

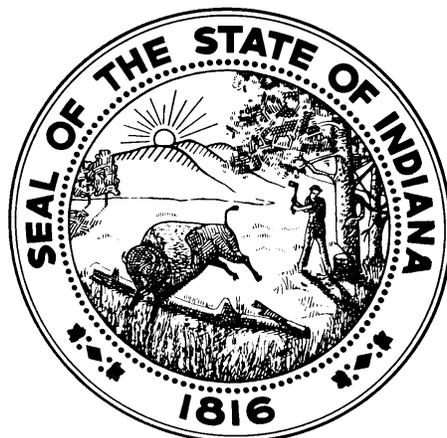
**STATE BOARD OF ACCOUNTS**  
**302 West Washington Street**  
**Room E418**  
**INDIANAPOLIS, INDIANA 46204-2769**

ANNUAL FINANCIAL REPORT

2008

CITY OF DELPHI

CARROLL COUNTY, INDIANA



**FILED**  
09/16/2009



## TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials .....	2
Independent Auditor's Report on Financial Statements and Supplementary Schedule of Expenditures of Federal Awards .....	3-4
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards .....	5-6
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Activities and Net Assets – Cash and Investment Basis .....	7
Fund Financial Statements:	
Governmental Funds:	
Statement of Assets and Fund Balances and Receipts, Disbursements, and Changes in Fund Balances – Cash and Investment Basis – Governmental Funds .....	8
Proprietary Funds:	
Statement of Assets and Fund Balances and Receipts, Disbursements, and Changes in Fund Balances – Cash and Investment Basis – Proprietary Funds.....	9
Fiduciary Funds:	
Statement of Additions, Deductions, and Changes in Cash and Investment Balances – Fiduciary Funds .....	10
Notes to Financial Statements .....	11-21
Required Supplementary Information:	
Schedules of Funding Progress .....	22
Supplementary Information:	
Combining Schedule of Assets and Fund Balances and Receipts, Disbursements, and Changes in Fund Balances – Cash and Investment Basis – Other Governmental Funds.....	23-26
Combining Schedule of Additions, Deductions, and Changes in Cash and Investment Balances – Pension Trust Fund .....	27
Combining Schedule of Additions, Deductions, and Changes in Cash and Investment Balances – Agency Funds.....	28
Schedule of Long-Term Debt .....	29
Audit Results and Comments:	
Appropriations.....	30
Customer Deposit Register .....	30
Capital Asset Records .....	30
Payroll Deductions.....	30-31
Condition of Records .....	31
Finance Charges .....	31
Supplemental Audit of Federal Awards:	
Independent Auditor's Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133.....	34-35
Schedule of Expenditures of Federal Awards .....	36
Note to Schedule of Expenditures of Federal Awards.....	37
Schedule of Findings and Questioned Costs .....	38-39
Auditee Prepared Schedules:	
Summary Schedule of Prior Audit Findings .....	40
Corrective Action Plan.....	41-42
Exit Conference.....	43

### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Janice K. Roe	01-01-08 to 12-31-11
Mayor	Randy J. Strasser	01-01-08 to 12-31-11
President of the Board of Public Works	Randy J. Strasser	01-01-08 to 12-31-09
President of the Common Council	Carolyn K. Pearson	01-01-08 to 12-31-09
Superintendent of Water Utility	Craig A. Myers	01-01-08 to 12-31-09
Superintendent of Wastewater Utility	Richard W. Vansickle	01-01-08 to 12-31-09



**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](http://www.in.gov/sboa)

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS  
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Delphi (City), as of and for the year ended December 31, 2008, which collectively comprise the City's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements 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 statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note I, the City prepares its financial statements on the prescribed basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash and investment balances of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of December 31, 2008, and the respective cash receipts and cash disbursements during the year then ended on the basis of accounting described in Note I.

In accordance with Government Auditing Standards, we have also issued a report dated July 29, 2009, 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 audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS  
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
(Continued)

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The Schedules of Funding Progress, as listed in the Table of Contents, are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The City has not presented Management's Discussion and Analysis or Budgetary Comparison Schedules that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Combining Schedules, as listed in the Table of Contents, and Schedule of Long-Term Debt are presented for additional analysis and are not required parts of the basic financial statements. The Combining Schedules, as listed in the Table of Contents, have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Schedule of Long-Term Debt has not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on it.

STATE BOARD OF ACCOUNTS

July 29, 2009



**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](http://www.in.gov/sboa)

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Delphi (City), as of and for the year ended December 31, 2008, which collectively comprise the City's basic financial statements and have issued our report thereon dated July 29, 2009. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we considered to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in item 2008-1 of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS  
(Continued)

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, of the significant deficiencies described above, we consider item 2008-1 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are 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 no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

The City's response to the findings identified in our audit is described in the accompanying section of the report entitled Official Response and Corrective Action Plan. We did not audit the City's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the City's management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

July 29, 2009

CITY OF DELPHI  
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS  
For The Year Ended December 31, 2008

Functions/Programs	Program Receipts				Net (Disbursement) Receipt and Changes in Net Assets		
	Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Totals
Primary government:							
Governmental activities:							
General government	\$ 1,331,510	\$ 132,050	\$ 738,555	\$ 1,013,286	\$ 552,381	\$ -	\$ 552,381
Public safety	581,324	2,565	424	-	(578,335)	-	(578,335)
Highways and streets	616,077	-	113,898	-	(502,179)	-	(502,179)
Economic development	93,186	-	2,528	-	(90,658)	-	(90,658)
Culture and recreation	263,877	4,049	143,590	-	(116,238)	-	(116,238)
Total governmental activities	<u>2,885,974</u>	<u>138,664</u>	<u>998,995</u>	<u>1,013,286</u>	<u>(735,029)</u>	<u>-</u>	<u>(735,029)</u>
Business-type activities:							
Water	629,982	967,032	-	-	-	337,050	337,050
Wastewater	924,792	1,002,506	-	-	-	77,714	77,714
Total business-type activities	<u>1,554,774</u>	<u>1,969,538</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>414,764</u>	<u>414,764</u>
Total primary government	<u>\$ 4,440,748</u>	<u>\$ 2,108,202</u>	<u>\$ 998,995</u>	<u>\$ 1,013,286</u>	<u>(735,029)</u>	<u>414,764</u>	<u>(320,265)</u>
General receipts:							
Property taxes					1,623,965	-	1,623,965
Other local sources					98,965	-	98,965
Unrestricted investment earnings					63,274	268	63,542
Total general receipts					<u>1,786,204</u>	<u>268</u>	<u>1,786,472</u>
Change in net assets					1,051,175	415,032	1,466,207
Net assets - beginning					<u>2,562,635</u>	<u>665,392</u>	<u>3,228,027</u>
Net assets - ending					<u>\$ 3,613,810</u>	<u>\$ 1,080,424</u>	<u>\$ 4,694,234</u>
<u>Assets</u>							
Cash and investments					\$ 2,936,969	\$ 738,817	\$ 3,675,786
Restricted assets:							
Cash and investments					<u>676,841</u>	<u>341,607</u>	<u>1,018,448</u>
Total assets					<u>\$ 3,613,810</u>	<u>\$ 1,080,424</u>	<u>\$ 4,694,234</u>
<u>Net Assets</u>							
Restricted for:							
Culture and recreation					\$ 46,281	\$ -	\$ 46,281
Debt service					-	341,607	341,607
Other purposes					630,560	-	630,560
Unrestricted					<u>2,936,969</u>	<u>738,817</u>	<u>3,675,786</u>
Total net assets					<u>\$ 3,613,810</u>	<u>\$ 1,080,424</u>	<u>\$ 4,694,234</u>

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

CITY OF DELPHI  
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,  
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
GOVERNMENTAL FUNDS  
For The Year Ended December 31, 2008

	General	Federal Grant # 1 - FAA Grant	Other Governmental Funds	Totals
<b>Receipts:</b>				
Taxes	\$ 1,623,964	\$ -	\$ -	\$ 1,623,964
Licenses and permits	100	-	1,110	1,210
Intergovernmental	556,107	994,792	423,046	1,973,945
Charges for services	83,739	-	6,563	90,302
Fines and forfeits	460	-	-	460
Other	174,827	-	13,511	188,338
<b>Total receipts</b>	<b>2,439,197</b>	<b>994,792</b>	<b>444,230</b>	<b>3,878,219</b>
<b>Disbursements:</b>				
General government	777,695	-	37,976	815,671
Public safety	573,075	-	8,248	581,323
Highways and streets	446,280	-	169,796	616,076
Culture and recreation	111,255	-	152,622	263,877
Urban redevelopment and housing	-	-	93,186	93,186
Capital outlay:				
General government	-	515,841	-	515,841
<b>Total disbursements</b>	<b>1,908,305</b>	<b>515,841</b>	<b>461,828</b>	<b>2,885,974</b>
<b>Excess (deficiency) of receipts over disbursements</b>	<b>530,892</b>	<b>478,951</b>	<b>(17,598)</b>	<b>992,245</b>
<b>Other financing sources (uses):</b>				
Other receipts	34,398	-	24,532	58,930
<b>Total other financing sources (uses)</b>	<b>34,398</b>	<b>-</b>	<b>24,532</b>	<b>58,930</b>
<b>Excess of receipts and other financing sources over disbursements and other financing uses</b>	<b>565,290</b>	<b>478,951</b>	<b>6,934</b>	<b>1,051,175</b>
Cash and investment fund balance - beginning	2,114,508	2,385	445,742	2,562,635
<b>Cash and investment fund balance - ending</b>	<b>\$ 2,679,798</b>	<b>\$ 481,336</b>	<b>\$ 452,676</b>	<b>\$ 3,613,810</b>
<b><u>Cash and Investment Assets - December 31</u></b>				
Cash and investments	\$ 2,679,798	\$ -	\$ 257,171	\$ 2,936,969
Restricted assets:				
Cash and investments	-	481,336	195,505	676,841
<b>Total cash and investment assets - December 31</b>	<b>\$ 2,679,798</b>	<b>\$ 481,336</b>	<b>\$ 452,676</b>	<b>\$ 3,613,810</b>
<b><u>Cash and Investment Fund Balance - December 31</u></b>				
Restricted for:				
Culture and recreation	\$ -	\$ -	\$ 46,281	\$ 46,281
Other purposes	-	481,336	149,224	630,560
Unrestricted	2,679,798	-	257,171	2,936,969
<b>Total cash and investment fund balance - December 31</b>	<b>\$ 2,679,798</b>	<b>\$ 481,336</b>	<b>\$ 452,676</b>	<b>\$ 3,613,810</b>

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

CITY OF DELPHI  
STATEMENT OF ASSETS AND FUND BALANCES AND  
RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
PROPRIETARY FUNDS  
As Of And For The Year Ended December 31, 2008

	Water Utility	Wastewater Utility	Totals
Operating receipts:			
Unmetered water receipts	\$ 92	\$ -	\$ 92
Metered water receipts:			
Fire protection receipts	832,710	-	832,710
Other water receipts	86,580	-	86,580
Flat rate receipts	47,650	-	47,650
Measured revenue	-	447	447
Other	-	995,482	995,482
	<u>-</u>	<u>6,577</u>	<u>6,577</u>
Total operating receipts	<u>967,032</u>	<u>1,002,506</u>	<u>1,969,538</u>
Operating disbursements:			
Water - operations and maintenance	18,671	-	18,671
Pumping - operations and maintenance	36,918	-	36,918
Treatment and disposal disbursements - operations and maintenance	-	92,535	92,535
Administration and general	3,967	1,755	5,722
Salaries and wages	168,234	207,352	375,586
Employee pensions and benefits	60,376	83,399	143,775
Purchased power	62,260	102,863	165,123
Sludge removal	-	21,840	21,840
Fuel for power production	-	1,659	1,659
Chemicals	9,251	16,649	25,900
Material and supplies	8,611	5,053	13,664
Contractual services	23,085	26,924	50,009
Rents	-	180	180
Transportation disbursements	10,063	6,608	16,671
Insurance disbursements	14,061	17,864	31,925
Regulatory commission disbursements	-	7,500	7,500
Miscellaneous disbursements	<u>214,485</u>	<u>178,898</u>	<u>393,383</u>
Total operating disbursements	<u>629,982</u>	<u>771,079</u>	<u>1,401,061</u>
Excess of operating receipts over operating disbursements	<u>337,050</u>	<u>231,427</u>	<u>568,477</u>
Nonoperating receipts (disbursements):			
Interest and investment receipts	-	268	268
Debt service of principal	-	(105,000)	(105,000)
Interest and investment disbursement	<u>-</u>	<u>(48,713)</u>	<u>(48,713)</u>
Total nonoperating receipts (disbursements)	<u>-</u>	<u>(153,445)</u>	<u>(153,445)</u>
Excess of receipts over disbursements and nonoperating receipts (disbursements)	<u>337,050</u>	<u>77,982</u>	<u>415,032</u>
Cash and investment fund balance - beginning	<u>346,955</u>	<u>318,437</u>	<u>665,392</u>
Cash and investment fund balance - ending	<u>\$ 684,005</u>	<u>\$ 396,419</u>	<u>\$ 1,080,424</u>
<u>Cash and Investment Assets - December 31</u>			
Cash and investments	\$ 358,484	\$ 380,333	\$ 738,817
Restricted assets:			
Cash and investments	<u>325,521</u>	<u>16,086</u>	<u>341,607</u>
Total cash and investment assets - December 31	<u>\$ 684,005</u>	<u>\$ 396,419</u>	<u>\$ 1,080,424</u>
<u>Cash and Investment Fund Balance - December 31</u>			
Restricted for:			
Debt service	\$ 325,521	\$ 16,086	\$ 341,607
Unrestricted	<u>358,484</u>	<u>380,333</u>	<u>738,817</u>
Total cash and investment fund balance - December 31	<u>\$ 684,005</u>	<u>\$ 396,419</u>	<u>\$ 1,080,424</u>

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

CITY OF DELPHI  
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES  
FIDUCIARY FUNDS  
For The Year Ended December 31, 2008

	Pension Trust Fund	Agency Funds
Additions:		
Contributions:		
Employer	\$ 40,941	
Total contributions	40,941	
Investment earnings:		
Interest	102	
Total investment earnings	102	
Total additions	41,043	
Deductions:		
Benefits	31,854	
Excess of total additions over total deductions	9,189	
Cash and investment fund balance - beginning	20,772	
Cash and investment fund balance - ending	\$ 29,961	\$ 15,662

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

CITY OF DELPHI  
NOTES TO FINANCIAL STATEMENTS

I. 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 the following services: public safety (police and fire), highways and streets, culture and recreation, public improvements, planning and zoning, general administrative services, water, and wastewater.

The City's financial reporting entity is composed of the following:

Primary Government: City of Delphi

In determining the financial reporting entity, the City complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The Statement of Activities and Net Assets – Cash and Investment Basis displays information about the reporting government as a whole. It includes all funds of the reporting entity except for fiduciary funds. The statement distinguishes between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, fund equity, receipts, and disbursements. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

The general fund is the primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The federal grant # 1 – FAA grant fund is used to account for the receipts and disbursements related to the development of land and the improvement of runways for the municipal airport.

The City reports the following major proprietary funds:

The water utility fund accounts for the operation of the water distribution system.

The wastewater utility fund accounts for the operation of the wastewater treatment plant, pumping stations, and collection systems.

CITY OF DELPHI  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Additionally, the City reports the following fund types:

The pension trust fund accounts for the activities of the 1925 Police Pension Plan, which accumulate resources for pension benefit payments.

Agency funds account for assets held by the City as an agent for other governmental units and taxing agencies.

C. Measurement Focus and Basis of Accounting

The government-wide, governmental fund, proprietary fund, and fiduciary fund financial statements are reported using the basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, 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 cash and investment 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. Investment transactions are not presented on the financial statements.

If the City utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the enterprise fund statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the city and the water and wastewater utilities. Elimination of these charges would distort the direct costs and program receipts reported for the various functions concerned.

Enterprise funds distinguish operating receipts and disbursements from nonoperating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. The principal operating receipts of the enterprise funds are charges to customers for sales and services. Operating disbursements for enterprise funds include the cost of sales and services and administrative costs. All receipts and disbursements not meeting this definition are reported as nonoperating receipts and disbursements. Internal service funds are used to account for activities provided to other departments or agencies primarily with the government. The City does not have any internal service funds.

CITY OF DELPHI  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

D. Assets and Cash and Investment Balances

1. Cash and Investments

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

2. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the City in June and in 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.

3. Capital Assets

Capital assets arising from cash transactions acquired for use in governmental or proprietary fund operations are accounted for as capital outlay disbursements of the fund upon acquisition.

4. Long-Term Debt

Long-term debt arising from cash basis transactions of governmental and proprietary funds is not reported as liabilities in the basic financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as disbursements.

5. Equity Classification

Government-Wide Statements

Equity is classified as net assets and displayed in two components:

- a. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or (2) law through constitutional provisions or enabling legislation.
- b. Unrestricted net assets – All other net assets that do not meet the definition of "restricted."

It is the City's policy to first use restricted net assets prior to the use of unrestricted net assets when a disbursement is incurred for purposes for which both restricted and unrestricted net assets are available.

CITY OF DELPHI  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Fund Financial Statements

Governmental fund equity is classified as fund balance. Proprietary fund equity is classified the same as in the government-wide statements.

E. Receipts and Disbursements

1. Program Receipts

Amounts reported as program receipts include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general receipts rather than as program receipts. Likewise, general receipts include all taxes.

2. Operating Receipts and Disbursements

Operating receipts and disbursements for proprietary funds and the similar discretely presented component unit result from providing services and producing and delivering goods and/or services. They also include all receipts and disbursements not related to capital and related financing, noncapital financing, or investing activities.

F. Internal and Interfund Balances and Activities

In the process of aggregating the financial information for the government-wide Statement of Activities and Net Assets – Cash and Investment Basis, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified.

Fund Financial Statements

1. Interfund services – Sales or purchases of goods and services between funds are reported as receipts and disbursements.
2. Interfund reimbursements – Repayments from funds responsible for certain disbursements to the funds that initially paid for them are not reported as reimbursements but as adjustments to disbursements in the respective funds.
3. Interfund transfers – Flow of assets from one fund to another where repayment is not expected is reported as transfers in and out.

Government-Wide Financial Statements

Interfund activity and balances, if any, are eliminated or reclassified in the government-wide financial statements as follows:

Internal activities – Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis except for the net amount of transfers between governmental and business-type activities, which are reported as Transfers – Internal Activities. The effects of interfund services between funds, if any, are not eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis.

CITY OF DELPHI  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

II. Stewardship, Compliance and Accountability

A. Budgetary Information

Annual budgets are adopted on the cash basis, which is not consistent with accounting principles generally accepted in the United States of America. All annual appropriations lapse at calendar year end.

Prior to the first required publication, the fiscal officer of the City submits to the governing board a proposed operating budget for the year commencing the following January 1. Prior to adoption, the budget is advertised and public hearings are conducted by the governing board to obtain taxpayer comments. In September of each year, the governing board, through the passage of a resolution/ordinance, approves the budget for the next year. Copies of the budget resolution/ordinance and the advertisement for funds for which property taxes are levied or highway use taxes are received are sent to the Indiana Department of Local Government Finance. The budget becomes legally enacted after the fiscal officer of the City receives approval of the Indiana Department of Local Government Finance.

The City's management cannot transfer budgeted appropriations between object classifications of a budget without approval of the governing board. The Indiana Department of Local Government Finance must approve any revisions to the appropriations for any fund or any department of the General Fund. The legal level of budgetary control is by object and department within the fund for the General Fund and by object within the fund for all other budgeted funds.

B. Disbursements in Excess of Appropriations

For the year ended December 31, 2008, disbursements exceeded budgeted appropriations in the following funds by the amounts below:

Fund	2008
Law Enforcement TLEO	\$ <u><u>3,805</u></u>

These disbursements were funded by future revenues.

III. Detailed Notes on All Funds

Deposits and Investments

A. Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Indiana Code 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state funds and has a principal office or branch that qualifies to receive public funds of the political subdivision. The City does not have a deposit policy for custodial credit risk. At December 31, 2008, the City had deposit balances in the amount of \$4,741,964. Of this amount, the following was exposed to custodial credit risk:

CITY OF DELPHI  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

	<u>2008</u>
Uninsured and uncollateralized deposits	<u>\$ 4,739,857</u>

The bank balances were insured by the Federal Deposit Insurance Corporation or the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

B. Investments

As of December 31, 2008, the City had no investments.

Statutory Authorization for Investments

Indiana Code 5-13-9 authorizes the City to invest in securities backed by the full faith and credit of the United States Treasury or fully guaranteed by the United States of America and issued by the United States Treasury, a federal agency, a federal instrumentality, or a federal government sponsored enterprise. Indiana Code also authorizes the City to invest in securities fully guaranteed and issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise. These investments are required by statute to have a stated final maturity of not more than two years.

Indiana Code also provides for investment in money market mutual funds that are in the form of securities of, or interest in, an open-end, no-load, management-type investment company or investment trust registered under the provision of the federal Investment Company Act of 1940, as amended. Investments in money market mutual funds may not exceed 50% of the funds held by the City and available for investment. The portfolio of an investment company or investment trust used must be limited to direct obligations of the United States of America, obligations issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise or repurchase agreements fully collateralized by direct obligations of the United States of America or obligations issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise. The form of securities of, or interest in, an investment company or investment trust must be rated as AAA, or its equivalent by Standard and Poor's Corporation or its successor or Aaa, or its equivalent, by Moody's Investors Service, Inc., or its successor. The form of securities in an investment company or investment trust should have a stated final maturity of one day.

Additionally, the City may enter into repurchase agreements with depositories designated by the State Board of Finance as depositories for state deposits involving the City's purchase and guaranteed resale of any interest-bearing obligations issued or fully insured or guaranteed by the United States of America, a United States of America government agency, an instrumentality of the United States of America, or a federal government sponsored enterprise. The repurchase agreement is considered to have a stated final maturity of one day. This agreement must be fully collateralized by interest-bearing obligations as determined by their current market value.

Investment Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The City does not have a formal investment policy for custodial credit risk for investments.

CITY OF DELPHI  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City must follow state statute and limit the stated final maturities of the investments to no more than two years. The City does not have a formal investment policy for interest rate risk for investments.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The distribution of securities with credit ratings is summarized below. The City does not have a formal investment policy for credit risk for investments.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The City does not have a policy in regards to concentration of credit risk. United States of America government and United States of America governmental agency securities are exempt from this policy requirement.

Foreign Currency Risk

The City does not have a formal policy in regards to foreign currency risk.

IV. Other Information

A. Risk Management

The City is 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 (excluding postemployment benefits); and natural disasters.

The risks of 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 (excluding postemployment benefits); and natural disasters are covered by commercial insurance from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years.

B. Subsequent Events

Beginning in 2009, the State Pension Relief Fund shall pay to each unit of local government with Pre-1977 Local Police and Fire Fighter Pension obligations, the total amount of pension, disability, and survivor benefit payments. The Pre-1977 funds include the 1925 Police Pension Fund, the 1937 Firefighters' Fund, and the 1953 Police Pension Fund. For property taxes due and payable after December 31, 2008, the Indiana Department of Local Government Finance shall reduce the maximum permissible property tax levy of any civil taxing unit and special service district by the amount of the payment to be made in 2009 by the State for the obligations.

CITY OF DELPHI  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

C. Rate Structure – Enterprise Funds

Water Utility

The Utility was granted approval by the Indiana Utility Regulatory Commission to increase rates. The increases became effective January 1, 2008 and 2009, and amounted to approximately an 8% and 4% increase, respectively, to all customers.

Wastewater Utility

The current rate structure was approved by the City Council on June 5, 2006 (Ordinance 2006-1). The rate structure approved included rate increases effective January 1 of each of the years 2008 and 2009, which amounted to approximately 5% and 6%, respectively, to all customers.

D. Pension Plans

1. Agent Multiple-Employer and Single-Employer Defined Benefit Pension Plans

a. 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 the 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 member's 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. The 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 plan members for PERF are established by the Board of Trustees of PERF. The City's annual pension cost and related information, as provided by the actuary, is presented in this note.

Information to segregate the assets/liabilities and the actuarial study figures between the City and the Utilities is not available.

CITY OF DELPHI  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

b. 1925 Police Officers' Pension Plan

Plan Description

The City contributes to the 1925 Police Officers' Pension Plan, which is a single-employer defined benefit pension plan. The plan is administered by the local pension board as authorized by state statute (IC 36-8-6). The plan provides retirement, disability, and death benefits to plan members and beneficiaries. The plan was established by the plan administrator, as provided by state statute. The plan administrator does not issue a publicly available financial report that includes financial statements and required supplementary information of the plan.

Funding Policy and Annual Pension Cost

The contribution requirements of plan members for the 1925 Police Officers' Pension Plan are established by state statute. The City's annual pension cost and related information as provided by the actuary, is presented in this note.

The use of the pay-as-you-go actuarial cost method by the City results in significant underfunding of the plan. Therefore, the Net Pension Obligation (NPO) is not reflected in the financial statements of the pension trust funds.

Actuarial Information for the Above Plans

	<u>PERF</u>	<u>1925 Police Officers' Pension</u>
Annual required contribution	\$ 32,800	\$ 26,300
Interest on net pension obligation	959	4,600
Adjustment to annual required contribution	<u>(1,093)</u>	<u>(5,800)</u>
Annual pension cost	32,666	25,100
Contributions made	<u>35,332</u>	<u>40,944</u>
Decrease in net pension obligation	(2,666)	(15,844)
Net pension obligation, beginning of year	<u>13,234</u>	<u>77,208</u>
Net pension obligation, end of year	<u>\$ 10,568</u>	<u>\$ 61,364</u>

CITY OF DELPHI  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

	PERF	1925 Police Officers' Pension
Contribution rates:		
City	5.75%	100%
Plan members	3%	6%
Actuarial valuation date	07-01-07	01-01-08
Actuarial cost method	Entry age	Entry age
Amortization method	Level percentage of projected payroll, closed	Level percentage of projected payroll, closed
Amortization period	30 years	30 years
Amortization period (from date)	07-01-97	01-01-05
Asset valuation method	75% of expected actuarial value plus 25% of market value	4 year phase in of unrealized and realized capital

<u>Actuarial Assumptions</u>	PERF	1925 Police Officers' Pension
Investment rate of return	7.25%	6%
Projected future salary increases:		
Total	5%	4%
Attributed to inflation	4%	4%
Attributed to merit/seniority	1%	0%
Cost-of-living adjustments	2%	2.75/4%*

\*2.75% converted members; 4% nonconverted members

Three Year Trend Information

	Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
PERF	06-30-05	\$ 32,211	87%	\$ 8,347
	06-30-06	37,257	87%	13,234
	06-30-07	32,666	108%	10,568
1925 Police Officers' Pension Plan	12-31-05	25,700	62%	72,397
	12-31-06	25,300	78%	77,208
	12-31-07	25,100	156%	61,364

CITY OF DELPHI  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Membership in the 1925 Police Officers' Pension Plan at January 1, 2008, was comprised of the following:

	1925 Police Officers' Pension
Retirees and beneficiaries currently receiving benefits	2
Terminated employees entitled to but not yet receiving benefits	-
Current active employees	-

2. Cost-Sharing Multiple-Employer Defined Benefit Pension Plan

1977 Police Officers' and Firefighters' Pension and Disability Fund

Plan Description

The City contributes to the 1977 Police Officers' and Firefighters' Pension and Disability Fund, a cost-sharing multiple-employer defined benefit pension plan administered by the Indiana Public Employees' Retirement Plan (PERF) 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 55 with 20 years of service. An employee with 20 years of service may leave service, but will not receive benefits until reaching age 55. The plan also provides for death and disability benefits.

PERF 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 Costs

Plan members are required to contribute 6% of the first-class police officers' and firefighters' salary and the City is to contribute at an actuarially determined rate. The current rate, which has not changed since the inception of the plan, is 21% of the first-class police officers' and firefighters' salary. The contribution requirements of plan members and the City are established by the Board of Trustees of PERF. The City's contributions to the plan for the years ending December 31, 2008, 2007, and 2006, were \$50,789, \$46,497, and \$47,970, respectively, equal to the required contributions for each year.

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 AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Excess AAL as a Percentage of Covered Payroll ((a-b)/c)
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%
07-01-08	855,219	708,694	146,525	121%	662,434	22%

1925 Police Officers' 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)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
01-01-03	\$ 84,411	\$ 394,000	\$ (309,589)	21%	\$ -	**
01-01-04	72,099	390,000	(317,901)	18%	-	**
01-01-05	58,845	378,700	(319,855)	16%	-	**
01-01-06	45,315	372,000	(326,685)	12%	-	**
01-01-07	31,323	363,600	(332,277)	9%	-	**
01-01-08	20,773	357,200	(336,427)	6%	-	**

\*\*No covered payroll

CITY OF DELPHI  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND  
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
 OTHER GOVERNMENTAL FUNDS  
 For The Year Ended December 31, 2008

	Motor Vehicle Highway	Local Road and Street	Law Enforcement TLEO	Donations # 2 Airport Donations	Animal Shelter - Animal Control	Riverboat	State Grant # 2 - DNR Interpretive Site Grant
<b>Receipts:</b>							
Licenses and permits	\$ -	\$ -	\$ 1,110	\$ -	\$ -	\$ -	\$ -
Intergovernmental	102,931	10,967	-	-	-	18,913	25
Charges for services	-	-	1,455	-	-	-	-
Other	-	-	-	-	-	-	-
<b>Total receipts</b>	<b>102,931</b>	<b>10,967</b>	<b>2,565</b>	<b>-</b>	<b>-</b>	<b>18,913</b>	<b>25</b>
<b>Disbursements:</b>							
General government	-	-	-	-	-	-	-
Public safety	-	-	4,800	-	-	-	-
Highways and streets	147,196	19,008	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	21
Urban redevelopment and housing	-	-	-	-	-	-	-
<b>Total disbursements</b>	<b>147,196</b>	<b>19,008</b>	<b>4,800</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>21</b>
Excess (deficiency) of receipts over disbursements	(44,265)	(8,041)	(2,235)	-	-	18,913	4
<b>Other financing sources (uses):</b>							
Other receipts	22,539	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>22,539</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(21,726)	(8,041)	(2,235)	-	-	18,913	4
Cash and investment fund balance - beginning	166,190	12,625	7,544	3,024	889	26,822	-
Cash and investment fund balance - ending	<u>\$ 144,464</u>	<u>\$ 4,584</u>	<u>\$ 5,309</u>	<u>\$ 3,024</u>	<u>\$ 889</u>	<u>\$ 45,735</u>	<u>\$ 4</u>
<b>Cash and Investment Assets - December 31</b>							
Cash and investments	\$ 144,464	\$ 4,584	\$ -	\$ -	\$ -	\$ 45,735	\$ -
Restricted assets:							
Cash and investments	-	-	5,309	3,024	889	-	4
<b>Total cash and investment assets - December 31</b>	<u>\$ 144,464</u>	<u>\$ 4,584</u>	<u>\$ 5,309</u>	<u>\$ 3,024</u>	<u>\$ 889</u>	<u>\$ 45,735</u>	<u>\$ 4</u>
<b>Cash and Investment Fund Balance - December 31</b>							
Restricted for:							
Culture and recreation	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other purposes	-	-	5,309	3,024	889	-	4
Unrestricted	144,464	4,584	-	-	-	45,735	-
<b>Total cash and investment fund balance - December 31</b>	<u>\$ 144,464</u>	<u>\$ 4,584</u>	<u>\$ 5,309</u>	<u>\$ 3,024</u>	<u>\$ 889</u>	<u>\$ 45,735</u>	<u>\$ 4</u>

CITY OF DELPHI  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND  
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
 OTHER GOVERNMENTAL FUNDS  
 For The Year Ended December 31, 2008  
 (Continued)

	Court Fees - County Share	Housing Rehab - Housing Development	Hail Damage - Flood Cleanup	Special Revenue - Other Special Project	Parks and Recreation # 2 - Non-Reverting Park Fund	Donation # 3 - Historic Trail Grant	State Grant - Main Street Non-Reverting
<b>Receipts:</b>							
Licenses and permits	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-	-	143,590	12,114
Charges for services	-	-	-	-	4,049	-	-
Other	-	-	-	-	-	9,958	-
<b>Total receipts</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,049</b>	<b>153,548</b>	<b>12,114</b>
<b>Disbursements:</b>							
General government	1,750	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-	3,592
Culture and recreation	-	-	-	-	132	152,469	-
Urban redevelopment and housing	-	10	-	-	-	-	-
<b>Total disbursements</b>	<b>1,750</b>	<b>10</b>	<b>-</b>	<b>-</b>	<b>132</b>	<b>152,469</b>	<b>3,592</b>
Excess (deficiency) of receipts over disbursements	(1,750)	(10)	-	-	3,917	1,079	8,522
<b>Other financing sources (uses):</b>							
Other receipts	1,750	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>1,750</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	(10)	-	-	3,917	1,079	8,522
Cash and investment fund balance - beginning	-	18,034	1,003	6,608	26,758	12,813	2,981
Cash and investment fund balance - ending	\$ -	\$ 18,024	\$ 1,003	\$ 6,608	\$ 30,675	\$ 13,892	\$ 11,503
<b>Cash and Investment Assets - December 31</b>							
Cash and investments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted assets:							
Cash and investments	-	18,024	1,003	6,608	30,675	13,892	11,503
<b>Total cash and investment assets - December 31</b>	<b>\$ -</b>	<b>\$ 18,024</b>	<b>\$ 1,003</b>	<b>\$ 6,608</b>	<b>\$ 30,675</b>	<b>\$ 13,892</b>	<b>\$ 11,503</b>
<b>Cash and Investment Fund Balance - December 31</b>							
Restricted for:							
Culture and recreation	\$ -	\$ -	\$ -	\$ -	\$ 30,675	\$ 13,892	\$ -
Other purposes	-	18,024	1,003	6,608	-	-	11,503
Unrestricted	-	-	-	-	-	-	-
<b>Total cash and investment fund balance - December 31</b>	<b>\$ -</b>	<b>\$ 18,024</b>	<b>\$ 1,003</b>	<b>\$ 6,608</b>	<b>\$ 30,675</b>	<b>\$ 13,892</b>	<b>\$ 11,503</b>

CITY OF DELPHI  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND  
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
 OTHER GOVERNMENTAL FUNDS  
 For The Year Ended December 31, 2008  
 (Continued)

	Fire Donation Delphi Twp Equipment	DARE	Economic Development Operating EDIT	Donations - Police Donations	Donations # 4 - Indoor Recreation	Donations # 5 - Park Wabash Heritage Fund
Receipts:						
Licenses and permits	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	72,926	-	-	-
Charges for services	-	-	-	-	-	-
Other	2,528	-	-	424	-	-
<b>Total receipts</b>	<b>2,528</b>	<b>-</b>	<b>72,926</b>	<b>424</b>	<b>-</b>	<b>-</b>
Disbursements:						
General government	-	-	-	-	-	-
Public safety	-	-	-	3,448	-	-
Highways and streets	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Urban redevelopment and housing	-	-	93,176	-	-	-
<b>Total disbursements</b>	<b>-</b>	<b>-</b>	<b>93,176</b>	<b>3,448</b>	<b>-</b>	<b>-</b>
Excess (deficiency) of receipts over disbursements	2,528	-	(20,250)	(3,024)	-	-
Other financing sources (uses):						
Other receipts	-	-	243	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>243</b>	<b>-</b>	<b>-</b>	<b>-</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	2,528	-	(20,007)	(3,024)	-	-
Cash and investment fund balance - beginning	9,308	17	74,577	3,024	183	1,531
Cash and investment fund balance - ending	<u>\$ 11,836</u>	<u>\$ 17</u>	<u>\$ 54,570</u>	<u>\$ -</u>	<u>\$ 183</u>	<u>\$ 1,531</u>
<u>Cash and Investment Assets - December 31</u>						
Cash and investments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted assets:						
Cash and investments	11,836	17	54,570	-	183	1,531
<b>Total cash and investment assets - December 31</b>	<b>\$ 11,836</b>	<b>\$ 17</b>	<b>\$ 54,570</b>	<b>\$ -</b>	<b>\$ 183</b>	<b>\$ 1,531</b>
<u>Cash and Investment Fund Balance - December 31</u>						
Restricted for:						
Culture and recreation	\$ -	\$ -	\$ -	\$ -	\$ 183	\$ 1,531
Other purposes	11,836	17	54,570	-	-	-
Unrestricted	-	-	-	-	-	-
<b>Total cash and investment fund balance - December 31</b>	<b>\$ 11,836</b>	<b>\$ 17</b>	<b>\$ 54,570</b>	<b>\$ -</b>	<b>\$ 183</b>	<b>\$ 1,531</b>

CITY OF DELPHI  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND  
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
 OTHER GOVERNMENTAL FUNDS  
 For The Year Ended December 31, 2008  
 (Continued)

	Rainy Day Fund	Donations # 6 - Railroad Cleanup	Cumulative Capital Improvement	Sidewalk Maintenance - Improvement	Cumulative Fire	Totals
<b>Receipts:</b>						
Licenses and permits	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,110
Intergovernmental	51,775	-	9,805	-	-	423,046
Charges for services	-	-	-	1,059	-	6,563
Other	-	601	-	-	-	13,511
<b>Total receipts</b>	<b>51,775</b>	<b>601</b>	<b>9,805</b>	<b>1,059</b>	<b>-</b>	<b>444,230</b>
<b>Disbursements:</b>						
General government	-	601	31,076	4,549	-	37,976
Public safety	-	-	-	-	-	8,248
Highways and streets	-	-	-	-	-	169,796
Culture and recreation	-	-	-	-	-	152,622
Urban redevelopment and housing	-	-	-	-	-	93,186
<b>Total disbursements</b>	<b>-</b>	<b>601</b>	<b>31,076</b>	<b>4,549</b>	<b>-</b>	<b>461,828</b>
Excess (deficiency) of receipts over disbursements	51,775	-	(21,271)	(3,490)	-	(17,598)
<b>Other financing sources (uses):</b>						
Other receipts	-	-	-	-	-	24,532
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>24,532</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	51,775	-	(21,271)	(3,490)	-	6,934
Cash and investment fund balance - beginning	-	1,045	31,884	14,934	23,948	445,742
Cash and investment fund balance - ending	<u>\$ 51,775</u>	<u>\$ 1,045</u>	<u>\$ 10,613</u>	<u>\$ 11,444</u>	<u>\$ 23,948</u>	<u>\$ 452,676</u>
<b>Cash and Investment Assets - December 31</b>						
Cash and investments	\$ 51,775	\$ -	\$ 10,613	\$ -	\$ -	\$ 257,171
Restricted assets:						
Cash and investments	-	1,045	-	11,444	23,948	195,505
<b>Total cash and investment assets - December 31</b>	<b>\$ 51,775</b>	<b>\$ 1,045</b>	<b>\$ 10,613</b>	<b>\$ 11,444</b>	<b>\$ 23,948</b>	<b>\$ 452,676</b>
<b>Cash and Investment Fund Balance - December 31</b>						
Restricted for:						
Culture and recreation	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 46,281
Other purposes	-	1,045	-	11,444	23,948	149,224
Unrestricted	51,775	-	10,613	-	-	257,171
<b>Total cash and investment fund balance - December 31</b>	<b>\$ 51,775</b>	<b>\$ 1,045</b>	<b>\$ 10,613</b>	<b>\$ 11,444</b>	<b>\$ 23,948</b>	<b>\$ 452,676</b>

CITY OF DELPHI  
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES  
 PENSION TRUST FUND  
 For The Year Ended December 31, 2008

	Police Pension	Totals
Additions:		
Contributions:		
Employer	\$ 40,941	\$ 40,941
Total contributions	40,941	40,941
Investment receipts:		
Interest	102	102
Total investment receipts	102	102
Total additions	41,043	41,043
Deductions:		
Benefits	31,854	31,854
Total deductions	31,854	31,854
Excess of total additions over total deductions	9,189	9,189
Cash and investment fund balance - beginning	20,772	20,772
Cash and investment fund balance - ending	\$ 29,961	\$ 29,961

CITY OF DELPHI  
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES  
 AGENCY FUNDS  
 For The Year Ended December 31, 2008

	<u>Payroll</u>	<u>City Court</u>	<u>Totals</u>
Additions:			
Agency fund additions	<u>\$ 1,156,220</u>	<u>\$ 17,664</u>	<u>\$ 1,173,884</u>
Deductions:			
Agency fund deductions	<u>1,151,834</u>	<u>17,850</u>	<u>1,169,684</u>
Excess (deficiency) of total additions over total deductions	4,386	(186)	4,200
Cash and investment fund balance - beginning	<u>9,354</u>	<u>2,108</u>	<u>11,462</u>
Cash and investment fund balance - ending	<u>\$ 13,740</u>	<u>\$ 1,922</u>	<u>\$ 15,662</u>

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

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:		
Street Sweeper	\$ 45,951	\$ 24,594
2 Trucks	<u>82,003</u>	<u>23,450</u>
Total governmental activities debt	<u>\$ 127,954</u>	<u>\$ 48,044</u>
Business-type activities:		
Water Utility:		
Notes and loans:		
USDA Loan	\$ 2,566,000	\$ 157,885
Wastewater Utility:		
Revenue bonds:		
2001 Refunded Issue	<u>780,000</u>	<u>152,442</u>
Total business-type activities debt	<u>\$ 3,346,000</u>	<u>\$ 310,327</u>

CITY OF DELPHI  
AUDIT RESULTS AND COMMENTS

APPROPRIATIONS

The records presented for audit indicated the expenditures in excess of budgeted appropriations for the Law Enforcement TLEO Fund for 2008, in the amount of \$3,805.

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."

CUSTOMER DEPOSIT REGISTER

The detailed customer deposit register (December 31, 2008, balance of \$51,711) does not reconcile with the customer deposit amount recorded on the general ledger (December 31, 2008, balance of \$51,438). As of December 31, 2008, the general ledger was \$273 short of the detail register. A similar comment was in prior Reports B25841, B28332, B30701, and B33166.

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)

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, B30701, and B33166.

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)

PAYROLL DEDUCTIONS

Payroll withholding reports and payments were not always filed accurately.

The Employer's Quarterly Federal Tax Returns (Form 941) for each quarter 2008 contained errors, resulting in over and under payments of withholding taxes. Adjustments or corrections were normally taken on the next quarterly report; however, an accurate reconciliation of payments made to reports filed could not be verified. There were two instances of refunds totaling \$1,720.63, from prior period erroneous Form 941 reports/payments, which could not be properly identified or verified.

The reports (Summary of Wages and Contributions Paid) filed for the Public Employees Retirement Fund (PERF), contained numerous errors; therefore, proper reporting and payments could not be verified.

CITY OF DELPHI  
AUDIT RESULTS AND COMMENTS  
(Continued)

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)

CONDITION OF RECORDS

The following deficiencies, relating to the recordkeeping that were cited in the prior Reports B28332, B30701, and B33166, were again present during our period of audit:

- (1) Record balances were not accurately reconciled to depository balances. The net variance at December 31, 2008, unidentified cash long, was \$17,970.24.

IC 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."

- (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)

FINANCE CHARGES

The City incurred, and subsequently paid, finance charges for delinquent payment of vendor invoices during 2008. Five of the six months of Chase-Card Member Service statements reviewed had finance charges, totaling \$29.50.

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit. Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

(This page intentionally left blank.)

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 WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

We have audited the compliance of the City of Delphi (City) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended December 31, 2008. The City's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City complied in all material respects with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2008. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2008-2.

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133  
(Continued)

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A control deficiency in a City's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in item 2008-2 of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We did not consider any of the deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be material weaknesses.

The City's response to the findings identified in our audit is described in the accompanying Official Response and Corrective Action Plan. We did not audit the City's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the City's management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

July 29, 2009

CITY OF DELPHI  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For Year Ended December 31, 2008

Federal Grantor Agency/Pass-Through Entity Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Pass-Through Indiana Department of Natural Resources Cooperative Forestry Assistance Putting Trees to Work	10.664	2007	\$ 10,000
Total for federal grantor agency			<u>10,000</u>
<u>U.S. DEPARTMENT OF JUSTICE</u>			
Pass-Through Indiana Criminal Justice Institute Edward Byrne Memorial Justice Assistance Grant Program	16.738	05-DJ-122	<u>4,025</u>
Total for federal grantor agency			<u>4,025</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
Airport Improvement Program FY 2005	20.106	3-18-0117-06	11,144
FY 2007		3-18-0070-08	90,789
FY 2008		3-18-0070-09	<u>855,269</u>
Total for program			<u>957,202</u>
Pass-Through Indiana Department of Transportation Highway Planning and Construction Canal Boat and Boathouse on Wabash and Erie Canal	20.205	500803	<u>167,899</u>
Total for program			<u>167,899</u>
State and Community Highway Safety Operation Pullover	20.600	2008	<u>675</u>
Total for program			<u>675</u>
Total for federal grantor agency			<u>1,125,776</u>
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>			
Pass-Through Indiana Department of Homeland Security Disaster Grants - Public Assistance Grants (Presidentially Declared Disasters)	97.036	KS-003	<u>12,474</u>
Total for federal grantor agency			<u>12,474</u>
Total federal awards expended			<u>\$ 1,152,275</u>

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

CITY OF DELPHI  
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

I. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Delphi (City) and is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Accordingly, the amount of federal awards expended is based on when the activity related to the award occurs. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

CITY OF DELPHI  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified?	yes
Significant deficiencies identified that are not considered to be material weaknesses?	none reported

Noncompliance material to financial statements noted? no

Federal Awards:

Internal control over major programs:

Material weaknesses identified?	no
Significant deficiencies identified that are not considered to be material weaknesses?	yes

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? no

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
20.106	Airport Improvement Program

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 2008-1, INTERNAL CONTROL SYSTEM

We noted several deficiencies in the internal control system of the City related to financial transactions and reporting which could result in a material misstatement of the financial statements not being prevented or detected.

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 objections, 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.

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

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

FINDING 2008-2, CASH MANAGEMENT

Federal Agency: U.S. Department of Transportation  
Federal Program: Airport Improvement Program  
CFDA Number: 20.106  
Federal Award Number: 3-18-0070-09 FY 2008

On August 28, 2008, the City processed a drawdown request based on submitted invoices. The federal portion of this request was \$515,960. This amount was received from the U.S. Treasury and properly deposited to the City's account on September 30, 2008. As of December 31, 2008, the City had an outstanding invoice related to this drawdown totaling \$491,043. The federal portion of this invoice was \$466,490. The invoice was not paid until January 22, 2009.

Officials had no internal control safeguards in place to monitor compliance with the cash management requirements of the grant.

Cash management requirements are addressed in 49 CFR 18.20 (b) (7), which states in part:

*"Cash management.* Procedures for minimizing the time elapsing between the transfer of funds from the U.S. Treasury and disbursement by grantees and subgrantees must be followed whenever advance payment procedures are used."

Failure to expend grant monies within a reasonable time could result in the loss of future federal funding for the City of Delphi.

We recommended officials institute an internal control procedure that will ensure that cash management requirements of federal grants are complied with in the future.

CITY OF DELPHI  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No items reportable.

CORRECTIVE ACTION PLAN

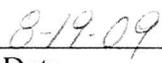
Finding No. 2008-1, Internal Control Over Financial Reporting

Auditee Contact Person:	Janice Roe
Title of Contact Person	Clerk Treasurer
Phone Number	765-564-2097
Expected Completion Date:	As soon as possible

Corrective Action:

Action will be implemented by the City of Delphi to ensure more efficiency in regard to grants.

  
\_\_\_\_\_  
Janice K. Roe  
Delphi Clerk-Treasurer

  
\_\_\_\_\_  
Date

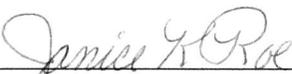
CORRECTIVE ACTION PLAN

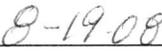
Finding No. 2008-2 Cash Management

Federal Agency: U.S. Department of Transportation  
Federal Program: Airport Improvement Program  
CFDA N: 20.106  
Pass-Through Agency: Indiana Department of Transportation

Corrective Action:

Action will be implemented by the City of Delphi to ensure adequate monitoring of grants.

  
\_\_\_\_\_  
Janice K. Roe  
Delphi Clerk Treasurer

  
\_\_\_\_\_  
Date

CITY OF DELPHI  
EXIT CONFERENCE

The contents of this report were discussed on August 19, 2009, with Janice K. Roe, Clerk-Treasurer; Randy J. Strasser, Mayor; and Carolyn K. Pearson, President of the Common Council.