

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

EXAMINATION REPORT

OF

CITY OF OAKLAND CITY

GIBSON COUNTY, INDIANA

January 1, 2007 to December 31, 2007



FILED
06/03/2008

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Officials	2
Independent Accountant's Report.....	3
Financial Information:	
Schedule of Receipts, Disbursements, and Cash and Investment Balances	4
Notes to Financial Information	5-6
Supplementary Information:	
Schedule of Long-Term Debt	7
Examination Results and Comments:	
Accountable Items	8
Customer Deposit Register	8
Hydrant Rental.....	8
Deposits.....	8
Capital Asset Records	9
Appropriations.....	9
Overpayment Collections	9-10
Ordinances and Resolutions	10
Exit Conference.....	11

OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Vacant	01-01-07 to 01-24-07
	Ruth E. Wirth	01-25-07 to 12-31-07
	Brenda G. Willis	01-01-08 to 12-31-11
Mayor	Hugh Wirth	01-01-04 to 12-31-07
	Alfred J. Cooper	01-01-08 to 12-31-11
President of the Common Council	Charlotte Richeson	01-01-07 to 12-31-08



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

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

INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE CITY OF OAKLAND CITY, GIBSON COUNTY, INDIANA

We have examined the financial information presented herein of the City of Oakland City (City), for the period of January 1, 2007 to December 31, 2007. The City's management is responsible for the financial information presented herein. Our responsibility is to express an opinion based on our examination.

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

In our opinion, the financial information referred to above presents fairly, in all material respects, the financial information of the City for the year ended December 31, 2007, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

The Schedule of Long-Term Debt, as listed in the Table of Contents, is presented for additional analysis and is not a required part of the basic financial information. It has not been subjected to the examination procedures applied to the basic financial information and, accordingly, we express no opinion on it.

STATE BOARD OF ACCOUNTS

April 14, 2008

CITY OF OAKLAND CITY
SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL, PROPRIETARY, AND FIDUCIARY FUND TYPES
As Of And For The Year Ended December 31, 2007

	Cash and Investments 01-01-07	Receipts	Disbursements	Cash and Investments 12-31-07
Governmental Funds:				
General	\$ 1,358	\$ 530,376	\$ 514,939	\$ 16,795
Motor Vehicle Highway	42,095	109,242	90,161	61,176
Local Road and Street	53,470	10,411	53,373	10,508
Park and Recreation	9,145	28,456	28,328	9,273
Law Enforcement Continuing Education	(70)	2,948	1,505	1,373
Riverboat	37,121	16,319	24,678	28,762
Rainy Day	4,716	-	-	4,716
Donation	494,910	229,248	700,095	24,063
Wirth Park	8,257	4,985	9,449	3,793
Cinergy	5,850	4,447	9,749	548
Vectren	-	17,789	-	17,789
Micro Enterprise	38	-	-	38
FEMA Grants	4	-	-	4
Economic Development Commission	5,799	-	-	5,799
Debt Service	3,315	13,946	17,369	(108)
Cumulative Capital Improvement	10,721	4,814	-	15,535
Cumulative Capital Development	19,544	8,179	8,055	19,668
Economic Development Income Tax	77,210	98,430	98,177	77,463
Proprietary Funds:				
Water Utility - Operating	39,241	691,090	738,074	(7,743)
Water Utility - Bond and Interest	48,947	71,502	80,121	40,328
Water Utility - Depreciation	680	-	-	680
Water Utility - Customer Deposit	41,875	7,280	5,982	43,173
Water Utility - Debt Service Reserve	80,500	-	-	80,500
Wastewater Utility - Operating	5,961	496,061	495,308	6,714
Wastewater Utility - Bond and Interest	100,487	283	97,399	3,371
Wastewater Utility - Depreciation	71,006	-	-	71,006
Wastewater Utility - Customer Deposit	23,694	9,687	5,509	27,872
Wastewater Utility - Debt Service Reserve	81,500	-	-	81,500
Fiduciary Funds:				
Police Officers' Pension	10,359	-	2,838	7,521
Payroll	13,191	707,562	714,101	6,652
Totals	<u>\$ 1,290,924</u>	<u>\$ 3,063,055</u>	<u>\$ 3,695,210</u>	<u>\$ 658,769</u>

The accompanying notes are an integral part of the financial information.

CITY OF OAKLAND CITY
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

The City was established under the laws of the State of Indiana. The City provides the following services: public safety, culture and recreation, general administrative services, water and wastewater.

Note 2. Fund Accounting

The City uses funds to report on its cash and investments and the results of its operations on a cash basis. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities.

Note 3. Budgets

The operating budget is initially prepared and approved at the local level. In addition, funds for which property taxes are levied or highway use taxes are received are subject to final approval by the Indiana Department of Local Government Finance.

Note 4. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the City in June and December. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100% 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 become delinquent if not paid by May 10 and November 10, respectively. All property taxes collected by the County Treasurer and available for distribution were distributed to the City on or prior to December 31 of the year collected.

Note 5. Deposits and Investments

Deposits, made in accordance with Indiana Code 5-13, with financial institutions in the State of Indiana at year end were 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 statute (IC 5-13-9) authorizes the City to invest in securities including, but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

CITY OF OAKLAND CITY
NOTES TO FINANCIAL INFORMATION
(Continued)

Note 6. Pension Plan

Public Employees' Retirement Fund

Plan Description

The City contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in this defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the PERF Board, most requirements of the system, and give the City authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

PERF administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by contacting:

Public Employees' Retirement Fund
Harrison Building, Room 800
143 West Market Street
Indianapolis, IN 46204
Ph. (317) 233-4162

Funding Policy and Annual Pension Cost

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

Note 7. Holding Corporation

The City has entered into a capital lease with Oakland City Municipal Facilities Corporation (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the government. Lease payments during the year ended December 31, 2007, totaled \$43,484.

CITY OF OAKLAND CITY
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 For The Year Ended December 31, 2007

The City has entered into the following debt:

Description of Debt	Ending Balance	Principal and Interest Due Within One Year
Governmental Activities:		
Capital leases:		
Storm sewer improvements	\$ 220,000	\$ 44,037
Bonds payable:		
General obligation bonds:		
2001 Fire Station Bonds	<u>129,819</u>	<u>17,430</u>
Total governmental activities long-term debt	<u>\$ 349,819</u>	<u>\$ 61,467</u>
Business-type Activities:		
Water Utility		
Revenue bonds:		
2002 Water Utility	<u>\$ 881,000</u>	<u>\$ 79,512</u>
Total business-type activities long-term debt	<u>\$ 881,000</u>	<u>\$ 79,512</u>

CITY OF OAKLAND CITY
EXAMINATION RESULTS AND COMMENTS

ACCOUNTABLE ITEMS (Applies to the Water Utility and Wastewater Utility)

Records presented for examination indicated that total gallons of water billed was 53,932,540 and total gallons of water pumped and purchased by the Water Utility was 81,627,000, a difference of 27,717,660 gallons of water lost and not billed. The percentage of water lost for the year 2007 is 34%. Calculations indicate that the potential dollar amount of this loss could range from \$105,050 to \$252,785 because the Water Utility bills are on a sliding scale based on the amount of water used. This unbilled water consumption could also result in a potential loss for the Wastewater Utility because wastewater bills are based on water consumption. The loss is a decrease from the 37% loss shown in the prior year. A similar comment was included in the prior report.

Goods for sale, billings, and other collections are considered accountable items for which a corresponding deposit must be made in the bank accounts of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CUSTOMER DEPOSIT REGISTER (Applies to Water Utility and Wastewater Utility)

The detailed customer deposit register does not reconcile with the customer deposit amount recorded on the general ledger. A similar comment was included in the prior report.

At all times, the manual and computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

HYDRANT RENTAL (Applies to the Water Utility)

The Oakland City Water Utility did not bill for private hydrants for the year 2007 pursuant to Rate Ordinance 2005-5 passed by the Council or appropriate governing body on June 1, 2005.

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

DEPOSITS (Applies to the Water Utility and Wastewater Utility)

Of the transactions tested, 25% of customer deposit receipts were deposited later than the next business day. A similar comment was included in the prior report.

Indiana Code 5-13-6-1(d) states: "A city (other than a consolidated city) or a town shall deposit funds not later than the next business day following the receipt of the funds in depositories (1) selected by the city or town as provided in an ordinance adopted by the city or the town; and (2) approved as depositories of state funds."

CITY OF OAKLAND CITY
EXAMINATION RESULTS AND COMMENTS
(Continued)

CAPITAL ASSET RECORDS (Applies to the City, Water Utility and Wastewater Utility)

The City, the Water Utility and the Wastewater Utility do not maintain sufficient detailed records of capital assets. Records providing historical costs for some of the City's and the Utilities' capital assets are not available, and records classifying and summarizing the Utility's capital assets are incomplete. Deletions or disposals of capital assets are not recorded. A similar comment was included in the prior report.

Every governmental unit should have a complete inventory of all capital assets owned which reflects their acquisition value. Such inventory should be recorded in the Capital Assets Ledger. A complete inventory should be taken every year for good internal control and for verifying account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

APPROPRIATIONS (Applies to the City)

The records presented for audit indicated the following expenditures in excess of budgeted appropriations:

<u>Fund</u>	<u>Excess Amount Expended</u>
General	\$ 97,795
Local Road and Street	33,373
Motor Vehicle Highway	5,871
Debt Service	434
Park and Recreation	17,328

A similar comment was contained in the prior report.

Indiana Code 6-1.1-18-4 states in part: ". . . the proper officers of a political subdivision shall appropriate funds in such a manner that the expenditures for a year do not exceed its budget for that year as finally determined under this article."

OVERPAYMENT COLLECTIONS (Applies to the City)

Fifteen monthly benefit payments from the Police Pension Fund were made to Hester Blevins Mitchell after her death on December 5, 2005. After realizing that he was not entitled to these payments, Mrs. Blevins Mitchell's surviving spouse returned the February and March 2007 checks to the City. Payments made from January 2006 through January 2007, totaling \$8,233, have not been recovered.

CITY OF OAKLAND CITY
EXAMINATION RESULTS AND COMMENTS
(Continued)

Funds misappropriated, diverted or unaccounted for through malfeasance, misfeasance, or non-feasance in office of any officer or employee may be the personal obligation of the responsible officer or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Governmental units should collect any overpayments made. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

ORDINANCES AND RESOLUTIONS

Each common council member was paid \$135.96 more than specified in the salary ordinance for the year 2007. The officials indicated that they will deduct this amount from the 2008 salaries of the four carry-over council members and will seek reimbursement from the fifth board member whose term ended in 2007.

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CITY OF OAKLAND CITY
EXIT CONFERENCE

The contents of this report were discussed on April 14, 2008, with Alfred J. Cooper, Mayor; Brenda G. Willis, Clerk-Treasurer; Hugh Wirth, former Mayor; Ruth E. Wirth, former Clerk-Treasurer; and Charlotte Richeson, President of the Common Council. The officials concurred with our findings.