

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

EXAMINATION REPORT
OF
CITY OF DELPHI
CARROLL COUNTY, INDIANA
January 1, 2007 to December 31, 2007



FILED
11/06/2008

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Janice K. Roe	06-16-04 to 12-31-11
Mayor	Lee W. Hoard Randy J. Strasser	01-01-04 to 12-31-07 01-01-08 to 12-31-11
President of the Common Council	Carolyn K. Pearson	01-01-07 to 12-31-08
Superintendent of Water Utility	Gary L. Hathaway Craig A. Myers	01-01-07 to 12-31-07 01-01-08 to 12-31-08
Superintendent of Wastewater Utility	Richard W. Vansickle	01-01-07 to 12-31-08



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE CITY OF DELPHI, CARROLL COUNTY, INDIANA

We have examined the financial information presented herein of the City of Delphi (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 and Schedules of Funding Progress, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the basic financial information. They have not been subjected to the examination procedures applied to the basic financial information and, accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

October 7, 2008

CITY OF DELPHI
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	\$ 2,479,124	\$ 1,557,468	\$ 1,922,074	\$ 2,114,518
Motor Vehicle Highway	127,213	147,226	108,249	166,190
Local Road and Street	5,821	11,772	4,968	12,625
Law Enforcement Continuing Education	5,803	2,217	475	7,545
Animal Control	896	-	7	889
Special Project	7,506	-	898	6,608
Police Donation	3,366	10	352	3,024
Airport Donation	2,818	205	-	3,023
Park Nonreverting	21,289	5,795	326	26,758
Levy Excess	13,975	-	13,975	-
Historical Trail Grant	12,813	43,723	43,723	12,813
Delphi Tri Township Equipment	5,300	7,170	3,162	9,308
Dare Nonreverting	17	-	-	17
Economic Development Income Tax	110,115	71,550	107,088	74,577
Indoor Recreation	183	-	-	183
Wabash Heritage	1,532	-	-	1,532
Railroad Cleanup	1,045	-	-	1,045
Housing Development	23,238	-	5,203	18,035
Main Street Nonreverting	796	2,185	-	2,981
Sidewalk Curb Share	15,897	829	1,792	14,934
Federal Aviation Authority Grant	909	1,476	-	2,385
Riverboat	19,061	20,326	12,564	26,823
Delphi Flood Clean Up	1,003	-	-	1,003
Cumulative Capital Improvement	24,278	10,590	2,984	31,884
Cumulative Building and Fire Fighting Equipment	3,948	20,000	-	23,948
Proprietary Funds:				
Water Utility - Operating	81,486	744,531	697,006	129,011
Water Utility - Bond and Interest	158,068	157,500	315,568	-
Water Utility - Debt Reserve	167,636	-	-	167,636
Water Utility - Customer Deposit	45,397	10,337	6,088	49,646
Water Utility - Booster Station	5,352	1,792	6,331	813
Wastewater Utility - Operating	92,642	831,669	765,832	158,479
Wastewater Utility - Bond and Interest	124	149,441	149,547	18
Wastewater Utility - Debt Reserve	159,940	-	-	159,940
Fiduciary Funds:				
Police Officers' Pension	31,323	20,678	31,229	20,772
City Court	3,358	19,091	20,342	2,107
County Court Share	-	2,114	2,114	-
Payroll	20,147	1,123,282	1,134,076	9,353
Totals	\$ 3,653,419	\$ 4,962,977	\$ 5,355,973	\$ 3,260,423

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

CITY OF DELPHI
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, highway and streets, culture and recreation, public improvements, planning and zoning, 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.

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 DELPHI
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. Long-Term Debt

The City has entered into the following debt instruments. The 2001 refunding bonds were used to retire old debt and finance additional wastewater improvements. The outstanding principal on this debt on December 31, 2007, was \$885,000. The City has also entered into loans for water improvements and a street sweeper. The outstanding principal on these loans on December 31, 2007, was \$2,566,000 and \$67,404, respectively. The City has entered into capital leases for park lighting and trucks. The outstanding principal on these capital leases on December 31, 2007, was \$6,311 and \$99,860, respectively.

Note 8. Subsequent Events

The City Department of Aviation was awarded an Airport Rehabilitate Runway Grant on June 20, 2008, in the amount of \$855,269. The City has also agreed to act as a pass-through agency for the Wabash and Erie Canal Boat and Warehouse Grant in the amount of \$550,392.

CITY OF DELPHI
SUPPLEMENTARY INFORMATION
SCHEDULE OF LONG-TERM DEBT
December 31, 2007

The City has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental Activities:		
Capital leases:		
Park Lighting	\$ 6,311	\$ 6,311
2008 International 7300 Truck/2008 Ford F250 Truck	99,860	23,449
Notes and loans payable		
Street Sweeper	<u>67,404</u>	<u>24,594</u>
Total governmental activities debt	<u>\$ 173,575</u>	<u>\$ 54,354</u>
Business-type Activities:		
Water Utility		
Notes and loans payable:		
USDA Loan	\$ 2,566,000	\$ 157,885
Wastewater Utility		
Revenue bonds:		
2001 Issue	<u>885,000</u>	<u>105,000</u>
Total business-type activities debt:	<u>\$ 3,451,000</u>	<u>\$ 262,885</u>

CITY OF DELPHI
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULES OF FUNDING PROGRESS

Public Employees' Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Excess of Assets Over (Unfunded) AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Excess (Unfunded) AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-05	\$ 494,829	\$ 570,080	\$ (75,251)	87%	\$ 679,578	(11%)
07-01-06	665,907	603,270	62,637	110%	679,729	9%
07-01-07	755,815	653,292	102,523	116%	712,922	14%

Police Pension Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Excess (Unfunded) AAL as a Percentage of Covered Payroll ((a-b)/c)
01-01-04	\$ 72,099	\$ 390,000	\$ (317,901)	18%	\$ 205,296	(155%)
01-01-05	58,845	378,700	(319,855)	16%	210,215	(152%)
01-01-06	45,315	372,000	(326,685)	12%	214,134	(153%)
01-01-07	31,323	363,600	(332,277)	9%	227,970	(146%)

CITY OF DELPHI
EXAMINATION RESULTS AND COMMENTS

OLD OUTSTANDING CHECKS

The City and Water bank accounts had a total of 30 outstanding checks which were more than two years old on December 31, 2007. A similar comment was in prior Report B30701.

Indiana Code 5-11-10.5-2 states in part:

"All warrants or checks drawn upon public funds of a political subdivision that are outstanding and unpaid for a period of two (2) or more years as of the last day of December of each year are void."

Indiana Code 5-11-10.5-3 states in part:

"Not later than March 1 of each year, the treasurer of each political subdivision shall prepare or cause to be prepared a list in triplicate of all warrants or checks that have been outstanding for a period of two (2) or more years as of December 31 of the preceding year. The original copy of each list shall be filed with the board of finance of the political subdivision or the fiscal body of a city or town. The duplicate copy shall be transmitted to the disbursing officer of the political subdivision. The triplicate copy of each list shall be filed in the office of the treasurer of the political subdivision. If the treasurer serves also as the disbursing officer of the political subdivision, only two (2) copies of each list need be prepared or caused to be prepared by the treasurer."

Indiana Code 5-11-10.5-5 states:

"(a) Upon the preparation and transmission of the copies of the list of the outstanding warrants or checks, the treasurer of the political subdivision shall enter the amounts so listed as a receipt into the fund or funds from which they were originally drawn and shall also remove the warrants or checks from the record of outstanding warrants or checks.

(b) If the disbursing officer does not serve also as treasurer of the political subdivision, the disbursing officer shall also enter the amounts so listed as a receipt into the fund or funds from which the warrants or checks were originally drawn. If the fund from which the warrant or check was originally drawn is not in existence, or cannot be ascertained, the amount of the outstanding warrant or check shall be receipted into the general fund of the political subdivision."

CONDITION OF RECORDS

The following deficiencies, relating to the recordkeeping, that were cited in the prior Reports B28332 and B30701 were again present during our period of examination:

1. Depository reconciliations of the fund balances were incorrect. The net variance on December 31, 2007, was \$41,172.75.

Indiana Code 5-13-6-1(e) states in part:

"All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

CITY OF DELPHI
EXAMINATION RESULTS AND COMMENTS
(Continued)

2. There were a considerable number of posting errors. These errors included deposits not receipted, checks and receipts not recorded in the proper amounts, interest not posted, and nonsufficient funds checks incorrectly posted.

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

3. Some transactions were recorded as "negative" receipts and disbursements.

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

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)

APPROPRIATIONS

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

Fund	Year	Excess Amount Expended
Motor Vehicle Highway	2007	<u>\$ 1,045</u>

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."

PAYROLL DEDUCTIONS

Payments made to the Public Employees Retirement Fund on behalf of police officers for the year ended December 31, 2007, exceeded the amounts withheld from the officers' salaries for retirement purposes by \$ 325.

Political subdivisions are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings, and filing requirements concerning reports and other procedural matters of federal and state agencies, including opinions of the Attorney General of the State of Indiana, and court decisions. Governmental units should file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CITY OF DELPHI
EXAMINATION RESULTS AND COMMENTS
(Continued)

CUSTOMER DEPOSIT REGISTER

The detailed customer deposit register does not reconcile with the customer deposit amount recorded on the general ledger. A similar comment was in prior Reports B25841, B28332, and B30701.

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)

DEPOSITS

During our examination, an interest check dated March 24, 2008, for \$26,128.22 was found in the source documentation being reviewed. This check had not been deposited nor entered into the City's records. The check was deposited and entered to the City's records on September 18, 2008, by Receipt 14613.

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."

CAPITAL ASSET RECORDS

The City did not maintain an accurate inventory of capital assets for the City or its Utilities. A similar comment was in prior Reports B25841, B28332, and B30701.

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)

DELINQUENT WASTEWATER ACCOUNTS

All delinquent wastewater fees and penalties had not been recorded with the County Recorder nor were they certified to the County Auditor which would result in a lien against the property.

Indiana Code 36-9-23-33 states in part:

"(b) Except as provided in subsection (l), the officer charged with the collection of fees and penalties assessed under this chapter shall enforce their payment. As often as the officer determines is necessary in a calendar year, the officer shall prepare either of the following:

CITY OF DELPHI
EXAMINATION RESULTS AND COMMENTS
(Continued)

- (1) a list of the delinquent fees and penalties that are enforceable under this section, which must include the following:
 - (A) the name or names of the owner or owners of each lot or parcel of real property on which fees are delinquent;
 - (B) a description of the premises, as shown by the records of the county auditor; and
 - (C) the amount of the delinquent fees, together with the penalty; or
 - (2) an individual instrument for each lot or parcel of real property on which the fees are delinquent.
- (c) The officer shall record a copy of each list or each individual instrument with the county recorder . . .
- (e) Using the lists and instruments prepared under subsection (b) and recorded under subsection (c), the officer shall, not later than ten (10) days after the list or each individual instrument is recorded under subsection (c), certify to the county auditor a list of the liens that remain unpaid for collection in the next May. . . ."

COLLECTION OF AMOUNTS DUE – AVIATION

The amount of delinquent hangar rentals totaled \$7,922 as of December 31, 2007. A similar comment was in prior Report B30701.

Governmental units have a responsibility to collect amounts owed to the governmental unit pursuant to procedures authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

INTERNAL CONTROLS – AVIATION

Controls over the Airport Hangar Rental billing, receipting, and recording for the financial activities were insufficient. Not all Hangar Rental Contracts could be located and presented for the examination. A similar comment was in prior Report B30701.

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 DELPHI
EXAMINATION RESULTS AND COMMENTS
(Continued)

BOARD MINUTES – AVIATION

Not all minutes of meetings of the governing body were available for examination.

Indiana Code 5-14-1.5-4 states in part:

"(b) As the meeting progresses, the following memoranda shall be kept:

- (1) The date, time, and place of the meeting.
- (2) The members of the governing body recorded as either present or absent.
- (3) The general substance of all matters proposed, discussed, or decided.
- (4) A record of all votes take, by individual members if there is a roll call.
- (5) An additional information required under IC 5-1.5-2-2.5 or IC 20-12-63-7."

CITY OF DELPHI
EXIT CONFERENCE

The contents of this report were discussed on October 7, 2008, with Janice K. Roe, Clerk-Treasurer; Randy J. Strasser, Mayor; and Carolyn K. Pearson, President of the Common Council. The officials concurred with our findings.