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

ANNUAL FINANCIAL REPORT

2009

CITY OF RENSSELAER

JASPER COUNTY, INDIANA



FILED
06/23/2010

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Frieda Bretzinger	01-01-08 to 12-31-11
Mayor	Herbert H. Arihood	01-01-08 to 12-31-11
President of the Common Council	George Cover Rick Williams	01-01-09 to 12-31-09 01-01-10 to 12-31-10
Superintendent of Water and Wastewater Utility	Michael Murphy	01-01-09 to 12-31-10
Superintendent of Electric Utility	Donna Cochran	01-01-09 to 12-31-10
Superintendent of Gas Utility	LeMoyne Koehler	01-01-09 to 12-31-10
Utility Office Manager	Tammy J. Wisley	01-01-09 to 12-31-10



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INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

TO: THE OFFICIALS OF THE CITY OF RENSSELAER, JASPER COUNTY, INDIANA

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Rensselaer (City), as of and for the year ended December 31, 2009, which collectively comprise the City's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note I, the City prepares its financial statements on the prescribed basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash and investment balances of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of December 31, 2009, and the respective cash receipts and cash disbursements during the year then ended on the basis of accounting described in Note I.

In accordance with Government Auditing Standards, we have also issued a report dated May 27, 2010, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(Continued)

Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The Schedule of Funding Progress is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The City has not presented Management's Discussion and Analysis, Schedule of Contributions from the Employer and Other Contributing Entities, or Budgetary Comparison Schedules that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Combining Schedules, as listed in the Table of Contents, Schedule of Capital Assets, and Schedule of Long-Term Debt are presented for additional analysis and are not required parts of the basic financial statements. The Combining Schedules, as listed in the Table of Contents, have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Schedule of Capital Assets and Schedule of Long-Term Debt have not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

May 27, 2010



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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

TO: THE OFFICIALS OF THE CITY OF RENSSELAER, JASPER COUNTY, INDIANA

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Rensselaer (City), as of and for the year ended December 31, 2009, which collectively comprise the City's basic financial statements and have issued our report thereon dated May 27, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we considered to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in item 2009-1 of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS
(Continued)

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion.

The City's response to the findings identified in our audit is described in the accompanying section of the report entitled Corrective Action Plan. We did not audit the City's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the City's management, council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

May 27, 2010

CITY OF RENSSELAER
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For The Year Ended December 31, 2009

Functions/Programs	Program Receipts				Net (Disbursement) Receipt and Changes in Net Assets		
	Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Totals
Primary government:							
Governmental activities:							
General government	\$ 2,294,035	\$ 41,050	\$ -	\$ -	\$ (2,252,985)	\$ -	\$ (2,252,985)
Public safety	910,951	17,251	5,523	-	(888,177)	-	(888,177)
Highways and streets	332,146	1,788	162,974	23,674	(143,710)	-	(143,710)
Sanitation	374,550	417,140	-	-	42,590	-	42,590
Health and welfare	-	-	18,277	-	18,277	-	18,277
Economic development	683,223	-	-	46,211	(637,012)	-	(637,012)
Culture and recreation	224,682	23,993	18,786	-	(181,903)	-	(181,903)
Principal and interest on indebtedness	280,209	-	-	-	(280,209)	-	(280,209)
Total governmental activities	5,099,796	501,222	205,560	69,885	(4,323,129)	-	(4,323,129)
Business-type activities:							
Electric Utility	8,884,629	9,222,252	-	-	-	337,623	337,623
Gas Utility	4,695,969	4,470,483	-	482,146	-	256,660	256,660
Wastewater Utility	2,917,749	1,609,021	-	-	-	(1,308,728)	(1,308,728)
Water Utility	1,225,765	1,199,174	-	12,252	-	(14,339)	(14,339)
Total business-type activities	17,724,112	16,500,930	-	494,398	-	(728,784)	(728,784)
Total primary government	\$ 22,823,908	\$ 17,002,152	\$ 205,560	\$ 564,283	(4,323,129)	(728,784)	(5,051,913)
General receipts:							
Property taxes					2,507,355	-	2,507,355
Intergovernmental					1,310,385	-	1,310,385
Other local sources					176,747	-	176,747
Net proceeds from borrowings					-	1,468,463	1,468,463
Grants and contributions not restricted to specific programs					176,668	-	176,668
Investment earnings					21,257	63,265	84,522
Interfund loans					-	650,000	650,000
Total general receipts and interfund loans					4,192,412	2,181,728	6,374,140
Change in net assets					(130,717)	1,452,944	1,322,227
Net assets - beginning					2,748,291	7,540,262	10,288,553
Net assets - ending					\$ 2,617,574	\$ 8,993,206	\$ 11,610,780
Assets							
Cash and investments					\$ 1,964,394	\$ 6,455,167	\$ 8,419,561
Restricted assets:							
Cash and investments					653,180	2,538,039	3,191,219
Total assets					\$ 2,617,574	\$ 8,993,206	\$ 11,610,780
Net Assets							
Restricted for:							
General government					\$ 173,052	\$ -	\$ 173,052
Public safety					8,088	-	8,088
Highways and streets					6,411	-	6,411
Debt service					111,222	1,874,499	1,985,721
Capital outlay					354,407	-	354,407
Other purposes					-	663,540	663,540
Unrestricted					1,964,394	6,455,167	8,419,561
Total net assets					\$ 2,617,574	\$ 8,993,206	\$ 11,610,780

The notes to the financial statements are an integral part of this statement.

CITY OF RENSSELAER
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
GOVERNMENTAL FUNDS
For The Year Ended December 31, 2009

	General	Rainy Day	TIF Allocation	Other Governmental Funds	Totals
Receipts:					
Taxes	\$ 1,300,351	\$ -	\$ 769,882	\$ 546,751	\$ 2,616,984
Licenses and permits	12,277	-	-	1,240	13,517
Intergovernmental	736,134	94,139	-	755,557	1,585,830
Charges for services	407,800	-	-	77,883	485,683
Fines and forfeits	1,037	-	-	985	2,022
Other	71,918	-	-	193,125	265,043
Total receipts	<u>2,529,517</u>	<u>94,139</u>	<u>769,882</u>	<u>1,575,541</u>	<u>4,969,079</u>
Disbursements:					
General government	670,157	-	-	447,102	1,117,259
Public safety	900,842	-	-	10,109	910,951
Highways and streets	-	-	-	286,295	286,295
Sanitation	374,550	-	-	-	374,550
Economic development	-	-	259,427	61,521	320,948
Culture and recreation	224,682	-	-	-	224,682
Interfund loans	550,000	-	-	100,000	650,000
Debt service:					
Principal	48,189	-	95,000	5,000	148,189
Interest	-	-	60,505	71,515	132,020
Capital outlay:					
General government	-	69,150	-	457,626	526,776
Highways and streets	-	-	-	45,851	45,851
Economic development	-	-	89,495	272,780	362,275
Total disbursements	<u>2,768,420</u>	<u>69,150</u>	<u>504,427</u>	<u>1,757,799</u>	<u>5,099,796</u>
Excess (deficiency) of receipts over disbursements	(238,903)	24,989	265,455	(182,258)	(130,717)
Cash and investment fund balance - beginning	476,956	147,212	470,966	1,653,157	2,748,291
Cash and investment fund balance - ending	<u>\$ 238,053</u>	<u>\$ 172,201</u>	<u>\$ 736,421</u>	<u>\$ 1,470,899</u>	<u>\$ 2,617,574</u>
<u>Cash and Investment Assets - Ending</u>					
Cash and investments	\$ 238,053	\$ 172,201	\$ 736,421	\$ 817,719	\$ 1,964,394
Restricted assets:					
Cash and investments	-	-	-	653,180	653,180
Total cash and investment assets - ending	<u>\$ 238,053</u>	<u>\$ 172,201</u>	<u>\$ 736,421</u>	<u>\$ 1,470,899</u>	<u>\$ 2,617,574</u>
<u>Cash and Investment Fund Balance - Ending</u>					
Restricted for:					
General government	\$ -	\$ -	\$ -	\$ 173,052	\$ 173,052
Public safety	-	-	-	8,088	8,088
Highways and streets	-	-	-	6,411	6,411
Debt service	-	-	-	111,222	111,222
Capital outlay	-	-	-	354,407	354,407
Unrestricted	238,053	172,201	736,421	817,719	1,964,394
Total cash and investment fund balance - ending	<u>\$ 238,053</u>	<u>\$ 172,201</u>	<u>\$ 736,421</u>	<u>\$ 1,470,899</u>	<u>\$ 2,617,574</u>

The notes to the financial statements are an integral part of this statement.

CITY OF RENNSLAER
STATEMENT OF ASSETS AND FUND BALANCES AND
RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
PROPRIETARY FUNDS
As of and for the Year Ended December 31, 2009

	Electric Utility	Gas Utility	Wastewater Utility	Water Utility	Totals
Operating receipts:					
Metered/measured	\$ 8,875,533	\$ 4,390,523	\$ 1,074,251	\$ 604,754	\$ 14,945,061
Public street and highway lighting	199,986	-	-	-	199,986
Fire protection receipts	-	-	-	186,223	186,223
Fees	1,636	4,076	-	-	5,712
Penalties	25,733	19,190	18,806	5,892	69,621
Interfund loan proceeds	650,000	-	-	-	650,000
Miscellaneous	119,364	56,694	515,964	402,305	1,094,327
Total operating receipts	9,872,252	4,470,483	1,609,021	1,199,174	17,150,930
Operating disbursements:					
Salaries and wages	540,167	367,284	243,204	363,317	1,513,972
Employee pensions and benefits	275,651	142,619	58,897	113,817	590,984
Purchased water	-	-	1,669	-	1,669
Purchased power	5,274,121	3,386,108	95,984	74,409	8,830,622
Chemicals	-	-	-	118,403	118,403
Material and supplies	31,946	46,110	43,548	76,481	198,085
Contractual services	64,492	99,224	38,701	76,839	279,256
Transportation	-	6,090	20,727	54,871	81,688
Insurance claims and expense	104,931	21,568	10,213	6,362	143,074
Transmission and distribution	1,118,202	241,741	-	-	1,359,943
Treatment and disposal	-	-	11,990	-	11,990
Refunds	31,546	26,399	5,802	-	63,747
Equipment and capital improvements	23,288	282,258	1,644,708	43,545	1,993,799
Miscellaneous	645,425	76,568	195,732	143,559	1,061,284
Total operating disbursements	8,109,769	4,695,969	2,371,175	1,071,603	16,248,516
Excess (deficiency) of operating receipts over operating disbursements	1,762,483	(225,486)	(762,154)	127,571	902,414
Nonoperating receipts (disbursements):					
Investment income	37,785	15,125	5,957	4,398	63,265
Net proceeds from borrowings	-	-	1,468,463	-	1,468,463
Debt service of principal	(385,000)	-	(546,574)	(140,887)	(1,072,461)
Interest disbursements	(389,860)	-	-	(13,275)	(403,135)
Total nonoperating receipts (disbursements)	(737,075)	15,125	927,846	(149,764)	56,132
Excess (deficiency) of receipts over disbursements and nonoperating receipts (disbursements)	1,025,408	(210,361)	165,692	(22,193)	958,546
Capital contributions	-	482,146	-	12,252	494,398
Transfers in	866,060	33,353	877,940	220,207	1,997,560
Transfers out	(866,060)	(33,353)	(877,940)	(220,207)	(1,997,560)
Excess (deficiency) of receipts, contributions and transfers in over disbursements and transfers out	1,025,408	271,785	165,692	(9,941)	1,452,944
Cash and investment fund balance - beginning	3,972,300	2,217,113	792,664	558,185	7,540,262
Cash and investment fund balance - ending	\$ 4,997,708	\$ 2,488,898	\$ 958,356	\$ 548,244	\$ 8,993,206
<u>Cash and Investment Assets - December 31</u>					
Cash and investments	\$ 3,759,744	\$ 1,810,208	\$ 680,366	\$ 204,849	\$ 6,455,167
Restricted assets:					
Cash and investments	1,237,964	678,690	277,990	343,395	2,538,039
Total cash and investment assets - December 31	\$ 4,997,708	\$ 2,488,898	\$ 958,356	\$ 548,244	\$ 8,993,206
<u>Cash and Investment Fund Balance - December 31</u>					
Restricted for:					
Debt service	\$ 1,047,648	\$ 512,354	\$ 104,797	\$ 209,700	\$ 1,874,499
Other purposes	190,316	166,336	173,193	133,695	663,540
Unrestricted	3,759,744	1,810,208	680,366	204,849	6,455,167
Total cash and investment fund balance - December 31	\$ 4,997,708	\$ 2,488,898	\$ 958,356	\$ 548,244	\$ 8,993,206

The notes to the financial statements are an integral part of this statement.

CITY OF RENSSELAER
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
FIDUCIARY FUNDS
For The Year Ended December 31, 2009

	Private-Purpose Trust Funds	Agency Funds
Additions:		
Investment earnings:		
Dividends	\$ 2,040	
Cash and investment fund balance - beginning	118,169	
Cash and investment fund balance - ending	\$ 120,209	\$ 59,964

The notes to the financial statements are an integral part of this statement.

CITY OF RENSSELAER
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

The City was established under the laws of the State of Indiana. The City operates under a Council-Mayor form of government and provides the following services: public safety (police and fire), highways and streets, health and social services, culture and recreation, public improvements, planning and zoning, general administrative services, water, wastewater, electric and gas.

The City's financial reporting entity is composed of the following:

Primary Government: City of Rensselaer

In determining the financial reporting entity, the City complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The Statement of Activities and Net Assets – Cash and Investment Basis displays information about the reporting government as a whole. It includes all funds of the reporting entity except for fiduciary funds. The statement distinguishes between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, fund equity, receipts, and disbursements. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

The general fund is the primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The rainy day fund is used to account for transfers of unused and unencumbered funds under Indiana Code 36-1-8-5. The rainy day funds may be used solely for the operation of the City and its various departments, including, but not limited to, salaries and wages, costs of services, supplies, equipment, capital improvements, repairs, and similar expenditures.

The TIF allocation fund accounts for the financial resources for public improvements and economic development within the TIF district.

CITY OF RENSSELAER
NOTES TO FINANCIAL STATEMENTS
(Continued)

The City reports the following major enterprise funds:

The water utility fund accounts for the operation of the water distribution system.

The wastewater utility fund accounts for the operation of the wastewater treatment plant, pumping stations, and collection systems.

The electric utility fund accounts for the operation of the electric distribution system.

The gas utility fund accounts for the operation of the gas distribution system.

Additionally, the City reports the following fund types:

The private-purpose trust funds report trust arrangements under which principal and income benefit the citizens of the City.

Agency funds account for assets held by the City as an agent for federal and state revenue agencies and serve as control of accounts for cash transactions during the time they are a liability to the City.

C. Measurement Focus and Basis of Accounting

The government-wide, governmental fund, proprietary fund, and fiduciary fund financial statements are reported using the basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recorded when received and disbursements are recorded when paid.

The cash and investment basis of accounting differs from accounting principles generally accepted in the United States of America in that receipts are recognized when received in cash rather than when earned and disbursements are recognized when paid rather than when a liability is incurred. Investment transactions are not presented on the financial statements.

If the City utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the enterprise fund statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the City and its enterprise funds. Elimination of these charges would distort the direct costs and program receipts reported for the various functions concerned.

CITY OF RENSSELAER
NOTES TO FINANCIAL STATEMENTS
(Continued)

Enterprise funds distinguish operating receipts and disbursements from nonoperating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. The principal operating receipts of the enterprise funds are charges to customers for sales and services. Operating disbursements for enterprise funds include the cost of sales and services and administrative costs. All receipts and disbursements not meeting this definition are reported as nonoperating receipts and disbursements. Internal service funds are used to account for activities provided to other departments or agencies primarily with the government. The City does not have any internal service funds.

When both restricted and unrestricted resources are available for use, the City's policy is to use restricted resources first, then unrestricted resources as they are needed.

D. Assets and Cash and Investment Balances

1. Restricted Assets

All restricted assets, as presented in the accompanying financial statements, are restricted due to enabling legislation.

2. Cash and Investments

Investments are stated at cost. Any changes in fair value of the investments are reported as interest receipts in the year of the sale of the investment.

3. Property Taxes

Normally, property taxes levied are collected by the County Treasurer and are distributed to the City in June and in 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. 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 may 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.

4. Capital Assets

Capital assets arising from cash transactions acquired for use in governmental or proprietary fund operations are accounted for as capital outlay disbursements of the fund upon acquisition.

5. Long-Term Debt

Long-term debt arising from cash basis transactions of governmental and proprietary funds is not reported as a liability in the basic financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as disbursements.

CITY OF RENSSELAER
NOTES TO FINANCIAL STATEMENTS
(Continued)

6. Equity Classification

Government-Wide Statements

Equity is classified as net assets and displayed in two components:

- a. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or (2) law through constitutional provisions or enabling legislation.
- b. Unrestricted net assets – All other net assets that do not meet the definition of "restricted."

Fund Financial Statements

Governmental fund equity is classified as fund balance. Proprietary fund equity is classified the same as in the government-wide statements.

E. Receipts and Disbursements

1. Program Receipts

Amounts reported as program receipts include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general receipts rather than as program receipts. Likewise, general receipts include all taxes.

2. Operating Receipts and Disbursements

Operating receipts and disbursements for proprietary funds result from providing services and producing and delivering goods and/or services. They also include all receipts and disbursements not related to capital and related financing, noncapital financing, or investing activities.

F. Internal and Interfund Activities

In the process of aggregating the financial information for the government-wide Statement of Activities and Net Assets – Cash and Investment Basis, some amounts reported as interfund activity in the fund financial statements have been eliminated or reclassified.

Fund Financial Statements

1. Interfund services – Sales or purchases of goods and services between funds are reported as receipts and disbursements.
2. Interfund reimbursements – Repayments from funds responsible for certain disbursements to the funds that initially paid for them are not reported as reimbursements but as adjustments to disbursements in the respective funds.

CITY OF RENSSELAER
NOTES TO FINANCIAL STATEMENTS
(Continued)

3. Interfund transfers – Flow of assets from one fund to another where repayment is not expected is reported as transfers in and out.
4. Interfund loans – Flow of assets from one fund to another where repayment is expected is reported as interfund loans.

Government-Wide Financial Statements

Interfund activity, if any, is eliminated or reclassified in the government-wide financial statements as follows:

Internal activities – Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis except for the net amount of transfers between governmental and business-type activities, which are reported as Transfers – Internal Activities. The effects of interfund loans and services between funds, if any, are not eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis.

II. Stewardship, Compliance and Accountability

Budgetary Information

Annual budgets are adopted on the cash basis, which is not consistent with accounting principles generally accepted in the United States of America. All annual appropriations lapse at calendar year end.

Prior to the first required publication, the fiscal officer of the City submits to the governing board a proposed operating budget for the year commencing the following January 1. Prior to adoption, the budget is advertised and public hearings are conducted by the governing board to obtain taxpayer comments. Prior to November 1, the governing board, through the passage of a resolution/ordinance, approves the budget for the next year. Copies of the budget resolution/ordinance and the advertisement for funds for which property taxes are levied or highway use taxes are received are sent to the Indiana Department of Local Government Finance. The budget becomes legally enacted after the fiscal officer of the City receives approval of the Indiana Department of Local Government Finance.

The City's management cannot transfer budgeted appropriations between object classifications of a budget without approval of the governing board. The Indiana Department of Local Government Finance must approve any revisions to the appropriations for any fund or any department of the General Fund. The legal level of budgetary control is by object and department within the fund for the General Fund and by object within the fund for all other budgeted funds.

III. Detailed Notes on All Funds

Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Indiana Code 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository eligible to

CITY OF RENSSELAER
NOTES TO FINANCIAL STATEMENTS
(Continued)

receive state funds and has a principal office or branch that qualifies to receive public funds of the political subdivision. The City does not have a deposit policy for custodial credit risk. At December 31, 2009, the City had deposit balances in the amount of \$11,790,433.

The bank balances were insured by the Federal Deposit Insurance Corporation or the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

IV. Other Information

A. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; medical benefits to employees, and dependents; and natural disasters.

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; medical benefits to employees, and dependents; and natural disasters are covered by commercial insurance from independent third parties.

Settled claims from risks covered by commercial insurance have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance by major category of risk.

B. Subsequent Events

The City is undertaking the West Side Sanitary Sewer Expansion Project. Total project costs are estimated at \$1,850,000. Financing the project will consist of grants, loan and local match.

C. Rate Structure – Enterprise Funds

Water Utility

On August 8, 1983, the City Council adopted Ordinance 10-83 to withdraw from the jurisdiction of the Indiana Utility Regulatory Commission. The current rate structure was approved by the Council on April 14, 2008.

Wastewater Utility

The current rate structure was approved by the City Council on April 14, 2008.

Electric Utility

On August 8, 1983, the City Council adopted Ordinance 10-83 to withdraw from the jurisdiction of the Indiana Utility Regulatory Commission. The current rate structure was approved by the Council on April 25, 2005.

Gas Utility

On August 8, 1983, the City Council adopted Ordinance 10-83 to withdraw from the jurisdiction of the Indiana Utility Regulatory Commission. The current rate structure was approved by the Council on September 24, 2007.

CITY OF RENSSELAER
NOTES TO FINANCIAL STATEMENTS
(Continued)

D. Receipts Pledged

Water Utility Receipts Pledged

The City has pledged future metered revenue receipts, net of specified operating expenditures, to repay revenue bonds issued in 1998. Proceeds from the bonds provided financing for refunding revenue bonds. The bonds are payable solely from metered revenue net receipts and are payable through 2010. Annual principal and interest payments are expected to require less than 11% of net receipts.

The City has pledged future metered revenue receipts, net of specified operating expenditures, to repay revenue bonds issued in 2001. Proceeds from the bonds provided financing for construction. The bonds are payable solely from metered revenue net receipts and are payable through 2021. Annual principal and interest payments are expected to require less than 7% of net receipts.

Wastewater Utility Receipts Pledged

The City has pledged future metered revenue receipts, net of specified operating expenditures, to repay revenue bonds issued in 2004. Proceeds from the bonds provided financing for refunding revenue. The bonds are payable solely from metered revenue net receipts and are payable through 2014. Annual principal and interest payments are expected to require less than 1% of net receipts.

The City has pledged future metered revenue receipts, net of specified operating expenditures, to repay revenue bonds issued in 2006. Proceeds from the bonds provided financing for construction. The bonds are payable solely from metered revenue net receipts and are payable through 2020. Annual principal and interest payments are expected to require less than 10% of net receipts.

The City has pledged future metered revenue receipts, net of specified operating expenditures, to repay revenue bonds issued in 2009. Proceeds from the bonds provided financing for construction. The bonds are payable solely from metered revenue net receipts and are payable through 2030. Annual principal and interest payments are expected to require less than 4% of net receipts.

Electric Utility Receipts Pledged

The City has pledged future metered revenue receipts, net of specified operating expenditures, to repay revenue bonds issued in 1998. Proceeds from the bonds provided financing for refunding revenue. The bonds are payable solely from metered revenue net receipts and are payable through 2012. Annual principal and interest payments are expected to require less than 1% of net receipts.

The City has pledged future metered revenue receipts, net of specified operating expenditures, to repay revenue bonds issued in 2005. Proceeds from the bonds provided financing for construction. The bonds are payable solely from metered revenue net receipts and are payable through 2023. Annual principal and interest payments are expected to require less than 6% of net receipts.

CITY OF RENSSELAER
NOTES TO FINANCIAL STATEMENTS
(Continued)

Tax Increment Receipts Pledged

The City has pledged a portion of tax revenue receipts to repay \$580,000 in tax increment bonds issued in 2000 to finance construction of sanitary sewers. The bonds are payable solely from the incremental tax revenue collections.

E. Pension Plans

1. Agent Multiple-Employer Defined Benefit 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 the 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 member's 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. The 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

The contribution requirements of plan members for PERF are established by the Board of Trustees of PERF. The total contributions made to PERF by the City during the period were \$192,801.

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.

CITY OF RENSSELAER
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

Funding Policy

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 during the period were \$11,655.

CITY OF RENSSELAER
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS

Public Employees' Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-07	\$ 2,632,336	\$ 3,021,686	\$ (389,350)	87%	\$ 2,433,096	(16%)
07-01-08	2,910,069	3,410,657	(500,588)	85%	2,482,876	(20%)
07-01-09	3,058,939	3,718,171	(659,232)	82%	2,769,622	(24%)

CITY OF RENNELAER
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2009

	Motor Vehicle Highway	Local Road And Street	Police Continuing Education	Riverboat Distribution	Attendance Officer	Drug Free Jasper County	Weston Cemetery Extension Donation
Receipts:							
Taxes	\$ 304,910	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	1,240	-	-	-	-
Intergovernmental	174,607	23,674	273	33,130	-	-	-
Charges for services	27,626	-	1,655	-	-	-	-
Fines and forfeits	-	-	985	-	-	-	-
Other	547	-	-	-	2,000	5,000	-
Total receipts	507,690	23,674	4,153	33,130	2,000	5,000	-
Disbursements:							
General government	-	-	-	-	2,293	-	-
Public safety	-	-	6,008	-	-	4,101	-
Highways and streets	286,295	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-
Interfund loans	100,000	-	-	-	-	-	-
Debt service:							
Principal	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Capital outlay:							
General government	-	-	-	84,543	-	-	-
Highways and streets	20,000	25,851	-	-	-	-	-
Economic development	-	-	-	-	-	-	-
Total disbursements	406,295	25,851	6,008	84,543	2,293	4,101	-
Excess (deficiency) of receipts over disbursements	101,395	(2,177)	(1,855)	(51,413)	(293)	899	-
Cash and investment fund balance - beginning	128,890	8,588	4,783	66,593	2,597	4,261	190
Cash and investment fund balance - ending	\$ 230,285	\$ 6,411	\$ 2,928	\$ 15,180	\$ 2,304	\$ 5,160	\$ 190
<u>Cash and Investment Assets - Ending</u>							
Cash and investments	\$ 230,285	\$ -	\$ -	\$ 15,180	\$ -	\$ -	\$ 190
Restricted assets:							
Cash and investments	-	6,411	2,928	-	2,304	5,160	-
Total cash and investment assets - ending	\$ 230,285	\$ 6,411	\$ 2,928	\$ 15,180	\$ 2,304	\$ 5,160	\$ 190
<u>Cash and Investment Fund Balance - Ending</u>							
Restricted for:							
General government	\$ -	\$ -	\$ -	\$ -	\$ 2,304	\$ -	\$ -
Public safety	-	-	2,928	-	-	5,160	-
Highways and streets	-	6,411	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Unrestricted	230,285	-	-	15,180	-	-	190
Total cash and investment fund balance - ending	\$ 230,285	\$ 6,411	\$ 2,928	\$ 15,180	\$ 2,304	\$ 5,160	\$ 190

CITY OF RENNELAER
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2009
 (Continued)

	Aerial Fire Truck Donation	Comprehensive Plan Grant	Criminal Justice Victim Assistance	Criminal Justice Traffic Safety	Smoking Cessation	Urban Forestry Council Grant	Office Of Justice Grant
Receipts:							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	18,786	18,277	5,250	-	-	23,565
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Other	10,000	3,624	-	-	-	8,852	-
Total receipts	10,000	22,410	18,277	5,250	-	8,852	23,565
Disbursements:							
General government	-	21,910	16,153	5,249	-	8,352	-
Public safety	-	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-
Debt service:							
Principal	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Capital outlay:							
General government	20,000	-	-	-	-	-	23,565
Highways and streets	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-
Total disbursements	20,000	21,910	16,153	5,249	-	8,352	23,565
Excess (deficiency) of receipts over disbursements	(10,000)	500	2,124	1	-	500	-
Cash and investment fund balance - beginning	20,000	1,000	-	865	89	-	-
Cash and investment fund balance - ending	\$ 10,000	\$ 1,500	\$ 2,124	\$ 866	\$ 89	\$ 500	\$ -
<u>Cash and Investment Assets - Ending</u>							
Cash and investments	\$ 10,000	\$ -	\$ 2,124	\$ 866	\$ 89	\$ 500	\$ -
Restricted assets:							
Cash and investments	-	1,500	-	-	-	-	-
Total cash and investment assets - ending	\$ 10,000	\$ 1,500	\$ 2,124	\$ 866	\$ 89	\$ 500	\$ -
<u>Cash and Investment Fund Balance - Ending</u>							
Restricted for:							
General government	\$ -	\$ 1,500	\$ -	\$ -	\$ -	\$ -	\$ -
Public safety	-	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Unrestricted	10,000	-	2,124	866	89	500	-
Total cash and investment fund balance - ending	\$ 10,000	\$ 1,500	\$ 2,124	\$ 866	\$ 89	\$ 500	\$ -

CITY OF RENNELAER
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2009
 (Continued)

	Downtown Revitalization Grant	Melville Street Project	Police Drug	Recycling Grant	TIF Surplus Reserve	Community Alliance	Alarm Contract
Receipts:							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	46,211	-	-	30,332	-	-	-
Charges for services	-	-	-	-	-	-	1,050
Fines and forfeits	-	-	-	-	-	-	-
Other	-	146,623	-	-	-	569	-
Total receipts	46,211	146,623	-	30,332	-	569	1,050
Disbursements:							
General government	46,211	224,514	-	5,732	-	520	1,263
Public safety	-	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-
Debt service:							
Principal	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Capital outlay:							
General government	-	-	-	30,332	-	-	1,500
Highways and streets	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-
Total disbursements	46,211	224,514	-	36,064	-	520	2,763
Excess (deficiency) of receipts over disbursements	-	(77,891)	-	(5,732)	-	49	(1,713)
Cash and investment fund balance - beginning	-	256,452	678	21,682	334,291	811	1,741
Cash and investment fund balance - ending	\$ -	\$ 178,561	\$ 678	\$ 15,950	\$ 334,291	\$ 860	\$ 28
<u>Cash and Investment Assets - Ending</u>							
Cash and investments	\$ -	\$ 178,561	\$ 678	\$ 15,950	\$ 334,291	\$ 860	\$ -
Restricted assets:							
Cash and investments	-	-	-	-	-	-	28
Total cash and investment assets - ending	\$ -	\$ 178,561	\$ 678	\$ 15,950	\$ 334,291	\$ 860	\$ 28
<u>Cash and Investment Fund Balance - Ending</u>							
Restricted for:							
General government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 28
Public safety	-	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Unrestricted	-	178,561	678	15,950	334,291	860	-
Total cash and investment fund balance - ending	\$ -	\$ 178,561	\$ 678	\$ 15,950	\$ 334,291	\$ 860	\$ 28

CITY OF RENNELAER
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2009
 (Continued)

	Community Disability Commission	Public Safety Loit	Child Safety Seat Grant	Tax Abatement	Sidewalk Maintenance	Public Relations
Receipts:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	172,288	311	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Other	-	-	1,510	-	7,200	7,200
Total receipts	-	172,288	1,821	-	7,200	7,200
Disbursements:						
General government	-	94,795	3,406	-	1,764	14,940
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Economic development	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Capital outlay:						
General government	-	56,040	-	-	492	-
Highways and streets	-	-	-	-	-	-
Economic development	-	-	-	-	-	-
Total disbursements	-	150,835	3,406	-	2,256	14,940
Excess (deficiency) of receipts over disbursements	-	21,453	(1,585)	-	4,944	(7,740)
Cash and investment fund balance - beginning	864	146,903	3,168	17	20,707	8,634
Cash and investment fund balance - ending	<u>\$ 864</u>	<u>\$ 168,356</u>	<u>\$ 1,583</u>	<u>\$ 17</u>	<u>\$ 25,651</u>	<u>\$ 894</u>
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	\$ -	\$ -	\$ 1,583	\$ 17	\$ 25,651	\$ 894
Restricted assets:						
Cash and investments	864	168,356	-	-	-	-
Total cash and investment assets - ending	<u>\$ 864</u>	<u>\$ 168,356</u>	<u>\$ 1,583</u>	<u>\$ 17</u>	<u>\$ 25,651</u>	<u>\$ 894</u>
<u>Cash and Investment Fund Balance - Ending</u>						
Restricted for:						
General government	\$ 864	\$ 168,356	\$ -	\$ -	\$ -	\$ -
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Debt service	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Unrestricted	-	-	1,583	17	25,651	894
Total cash and investment fund balance - ending	<u>\$ 864</u>	<u>\$ 168,356</u>	<u>\$ 1,583</u>	<u>\$ 17</u>	<u>\$ 25,651</u>	<u>\$ 894</u>

CITY OF RENNELAER
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2009
 (Continued)

	Debt Service	Cumulative Capital Development	Redevelopment Commission	Economic Development	Cumulative Capital Improvement	Totals
Receipts:						
Taxes	\$ 159,146	\$ 78,210	\$ 4,485	\$ -	\$ -	\$ 546,751
Licenses and permits	-	-	-	-	-	1,240
Intergovernmental	11,565	9,014	517	171,524	16,233	755,557
Charges for services	17,026	6,182	351	23,993	-	77,883
Fines and forfeits	-	-	-	-	-	985
Other	-	-	-	-	-	193,125
Total receipts	187,737	93,406	5,353	195,517	16,233	1,575,541
Disbursements:						
General government	-	-	-	-	-	447,102
Public safety	-	-	-	-	-	10,109
Highways and streets	-	-	-	-	-	286,295
Economic development	-	-	300	61,221	-	61,521
Interfund loans	-	-	-	-	-	100,000
Debt service:						
Principal	5,000	-	-	-	-	5,000
Interest	71,515	-	-	-	-	71,515
Capital outlay:						
General government	-	225,254	-	-	15,900	457,626
Highways and streets	-	-	-	-	-	45,851
Economic development	-	-	-	272,780	-	272,780
Total disbursements	76,515	225,254	300	334,001	15,900	1,757,799
Excess (deficiency) of receipts over disbursements	111,222	(131,848)	5,053	(138,484)	333	(182,258)
Cash and investment fund balance - beginning	-	230,026	8,382	371,899	9,046	1,653,157
Cash and investment fund balance - ending	\$ 111,222	\$ 98,178	\$ 13,435	\$ 233,415	\$ 9,379	\$ 1,470,899
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 817,719
Restricted assets:						
Cash and investments	111,222	98,178	13,435	233,415	9,379	653,180
Total cash and investment assets - ending	\$ 111,222	\$ 98,178	\$ 13,435	\$ 233,415	\$ 9,379	\$ 1,470,899
<u>Cash and Investment Fund Balance - Ending</u>						
Restricted for:						
General government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 173,052
Public safety	-	-	-	-	-	8,088
Highways and streets	-	-	-	-	-	6,411
Debt service	111,222	-	-	-	-	111,222
Capital outlay	-	98,178	13,435	233,415	9,379	354,407
Unrestricted	-	-	-	-	-	817,719
Total cash and investment fund balance - ending	\$ 111,222	\$ 98,178	\$ 13,435	\$ 233,415	\$ 9,379	\$ 1,470,899

CITY OF RENSSELAER
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 AGENCY FUNDS
 For The Year Ended December 31, 2009

	<u>Payroll</u>	<u>Telephone Clearing</u>	<u>Tax Clearing</u>	<u>All Funds Transfer Clearing</u>	<u>Totals</u>
Additions:					
Agency fund additions	\$ 4,254,062	\$ 45,048	\$ 701,579	\$ 22	\$ 5,000,711
Deductions:					
Agency fund deductions	4,251,783	45,679	701,579	-	4,999,041
Excess (deficiency) of total additions over total deductions	2,279	(631)	-	22	1,670
Cash and investment fund balance - beginning	58,294	-	-	-	58,294
Cash and investment fund balance - ending	<u>\$ 60,573</u>	<u>\$ (631)</u>	<u>\$ -</u>	<u>\$ 22</u>	<u>\$ 59,964</u>

CITY OF RENNELLAER
 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	\$ 234,000
Infrastructure	893,337
Buildings	1,662,246
Machinery and equipment	2,561,843
Construction in progress	<u>1,027,709</u>
Total governmental activities, capital assets not being depreciated	<u>\$ 6,379,135</u>
Business-type activities:	
Water Utility:	
Capital assets, not being depreciated:	
Construction in progress	\$ 119,547
Buildings	1,360,000
Improvements other than buildings	2,747,058
Machinery and equipment	<u>165,005</u>
Total Water Utility capital assets	<u>4,391,610</u>
Wastewater Utility:	
Capital assets, not being depreciated:	
Land	162,829
Construction in progress	896,385
Buildings	4,833,440
Improvements other than buildings	3,511,932
Machinery and equipment	<u>618,674</u>
Total Wastewater Utility capital assets	<u>10,023,260</u>
Gas Utility:	
Capital assets, not being depreciated:	
Land	8,195
Construction in progress	272,013
Buildings	168,096
Improvements other than buildings	1,821,627
Machinery and equipment	<u>357,454</u>
Total Gas Utility capital assets	<u>2,627,385</u>
Electric Utility:	
Capital assets, not being depreciated:	
Construction in progress	6,035,134
Buildings	438,435
Improvements other than buildings	9,957,001
Machinery and equipment	<u>1,366,482</u>
Total Electric Utility capital assets	<u>17,797,052</u>
Total business-type activities capital assets	<u>\$ 34,839,307</u>

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

The City has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:		
Capital leases:		
Economic development lease rental bonds	\$ 548,000	\$ 91,900
Special tax district bonds	440,000	64,413
Notes and loans payable	102,627	105,491
Bonds payable:		
General obligation bonds:		
Melville Street Project	<u>1,330,000</u>	<u>93,056</u>
Total governmental activities debt	<u>\$ 2,420,627</u>	<u>\$ 354,860</u>
Business-type activities:		
Water Utility:		
Revenue bonds:		
1998 Refunding revenue bonds	\$ 215,000	\$ 107,750
2001 Revenue bonds for construction	<u>406,000</u>	<u>36,383</u>
Total Water Utility	<u>621,000</u>	<u>144,133</u>
Wastewater Utility:		
Revenue bonds:		
2004 Refunding revenue bonds	795,000	191,565
2006 Revenue bonds for construction	1,250,000	57,303
2009 Revenue bonds	<u>2,605,000</u>	<u>185,298</u>
Total Wastewater Utility	<u>4,650,000</u>	<u>434,166</u>
Electric Utility:		
Revenue bonds:		
1998 Refunding revenue bonds	835,000	221,302
2005 Revenue bonds for construction	<u>6,340,000</u>	<u>332,850</u>
Total Electric Utility	<u>7,175,000</u>	<u>554,152</u>
Total business-type activities debt	<u>\$ 12,446,000</u>	<u>\$ 1,132,451</u>

CITY OF RENSSELAER
AUDIT RESULT AND COMMENT

UNAUTHORIZED ADJUSTMENT TO ACCOUNTS RECEIVABLE

During our test of Accounts Receivable, we noted an adjustment had been made to the personal account of the Utility Office Manager. The adjustment reduced the office manager's regular accounts receivable balance by \$500 (from \$328.18 to -\$171.82) and created a negative account balance of \$328.18 in the "on account balance"(a contra-account used to reflect surplus budget payments). When questioned about this adjustment, the office manager stated it was a "test adjustment" that she could not reverse after it had been made.

"Test" transactions should be handled through a dummy account created for that specific purpose. Employees should not be allowed to make adjustments or postings to their personal accounts.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objections, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

TO: THE OFFICIALS OF THE CITY OF RENSSELAER, JASPER COUNTY, INDIANA

Compliance

We have audited the compliance of the City of Rensselaer (City) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended December 31, 2009. The City's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City complied in all material respects with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2009.

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133
(Continued)

A control deficiency in a City's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be significant deficiencies or material weaknesses, as defined above.

The City's response to the findings identified in our audit is described in the accompanying Corrective Action Plan section of the report. We did not audit the City's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the City's management, council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

May 27, 2010

CITY OF RENSSELAER
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended December 31, 2009

Federal Grantor Agency/Pass-Through Entity Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended
<u>U.S. DEPARTMENT OF COMMERCE</u>			
Pass-Through Indiana Department of Natural Resources Cooperative Forestry Program	10.664		\$ <u>10,000</u>
<u>U.S. DEPARTMENT OF JUSTICE</u>			
Pass-Through Indiana Criminal Justice Institute Crime Victim Assistance	16.575	08VA058	<u>11,213</u>
Direct Grant ARRA - Edward Bryne Memorial Justice Assistance Grant Program	16.804	2009-SB-B9-1811	<u>23,565</u>
Total for federal grantor agency			<u>34,778</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
Pass-Through Indiana Criminal Justice Institute State and Community Highway Safety	20.600	OP-09-01-01-67	<u>3,496</u>
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	OP-10-02-01-61	<u>1,753</u>
Total for federal grantor agency			<u>5,249</u>
<u>ENVIRONMENTAL PROTECTION AGENCY</u>			
Pass-Through Indiana Finance Authority ARRA - Capitalization Grants for Clean Water State Revolving Fund	66.458		<u>1,135,000</u>
Capitalization Grants for Clean Water State Revolving Fund	66.458		<u>118,425</u>
Total for federal grantor agency			<u>1,253,425</u>
Total federal awards expended			<u>\$ 1,303,452</u>

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards.

CITY OF RENSSELAER
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

I. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Rensselaer (City) and is presented in accordance with the cash and investment basis of accounting used in the preparation of the financial statements. Accordingly, the amount of federal awards expended is based on when the disbursement related to the award occurs except when the federal award is received on a reimbursement basis. In these instances the federal awards are considered expended when the reimbursement is received.

II. Loans Outstanding

The City had the following loan balances, with continuing federal compliance requirements, outstanding at December 31, 2009. These loan balances outstanding are also included in the federal expenditures presented in the schedule.

Program Title	Federal CFDA Number	2009
ARRA - Capitalization Grants for Clean Water State Revolving Fund	66.458	<u>\$ 1,135,000</u>

CITY OF RENSSELAER
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified?	none reported
Significant deficiencies identified that are not considered to be material weaknesses?	yes
Noncompliance material to financial statements noted?	no

Federal Awards:

Internal control over major programs:

Material weaknesses identified?	no
Significant deficiencies identified that are not considered to be material weaknesses?	none reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? no

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
66.458	ARRA - Capitalization Grants for Clean Water State Revolving Fund

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? no

Section II – Financial Statement Findings

FEDERAL FINDING 2009-1, INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

We noted deficiencies in the internal control system of the City of Rensselaer (Utilities) related to financial transactions and reporting.

1. Lack of Segregation of Duties: Control activities should be selected and developed at various levels of the Utilities to reduce risks to achievement of financial reporting objectives. The Utilities have not separated incompatible activities related to receipts, (utility billings and collections). The failure to establish these controls could enable material misstatements or irregularities to go undetected.

CITY OF RENSSELAER
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

2. Monitoring of Controls: Effective internal control over financial reporting requires the Utility Service Board to monitor and assess the quality of the Utilities' system of internal control. The Utility Service Board has not performed either an ongoing or separate evaluation of their system of internal controls. The failure to exercise their oversight responsibility place the Utilities at risk that controls may not be designed or operating effectively to provide reasonable assurance that controls will prevent or detect material misstatements in a timely manner. Additionally, the Utilities have no process to identify or communicate corrective actions to improve controls.

3. Management Override of Control Activities - Effective internal control over financial reporting involves the identification and analysis of the risks of material misstatement to the Utilities' audited financial statements, then determining how those identified risks should be managed. The State of Indiana has prescribed a number of internal control procedures to be followed by the Utility management to address these risks. The Utility management has failed to properly adhere to prescribed internal control procedures established by the State. Failure to adhere to these procedures could enable a material misstatement or irregularity to go undetected.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objections, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control.

Controls over the receipting, disbursing, recording and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.

CITY OF RENNELAER
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.



CITY OF RENSSELAER

RENSSELAER, INDIANA

HERBERT H. ARIHOOD, *Mayor*
FRIEDA BRETZINGER, *Clerk-Treasurer*

COUNCIL MEMBERS
WILLIAM HOLLERMAN, *First Ward*
RICK WILLIAMS, *Second Ward*
GEORGE T. COVER, *Third Ward*
RICHARD COMINGORE, *Fourth Ward*
CAROLE BEAVER, *At-Large*

FEDERAL FINDING NO. 2009-1 INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

Audit Contact Person: Herbert H. Arihood
Status of Position: Mayor
Phone Number: 219-866-2300
Expected completion date: 1 July, 2010

LACK OF SEGREGATION OF DUTIES:

No posting or adjustments to be made to your personal accounts effective immediately No exceptions or waivers will be permitted.

All voided transactions must be supported by signature of another utility clerk or the Mayor
(Example: Daily Cash Report)

Utility Software provider will only conduct experimental tests or trial procedures on 'dummy' accounts.

Delegate assignments to all utility office employees to include all involved duties (i.e. sewer liens, small claims, laserfiche, copy machine, printers, folding machine) by system of cross-training.

MONITORING OF CONTROLS:

Passwords will be changed immediately and considered highly confidential and personal for each employee.
Passwords are not to be shared with anyone at any time.

The City Clerk-Treasurer will be designated the password administrator.

Audit employee utility accounts to verify being current per Ordinance 3-2006 (Policies and Procedures)

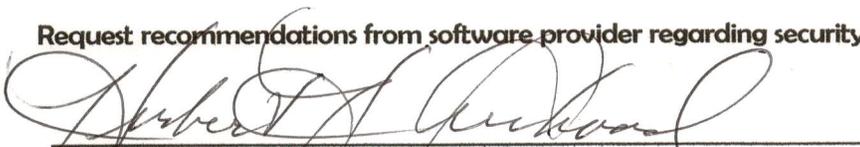
MANAGEMENT OVERRIDE OF CONTROL ACTIVITIES:

Create a report of applicants for Budget Billing to include name, address and account number. This report will be provided to Mayor's office for review. It must be completed by July 1, 2010.

All adjustments to accounts made for any reason must be presented to the Mayor for final approval prior to effective implementation.

Provide spreadsheet documentation of ON ACCOUNT balances for each involved utility customer.

Request recommendations from software provider regarding security control measures needing to be implemented.



Mayor Herbert H. Arihood- City of Rensselaer, Indiana

MAY 27 2010
Date

CITY OF RENSSELAER
EXIT CONFERENCE

The contents of this report were discussed on May 27, 2010, with Herbert H. Arihood, Mayor; Frieda Bretzinger, Clerk-Treasurer; Richard L Comingore, Council member; and Tammy J. Wisley, Utility Office Manager.