

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

CITY OF OAKLAND CITY
GIBSON COUNTY, INDIANA

January 1, 2012 to December 31, 2012



FILED
09/19/2013

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Brenda G. Willis	01-01-12 to 12-31-15
Mayor	Hugh Wirth	01-01-12 to 12-31-15
President of the Board of Public Works	Hugh Wirth	01-01-12 to 12-31-15
President of the Common Council	Jerry Richardson	01-01-12 to 12-31-13



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 AUDITOR'S REPORT

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

Report on the Financial Statement

We have audited the accompanying financial statement of the City of Oakland City (City), which comprises the financial position and results of operations for the year ended December 31, 2012, and the related notes to the financial statement.

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 of 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 of 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, 2012.

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, 2012, in accordance with the financial reporting provisions of the Indiana State Board of Accounts described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated August 7, 2013, 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 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 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.

Accompanying Information

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 the *U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, 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

INDEPENDENT AUDITOR'S REPORT
(Continued)

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.

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.



Bruce Hartman
State Examiner

August 7, 2013



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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 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 OAKLAND CITY, GIBSON 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 Oakland City (City), which comprises the financial position and results of operations for the year ended December 31, 2012, and the related notes to the financial statement, and have issued our report thereon dated August 7, 2013, 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.

Our consideration of the internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and significant deficiencies.

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 entity's financial statement will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as item 2012-1 to be material weaknesses.

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. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as item 2012-2 to be significant deficiencies.

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 2012-1.

City of Oakland City'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.



Bruce Hartman
State Examiner

August 7, 2013

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FINANCIAL STATEMENT

The financial statement and accompanying notes were approved by management of the City. The financial statement and notes are presented as intended by the City.

CITY OF OAKLAND CITY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For The Year Ended December 31, 2012

Fund	Cash and Investments 01-01-12	Receipts	Disbursements	Cash and Investments 12-31-12
GENERAL FUND	\$ 521	\$ 445,846	\$ 442,421	\$ 3,946
MVH FUND	115,438	80,366	76,081	119,723
LOCAL ROAD & STREET	57,800	10,261	15,180	52,881
PARK & RECREATION	64,856	51,864	78,581	38,139
WIRTH PARK	(158)	16,936	15,339	1,439
ECONOMIC DEVELOPMENT	5,799	-	700	5,099
EDIT FUND	81,624	97,973	93,211	86,386
COMMUNITY DEVELOPMENT	2,702	457,417	459,985	134
LAW ENFOR TRG & EDUCATION	2,859	5,714	2,774	5,799
RAINY DAY	2,863	-	-	2,863
LEVY EXCESS FUND	1,053	-	-	1,053
CUM. CAPITAL DEVELOPMENT	28,039	7,109	30,857	4,291
FIRE BLDG DEBT SERVICE	3,623	18,517	18,003	4,137
DONATION WIRTH PARK	57,461	18,673	59,804	16,330
RIVERBOAT WAGERING	87,924	14,389	37,242	65,071
CUM. CAPITAL IMP.	37,895	6,442	6,440	37,897
INSURANCE REFUND	-	213,027	9,497	203,530
POLICE PENSION	7,685	-	-	7,685
CINERGY	1,824	2,757	3,451	1,130
DONATIONS	8,168	1,388,753	1,373,719	23,202
STORM WATER GRANT	-	720,614	720,614	-
PAYROLL	14,019	616,113	620,857	9,275
MICROENTERPRISE GRANT	38	-	-	38
SEWER O&M & IMPROVEMENT	270,073	687,731	706,632	251,172
SEWER DEPOSITS	53,630	20,880	16,910	57,600
SEWER BOND & INTERES	90,826	182,133	89,778	183,181
SEWER DEBT SERV. RESERV	81,500	-	-	81,500
WASTEWATER GRANT 2011	372	3,060,785	3,045,725	15,432
SEWER ASSET MANAGEMENT RE	22,227	53,349	-	75,576
SEWER DEBT SERVICE RESERV	7,601	18,245	-	25,846
#1 WATER	424,900	853,646	1,119,742	158,804
#4 WATER	58,520	14,640	13,050	60,110
WATER DEBT SERVICE RESERV	80,500	3,650	-	84,150
WATER CONSTRUCTION-GRANT	-	3,530,437	3,530,179	258
WATER ASSET MANAGEMENT	-	31,934	-	31,934
#2 WATER IMPROVEMENT	680	-	-	680
WATER BOND & INTEREST	42,527	116,743	80,156	79,114
Totals	<u>\$ 1,715,389</u>	<u>\$ 12,746,944</u>	<u>\$ 12,666,928</u>	<u>\$ 1,795,405</u>

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

CITY OF OAKLAND CITY
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 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. Receipts are recorded when received and disbursements are recorded when paid.

The regulatory basis of accounting differs from accounting principles generally accepted in the United States of America in that receipts are recognized when received in cash, rather than when earned, and disbursements are recognized when paid, rather than when a liability is incurred.

C. Cash and Investments

Investments are stated at cost. Any changes in fair value of the investments are reported as receipts in the year of the sale of the investment.

D. Receipts

Receipts are presented in the aggregate on the face of the financial statement. The aggregate receipts include the following sources:

Taxes which can include one or more of the following: property taxes, certified shares (local option tax), property tax replacement credit (local option tax), county option income tax, wheel tax, innkeepers tax, food and beverage tax, county economic development income tax, boat and trailer excise tax, county adjusted gross income tax, and other taxes that are set by the City.

Licenses and permits which include amounts received from businesses, occupations, or nonbusinesses that must be licensed before doing business within the government's jurisdiction or permits levied according to the benefits presumably conferred by the permit. Examples of licenses and permits include: peddler licenses, dog tax licenses, auctioneer license, building and planning permits, demolition permits, electrical permits, sign permits, and gun permits.

Intergovernmental receipts which include receipts from other governments in the form of operating grants, entitlements, or payments in lieu of taxes. Examples of this type of receipts include, but are not limited to: federal grants, state grants, cigarette tax distributions received from the state, motor vehicle highway distribution received from the state,

CITY OF OAKLAND CITY
NOTES TO FINANCIAL STATEMENT
(Continued)

local road and street distribution received from the state, financial institution tax received from the state, auto excise surtax received from the state, commercial vehicle excise tax received from the state, major moves distributions received from the state, and riverboat receipts received from the county.

Other receipts which include amounts received from various sources which can include, but are not limited to the following: net proceeds from borrowings; interfund loan activity; transfers authorized by statute, ordinance, resolution or court order; internal service receipts; and fiduciary receipts.

E. Disbursements

Disbursements are presented in the aggregate on the face of the financial statement. The aggregate disbursements include the following uses:

Personal services include outflows for salaries, wages, and related employee benefits provided for all persons employed. In those units where sick leave, vacation leave, overtime compensation, and other such benefits are appropriated separately, such payments would also be included.

Supplies which include articles and commodities that are entirely consumed and materially altered when used and/or show rapid depreciation after use for a short period of time. Examples of supplies include office supplies, operating supplies, and repair and maintenance supplies.

Other services and charges which include, but are not limited to: professional services, communication and transportation, printing and advertising, insurance, utility services, repairs and maintenance, and rental charges.

Debt service principal and interest which include fixed obligations resulting from financial transactions previously entered into by the City. It includes all expenditures for the reduction of the principal and interest of the City's general obligation indebtedness.

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

Utility operating expenses which include all outflows for operating the utilities.

Other disbursements which include, but are not limited to the following: interfund loan payments, loans made to other funds, internal service disbursements, and transfers out that are authorized by statute, ordinance, resolution, or court order.

F. Interfund Transfers

The City may, from time to time, transfer money from one fund to another. These transfers, if any, are included as a part of the receipts and disbursements of the affected funds and as a part of total receipts and disbursements. The transfers are used for cash flow purposes as provided by various statutory provisions.

CITY OF OAKLAND CITY
NOTES TO FINANCIAL STATEMENT
(Continued)

G. Fund Accounting

Separate funds are established, maintained, and reported by the City. Each fund is used to account for money received from and used for specific sources and uses as determined by various regulations. Restrictions on some funds are set by statute while other funds are internally restricted by the City. The money accounted for in a specific fund may only be available for use for certain, legally restricted purposes. Additionally, some funds are used to account for assets held by the City in a trustee capacity as an agent of individuals, private organizations, other funds, or other governmental units and therefore the funds cannot be used for any expenditures of the unit itself.

Note 2. Budgets

The operating budget is initially prepared and approved at the local level. The fiscal officer of the City submits a proposed operating budget to the governing board for the following calendar year. The budget is advertised as required by law. Prior to adopting the budget, the governing board conducts public hearings and obtains taxpayer comments. Prior to November 1, the governing board approves the budget for the next year. The budget for funds for which property taxes are levied or highway use taxes are received is subject to final approval by the Indiana Department of Local Government Finance.

Note 3. Property Taxes

Property taxes levied are collected by the County Treasurer and are scheduled to be distributed to the City in June and December; however, situations can arise which would delay the distributions. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100 percent of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which normally become delinquent if not paid by May 10 and November 10, respectively.

Note 4. Deposits and Investments

Deposits, made in accordance with state statute (IC 5-13), with financial institutions in the State of Indiana at year end should be entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

State statutes authorize the City to invest in securities including, but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

CITY OF OAKLAND CITY
NOTES TO FINANCIAL STATEMENT
(Continued)

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 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 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
1 North Capital Street, Suite 001
Indianapolis, IN 46204
Ph. (888) 526-1687

Funding Policy and Annual Pension Cost

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

CITY OF OAKLAND CITY
NOTES TO FINANCIAL STATEMENT
(Continued)

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
1 North Capital Street, Suite 001
Indianapolis, IN 46204
Ph. (888) 526-1687

Funding Policy

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

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SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the City's Annual Report information can be found on the Gateway website: <https://gateway.ifionline.org/>.

Differences may be noted between the financial information presented in the financial statement contained in this report and the financial information presented in the Annual Report of the City which is referenced above. These differences, if any, are due to adjustments made to the financial information during the course of the 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 supplementary information presented was approved by management of the City. It is presented as intended by the City.

CITY OF OAKLAND CITY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2012

	GENERAL FUND	MVH FUND	LOCAL ROAD & STREET	PARK & RECREATION	WIRTH PARK	ECONOMIC DEVELOPMENT	EDIT FUND
Cash and investments - beginning	\$ 521	\$ 115,438	\$ 57,800	\$ 64,856	\$ (158)	\$ 5,799	\$ 81,624
Receipts:							
Taxes	366,051	12,763	-	-	16,936	-	-
Licenses and permits	800	-	-	-	-	-	-
Intergovernmental	56,808	60,510	10,261	-	-	-	97,973
Other receipts	22,187	7,093	-	51,864	-	-	-
Total receipts	<u>445,846</u>	<u>80,366</u>	<u>10,261</u>	<u>51,864</u>	<u>16,936</u>	<u>-</u>	<u>97,973</u>
Disbursements:							
Personal services	260,198	31,768	-	-	3,006	-	-
Supplies	35,663	31,173	15,180	62,611	8,538	-	-
Other services and charges	138,331	10,219	-	15,970	3,795	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	2,921	-	-	-	700	93,211
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	8,229	-	-	-	-	-	-
Total disbursements	<u>442,421</u>	<u>76,081</u>	<u>15,180</u>	<u>78,581</u>	<u>15,339</u>	<u>700</u>	<u>93,211</u>
Excess (deficiency) of receipts over disbursements	<u>3,425</u>	<u>4,285</u>	<u>(4,919)</u>	<u>(26,717)</u>	<u>1,597</u>	<u>(700)</u>	<u>4,762</u>
Cash and investments - ending	<u>\$ 3,946</u>	<u>\$ 119,723</u>	<u>\$ 52,881</u>	<u>\$ 38,139</u>	<u>\$ 1,439</u>	<u>\$ 5,099</u>	<u>\$ 86,386</u>

CITY OF OAKLAND CITY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2012
 (Continued)

	COMMUNITY DEVELOPMENT	LAW ENFOR TRG & EDUCATION	RAINY DAY	LEVY EXCESS FUND	CUM. CAPITAL DEVELOPMENT	FIRE BLDG DEBT SERVICE	DONATION WIRTH PARK
Cash and investments - beginning	\$ 2,702	\$ 2,859	\$ 2,863	\$ 1,053	\$ 28,039	\$ 3,623	\$ 57,461
Receipts:							
Taxes	-	-	-	-	6,480	18,517	-
Licenses and permits	-	5,714	-	-	-	-	-
Intergovernmental	457,417	-	-	-	629	-	-
Other receipts	-	-	-	-	-	-	18,673
Total receipts	<u>457,417</u>	<u>5,714</u>	<u>-</u>	<u>-</u>	<u>7,109</u>	<u>18,517</u>	<u>18,673</u>
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	30,857	-	59,804
Other services and charges	-	2,774	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	18,003	-
Capital outlay	459,985	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-
Total disbursements	<u>459,985</u>	<u>2,774</u>	<u>-</u>	<u>-</u>	<u>30,857</u>	<u>18,003</u>	<u>59,804</u>
Excess (deficiency) of receipts over disbursements	<u>(2,568)</u>	<u>2,940</u>	<u>-</u>	<u>-</u>	<u>(23,748)</u>	<u>514</u>	<u>(41,131)</u>
Cash and investments - ending	<u>\$ 134</u>	<u>\$ 5,799</u>	<u>\$ 2,863</u>	<u>\$ 1,053</u>	<u>\$ 4,291</u>	<u>\$ 4,137</u>	<u>\$ 16,330</u>

CITY OF OAKLAND CITY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2012
 (Continued)

	RIVERBOAT WAGERING	CUM. CAPITAL IMP.	INSURANCE REFUND	POLICE PENSION	CINERGY	DONATIONS
Cash and investments - beginning	\$ 87,924	\$ 37,895	\$ -	\$ 7,685	\$ 1,824	\$ 8,168
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	14,389	6,442	-	-	-	-
Other receipts	-	-	213,027	-	2,757	1,388,753
Total receipts	<u>14,389</u>	<u>6,442</u>	<u>213,027</u>	<u>-</u>	<u>2,757</u>	<u>1,388,753</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	37,242	-	9,497	-	3,451	1,373,719
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	6,440	-	-	-	-
Total disbursements	<u>37,242</u>	<u>6,440</u>	<u>9,497</u>	<u>-</u>	<u>3,451</u>	<u>1,373,719</u>
Excess (deficiency) of receipts over disbursements	<u>(22,853)</u>	<u>2</u>	<u>203,530</u>	<u>-</u>	<u>(694)</u>	<u>15,034</u>
Cash and investments - ending	<u>\$ 65,071</u>	<u>\$ 37,897</u>	<u>\$ 203,530</u>	<u>\$ 7,685</u>	<u>\$ 1,130</u>	<u>\$ 23,202</u>

CITY OF OAKLAND CITY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2012
 (Continued)

	STORM WATER GRANT	PAYROLL	MICROENTERPRISE GRANT	SEWER O&M & IMPROVEMENT	SEWER DEPOSITS	SEWER BOND & INTERES
Cash and investments - beginning	\$ -	\$ 14,019	\$ 38	\$ 270,073	\$ 53,630	\$ 90,826
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	720,614	-	-	-	-	-
Other receipts	-	616,113	-	687,731	20,880	182,133
Total receipts	<u>720,614</u>	<u>616,113</u>	<u>-</u>	<u>687,731</u>	<u>20,880</u>	<u>182,133</u>
Disbursements:						
Personal services	-	471,651	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	720,614	-	-	6,300	-	89,778
Utility operating expenses	-	-	-	518,412	16,910	-
Other disbursements	-	149,206	-	181,920	-	-
Total disbursements	<u>720,614</u>	<u>620,857</u>	<u>-</u>	<u>706,632</u>	<u>16,910</u>	<u>89,778</u>
Excess (deficiency) of receipts over disbursements	<u>-</u>	<u>(4,744)</u>	<u>-</u>	<u>(18,901)</u>	<u>3,970</u>	<u>92,355</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ 9,275</u>	<u>\$ 38</u>	<u>\$ 251,172</u>	<u>\$ 57,600</u>	<u>\$ 183,181</u>

CITY OF OAKLAND CITY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2012
 (Continued)

	SEWER DEBT SERV. RESERV	WASTEWATER GRANT 2011	SEWER ASSET MANAGEMENT RE	SEWER DEBT SERVICE RESERV	#1 WATER	#4 WATER
Cash and investments - beginning	\$ 81,500	\$ 372	\$ 22,227	\$ 7,601	\$ 424,900	\$ 58,520
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	3,060,785	-	-	-	-
Other receipts	-	-	53,349	18,245	853,646	14,640
Total receipts	-	3,060,785	53,349	18,245	853,646	14,640
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	3,045,725	-	-	56,917	-
Utility operating expenses	-	-	-	-	946,095	13,050
Other disbursements	-	-	-	-	116,730	-
Total disbursements	-	3,045,725	-	-	1,119,742	13,050
Excess (deficiency) of receipts over disbursements	-	15,060	53,349	18,245	(266,096)	1,590
Cash and investments - ending	\$ 81,500	\$ 15,432	\$ 75,576	\$ 25,846	\$ 158,804	\$ 60,110

CITY OF OAKLAND CITY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2012
 (Continued)

	WATER DEBT SERVICE RESERV	WATER CONSTRUCTION-GRANT	WATER ASSET MANAGEMENT	#2 WATER IMPROVEMENT	WATER BOND & INTEREST	TOTALS
Cash and investments - beginning	\$ 80,500	\$ -	\$ -	\$ 680	\$ 42,527	\$ 1,715,389
Receipts:						
Taxes	-	-	-	-	-	420,747
Licenses and permits	-	-	-	-	-	6,514
Intergovernmental	-	-	-	-	-	4,485,828
Other receipts	3,650	3,530,437	31,934	-	116,743	7,833,855
Total receipts	<u>3,650</u>	<u>3,530,437</u>	<u>31,934</u>	<u>-</u>	<u>116,743</u>	<u>12,746,944</u>
Disbursements:						
Personal services	-	-	-	-	-	766,623
Supplies	-	-	-	-	-	243,826
Other services and charges	-	-	-	-	-	1,594,998
Debt service - principal and interest	-	-	-	-	-	18,003
Capital outlay	-	-	-	-	-	4,476,151
Utility operating expenses	-	-	-	-	-	1,494,467
Other disbursements	-	3,530,179	-	-	80,156	4,072,860
Total disbursements	<u>-</u>	<u>3,530,179</u>	<u>-</u>	<u>-</u>	<u>80,156</u>	<u>12,666,928</u>
Excess (deficiency) of receipts over disbursements	<u>3,650</u>	<u>258</u>	<u>31,934</u>	<u>-</u>	<u>36,587</u>	<u>80,016</u>
Cash and investments - ending	<u>\$ 84,150</u>	<u>\$ 258</u>	<u>\$ 31,934</u>	<u>\$ 680</u>	<u>\$ 79,114</u>	<u>\$ 1,795,405</u>

CITY OF OAKLAND CITY
 SCHEDULE OF PAYABLES AND RECEIVABLES
 December 31, 2012

Government or Enterprise	Accounts Payable	Accounts Receivable
Wastewater	\$ 5,979	\$ 44,851
Water	432	14,598
Governmental activities	<u>7,578</u>	<u>1,911</u>
Totals	<u>\$ 13,989</u>	<u>\$ 61,360</u>

CITY OF OAKLAND CITY
SCHEDULE OF LEASES AND DEBT
December 31, 2012

Description of Debt		Ending Principal Balance	Principal and Interest Due Within One Year
Type	Purpose		
Governmental activities:			
General obligation bonds	FIRE BUILDING DEPT	\$ 68,819	\$ 17,652
General obligation bonds	STORMWATER IMPROVEMENT	<u>21,816</u>	<u>21,816</u>
Total governmental activities		<u>90,635</u>	<u>39,468</u>
Wastewater:			
Revenue bonds	WASTEWATER IMPROVEMENTS	<u>4,230,000</u>	<u>170,750</u>
Water:			
Revenue bonds	WATER IMPROVEMENTS	711,000	80,122
Revenue bonds	WATER IMPROVEMENTS	<u>2,045,000</u>	<u>18,545</u>
Total water		<u>2,756,000</u>	<u>98,667</u>
Totals		<u>\$ 7,076,635</u>	<u>\$ 308,885</u>

CITY OF OAKLAND CITY
SCHEDULE OF CAPITAL ASSETS
December 31, 2012

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	\$ 10,000
Infrastructure	5,413
Buildings	2,047,765
Machinery, equipment, and vehicles	106,900
Total governmental activities	2,170,078
Wastewater:	
Land	6,000
Infrastructure	1,569,457
Buildings	7,557,892
Improvements other than buildings	1,800
Machinery, equipment, and vehicles	4,302,945
Total Wastewater	13,438,094
Water:	
Land	20,000
Infrastructure	1,569,457
Improvements other than buildings	450,000
Machinery, equipment, and vehicles	72,257
Construction in progress	2,342,342
Total Water	4,454,056
Total capital assets	\$ 20,062,228

CITY OF OAKLAND CITY
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS - SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Internal controls over the recording and accounting for the financial activities reported on the Schedule of Expenditures of Federal Awards were insufficient to detect and correct the following errors noted on the Schedule of Expenditures of Federal Awards: one federal grant was reported in combination with another grant, one grant did not include the loan portion that was drawn down during the audit period, one grant was reported for the incorrect amount, and direct grant and pass-through agency information, federal program titles, and pass-through entity identification numbers were not always correct.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

INTERNAL CONTROLS - DISBURSEMENTS

Internal controls over disbursements, except payroll disbursements were insufficient due to the lack of segregation of duties.

During the audit period, the Clerk-Treasurer was responsible for preparing the accounts payable claims, processing the checks, mailing the checks, and preparing the bank statement reconcilements.

Internal controls over the preparation of the Financial Statement and Notes to Financial Statement were insufficient due to the lack of segregation of duties.

During the audit period, the Clerk-Treasurer was responsible for preparing the Financial Statement and the Notes to Financial Statement. No other responsible parties reviewed or compiled the information for the annual report.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CITY OF OAKLAND CITY
AUDIT RESULTS AND COMMENTS
(Continued)

ACCOUNTING FOR CITY DEPARTMENT FUNDS

The City Fire Department conducted fundraisers (golf scrambles, fireworks displays, etc.) and received insurance checks for fire runs that were not being accounted for in the City's ledger. The City Fire Department deposited fund raiser receipts and insurance checks into a "Firemen Wives Auxiliary Fund" bank account.

The City Fire Department makes purchases for the Fire Department from the "Auxiliary" bank account.

The Clerk-Treasurer was not provided with the documentation for disbursements made from the "Auxiliary" account and was not provided with supporting information for revenues from the fundraisers, which are being advertised as Oakland City Fire Department fundraisers. Personal checks remitted to the Oakland City Fire Department are being deposited into the "Auxiliary" bank account.

The Fire Department building is rented out and not all of the rental proceeds are being remitted to the Clerk-Treasurer.

Indiana Code 36-4-10-4.5(b) states in part:

"The fiscal officer is the head of the city department of finance. The fiscal officer shall do the following:

- (1) Receive and care for all city money and pay the money out only on order of the approving body.
- (2) Keep accounts showing when and from what sources the fiscal officer has received city money and when and to whom the fiscal officer has paid out city money."

SALES TAX NOT COLLECTED OR REMITTED

The Water Utility collected the proper sales tax for utility services from its customers, but the Water Utility failed to remit \$17 in sales tax collected to the Indiana Department of Revenue.

The City collected the proper sales tax for rental of shelter buildings from its customers, but the City failed to remit \$531 in sales tax collected to the Indiana Department of Revenue.

Collections by a city or town from the retail sale of tangible property, utility service, or commodities in the performance of private or proprietary activities are subject to sales tax. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

All questions concerning the law or procedure for paying and collecting sales tax should be directed to the Indiana Department of Revenue, Sales Tax Division. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



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

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

Report on Compliance for Each Major Federal Program

We have audited the City of Oakland City's (City) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended December 31, 2012. 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 the requirements of laws, regulations, contracts, and grants 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 its major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each 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, 2012.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH 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 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 type of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for its major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 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 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Bruce Hartman
State Examiner

August 7, 2013

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

CITY OF OAKLAND CITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended December 31, 2012

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	Total Federal Awards Expended
<u>Department of Agriculture</u>				
Water and Waste Program Cluster				
Water and Waste Disposal System for Rural Communities	Direct Grant	10.760		\$ 3,300,179
ARRA - Water and Waste Disposal System for Rural Communities	Direct Grant	10.781	IN-703-92-06	1,674,340
Total - Department of Agriculture				<u>4,974,519</u>
<u>Department of Housing and Urban Development</u>				
CDBG - State-Administered CDBG Cluster				
Community Development Block Grants - State's Program and Non-Entitlement Grants in Hawaii	OCRA	14.228	CF-10-213	449,600
	OCRA	14.228	DR2-09-194	720,614
	OCRA	14.228	DR2-09-092	<u>1,365,885</u>
Total - Department of Housing and Urban Development				<u>2,536,099</u>
Total federal awards expended				<u>\$ 7,510,618</u>

The accompanying note is an integral part of the Schedule of Expenditures of Federal Awards.

CITY OF OAKLAND CITY
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Oakland City and is presented in accordance with the cash and investment basis of accounting used in the preparation of the financial statement. Accordingly, the amount of federal awards expended is based on when the disbursement related to the award occurs except when the federal award is received on a reimbursement basis. In these instances the federal awards are considered expended when the reimbursement is received.

CITY OF OAKLAND CITY
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?	yes
Noncompliance material to financial statement noted?	yes

Federal Awards:

Internal control over major program:	
Material weaknesses identified?	no
Significant deficiencies identified?	none reported
Type of auditor's report issued on compliance for major program:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?	no

Identification of Major Program:

Name of Federal Program or Cluster

Water and Waste Program Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? no

Section II – Financial Statement Findings

FINDING 2012-1 - INTERNAL CONTROLS OVER THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The City did not have a proper system of internal control in place to prevent or detect and correct errors on the Schedule of Expenditures of Federal Awards (SEFA). The City should have proper controls in place over the preparation of the SEFA to ensure accurate reporting of federal awards. Without a proper system of internal control in place that operates effectively, material misstatements of the SEFA could remain undetected.

During the audit of the SEFA, we noted the following errors: one federal grant was reported in combination with another grant, one grant did not include the loan portion that was drawn down during the audit period, one grant was reported for the incorrect amount, and direct grant and pass-through agency information, federal program titles, and pass-through entity identification numbers were not always correct. Audit

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

adjustments were proposed, accepted by the City, and made to the SEFA presented in this report. These adjustments resulted in a presentation of the SEFA that is materially correct in relation to the financial statements.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets, and all forms of information processing are necessary for proper internal control.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

OMB Circular A-133, Subpart C, section. 300 states in part: "The auditee shall . . . (d) Prepare appropriate financial statements, including the schedule of expenditures of Federal Awards in accordance with section.310."

OMB Circular A-133, Subpart C, section. 310(b) states:

"Schedule of expenditures of Federal awards: The auditee shall also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements. 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 award years, the auditee may list the amount of Federal awards expended for each award year separately. At a minimum, the schedule shall:

- (1) List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For R&D, total Federal awards expended shall be shown either by individual award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision I the Department of Health and Human Services.
- (2) For Federal awards received as a sub-recipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included.
- (3) Provide the total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.
- (4) Include notes that describe the significant accounting policies used in preparing the schedule.
- (5) To the extent practical, pass-through entities should identify in the schedule the total amount provided to sub-recipients from each Federal program.
- (6) Include, in either the schedule or a note to the schedule, the value of the Federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end. While not required, it is preferable to present this information in the schedule."

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

FINDING 2012-2 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

We noted several deficiencies in the internal control system of the City of Oakland City related to financial transactions and reporting. We believe the following deficiency constitutes a significant deficiency:

1. **Preparing Financial Statements and Notes to Financial Statement:** Effective internal control over financial reporting involves the identification and analysis of the risks of material misstatement to the City's audited financial statement and then determining how those identified risks should be managed. The City has not identified risks to the preparation of a reliable financial statement and as a result has failed to design effective controls over the preparation of the financial statement to prevent or detect material misstatements, including notes to the financial statement. This resulted in minor errors in the financial statement, as presented for audit. Errors are a result of the following deficiencies: (1) reconciliements of some accounts to supporting ledgers not being performed timely, and (2) a lack of an adequate review process being established for the City's financial statement and notes to financial statement.
2. **Lack of Segregation of Duties:** Control activities should be selected and developed at various levels of the city to reduce risks to the achievement of financial reporting objectives. The City has not separated duties regarding the processing of disbursements. The failure to establish these controls could enable material misstatements or irregularities to remain undetected.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control.

Controls over the receipting, disbursing, recording and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.



CITY OF OAKLAND CITY
Oakland City, Indiana

CORRECTIVE ACTION PLAN

FINDING NO. 2012-1, INTERNAL CONTROLS OVER THE SCHEDULE OF EXPENDITURES AND FEDERAL AWARDS

AUDITEE CONTACT PERSON: Brenda G Willis

TITLE OF CONTACT PERSON: Clerk-Treasurer

PHONE NUMBER OF CONTACT PERSON: 812-749-3222

Plan: When grants are discussed at Council/Board meetings, determine if/when they are received, as well as the ending dates. All personnel dealing with grants will be consulted at annual report time to insure that all grants are included in the report before report is submitted. Also, a spreadsheet will be created and kept current throughout the year, listing all grants, awards and loans and any other pertinent information.

Clerk-Treasurer

August 5, 2013

SECTION I

The City of Oakland City Common Council/Board of Works and the Clerk-Treasurer will work together to implement the Corrective Action Plan.

SECTION II

The Corrective Action Plan will include effective September 1, 2013 the following items:

1. A financial statement will be provided to the Members at the monthly meeting showing the beginning balance-receipts-disbursements and approximate ending balances for the previous month. (Fund and Appropriation Reports)
2. All ledgers which the Clerk-Treasurer keeps records in will be accessible to all members at any time.
3. The Common Council president, Council Member or the Clerk in City Hall will initial the Bank Reconcilements to verify that the reconciliation was completed and accurate.
4. The Budget for the oncoming year will be presented to the Council Members to look over and review before attending the meeting with the DLGF or placing the Budget on Gateway.
5. The Annual Report will be presented to the Council Members to look over and review and approve at the end of the Calendar year.
6. The Common Council President will be shown the W-2, 1099's and 941's for all 4 quarters and the State and County Tax forms for the year to review and initial for approval.
7. The Clerk-Treasurer will inform the Council Members when the City receives a Tax Disbursement and inform them of the breakdown of the amount received at City meetings.
8. The Clerk-Treasurer will inform the members of any Past Due Bills (over 90 days) and any bad checks the City has received at the meeting.

SECTION III

The *CORRECTION ACTION PLAN POLICY* for the City of Oakland City, IN shall be in full force effective August 8, 2013.



Brenda G Willis, Clerk-Treasurer

CITY OF OAKLAND CITY
EXIT CONFERENCE

The contents of this report were discussed on August 8, 2013, with Brenda G. Willis, Clerk-Treasurer; Hugh Wirth, Mayor; Brett Kramer, Councilman; and Jerry Richardson, President of the Common Council. The officials concurred with our audit findings.