

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

CITY OF DELPHI
CARROLL COUNTY, INDIANA

January 1, 2011 to December 31, 2011



FILED
05/31/2012

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Leanne Aldrich	10-01-09 to 12-31-15
Mayor	Randy Strasser	01-01-11 to 12-31-12
President of the Board of Public Works	Randy Strasser	01-01-11 to 12-31-12
President of the Common Council	Carolyn Pearson	01-01-11 to 12-31-12
Superintendent of Utilities	Richard VanSickle	01-01-11 to 12-31-12



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statement of the City of Delphi (City), for the year ended December 31, 2011. The financial statement is the responsibility of the City's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. 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 opinion.

As discussed in Note 1, the City prepares its financial statement on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the State Board of Accounts as allowed by state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position and results of operations of the City for the year ended December 31, 2011, on the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued a report dated April 11, 2012, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the City's financial statement. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the financial statement. Such information has been subjected to the auditing procedures applied in the audit of the financial statement and, in our opinion, is fairly stated, in all material respects, in relation to the financial statement taken as a whole.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Our audit was conducted for the purpose of forming an opinion on the City's financial statement. The Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis, Schedule of Payables and Receivables, and Schedule of Leases and Debt are presented for additional analysis and are not required parts of the financial statement. They have not been subjected to the auditing procedures applied by us in the audit of the financial statement and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the City's management, Common Council, others within the entity, 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

April 11, 2012



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

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

We have audited the financial statement of the City of Delphi (City), for the year ended December 31, 2011, and have issued our report thereon dated April 11, 2012. 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 opinion on the financial statement, 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.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We identified a deficiency in internal control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs as item 2011-1, that we consider to be a material weakness, as defined above.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed 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 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, Common Council, others within the entity, 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

April 11, 2012

FINANCIAL STATEMENT

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

CITY OF DELPHI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For The Year Ended December 31, 2011

Fund	Cash and Investments 01-01-11	Receipts	Disbursements	Cash and Investments 12-31-11
GENERAL	\$ 4,036,946	\$ 2,769,568	\$ 2,371,111	\$ 4,435,403
MVH	179,452	108,374	101,913	185,913
LOCAL ROADS AND STREETS	4,819	10,588	5,472	9,935
AIRPORT DONATIONS	3,584	60	-	3,644
EDIT	154,626	102,364	95,806	161,184
ANIMAL CONTROL	899	-	-	899
OPERATION PULLOVER	-	1,800	1,686	114
SOLID WASTE	23,174	125,743	88,687	60,230
TLEO	4,062	2,143	-	6,205
RAINY DAY FUND	229,022	-	41,000	188,022
FIRE PROTECTION TERRITORY	75,753	185,896	144,328	117,321
CUMULATIVE CAPITAL IMPROVEMENT	23,987	8,658	-	32,645
NON REVERTING PARK	9,816	11,495	1,328	19,983
DELPHI TRI TWP EQUIPMENT	16,836	-	16,836	-
CUMULATIVE FIRE	51,948	-	51,948	-
FIRE TERRITORY EQUIPMENT	28,264	1,084,314	664	1,111,914
POLICE PENSION	63,039	12,299	12,567	62,771
RIVERBOAT TAX	49,164	18,868	4,891	63,141
DNR INTERP SITE GRANT	147	-	-	147
COURT COUNTY SHARE	-	1,484	1,484	-
HOUSING DEVELOPMENT	18,024	-	-	18,024
FLOOD CLEAN UP	1,003	-	-	1,003
SPECIAL PROJECT	6,608	-	-	6,608
SIDEWALK CURB SHARE PROGRAM	20,008	-	-	20,008
HISTORIC TRAIL GRANT	18,442	879	9,327	9,994
MAIN ST NON-REVERTING	4,151	470	-	4,621
DARE NON REVERTING	17	-	-	17
POLICE DONATIONS	232	-	232	-
IN-DOOR RECREATION	183	-	-	183
PARK WABASH HERITAGE	1,531	-	-	1,531
RAILROAD CLEANUP	1,045	-	-	1,045
FAA GRANT	10,658	3,895	8,280	6,273
FAA GRANT AIP 10	-	649,088	493,599	155,489
LOANS	-	119,781	119,781	-
HHH WATER	-	-	117,129	(117,129)
HHH WASTE	-	-	200,699	(200,699)
FLOODGATE PROJECT	-	-	12,173	(12,173)
LEVEE CERTIFICATION	-	-	79,762	(79,762)
INTER URBAN TRAIL	-	-	46,120	(46,120)
FREEDOM BRIDGE	-	-	85,423	(85,423)
SAFE ROUTES/CONSTRUCTION	-	-	8,250	(8,250)
AIRPORT ROTARY	-	40,542	29,258	11,284
CITY COURT	2,690	12,771	12,670	2,791
PAYROLL	10,322	1,104,431	1,093,943	20,810
SEWAGE OPERATION	193,780	1,036,674	1,128,439	102,015
SEWAGE SINKING	16,704	153,685	157,254	13,135
SEWAGE DEBT SERVICE RESERVE	159,940	-	-	159,940
BOOSTER STATION	7,038	2,174	-	9,212
WATER OPERATING	674,042	963,079	896,566	740,555
CUSTOMER DEPOSIT	50,582	8,925	7,577	51,930
WATER DEBT RESERVE	167,636	-	-	167,636
WATER BOND & INTEREST	157,418	157,565	157,418	157,565
Totals	<u>\$ 6,477,592</u>	<u>\$ 8,697,613</u>	<u>\$ 7,603,621</u>	<u>\$ 7,571,584</u>

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

CITY OF DELPHI
NOTES TO FINANCIAL STATEMENT

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The City was established under the laws of the State of Indiana. The City operates under a Council-Mayor form of government and provides some or all of the following services: public safety (police and fire), highways and streets, health and social services, culture and recreation, public improvements, planning and zoning, general administrative services, water, wastewater, trash, aviation, and urban redevelopment and housing.

The accompanying financial statement presents the financial information for the City.

B. Basis of Accounting

The financial statement is reported on a regulatory basis of accounting prescribed by the State Board of Accounts in accordance with state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recorded when received and disbursements are recorded when paid.

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

C. Cash and Investments

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

D. Receipts

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

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

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

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

CITY OF DELPHI
NOTES TO FINANCIAL STATEMENT
(Continued)

from the state, auto excise surtax received from the state, commercial vehicle excise tax received from the state, major moves distributions received from the state, and riverboat receipts received from the county.

Charges for services which can include, but are not limited to the following: planning commission charges, building department charges, copies of public records, copy machine charges, accident report copies, gun permit applications, 911 telephone services, recycling fees, dog pound fees, emergency medical service fees, park rental fees, swimming pool receipts, cable tv receipts, ordinance violations, fines and fees, bond forfeitures, court costs, and court receipts.

Fines and forfeits which include receipts derived from fines and penalties imposed for the commission of statutory offenses, violation of lawful administrative rules and regulations (fines), and for the neglect of official duty and monies derived from confiscating deposits held as performance guarantees (forfeitures).

Utility fees which are comprised mostly of charges for current services.

Penalties which include fees received for late payments.

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

E. Disbursements

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

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

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

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

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

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

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

CITY OF DELPHI
NOTES TO FINANCIAL STATEMENT
(Continued)

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

F. Interfund Transfers

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

G. Fund Accounting

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

Note 2. Budgets

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

Note 3. Property Taxes

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

Note 4. Deposits and Investments

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

CITY OF DELPHI
NOTES TO FINANCIAL STATEMENT
(Continued)

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

Note 5. Risk Management

The City may be exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; medical benefits to employees, retirees, and dependents; and natural disasters.

These risks can be mitigated through the purchase of insurance, establishment of a self-insurance fund, and/or participation in a risk pool. The purchase of insurance transfers the risk to an independent third party. The establishment of a self-insurance fund allows the City to set aside money for claim settlements. The self-insurance fund would be included in the financial statement. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks. These risks may also be mitigated by the City by recording as a disbursement any replacement items purchased.

Note 6. Pension Plans

A. Public Employees' Retirement Fund

Plan Description

The Indiana Public Employees' Retirement Fund (PERF) is a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in this defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the Indiana Public Retirement System (INPRS) Board, most requirements of the system, and give the City authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3 percent of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

INPRS administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by contacting:

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

Funding Policy and Annual Pension Cost

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

CITY OF DELPHI
NOTES TO FINANCIAL STATEMENT
(Continued)

B. 1925 Police Officers' Pension Plan

Plan Description

The 1925 Police Officers' Pension Plan 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

The contribution requirements of plan members for the 1925 Police Officers' Pension Plan are established by state statute.

On Behalf Payments

The 1925 Police Officers' Pension Plan is funded by the State of Indiana through the Indiana Public Retirement System as provided under Indiana Code 5-10.3-11.

C. 1977 Police Officers' and Firefighters' Pension and Disability Fund

Plan Description

The 1977 Police Officers' and Firefighters' Pension and Disability Fund is a cost-sharing multiple-employer defined benefit pension plan administered by the Indiana Public Retirement System (INPRS) for all police officers and firefighters hired after April 30, 1977.

State statute (IC 36-8-8) regulates the operations of the system, including benefits, vesting, and requirements for contributions by employers and by employees. Covered employees may retire at age 52 with 20 years of service. An employee with 20 years of service may leave service, but will not receive benefits until reaching age 52. The plan also provides for death and disability benefits.

INPRS issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by contacting:

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

Funding Policy

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

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SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the City's 2011 Annual Report information can be found on the Gateway website: <https://gateway.ifionline.org/>.

Differences may be noted between the financial information presented in the financial statement contained in this report and the financial information presented in the Annual Report of the City which is referenced above. These differences, if any, are due to adjustments made to the financial information during the course of the audit. This is a common occurrence in any financial statement audit. The financial information presented in this report is audited information, and the accuracy of such information can be determined by reading the opinion given in the Independent Auditor's Report.

The supplementary information presented was approved by management of the City. It is presented as intended by the City.

CITY OF DELPHI
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011

	GENERAL	MVH	LOCAL ROADS AND STREETS	AIRPORT DONATIONS	EDIT	ANIMAL CONTROL	OPERATION PULLOVER
Cash and investments - beginning	\$ 4,036,946	\$ 179,452	\$ 4,819	\$ 3,584	\$ 154,626	\$ 899	\$ -
Receipts:							
Taxes	1,034,158	-	-	-	-	-	-
Licenses and permits	9,687	-	-	-	-	-	-
Intergovernmental	779,550	107,234	10,588	-	102,364	-	1,800
Charges for services	650	1,140	-	-	-	-	-
Fines and forfeits	3,581	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	941,942	-	-	60	-	-	-
Total receipts	<u>2,769,568</u>	<u>108,374</u>	<u>10,588</u>	<u>60</u>	<u>102,364</u>	<u>-</u>	<u>1,800</u>
Disbursements:							
Personal services	971,827	27,814	-	-	19,583	-	644
Supplies	104,210	19,099	-	-	971	-	-
Other services and charges	363,100	-	-	-	75,252	-	1,042
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	205,089	55,000	5,472	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	726,885	-	-	-	-	-	-
Total disbursements	<u>2,371,111</u>	<u>101,913</u>	<u>5,472</u>	<u>-</u>	<u>95,806</u>	<u>-</u>	<u>1,686</u>
Excess (deficiency) of receipts over disbursements	<u>398,457</u>	<u>6,461</u>	<u>5,116</u>	<u>60</u>	<u>6,558</u>	<u>-</u>	<u>114</u>
Cash and investments - ending	<u>\$ 4,435,403</u>	<u>\$ 185,913</u>	<u>\$ 9,935</u>	<u>\$ 3,644</u>	<u>\$ 161,184</u>	<u>\$ 899</u>	<u>\$ 114</u>

CITY OF DELPHI
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	SOLID WASTE	TLEO	RAINY DAY FUND	FIRE PROTECTION TERRITORY	CUMULATIVE CAPITAL IMPROVEMENT	NON REVERTING PARK	DELPHI TRI TWP EQUIPMENT
Cash and investments - beginning	\$ 23,174	\$ 4,062	\$ 229,022	\$ 75,753	\$ 23,987	\$ 9,816	\$ 16,836
Receipts:							
Taxes	-	-	-	146,791	-	-	-
Licenses and permits	-	840	-	-	-	-	-
Intergovernmental	-	-	-	37,938	8,658	-	-
Charges for services	125,663	879	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	80	424	-	1,167	-	11,495	-
Total receipts	<u>125,743</u>	<u>2,143</u>	<u>-</u>	<u>185,896</u>	<u>8,658</u>	<u>11,495</u>	<u>-</u>
Disbursements:							
Personal services	4,373	-	-	39,114	-	-	-
Supplies	4,871	-	-	16,790	-	-	-
Other services and charges	79,443	-	41,000	78,099	-	1,328	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	10,325	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	16,836
Total disbursements	<u>88,687</u>	<u>-</u>	<u>41,000</u>	<u>144,328</u>	<u>-</u>	<u>1,328</u>	<u>16,836</u>
Excess (deficiency) of receipts over disbursements	<u>37,056</u>	<u>2,143</u>	<u>(41,000)</u>	<u>41,568</u>	<u>8,658</u>	<u>10,167</u>	<u>(16,836)</u>
Cash and investments - ending	<u>\$ 60,230</u>	<u>\$ 6,205</u>	<u>\$ 188,022</u>	<u>\$ 117,321</u>	<u>\$ 32,645</u>	<u>\$ 19,983</u>	<u>\$ -</u>

CITY OF DELPHI
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	CUMULATIVE FIRE	FIRE TERRITORY EQUIPMENT	POLICE PENSION	RIVERBOAT TAX	DNR INTERP SITE GRANT	COURT COUNTY SHARE	HOUSING DEVELOPMENT
Cash and investments - beginning	\$ 51,948	\$ 28,264	\$ 63,039	\$ 49,164	\$ 147	\$ -	\$ 18,024
Receipts:							
Taxes	-	45,922	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	4,077	-	18,868	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	1,484	-
Utility fees	-	-	-	-	-	-	-
Other receipts	-	1,034,315	12,299	-	-	-	-
Total receipts	-	1,084,314	12,299	18,868	-	1,484	-
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	51,948	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	664	-	4,891	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	12,567	-	-	1,484	-
Total disbursements	51,948	664	12,567	4,891	-	1,484	-
Excess (deficiency) of receipts over disbursements	(51,948)	1,083,650	(268)	13,977	-	-	-
Cash and investments - ending	\$ -	\$ 1,111,914	\$ 62,771	\$ 63,141	\$ 147	\$ -	\$ 18,024

CITY OF DELPHI
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	FLOOD CLEAN UP	SPECIAL PROJECT	SIDEWALK CURB SHARE PROGRAM	HISTORIC TRAIL GRANT	MAIN ST NON-REVERTING	DARE NON REVERTING	POLICE DONATIONS
Cash and investments - beginning	\$ 1,003	\$ 6,608	\$ 20,008	\$ 18,442	\$ 4,151	\$ 17	\$ 232
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	879	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	-	-	-	-	470	-	-
Total receipts	-	-	-	879	470	-	-
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	9,327	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	232
Total disbursements	-	-	-	9,327	-	-	232
Excess (deficiency) of receipts over disbursements	-	-	-	(8,448)	470	-	(232)
Cash and investments - ending	<u>\$ 1,003</u>	<u>\$ 6,608</u>	<u>\$ 20,008</u>	<u>\$ 9,994</u>	<u>\$ 4,621</u>	<u>\$ 17</u>	<u>\$ -</u>

CITY OF DELPHI
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	IN-DOOR RECREATION	PARK WABASH HERITAGE	RAILROAD CLEANUP	FAA GRANT	FAA GRANT AIP 10	LOANS	HHH WATER
Cash and investments - beginning	\$ 183	\$ 1,531	\$ 1,045	\$ 10,658	\$ -	\$ -	\$ -
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	3,895	649,088	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	119,781	-
Total receipts	-	-	-	3,895	649,088	119,781	-
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	27,467	-	117,129
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	466,132	119,781	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	8,280	-	-	-
Total disbursements	-	-	-	8,280	493,599	119,781	117,129
Excess (deficiency) of receipts over disbursements	-	-	-	(4,385)	155,489	-	(117,129)
Cash and investments - ending	\$ 183	\$ 1,531	\$ 1,045	\$ 6,273	\$ 155,489	\$ -	\$ (117,129)

CITY OF DELPHI
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	HHH WASTE	FLOODGATE PROJECT	LEVEE CERTIFICATION	INTER URBAN TRAIL	FREEDOM BRIDGE	SAFE ROUTES/CONSTRUCTION
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-
Total receipts	-	-	-	-	-	-
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	200,699	12,173	79,762	46,120	85,423	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	8,250
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-
Total disbursements	200,699	12,173	79,762	46,120	85,423	8,250
Excess (deficiency) of receipts over disbursements	(200,699)	(12,173)	(79,762)	(46,120)	(85,423)	(8,250)
Cash and investments - ending	\$ (200,699)	\$ (12,173)	\$ (79,762)	\$ (46,120)	\$ (85,423)	\$ (8,250)

CITY OF DELPHI
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	AIRPORT ROTARY	CITY COURT	PAYROLL	SEWAGE OPERATION	SEWAGE SINKING	SEWAGE DEBT SERVICE RESERVE
Cash and investments - beginning	\$ -	\$ 2,690	\$ 10,322	\$ 193,780	\$ 16,704	\$ 159,940
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	20,601	-	-	-	-	-
Fines and forfeits	-	12,771	-	-	-	-
Utility fees	-	-	-	1,036,674	-	-
Other receipts	19,941	-	1,104,431	-	153,685	-
Total receipts	<u>40,542</u>	<u>12,771</u>	<u>1,104,431</u>	<u>1,036,674</u>	<u>153,685</u>	<u>-</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	29,258	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	157,232	-
Capital outlay	-	-	-	61,470	-	-
Utility operating expenses	-	-	-	843,032	-	-
Other disbursements	-	12,670	1,093,943	223,937	22	-
Total disbursements	<u>29,258</u>	<u>12,670</u>	<u>1,093,943</u>	<u>1,128,439</u>	<u>157,254</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>11,284</u>	<u>101</u>	<u>10,488</u>	<u>(91,765)</u>	<u>(3,569)</u>	<u>-</u>
Cash and investments - ending	<u>\$ 11,284</u>	<u>\$ 2,791</u>	<u>\$ 20,810</u>	<u>\$ 102,015</u>	<u>\$ 13,135</u>	<u>\$ 159,940</u>

CITY OF DELPHI
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	BOOSTER STATION	WATER OPERATING	CUSTOMER DEPOSIT	WATER DEBT RESERVE	WATER BOND & INTEREST	Totals
Cash and investments - beginning	\$ 7,038	\$ 674,042	\$ 50,582	\$ 167,636	\$ 157,418	\$ 6,477,592
Receipts:						
Taxes	-	-	-	-	-	1,226,871
Licenses and permits	-	-	-	-	-	10,527
Intergovernmental	-	-	-	-	-	1,724,939
Charges for services	-	-	-	-	-	148,933
Fines and forfeits	-	-	-	-	-	17,836
Utility fees	2,174	963,079	-	-	-	2,001,927
Other receipts	-	-	8,925	-	157,565	3,566,580
Total receipts	<u>2,174</u>	<u>963,079</u>	<u>8,925</u>	<u>-</u>	<u>157,565</u>	<u>8,697,613</u>
Disbursements:						
Personal services	-	-	-	-	-	1,063,355
Supplies	-	-	-	-	-	175,199
Other services and charges	-	-	-	-	-	1,269,312
Debt service - principal and interest	-	-	-	-	157,418	314,650
Capital outlay	-	33,534	-	-	-	970,608
Utility operating expenses	-	617,463	7,577	-	-	1,468,072
Other disbursements	-	245,569	-	-	-	2,342,425
Total disbursements	<u>-</u>	<u>896,566</u>	<u>7,577</u>	<u>-</u>	<u>157,418</u>	<u>7,603,621</u>
Excess (deficiency) of receipts over disbursements	<u>2,174</u>	<u>66,513</u>	<u>1,348</u>	<u>-</u>	<u>147</u>	<u>1,093,992</u>
Cash and investments - ending	<u>\$ 9,212</u>	<u>\$ 740,555</u>	<u>\$ 51,930</u>	<u>\$ 167,636</u>	<u>\$ 157,565</u>	<u>\$ 7,571,584</u>

CITY OF DELPHI
 SCHEDULE OF PAYABLES AND RECEIVABLES
 December 31, 2011

<u>Government or Enterprise</u>	<u>Accounts Payable</u>	<u>Accounts Receivable</u>
Governmental activities	\$ 25,105	\$ -
Wastewater	15,561	20,968
Water	<u>10,060</u>	<u>28,076</u>
Totals	<u>\$ 50,726</u>	<u>\$ 49,044</u>

CITY OF DELPHI
 SCHEDULE OF LEASES AND DEBT
 December 31, 2011

Description of Debt		Ending Principal Balance	Principal and Interest Due Within One Year
Type	Purpose		
Governmental activities:			
Notes and loans payable	Police Car	\$ 8,799	\$ 9,327
Notes and loans payable	Truck Dump Truck for Street Department	<u>98,802</u>	<u>23,970</u>
Total governmental activities		<u>107,601</u>	<u>140,898</u>
Wastewater:			
Revenue bonds	Sewer line replacement upgrades to plant	<u>425,000</u>	<u>156,002</u>
Water:			
Revenue bonds	Water improvement plan	<u>2,454,000</u>	<u>157,618</u>
Totals		<u><u>\$ 2,986,601</u></u>	<u><u>\$ 346,917</u></u>

CITY OF DELPHI
AUDIT RESULTS AND COMMENTS

PENALTIES, INTEREST, AND OTHER CHARGES

In some cases, amounts payable to the Indiana Department of Revenue were not remitted timely.

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the governmental unit

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)

RECORD INFORMATION

The payroll subsidiary accounts do not reconcile to the payroll control fund. There are numerous posting errors to the subsidiary accounts which have been made in prior audit periods. As of December 31, 2011, the subsidiary accounts are \$2,545.73 more than the control fund.

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)

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

A detailed list of the City's capital assets was not provided for audit.

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)

AIRPORT LAND ACQUISITION

The Delphi Aviation Board, in conjunction with an Airport Improvement Grant, purchased land to extend a runway at the airport. The grant agreement established a maximum budget amount for real property acquisition of \$305,092. Appraisals, as required by the federal regulations related to the program, were obtained. The property appraised for \$275,000. The final amount paid for the property was \$307,500, exceeding the appraised value by \$32,500 and the maximum grant budget amount by \$2,408. The real estate closing document indicated the purchase price paid for the property was \$275,000; however, it also

CITY OF DELPHI
AUDIT RESULTS AND COMMENTS
(Continued)

included an additional \$32,500 identified as an administrative settlement. We requested documentation of the factors surrounding the administrative settlement and were advised that the local officials had relied on informal assurances provided to them by FAA grant officials. They provided an informal email from the FAA indicating the representative considered the amount reasonable.

49 CFR 24.102(i) states in part:

"The purchase price for the property may exceed the amount offered as just compensation when reasonable efforts to negotiate an agreement at that amount have failed and an authorized Agency official approves such administrative settlement as being reasonable, prudent, and in the public interest. When Federal funds pay for or participate in acquisition costs, a written justification shall be prepared, which states what available information, including trial risks, supports such a settlement."

INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

We noted several deficiencies in the internal control system of the City related to financial transactions and reporting. We believe the following deficiencies constitute material weaknesses:

1. **Lack of Segregation of Duties:** Control activities should be selected and developed at various transaction levels of the City to reduce the risks to the achievement of their financial reporting objectives. The City has not separated incompatible activities related to receipts, utility billings and collections, disbursements, payroll and related liabilities, and cash and investment balances. The failure to establish these controls could enable material misstatements or irregularities to occur and remain undetected.
2. **Preparing the Financial Statement:** Effective internal control over financial reporting involves the identification and analysis of the risks of material misstatement to the City's audited financial statement and then determining how those identified risks should be managed. The City has not identified risks to the preparation of a reliable financial statement and as a result has failed to design effective controls over the preparation of the financial statement to prevent or detect material misstatements, including notes to the financial statement.
3. **Monitoring of Controls:** Effective internal control over financial reporting requires the City Council to monitor and assess the quality of the City's system of internal control. The City Council has not performed either an ongoing or separate evaluation of their system of internal controls. The failure to exercise their oversight responsibility places the City at risk that controls may not be designed or operating effectively to provide reasonable assurance that controls will prevent or detect material misstatements in a timely manner. Additionally, the City has no process to identify or communicate corrective actions to improve controls.

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

CITY OF DELPHI
AUDIT RESULTS AND COMMENTS
(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)

SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT
COULD HAVE A DIRECT AND MATERIAL EFFECT ON 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, 2011. 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, 2011. The results of our auditing procedures also disclosed other 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 items 2011-2, 2011-3, 2011-4, 2011-5, and 2011-6.

Internal Control Over Compliance

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 and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133
(Continued)

A deficiency in 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 and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying Schedule of Findings and Questioned Costs as items 2011-2, 2011-3, 2011-4, 2011-5, and 2011-6. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

This report is intended solely for the information and use of the City's management, Common Council, others within the entity, 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

April 11, 2012

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

CITY OF DELPHI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended December 31, 2011

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
Direct Grant			
Airport Improvement Program	20.106	AIP 3-18-0137-10	\$ <u>493,574</u>
Pass-Through Indiana Department of Transportation			
Highway Planning and Construction Cluster			
Highway Planning and Construction	20.205		
SR 25/HHH Phase 2A & 2C Utility Relocation		NH-071-5(10)	569,783
Inter Urban Trail		1005745	46,120
Monon High Bridge Trail		0902237	84,460
Safe Routes to School		1006367	8,250
Levee Certification			<u>79,762</u>
Total for program			<u>788,375</u>
Pass-Through Carroll County			
Highway Safety Cluster			
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601		1,706
Pass-Through Indiana Criminal Justice Institute			
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601		<u>1,686</u>
Total for cluster			<u>3,392</u>
Total federal awards expended			<u>\$ <u>1,285,341</u></u>

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

CITY OF DELPHI
NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Basis of Presentation

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

CITY OF DELPHI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statement:

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Noncompliance material to the financial statement noted?	no

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	no
Significant deficiencies identified?	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?	yes

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
20.106	Airport Improvement Program Highway Planning and Construction Cluster

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

Auditee qualified as low-risk auditee? no

Section II – Financial Statement Findings

FINDING 2011-1 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

We noted several deficiencies in the internal control system of the City related to financial transactions and reporting. We believe the following deficiencies constitute material weaknesses:

1. Lack of Segregation of Duties: Control activities should be selected and developed at various transaction levels of the City to reduce the risks to the achievement of their financial reporting objectives. The City has not separated incompatible activities related to receipts, utility billings and collections, disbursements, payroll and related liabilities, and cash and investment balances. The failure to establish these controls could enable material misstatements or irregularities to occur and remain undetected.

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

2. Preparing the Financial Statement: Effective internal control over financial reporting involves the identification and analysis of the risks of material misstatement to the City's audited financial statement and then determining how those identified risks should be managed. The City has not identified risks to the preparation of a reliable financial statement and as a result has failed to design effective controls over the preparation of the financial statement to prevent or detect material misstatements, including notes to the financial statement.
3. Monitoring of Controls: Effective internal control over financial reporting requires the City Council to monitor and assess the quality of the City's system of internal control. The City Council has not performed either an ongoing or separate evaluation of their system of internal controls. The failure to exercise their oversight responsibility places the City at risk that controls may not be designed or operating effectively to provide reasonable assurance that controls will prevent or detect material misstatements in a timely manner. Additionally, the City has no process to identify or communicate corrective actions to improve controls.

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

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 2011-2 - CASH MANAGEMENT

Federal Agency: U.S. Department of Transportation
Federal Program: Airport Improvement Program
CFDA Number: 20.106
Federal Award Number: AIP 3-18-0137-10
Direct Grant

The City did not expend grant proceeds within a reasonable time. We noted instances where grant proceeds were held for up to 75 days before being disbursed to the appropriate vendors.

The City did not have adequate internal control procedures in place to monitor this compliance requirement and to ensure the timely disbursing of federal funds.

49 CFR 18.20(b)(7) states in part:

"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. . . . When advances are made by letter-of credit or electronic transfer of funds methods, the grantee must make drawdowns as close as possible to the time of making disbursements. . . ."

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

OMB Circular A133 Section .300(b) states:

"The auditee shall:

Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

Failure to expend grant funds within a reasonable time could lead to the loss of future funding to the City of Delphi.

We recommended that the officials of the City of Delphi design and implement internal control procedures that will ensure proper monitoring of and adherence to cash management compliance requirements.

FINDING 2011-3 - Real Property Acquisition

Federal Agency: U.S. Department of Transportation
Federal Program: Airport Improvement Grant
CFDA Number: 20.106
Direct Grant
Award Year: 2011

The Delphi Aviation Board, as part of an Airport Improvement Grant project, purchased land to extend a runway at the airport. The grant agreement established a maximum budget amount for real property acquisition of \$305,092.00. Appraisals, as required by the federal regulations, related to the program were obtained. The property appraised for \$275,000.00. The final amount paid for the property was \$307,500.00, exceeding the maximum appraised value by \$32,500.00 and the maximum grant budget amount by \$2,408. The real estate closing document indicated the purchase price paid for the property was \$275,000.00; however, it also included an additional \$32,500.00 identified as an administrative settlement. We requested documentation of the factors surrounding the administrative settlement and were advised that the local officials had relied on informal assurances provided to them by FAA grant officials. They provided an informal email from the FAA indicating the representative considered the amount reasonable.

49 CFR 24.102(i) states in part:

"The purchase price for the property may exceed the amount offered as just compensation when reasonable efforts to negotiate an agreement at that amount have failed and an authorized Agency official approves such administrative settlement as being reasonable, prudent, and in the public interest. When Federal funds pay for or participate in acquisition costs, a written justification shall be prepared, which states what available information, including trial risks, supports such a settlement."

OMB Circular A133 Section .300(b) states:

"The auditee shall:

Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

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

Failure to follow compliance guidelines related to the real property acquisition compliance guidelines, as established by the applicable CFR, could result in excessive costs to the federal program and jeopardize the funding of the project.

We recommended the local Airport Board, in conjunction with the Delphi Clerk Treasurer, institute the internal controls necessary to insure compliance with the applicable CFRs.

FINDING 2011-4 - EQUIPMENT AND REAL PROPERTY MANAGEMENT

Federal Agency: U.S. Department of Transportation
Federal Program: Airport Improvement Grant and Highway Planning and Construction Cluster
CFDA Number: 20.106. 20.205
Federal Award Number: 3-18-0137-10
Direct Grant and Pass-Through: Indiana Department of Transportation

The City has not maintained an adequate capital asset system for the airport which would account for all capital assets acquired with federal funds.

49 CFR 18.32(a) states in part:

"Management requirements: Procedures for managing equipment (including replacement equipment), whether acquired in whole or in part with grant funds, until disposition takes place will, as a minimum, meet the following requirements:

- (1) Property records must be maintained that include a description of the property, a serial number or other identification number, the source of property, who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the cost of the property, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property.
- (2) A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years.
- (3) A control system must be developed to ensure adequate safeguards to prevent loss, damage, or theft of the property. Any loss, damage, or theft shall be investigated."

OMB Circular A133 Section .300(b) states:

"The auditee shall:

Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

Failure to follow program requirements of the grant could delay or jeopardize future grant funding.

We recommended the City officials take a physical inventory of the airport property and equipment and record them in a capital asset ledger. We also recommended the City officials design and implement internal controls procedures that will ensure that this ledger is maintained in the future.

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

FINDING 2011-5 - DAVIS BACON

Federal Agency: U.S. Department of Transportation
Federal Program: Airport Improvement Program
CFDA Number: 20.106
Federal Award Number: AIP 3-18-0137-10
Direct Grant

Controls related to the monitoring of compliance with the Davis Bacon Act were not in place. Although the contracts for the project included a clause that the contractor will pay laborers who are employed to work under the contract the prevailing wage, no monitoring, reviewing or testing of wages paid were performed by the City or the Project Engineer.

49 CFR 18.40(a) states in part:

"Monitoring of grantees. Grantees are responsible for managing the day-to-day operations of grant and subgrant supported activities. Grantees must monitor grant and subgrant supported activities to assure compliance with applicable Federal requirements and that performance goals are being achieved. Grantee monitoring must cover each program, function or activity."

49 CFR 18.36(i) states in part:

"Contract provisions. A grantee's and subgrantee's contract must contain provisions in paragraph (i) of this section. Federal agencies are permitted to require changes, remedied, changed conditions, access and records retention, suspension of work, and other clauses approved by the Office of Federal Procurement Policy. . . .

- (5) Compliance with the Davis-Bacon Act (40 U.S.C. 276a to 276a-7) as supplemented by Department of Labor regulations (29 CFR part 5). (Construction contracts in excess of \$2000 awarded by grantees and subgrantees when required by Federal grant program legislation)."

29 CFR 5.5(a)(3) state in part:

"(ii)(A) The contractor shall submit weekly for each week in which any contract work is performed a copy of all payrolls to the U.S. Department of Transportation, if the agency is a party to the contract, but if the agency is not such a party, the contractor will submit the payrolls to the applicant, sponsor, or owner, as the case may be, for transmission to the U.S. Department of Transportation. The payrolls submitted shall set out accurately and completely all of the information required to be maintained under 29 CFR 5.5(a)(3)(i), except that full social security numbers and home addresses shall not be included on weekly transmittals. Instead the payrolls shall only need to include an individually identifying number for each employee (e.g. , the last four digits of the employee's social security number). The required weekly payroll information may be submitted in any form desired. Optional Form WH-347 is available for this purpose from the Wage and Hour Division Web site at <http://www.dol.gov/esa/wh347instr.htm> or its successor site. The prime contractor is responsible for the submission of copies of payrolls by all subcontractors. . . .

(B) Each payroll submitted shall be accompanied by a "Statement of Compliance," signed by the contractor or subcontractor or his or her agent who pays or supervises the payment of the persons employed under the contract and shall certify the following: . . .

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

(iii) The contractor or subcontractor shall make the records required under paragraph (a)(3)(i) of this section available for inspection, copying, or transcription by authorized representatives of the (write the name of the agency) or the Department of Labor, and shall permit such representatives to interview employees during working hours on the job. If the contractor or subcontractor fails to submit the required records or to make them available, the Federal agency may, after written notice to the contractor, sponsor, applicant, or owner, take such action as may be necessary to cause the suspension of any further payment, advance, or guarantee of funds. Furthermore, failure to submit the required records upon request or to make such records available may be grounds for debarment action pursuant to 29 CFR 5.12".

OMB Circular A133 Section .300(b) states:

"The auditee shall:

Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

We recommended the City establish controls to monitor compliance with the Davis-Bacon Act requirements. This would include communication to staff, contractors, and subcontractors the requirement to pay wages in accordance with the Davis-Bacon Act, monitoring and testing certified payrolls to ensure the prevailing wage was paid, and on-site visits to monitor laborer classification and wage rates.

FINDING 2011-6 - DAVIS BACON

Federal Agency: U.S. Department of Transportation
Federal Program: Highway Planning and Construction Cluster
CFDA Number: 20.205
Federal Award Number:
Pass-Through: Indiana Department of Transportation

Controls over the monitoring of Davis Bacon Act were not in place. Although the contracts for the project included a clause that the contractor will pay laborers who are employed to work under the contract the prevailing wage, no monitoring, reviewing or testing of wages paid were performed by the City or the Project Engineer.

49 CFR 18.40(a) states in part:

"Monitoring be grantees. Grantees are responsible for managing the day-to-day operations of grant and subgrant supported activities. Grantees must monitor grant and subgrant supported activities to assure compliance with applicable Federal requirements and that performance goals are being achieved. Grantee monitoring must cover each program, function or activity."

49 CFR 18.36(i) states in part:

"Contract provisions. A grantee's and subgrantee's contract must contain provisions in paragraph (i) of this section. Federal agencies are permitted to require changes, remedied, changed conditions, access and records retention, suspension of work, and other clauses approved by the Office of Federal Procurement Policy. . . .

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

- (5) Compliance with the Davis-Bacon Act (40 U.S.C. 276a to 276a-7) as supplemented by Department of Labor regulations (29 CFR part 5). (Construction contracts in excess of \$2000 awarded by grantees and subgrantees when required by Federal grant program legislation)."

29 CFR 5.5(a)(3) state in part:

"(ii)(A) The contractor shall submit weekly for each week in which any contract work is performed a copy of all payrolls to the U.S. Department of Transportation, if the agency is a party to the contract, but if the agency is not such a party, the contractor will submit the payrolls to the applicant, sponsor, or owner, as the case may be, for transmission to the U.S. Department of Transportation. The payrolls submitted shall set out accurately and completely all of the information required to be maintained under 29 CFR 5.5(a)(3)(i), except that full social security numbers and home addresses shall not be included on weekly transmittals. Instead the payrolls shall only need to include an individually identifying number for each employee (e.g., the last four digits of the employee's social security number). The required weekly payroll information may be submitted in any form desired. Optional Form WH-347 is available for this purpose from the Wage and Hour Division Web site at <http://www.dol.gov/esa/wh347instr.htm> or its successor site. The prime contractor is responsible for the submission of copies of payrolls by all subcontractors. . . .

(B) Each payroll submitted shall be accompanied by a "Statement of Compliance," signed by the contractor or subcontractor or his or her agent who pays or supervises the payment of the persons employed under the contract and shall certify the following: . . .

(iii) The contractor or subcontractor shall make the records required under paragraph (a)(3)(i) of this section available for inspection, copying, or transcription by authorized representatives of the (write the name of the agency) or the Department of Labor, and shall permit such representatives to interview employees during working hours on the job. If the contractor or subcontractor fails to submit the required records or to make them available, the Federal agency may, after written notice to the contractor, sponsor, applicant, or owner, take such action as may be necessary to cause the suspension of any further payment, advance, or guarantee of funds. Furthermore, failure to submit the required records upon request or to make such records available may be grounds for debarment action pursuant to 29 CFR 5.12."

OMB Circular A133 Section .300(b) states:

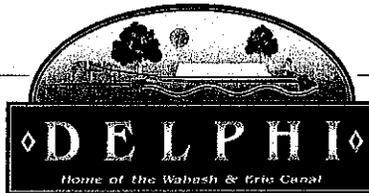
"The auditee shall:

Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

We recommended the City establish controls to monitor compliance with the Davis-Bacon Act requirements. This would include communication to staff, contractors, and subcontractors the requirement to pay wages in accordance with the Davis-Bacon Act, monitoring and testing certified payrolls to ensure the prevailing wage was paid, and on-site visits to monitor laborer classification and wage rates.

CITY OF DELPHI
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.



April 11, 2012

City of Delphi Corrective Action Plan

FINDING 2011-1, INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

Contact Person: Leanne Aldrich

The City of Delphi is aware of the risks associated with a limited staff and has determined the benefits of hiring additional staff in order that all accounting functions are performed by different individuals are not sufficient to justify the increase in cost to the taxpayers.

The City has compensating controls including oversight of the Common Council and Board of Public Works and Safety. The Clerk-Treasurer provides monthly financial statements and bank reconciliations for review in the board packets. The Mayor receives the Fund Report and Appropriation Report after each month is closed and the funds are reconciled to the depositories by an outside CPA. The department heads all receive appropriation reports each month.

FINDING 2011-2 - CASH MANAGEMENT

Federal Agency: U.S. Department of Transportation
Federal Program: Airport Improvement Program
CFDA Number: 20.106
Federal Award Number: AIP 3-18-0137-10
Direct Grant
Auditee Contact Person: Leanne Aldrich
Title of Contact Person: City Clerk-Treasurer
Phone Number: (765)-564-2097
Expected Completion Date: Spring 2012

The City of Delphi has contracted with NCG Corporation for grant administration services. The City Clerk-Treasurer's Office will work with the grant administrator to develop procedures to minimize the time between the receipt and disbursement of federal funding in order to stay in compliance with federal regulations.

FINDING 2011-3 – Real Property Acquisition

Federal Agency: U.S. Department of Transportation
Federal Program: Airport Improvement Grant
CFDA Number: 20.106
Direct Grant
Award Year: 2011
Auditee Contact Person: Leanne Aldrich
Title of Contact Person: City Clerk-Treasurer

Phone Number: (765)-564-2097
Expected Completion Date: Spring 2012

The City of Delphi has contracted with NCG Corporation for grant administration services. The city received approval from FAA, through the grant administrator, to proceed with the land purchase at the price which included the administrative settlement. The notification was documented in an email between the FAA and the City's grant administrator. City officials were not aware of the requirement to have a written justification prepared, which states what available information, including trial risks, to support such a settlement. In the future, The City of Delphi will have written justifications prepared when using administrative settlements to purchase real property on all federal grant projects.

FINDING 2011-4 - EQUIPMENT AND REAL PROPERTY MANAGEMENT

Federal Agency: U.S. Department of Transportation
Federal Program: Airport Improvement Grant and Highway Planning and Construction Cluster
CFDA Number: 20.106. 20.205
Federal Award Number: 3-18-0137-10
Direct Grant
Auditee Contact Person: Leanne Aldrich
Title of Contact Person: City Clerk-Treasurer
Phone Number: (765)-564-2097
Expected Completion Date: Spring 2012

The City has capital asset management software on its server. The Clerk-Treasurer's office will work with the department heads and Mayor to ensure a detailed listing of capital assets is maintained on an annual basis. City officials will take a physical inventory of property and equipment and record them in a capital asset ledger and maintain this ledger in the future.

FINDING 2011-5 - DAVIS BACON

Federal Agency: U.S. Department of Transportation
Federal Program: Airport Improvement Program
CFDA Number: 20.106
Federal Award Number: AIP 3-18-0137-10
Direct Grant
Auditee Contact Person: Leanne Aldrich
Title of Contact Person: City Clerk-Treasurer
Phone Number: (765)-564-2097
Expected Completion Date: Spring 2012

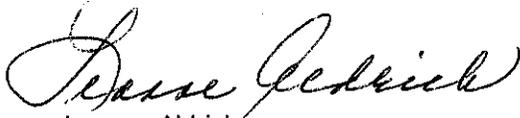
The City will develop procedures related to the monitoring of compliance with the Davis Bacon Act. The City will require all contractor's to submit weekly certified payroll reports with the application for payment. The City and its project engineer will review and test payrolls and verify the contractor's compliance with the Davis Bacon requirements. The City or its engineer will do on-site visits to monitor laborer classifications and wage rates. The City will also verify information provided as a part of the contractor's agreement as it pertains to this compliance requirement.

FINDING 2011-6 - DAVIS BACON

Federal Agency: U.S. Department of Transportation
Federal Program: Highway Planning and Construction Cluster
CFDA Number: 20.205
Federal Award Number:

Pass-Through: Indiana Department of Transportation
Auditee Contact Person: Leanne Aldrich
Title of Contact Person: City Clerk-Treasurer
Phone Number: (765)-564-2097
Expected Completion Date: Spring 2012

The City will develop procedures related to the monitoring of compliance with the Davis Bacon Act. The City will require all contractor's to submit weekly certified payroll reports with the application for payment. The City and its project engineer will review and test payrolls and verify the contractor's compliance with the Davis Bacon requirements. The City or its engineer will do on-site visits to monitor laborer classifications and wage rates. The City will also verify information provided as a part of the contractor's agreement as it pertains to this compliance requirement.



Leanne Aldrich
City of Delphi Clerk-Treasurer

CITY OF DELPHI
EXIT CONFERENCE

The contents of this report were discussed on April 11, 2012, with Leanne Aldrich, Clerk-Treasurer; Randy Strasser, Mayor; and Carolyn Pearson, President of the Common Council. The officials concurred with our audit findings.