

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, 2008 to December 31, 2008



FILED
11/10/2009

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:	
Capital Asset Records	8
Customer Deposit Register	8
Appropriations.....	8
Errors on Claims	8-9
Hydrant Rental.....	9
Overdrawn Fund Balances	9
Ordinances and Resolutions	9
Annual Report.....	10
Exit Conference.....	11

OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Brenda G. Willis	01-01-08 to 12-31-11
Mayor	Alfred J. Cooper	01-01-08 to 12-31-11
President of the Common Council	Charlotte Richeson	01-01-08 to 12-31-09



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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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, 2008 to December 31, 2008. 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, 2008, 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

October 7, 2009

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, 2008

	Cash and Investments 01-01-08	Receipts	Disbursements	Cash and Investments 12-31-08
Governmental Funds:				
General	\$ 16,795	\$ 506,576	\$ 526,593	\$ (3,222)
Motor Vehicle Highway	61,176	86,315	51,530	95,961
Local Road and Street	10,508	12,304	750	22,062
Park and Recreation	9,273	22,718	10,992	20,999
Law Enforcement Continuing Education	1,373	2,192	707	2,858
Riverboat	28,762	-	-	28,762
Rainy Day	4,716	-	-	4,716
Donation	24,063	136,204	162,691	(2,424)
Wirth Park	3,793	6,350	8,761	1,382
Cinergy	548	37,469	5,157	32,860
Vectren	17,789	-	-	17,789
Micro Enterprise	38	-	-	38
FEMA Grants	4	-	-	4
Economic Development Commission	5,799	250	250	5,799
Debt Service	(108)	12,424	17,427	(5,111)
Cumulative Capital Improvement	15,535	4,423	-	19,958
Cumulative Capital Development	19,668	7,923	-	27,591
Economic Development Income Tax	77,463	99,417	94,922	81,958
Proprietary Funds:				
Water Utility - Operating	(7,743)	687,736	633,661	46,332
Water Utility - Bond and Interest	40,328	80,470	79,503	41,295
Water Utility - Depreciation	680	-	-	680
Water Utility - Customer Deposit	43,173	8,880	4,113	47,940
Water Utility - Debt Service Reserve	80,500	-	-	80,500
Wastewater Utility - Operating	6,714	490,962	497,088	588
Wastewater Utility - Bond and Interest	3,371	66	-	3,437
Wastewater Utility - Depreciation	71,006	-	-	71,006
Wastewater Utility - Customer Deposit	27,872	13,323	4,600	36,595
Wastewater Utility - Debt Service Reserve	81,500	-	-	81,500
Fiduciary Funds:				
Police Officers' Pension	7,521	164	-	7,685
Payroll	6,652	592,306	586,150	12,808
Totals	<u>\$ 658,769</u>	<u>\$ 2,808,472</u>	<u>\$ 2,684,895</u>	<u>\$ 782,346</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. Rate Structure

Water Utility

On December 14, 1993, the City Council adopted Ordinance 1993-1 to withdraw from the jurisdiction of the Indiana Utility Regulatory Commission. The current rate structure was approved by the City Council on December 9, 2008. The Utility has 1,251 customers.

Wastewater Utility

The current rate structure was approved by the City Council on May 10, 2005. The Utility has 1,080 customers.

Note 8. 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, 2008, totaled \$44,180.

CITY OF OAKLAND CITY
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 December 31, 2008

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:		
Capital leases:		
Storm sewer improvements	\$ 184,000	\$ 44,631
Bonds payable:		
General obligation bonds:		
2001 Fire Station Bonds	<u>118,819</u>	<u>17,849</u>
Total governmental activities debt	<u>\$ 302,819</u>	<u>\$ 62,480</u>
Business-type activities:		
Water Utility:		
Revenue bonds:		
2002 Water Utility	<u>\$ 851,000</u>	<u>\$ 79,826</u>
Total business-type activities debt	<u>\$ 851,000</u>	<u>\$ 79,826</u>

CITY OF OAKLAND CITY
EXAMINATION RESULTS AND COMMENTS

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 Utilities' capital assets are incomplete. Deletions or disposals of capital assets are not recorded. A similar comment was included in several prior reports.

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)

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)

APPROPRIATIONS (Applies to the City)

The records presented for examination indicated the following expenditures in excess of budgeted appropriations. A similar comment was included in the prior report.

<u>Fund</u>	<u>Excess Amount Expended</u>
Motor Vehicle Highway	<u>\$ 43,201</u>

IC 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."

ERRORS ON CLAIMS

The following deficiencies were noted on claims during the examination period:

- (1) Claims were not adequately itemized.
- (2) All claims did not have board approval.
- (3) Claims or invoices were not accompanied by evidence in support of the receipt of goods or services.

CITY OF OAKLAND CITY
EXAMINATION RESULTS AND COMMENTS
(Continued)

IC 5-11-10-1.6 states in part:

"(b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services."

"(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

- (1) there is a fully itemized invoice or bill for the claim;
- (2) the invoice or bill is approved by the officer or person receiving the goods and services;
- (3) the invoice or bill is filed with the governmental entity's fiscal officer;
- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim."

HYDRANT RENTAL (Applies to the Water Utility)

The Oakland City Water Utility did not bill for private hydrants for the year 2008 pursuant to Rate Ordinance 2005-5 passed by the Council or appropriate governing body on June 1, 2005. A similar comment was included in the prior report.

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

OVERDRAWN FUND BALANCES

The General Fund, Debt Service Fund, and Donation Fund were overdrawn in 2008.

The fund balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

ORDINANCES AND RESOLUTIONS

Four common council members were paid \$72.37 more than specified in the salary ordinance for the year 2008. The official indicated that they will deduct this amount from the 2009 salaries. A similar comment was included in the prior report.

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
EXAMINATION RESULTS AND COMMENTS
(Continued)

ANNUAL REPORT

An annual report for 2008 presented for examination was not accurate.

IC 5-3-1-3(a) states in part: "Within sixty (60) days after the expiration of each calendar year, the fiscal officer of each civil city and town in Indiana shall publish an annual report of the receipts and expenditures of the city or town . . ."

CITY OF OAKLAND CITY
EXIT CONFERENCE

The contents of this report were discussed on October 7, 2009, with Brenda G. Willis, Clerk-Treasurer; and Charlotte Richeson, President of the Common Council. The officials concurred with our findings.

Separate telephone exit conferences were held with Alfred J. Cooper, Mayor; Jerry Richardson, Council member; Bret Kramer, Council member; Rhonda Hoover, Council member; and Scot Poe, Council member.