

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

FINANCIAL STATEMENT AND  
FEDERAL SINGLE AUDIT REPORT  
OF

CITY OF RENNELAER  
JASPER COUNTY, INDIANA

January 1, 2012 to December 31, 2012



**FILED**  
09/26/2013



## TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials .....	2
Independent Auditor's Report .....	3-5
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statement Performed in Accordance With Government Auditing Standards .....	6-7
Financial Statement:	
Statement of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis .....	10
Notes to Financial Statement.....	11-16
Supplementary Information - Unaudited:	
Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis .....	18-28
Schedule of Payables and Receivables .....	29
Schedule of Leases and Debt .....	30
Schedule of Capital Assets.....	31
Audit Result and Comment:	
Internal Controls Over Schedule of Federal Expenditures.....	32
Supplemental Audit of Federal Awards:	
Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance.....	34-35
Schedule of Expenditures of Federal Awards .....	38
Note to Schedule of Expenditures of Federal Awards.....	39
Schedule of Findings and Questioned Costs .....	40-43
Auditee Prepared Schedule:	
Corrective Action Plan.....	44-45
Exit Conference.....	46
Official Response .....	47

### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Frieda M. Bretzinger	01-01-12 to 12-31-15
Mayor	Stephen A. Wood	01-01-12 to 12-31-15
President of the Common Council	George T. Cover	01-01-12 to 12-31-13
Superintendent of Water and Wastewater Utility	Michael W. Murphy	01-01-12 to 12-31-13
Superintendent of Electric Utility	Donna S. Cochran	01-01-12 to 12-31-13
Superintendent of Gas Utility	Donna Lockridge	01-01-12 to 12-31-13
Utility Office Manager	Tammy J. Wisley Heather Smart	01-01-12 to 08-14-12 08-15-12 to 12-31-13



## INDEPENDENT AUDITOR'S REPORT

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

### ***Report on the Financial Statement***

We have audited the accompanying financial statement of the City of Rensselaer (City), which comprises the financial position and results of operations for the year ended December 31, 2012, and the related notes to the financial statement.

### ***Management's Responsibility for the Financial Statement***

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the financial reporting provisions of the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6). Management is responsible for and has determined that the regulatory basis of accounting, as established by the Indiana State Board of Accounts, is an acceptable basis of presentation. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on this financial statement 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 statement is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT  
(Continued)

***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As discussed in Note 1 of the financial statement, the City prepares its financial statement on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6), which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position and results of operations of the City for the year ended December 31, 2012.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position and results of operations of the City for the year ended December 31, 2012, in accordance with the financial reporting provisions of the Indiana State Board of Accounts described in Note 1.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued a report dated September 12, 2013, 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* in considering the City's internal control over financial reporting and compliance.

***Accompanying Information***

*Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the City's financial statement. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the *U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statement taken as a whole.

INDEPENDENT AUDITOR'S REPORT  
(Continued)

Our audit was conducted for the purpose of forming an opinion on the City's financial statement. The Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis, Schedule of Payables and Receivables, Schedule of Leases and Debt, and Schedule of Capital Assets, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the financial statement. They have not been subjected to the auditing procedures applied by us in the audit of the financial statement and, accordingly, we express no opinion on them.

The City's response to the Audit Result and Comment identified in our audit is described in the accompanying section of the report entitled Official Response. We did not audit the City's response and, accordingly, we express no opinion on it.



Bruce Hartman  
State Examiner

September 12, 2013



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL  
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited, 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, the financial statement of the City of Rensselaer (City), which comprises the financial position and results of operations for the year ended December 31, 2012, and the related notes to the financial statement, and have issued our report thereon dated September 12, 2013, wherein we noted the City followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America.

***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statement, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of the internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as item 2012-1 to be material weaknesses.

***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the City's financial statement is 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

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL  
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS  
(Continued)

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 results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

***City of Rensselaer's Response to Findings***

The City's response to the findings identified in our audit is described in the accompanying Official Response and Corrective Action Plan. The City's response was not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on it.

***Purpose of This Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Bruce Hartman  
State Examiner

September 12, 2013

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## FINANCIAL STATEMENT

The financial statement and accompanying notes were approved by management of the City. The financial statement and notes are presented as intended by the City.

CITY OF RENNELLAER  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -  
REGULATORY BASIS  
For The Year Ended December 31, 2012

Fund	Cash and Investments			Cash and Investments 12-31-12
	01-01-12	Receipts	Disbursements	
General	\$ 719,304	\$ 2,667,258	\$ 2,519,138	\$ 867,424
Motor Vehicle Highway	152,114	240,001	293,199	98,916
Local Road And Street	15,827	31,388	29,499	17,716
Police Continuing Education	3,176	4,105	3,085	4,196
Riverboat Distribution	45,579	34,708	36,301	43,986
Drug Free Jasper County	1,255	3,000	2,708	1,547
Rainy Day	79,108	-	2,296	76,812
Police Drug	3,066	677	370	3,373
Levy Excess	-	49,675	-	49,675
TIF Allocation	974,243	268,103	312,753	929,593
Cumulative Capital Development	112,678	65,210	51,281	126,607
Redevelopment Commission	6,096	12,363	722	17,737
Economic Development	249,359	212,615	98,381	363,593
Cumulative Capital Improvement	11,390	15,540	18,710	8,220
Contractor Registration	8,200	11,360	-	19,560
TIF Construction	477,582	238,162	458,172	257,572
Future Development	1,278	8,120	373	9,025
Business Registration	3,400	1,125	-	4,525
Attendance Officer	1,935	-	201	1,734
Weston Cem Extension Donation	190	-	190	-
Aerial Fire Truck Donation	5,822	-	-	5,822
Comprehensive Plan Grant	1,500	-	1,500	-
Criminal Justice Traffic Safety	905	3,390	4,635	(340)
Smoking Cessation	89	-	89	-
Urban Forestry Council Grant	10,321	3,100	1,813	11,608
Downtown Revitalization Grant	8,941	42,617	49,529	2,029
Melville Street Project	87,592	346,315	433,907	-
Recycling Grant	23,556	-	7,007	16,549
TIF Surplus Reserve	416,291	-	248	416,043
Community Alliance	1,668	550	689	1,529
Alarm Contract	1,833	3,120	1,657	3,296
Community Disability Commission	864	-	864	-
Public Safety LOIT	280,760	203,829	155,430	329,159
Child Safety Seat Grant	1,348	3,755	2,022	3,081
Tax Abatement	460	500	-	960
Sidewalk Maintenance	38,589	7,200	10,253	35,536
Public Relations	11,339	7,200	3,191	15,348
Safe Kids	278	2,480	1,769	989
Debt Service	37,887	129,935	93,529	74,293
Weston Cem Perpetual Care	123,694	1,360	-	125,054
Payroll	60,019	4,867,368	4,896,179	31,208
Telephone Clearing	-	46,059	46,059	-
Tax Clearing	(22,959)	775,608	752,649	-
Electric Operating	3,416,426	10,867,132	10,627,606	3,655,952
Electric Bond And Interest	900,051	1,190,322	1,169,937	920,436
Electric Improvement	134,575	563,323	529,512	168,386
Electric Meter Deposit	206,900	49,406	43,266	213,040
Electric Construction	3,088,857	1,293	1,255,681	1,834,469
Electric Cash Reserve	207,811	9,069	113	216,767
Wastewater EPA Grant	-	118,057	59,029	59,028
WW SRF Rensselaer Construction	1,530,000	-	1,426,844	103,156
WW SRF Rensselaer Jr DSR	6,258	37,545	-	43,803
WW SRF Rensselaer B & I	115,813	190,279	247,295	58,797
WW SRF Rensselaer Sr DSR	348,198	37,620	-	385,818
WW SRF Rensselaer	-	48,000	48,000	-
Wastewater Operating	65,187	1,452,746	1,352,564	165,369
Wastewater Bond And Interest	60,258	265,475	254,525	71,208
Wastewater Improvement	43,887	185,153	52,708	176,332
Wastewater Meter Deposit	69,449	26,200	14,959	80,690
Wastewater Construction	-	350,756	350,756	-
Water Construction	-	25,681	25,681	-
DW SRF Rensselaer B & I	29,477	99,970	52,954	76,493
DW SRF Rensselaer DSR	42,133	29,980	-	72,113
DW SRF Rensselaer	-	2,921,574	2,921,574	-
Water Operating	252,292	1,592,482	1,242,432	602,342
Water Bond And Interest	75,549	12,600	7,658	80,491
Water Improvement	255,609	38,000	146,673	146,936
Water Meter Deposit	143,191	25,323	23,391	145,123
On-Account	80,838	18,769	28,917	70,690
Gas Operating	1,364,448	2,898,789	3,017,147	1,246,090
Gas Improvement	53,794	134,635	5,445	182,984
Gas Meter Deposit	175,710	32,869	28,695	179,884
Gas Cash Reserve	517,036	23,235	375	539,896
Totals	<u>\$ 17,140,324</u>	<u>\$ 33,554,079</u>	<u>\$ 35,224,135</u>	<u>\$ 15,470,268</u>

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

CITY OF RENSSELAER  
NOTES TO FINANCIAL STATEMENT

**Note 1. 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 some or all of 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, gas, storm water, trash, aviation, and urban redevelopment and housing.

The accompanying financial statement presents the financial information for the City.

*B. Basis of Accounting*

The financial statement is reported on a regulatory basis of accounting prescribed by the State Board of Accounts in accordance with state statute (IC 5-11-1-6), 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 regulatory 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.

*C. Cash and Investments*

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

*D. Receipts*

Receipts are presented in the aggregate on the face of the financial statement. The aggregate receipts include the following sources:

Taxes which can include one or more of the following: property taxes, certified shares (local option tax), property tax replacement credit (local option tax), county option income tax, wheel tax, innkeepers tax, food and beverage tax, county economic development income tax, boat and trailer excise tax, county adjusted gross income tax, and other taxes that are set by the City.

Licenses and permits which include amounts received from businesses, occupations, or nonbusinesses that must be licensed before doing business within the government's jurisdiction or permits levied according to the benefits presumably conferred by the permit. Examples of licenses and permits include: peddler licenses, dog tax licenses, auctioneer license, building and planning permits, demolition permits, electrical permits, sign permits, and gun permits.

Intergovernmental receipts which include receipts from other governments in the form of operating grants, entitlements, or payments in lieu of taxes. Examples of this type of receipts include, but are not limited to: federal grants, state grants, cigarette tax distributions received from the state, motor vehicle highway distribution received from the state,

CITY OF RENSSELAER  
NOTES TO FINANCIAL STATEMENT  
(Continued)

local road and street distribution received from the state, financial institution tax received from the state, auto excise surtax received from the state, commercial vehicle excise tax received from the state, major moves distributions received from the state, and riverboat receipts received from the county.

Charges for services which can include, but are not limited to the following: planning commission charges, building department charges, copies of public records, copy machine charges, accident report copies, gun permit applications, 911 telephone services, recycling fees, dog pound fees, emergency medical service fees, park rental fees, swimming pool receipts, cable TV receipts, ordinance violations, fines and fees, bond forfeitures, court costs, and court receipts.

Fines and forfeits which include receipts derived from fines and penalties imposed for the commission of statutory offenses, violation of lawful administrative rules and regulations (fines), and for the neglect of official duty and monies derived from confiscating deposits held as performance guarantees (forfeitures).

Utility fees which are comprised mostly of charges for current services.

Penalties which include fees received for late payments.

Other receipts which include amounts received from various sources which can include, but are not limited to the following: net proceeds from borrowings; interfund loan activity; transfers authorized by statute, ordinance, resolution or court order; internal service receipts; and fiduciary receipts.

*E. Disbursements*

Disbursements are presented in the aggregate on the face of the financial statement. The aggregate disbursements include the following uses:

Personal services include outflows for salaries, wages, and related employee benefits provided for all persons employed. In those units where sick leave, vacation leave, overtime compensation, and other such benefits are appropriated separately, such payments would also be included.

Supplies, which include articles and commodities that are entirely consumed and materially altered when used and/or show rapid depreciation after use for a short period of time. Examples of supplies include office supplies, operating supplies, and repair and maintenance supplies.

Other services and charges which include, but are not limited to: professional services, communication and transportation, printing and advertising, insurance, utility services, repairs and maintenance, and rental charges.

Debt service principal and interest which includes fixed obligations resulting from financial transactions previously entered into by the City. It includes all expenditures for the reduction of the principal and interest of the City's general obligation indebtedness.

Capital outlay which includes all outflows for land, infrastructure, buildings, improvements, and machinery and equipment having an appreciable and calculable period of usefulness.

CITY OF RENSSELAER  
NOTES TO FINANCIAL STATEMENT  
(Continued)

Utility operating expenses which include all outflows for operating the utilities.

Other disbursements which include, but are not limited to the following: interfund loan payments, loans made to other funds, internal service disbursements, and transfers out that are authorized by statute, ordinance, resolution, or court order.

*F. Interfund Transfers*

The City may, from time to time, transfer money from one fund to another. These transfers, if any, are included as a part of the receipts and disbursements of the affected funds and as a part of total receipts and disbursements. The transfers are used for cash flow purposes as provided by various statutory provisions.

*G. Fund Accounting*

Separate funds are established, maintained, and reported by the City. Each fund is used to account for money received from and used for specific sources and uses as determined by various regulations. Restrictions on some funds are set by statute while other funds are internally restricted by the City. The money accounted for in a specific fund may only be available for use for certain, legally restricted purposes. Additionally, some funds are used to account for assets held by the City in a trustee capacity as an agent of individuals, private organizations, other funds, or other governmental units and therefore the funds cannot be used for any expenditures of the unit itself.

**Note 2. Budgets**

The operating budget is initially prepared and approved at the local level. The fiscal officer of the City submits a proposed operating budget to the governing board for the following calendar year. The budget is advertised as required by law. Prior to adopting the budget, the governing board conducts public hearings and obtains taxpayer comments. Prior to November 1, the governing board approves the budget for the next year. The budget for funds for which property taxes are levied or highway use taxes are received is subject to final approval by the Indiana Department of Local Government Finance.

**Note 3. Property Taxes**

Property taxes levied are collected by the County Treasurer and are scheduled to be distributed to the City in June and December; however, situations can arise which would delay the distributions. 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 percent 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 normally become delinquent if not paid by May 10 and November 10, respectively.

CITY OF RENSSELAER  
NOTES TO FINANCIAL STATEMENT  
(Continued)

**Note 4. Deposits and Investments**

Deposits, made in accordance with state statute (IC 5-13), with financial institutions in the State of Indiana at year end should be 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 statutes authorize the City to invest in securities including, but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

**Note 5. Risk Management**

The City may be 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, retirees, and dependents; and natural disasters.

These risks can be mitigated through the purchase of insurance, establishment of a self-insurance fund, and/or participation in a risk pool. The purchase of insurance transfers the risk to an independent third party. The establishment of a self-insurance fund allows the City to set aside money for claim settlements. The self-insurance fund would be included in the financial statement. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks.

**Note 6. Pension Plans**

*A. Public Employees' Retirement Fund*

*Plan Description*

The Indiana Public Employees' Retirement Fund (PERF) is 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 Indiana Public Retirement System (INPRS) 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 percent of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

INPRS 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:

Indiana Public Retirement System  
1 North Capital Street, Suite 001  
Indianapolis, IN 46204  
Ph. (888) 526-1687

CITY OF RENSSELAER  
NOTES TO FINANCIAL STATEMENT  
(Continued)

*Funding Policy and Annual Pension Cost*

The contribution requirements of the plan members for PERF are established by the Board of Trustees of INPRS.

**B. 1977 Police Officers' and Firefighters' Pension and Disability Fund**

*Plan Description*

The 1977 Police Officers' and Firefighters' Pension and Disability Fund is a cost-sharing multiple-employer defined benefit pension plan administered by the Indiana Public Retirement System (INPRS) for all police officers and firefighters hired after April 30, 1977.

State statute (IC 36-8-8) regulates the operations of the system, including benefits, vesting, and requirements for contributions by employers and by employees. Covered employees may retire at age 52 with 20 years of service. An employee with 20 years of service may leave service, but will not receive benefits until reaching age 52. The plan also provides for death and disability benefits.

INPRS 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:

Indiana Public Retirement System  
1 North Capital Street, Suite 001  
Indianapolis, IN 46204  
Ph. (888) 526-1687

*Funding Policy*

The contribution requirements of plan members and the City are established by the Board of Trustees of INPRS.

**Note 7. Cash Balance Deficits**

The financial statement contains a fund with a deficit in cash. This is a result of the fund being setup for a reimbursement grant. The reimbursement for expenditures made by the City was not received by December 31, 2012.

**Note 8. Restatements**

In prior years, the City did not recognize cash balances of accounts held in the City's behalf by third party fiscal agents. For the year ended December 31, 2012, these funds were added to more accurately reflect the cash and investment balances of all City funds. The following schedule presents a summary of restated beginning balances.

CITY OF RENSSELAER  
NOTES TO FINANCIAL STATEMENT  
(Continued)

Fund Name	Prior Report Balance 12-31-11	Adjustment	Adjusted Balance 01-01-12
WW SRF Rensselaer Construction	\$ -	\$ 1,530,000	\$ 1,530,000
WW SRF Rensselaer Jr DSR	-	6,258	6,258
WW SRF Rensselaer B & I	-	115,813	115,813
WW SRF Rensselaer SR DSR	-	348,198	348,198
DW SRF Rensselaer DSR	-	42,133	42,133
DW SRF Rensselaer B & I	-	29,477	29,477
 Total	 \$ -	 \$ 2,071,879	 \$ 2,071,879

## SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the City's Annual Report information can be found on the Gateway website: <https://gateway.ifionline.org/>.

Differences may be noted between the financial information presented in the financial statement contained in this report and the financial information presented in the Annual Report of the City which is referenced above. These differences, if any, are due to adjustments made to the financial information during the course of the audit. This is a common occurrence in any financial statement audit. The financial information presented in this report is audited information, and the accuracy of such information can be determined by reading the opinion given in the Independent Auditor's Report.

The supplementary information presented was approved by management of the City. It is presented as intended by the City.

CITY OF RENSSELAER  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2012

	General	Motor Vehicle Highway	Local Road And Street	Police Continuing Education	Riverboat Distribution	Drug Free Jasper County	Rainy Day
Cash and investments - beginning	\$ 719,304	\$ 152,114	\$ 15,827	\$ 3,176	\$ 45,579	\$ 1,255	\$ 79,108
Receipts:							
Taxes	1,185,899	80,510	-	-	-	-	-
Licenses and permits	13,252	-	-	1,670	-	-	-
Intergovernmental	1,021,583	150,416	31,388	-	34,708	-	-
Charges for services	376,646	770	-	1,200	-	-	-
Fines and forfeits	2,153	-	-	1,235	-	-	-
Utility fees	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	67,725	8,305	-	-	-	3,000	-
Total receipts	<u>2,667,258</u>	<u>240,001</u>	<u>31,388</u>	<u>4,105</u>	<u>34,708</u>	<u>3,000</u>	<u>-</u>
Disbursements:							
Personal services	1,682,309	193,788	-	-	-	2,708	-
Supplies	138,224	52,042	-	-	-	-	-
Other services and charges	603,891	45,736	-	3,085	36,301	-	2,296
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	48,944	-	29,499	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	45,770	1,633	-	-	-	-	-
Total disbursements	<u>2,519,138</u>	<u>293,199</u>	<u>29,499</u>	<u>3,085</u>	<u>36,301</u>	<u>2,708</u>	<u>2,296</u>
Excess (deficiency) of receipts over disbursements	<u>148,120</u>	<u>(53,198)</u>	<u>1,889</u>	<u>1,020</u>	<u>(1,593)</u>	<u>292</u>	<u>(2,296)</u>
Cash and investments - ending	<u>\$ 867,424</u>	<u>\$ 98,916</u>	<u>\$ 17,716</u>	<u>\$ 4,196</u>	<u>\$ 43,986</u>	<u>\$ 1,547</u>	<u>\$ 76,812</u>

CITY OF RENSSELAER  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2012  
 (Continued)

	Police Drug	Levy Excess	TIF Allocation	Cumulative Capital Development	Redevelopment Commission	Economic Development	Cumulative Capital Improvement
Cash and investments - beginning	\$ 3,066	\$ -	\$ 974,243	\$ 112,678	\$ 6,096	\$ 249,359	\$ 11,390
Receipts:							
Taxes	-	49,675	264,833	57,753	10,949	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	7,457	1,414	212,615	15,540
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	677	-	3,270	-	-	-	-
Total receipts	<u>677</u>	<u>49,675</u>	<u>268,103</u>	<u>65,210</u>	<u>12,363</u>	<u>212,615</u>	<u>15,540</u>
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	370	-	31,914	-	703	4,284	-
Debt service - principal and interest	-	-	280,589	-	-	16,800	-
Capital outlay	-	-	-	50,000	-	77,297	18,710
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	250	1,281	19	-	-
Total disbursements	<u>370</u>	<u>-</u>	<u>312,753</u>	<u>51,281</u>	<u>722</u>	<u>98,381</u>	<u>18,710</u>
Excess (deficiency) of receipts over disbursements	<u>307</u>	<u>49,675</u>	<u>(44,650)</u>	<u>13,929</u>	<u>11,641</u>	<u>114,234</u>	<u>(3,170)</u>
Cash and investments - ending	<u>\$ 3,373</u>	<u>\$ 49,675</u>	<u>\$ 929,593</u>	<u>\$ 126,607</u>	<u>\$ 17,737</u>	<u>\$ 363,593</u>	<u>\$ 8,220</u>

CITY OF RENSSELAER  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2012  
 (Continued)

	Contractor Registration	TIF Construction	Future Development	Business Registration	Attendance Officer	Weston Cem Extension Donation	Aerial Fire Truck Donation
Cash and investments - beginning	\$ 8,200	\$ 477,582	\$ 1,278	\$ 3,400	\$ 1,935	\$ 190	\$ 5,822
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	11,360	-	-	1,125	-	-	-
Intergovernmental	-	238,162	-	-	-	-	-
Charges for services	-	-	8,120	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-
Total receipts	<u>11,360</u>	<u>238,162</u>	<u>8,120</u>	<u>1,125</u>	<u>-</u>	<u>-</u>	<u>-</u>
Disbursements:							
Personal services	-	-	-	-	201	-	-
Supplies	-	-	-	-	-	190	-
Other services and charges	-	71,217	373	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	386,955	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-
Total disbursements	<u>-</u>	<u>458,172</u>	<u>373</u>	<u>-</u>	<u>201</u>	<u>190</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>11,360</u>	<u>(220,010)</u>	<u>7,747</u>	<u>1,125</u>	<u>(201)</u>	<u>(190)</u>	<u>-</u>
Cash and investments - ending	<u>\$ 19,560</u>	<u>\$ 257,572</u>	<u>\$ 9,025</u>	<u>\$ 4,525</u>	<u>\$ 1,734</u>	<u>\$ -</u>	<u>\$ 5,822</u>

CITY OF RENSSELAER  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2012  
 (Continued)

	Comprehensive Plan Grant	Criminal Justice Traffic Safety	Smoking Cessation	Urban Forestry Council Grant	Downtown Revitalization Grant	Melville Street Project	Recycling Grant
Cash and investments - beginning	\$ 1,500	\$ 905	\$ 89	\$ 10,321	\$ 8,941	\$ 87,592	\$ 23,556
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	3,390	-	2,890	33,177	324,288	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	-	-	-	210	9,440	22,027	-
Total receipts	<u>-</u>	<u>3,390</u>	<u>-</u>	<u>3,100</u>	<u>42,617</u>	<u>346,315</u>	<u>-</u>
Disbursements:							
Personal services	-	4,635	-	-	-	-	-
Supplies	-	-	-	1,700	-	-	2,066
Other services and charges	-	-	-	113	49,529	-	1,381
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	433,907	3,560
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	1,500	-	89	-	-	-	-
Total disbursements	<u>1,500</u>	<u>4,635</u>	<u>89</u>	<u>1,813</u>	<u>49,529</u>	<u>433,907</u>	<u>7,007</u>
Excess (deficiency) of receipts over disbursements	<u>(1,500)</u>	<u>(1,245)</u>	<u>(89)</u>	<u>1,287</u>	<u>(6,912)</u>	<u>(87,592)</u>	<u>(7,007)</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ (340)</u>	<u>\$ -</u>	<u>\$ 11,608</u>	<u>\$ 2,029</u>	<u>\$ -</u>	<u>\$ 16,549</u>

CITY OF RENSSELAER  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2012  
 (Continued)

	TIF Surplus Reserve	Community Alliance	Alarm Contract	Community Disability Commission	Public Safety LOIT	Child Safety Seat Grant	Tax Abatement
Cash and investments - beginning	\$ 416,291	\$ 1,668	\$ 1,833	\$ 864	\$ 280,760	\$ 1,348	\$ 460
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	202,575	-	-
Charges for services	-	-	3,120	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	-	550	-	-	1,254	3,755	500
Total receipts	-	550	3,120	-	203,829	3,755	500
Disbursements:							
Personal services	-	-	-	-	150,753	-	-
Supplies	-	689	-	-	4,602	2,022	-
Other services and charges	248	-	1,657	-	75	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	864	-	-	-
Total disbursements	248	689	1,657	864	155,430	2,022	-
Excess (deficiency) of receipts over disbursements	(248)	(139)	1,463	(864)	48,399	1,733	500
Cash and investments - ending	\$ 416,043	\$ 1,529	\$ 3,296	\$ -	\$ 329,159	\$ 3,081	\$ 960

CITY OF RENSSELAER  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2012  
 (Continued)

	Sidewalk Maintenance	Public Relations	Safe Kids	Debt Service	Weston Cem Perpetual Care	Payroll	Telephone Clearing
Cash and investments - beginning	\$ 38,589	\$ 11,339	\$ 278	\$ 37,887	\$ 123,694	\$ 60,019	\$ -
Receipts:							
Taxes	-	-	-	115,076	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	14,859	-	-	-
Charges for services	7,200	7,200	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	-	-	2,480	-	1,360	4,867,368	46,059
Total receipts	<u>7,200</u>	<u>7,200</u>	<u>2,480</u>	<u>129,935</u>	<u>1,360</u>	<u>4,867,368</u>	<u>46,059</u>
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	1,449	896	1,769	-	-	-	-
Other services and charges	-	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	91,981	-	-	-
Capital outlay	8,804	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	2,295	-	1,548	-	4,896,179	46,059
Total disbursements	<u>10,253</u>	<u>3,191</u>	<u>1,769</u>	<u>93,529</u>	<u>-</u>	<u>4,896,179</u>	<u>46,059</u>
Excess (deficiency) of receipts over disbursements	<u>(3,053)</u>	<u>4,009</u>	<u>711</u>	<u>36,406</u>	<u>1,360</u>	<u>(28,811)</u>	<u>-</u>
Cash and investments - ending	<u>\$ 35,536</u>	<u>\$ 15,348</u>	<u>\$ 989</u>	<u>\$ 74,293</u>	<u>\$ 125,054</u>	<u>\$ 31,208</u>	<u>\$ -</u>

CITY OF RENSSELAER  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2012  
 (Continued)

	Tax Clearing	Electric Operating	Electric Bond And Interest	Electric Improvement	Electric Meter Deposit	Electric Construction	Electric Cash Reserve
Cash and investments - beginning	\$ (22,959)	\$ 3,416,426	\$ 900,051	\$ 134,575	\$ 206,900	\$ 3,088,857	\$ 207,811
Receipts:							
Taxes	-	326,189	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	9,974,963	-	-	-	-	-
Penalties	-	35,168	-	-	-	-	-
Other receipts	775,608	530,812	1,190,322	563,323	49,406	1,293	9,069
Total receipts	<u>775,608</u>	<u>10,867,132</u>	<u>1,190,322</u>	<u>563,323</u>	<u>49,406</u>	<u>1,293</u>	<u>9,069</u>
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	529,512	-	1,161,574	-
Utility operating expenses	-	8,638,224	-	-	43,266	94,107	-
Other disbursements	752,649	1,989,382	1,169,937	-	-	-	113
Total disbursements	<u>752,649</u>	<u>10,627,606</u>	<u>1,169,937</u>	<u>529,512</u>	<u>43,266</u>	<u>1,255,681</u>	<u>113</u>
Excess (deficiency) of receipts over disbursements	<u>22,959</u>	<u>239,526</u>	<u>20,385</u>	<u>33,811</u>	<u>6,140</u>	<u>(1,254,388)</u>	<u>8,956</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ 3,655,952</u>	<u>\$ 920,436</u>	<u>\$ 168,386</u>	<u>\$ 213,040</u>	<u>\$ 1,834,469</u>	<u>\$ 216,767</u>

CITY OF RENSSELAER  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2012  
 (Continued)

	Wastewater EPA Grant	WW SRF Rensselaer Construction	WW SRF Rensselaer Jr DSR	WW SRF Rensselaer B & I	WW SRF Rensselaer Sr DSR	WW SRF Rensselaer	Wastewater Operating
Cash and investments - beginning	\$ -	\$ 1,530,000	\$ 6,258	\$ 115,813	\$ 348,198	\$ -	\$ 65,187
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	118,057	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	1,220,089
Penalties	-	-	-	-	-	-	24,072
Other receipts	-	-	37,545	190,279	37,620	48,000	208,585
Total receipts	<u>118,057</u>	<u>-</u>	<u>37,545</u>	<u>190,279</u>	<u>37,620</u>	<u>48,000</u>	<u>1,452,746</u>
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	59,029	1,426,844	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	57,901
Other disbursements	-	-	-	247,295	-	48,000	1,294,663
Total disbursements	<u>59,029</u>	<u>1,426,844</u>	<u>-</u>	<u>247,295</u>	<u>-</u>	<u>48,000</u>	<u>1,352,564</u>
Excess (deficiency) of receipts over disbursements	<u>59,028</u>	<u>(1,426,844)</u>	<u>37,545</u>	<u>(57,016)</u>	<u>37,620</u>	<u>-</u>	<u>100,182</u>
Cash and investments - ending	<u>\$ 59,028</u>	<u>\$ 103,156</u>	<u>\$ 43,803</u>	<u>\$ 58,797</u>	<u>\$ 385,818</u>	<u>\$ -</u>	<u>\$ 165,369</u>

CITY OF RENSSELAER  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2012  
 (Continued)

	Wastewater Bond And Interest	Wastewater Improvement	Wastewater Meter Deposit	Wastewater Construction	Water Construction	DW SRF Rensselaer B & I
Cash and investments - beginning	\$ 60,258	\$ 43,887	\$ 69,449	\$ -	\$ -	\$ 29,477
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	229,512	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Penalties	-	-	-	-	-	-
Other receipts	265,475	185,153	26,200	121,244	25,681	99,970
Total receipts	<u>265,475</u>	<u>185,153</u>	<u>26,200</u>	<u>350,756</u>	<u>25,681</u>	<u>99,970</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	52,708	-	348,706	25,681	-
Utility operating expenses	3,000	-	-	2,050	-	-
Other disbursements	251,525	-	14,959	-	-	52,954
Total disbursements	<u>254,525</u>	<u>52,708</u>	<u>14,959</u>	<u>350,756</u>	<u>25,681</u>	<u>52,954</u>
Excess (deficiency) of receipts over disbursements	<u>10,950</u>	<u>132,445</u>	<u>11,241</u>	<u>-</u>	<u>-</u>	<u>47,016</u>
Cash and investments - ending	<u>\$ 71,208</u>	<u>\$ 176,332</u>	<u>\$ 80,690</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 76,493</u>

CITY OF RENSSELAER  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2012  
 (Continued)

	DW SRF Rensselaer DSR	DW SRF Rensselaer	Water Operating	Water Bond And Interest	Water Improvement	Water Meter Deposit
Cash and investments - beginning	\$ 42,133	\$ -	\$ 252,292	\$ 75,549	\$ 255,609	\$ 143,191
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	1,111,844	-	-	-
Penalties	-	-	8,249	-	-	-
Other receipts	29,980	2,921,574	472,389	12,600	38,000	25,323
Total receipts	<u>29,980</u>	<u>2,921,574</u>	<u>1,592,482</u>	<u>12,600</u>	<u>38,000</u>	<u>25,323</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	46,673	-
Utility operating expenses	-	-	-	58	-	-
Other disbursements	-	2,921,574	1,242,432	7,600	100,000	23,391
Total disbursements	<u>-</u>	<u>2,921,574</u>	<u>1,242,432</u>	<u>7,658</u>	<u>146,673</u>	<u>23,391</u>
Excess (deficiency) of receipts over disbursements	<u>29,980</u>	<u>-</u>	<u>350,050</u>	<u>4,942</u>	<u>(108,673)</u>	<u>1,932</u>
Cash and investments - ending	<u>\$ 72,113</u>	<u>\$ -</u>	<u>\$ 602,342</u>	<u>\$ 80,491</u>	<u>\$ 146,936</u>	<u>\$ 145,123</u>

CITY OF RENSSELAER  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2012  
 (Continued)

	<u>On-Account</u>	<u>Gas Operating</u>	<u>Gas Improvement</u>	<u>Gas Meter Deposit</u>	<u>Gas Cash Reserve</u>	<u>Totals</u>
Cash and investments - beginning	\$ 80,838	\$ 1,364,448	\$ 53,794	\$ 175,710	\$ 517,036	\$ 17,140,324
Receipts:						
Taxes	-	-	-	-	-	2,090,884
Licenses and permits	-	-	-	-	-	27,407
Intergovernmental	-	-	-	-	-	2,642,031
Charges for services	18,769	-	-	-	-	423,025
Fines and forfeits	-	-	-	-	-	3,388
Utility fees	-	2,718,711	-	-	-	15,025,607
Penalties	-	10,659	-	-	-	78,148
Other receipts	-	169,419	134,635	32,869	23,235	13,263,589
Total receipts	<u>18,769</u>	<u>2,898,789</u>	<u>134,635</u>	<u>32,869</u>	<u>23,235</u>	<u>33,554,079</u>
Disbursements:						
Personal services	-	-	-	-	-	2,034,394
Supplies	-	-	-	-	-	205,649
Other services and charges	-	-	-	-	-	853,173
Debt service - principal and interest	-	-	-	-	-	389,370
Capital outlay	-	-	5,445	-	-	4,713,848
Utility operating expenses	-	2,848,995	-	28,695	375	11,716,671
Other disbursements	28,917	168,152	-	-	-	15,311,030
Total disbursements	<u>28,917</u>	<u>3,017,147</u>	<u>5,445</u>	<u>28,695</u>	<u>375</u>	<u>35,224,135</u>
Excess (deficiency) of receipts over disbursements	<u>(10,148)</u>	<u>(118,358)</u>	<u>129,190</u>	<u>4,174</u>	<u>22,860</u>	<u>(1,670,056)</u>
Cash and investments - ending	<u>\$ 70,690</u>	<u>\$ 1,246,090</u>	<u>\$ 182,984</u>	<u>\$ 179,884</u>	<u>\$ 539,896</u>	<u>\$ 15,470,268</u>

CITY OF RENNELLAER  
 SCHEDULE OF PAYABLES AND RECEIVABLES  
 December 31, 2012

Government or Enterprise	Accounts Payable	Accounts Receivable
Governmental activities	\$ 29,003	\$ 14,058
Electric	1,039,452	727,506
Wastewater	19,788	86,551
Water	19,245	87,543
On-Account	75	-
Gas	<u>26,065</u>	<u>245,690</u>
Totals	<u>\$ 1,133,628</u>	<u>\$ 1,161,348</u>

CITY OF RENSSELAER  
SCHEDULE OF LEASES AND DEBT  
December 31, 2012

Type	Description of Debt Purpose	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:			
General obligation bonds	2008 Melville Street Project	\$ 1,200,000	\$ 111,406
Revenue bonds	2011 Melville Street Project Refinanced 1993 2000 Bond	<u>1,165,000</u>	<u>168,081</u>
Total governmental activities		<u>2,365,000</u>	<u>279,487</u>
Electric:			
Revenue bonds	Refunding 69 kV line	<u>6,400,000</u>	<u>681,925</u>
Wastewater:			
Revenue bonds	2004 Sewage Refunding Bond	280,000	194,048
Revenue bonds	2006 Houston Sewer Project	1,250,000	52,220
SRF Loan	2009 Wastewater Treatment Plant Upgrade	2,340,000	184,919
SRF Loan	2011 West Side Sewer Project	<u>1,584,000</u>	<u>53,464</u>
Total Wastewater		<u>5,454,000</u>	<u>484,651</u>
Water:			
SRF Loan	2001 Houston Water Project	297,000	38,178
SRF Loan	2011 Water Plant Upgrade	4,444,000	242,079
SRF Loan	2011 Jr Bond for Water Tower	<u>90,000</u>	<u>10,958</u>
Total Water		<u>4,831,000</u>	<u>291,215</u>
Totals		<u>\$ 19,050,000</u>	<u>\$ 1,737,278</u>

CITY OF RENSSELAER  
SCHEDULE OF CAPITAL ASSETS  
December 31, 2012

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.

	Ending Balance
Governmental activities:	
Land	\$ 273,000
Buildings	1,667,146
Improvements other than buildings	3,952,365
Machinery, equipment, and vehicles	2,775,859
Total governmental activities	8,668,370
Electric:	
Land	273,946
Infrastructure	16,326,566
Buildings	425,440
Improvements other than buildings	18,658
Machinery, equipment, and vehicles	1,484,778
Total Electric	18,529,388
Wastewater:	
Land	162,829
Infrastructure	8,354,312
Machinery, equipment, and vehicles	702,225
Construction in progress	1,199,468
Total Wastewater	10,418,834
Water:	
Infrastructure	1,356,613
Buildings	1,403,890
Machinery, equipment, and vehicles	1,602,123
Construction in progress	416,368
Total Water	4,778,994
Gas:	
Land	8,195
Infrastructure	1,930,084
Buildings	324,829
Machinery, equipment, and vehicles	444,800
Total Gas	2,707,908
Total capital assets	\$ 45,103,494

CITY OF RENSSELAER  
AUDIT RESULT AND COMMENT

***INTERNAL CONTROLS OVER SCHEDULE OF FEDERAL EXPENDITURES***

The City did not have a proper system of internal control in place to prevent or detect and correct errors on the Schedule of Expenditures of Federal Awards (SEFA). The City should have proper controls in place over the preparation of the SEFA to ensure accurate reporting of federal awards. Without a proper system of internal control in place that operates effectively, material misstatements of the SEFA could remain 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 objectives, 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)

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](http://www.in.gov/sboa)

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE

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

***Report on Compliance for Each Major Federal Program***

We have audited the City of Rensselaer's (City) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2012. 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.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

***Opinion on Each Major Federal Program***

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2012.

***Other Matters***

The City's response to our audit is described in the accompanying Official Response. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
(Continued)

***Report on Internal Control Over Compliance***

Management of the City is responsible for establishing and maintaining effective internal control over compliance with types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the type of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2012-2, 2012-3, and 2012-4 to be material weaknesses.

The City's response to the internal control over compliance findings identified in our audit is described in the accompanying Official Response and Corrective Action Plan. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Bruce Hartman  
State Examiner

September 12, 2013

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## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The Schedule of Expenditures of Federal Awards and accompanying note presented were prepared by management of the City. The schedule and note are presented as intended by the City.

CITY OF RENSSELAER  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For The Year Ended December 31, 2012

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended
<u>Department of Agriculture</u>				
Cooperative Forestry Assistance Urban Forestry Program	Indiana Department of Natural Resources	10.664	2010 10.664	\$ 1,813
<u>Department of Housing and Urban Development</u>				
CDBG - State-Administered CDBG Cluster Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii Melville Street Project TIF Construction	Indiana Office of Community and Rural Affairs	14.228 14.228	CF-10-220 CF-10-220	324,288 238,162
Total - Department of Housing and Urban Development				562,450
<u>Department of Transportation</u>				
Highway Planning and Construction Cluster Highway Planning and Construction Downtown Revitalization Project	Indiana Department of Transportation	20.205	CE 0600378	42,617
Highway Safety Cluster State and Community Highway Safety Child Safety Seat Safe Kids Operation Pullover	Indiana Criminal Justice Institute	20.600 20.600 20.600	1049423 1162428 OP-12-04-02-44	3,755 2,480 3,390
Total - Highway Safety Cluster				9,625
Total - Department of Transportation				52,242
<u>Environmental Protection Agency</u>				
Congressionally Mandated Projects Wastewater EPA Grant	Direct Grant	66.202	XP-00E00950-0	438,216
Capitalization Grants for Clean Water State Revolving Funds Water Construction Sewage Construction	Indiana Finance Authority	66.458 66.458	DW10123702 WW10043702	1,460,787 713,422
Total - Capitalization Grants for Clean Water State Revolving Funds				2,174,209
Total - Environmental Protection Agency				2,612,425
Total federal awards expended				\$ 3,228,930

The accompanying note is an integral part of the Schedule of Expenditures of Federal Awards.

CITY OF RENSSELAER  
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

***Basis of Presentation***

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Rensselaer and is presented in accordance with the cash and investment basis of accounting used in the preparation of the financial statement. 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.

CITY OF RENSSELAER  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**Section I – Summary of Auditor's Results**

Financial Statement:

Type of auditor's report issued:	Adverse as to GAAP; Unmodified as to Regulatory Basis
Internal control over financial reporting:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Noncompliance material to financial statement noted?	no

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?	yes

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
66.202	CDBG - State-Administered CDBG Cluster
66.458	Congressionally Mandated Projects
66.458	Capitalization Grants for Clean Water State Revolving Funds

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**

**FINDING 2012-1 - INTERNAL CONTROLS OVER THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

The City did not have a proper system of internal control in place to prevent or detect and correct errors on the Schedule of Expenditures of Federal Awards (SEFA). The City should have proper controls in place over the preparation of the SEFA to ensure accurate reporting of federal awards. Without a proper system of internal control in place that operates effectively, material misstatements of the SEFA could remain undetected.

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

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 objectives, 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***

***FINDING 2012-2 - INTERNAL CONTROLS OVER COMPLIANCE REQUIREMENTS THAT HAVE A DIRECT AND MATERIAL EFFECT TO THE COMMUNITY DEVELOPMENT BLOCK GRANTS/STATE'S PROGRAM AND NON-ENTITLEMENT GRANTS IN HAWAII***

Federal Agency: Department of Housing and Urban Development  
Federal Program: Community Development Block Grants/State's  
Program and Non-Entitlement Grants in Hawaii  
CFDA Number: 14.228  
Federal Award Number and Year or Other Identifying Number: CF-10-220  
Pass-Through Entity: Indiana Office of Community and Rural Affairs

The management of the City of Rensselaer has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and all of the compliance requirements that have a direct and material effect to the program. This includes the following compliance requirements; Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Davis-Bacon; Equipment and Real Property Management; Matching, Level of Effort and Earmarking; Period of Availability; Procurement, Suspension and Debarment; Reporting; and Special Tests and Provisions. The failure to establish an effective internal control system places the City at risk of noncompliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system could also allow noncompliance with compliance requirements and allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the grant.

An internal control system, including segregation of duties, should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement, or a type of compliance requirement of a federal program will be prevented, detected and corrected, on a timely basis. In order to have an effective internal control system, it is important to have proper segregation of duties. This is accomplished by making sure proper oversight, reviews, and approvals take place and to have a separation of functions over certain activities related to the program. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same activity.

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

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

The failure to establish internal controls could enable material noncompliance to go undetected. Noncompliance of the grant agreement or the compliance requirements that have a direct and material effect to the program could result in the loss of federal funds to the City.

We recommended that the City's management establish controls, including segregation of duties, related to the grant agreement and all compliance requirements that have a direct and material effect to the program.

***FINDING 2012-3 - INTERNAL CONTROLS OVER COMPLIANCE REQUIREMENTS THAT HAVE A DIRECT AND MATERIAL EFFECT TO CAPITALIZATION GRANTS FOR CLEAN WATER STATE REVOLVING FUNDS***

Federal Agency: Environmental Protection Agency

Federal Program: Capitalization Grants for Clean Water State Revolving Funds

CFDA Number: 66.458

Federal Award Number and Year (or Other Identifying Number): DW10123702 and WW10043702

Pass-Through Entity: Indiana Finance Authority

The management of the City has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and some of the compliance requirements that have a direct and material effect to the program. This includes the following compliance requirements: Activities Allowed or Unallowed; Allowable Costs/Cost Principles; and Procurement, Suspension and Debarment. The failure to establish an effective internal control system places the City at risk of noncompliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system could also allow noncompliance with compliance requirements and allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the grant.

An internal control system, including segregation of duties, should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement, or a type of compliance requirement of a federal program will be prevented, detected and corrected, on a timely basis. In order to have an effective internal control system, it is important to have proper segregation of duties. This is accomplished by making sure proper oversight, reviews, and approvals take place and to have a separation of functions over certain activities related to the program. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same activity.

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

The failure to establish internal controls could enable material noncompliance to go undetected. Non-compliance of the grant agreement or the compliance requirements that have a direct and material effect to the program could result in the loss of federal funds to the City.

We recommended that the City's management establish controls, including segregation of duties, related to the grant agreement and compliance requirements that have a direct and material effect to the program.

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

***FINDING 2012-4 - INTERNAL CONTROLS OVER COMPLIANCE REQUIREMENTS THAT HAVE A DIRECT AND MATERIAL EFFECT TO CONGRESSIONALLY MANDATED PROJECTS***

Federal Agency: Environmental Protection Agency  
Federal Program: Congressionally Mandated Projects  
CFDA Number: 66.202  
Federal Award Number and Year (or Other Identifying Number): XP - 00E00950 - 0

Management of the City has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and all of the compliance requirements that have a direct and material effect to the program. This includes the following compliance requirements: Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Period of Availability; Procurement, Suspension and Debarment; Reporting; and Special Tests and Provisions. The failure to establish an effective internal control system places the City at risk of noncompliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system could also allow noncompliance with compliance requirements and allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the grant.

An internal control system, should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement, or a type of compliance requirement of a federal program will be prevented, detected and corrected, on a timely basis. In order to have an effective internal control system, it is important to have proper segregation of duties. This is accomplished by making sure proper oversight, reviews, and approvals take place and to have a separation of functions over certain activities related to the program. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same activity.

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

The failure to establish internal controls could enable material noncompliance to go undetected. Non-compliance of the grant agreement or the compliance requirements that have a direct and material effect to the program could result in the loss of federal funds to the City.

We recommended that the City's management establish controls, including segregation of duties, related to the grant agreement and all compliance requirements that have a direct and material effect to the program.



# CITY OF RENSSELAER

RENSSELAER, INDIANA

STEPHEN A. WOOD, *Mayor*  
FRIEDA BRETZINGER, *Clerk-Treasurer*

COUNCIL MEMBERS  
WILLIAM HOLLERMAN, *First Ward*  
RUSSELL OVERTON, *Second Ward*  
GEORGE T. COVER, *Third Ward*  
ERNEST WATSON, *Fourth Ward*  
SCOTT BARTON, *At-Large*

September 12, 2013

## Corrective Action Plan

### Section II – Financial Statement Findings

#### **Finding 2012-1: Internal Controls over the Schedule of Expenditures of Federal Awards.**

The City of Rensselaer will implement controls over accounting for the financial activities related to the federal grants to be reported accurately on the Schedule of Expenditures for Federal Awards.

### Section III – Federal Award Findings and Questioned Costs

#### **Finding 2012-2: Internal Controls over the Compliance Requirements that have a Direct and Material Effect to Community Development Blocks/State Programs.**

Federal Agency: U. S. Housing & Urban Development  
Federal Program: CDBG  
CFDA Number: 14.228  
Federal Award Number and year: B11DC180001CF-10-220, 2010  
Pass-Through Entity: Office of Community and Rural Affairs

The City of Rensselaer will establish controls, including segregation of duties, related to the grant agreement and all compliance requirements that have a direct and material effect to the program.

#### **Finding 2012 -3: Internal Controls over Compliance Requirements that have a Direct and Material Effect for Capitalization Grants for Clean Water State Revolving Funds.**

Federal Agency: U. S. Environmental Protection Agency  
Federal Program: Capitalization Grant for Clean Water State Revolving Funds  
CFDA Number 66.458  
Federal Award Number and year: DW10123702 and WW10043702  
Pass-Through Entity: Indiana Finance Authority

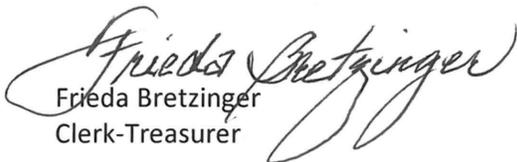
The City of Rensselaer will establish controls, including segregation of duties, related to the grant agreement and all compliance requirements that have a direct and material effect to the program.

#### **Finding 2012-4: Internal Controls over Compliance Requirements that have a Direct and Material Effect to Congressionally Mandated Projects.**

Federal Agency: U. S. Environmental Protection Agency  
Federal Program: EPA  
CFDA Number 66.202  
Federal Award Number and year: XP00E00950-0  
Pass-Through Entity: Direct Grant

The City of Rensselaer will establish controls, including segregation of duties, related to the grant agreement and all compliance requirements that have a direct and material effect to the program.

Respectfully,

  
Frieda Bretzinger  
Clerk-Treasurer

CITY OF RENNELAER  
EXIT CONFERENCE

The contents of this report were discussed on September 12, 2013, with Frieda M. Bretzinger, Clerk-Treasurer; Stephen A. Wood, Mayor; William A. Hollerman, Council member; and Heather Smart, Utility Office Manager. The Official Response has been made a part of this report and may be found on page 47.



# CITY OF RENSSELAER

RENSSELAER, INDIANA

STEPHEN A. WOOD, *Mayor*  
FRIEDA BRETZINGER, *Clerk-Treasurer*

COUNCIL MEMBERS  
WILLIAM HOLLERMAN, *First Ward*  
RUSSELL OVERTON, *Second Ward*  
GEORGE T. COVER, *Third Ward*  
ERNEST WATSON, *Fourth Ward*  
SCOTT BARTON, *At-Large*

September 16, 2013

Mr. Bruce A. Hartman, CPA, State Examiner  
State Board of Accounts  
302 West Washington Street  
Room E 418  
Indianapolis, Indiana 46204-2765

RE: Official Response to State Board of Accounts 2012 Audit Report

Dear Mr. Hartman,

I am responding to audit findings with regard to Federal Grant Finding 2012-02, 2012-03 and 2012-04, part of the City of Rensselaer's State Board of Accounts audit.

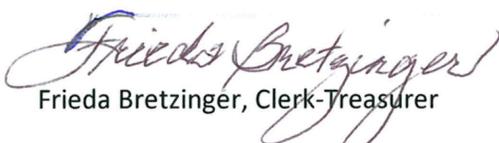
These three findings are all concerning "Internal Controls" pertaining to three federal grants we received during the audit year 2012. The City of Rensselaer administration has been told that city personnel should be monitoring these grants, checking payrolls, and verifying that the Davis-Bacon Act is being followed.

I understand the importance of following grant requirements, but the city used grant administrator Kankakee Regional Plan Commission for the Federal Grant Finding 2012-02. A grant administrator not only aids municipalities in securing grant money but also administers the grants to make sure everything is in order. I'm sure I don't need to remind you how difficult it is for municipalities to do un-funded, mandated projects, so grants are almost a way of life for us. It is almost impossible for a municipality to be awarded a grant unless there is a grant writer on staff. Unfortunately, most of us can't afford this luxury so we have to hire a grant administrator. A grant administrator does all of the work to obtain a grant and part of that fee includes administering the grant. We pay a lot of money to grant administrators to act on our behalf to obtain and administer grants. This is why I don't think we should be held responsible for the internal control findings. We, in good faith, hired professionals to act on our behalf.

On Federal Finding 2012-03 and Federal Finding 2012-04, the grant administrator was Mendenhall and Associates. They were hired by the State of Indiana to monitor and administer the grants. This was completely out of our hands and out of our control. Again, I do not believe we should be held responsible for the internal control findings.

I do not believe municipalities should be held accountable for lack of internal control when a grant administrator has been hired. I would hate to think that it is coming to us being responsible for work we hire professionals to do.

Respectfully,

  
Frieda Bretzinger, Clerk-Treasurer

124 S. VAN RENSSELAER STREET · P.O. BOX 280 · RENSSELAER, INDIANA 47978  
PHONE (219) 866-5212 · FAX (219) 866 7551