

B38048

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, 2009 to December 31, 2009



FILED
12/10/2010

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Janice K. Roe Leeanne Aldrich	01-01-08 to 09-30-09 10-01-09 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	01-01-09 to 12-31-10
President of the Common Council	Carolyn Pearson	01-01-09 to 12-31-10
Superintendent of the Utilities	Richard W. Vansickle	01-01-09 to 12-31-10



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, 2009 to December 31, 2009. 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, 2009, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

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

STATE BOARD OF ACCOUNTS

September 20, 2010

CITY OF DELPHI
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL, PROPRIETARY, AND FIDUCIARY FUND TYPES
As Of And For The Year Ended December 31, 2009

	Cash and Investments 01-01-09	Receipts	Disbursements	Cash and Investments 12-31-09
Governmental Funds:				
General	\$ 2,679,808	\$ 2,380,853	\$ 1,979,282	\$ 3,081,379
Motor Vehicle Highway	144,464	118,845	99,800	163,509
Local Road and Street	4,585	10,410	10,314	4,681
Park and Recreation Nonreverting	30,674	3,444	3,053	31,065
Law Enforcement Continuing Education	5,309	2,414	4,544	3,179
Riverboat	45,736	18,867	1,254	63,349
Rainy Day	51,775	125,722	-	177,497
Airport Donations	3,023	-	-	3,023
Fire Donations Delphi Township Equipment	11,836	5,100	100	16,836
Police Donations	-	625	151	474
Animal Shelter Animal Control	889	-	-	889
DNR Interp Site Grant	3	-	-	3
Court Fees County Share	-	2,744	2,478	266
Housing Development	18,024	-	-	18,024
Hail Damage Flood Cleanup	1,003	-	-	1,003
Other Special Project	6,608	-	-	6,608
Historic Trail Grant	13,892	93,377	105,391	1,878
Fire Protection Territory	-	100	-	100
Main Street Nonreverting	11,503	-	7,692	3,811
DARE	17	-	-	17
Economic Development Income Tax	54,570	120,819	68,839	106,550
Donations - Indoor Recreation	183	-	-	183
Donations - Park Wabash Heritage Fund	1,531	-	-	1,531
Donations - Railroad Cleanup	1,045	-	-	1,045
FAA Grant	481,336	25,965	496,642	10,659
Sanitation Solid Waste	-	124,136	117,435	6,701
Cumulative Capital Improvement	10,613	4,546	-	15,159
Sidewalk Maintenance/Improvement	11,444	4,666	30	16,080
Cumulative Fire	23,947	40,000	12,000	51,947
Proprietary Funds:				
Water Utility - Operating	304,319	892,534	758,697	438,156
Water Utility - Bond and Interest	157,885	157,175	157,885	157,175
Water Utility - Debt Reserve	167,634	-	-	167,634
Water Utility - Customer Deposit	51,438	8,100	8,051	51,487
Water Utility - Booster Station	2,878	1,986	-	4,864
Wastewater Utility - Operating	236,333	816,444	910,352	142,425
Wastewater Utility - Bond and Interest	147	152,797	152,442	502
Wastewater Utility - Debt Reserve	159,939	-	-	159,939
Fiduciary Funds:				
Police Officers' Pension	29,961	58,945	32,976	55,930
City Court	1,922	27,037	25,772	3,187
Payroll	13,740	1,071,859	1,072,669	12,930
Totals	<u>\$ 4,740,014</u>	<u>\$ 6,269,510</u>	<u>\$ 6,027,849</u>	<u>\$ 4,981,675</u>

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, health and social services, culture and recreation, general administrative services, sanitation and wastewater treatment.

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 Town 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.

CITY OF DELPHI
SUPPLEMENTARY INFORMATION
SCHEDULE OF LONG-TERM DEBT
December 31, 2009

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	\$ 23,578	\$ 24,594
Two Trucks	63,147	23,449
Police Car	<u>25,000</u>	<u>9,327</u>
Total governmental activities debt	<u>\$ 111,725</u>	<u>\$ 57,370</u>
Business-type activities:		
Water Utility:		
Notes and loans:		
USDA Loan	<u>\$ 2,530,000</u>	<u>\$ 157,175</u>
Total Water Utility	<u>2,530,000</u>	<u>157,175</u>
Wastewater Utility:		
Revenue bonds:		
2001 Refunded Bond Issue	<u>670,000</u>	<u>139,617</u>
Total Wastewater Utility	<u>670,000</u>	<u>139,617</u>
Total business-type activities debt	<u>\$ 3,200,000</u>	<u>\$ 296,792</u>

CITY OF DELPHI
EXAMINATION RESULTS AND COMMENTS

CUSTOMER DEPOSIT REGISTER

The detailed customer deposit register (December 31, 2009 balance of \$51,610) does not reconcile with the customer deposit amount recorded on the general ledger (December 31, 2009 balance of \$51,487). As of December 31, 2009, the general ledger balance was \$123 short of the detail register. A similar comment was in prior reports B25841, B28332, B30701, B33166, and B34802.

At all times, the manual and/or 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)

UTILITY RECEIPTS TAX

The Delphi Water Utility did not pay Utility Receipts Tax to the Indiana Department of Revenue for the fourth quarter of 2009. In addition, the Delphi Water Utility did not file the annual Utility Receipts Tax reporting form with Indiana Department of Revenue.

Generally, retail receipts from all utility services consumed within Indiana are subject to the utility receipts tax regardless of the point of generation or transmission across state lines. Receipts from the provision of mobile telecommunication service are subject to utility receipts tax to the extent that the receipts are sourced to Indiana pursuant to IC 6-8.1-15. However, gross receipts received by a political subdivision for sewage and sewage service are not subject to the tax. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

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)

OFFICIAL BOND

The following official bonds were not filed in the Office of the County Recorder: Clerk Treasurer for October to December 2009 and for all of 2010. The amount of the official bond was for \$15,000 which, as of July 1, 2009, is below the required minimum coverage of \$30,000

IC 5-4-1-5.1(b) states in part:

"Every elected or appointed officer, official, deputy, or employee of a political subdivision . . . shall file the bond in the office of the county recorder . . ."

Effective July 1, 2009, IC 5-4-1-18 (c) states in part:

". . . the fiscal bodies of the respective units shall fix the amount of the bond of city controllers, city clerk-treasurers, town clerk-treasurers, Barrett Law fund custodians, county treasurers, county sheriffs, circuit court clerks, township trustees, and conservancy district

CITY OF DELPHI
EXAMINATION RESULTS AND COMMENTS
(Continued)

financial clerks as follows: (1) The amount of annual coverage must equal thirty thousand dollars (\$30,000) for each one million dollars (\$1,000,000) of receipts of the officer's office during the last complete fiscal year before the purchase of the bond . . ."

CAPITAL ASSET RECORDS

The City did not maintain a complete or accurate inventory of capital assets for the City and its Utilities. The records have not been updated for 2008 and 2009 transactions. A similar comment was in the prior Reports B34802, 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)

FINANCE CHARGES

The City incurred, and subsequently paid, financial charges for delinquent payment of credit card invoices during 2009 totaling \$18.03.

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)

CONDITION OF RECORDS

The following deficiencies, relating to the recordkeeping that were cited in the prior reports B28332, B30701, B33166, and B34802, were again present during our period of examination:

- (1) Record balances were not accurately reconciled to depository balances. The net variance at December 31, 2009, was \$22,941.15 more in the bank account than was recorded in the unit's records. The Clerk Treasurer was able to reconcile to this unidentified amount for each month in 2009 indicating this was due to posting errors prior to 2009.

IC 5-13-6-1(e) states: "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. In November and December 2009, there were numerous correcting entries to correct 2009 posting errors.

CITY OF DELPHI
EXAMINATION RESULTS AND COMMENTS
(Continued)

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)

APPROPRIATIONS

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

Fund	Years	Excess Amount Expended
General Fund	2009	\$ 44,261
Economic Development Fund	2009	6,690

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."

CONTRACTS

Payments totaling \$6,500 were made to the Brian Stirm for management of the airport in 2009 without a contract.

Payments made or received for contractual services should be supported by a written contract. Each governmental unit is responsible for complying with the provisions of its contracts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CREDIT CARDS

The City of Delphi is using credit cards to purchase items under an approved credit card policy; however, we noted instances of payments made without the original itemized receipt.

The State Board of Accounts will not take exception to the use of credit cards by a governmental unit provided the following criteria are observed:

- (1) The governing board must authorize credit card use through an ordinance or resolution, which has been approved in the minutes.

CITY OF DELPHI
EXAMINATION RESULTS AND COMMENTS
(Continued)

- (2) Issuance and use should be handled by an official or employee designated by the board.
- (3) The purposes for which the credit card may be used must be specifically stated in the ordinance or resolution.
- (4) When the purpose for which the credit card has been issued has been accomplished, the card should be returned to the custody of the responsible person.
- (5) The designated responsible official or employee should maintain an accounting system or log which would include the names of individuals requesting usage of the cards, their position, estimated amounts to be charged, fund and account numbers to be charged, date the card is issued and returned, etc.
- (6) Credit cards should not be used to bypass the accounting system. One reason that purchase orders are issued is to provide the fiscal officer with the means to encumber and track appropriations to provide the governing board and other officials with timely and accurate accounting information and monitoring of the accounting system.
- (7) Payment should not be made on the basis of a statement or a credit card slip only. Procedures for payments should be no different than for any other claim. Supporting documents such as paid bills and receipts must be available. Additionally, any interest or penalty incurred due to late filing or furnishing of documentation by an officer or employee should be the responsibility of that officer or employee.
- (8) If properly authorized, an annual fee may be paid.

(Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CITY OF DELPHI, CARROLL COUNTY
EXIT CONFERENCE

The contents of this report were discussed on September 29, 2010, with Leanne Aldrich, Clerk-Treasurer; Randy J. Strasser, Mayor; and Carolyn Pearson, President of the Common Council. The officials concurred with our findings.

The contents of this report were discussed on October 4, 2010, with Janice K. Roe, former Clerk-Treasurer.