

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

FINANCIAL STATEMENT EXAMINATION REPORT

OF

CITY OF ROCHESTER

FULTON COUNTY, INDIANA

January 1, 2013 to December 31, 2013



FILED

03/13/2015

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Shoda Beehler	01-01-12 to 12-31-15
Mayor	Mark Smiley	01-01-12 to 12-31-15
President of the Board of Public Works and Safety	Mark Smiley	01-01-12 to 12-31-15
President Pro Tempore of the Common Council	Marty Smith Brian Goodman	01-01-13 to 12-31-13 01-01-14 to 12-31-15
Superintendent of Utilities	Warren Lease	01-01-13 to 12-31-15



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE CITY OF ROCHESTER, FULTON COUNTY, INDIANA

We have examined the accompanying financial statement of the City of Rochester (City), for the year ended December 31, 2013. The financial statement is the responsibility of the City's management. Our responsibility is to express an opinion on the financial statement based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the financial statement and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

As discussed in Note 1, 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 comprehensive 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 these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the matter discussed in the preceding paragraph, the financial statement referred to above does not present fairly, in conformity 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, 2013.

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, 2013, on the basis of accounting described in Note 1.

Our examination 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 examination procedures applied to the financial statement and, accordingly, we express no opinion on them.

The City's response to the Examination Results and Comments identified in our examination is described in the accompanying section of the report entitled Official Response. We did not examine the City's response and, accordingly, we express no opinion on it.

Paul D. Joyce
Paul D. Joyce, CPA
State Examiner

January 14, 2015

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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 ROCHESTER
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Year Ended December 31, 2013

Fund	Cash and Investments 01-01-13	Receipts	Disbursements	Cash and Investments 12-31-13
GENERAL FUND	\$ 2,171,982	\$ 2,685,154	\$ 2,581,171	\$ 2,275,965
MOTOR VEHICLE HIGHWAY FUND	279,303	971,523	970,306	280,520
LOCAL ROAD AND STREET FUND	28,793	22,999	20,817	30,975
NON-REVERTING PARK OPERATING FUND	29,789	54,790	25,260	59,319
ECONOMIC DEVELOPMENT COMMISSION FUND	453	-	-	453
POLICE CONTINUING EDUCATION FUND	13,261	5,119	2,481	15,899
RIVERBOAT WAGERING TAX REV SHARING FUND	241,830	36,835	136,138	142,527
PARK OPERATING FUND	89,117	577,470	491,811	174,776
RAINY DAY FUND	781,687	-	-	781,687
LEVY EXCESS FUND	35,664	-	28,436	7,228
CUMULATIVE CAPITAL IMPROVEMENT FUND	180,156	27,368	75,281	132,243
CUMULATIVE CAPITAL DEVELOPMENT FUND	348,620	265,818	319,494	294,944
NON-REVERT. PARK CAPITAL IMPROVEMNT FUND	446,031	77,100	150,414	372,717
OLD POLICE PENSION FUND	169,696	1,389	615	170,470
OLD FIRE PENSION FUND	287,003	-	320	286,683
CITY COURT COSTS FUND	103,239	-	19,797	83,442
LOIT - PUBLIC SAFETY FUND	544,457	22,432	477,829	89,060
ACCOUNTS PAYABLE FUND	10	6,268,604	6,229,797	38,817
OPERATION PULL OVER/GRANT	1,047	-	1,751	(704)
LCC GRANT	54	-	-	54
MINNOW CREEK DEBT FUND	545	6,419	6,292	672
MARIJUANA ERADICATION	1,250	-	-	1,250
CITY BUILDING RENOVATION FUND	2,070	-	-	2,070
PARK BOND	3,581	-	-	3,581
DEA ASSET RECOVERY MONEY	7,612	-	941	6,671
CITY BUILDING DEBT FUND	8,296	59,797	57,933	10,160
DRUG INTERDICTION & INVESTIGATION	6,791	-	2,636	4,155
IN HSNG FIN AUTH M96SG180114 & HM701-002	12,879	-	-	12,879
ACH CLEARING FUND	14,553	1,520,075	1,534,557	71
REDEVELOPMENT COMMISSION	20,589	42,955	198	63,346
IN HOUSING FINANCE AUTHORITY #HD-401-013	28,277	-	-	28,277
PAYROLL FUND	15,131	166,908	181,812	227
MINNOW CREEK MAINTENANCE FUND	51,439	-	400	51,039
MINNOW CREEK ASSESSMENT FUND	11,356	8,958	-	20,314
IN HOUSING FINANCE AUTH M92&94-SG180114	104,179	100	-	104,279
SIGN INVENTORY GRANT	-	44,550	44,550	-
WASTEWATER OPERATING	950,484	1,572,359	1,126,249	1,396,594
WASTEWATER DEPRECIATION	846,888	72,000	-	918,888
WASTEWATER BOND & INTEREST	63,264	186,261	187,544	61,981
WASTEWATER DEBT SERVICE RESERVE	78,500	-	-	78,500
WATER OPERATING	1,252,499	1,547,173	931,033	1,868,639
WATER CUSTOMER DEPOSIT	37,023	12,830	9,420	40,433
WATER DEPRECIATION	675,538	72,000	-	747,538
WATER BOND & INTEREST	-	22,704	-	22,704
WATER CONSTRUCTION	-	3,190,000	1,856,788	1,333,212
Totals	<u>\$ 9,944,936</u>	<u>\$ 19,541,690</u>	<u>\$ 17,472,071</u>	<u>\$ 12,014,555</u>

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

CITY OF ROCHESTER
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 Indiana 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. The basis of accounting involves the reporting of only cash and investments and the changes therein resulting from cash inflows (receipts) and cash outflows (disbursements) reported in the period in which they occurred.

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.

CITY OF ROCHESTER
NOTES TO FINANCIAL STATEMENT
(Continued)

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, 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 include 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.

CITY OF ROCHESTER
NOTES TO FINANCIAL STATEMENT
(Continued)

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

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 ROCHESTER
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 a cost-sharing 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
One North Capitol, Suite 001
Indianapolis, IN 46204
Ph. (888) 526-1687

CITY OF ROCHESTER
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. 1925 Police Officers' Pension Plan

Plan Description

The 1925 Police Officers' Pension Plan is a single-employer defined benefit pension plan. The plan is administered by the local pension board as authorized by state statute (IC 36-8-6). The plan provides retirement, disability, and death benefits to plan members and beneficiaries. The plan was established by the plan administrator, as provided by state statute. The plan administrator does not issue a publicly available financial report that includes financial statements and required supplementary information of the plan.

Funding Policy

The contribution requirements of plan members for the 1925 Police Officers' Pension Plan are established by state statute.

On Behalf Payments

The 1925 Police Officers' Pension Plan is funded by the State of Indiana through the Indiana Public Retirement System as provided under Indiana Code 5-10.3-11.

C. 1937 Firefighters' Pension Plan

Plan Description

The 1937 Firefighters' Pension Plan is a single-employer defined benefit pension plan. The plan is administered by the local pension board as authorized by state statute (IC 36-8-7). The plan provides retirement, disability, and death benefits to plan members and beneficiaries. The plan was established by the plan administrator, as provided by state statute. The plan administrator does not issue a publicly available financial report that includes financial statements and required supplementary information of the plan.

Funding Policy

The contribution requirements of plan members for the 1937 Firefighters' Pension Plan are established by state statute.

On Behalf Payments

The 1937 Firefighters' Pension Plan is funded by the State of Indiana through the Indiana Public Retirement System as provided under Indiana Code 5-10.3-11.

CITY OF ROCHESTER
NOTES TO FINANCIAL STATEMENT
(Continued)

D. 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
One North Capitol, 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 Deficit

The financial statement contains a fund with a deficit in cash. This is a result of the fund being set up for a reimbursable grant. The reimbursement for expenditures made by the City was not received by December 31, 2013.

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 examination. This is a common occurrence in any financial statement examination. The financial information presented in this report is examined information, and the accuracy of such information can be determined by reading the opinion given in the Independent Accountant's Report.

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

CITY OF ROCHESTER
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2013

	GENERAL FUND	MOTOR VEHICLE HIGHWAY FUND	LOCAL ROAD AND STREET FUND	NON-REVERTING PARK OPERATING FUND	ECONOMIC DEVELOPMENT COMMISSION FUND	POLICE CONTINUING EDUCATION FUND	RIVERBOAT WAGERING TAX REV SHARING FUND
Cash and investments - beginning	\$ 2,171,982	\$ 279,303	\$ 28,793	\$ 29,789	\$ 453	\$ 13,261	\$ 241,830
Receipts:							
Taxes	1,357,622	747,679	-	-	-	-	-
Licenses and permits	70	-	-	-	-	3,370	-
Intergovernmental	877,588	219,239	22,999	-	-	-	-
Charges for services	290,751	-	-	2,200	-	1,749	-
Fines and forfeits	45	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	159,078	4,605	-	52,590	-	-	36,835
Total receipts	<u>2,685,154</u>	<u>971,523</u>	<u>22,999</u>	<u>54,790</u>	<u>-</u>	<u>5,119</u>	<u>36,835</u>
Disbursements:							
Personal services	1,592,540	272,208	-	5,267	-	-	-
Supplies	153,383	76,395	678	7,646	-	-	10,977
Other services and charges	655,515	523,866	20,139	12,347	-	2,481	33,262
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	97,870	96,837	-	-	-	-	91,899
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	81,863	1,000	-	-	-	-	-
Total disbursements	<u>2,581,171</u>	<u>970,306</u>	<u>20,817</u>	<u>25,260</u>	<u>-</u>	<u>2,481</u>	<u>136,138</u>
Excess (deficiency) of receipts over disbursements	<u>103,983</u>	<u>1,217</u>	<u>2,182</u>	<u>29,530</u>	<u>-</u>	<u>2,638</u>	<u>(99,303)</u>
Cash and investments - ending	<u>\$ 2,275,965</u>	<u>\$ 280,520</u>	<u>\$ 30,975</u>	<u>\$ 59,319</u>	<u>\$ 453</u>	<u>\$ 15,899</u>	<u>\$ 142,527</u>

CITY OF ROCHESTER
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2013
 (Continued)

	PARK OPERATING FUND	RAINY DAY FUND	LEVY EXCESS FUND	CUMULATIVE CAPITAL IMPROVEMENT FUND	CUMULATIVE CAPITAL DEVELOPMENT FUND	NON-REVERT. PARK CAPITAL IMPROVEMNT FUND	OLD POLICE PENSION FUND
Cash and investments - beginning	\$ 89,117	\$ 781,687	\$ 35,664	\$ 180,156	\$ 348,620	\$ 446,031	\$ 169,696
Receipts:							
Taxes	363,093	-	-	-	122,398	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	25,759	-	-	16,692	131,462	-	-
Charges for services	187,655	-	-	-	-	77,100	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	963	-	-	10,676	11,958	-	1,389
Total receipts	<u>577,470</u>	<u>-</u>	<u>-</u>	<u>27,368</u>	<u>265,818</u>	<u>77,100</u>	<u>1,389</u>
Disbursements:							
Personal services	227,801	-	-	-	-	-	615
Supplies	99,122	-	-	-	11,993	-	-
Other services and charges	149,369	-	-	38,762	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	5,244	-	-	36,519	307,501	150,414	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	10,275	-	28,436	-	-	-	-
Total disbursements	<u>491,811</u>	<u>-</u>	<u>28,436</u>	<u>75,281</u>	<u>319,494</u>	<u>150,414</u>	<u>615</u>
Excess (deficiency) of receipts over disbursements	<u>85,659</u>	<u>-</u>	<u>(28,436)</u>	<u>(47,913)</u>	<u>(53,676)</u>	<u>(73,314)</u>	<u>774</u>
Cash and investments - ending	<u>\$ 174,776</u>	<u>\$ 781,687</u>	<u>\$ 7,228</u>	<u>\$ 132,243</u>	<u>\$ 294,944</u>	<u>\$ 372,717</u>	<u>\$ 170,470</u>

CITY OF ROCHESTER
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2013
 (Continued)

	OLD FIRE PENSION FUND	CITY COURT COSTS FUND	LOIT - PUBLIC SAFETY FUND	ACCOUNTS PAYABLE FUND	OPERATION PULL OVER/GRANT	LCC GRANT	MINNOW CREEK DEBT FUND
Cash and investments - beginning	\$ 287,003	\$ 103,239	\$ 544,457	\$ 10	\$ 1,047	\$ 54	\$ 545
Receipts:							
Taxes	-	-	-	-	-	-	5,994
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	425
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	-	-	22,432	6,268,604	-	-	-
Total receipts	-	-	22,432	6,268,604	-	-	6,419
Disbursements:							
Personal services	320	-	-	-	1,751	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	19,797	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	6,292
Capital outlay	-	-	477,829	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	6,229,797	-	-	-
Total disbursements	320	19,797	477,829	6,229,797	1,751	-	6,292
Excess (deficiency) of receipts over disbursements	(320)	(19,797)	(455,397)	38,807	(1,751)	-	127
Cash and investments - ending	\$ 286,683	\$ 83,442	\$ 89,060	\$ 38,817	\$ (704)	\$ 54	\$ 672

CITY OF ROCHESTER
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2013
 (Continued)

	MARIJUANA ERADICATION	CITY BUILDING RENOVATION FUND	PARK BOND	DEA ASSET RECOVERY MONEY	CITY BUILDING DEBT FUND	DRUG INTERDICTION & INVESTIGATION	IN HSNB FIN AUTH M96SG180114 & HM701-002
Cash and investments - beginning	\$ 1,250	\$ 2,070	\$ 3,581	\$ 7,612	\$ 8,296	\$ 6,791	\$ 12,879
Receipts:							
Taxes	-	-	-	-	55,836	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	3,961	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-
Total receipts	-	-	-	-	59,797	-	-
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	941	750	2,636	-
Debt service - principal and interest	-	-	-	-	57,183	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-
Total disbursements	-	-	-	941	57,933	2,636	-
Excess (deficiency) of receipts over disbursements	-	-	-	(941)	1,864	(2,636)	-
Cash and investments - ending	\$ 1,250	\$ 2,070	\$ 3,581	\$ 6,671	\$ 10,160	\$ 4,155	\$ 12,879

CITY OF ROCHESTER
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2013
 (Continued)

	ACH CLEARING FUND	REDEVELOPMENT COMMISSION	IN HOUSING FINANCE AUTHORITY #HD-401-013	PAYROLL FUND	MINNOW CREEK MAINTENANCE FUND	MINNOW CREEK ASSESSMENT FUND
Cash and investments - beginning	\$ 14,553	\$ 20,589	\$ 28,277	\$ 15,131	\$ 51,439	\$ 11,356
Receipts:						
Taxes	-	42,955	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Penalties	-	-	-	-	-	-
Other receipts	1,520,075	-	-	166,908	-	8,958
Total receipts	<u>1,520,075</u>	<u>42,955</u>	<u>-</u>	<u>166,908</u>	<u>-</u>	<u>8,958</u>
Disbursements:						
Personal services	-	-	-	1,576	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	198	-	-	400	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	1,534,557	-	-	180,236	-	-
Total disbursements	<u>1,534,557</u>	<u>198</u>	<u>-</u>	<u>181,812</u>	<u>400</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>(14,482)</u>	<u>42,757</u>	<u>-</u>	<u>(14,904)</u>	<u>(400)</u>	<u>8,958</u>
Cash and investments - ending	<u>\$ 71</u>	<u>\$ 63,346</u>	<u>\$ 28,277</u>	<u>\$ 227</u>	<u>\$ 51,039</u>	<u>\$ 20,314</u>

CITY OF ROCHESTER
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2013
 (Continued)

	IN HOUSING FINANCE AUTH M92&94-SG180114	SIGN INVENTORY GRANT	WASTEWATER OPERATING	WASTEWATER DEPRECIATION	WASTEWATER BOND & INTEREST	WASTEWATER DEBT SERVICE RESERVE
Cash and investments - beginning	\$ 104,179	\$ -	\$ 950,484	\$ 846,888	\$ 63,264	\$ 78,500
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	44,550	-	-	-	-
Charges for services	100	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	1,546,677	-	-	-
Penalties	-	-	20,655	-	-	-
Other receipts	-	-	5,027	72,000	186,261	-
Total receipts	<u>100</u>	<u>44,550</u>	<u>1,572,359</u>	<u>72,000</u>	<u>186,261</u>	<u>-</u>
Disbursements:						
Personal services	-	-	277,346	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	44,550	39,660	-	-	-
Debt service - principal and interest	-	-	183,800	-	187,544	-
Capital outlay	-	-	65,424	-	-	-
Utility operating expenses	-	-	560,019	-	-	-
Other disbursements	-	-	-	-	-	-
Total disbursements	<u>-</u>	<u>44,550</u>	<u>1,126,249</u>	<u>-</u>	<u>187,544</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>100</u>	<u>-</u>	<u>446,110</u>	<u>72,000</u>	<u>(1,283)</u>	<u>-</u>
Cash and investments - ending	<u>\$ 104,279</u>	<u>\$ -</u>	<u>\$ 1,396,594</u>	<u>\$ 918,888</u>	<u>\$ 61,981</u>	<u>\$ 78,500</u>

CITY OF ROCHESTER
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2013
 (Continued)

	WATER OPERATING	WATER CUSTOMER DEPOSIT	WATER DEPRECIATION	WATER BOND & INTEREST	WATER CONSTRUCTION	Totals
Cash and investments - beginning	\$ 1,252,499	\$ 37,023	\$ 675,538	\$ -	\$ -	\$ 9,944,936
Receipts:						
Taxes	-	-	-	-	-	2,695,577
Licenses and permits	-	-	-	-	-	3,440
Intergovernmental	-	-	-	-	-	1,342,675
Charges for services	-	-	-	-	-	559,555
Fines and forfeits	-	-	-	-	-	45
Utility fees	1,529,375	-	-	-	-	3,076,052
Penalties	14,773	-	-	-	-	35,428
Other receipts	3,025	12,830	72,000	22,704	3,190,000	11,828,918
Total receipts	<u>1,547,173</u>	<u>12,830</u>	<u>72,000</u>	<u>22,704</u>	<u>3,190,000</u>	<u>19,541,690</u>
Disbursements:						
Personal services	190,021	-	-	-	-	2,569,445
Supplies	-	-	-	-	-	360,194
Other services and charges	16,361	-	-	-	-	1,561,034
Debt service - principal and interest	-	-	-	-	-	434,819
Capital outlay	622,557	-	-	-	1,856,788	3,808,882
Utility operating expenses	102,094	-	-	-	-	662,113
Other disbursements	-	9,420	-	-	-	8,075,584
Total disbursements	<u>931,033</u>	<u>9,420</u>	<u>-</u>	<u>-</u>	<u>1,856,788</u>	<u>17,472,071</u>
Excess (deficiency) of receipts over disbursements	<u>616,140</u>	<u>3,410</u>	<u>72,000</u>	<u>22,704</u>	<u>1,333,212</u>	<u>2,069,619</u>
Cash and investments - ending	<u>\$ 1,868,639</u>	<u>\$ 40,433</u>	<u>\$ 747,538</u>	<u>\$ 22,704</u>	<u>\$ 1,333,212</u>	<u>\$ 12,014,555</u>

CITY OF ROCHESTER
 SCHEDULE OF PAYABLES AND RECEIVABLES
 December 31, 2013

Government or Enterprise	Accounts Payable	Accounts Receivable
Wastewater	\$ 8,411	\$ 114,941
Water	13,094	94,045
Governmental activities	35,243	-
Totals	\$ 56,748	\$ 208,986

CITY OF ROCHESTER
SCHEDULE OF LEASES AND DEBT
December 31, 2013

Description of Debt		Ending Principal Balance	Principal and Interest Due Within One Year
Type	Purpose		
Governmental activities:			
General obligation bonds	General Obligation Bond - City Hall	\$ 245,000	\$ 55,000
Notes and loans payable	Minnow Creek Debt	<u>24,200</u>	<u>6,050</u>
Total governmental activities		<u>269,200</u>	<u>61,050</u>
Wastewater:			
Revenue bonds	2010 Wastewater Revenue Bond	<u>355,000</u>	<u>184,950</u>
Water:			
Revenue bonds	Waterworks Revenue Bonds of 2013	<u>3,190,000</u>	<u>220,930</u>
Totals		<u>\$ 3,814,200</u>	<u>\$ 466,930</u>

CITY OF ROCHESTER
 SCHEDULE OF CAPITAL ASSETS
 December 31, 2013

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	\$ 430,000
Infrastructure	7,902,271
Buildings	2,425,000
Improvements other than buildings	1,485,885
Machinery, equipment, and vehicles	5,200,000
Total governmental activities	17,443,156
Wastewater:	
Land	112,000
Buildings	3,590,125
Improvements other than buildings	8,914,840
Machinery, equipment, and vehicles	2,510,025
Total Wastewater	15,126,990
Water:	
Land	55,000
Infrastructure	1,800,000
Buildings	1,500,500
Improvements other than buildings	7,050,000
Machinery, equipment, and vehicles	740,000
Construction in progress	800,000
Total Water	11,945,500
Total capital assets	\$ 44,515,646

CITY OF ROCHESTER
EXAMINATION RESULTS AND COMMENTS

INTERNAL CONTROLS

Internal controls over the receipting, disbursing, recording, and accounting for the financial activities within the City and Utilities were insufficient.

Transfers between funds to correct errors were made by journal entries without proper documentation. Since journal entries were used, the transfers were not supported by a receipt or a check for proper documentation. The journal entries were also sometimes difficult to follow and some were made twice by two different employees for the same transaction.

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. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

BANK ACCOUNT RECONCILIATIONS

Depository reconciliations of the fund balances to the bank account balances were conducted; however, the reconciliations did not balance. The ledger balance exceeded the bank balance by \$22,074 at December 31, 2013. The reconciliation also included reconciling items that were not properly identified and could not be verified to the records. Depository reconciliations were not performed in 2014.

Indiana Code 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

CONDITION OF RECORDS

Financial records presented for audit were incomplete and not reflective of the activity of the City and Utility funds. The records presented included the follow deficiencies:

1. Numerous posting errors totaling \$6,434,262 were included in the ACH Clearing Fund. The errors were reversed by the City; however, the amounts were included in the receipts and disbursements on the financial statement presented for examination. In addition, the Accounts Payable Fund also had numerous posting errors totaling \$57,515. These errors were also reversed by the City; however, they were also included in the receipts and disbursements on the financial statement presented for examination. Adjustments were proposed, accepted by the City, and made to the financial statement presented in this report. The adjustments resulted in a presentation of the financial statement that is materially correct.

CITY OF ROCHESTER
EXAMINATION RESULTS AND COMMENTS
(Continued)

2. Journal entries were made to the Water Construction fund without supporting documentation. Some journal entries included documentation to substantiate the entries; however, many entries lacked complete or adequate documentation. After review, it was determined that entries totaling \$2,479 could not be verified.
3. Cash reconcilements included numerous adjustments without adequate supporting documentation.

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)

CONTRACTS - PARK DEPARTMENT

Fees collected at the golf course were remitted to the Clerk-Treasurer along with a revenue report detailing the collections. The Clerk-Treasurer received the revenue report with the cash and checks collected at the golf course; however, there was no documentation that detailed the amount of cash and checks actually received. Amounts due the City from credit card payments were converted into cash from the cash drawer, if possible, or a check was written from the Pro/Manager's personal checking account to cover the amount due the City. Because of this process, we were unable to determine if receipts were deposited intact as required.

The Pro/Manager was required to turn in all monies collected from operations of the golf course; the Clerk-Treasurer was responsible for disbursing the appropriate amount of monies that were due the Pro/Manager consistent with the payroll periods of the City. Instead, the Pro/Manager was keeping his "share" of the monies collected daily and remitted the remainder to the Clerk-Treasurer.

The agreement between the Pro/Manager states that the "Pro/Manager shall turn in all monies and records showing the receipt of said monies to which the Board is entitled (as set forth in the contract), to the City Clerk-Treasurer for the City of Rochester, Indiana. Said Clerk-Treasurer shall thereupon make appropriate disbursement of any monies to which the Pro/Manager may be entitled under the provisions set forth above consistent with the payroll periods of the City."

Indiana Code 5-13-6-1(c) states in part: "Public funds deposited . . . shall be deposited in the same form in which they were received."

Payments made or received for contractual services should be supported by a written contract. Each governmental unit is responsible for complying with the provisions of its contracts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CITY OF ROCHESTER
EXIT CONFERENCE

The contents of this report were discussed on January 14, 2015, with Shoda Beehler, Clerk-Treasurer; Brian Goodman, President Pro Tempore of the Common Council; and Stephen Coleman, Park Board member.



CITY OF ROCHESTER

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January 15, 2015

This is my letter of official response to the State Board of Accounts results and comments for the 2013 examination. In the fourth quarter of 2012 I made the decision to change the entire financial software suite over to a different system. I knew when I made the decision to change that the 12 month period of time after implementation would be very painful in terms of learning and making mistakes. In addition to changing the system I also lost my AP Clerk to retirement. I transitioned one of my Utility Clerks over from the Utility office to that position multiplying the learning curve at least two-fold for this transition. Each software vendor will implement and train based on the operation of their software and try to infuse as much of the organizations current operation as possible, however, there are always going to be systemic changes that must occur that cause unintended consequences. When one of my staff or I made a mistake in the system we placed a call to our vendor's support service for guidance on how to correct the error and we would then follow their direction and make notes regarding the reason for the correction. We felt we were providing the correct information to support the journal entry, for example corrections were done because an expense was posted to the wrong appropriation hence not requiring a receipt or check or not feasible to produce either and we would notate the reason for the entry in the system. In hindsight, it may have been best to leave the original error in place and the expense posted to the wrong appropriation.

We are very diligent at ensuring that all monies paid into the city and the utilities are deposited into the appropriate checking account and always have the supporting documentation for those transactions as well as ensure that all monies being paid out have the same documentation. The single largest challenge we faced was the bank reconciliation process and due to factors outside our control and initial training models that were changed multiple times over the course of 7 months after implementation, we struggled a great deal with this. As of today, the process is much better and seems to work well. During the course of these challenges the vendor advised us to leave items open on the bank reconciliation until our auditors had an opportunity to review and give guidance on how they would recommend it be handled in the system. By doing that, our examiners were very clear about cleaning it up immediately, so the vendor and I spent many hours ensuring that everything was accounted for and cleared up in the system. The last day our examiner was here I also had my vendor present and we asked for a copy of the financial working documents from our examiner in order to identify where the shortfall was that was identified and ultimately going to be in a written comment. It was made very clear to me that the examiner felt our errors rest in the journal entry corrections that had been made prior to their directive to us regarding the open items on the bank reconciliation.



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After comparing the working documents of the examiner to the final numbers in the system there was only a \$320 difference not a \$22,074 difference. As my vendor and I made the requested corrections, I would provide updated summary reports not realizing that these were not the reports the examiner was using but instead was using older revenue and expense reports that did not reflect any of the corrections that were made in order to clear up the open items on the bank reconciliation. That single revelation and the fact that in the end the true difference was only \$320 makes me confident that the exam for 2014 will not reveal any discrepancies in our financials via journal entries or any other means.

Regards,

Shoda Beehler
City of Rochester, Clerk-Treasurer