCC Grant	814	1,315	1,315	814
Marijuana Eradication	1,250	-	-	1,250
DEA Asset	57,991	-	43,142	14,849
IHFA M92-M94	100,303	1,200	24	101,479
IHFA HD-401-013	28,277	-	-	28,277
IHFA HM701-002	2,891	-	-	2,891
City Building Renovations	2,070	-	-	2,070
Proprietary Funds:				
Water Utility - Operating	162,767	1,185,822	1,206,279	142,310
Water Utility - Bond and Interest	360,046	256,766	254,750	362,062
Water Utility - Depreciation	599,175	72,170	95,757	575,588
Water Utility - Customer Deposit	31,383	12,300	10,805	32,878
Wastewater Utility - Operating	397,442	1,315,398	1,288,442	424,398
Wastewater Utility - Bond and Interest	600,007	275,141	268,138	607,010
Wastewater Utility - Depreciation	1,026,055	275,193	129,734	1,171,514
Fiduciary Funds:				
Police Officers' Pension	118,132	75,978	50,789	143,321
Firefighters' Pension	185,527	112,356	54,090	243,793
Payroll	28,143	2,263,455	2,261,553	30,045
Electronic Clearing	14,713	533,959	534,913	13,759
Totals	\$ 7,372,232	\$ 10,906,862	\$ 10,393,729	\$ 7,885,365

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, 2009

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	7,902,271
Buildings	2,330,044
Improvements other than buildings	1,520,899
Machinery and equipment	3,737,270
Construction in progress	<u>1,246,891</u>
 Total governmental activities, capital assets not being depreciated	 <u>\$ 17,075,640</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	7,058,223
Machinery and equipment	<u>678,114</u>
 Total Water Utility capital assets	 <u>8,798,928</u>
Wastewater Utility:	
Capital assets, not being depreciated:	
Land	110,878
Buildings	1,833,318
Improvements other than buildings	5,881,057
Machinery and equipment	<u>97,358</u>
 Total Wastewater Utility capital assets	 <u>7,922,611</u>
 Total business-type activities capital assets	 <u>\$ 16,721,539</u>

CITY OF ROCHESTER
SUPPLEMENTARY INFORMATION
SCHEDULE OF LONG-TERM DEBT
December 31, 2009

The City and Utilities have entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:		
Leases payable:		
Golf cart leases -2008	\$ 89,257	\$ 32,411
Notes and loans payable:		
Fire truck loan-2008	149,118	42,531
Bonds payable:		
General obligation bonds:		
City Hall	360,000	52,672
Assessment bonds:		
Minnow Creek Public Drain Improvement	<u>159,370</u>	<u>27,281</u>
Total governmental activities debt	<u>\$ 757,745</u>	<u>\$ 154,895</u>
Business-type activities:		
Water Utility:		
Revenue bonds:		
1995 Waterworks Refunding Bonds	<u>370,000</u>	<u>253,500</u>
Wastewater Utility:		
Revenue bonds:		
1997 Wastewater- Line Improvements	<u>1,325,000</u>	<u>248,086</u>
Total business-type activities debt:	<u>\$ 1,695,000</u>	<u>\$ 501,586</u>

CITY OF ROCHESTER
EXAMINATION RESULTS AND COMMENTS

SALARY ORDINANCE

The City paid a City Police Officer twice in 2009 for being a training officer. The amount overpaid was \$531. The City is deducting the amount of overpayment from the police officer's 2010 training pay.

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

HYDRANT RENTAL RECEIVABLE (PAYABLE)

Due to a failure to pay the August payment, the City of Rochester owes the Water Utility hydrant rental of \$8,312.50 for the year 2009 pursuant to Rate Ordinance 21-2004 passed by the Council or appropriate governing body on October 27, 2004, and Rate Ordinance 12-2009 passed by the Council or appropriate governing body on September 23, 2009.

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CITY OF ROCHESTER
EXIT CONFERENCE

The contents of this report were discussed on March 16, 2010, with Carla Smith, Clerk-Treasurer; Mark L. Smiley, Mayor; and Mark McCall, President of the City Council. The officials concurred with our findings.