

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, 2017 to December 31, 2017



FILED
09/21/2018

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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	01-01-17 to 12-31-18
Utility Office Manager	Heather Smart	01-01-17 to 12-31-18



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, 2017, 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, 2017.

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, 2017, 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.

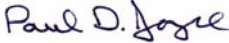
Other Information

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



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statement of the City of Rensselaer (City), which comprises the financial position and results of operations for the year ended December 31, 2017, 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 2017-001, 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

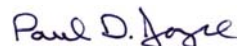
As part of obtaining reasonable assurance about whether the City's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect 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 2017-001.

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 RENSSELAER
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CASH AND INVESTMENT BALANCES - REGULATORY BASIS
For the Year Ended December 31, 2017

Fund	Cash and Investments 01-01-17	Receipts	Disbursements	Cash and Investments 12-31-17
General	\$ 725,457	\$ 2,995,287	\$ 3,026,905	\$ 693,839
Motor Vehicle Highway	147,616	382,754	367,569	162,801
Local Road And Street	35,362	34,750	28,720	41,392
Local Law Enforcement Continuing Education	10,939	5,216	5,424	10,731
Riverboat Distribution	62,072	34,708	1,103	95,677
Rainy Day	19,129	-	-	19,129
LOIT Special Distribution	508,316	238,333	221,226	525,423
Police Drug	186	827	1,000	13
Levy Excess	12,545	-	12,545	-
Tif Allocation	1,562,919	755,872	706,157	1,612,634
Cumulataive Capital Development	144,831	130,124	150,000	124,955
Redevelopment Commission	28,505	3,418	300	31,623
Economic Development	481,328	248,118	252,930	476,516
Cumulative Capital Improvement	23,164	14,249	-	37,413
Contractor Registration	55,356	11,560	4,217	62,699
Tif Construction	219,554	-	33,060	186,494
PR - Fed W/H	-	558,661	558,661	-
PR - FICA W/H	-	480,204	480,204	-
PR - MEDI W/H	-	128,206	128,206	-
PR - State W/H	-	151,666	151,666	-
PR - Local W/H	-	126,595	126,595	-
PR - INPRS W/H	-	552,749	552,749	-
PR - IPP W/H	-	133,499	133,493	6
PR - Garnishment #6	-	3,422	3,422	-
PR - AF HSA	-	85,476	85,476	-
PR - AFLAC	-	71,032	71,032	-
PR - AMFED	-	16,514	16,514	-
PR - HSA PreTax	-	26,520	26,520	-
PR - ING Hoosier Start	-	6,890	6,890	-
PR - LibNat	-	9,667	9,667	-
PR - Child Support	-	28,194	28,194	-
PR - Credit Union	-	21,190	21,190	-
PR - Garnishment #1 JC	-	4,175	4,175	-
PR - E"er Pd Life Ins	-	5,954	5,954	-
PR - Combined Ins	-	1,336	1,336	-
PR - Child Support Fee	-	220	220	-
PR - UHC	-	1,003,193	1,003,193	-
PR - Cigna Dental	-	41,265	41,265	-
PR - Cigna Vision	-	9,530	9,530	-
PR - Cigna Life	4	4,533	4,537	-
Pay Pal	5	5	-	10
Local Road and Bridge Grant	-	443,297	443,296	1
Police Equipment Grant	-	134,645	140,530	(5,885)
Fire Equipment Grant	-	156,908	156,908	-
Weston Cemetery Donation	-	100	-	100
PR - \$1 Fee Premium	-	84	-	84
PR - Garnishment #4 JCC	-	2,863	2,863	-
Drug Free Jasper County	3,886	2,000	2,759	3,127
Future Development	35,744	99,983	3,615	132,112
Business Registration	8,025	750	-	8,775
Aerial Fire Truck Donation	982	-	982	-

CITY OF RENSSELAER
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CASH AND INVESTMENT BALANCES - REGULATORY BASIS
For the Year Ended December 31, 2017

Fund	Cash and Investments 01-01-17	Receipts	Disbursements	Cash and Investments 12-31-17
Criminal Justice Traffic Safety	(413)	5,034	5,343	(722)
Urban Forestry Council Grant	10,837	-	8,446	2,391
Downtown Revitalization Grant	2,029	-	2,025	4
Recycling Grant	5,051	44,000	3,046	46,005
Tif Surplus Reserve	417,666	148,693	-	566,359
Community Alliance	1,242	-	-	1,242
Alarm Contract	3,189	7,889	1,037	10,041
Public Safety Loit	681,404	299,662	254,504	726,562
Child Safety Seat Grant	1,321	1,071	1,051	1,341
Tax Abatement	3,460	-	-	3,460
Sidewalk Maintenance	37,351	8,750	1,167	44,934
Public Relations	12,542	7,200	6,509	13,233
Safe Kids	34	-	-	34
Debt Service	37,650	82,280	52,206	67,724
Weston Cem Perpetual Care	134,634	3,760	-	138,394
Telephone Clearing	-	35,884	35,884	-
Tax Clearing	-	839,228	839,228	-
Electric Operating	1,890,036	12,195,022	12,393,423	1,691,635
Electric Bond And Interest	1,129,031	900,010	943,112	1,085,929
Electric Improvement	66,100	127,000	106,303	86,797
Electric Meter Deposit	274,133	48,104	46,801	275,436
Electric Construction	-	2,808,409	782,531	2,025,878
Electric Cash Reserve	302,837	2,442	2,773	302,506
Electric Refunding Revenue Bonds 2012	-	989,963	662,825	327,138
Electric 2017 Revenue B & I	-	17,826	-	17,826
Electric Utility Refunding Revenue Bonds 2017	-	4,260,872	-	4,260,872
WW SRF Rensselaer Construction	6,608	40	-	6,648
Sewage Construction 2	-	3,526,262	3,526,262	-
Wastewater Operating	1,020,726	2,086,881	1,926,776	1,180,831
Wastewater Bond And Interest	670,701	624,955	592,318	703,338
Wastewater Improvement	112,149	51,600	67,377	96,372
Wastewater Meter Deposit	127,684	31,025	25,798	132,911
DW SRF Rensselaer B & I	131,344	272,820	294,887	109,277
DW SRF Rensselaer DSR	295,238	36,203	-	331,441
Water Construction In Progress	876,476	39,855	166,309	750,022
Water Operating	829,890	2,040,531	1,701,566	1,168,855
Water Bond And Interest	100,574	99	22,500	78,173
Water Improvement	509,223	51,600	102,176	458,647
Water Meter Deposit	179,062	31,482	30,044	180,500
Rensselaer Water 15 BAN	12,502	2,012,598	2,025,100	-
Rensselaer Water 17 BAN	-	2,012,570	-	2,012,570
On-Account	28,173	51,561	81,919	(2,185)
Gas Operating	679,311	2,897,166	3,304,765	271,712
Gas Improvement	102,024	77,000	8,822	170,202
Gas Meter Deposit	231,164	38,630	36,154	233,640
Gas Cash Reserve	707,240	1,033	348	707,925
Totals	<u>\$ 15,716,148</u>	<u>\$ 47,883,552</u>	<u>\$ 39,094,133</u>	<u>\$ 24,505,567</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.

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,

CITY OF RENSSELAER
NOTES TO FINANCIAL STATEMENT
(Continued)

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.

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

CITY OF RENSSELAER
NOTES TO FINANCIAL STATEMENT
(Continued)

Utility operating expenses. 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 001Indianapolis, IN 46204
Ph. (888) 526-1687

Funding Policy

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

Note 7. Cash Balance Deficits

The financial statement contains three funds with deficits in cash. The Police Equipment Grant and Criminal Justice Traffic Safety funds are the result of the funds being set up for reimbursable grants. The reimbursements for expenditures made to the City were not received by December 31, 2017. The On-Account fund was used for customers that were on a budget and held the surpluses in this fund. In the beginning of 2017, a change in the software program no longer used this fund and at the time it held a negative cash balance.

Note 8. Related-Party Transaction

The City has entered into a capital lease rental agreement 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 2017 totaled \$107,500.

CITY OF RENSSELAER
NOTES TO FINANCIAL STATEMENT
(Continued)

Note 9. Subsequent Event

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

Note 10. Electric Refunding Bonds of 2011

The City refinanced the Electric Bonds of 2011, which were not callable at the time, with the Electric Bonds of 2017. The City entered into an escrow agreement with the Bank as the Paying Agent and Escrow Trustee for the refunding of the Electric Bonds of 2011 (Refunded Bonds). The City set up a Trust Account that is held by the Paying Agent and Escrow Trustee for the holders of the Refunded Bonds. The City deposited a total of \$4,260,871 in 2017 into the trust account that will bear interest at such rates that when the bond is paid according to their respective terms, sufficient monies, together with any amount of cash on deposit with the Escrow Trustee, will be available to make full and timely payments of all principal and interest due with respect to the Refunded Bonds.

The Government Obligations to be purchased and deposited with the Escrow Trustee will bear interest at such rates and will be scheduled to mature at such times and in such amounts so that, when paid according to their respective terms, sufficient monies, together with any amount of cash on deposit with the Escrow Trustee, will be available to make full and timely payment of all principal and interest due with respect to the Refunded Bonds from and after the date of delivery of the Bonds to and including July 1, 2019, at which time the Refunded Bonds will be called for redemption with all interest due.

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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, 2017

	General	Motor Vehicle Highway	Local Road And Street	Local Law Enforcement Continuing Education	Riverboat Distribution
Cash and investments - beginning	\$ 725,457	\$ 147,616	\$ 35,362	\$ 10,939	\$ 62,072
Receipts:					
Taxes	2,097,619	147,936	-	-	-
Licenses and permits	11,920	-	-	1,740	-
Intergovernmental receipts	287,025	233,233	34,750	-	34,708
Charges for services	516,399	1,585	-	1,695	-
Fines and forfeits	4,390	-	-	1,756	-
Utility fees	-	-	-	-	-
Penalties	-	-	-	-	-
Other receipts	77,934	-	-	25	-
Total receipts	2,995,287	382,754	34,750	5,216	34,708
Disbursements:					
Personal services	2,050,431	264,417	-	-	-
Supplies	165,184	47,399	-	-	-
Other services and charges	780,883	55,753	-	5,424	1,103
Debt service - principal and interest	-	-	-	-	-
Capital outlay	30,407	-	28,720	-	-
Utility operating expenses	-	-	-	-	-
Other disbursements	-	-	-	-	-
Total disbursements	3,026,905	367,569	28,720	5,424	1,103
Excess (deficiency) of receipts over disbursements	(31,618)	15,185	6,030	(208)	33,605
Cash and investments - ending	\$ 693,839	\$ 162,801	\$ 41,392	\$ 10,731	\$ 95,677

CITY OF RENSSELAER
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2017

	Rainy Day	LOIT Special Distribution	Police Drug	Levy Excess	Tif Allocation
Cash and investments - beginning	\$ 19,129	\$ 508,316	\$ 186	\$ 12,545	\$ 1,562,919
Receipts:					
Taxes	-	-	-	-	755,872
Licenses and permits	-	-	-	-	-
Intergovernmental receipts	-	-	-	-	-
Charges for services	-	-	-	-	-
Fines and forfeits	-	-	827	-	-
Utility fees	-	-	-	-	-
Penalties	-	-	-	-	-
Other receipts	-	238,333	-	-	-
Total receipts	-	238,333	827	-	755,872
Disbursements:					
Personal services	-	-	-	-	-
Supplies	-	-	1,000	-	-
Other services and charges	-	56,701	-	-	19,897
Debt service - principal and interest	-	-	-	-	249,495
Capital outlay	-	164,525	-	-	181,312
Utility operating expenses	-	-	-	-	-
Other disbursements	-	-	-	12,545	255,453
Total disbursements	-	221,226	1,000	12,545	706,157
Excess (deficiency) of receipts over disbursements	-	17,107	(173)	(12,545)	49,715
Cash and investments - ending	\$ 19,129	\$ 525,423	\$ 13	\$ -	\$ 1,612,634

CITY OF RENSSELAER
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2017

	Cumulative Capital Development	Redevelopment Commission	Economic Development	Cumulative Capital Improvement	Contractor Registration
Cash and investments - beginning	\$ 144,831	\$ 28,505	\$ 481,328	\$ 23,164	\$ 55,356
Receipts:					
Taxes	120,839	3,174	248,118	-	-
Licenses and permits	-	-	-	-	11,560
Intergovernmental receipts	9,285	244	-	14,249	-
Charges for services	-	-	-	-	-
Fines and forfeits	-	-	-	-	-
Utility fees	-	-	-	-	-
Penalties	-	-	-	-	-
Other receipts	-	-	-	-	-
Total receipts	130,124	3,418	248,118	14,249	11,560
Disbursements:					
Personal services	-	-	-	-	-
Supplies	-	-	11,303	-	1,155
Other services and charges	-	300	48,266	-	3,062
Debt service - principal and interest	-	-	57,919	-	-
Capital outlay	150,000	-	135,442	-	-
Utility operating expenses	-	-	-	-	-
Other disbursements	-	-	-	-	-
Total disbursements	150,000	300	252,930	-	4,217
Excess (deficiency) of receipts over disbursements	(19,876)	3,118	(4,812)	14,249	7,343
Cash and investments - ending	\$ 124,955	\$ 31,623	\$ 476,516	\$ 37,413	\$ 62,699

CITY OF RENSSELAER
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2017

	Tif Construction	PR - Fed W/H	PR - FICA W/H	PR - MEDI W/H	PR - State W/H
Cash and investments - beginning	\$ 219,554	\$ -	\$ -	\$ -	\$ -
Receipts:					
Taxes	-	-	-	-	-
Licenses and permits	-	-	-	-	-
Intergovernmental receipts	-	-	-	-	-
Charges for services	-	-	-	-	-
Fines and forfeits	-	-	-	-	-
Utility fees	-	-	-	-	-
Penalties	-	-	-	-	-
Other receipts	-	558,661	480,204	128,206	151,666
Total receipts	-	558,661	480,204	128,206	151,666
Disbursements:					
Personal services	-	-	-	-	-
Supplies	-	-	-	-	-
Other services and charges	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-
Capital outlay	33,060	-	-	-	-
Utility operating expenses	-	-	-	-	-
Other disbursements	-	558,661	480,204	128,206	151,666
Total disbursements	33,060	558,661	480,204	128,206	151,666
Excess (deficiency) of receipts over disbursements	(33,060)	-	-	-	-
Cash and investments - ending	\$ 186,494	\$ -	\$ -	\$ -	\$ -

CITY OF RENSSELAER
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2017

	PR - Local W/H	PR - INPRS W/H	PR - IPP W/H	PR - Garnishment #6	PR - AF HSA
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ -	\$ -
Receipts:					
Taxes	-	-	-	-	-
Licenses and permits	-	-	-	-	-
Intergovernmental receipts	-	-	-	-	-
Charges for services	-	-	-	-	-
Fines and forfeits	-	-	-	-	-
Utility fees	-	-	-	-	-
Penalties	-	-	-	-	-
Other receipts	126,595	552,749	133,499	3,422	85,476
Total receipts	126,595	552,749	133,499	3,422	85,476
Disbursements:					
Personal services	-	-	-	-	-
Supplies	-	-	-	-	-
Other services and charges	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-
Capital outlay	-	-	-	-	-
Utility operating expenses	-	-	-	-	-
Other disbursements	126,595	552,749	133,493	3,422	85,476
Total disbursements	126,595	552,749	133,493	3,422	85,476
Excess (deficiency) of receipts over disbursements	-	-	6	-	-
Cash and investments - ending	\$ -	\$ -	\$ 6	\$ -	\$ -

CITY OF RENSSELAER
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2017

	PR - AFLAC	PR - AMFED	PR - HSA PreTax	PR - ING Hoosier Start	PR - LibNat
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ -	\$ -
Receipts:					
Taxes	-	-	-	-	-
Licenses and permits	-	-	-	-	-
Intergovernmental receipts	-	-	-	-	-
Charges for services	-	-	-	-	-
Fines and forfeits	-	-	-	-	-
Utility fees	-	-	-	-	-
Penalties	-	-	-	-	-
Other receipts	71,032	16,514	26,520	6,890	9,667
Total receipts	<u>71,032</u>	<u>16,514</u>	<u>26,520</u>	<u>6,890</u>	<u>9,667</u>
Disbursements:					
Personal services	-	-	-	-	-
Supplies	-	-	-	-	-
Other services and charges	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-
Capital outlay	-	-	-	-	-
Utility operating expenses	-	-	-	-	-
Other disbursements	71,032	16,514	26,520	6,890	9,667
Total disbursements	<u>71,032</u>	<u>16,514</u>	<u>26,520</u>	<u>6,890</u>	<u>9,667</u>
Excess (deficiency) of receipts over disbursements	-	-	-	-	-
Cash and investments - ending	<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, 2017

	PR - Child Support	PR - Credit Union	PR - Garnishment #1 JC	PR - E'er Pd Life Ins	PR - Combined Ins
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ -	\$ -
Receipts:					
Taxes	-	-	-	-	-
Licenses and permits	-	-	-	-	-
Intergovernmental receipts	-	-	-	-	-
Charges for services	-	-	-	-	-
Fines and forfeits	-	-	-	-	-
Utility fees	-	-	-	-	-
Penalties	-	-	-	-	-
Other receipts	28,194	21,190	4,175	5,954	1,336
Total receipts	28,194	21,190	4,175	5,954	1,336
Disbursements:					
Personal services	-	-	-	-	-
Supplies	-	-	-	-	-
Other services and charges	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-
Capital outlay	-	-	-	-	-
Utility operating expenses	-	-	-	-	-
Other disbursements	28,194	21,190	4,175	5,954	1,336
Total disbursements	28,194	21,190	4,175	5,954	1,336
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, 2017

	PR - Child Support Fee	PR - UHC	PR - Cigna Dental	PR - Cigna Vision	PR - Cigna Life
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ -	\$ 4
Receipts:					
Taxes	-	-	-	-	-
Licenses and permits	-	-	-	-	-
Intergovernmental receipts	-	-	-	-	-
Charges for services	-	-	-	-	-
Fines and forfeits	-	-	-	-	-
Utility fees	-	-	-	-	-
Penalties	-	-	-	-	-
Other receipts	220	1,003,193	41,265	9,530	4,533
Total receipts	220	1,003,193	41,265	9,530	4,533
Disbursements:					
Personal services	-	-	-	-	-
Supplies	-	-	-	-	-
Other services and charges	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-
Capital outlay	-	-	-	-	-
Utility operating expenses	-	-	-	-	-
Other disbursements	220	1,003,193	41,265	9,530	4,537
Total disbursements	220	1,003,193	41,265	9,530	4,537
Excess (deficiency) of receipts over disbursements	-	-	-	-	(4)
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, 2017

	Pay Pal	Local Road and Bridge Grant	Police Equipment Grant	Fire Equipment Grant	Weston Cemetery Donation
Cash and investments - beginning	\$ 5	\$ -	\$ -	\$ -	\$ -
Receipts:					
Taxes	-	-	-	-	-
Licenses and permits	-	-	-	-	-
Intergovernmental receipts	-	443,297	134,645	156,908	-
Charges for services	-	-	-	-	-
Fines and forfeits	-	-	-	-	-
Utility fees	-	-	-	-	-
Penalties	-	-	-	-	-
Other receipts	5	-	-	-	100
Total receipts	5	443,297	134,645	156,908	100
Disbursements:					
Personal services	-	-	-	-	-
Supplies	-	-	2,100	-	-
Other services and charges	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-
Capital outlay	-	443,296	138,430	156,908	-
Utility operating expenses	-	-	-	-	-
Other disbursements	-	-	-	-	-
Total disbursements	-	443,296	140,530	156,908	-
Excess (deficiency) of receipts over disbursements	5	1	(5,885)	-	100
Cash and investments - ending	\$ 10	\$ 1	\$ (5,885)	\$ -	\$ 100

CITY OF RENSSELAER
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2017

	PR - \$1 Fee Premium	PR - Garnishment #4 JCC	Drug Free Jasper County	Future Development	Business Registration
Cash and investments - beginning	\$ -	\$ -	\$ 3,886	\$ 35,744	\$ 8,025
Receipts:					
Taxes	-	-	-	-	-
Licenses and permits	-	-	-	-	-
Intergovernmental receipts	-	-	-	-	-
Charges for services	-	-	-	-	-
Fines and forfeits	-	-	-	-	750
Utility fees	-	-	-	-	-
Penalties	-	-	-	-	-
Other receipts	84	2,863	2,000	99,983	-
Total receipts	84	2,863	2,000	99,983	750
Disbursements:					
Personal services	-	-	2,759	-	-
Supplies	-	-	-	-	-
Other services and charges	-	-	-	3,615	-
Debt service - principal and interest	-	-	-	-	-
Capital outlay	-	-	-	-	-
Utility operating expenses	-	-	-	-	-
Other disbursements	-	2,863	-	-	-
Total disbursements	-	2,863	2,759	3,615	-
Excess (deficiency) of receipts over disbursements	84	-	(759)	96,368	750
Cash and investments - ending	\$ 84	\$ -	\$ 3,127	\$ 132,112	\$ 8,775

CITY OF RENSSELAER
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2017

	Aerial Fire Truck Donation	Criminal Justice Traffic Safety	Urban Forestry Council Grant	Downtown Revitalization Grant	Recycling Grant
Cash and investments - beginning	\$ 982	\$ (413)	\$ 10,837	\$ 2,029	\$ 5,051
Receipts:					
Taxes	-	-	-	-	-
Licenses and permits	-	-	-	-	-
Intergovernmental receipts	-	5,034	-	-	44,000
Charges for services	-	-	-	-	-
Fines and forfeits	-	-	-	-	-
Utility fees	-	-	-	-	-
Penalties	-	-	-	-	-
Other receipts	-	-	-	-	-
Total receipts	-	5,034	-	-	44,000
Disbursements:					
Personal services	-	5,343	-	-	-
Supplies	-	-	8,446	-	2,455
Other services and charges	982	-	-	-	591
Debt service - principal and interest	-	-	-	-	-
Capital outlay	-	-	-	-	-
Utility operating expenses	-	-	-	-	-
Other disbursements	-	-	-	2,025	-
Total disbursements	982	5,343	8,446	2,025	3,046
Excess (deficiency) of receipts over disbursements	(982)	(309)	(8,446)	(2,025)	40,954
Cash and investments - ending	\$ -	\$ (722)	\$ 2,391	\$ 4	\$ 46,005

CITY OF RENSSELAER
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2017

	Tif Surplus Reserve	Community Alliance	Alarm Contract	Public Safety Loit	Child Safety Seat Grant
Cash and investments - beginning	\$ 417,666	\$ 1,242	\$ 3,189	\$ 681,404	\$ 1,321
Receipts:					
Taxes	-	-	-	-	-
Licenses and permits	-	-	-	-	-
Intergovernmental receipts	-	-	-	238,220	-
Charges for services	-	-	7,889	61,442	-
Fines and forfeits	-	-	-	-	-
Utility fees	-	-	-	-	-
Penalties	-	-	-	-	-
Other receipts	148,693	-	-	-	1,071
Total receipts	148,693	-	7,889	299,662	1,071
Disbursements:					
Personal services	-	-	-	197,029	-
Supplies	-	-	-	-	1,051
Other services and charges	-	-	1,037	25,616	-
Debt service - principal and interest	-	-	-	-	-
Capital outlay	-	-	-	31,859	-
Utility operating expenses	-	-	-	-	-
Other disbursements	-	-	-	-	-
Total disbursements	-	-	1,037	254,504	1,051
Excess (deficiency) of receipts over disbursements	148,693	-	6,852	45,158	20
Cash and investments - ending	\$ 566,359	\$ 1,242	\$ 10,041	\$ 726,562	\$ 1,341

CITY OF RENSSELAER
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2017

	Tax Abatement	Sidewalk Maintenance	Public Relations	Safe Kids	Debt Service
Cash and investments - beginning	\$ 3,460	\$ 37,351	\$ 12,542	\$ 34	\$ 37,650
Receipts:					
Taxes	-	-	-	-	76,409
Licenses and permits	-	900	-	-	-
Intergovernmental receipts	-	-	-	-	5,871
Charges for services	-	-	-	-	-
Fines and forfeits	-	-	-	-	-
Utility fees	-	-	-	-	-
Penalties	-	-	-	-	-
Other receipts	-	7,850	7,200	-	-
Total receipts	-	8,750	7,200	-	82,280
Disbursements:					
Personal services	-	-	-	-	-
Supplies	-	1,167	5,812	-	-
Other services and charges	-	-	697	-	-
Debt service - principal and interest	-	-	-	-	52,206
Capital outlay	-	-	-	-	-
Utility operating expenses	-	-	-	-	-
Other disbursements	-	-	-	-	-
Total disbursements	-	1,167	6,509	-	52,206
Excess (deficiency) of receipts over disbursements	-	7,583	691	-	30,074
Cash and investments - ending	\$ 3,460	\$ 44,934	\$ 13,233	\$ 34	\$ 67,724

CITY OF RENSSELAER
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2017

	Weston Cem Perpetual Care	Telephone Clearing	Tax Clearing	Electric Operating	Electric Bond And Interest
Cash and investments - beginning	\$ 134,634	\$ -	\$ -	\$ 1,890,036	\$ 1,129,031
Receipts:					
Taxes	-	-	-	-	-
Licenses and permits	-	-	-	-	-
Intergovernmental receipts	-	-	-	-	-
Charges for services	-	-	-	-	-
Fines and forfeits	-	-	-	-	-
Utility fees	-	-	-	12,043,064	-
Penalties	-	-	-	45,840	-
Other receipts	3,760	35,884	839,228	106,118	900,010
Total receipts	<u>3,760</u>	<u>35,884</u>	<u>839,228</u>	<u>12,195,022</u>	<u>900,010</u>
Disbursements:					
Personal services	-	-	-	-	-
Supplies	-	-	-	-	-
Other services and charges	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	868,896
Capital outlay	-	-	-	-	-
Utility operating expenses	-	-	-	-	-
Other disbursements	-	35,884	839,228	12,393,423	74,216
Total disbursements	<u>-</u>	<u>35,884</u>	<u>839,228</u>	<u>12,393,423</u>	<u>943,112</u>
Excess (deficiency) of receipts over disbursements	<u>3,760</u>	<u>-</u>	<u>-</u>	<u>(198,401)</u>	<u>(43,102)</u>
Cash and investments - ending	<u>\$ 138,394</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,691,635</u>	<u>\$ 1,085,929</u>

CITY OF RENSSELAER
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2017

	Electric Improvement	Electric Meter Deposit	Electric Construction	Electric Cash Reserve	Electric Refunding Revenue Bonds 2012
Cash and investments - beginning	\$ 66,100	\$ 274,133	\$ -	\$ 302,837	\$ -
Receipts:					
Taxes	-	-	-	-	-
Licenses and permits	-	-	-	-	-
Intergovernmental receipts	-	-	-	-	-
Charges for services	-	-	-	-	-
Fines and forfeits	-	-	-	-	-
Utility fees	-	48,104	-	-	-
Penalties	-	-	-	-	-
Other receipts	127,000	-	2,808,409	2,442	989,963
Total receipts	127,000	48,104	2,808,409	2,442	989,963
Disbursements:					
Personal services	-	-	-	-	-
Supplies	-	-	-	-	-
Other services and charges	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-
Capital outlay	36,469	-	782,531	-	-
Utility operating expenses	68,679	-	-	-	-
Other disbursements	1,155	46,801	-	2,773	662,825
Total disbursements	106,303	46,801	782,531	2,773	662,825
Excess (deficiency) of receipts over disbursements	20,697	1,303	2,025,878	(331)	327,138
Cash and investments - ending	\$ 86,797	\$ 275,436	\$ 2,025,878	\$ 302,506	\$ 327,138

CITY OF RENSSELAER
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2017

	Electric 2017 Revenue B & I	Electric Utility Refunding Revenue Bonds 2017	WW SRF Rensselaer Construction	Sewage Construction 2	Wastewater Operating
Cash and investments - beginning	\$ -	\$ -	\$ 6,608	\$ -	\$ 1,020,726
Receipts:					
Taxes	-	-	-	-	-
Licenses and permits	-	-	-	-	-
Intergovernmental receipts	-	-	-	-	-
Charges for services	-	-	-	-	-
Fines and forfeits	-	-	-	-	-
Utility fees	-	-	-	-	1,899,973
Penalties	-	-	-	-	40,878
Other receipts	17,826	4,260,872	40	3,526,262	146,030
Total receipts	17,826	4,260,872	40	3,526,262	2,086,881
Disbursements:					
Personal services	-	-	-	-	403,398
Supplies	-	-	-	-	-
Other services and charges	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-
Capital outlay	-	-	-	3,526,262	-
Utility operating expenses	-	-	-	-	-
Other disbursements	-	-	-	-	1,523,378
Total disbursements	-	-	-	3,526,262	1,926,776
Excess (deficiency) of receipts over disbursements	17,826	4,260,872	40	-	160,105
Cash and investments - ending	\$ 17,826	\$ 4,260,872	\$ 6,648	\$ -	\$ 1,180,831

CITY OF RENSSELAER
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2017

	Wastewater Bond And Interest	Wastewater Improvement	Wastewater Meter Deposit	DW SRF Rensselaer B & I	DW SRF Rensselaer DSR
Cash and investments - beginning	\$ 670,701	\$ 112,149	\$ 127,684	\$ 131,344	\$ 295,238
Receipts:					
Taxes	-	-	-	-	-
Licenses and permits	-	-	-	-	-
Intergovernmental receipts	-	-	-	-	-
Charges for services	-	-	-	-	-
Fines and forfeits	-	-	-	-	-
Utility fees	-	-	31,025	-	-
Penalties	-	-	-	-	-
Other receipts	624,955	51,600	-	272,820	36,203
Total receipts	<u>624,955</u>	<u>51,600</u>	<u>31,025</u>	<u>272,820</u>	<u>36,203</u>
Disbursements:					
Personal services	-	-	-	-	-
Supplies	-	-	-	-	-
Other services and charges	-	-	-	-	-
Debt service - principal and interest	592,318	-	-	-	-
Capital outlay	-	67,377	-	-	-
Utility operating expenses	-	-	-	-	-
Other disbursements	-	-	25,798	294,887	-
Total disbursements	<u>592,318</u>	<u>67,377</u>	<u>25,798</u>	<u>294,887</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>32,637</u>	<u>(15,777)</u>	<u>5,227</u>	<u>(22,067)</u>	<u>36,203</u>
Cash and investments - ending	<u>\$ 703,338</u>	<u>\$ 96,372</u>	<u>\$ 132,911</u>	<u>\$ 109,277</u>	<u>\$ 331,441</u>

CITY OF RENSSELAER
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2017

	Water Construction In Progress	Water Operating	Water Bond And Interest	Water Improvement	Water Meter Deposit
Cash and investments - beginning	\$ 876,476	\$ 829,890	\$ 100,574	\$ 509,223	\$ 179,062
Receipts:					
Taxes	-	-	-	-	-
Licenses and permits	-	-	-	-	-
Intergovernmental receipts	-	-	-	-	-
Charges for services	-	-	-	-	-
Fines and forfeits	-	-	-	-	-
Utility fees	-	1,943,726	-	-	-
Penalties	-	9,191	-	-	-
Other receipts	39,855	87,614	99	51,600	31,482
Total receipts	39,855	2,040,531	99	51,600	31,482
Disbursements:					
Personal services	-	510,182	-	-	-
Supplies	-	-	-	-	-
Other services and charges	-	13,441	-	-	-
Debt service - principal and interest	-	-	-	-	-
Capital outlay	-	-	-	-	-
Utility operating expenses	166,309	722,042	-	102,176	-
Other disbursements	-	455,901	22,500	-	30,044
Total disbursements	166,309	1,701,566	22,500	102,176	30,044
Excess (deficiency) of receipts over disbursements	(126,454)	338,965	(22,401)	(50,576)	1,438
Cash and investments - ending	\$ 750,022	\$ 1,168,855	\$ 78,173	\$ 458,647	\$ 180,500

CITY OF RENSSELAER
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2017

	Rensselaer Water 15 BAN	Rensselaer Water 17 BAN	On-Account	Gas Operating
Cash and investments - beginning	\$ 12,502	\$ -	\$ 28,173	\$ 679,311
Receipts:				
Taxes	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental receipts	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeits	-	-	-	-
Utility fees	-	-	-	2,860,057
Penalties	-	-	-	10,085
Other receipts	<u>2,012,598</u>	<u>2,012,570</u>	<u>51,561</u>	<u>27,024</u>
Total receipts	<u>2,012,598</u>	<u>2,012,570</u>	<u>51,561</u>	<u>2,897,166</u>
Disbursements:				
Personal services	-	-	-	-
Supplies	-	-	-	-
Other services and charges	-	-	-	-
Debt service - principal and interest	-	-	-	-
Capital outlay	-	-	-	-
Utility operating expenses	-	-	-	3,275,365
Other disbursements	<u>2,025,100</u>	<u>-</u>	<u>81,919</u>	<u>29,400</u>
Total disbursements	<u>2,025,100</u>	<u>-</u>	<u>81,919</u>	<u>3,304,765</u>
Excess (deficiency) of receipts over disbursements	<u>(12,502)</u>	<u>2,012,570</u>	<u>(30,358)</u>	<u>(407,599)</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ 2,012,570</u>	<u>\$ (2,185)</u>	<u>\$ 271,712</u>

CITY OF RENSSELAER
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2017

	Gas Improvement	Gas Meter Deposit	Gas Cash Reserve	Totals
Cash and investments - beginning	\$ 102,024	\$ 231,164	\$ 707,240	\$ 15,716,148
Receipts:				
Taxes	-	-	-	3,449,967
Licenses and permits	-	-	-	26,120
Intergovernmental receipts	-	-	-	1,641,469
Charges for services	-	-	-	589,010
Fines and forfeits	-	-	-	7,723
Utility fees	-	38,630	-	18,864,579
Penalties	-	-	-	105,994
Other receipts	77,000	-	1,033	23,198,690
Total receipts	<u>77,000</u>	<u>38,630</u>	<u>1,033</u>	<u>47,883,552</u>
Disbursements:				
Personal services	-	-	-	3,433,559
Supplies	-	-	-	247,072
Other services and charges	-	-	-	1,017,368
Debt service - principal and interest	-	-	-	1,820,834
Capital outlay	-	-	-	5,906,598
Utility operating expenses	-	-	-	4,334,571
Other disbursements	8,822	36,154	348	22,334,131
Total disbursements	<u>8,822</u>	<u>36,154</u>	<u>348</u>	<u>39,094,133</u>
Excess (deficiency) of receipts over disbursements	<u>68,178</u>	<u>2,476</u>	<u>685</u>	<u>8,789,419</u>
Cash and investments - ending	<u>\$ 170,202</u>	<u>\$ 233,640</u>	<u>\$ 707,925</u>	<u>\$ 24,505,567</u>

CITY OF RENSSELAER
 SCHEDULE OF PAYABLES AND RECEIVABLES
 December 31, 2017

<u>Government or Enterprise</u>	<u>Accounts Payable</u>	<u>Accounts Receivable</u>
Electric	\$ 736,410	\$ 478,413
Wastewater	384,466	108,609
Water	65,013	94,623
Gas	88,480	132,961
Governmental activities	<u>310,392</u>	<u>-</u>
Totals	<u>\$ 1,584,761</u>	<u>\$ 814,606</u>

CITY OF RENNELAER
SCHEDULE OF LEASES AND DEBT
December 31, 2017

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities: Rensselaer Redevelopment Authority	Fire Station	\$ 210,000	07/15/2016	01/15/2040
Description of Debt		Ending Principal Balance	Principal and Interest Due Within One Year	
Type	Purpose			
Governmental activities:				
General obligation bonds	2008 Melville Street Project	\$ 995,000	\$ 111,919	
Revenue bonds	2011 Melville Street Project Refinanced 1993 2000 Bond	470,000	166,139	
Total governmental activities		<u>1,465,000</u>	<u>278,058</u>	
Electric:				
Revenue bonds	2012 Electric Revenue Bonds	3,315,000	655,725	
Revenue Bonds	2017 Electric Revenue Bonds	2,805,000	149,134	
Revenue bonds	2017 Electric Refunding Bonds of 2011	4,210,000	90,294	
Total Electric		<u>10,330,000</u>	<u>895,153</u>	
Wastewater:				
Revenue bonds	2016 High Rate Clarification System and Refunding Bonds	8,937,283	303,489	
Water:				
Revenue bonds	2017 Water Bonds Water Well #8 Trans Main	2,175,000	39,232	
State Revolving Fund	2001 Houston Water Project, 2011 Water Tower, 2011 Water Plant Upgrade	3,762,000	264,552	
Total Water		<u>5,937,000</u>	<u>303,784</u>	
Totals		<u>\$ 26,669,283</u>	<u>\$ 1,780,484</u>	

CITY OF RENSSELAER
SCHEDULE OF CAPITAL ASSETS
December 31, 2017

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	3,345,313
Construction in progress	<u>59,412</u>
Total governmental activities	<u>14,597,971</u>
Electric:	
Land	322,858
Infrastructure	17,643,428
Buildings	508,936
Improvements other than buildings	168,801
Machinery, equipment, and vehicles	1,930,729
Construction in progress	<u>6,148,723</u>
Total Electric	<u>26,723,475</u>
Wastewater:	
Land	179,770
Infrastructure	8,364,446
Machinery, equipment, and vehicles	792,140
Construction in progress	<u>6,571,199</u>
Total Wastewater	<u>15,907,555</u>
Water:	
Infrastructure	1,458,419
Buildings	1,406,477
Machinery, equipment, and vehicles	1,724,353
Construction in progress	<u>5,426,645</u>
Total Water	<u>10,015,894</u>
Gas:	
Land	8,195
Infrastructure	2,131,194
Buildings	329,372
Machinery, equipment, and vehicles	<u>479,531</u>
Total Gas	<u>2,948,292</u>
Total capital assets	<u>\$ 70,193,187</u>

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, 2017. 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, 2017.

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

Report on Internal Control over Compliance


Management of the City is responsible for establishing and maintaining effective internal control over compliance with 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 item 2017-002, that we consider to be a material weakness.

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, 2017

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 Disposal Systems for Rural Communities	Direct grant	10.760			
Wet Weather Treatment Plant			Loan #2	\$ -	\$ 138,995
Wet Weather Treatment Plant			Grant #3	-	3,387,267
Total - Water and Waste Disposal Systems for Rural Communities				-	3,526,262
Total - Department of Agriculture				-	3,526,262
<u>Department of Justice</u>					
Edward Byrne Memorial Justice Assistance Grant Program	Indiana Criminal Justice Institute	16.738	EDS #D-3-17-11612	-	132,545
Total - Department of Justice				-	132,545
<u>Department of Transportation</u>					
Highway Safety Cluster					
National Priority Safety Programs	Indiana Criminal Justice Institute	20.616			
Operation Pull Over			D3-17-11119	-	5,034
Total - Highway Safety Cluster				-	5,034
Total - Department of Transportation				-	5,034
<u>Department of Health and Human Services</u>					
Maternal and Child Health Services Block Grant to the States	Indiana Criminal Justice Institute	93.994			
2017 Inspection Station CRDG			D3-17-10986	-	800
Total - Department of Health and Human Services				-	800
<u>Department of Homeland Security</u>					
Assistance to Firefighters Grant	Direct grant	97.044	EMW-2015-FO-05757	-	156,908
Total - Department of Homeland Security				-	156,908
Total federal awards expended				\$ -	\$ 3,821,549

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, 2017. 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 deficiencies identified?	none reported
Noncompliance material to financial statement noted?	yes

Federal Awards:

Internal control over major program:	
Material weaknesses identified?	yes
Significant deficiencies 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>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>	<u>Opinion Issued</u>
10.760	Water and Waste Disposal Systems for Rural Communities	Unmodified

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

Auditee qualified as low-risk auditee?	no
--	----

Section II - Financial Statement Findings

FINDING 2017-001

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

Repeat Finding

This is a repeat finding from the immediately prior audit. The prior audit finding number was 2016-001.

Condition

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

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

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 for each of these areas had not been designed or implemented to prevent, or detect and correct, errors.

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 held by third-party fiscal agents in the City's name for the Electric Refunding Revenue Bonds 2012, Electric 2017 Revenue B & I, Electric Utility Revenue Refunding Bonds 2017, Rensselaer Water 15 BAN, and Rensselaer Water 17 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. The activity of the Electric Refunding Revenue Bonds 2012 fund was excluded from the financial statement. The receipts, disbursements, and ending cash and investment balance were understated by \$989,963, \$662,825, and \$327,138, respectively.
2. The activity of the Electric 2017 Revenue B & I fund was excluded from the financial statement. The receipts and ending cash and investment balance were understated by \$17,826.
3. The activity of the Electric Utility Refunding Revenue Bonds 2017 fund was excluded from the financial statement. The receipts and ending cash and investment balance were understated by \$4,260,872.

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

4. The activity of the Rensselaer Water 15 BAN fund was excluded from the financial statement. The beginning cash and investment balance, receipts, and disbursements were understated by \$12,502, \$2,012,598, and \$2,025,100, respectively.
5. The activity of the Rensselaer Water 17 BAN fund was excluded from the financial statement. The receipts and ending cash and investment balance were understated by \$2,012,570.

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 Assistance to Firefighter Grant and the Water and Waste Disposal Systems for Rural Communities Loan #2 expenditures of \$156,908 and \$138,995, respectively.

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

Context

The lack of internal controls was a systemic issue 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. . . .

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. . . ."

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

"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. . . ."

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. . . ."

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 a 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.

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

- (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."

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 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. Internal controls should be developed in a way to prevent, or detect and correct, errors in financial transactions and reporting.

Views of Responsible Officials

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

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

Section III - Federal Award Findings and Questioned Costs

FINDING 2017-002

Subject: Water and Waste Disposal Systems for Rural Communities - Internal Controls
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 #2, Grant #3
Compliance Requirements: Cash Management, Period of Performance,
Procurement and Suspension and Debarment
Audit Finding: Material Weakness

Repeat Finding

This is a repeat finding from the immediately prior audit. The prior audit finding numbers were 2016-002 and 2016-003.

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.

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 and Suspension and Debarment

The City had not designed or implemented adequate internal controls to ensure compliance with the procurement requirements in 2 CFR 200.320 and the suspension and debarment requirements in 2 CFR 180.300.

Context

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

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

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 the 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.

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.

AUDITEE-PREPARED DOCUMENTS

The subsequent documents were provided by management of the City. The documents are presented as intended by the City.



CITY OF RENSSELAER

RENSSELAER, INDIANA

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

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

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2016-001

Fiscal year in which the finding initially occurred: 2016
Contact Person Responsible for Corrective Action: Frieda Bretzinger
Contact Phone Number: 219 866-5213

Status of Audit Finding: We are working to correct the listed weaknesses, however because the 2016 and 2017 were done simultaneously we did not have time to implement all corrective actions.

FINDING 2016-002

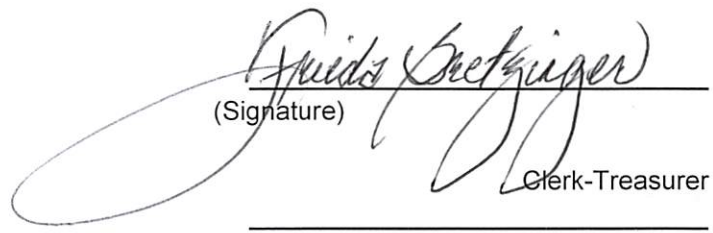
Fiscal year in which the finding initially occurred: 2016
Federal Agency: Department of Agriculture
Contact Person Responsible for Corrective Action: Frieda Bretzinger
Contact Phone Number: 219 866-5213

Status of Audit Finding: We are working to correct the listed weaknesses, however because the 2016 and 2017 were done simultaneously we did not have time to implement all corrective actions.

FINDING 2016-003

Fiscal year in which the finding initially occurred: 2016
Federal Agency: Department of Agriculture
Contact Person Responsible for Corrective Action: Stephen Wood
Contact Phone Number: 219 866-5212

Status of Audit Finding: We are working to correct the listed weaknesses, however because the 2016 and 2017 were done simultaneously we did not have time to implement all corrective actions


(Signature)
Clerk-Treasurer

(Title)

August 23, 2018

(Date)



CITY OF RENSSELAER

RENSSELAER, INDIANA

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

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SCOTT BARTON, *At-Large*

CORRECTIVE ACTION PLAN

FINDING 2017-001

Contact Person Responsible for Corrective Action: Frieda Bretzinger
Contact Phone Number: 219-866-5213
View of Official: I concur with the finding.

This is a repeat finding from our previous audit. Since the 2016 and 2017 audits were performed simultaneously we did not have time to implement all corrective actions.

Corrective Action: I will have a deputy review the Financial Statement in Gateway to verify work. We are now reviewing each other's work and initialing paper.

Anticipated Completion Date: December 31, 2018.

FINDING 2017-002

Contact Person Responsible for Corrective Action: Frieda Bretzinger
Contact Phone Number: 219-866-5213.
View of Official: I concur with the findings.

This is a repeat finding from our previous audit. Since the 2016 and 2017 audits were performed simultaneously we did not have time to implement all corrective actions.

Corrective Action: I will be involved in the process of obtaining grants so that I am more aware of the financial requirements.

Anticipated Completion Date: December 31, 2018.


Frieda Bretzinger
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/>.