

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

CITY OF RENSSELAER
JASPER COUNTY, INDIANA

January 1, 2016 to December 31, 2016



FILED
09/17/2018

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Frieda Bretzinger	01-01-16 to 12-31-19
Mayor	Stephen Wood	01-01-16 to 12-31-19
President Pro Tempore of the Common Council	George T. Cover	01-01-16 to 12-31-18
Utility Office Manager	Heather Smart	01-01-16 to 12-31-18



STATE OF INDIANA
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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, 2016, and the related notes to the financial statement as listed in the Table of Contents.

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 from 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 to 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, 2016.

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, 2016, in accordance with the financial reporting provisions of the Indiana State Board of Accounts described in Note 1.

Other Matters

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 Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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.

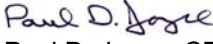
Other Information

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.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated August 23, 2018, 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 solely 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 effectiveness of the City's 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.


Paul D. Joyce, CPA
State Examiner

August 23, 2018



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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, 2016, and the related notes to the financial statement, and have issued our report thereon dated August 23, 2018, 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.

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 City's financial statement will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as item 2016-001, that we consider to be a material weakness.

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)

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 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2016-001.

City of Rensselaer's Response to Findings

The City's response to the findings identified in our audit is described in the accompanying 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.


Paul D. Joyce, CPA
State Examiner

August 23, 2018

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FINANCIAL STATEMENT AND ACCOMPANYING NOTES

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 RENNELAER
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CASH AND INVESTMENT BALANCES - REGULATORY BASIS
For the Year Ended December 31, 2016

Fund	Cash and Investments 01-01-16	Receipts	Disbursements	Cash and Investments 12-31-16
General	\$ 740,750	\$ 2,966,239	\$ 2,981,532	\$ 725,457
Motor Vehicle Highway	129,235	398,418	380,037	147,616
Local Road And Street	8,181	27,181	-	35,362
Local Law Enforcement Continuing Education	8,309	7,450	4,820	10,939
Riverboat Distribution	27,365	34,707	-	62,072
Rainy Day	19,129	1,030,083	1,030,083	19,129
LOIT Special Distribution	-	1,030,083	521,767	508,316
Police Drug	962	1,834	2,610	186
Levy Excess	93	12,452	-	12,545
Tif Allocation	1,017,843	649,155	104,079	1,562,919
Cumulataive Capital Development	78,333	67,027	529	144,831
Redevelopment Commission	23,265	5,299	59	28,505
Economic Development	421,944	290,698	231,314	481,328
Cumulative Capital Improvement	8,231	14,933	-	23,164
Contractor Registration	51,388	10,960	6,992	55,356
Tif Construction	217,397	2,157	-	219,554
PR - Fed W/H	-	537,556	537,556	-
PR - FICA W/H	-	466,283	466,283	-
PR - MEDI W/H	-	124,579	124,579	-
PR - State W/H	-	142,617	142,617	-
PR - Local W/H	-	122,542	122,542	-
PR - INPRS W/H	-	530,467	530,467	-
PR - IPP W/H	-	139,533	139,533	-
PR - Garnishment #6	-	3,422	3,422	-
PR - AF HSA	-	22,593	22,593	-
PR - AFLAC	-	64,802	64,802	-
PR - AMFED	-	17,226	17,226	-
PR - HSA PreTax	-	7,290	7,290	-
PR - ING Hoosier Start	-	7,155	7,155	-
PR - LibNat	-	8,715	8,715	-
PR - Child Support	-	24,849	24,849	-
PR - Credit Union	-	22,255	22,255	-
PR - Garnishment #1 JC	-	6,845	6,845	-
PR - Garnishment #7-PFC	-	1,772	1,772	-
PR - Uniforms	-	228	228	-
PR - E"er Pd Life Ins	-	8,393	8,393	-
PR - Garnishment #3 DR	-	732	732	-
PR - Dir Dep	-	2,168,924	2,168,924	-
PR - Combined Ins	-	1,336	1,336	-
PR - Garnishment #4 JCC	-	776	776	-
PR - Child Support Fee	-	275	275	-
PR - UHC	-	903,381	903,381	-
PR - Cigna Dental	-	38,807	38,807	-
PR - Cigna Vision	-	9,096	9,096	-
PR - Cigna Life	-	3,694	3,690	4
Pay Pal	-	5	-	5
PR - \$1 Fee Premium	-	81	81	-
PR - Garnishment #8 PS SCDU	-	197	197	-
Drug Free Jasper County	3,776	2,350	2,240	3,886
Future Development	35,740	9,660	9,656	35,744
Business Registration	7,275	750	-	8,025
Aerial Fire Truck Donation	1,613	-	631	982
Criminal Justice Traffic Safety	(399)	4,979	4,993	(413)

CITY OF RENSSELAER
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CASH AND INVESTMENT BALANCES - REGULATORY BASIS
For the Year Ended December 31, 2016

Fund	Cash and	Receipts	Disbursements	Cash and
	Investments			Investments
	01-01-16			12-31-16
Urban Forestry Council Grant	11,608	-	771	10,837
Downtown Revitalization Grant	2,029	-	-	2,029
Recycling Grant	5,996	-	945	5,051
Tif Surplus Reserve	417,666	-	-	417,666
Community Alliance	1,242	-	-	1,242
Alarm Contract	4,683	7,149	8,643	3,189
Public Safety Loit	543,101	311,474	173,171	681,404
Child Safety Seat Grant	1,330	1,537	1,546	1,321
Tax Abatement	3,460	-	-	3,460
Sidewalk Maintenance	40,240	9,758	12,647	37,351
Public Relations	9,857	7,200	4,515	12,542
Safe Kids	34	-	-	34
Debt Service	40,721	81,864	84,935	37,650
Weston Cem Perpetual Care	130,374	4,260	-	134,634
Old Payroll	-	417	417	-
Telephone Clearing	-	36,586	36,586	-
Tax Clearing	-	770,052	770,052	-
Electric Operating	2,163,362	11,918,730	12,192,056	1,890,036
Electric Bond And Interest	1,111,331	898,630	880,930	1,129,031
Electric Improvement	197,380	155,601	286,881	66,100
Electric Meter Deposit	254,975	60,429	41,271	274,133
Electric Construction	4,091	-	4,091	-
Electric Cash Reserve	289,903	13,082	148	302,837
WW SRF Rensselaer Construction	31,017	11	24,420	6,608
WW SRF Rensselaer Jr DSR	153,310	6,260	159,570	-
WW SRF Rensselaer B & I	40,673	40,429	81,102	-
WW SRF Rensselaer Sr DSR	435,782	6	435,788	-
Sewage Construction	-	5,103	5,103	-
Sewage Construction 2	-	9,643,081	9,643,081	-
Wastewater Operating	662,550	2,091,044	1,732,868	1,020,726
Wastewater Bond And Interest	70,689	910,872	310,860	670,701
Wastewater Improvement	86,982	50,016	24,849	112,149
Wastewater Meter Deposit	115,041	35,845	23,202	127,684
DW SRF Rensselaer B & I	131,445	297,098	297,199	131,344
DW SRF Rensselaer DSR	243,427	51,811	-	295,238
Water Construction In Progress	1,622,110	84,468	830,102	876,476
Water Construction	84,468	-	84,468	-
Water Operating	586,502	1,856,679	1,613,291	829,890
Water Bond And Interest	100,574	-	-	100,574
Water Improvement	482,006	49,934	22,717	509,223
Water Meter Deposit	168,155	38,000	27,093	179,062
Rensselaer Water 15 BAN	9,099	25,000	21,597	12,502
On-Account	57,958	83,593	113,378	28,173
Gas Operating	944,596	2,692,342	2,957,627	679,311
Gas Improvement	60,435	63,431	21,842	102,024
Gas Meter Deposit	217,208	44,511	30,555	231,164
Gas Cash Reserve	218,806	493,004	4,570	707,240
Totals	<u>\$ 14,556,646</u>	<u>\$ 44,792,148</u>	<u>\$ 43,632,646</u>	<u>\$ 15,716,148</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 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. Amounts received from one or more of the following: property tax, certified shares (local option tax), property tax replacement credit (local option tax), county option income tax, wheel tax, innkeeper's 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. Amounts received from businesses, occupations, or non-businesses 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 the following: peddler licenses, animal licenses, auctioneer licenses, building and planning permits, demolition permits, electrical permits, sign permits, and gun permits.

CITY OF RENSSELAER
NOTES TO FINANCIAL STATEMENT
(Continued)

Intergovernmental receipts. Amounts received from other governments in the form of operating grants, entitlements, or payments in lieu of taxes. Examples of intergovernmental receipts include, but are not limited to, the following: federal grants, state grants, cigarette tax distributions received from the state, motor vehicle highway distributions received from the state, local road and street distributions 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. Amounts received for services including, but not limited to, the following: planning commission charges, building department charges, copies of public records, copy machines 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. Amounts received 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. Amounts received from charges for current services.

Penalties. Amounts received from late payment fees.

Other receipts. Amounts received from various sources, including, but 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. Amounts disbursed 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. Amounts disbursed for 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, but are not limited to, the following: office supplies, operating supplies, and repair and maintenance supplies.

Other services and charges. Amounts disbursed for services including, but not limited to, the following: professional services, communication and transportation, printing and advertising, insurance, utility services, repairs and maintenance, and rental charges.

Debt service - principal and interest. Amounts disbursed for 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 RENSSELAER
NOTES TO FINANCIAL STATEMENT
(Continued)

Capital outlay. Amounts disbursed for land, infrastructure, buildings, improvements, and machinery and equipment having an appreciable and calculable period of usefulness.

Utility operating expenses. Amounts disbursed for operating the utilities.

Other disbursements. Amounts disbursed for various other purposes including, but 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, make transfers 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 amounts 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 amounts 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 lien date (March 1 in a year ending before January 1, 2016 and January 1 in a year beginning after December 31, 2015) 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, the following: 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 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
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 were not received by December 31, 2016.

Note 8. Related-Party Transaction

The City has entered into a capital lease rental agreement for the fire station with Rensselaer Redevelopment Authority (the lessor) for the purpose of financing and constructing or reconstructing the fire station. The lessor has been determined to be a related-party of the City. Lease payments during the year 2016 totaled \$2,500.

CITY OF RENSSELAER
NOTES TO FINANCIAL STATEMENT
(Continued)

Note 9. Subsequent Events

On June 30, 2017, the Waterworks BAN of 2015 was refinanced for \$2,012,500 with the Waterworks BAN of 2017

On September 21, 2017, issued an Electric Revenue Bond, Series 2017 for \$2,805,000 for a substation.

On October 31, 2017, the Refunding of the 2011 Electric Bond totaling \$4,225,000 was refunded with the Electric Revenue Bond, Series 2017.

On December 26, 2017, the Waterworks BAN of 2017 was refinanced for \$2,012,570 with the Waterworks Revenue Bonds, Series 2017.

On April 23, 2018, the City approved Bond Ordinance 09-2018 for a Gas Utility Revenue Bonds, Series 2018 for \$3,435,000 to provide a second delivery point for natural gas to the City.

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OTHER INFORMATION - UNAUDITED

The City's Annual Financial Report information can be found on the Indiana Gateway for Government Units 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 City's Annual Financial Report 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 other 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, 2016

	General	Motor Vehicle Highway	Local Road And Street	Local Law Enforcement Continuing Education	Riverboat Distribution	Rainy Day	LOIT Special Distribution
Cash and investments - beginning	\$ 740,750	\$ 129,235	\$ 8,181	\$ 8,309	\$ 27,365	\$ 19,129	\$ -
Receipts:							
Taxes	1,113,854	173,801	-	-	-	-	-
Licenses and permits	9,597	-	-	3,700	-	-	-
Intergovernmental	1,120,141	224,253	27,181	-	34,707	1,030,083	-
Charges for services	529,740	-	-	2,019	-	-	-
Fines and forfeits	2,153	-	-	1,731	-	-	-
Utility fees	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	190,754	364	-	-	-	-	1,030,083
Total receipts	2,966,239	398,418	27,181	7,450	34,707	1,030,083	1,030,083
Disbursements:							
Personal services	2,139,660	222,265	-	-	-	-	-
Supplies	160,124	48,854	-	-	-	-	-
Other services and charges	638,049	83,793	-	4,820	-	-	45,100
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	33,719	23,832	-	-	-	-	476,667
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	9,980	1,293	-	-	-	1,030,083	-
Total disbursements	2,981,532	380,037	-	4,820	-	1,030,083	521,767
Excess (deficiency) of receipts over disbursements	(15,293)	18,381	27,181	2,630	34,707	-	508,316
Cash and investments - ending	\$ 725,457	\$ 147,616	\$ 35,362	\$ 10,939	\$ 62,072	\$ 19,129	\$ 508,316

CITY OF RENSSELAER
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2016

	Police Drug	Levy Excess	Tif Allocation	Cumulative Capital Development	Redevelopment Commission	Economic Development	Cumulative Capital Improvement
Cash and investments - beginning	\$ 962	\$ 93	\$ 1,017,843	\$ 78,333	\$ 23,265	\$ 421,944	\$ 8,231
Receipts:							
Taxes	-	12,452	649,155	60,650	4,795	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	6,377	504	290,698	14,933
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	1,834	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-
Total receipts	1,834	12,452	649,155	67,027	5,299	290,698	14,933
Disbursements:							
Personal services	-	-	-	-	-	50,400	-
Supplies	2,610	-	-	-	-	-	-
Other services and charges	-	-	14,635	-	-	5,593	-
Debt service - principal and interest	-	-	82,469	-	-	23,631	-
Capital outlay	-	-	5,600	-	-	151,690	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	1,375	529	59	-	-
Total disbursements	2,610	-	104,079	529	59	231,314	-
Excess (deficiency) of receipts over disbursements	(776)	12,452	545,076	66,498	5,240	59,384	14,933
Cash and investments - ending	\$ 186	\$ 12,545	\$ 1,562,919	\$ 144,831	\$ 28,505	\$ 481,328	\$ 23,164

CITY OF RENSSELAER
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2016

	Contractor Registration	Tif Construction	PR - Fed W/H	PR - FICA W/H	PR - MEDI W/H	PR - State W/H	PR - Local W/H
Cash and investments - beginning	\$ 51,388	\$ 217,397	\$ -	\$ -	\$ -	\$ -	\$ -
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	10,960	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	-	2,157	537,556	466,283	124,579	142,617	122,542
Total receipts	10,960	2,157	537,556	466,283	124,579	142,617	122,542
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	492	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	6,500	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	537,556	466,283	124,579	142,617	122,542
Total disbursements	6,992	-	537,556	466,283	124,579	142,617	122,542
Excess (deficiency) of receipts over disbursements	3,968	2,157	-	-	-	-	-
Cash and investments - ending	\$ 55,356	\$ 219,554	\$ -	\$ -	\$ -	\$ -	\$ -

CITY OF RENSSELAER
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2016

	PR - INPRS W/H	PR - IPP W/H	PR - Garnishment #6	PR - AF HSA	PR - AFLAC	PR - AMFED	PR - HSA PreTax
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	530,467	139,533	3,422	22,593	64,802	17,226	7,290
Total receipts	<u>530,467</u>	<u>139,533</u>	<u>3,422</u>	<u>22,593</u>	<u>64,802</u>	<u>17,226</u>	<u>7,290</u>
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	530,467	139,533	3,422	22,593	64,802	17,226	7,290
Total disbursements	<u>530,467</u>	<u>139,533</u>	<u>3,422</u>	<u>22,593</u>	<u>64,802</u>	<u>17,226</u>	<u>7,290</u>
Excess (deficiency) of receipts over disbursements	-	-	-	-	-	-	-
Cash and investments - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF RENSSELAER
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2016

	PR - ING Hoosier Start	PR - LibNat	PR - Child Support	PR - Credit Union	PR - Garnishment #1 JC	PR - Garnishment #7-PFC	PR - Uniforms
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	7,155	8,715	24,849	22,255	6,845	1,772	228
Total receipts	7,155	8,715	24,849	22,255	6,845	1,772	228
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	7,155	8,715	24,849	22,255	6,845	1,772	228
Total disbursements	7,155	8,715	24,849	22,255	6,845	1,772	228
Excess (deficiency) of receipts over disbursements	-	-	-	-	-	-	-
Cash and investments - ending	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

CITY OF RENSSELAER
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2016

	PR - E'er Pd Life Ins	PR - Garnishment #3 DR	PR - Dir Dep	PR - Combined Ins	PR - Garnishment #4 JCC	PR - Child Support Fee	PR - UHC
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	8,393	732	2,168,924	1,336	776	275	903,381
Total receipts	8,393	732	2,168,924	1,336	776	275	903,381
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	8,393	732	2,168,924	1,336	776	275	903,381
Total disbursements	8,393	732	2,168,924	1,336	776	275	903,381
Excess (deficiency) of receipts over disbursements	-	-	-	-	-	-	-
Cash and investments - ending	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

CITY OF RENSSELAER
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2016

	PR - Cigna Dental	PR - Cigna Vision	PR - Cigna Life	Pay Pal	PR - \$1 Fee Premium	PR - Garnishment #8 PS SCDU	Drug Free Jasper County
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,776
Receipts:							
Taxes	-	-	-	-	-	-	2,350
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	38,807	9,096	3,694	5	81	197	-
Total receipts	38,807	9,096	3,694	5	81	197	2,350
Disbursements:							
Personal services	-	-	-	-	-	-	2,240
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	38,807	9,096	3,690	-	81	197	-
Total disbursements	38,807	9,096	3,690	-	81	197	2,240
Excess (deficiency) of receipts over disbursements	-	-	4	5	-	-	110
Cash and investments - ending	\$ -	\$ -	\$ 4	\$ 5	\$ -	\$ -	\$ 3,886

CITY OF RENSSELAER
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2016

	Future Development	Business Registration	Aerial Fire Truck Donation	Criminal Justice Traffic Safety	Urban Forestry Council Grant	Downtown Revitalization Grant	Recycling Grant
Cash and investments - beginning	\$ 35,740	\$ 7,275	\$ 1,613	\$ (399)	\$ 11,608	\$ 2,029	\$ 5,996
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	4,979	-	-	-
Charges for services	9,660	-	-	-	-	-	-
Fines and forfeits	-	750	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-
Total receipts	9,660	750	-	4,979	-	-	-
Disbursements:							
Personal services	-	-	-	4,993	-	-	-
Supplies	-	-	-	-	771	-	579
Other services and charges	9,656	-	631	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	366
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-
Total disbursements	9,656	-	631	4,993	771	-	945
Excess (deficiency) of receipts over disbursements	4	750	(631)	(14)	(771)	-	(945)
Cash and investments - ending	\$ 35,744	\$ 8,025	\$ 982	\$ (413)	\$ 10,837	\$ 2,029	\$ 5,051

CITY OF RENNELAER
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2016

	Tif Surplus Reserve	Community Alliance	Alarm Contract	Public Safety Loit	Child Safety Seat Grant	Tax Abatement	Sidewalk Maintenance
Cash and investments - beginning	\$ 417,666	\$ 1,242	\$ 4,683	\$ 543,101	\$ 1,330	\$ 3,460	\$ 40,240
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	150
Intergovernmental	-	-	-	254,104	-	-	-
Charges for services	-	-	7,149	-	-	-	9,608
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	-	-	-	57,370	1,537	-	-
Total receipts	-	-	7,149	311,474	1,537	-	9,758
Disbursements:							
Personal services	-	-	-	173,171	-	-	-
Supplies	-	-	7,873	-	1,546	-	345
Other services and charges	-	-	770	-	-	-	168
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	12,134
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-
Total disbursements	-	-	8,643	173,171	1,546	-	12,647
Excess (deficiency) of receipts over disbursements	-	-	(1,494)	138,303	(9)	-	(2,889)
Cash and investments - ending	\$ 417,666	\$ 1,242	\$ 3,189	\$ 681,404	\$ 1,321	\$ 3,460	\$ 37,351

CITY OF RENSSELAER
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2016

	Public Relations	Safe Kids	Debt Service	Weston Cem Perpetual Care	Old Payroll	Telephone Clearing	Tax Clearing
Cash and investments - beginning	\$ 9,857	\$ 34	\$ 40,721	\$ 130,374	\$ -	\$ -	\$ -
Receipts:							
Taxes	-	-	74,075	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	7,789	-	-	-	-
Charges for services	7,200	-	-	4,260	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	-	-	-	-	417	36,586	770,052
Total receipts	<u>7,200</u>	<u>-</u>	<u>81,864</u>	<u>4,260</u>	<u>417</u>	<u>36,586</u>	<u>770,052</u>
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	3,910	-	-	-	-	-	-
Other services and charges	605	-	-	-	-	36,586	-
Debt service - principal and interest	-	-	84,344	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	591	-	417	-	770,052
Total disbursements	<u>4,515</u>	<u>-</u>	<u>84,935</u>	<u>-</u>	<u>417</u>	<u>36,586</u>	<u>770,052</u>
Excess (deficiency) of receipts over disbursements	<u>2,685</u>	<u>-</u>	<u>(3,071)</u>	<u>4,260</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash and investments - ending	<u>\$ 12,542</u>	<u>\$ 34</u>	<u>\$ 37,650</u>	<u>\$ 134,634</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF RENSSELAER
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2016

	Electric Operating	Electric Bond And Interest	Electric Improvement	Electric Meter Deposit	Electric Construction	Electric Cash Reserve	WW SRF Rensselaer Construction
Cash and investments - beginning	\$ 2,163,362	\$ 1,111,331	\$ 197,380	\$ 254,975	\$ 4,091	\$ 289,903	\$ 31,017
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	11,845,307	-	534	-	-	-	-
Penalties	6,473	-	-	-	-	-	-
Other receipts	66,950	898,630	155,067	60,429	-	13,082	11
Total receipts	11,918,730	898,630	155,601	60,429	-	13,082	11
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-
Debt service - principal and interest	-	880,930	-	-	-	-	-
Capital outlay	-	-	276,436	-	-	-	-
Utility operating expenses	11,974,640	-	10,445	41,271	-	148	24,420
Other disbursements	217,416	-	-	-	4,091	-	-
Total disbursements	12,192,056	880,930	286,881	41,271	4,091	148	24,420
Excess (deficiency) of receipts over disbursements	(273,326)	17,700	(131,280)	19,158	(4,091)	12,934	(24,409)
Cash and investments - ending	\$ 1,890,036	\$ 1,129,031	\$ 66,100	\$ 274,133	\$ -	\$ 302,837	\$ 6,608

CITY OF RENNELAER
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2016

	WW SRF Rensselaer Jr DSR	WW SRF Rensselaer B & I	WW SRF Rensselaer Sr DSR	Sewage Construction	Sewage Construction 2	Wastewater Operating
Cash and investments - beginning	\$ 153,310	\$ 40,673	\$ 435,782	\$ -	\$ -	\$ 662,550
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	1,866,154
Penalties	-	-	-	-	-	35,808
Other receipts	6,260	40,429	6	5,103	9,643,081	189,082
Total receipts	6,260	40,429	6	5,103	9,643,081	2,091,044
Disbursements:						
Personal services	-	-	-	-	-	393,016
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	19,751
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	9,424,963	-
Utility operating expenses	-	-	-	-	218,118	636,819
Other disbursements	159,570	81,102	435,788	5,103	-	683,282
Total disbursements	159,570	81,102	435,788	5,103	9,643,081	1,732,868
Excess (deficiency) of receipts over disbursements	(153,310)	(40,673)	(435,782)	-	-	358,176
Cash and investments - ending	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,020,726

CITY OF RENNELAER
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2016

	Wastewater Bond And Interest	Wastewater Improvement	Wastewater Meter Deposit	DW SRF Rensselaer B & I	DW SRF Rensselaer DSR	Water Construction In Progress
Cash and investments - beginning	\$ 70,689	\$ 86,982	\$ 115,041	\$ 131,445	\$ 243,427	\$ 1,622,110
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Penalties	-	-	-	-	-	-
Other receipts	910,872	50,016	35,845	297,098	51,811	84,468
Total receipts	910,872	50,016	35,845	297,098	51,811	84,468
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	310,860	-	-	297,098	-	-
Capital outlay	-	19,271	-	-	-	713,885
Utility operating expenses	-	5,578	-	-	-	116,217
Other disbursements	-	-	23,202	101	-	-
Total disbursements	310,860	24,849	23,202	297,199	-	830,102
Excess (deficiency) of receipts over disbursements	600,012	25,167	12,643	(101)	51,811	(745,634)
Cash and investments - ending	\$ 670,701	\$ 112,149	\$ 127,684	\$ 131,344	\$ 295,238	\$ 876,476

CITY OF RENSSELAER
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2016

	Water Construction	Water Operating	Water Bond And Interest	Water Improvement	Water Meter Deposit	Rensselaer Water 15 BAN
Cash and investments - beginning	\$ 84,468	\$ 586,502	\$ 100,574	\$ 482,006	\$ 168,155	\$ 9,099
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	1,846,236	-	-	-	-
Penalties	-	1,605	-	-	-	-
Other receipts	-	8,838	-	49,934	38,000	25,000
Total receipts	-	1,856,679	-	49,934	38,000	25,000
Disbursements:						
Personal services	-	490,969	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	18,814	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	22,717	-	-
Utility operating expenses	-	684,757	-	-	27,093	-
Other disbursements	84,468	418,751	-	-	-	21,597
Total disbursements	84,468	1,613,291	-	22,717	27,093	21,597
Excess (deficiency) of receipts over disbursements	(84,468)	243,388	-	27,217	10,907	3,403
Cash and investments - ending	\$ -	\$ 829,890	\$ 100,574	\$ 509,223	\$ 179,062	\$ 12,502

CITY OF RENNELAER
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2016

	<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	\$ 57,958	\$ 944,596	\$ 60,435	\$ 217,208	\$ 218,806	\$ 14,556,646
Receipts:						
Taxes	-	-	-	-	-	2,091,132
Licenses and permits	-	-	-	-	-	13,447
Intergovernmental	-	-	-	-	-	3,015,749
Charges for services	-	-	-	-	-	569,636
Fines and forfeits	-	-	-	-	-	17,428
Utility fees	-	2,680,111	534	-	-	18,238,876
Penalties	-	1,105	-	-	-	44,991
Other receipts	83,593	11,126	62,897	44,511	493,004	20,800,889
Total receipts	83,593	2,692,342	63,431	44,511	493,004	44,792,148
Disbursements:						
Personal services	-	-	-	-	-	3,476,714
Supplies	-	-	-	-	-	226,612
Other services and charges	-	-	-	-	-	879,463
Debt service - principal and interest	-	-	-	-	-	1,679,332
Capital outlay	-	-	21,842	-	-	11,189,622
Utility operating expenses	-	2,951,725	-	30,555	4,570	16,726,356
Other disbursements	113,378	5,902	-	-	-	9,454,547
Total disbursements	113,378	2,957,627	21,842	30,555	4,570	43,632,646
Excess (deficiency) of receipts over disbursements	(29,785)	(265,285)	41,589	13,956	488,434	1,159,502
Cash and investments - ending	\$ 28,173	\$ 679,311	\$ 102,024	\$ 231,164	\$ 707,240	\$ 15,716,148

CITY OF RENNELAER
 SCHEDULE OF PAYABLES AND RECEIVABLES
 December 31, 2016

Government or Enterprise	Accounts Payable	Accounts Receivable
Electric	\$ 953,360	\$ 308,558
Wastewater	339,591	103,549
Water	38,478	111,123
Gas	24,882	206,495
Governmental activities	249,196	-
Totals	\$ 1,605,507	\$ 729,725

CITY OF RENSSELAER
 SCHEDULE OF LEASES AND DEBT
 December 31, 2016

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities: Rensselaer Redevelopment Authority	Fire Station	\$ 107,500	07/15/2016	01/15/2040

Type	Description of Debt Purpose	Ending Principal Balance	Interest Due Within One Year
Governmental activities:			
General obligation bonds	2008 Melville Street Project	\$ 965,000	\$ 110,125
Revenue bonds	2011 Melville Street Project Refinanced 1993 2000 Bond	690,000	165,829
Total governmental activities		<u>1,655,000</u>	<u>275,954</u>
Electric:			
Revenue bonds	2011 Electric Revenue Bonds	3,985,000	217,005
Revenue bonds	2012 Electric Revenue Bonds	<u>3,885,000</u>	<u>329,988</u>
Total Electric		<u>7,870,000</u>	<u>546,993</u>
Wastewater:			
Revenue bonds	2016 High Rate Clarification System and Refunding Bonds	<u>9,597,962</u>	<u>618,371</u>
Water:			
State Revolving Fund	2001 Houston Water Project, 2011 Water Tower, 2011 Water Plant Upgrade	<u>3,984,000</u>	<u>295,538</u>
Totals		<u>\$ 23,106,962</u>	<u>\$ 1,736,856</u>

CITY OF RENSSELAER
SCHEDULE OF CAPITAL ASSETS
December 31, 2016

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	\$ 405,056
Buildings	6,052,572
Improvements other than buildings	4,735,618
Machinery, equipment, and vehicles	<u>3,097,399</u>
Total governmental activities	<u>14,290,645</u>
Electric:	
Land	322,858
Infrastructure	17,556,285
Buildings	501,098
Improvements other than buildings	157,912
Machinery, equipment, and vehicles	1,930,729
Construction in progress	<u>5,366,193</u>
Total Electric	<u>25,835,075</u>
Wastewater:	
Land	179,770
Infrastructure	8,364,446
Machinery, equipment, and vehicles	724,762
Construction in progress	<u>3,044,937</u>
Total Wastewater	<u>12,313,915</u>
Water:	
Infrastructure	1,368,513
Buildings	1,406,477
Machinery, equipment, and vehicles	1,712,083
Construction in progress	<u>52,603,355</u>
Total Water	<u>57,090,428</u>
Gas:	
Land	8,195
Infrastructure	2,131,194
Buildings	329,372
Machinery, equipment, and vehicles	<u>485,860</u>
Total Gas	<u>2,954,621</u>
Total capital assets	<u>\$ 112,484,684</u>

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



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

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

Report on Compliance for the Major Federal Program

We have audited the City of Rensselaer's (City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended December 31, 2016. The City's major federal program is 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the City's major federal program 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 the major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on the 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 its major federal program for the year ended December 31, 2016.

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

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2016-003. Our opinion on the major federal program is not modified with respect to these matters.

The City's response to the noncompliance findings identified in our audit is described in the accompanying 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.

Report on Internal Control over Compliance


Management of the City is responsible for establishing and maintaining effective internal control over compliance with the 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 types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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.

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 a 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. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section 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. We identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as items 2016-002 and 2016-003, that we consider to be material weaknesses.

The City's response to the internal control over compliance findings identified in our audit is described in the accompanying 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.


Paul D. Joyce, CPA
State Examiner

August 23, 2018

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTES

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

CITY OF RENSSELAER
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended December 31, 2016

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	Passed Through to Subrecipient	Total Federal Awards Expended
<u>Department of Agriculture</u>					
Water and Waste Program Cluster					
Water and Waste Disposal Systems for Rural Communities	Direct Grant	10.760			
Wet Weather Treatment Plant			Loan #1	\$ -	\$ 4,273,000
			Loan #2	-	5,366,005
Total - Water and Waste Program Cluster				-	9,639,005
Total - Department of Agriculture				-	9,639,005
<u>Department of Transportation</u>					
Highway Safety Cluster					
National Priority Safety Programs	Indiana Criminal Justice Institute	20.616			
2016 Operation Pull Over			D3-16-10182	-	4,979
Total - Highway Safety Cluster				-	4,979
Total - Department of Transportation				-	4,979
Total federal awards expended				\$ -	\$ 9,643,984

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

CITY OF RENSSELAER
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes the federal grant activity of the City under programs of the federal government for the year ended December 31, 2016. The information in the SEFA is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the SEFA presents only a select portion of the operations of the City, it is not intended to and does not present the financial position of the City.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the SEFA are reported on the cash basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement. When federal grants are received on a reimbursement basis, the federal awards are considered expended when the reimbursement is received. The City has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

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 deficiency identified?	none reported
Noncompliance material to financial statement noted?	yes

Federal Awards:

Internal control over major program:	
Material weaknesses identified?	yes
Significant deficiency identified?	none reported
Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)?	yes

Identification of Major Program and type of auditor's report issued on compliance for it:

<u>Name of Federal Program or Cluster</u>	<u>Opinion Issued</u>
Water and Waste Program Cluster	Unmodified

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee?	no
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Section II - Financial Statement Findings

FINDING 2016-001

Subject: Financial Transactions and Reporting
Audit Findings: Material Weakness, Noncompliance

Condition

There were several deficiencies in the internal control system of the City related to financial transactions and reporting.

The City had not separated incompatible activities related to the following areas of the financial statement: cash and investments, receipts, payroll disbursements, and financial reporting, including the Schedule of Expenditures of Federal Award (SEFA). A segregation of duties within each of these areas had not been designed or implemented to prevent, or detect and correct, errors.

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

The City also had no process to identify control deficiencies or communicate corrective actions to improve controls. Effective internal controls over financial reporting would have required the City to monitor and assess the quality of the system of internal controls.

Cash and Investments

The City had not documented an internal control process or implemented internal controls to ensure that all bank accounts were reconciled.

The bank accounts for funds held by third-party fiscal agents in the City's name for the WW SRF Rensselaer Construction, DW SRF Rensselaer B & I, DW SRF Rensselaer DSR, and Rensselaer Water 15 BAN were not reconciled.

Receipts

The City had not segregated duties related to the receipts. One clerk recorded the receipts in the financial accounting software, verified that collections were properly recorded, and prepared the bank deposit, without any review or oversight process.

Payroll Disbursements

There was no verification that payroll disbursements per the payroll software agreed to payroll disbursements recorded in the financial accounting software. In addition, there was no documentation to indicate that the electronic fund transfers sent to the bank had been verified to the payroll reports.

Financial Reporting - Financial Statement

The Clerk-Treasurer independently prepared and submitted the financial information into the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source for the financial statement. There was no oversight or review process to detect and correct errors before submission.

The financial statement presented for audit contained the following errors:

1. Due to a change in computer software, the City underreported receipts and disbursements by \$4,545,046.
2. The Rensselaer Water 15 BAN activity was excluded from the financial statement.

Audit adjustments were proposed, accepted by the City, and made to the financial statement.

Financial Reporting - Schedule of Expenditures of Federal Awards (SEFA)

The City failed to properly review the federal grant information prepared and submitted in Gateway, which was the source for the SEFA. The Clerk-Treasurer prepared and submitted the grant information without an oversight or review process to detect and correct errors before submission.

The SEFA presented for audit excluded the Water and Waste Disposal Systems for Rural Communities Loan #1 and Loan #2 expenditures in the amounts of \$4,273,000 and \$5,366,823, respectively.

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

Audit adjustments were proposed, accepted by the City, and made to the SEFA.

Context

The lack of internal controls was a systemic issue, which occurred throughout the audit period.

Criteria

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

An integral part of the control activity component is segregation of duties. . . .

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . ."

"Evaluations are used to determine whether each of the five components of internal control is present and functioning. These evaluations may be conducted on an ongoing or periodic basis. The criteria used are developed by the oversight body, elected officials, management, governing boards, or recognized standard-setting bodies or regulators. . . .

A baseline of the current state of the internal control system is compared against the original design of the internal control system. The baseline consists of issues and deficiencies identified in the internal control system. The results of the monitoring process are evaluated and documented. . . .

Management remediates identified issues. . . ."

"The Green Book identifies a list of control activity categories that are meant only to illustrate the range and variety of control activities; the list is by no means all inclusive, but is reproduced here for reference purposes: . . .

- Accurate and timely recording of transactions. . . ."

2 CFR 200.508 states in part: "The auditee must: . . . (b) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with § 200.510 Financial statements. . . ."

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

2 CFR 200.510(a) states:

"Financial statements. The auditee must prepare financial statements that reflect its financial position, results of operations or changes in net assets, and, where appropriate, cash flows for the fiscal year audited. The financial statements must be for the same organizational unit and fiscal year that is chosen to meet the requirements of this part. However, non-Federal entity wide financial statements may also include departments, agencies, and other organizational units that have separate audits in accordance with § 200.514 Scope of audit, paragraph (a) and prepare separate financial statements.

2 CFR 200.510(b) states:

"*Schedule of expenditures of Federal awards.* The auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with § 200.502 Basis for determining Federal awards expended. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple Federal award years, the auditee may list the amount of Federal awards expended for each Federal award year separately. At a minimum, the schedule must:

- (1) List individual Federal programs by Federal agency. For a cluster of programs, provide the cluster name, list individual Federal programs within the cluster of programs, and provide the applicable Federal agency name. For R&D, total Federal awards expended must be shown either by individual Federal award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity must be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available. For a cluster of programs also provide the total for the cluster.
- (4) Include the total amount provided to subrecipients from each Federal program.
- (5) For loan or loan guarantee programs described in § 200.502 Basis for determining Federal awards expended, paragraph (b), identify in the notes to the schedule the balances outstanding at the end of the audit period. This is in addition to including the total Federal awards expended for loan or loan guarantee programs in the schedule.
- (6) Include notes that describe that significant accounting policies used in preparing the schedule, and note whether or not the auditee elected to use the 10% de minimis cost rate as covered in § 200.414 Indirect (F&A) costs."

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."

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

All financial transactions pertaining to the unit must be recorded in the records of the unit at the time of the transaction. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

All documents and entries to records must be made in a timely manner to ensure that accurate financial information is available to allow the unit to make informed management decisions and to help ensure compliance with Indiana Code 5-15-1-1. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

Cause

Management of the City had not established a proper system of internal control that segregated key functions. Management also had not conducted a risk assessment or monitored controls related to the City's financial transactions and reporting.

Effect

The failure to establish controls enabled misstatements or irregularities to remain undetected. The failure to monitor the internal control system placed the City at risk that controls were either not designed properly or not operating effectively to provide reasonable assurance that controls would have prevented, or detected and corrected, material misstatements in a timely manner.

Recommendation

We recommended that the City's management design and implement a proper system of internal controls, which would segregate key functions and also perform periodic monitoring of its system of internal controls.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

Section III - Federal Award Findings and Questioned Costs

FINDING 2016-002

Subject: Water and Waste Program Cluster - Cash Management, Period of Performance, Procurement

Federal Agency: Department of Agriculture

Federal Program: Water and Waste Disposal Systems for Rural Communities

CFDA Number: 10.760

Federal Award Numbers and Years (or Other Identifying Numbers): Loan #1, Loan #2

Compliance Requirements: Cash Management, Period of Performance, Procurement
and Suspension and Debarment

Audit Finding: Material Weakness

Condition

An effective internal control system was not in place at the City in order to ensure compliance with requirements related to the grant agreement and the compliance requirements listed below.

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

Cash Management

The City had not designed or implemented adequate internal controls to ensure that contractors were paid prior to reimbursement or within a reasonable period of time upon receipt of the reimbursement. The Clerk-Treasurer paid the contractors after verification of receipt of the reimbursement without a documented oversight or review to ensure the contractors were paid without unreasonable delay.

Period of Performance

The City had not designed or implemented adequate internal controls to ensure that expenditures were incurred or paid within the period of performance. There was no oversight, review, or approval process.

Procurement

The City had not designed or implemented adequate internal controls to ensure compliance with the procurement requirements in 2 CFR 200.320.

Context

The lack of controls was a systemic issue throughout the audit period.

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

Cause

The City's management had not implemented a system of internal controls to ensure compliance with the grant agreement and the compliance requirements listed above.

Effect

The failure to establish an effective internal control system placed the City at risk of noncompliance with the grant agreement and the compliance requirements listed above. A lack of segregation of duties within an internal control system could have also allowed noncompliance with compliance requirements and allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the program.

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

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the City's management establish controls to ensure compliance with the grant agreement and the compliance requirements listed above.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

FINDING 2016-003

Subject: Water and Waste Program Cluster - Suspension and Debarment
Federal Agency: Department of Agriculture
Federal Program: Water and Waste Disposal Systems for Rural Communities
CFDA Number: 10.760
Federal Award Numbers and Years (or Other Identifying Numbers): Loan #1, Loan #2
Compliance Requirement: Procurement and Suspension and Debarment
Audit Findings: Material Weakness, Other Matters

Condition

The City had not established internal controls to ensure compliance with the suspension and debarment requirements in CFR 180.300.

The City failed to provide evidence that a search of the Excluded Parties List Systems through the System of Award Manager Center at www.sam.gov was conducted, that certification from the entity was collected, or that a clause or condition was added to the contract.

Context

The lack of effective controls and the noncompliance were systemic issues throughout the audit period. The suspension and debarment documentation was not retained or provided for three of the five vendors who were paid a total of \$125,027 from the grant.

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

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

2 CFR 180.300 states:

"When you enter into a covered transaction with another person at the next lower tier, you must verify that the person with whom you intend to do business is not excluded or disqualified.

You do this by:

- (a) Checking the SAM Exclusions; or
- (b) Collecting a certification from that person; or
- (c) Adding a clause or condition to the covered transaction with that person."

Cause

The City's management had not developed a system of internal controls that would have ensured compliance with the suspension and debarment requirements.

Effect

The failure to establish an effective internal control system enabled noncompliance to go undetected. Noncompliance with the grant agreement and the suspension and debarment requirements could have resulted in the loss of federal funds to the City.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the City's management establish controls to ensure compliance and comply with the suspension and debarment requirements.

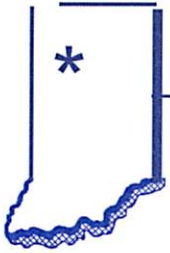
Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

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AUDITEE-PREPARED DOCUMENT

The subsequent document was provided by management of the City. The document is presented as intended by the City.



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

CITY OF RENSSELAER

RENSSELAER, INDIANA

COUNCIL MEMBERS

WILLIAM HOLLERMAN, *First Ward*
RICK L ODLE, *Second Ward*
GEORGE T. COVER, *Third Ward*
ERNEST WATSON, *Fourth Ward*
SCOTT BARTON, *At-Large*

CORRECTIVE ACTION PLAN

FINDING 2016-001

Contact Person Responsible for Corrective Action: Frieda Bretzinger

Contact Phone Number: 219 866-5213

View of Official: I concur with finding.

Description of Corrective Action Plan: We were performing checks on the work by a second person but were not documenting, check marking, or initialing to verify the work was checked. We are adjusting our practice to verify everything.

The comment was made regarding the underreported receipts and disbursements of the 2016 financial report. I wish to address this. The State Board of Accounts notes that this was due to a change in our software which is true. The reports I was getting off of the new system didn't balance with each other. During January and February of 2016 my husband was very sick and undergoing surgeries and treatments. I was not able to work on the Financial Data by Fund portion of the Financial Statement. I hired Umbaugh and Associates to prepare and upload that portion of the annual report to Gateway. Within two weeks of the February 28th deadline I contacted them and they were still working on it. Because of the conversion they were doing many journal entries on the utility side and this was causing delays. They uploaded the Financial Data by Fund report on February 28, 2017. When I viewed it I contacted them as the Receipts and Disbursements were greatly inflated. I was told it should not be as the journal entries should not have affected cash. They went back and found errors which they corrected. I had to un-submit the report on March 1, 2017 and they uploaded their adjustments. It was still wrong and I didn't realize it.

Anticipated Completion Date: December 31, 2018.

FINDING 2016-002

Contact Person Responsible for Corrective Action: Frieda Bretzinger

Contact Phone Number: 219 866-5213

View of Official: I concur with finding.

Description of Corrective Action Plan: We will be sure to have the Project Coordinator sign off on the pay requests.

As with any project, requests for payment from the contractor are submitted to our engineer for the project. They verify the work and quantities and then submit that to our Project Coordinator, Jerry Lockridge. He also verifies the work and then submits the pay requests to me. I place the pay request on the agenda for the Board of Public Works to approve. Once the board approves the request, it is paid.

Anticipated Completion Date: December 31, 2018.

FINDING 2016-003

Contact Person Responsible for Corrective Action: Stephen Wood

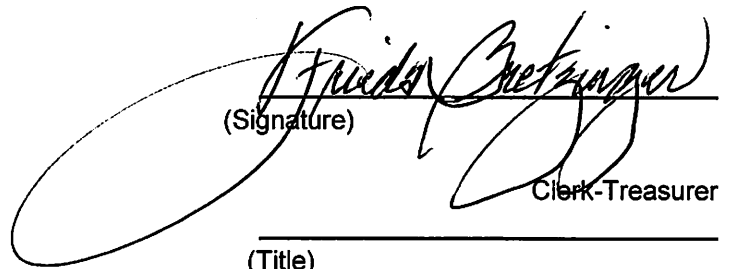
Contact Phone Number: 219-866-5212

View of Official: I concur with the findings.

Description of Corrective Action Plan: It will be done in the future.

This is currently being done by our engineering firms and provided to the city. We thought that was enough.

Anticipated Completion Date: December 31, 2018.



(Signature)
Clerk-Treasurer

(Title)

August 23, 2018

(Date)

OTHER REPORTS

In addition to this report, other reports may have been issued for the City. All reports can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>.