

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, 2013 to December 31, 2013



FILED
08/08/2014

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Independent Auditor's Report	3-5
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statement Performed in Accordance With <i>Government Auditing Standards</i>	6-7
Financial Statement and Accompanying Notes:	
Statement of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis	10
Notes to Financial Statement	11-16
Supplementary Information - Unaudited:	
Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis	18-28
Schedule of Leases and Debt	29
Schedule of Capital Assets	30
Supplemental Audit of Federal Awards:	
Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance	32-33
Schedule of Expenditures of Federal Awards and Accompanying Note:	
Schedule of Expenditures of Federal Awards	36
Note to Schedule of Expenditures of Federal Awards	37
Schedule of Findings and Questioned Costs	38-42
Auditee Prepared Documents:	
Summary Schedule of Prior Audit Findings	44-46
Corrective Action Plan	47-48
Other Report	49

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Leanne Aldrich	01-01-12 to 12-31-15
Mayor	Randy Strasser	01-01-12 to 12-31-15
President of the Board of Public Works	Randy Strasser	01-01-13 to 12-31-14
President of the Common Council	Carolyn Pearson Richard Traeger	01-01-13 to 12-31-13 01-01-14 to 12-31-14



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statement

We have audited the accompanying financial statement of the City of Delphi (City), which comprises the financial position and results of operations for the year ended December 31, 2013, and the related notes to the financial statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the financial reporting provisions of the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6). Management is responsible for and has determined that the regulatory basis of accounting, as established by the Indiana State Board of Accounts, is an acceptable basis of presentation. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

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

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position and results of operations of the City for the year ended December 31, 2013.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position and results of operations of the City for the year ended December 31, 2013, in accordance with the financial reporting provisions of the Indiana State Board of Accounts described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated June 26, 2014, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.


Accompanying Information

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the City's financial statement. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the *U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statement taken as a whole.

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 Leases and Debt, and Schedule of Capital Assets, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the financial statement. They have not been subjected to the auditing procedures applied by us in the audit of the financial statement and, accordingly, we express no opinion on them.


Paul D. Joyce, CPA
State Examiner

June 26, 2014



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

INDEPENDENT AUDITOR'S REPORT ON 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, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statement of the City of Delphi (City), which comprises the financial position and results of operations for the year ended December 31, 2013, and the related notes to the financial statement, and have issued our report thereon dated June 26, 2014, wherein we noted the City followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of the internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2013-001 and 2013-002 to be material weaknesses.

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

Compliance and Other Matters

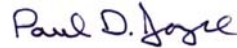
As part of obtaining reasonable assurance about whether the City's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2013-002.

City of Delphi's Response to Findings

The City's response to the findings identified in our audit is described in the accompanying Corrective Action Plan. The City's response was not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on it.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


Paul D. Joyce, CPA
State Examiner

June 26, 2014

(This page intentionally left blank.)

FINANCIAL STATEMENT AND ACCOMPANYING NOTES

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, 2013

Fund	Cash and Investments 01-01-13	Receipts	Disbursements	Cash and Investments 12-31-13
GENERAL	\$ 4,972,095	\$ 2,917,444	\$ 1,771,237	\$ 6,118,302
MVH	184,316	112,084	118,309	178,091
LOCAL ROADS AND STREETS	18,832	10,576	326	29,082
AIRPORT DONATIONS	3,734	160	-	3,894
EDIT	189,753	137,333	102,885	224,201
ANIMAL CONTROL	899	325	-	1,224
OPERATION PULLOVER	85	5,885	5,786	184
SOLID WASTE	68,170	122,468	110,454	80,184
SAFE ROUTES/CONSTRUCTION	-	4,900	4,900	-
TLEO	6,030	2,764	3,498	5,296
RAINY DAY FUND	250,300	-	-	250,300
LEVY EXCESS FUND	18,858	-	-	18,858
FIRE PROTECTION TERRITORY	36,230	163,587	117,636	82,181
CUMULATIVE CAPITAL IMPROV	25,319	3,694	4,253	24,760
NON REVERTING PARK FUND	26,630	10,126	15	36,741
FIRE TERR EQUIP FUND	1,247,070	53,146	60,000	1,240,216
POLICE PENSION	75,459	1,987	13,231	64,215
CITY COURT	2,409	10,738	12,126	1,021
RIVERBOAT TAX	80,279	17,138	-	97,417
COURT COUNTY SHARE	-	1,190	1,190	-
DNR INTERP SITE GRANT	147	-	-	147
HOUSING DEVELOPMENT	18,024	-	-	18,024
FLOOD CLEAN UP	1,003	-	-	1,003
SPECIAL PROJECT	6,608	-	-	6,608
SIDEWALK CURB SHARE PROG	20,008	789	-	20,797
HISTORIC TRAIL GRANT	9,994	-	-	9,994
MAIN ST NON-REVERTING	4,621	-	-	4,621
DARE NON-REVERTING	17	-	-	17
IN-DOOR REC	183	-	-	183
PARK WABASH HERITAGE FUND	1,531	-	-	1,531
RAILROAD CLEANUP	1,045	-	-	1,045
FAA GRANT	6,273	-	-	6,273
FAA GRANT AIP 10	2,233	-	-	2,233
FAA GRANT - AIP-12	-	300,000	501,926	(201,926)
LOANS	-	22,532	-	22,532
HHH WATER	(813,415)	1,056,686	360,663	(117,392)
HHH WASTE	(1,576,445)	1,857,953	404,774	(123,266)
FREEDOM BRIDGE	(963)	49,445	98,327	(49,845)
FLOODGATE PROJECT	(47,396)	-	250	(47,646)
LEVEE CERTIFICATION	(79,762)	-	3,494	(83,256)
INTER URBAN TRAIL	(26,033)	5,283	27,028	(47,778)
SAFE ROUTES/PLANNING	(28,000)	-	-	(28,000)
STELLAR PLANNING GRANT	(25,136)	-	-	(25,136)
AIRPORT ROTARY FUND	36,487	57,740	15,343	78,884
PAYROLL	10,280	1,132,850	1,128,643	14,487
STELLAR-PROGRAM MANAGEMENT	(104,005)	-	121,220	(225,225)
STELLAR OWNER OCCUPIED HOUSING	-	-	176,991	(176,991)
STELLAR - FACADE MASTER PLAN	-	-	44,363	(44,363)
GATEWAY - PHASE ONE	-	79,074	106,087	(27,013)
GATEWAY - PHASE TWO	-	42,727	58,198	(15,471)
STREET SCAPES - PHASE ONE	-	93,559	167,881	(74,322)
STREET SCAPES - PHASE TWO	-	72,488	127,316	(54,828)
STELLAR OPERA HOUSE	-	-	346,548	(346,548)
SEWAGE OPERATION	203,458	1,355,849	1,312,372	246,935
SEWAGE SINKING	9,220	152,964	157,089	5,095
SEWAGE DEBT SERVICE RES	159,940	-	-	159,940
SEWAGE CONST. BOND OF 2013	-	1,410,000	94,713	1,315,287
SEWAGE CAPITAL IMPROVEMENT	-	14,000	12,000	2,000
WATER OPERATING	508,458	1,323,859	949,701	882,616
CUSTOMER DEPOSIT	51,904	9,375	7,497	53,782
WATER DEBT RESERVE	167,636	-	-	167,636
WATER CONST. BOND OF 2013	-	1,960,000	90,949	1,869,051
WATER BOND & INTEREST	157,618	157,575	157,618	157,575
BOOSTER STATION	11,204	2,355	-	13,559
Totals	<u>\$ 5,893,205</u>	<u>\$ 14,732,648</u>	<u>\$ 8,796,837</u>	<u>\$ 11,829,016</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, storm water, trash, aviation, and urban redevelopment and housing.

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

B. Basis of Accounting

The financial statement is reported on a regulatory basis of accounting prescribed by the Indiana 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. The basis of accounting involves the reporting of only cash and investments and the changes therein resulting from cash inflows (receipts) and cash outflows (disbursements) reported in the period in which they occurred.

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

C. Cash and Investments

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

D. Receipts

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

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

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

CITY OF DELPHI
NOTES TO FINANCIAL STATEMENT
(Continued)

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 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, park rental fees, 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.

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

E. Disbursements

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

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

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

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

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

CITY OF DELPHI
NOTES TO FINANCIAL STATEMENT
(Continued)

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

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

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

F. Interfund Transfers

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

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.

CITY OF DELPHI
NOTES TO FINANCIAL STATEMENT
(Continued)

Note 4. Deposits and Investments

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

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

Note 5. Risk Management

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

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

Note 6. Pension Plans

A. Public Employees' Retirement Fund

Plan Description

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

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

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

CITY OF DELPHI
NOTES TO FINANCIAL STATEMENT
(Continued)

Funding Policy and Annual Pension Cost

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

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 Capitol Street, Suite 001
Indianapolis, IN 46204
Ph. (888) 526-1687

CITY OF DELPHI
NOTES TO FINANCIAL STATEMENT
(Continued)

Funding Policy

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

Note 7. Cash Balance Deficits

The financial statement contains seventeen funds with deficit balances totaling \$1,689,006.

Fourteen of these funds are used to account for federal and/or state grant expenditures incurred but not yet reimbursed. The effected funds are: the FAA Grant AIP-12, HHH Water, HHH Waste, Freedom Bridge, Inter Urban Trail, Safe Routes/Planning, Stellar Owner Occupied Housing, Stellar Façade Master Plan, Stellar Planning Grant, Phases One and Two of the Gateway Project, Stellar Opera House, as well as Phases One and Two of the Street Scapes Project. These funds will eventually be reimbursed by various federal and state grant programs. Reimbursement requests related to these programs as of December 31, 2013, were either not filed or being held by the grantor agency for additional information. Amounts to reimburse these funds were or will be received by the City during 2014.

The Stellar-Program Management fund is being used to separate the City's local match to the Stellar Grant. This fund will be reimbursed with a transfer from the General and EDIT funds.

Two funds, Floodgate Project and Levee Certification, were set up in 2011 when they began accumulating expenditures for a new "gate" to alleviate flooding on the west side of the City. The City hopes to get funding for the project through Indiana Office of Community and Rural Affairs; however, the last two attempts to secure the funding have failed. The City continues their efforts to secure funding, meanwhile accumulating \$130,902 in project expenses at December 31, 2013.

Note 8. INDOT Agreement - Transfer of State Road 25

On April 20, 2011, the City entered into an agreement with the Indiana Department of Transportation (INDOT) involving the transfer of responsibility to the City the maintenance and regulation of the section of S.R. 25 within the City limits of Delphi. This includes, but is not limited to, all right of way and structures, the road surface, bridges, snow and ice removal, storm water drainage, mowing, traffic signals and other related signs, outdoor advertising structures, and driveways.

INDOT will compensate the City \$1,250,000 to assist the City in the transfer of responsibility. The City received \$500,000 on October 9, 2013. The remaining \$750,000 is expected to be received in annual payments of \$250,000 over the subsequent three year period.

SUPPLEMENTARY INFORMATION - UNAUDITED

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

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

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

CITY OF DELPHI
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
CASH AND INVESTMENT BALANCES - REGULATORY BASIS
For the Year Ended December 31, 2013

	GENERAL	MVH	LOCAL ROADS AND STREETS	AIRPORT DONATIONS	EDIT	ANIMAL CONTROL
Cash and investments - beginning	\$ 4,972,095	\$ 184,316	\$ 18,832	\$ 3,734	\$ 189,753	\$ 899
Receipts:						
Taxes	969,832	110,944	-	-	-	-
Licenses and permits	9,494	-	-	-	-	325
Intergovernmental	1,112,641	-	10,576	-	137,333	-
Charges for services	-	1,140	-	-	-	-
Fines and forfeits	3,417	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	822,060	-	-	160	-	-
Total receipts	<u>2,917,444</u>	<u>112,084</u>	<u>10,576</u>	<u>160</u>	<u>137,333</u>	<u>325</u>
Disbursements:						
Personal services	1,106,361	30,445	-	-	20,000	-
Supplies	101,207	802	326	-	666	-
Other services and charges	413,755	87,062	-	-	82,219	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	149,914	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-
Total disbursements	<u>1,771,237</u>	<u>118,309</u>	<u>326</u>	<u>-</u>	<u>102,885</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>1,146,207</u>	<u>(6,225)</u>	<u>10,250</u>	<u>160</u>	<u>34,448</u>	<u>325</u>
Cash and investments - ending	<u>\$ 6,118,302</u>	<u>\$ 178,091</u>	<u>\$ 29,082</u>	<u>\$ 3,894</u>	<u>\$ 224,201</u>	<u>\$ 1,224</u>

CITY OF DELPHI
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
CASH AND INVESTMENT BALANCES - REGULATORY BASIS
For the Year Ended December 31, 2013
(Continued)

	OPERATION PULLOVER	SOLID WASTE	SAFE ROUTES/ CONSTRUCTION	TLEO	RAINY DAY FUND	LEVY EXCESS FUND
Cash and investments - beginning	\$ 85	\$ 68,170	\$ -	\$ 6,030	\$ 250,300	\$ 18,858
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	1,410	-	-
Intergovernmental	5,885	-	4,900	-	-	-
Charges for services	-	122,427	-	1,354	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	-	41	-	-	-	-
Total receipts	5,885	122,468	4,900	2,764	-	-
Disbursements:						
Personal services	4,412	5,960	-	-	-	-
Supplies	-	60	-	3,498	-	-
Other services and charges	-	104,434	4,900	-	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	1,374	-	-	-	-	-
Total disbursements	5,786	110,454	4,900	3,498	-	-
Excess (deficiency) of receipts over disbursements	99	12,014	-	(734)	-	-
Cash and investments - ending	\$ 184	\$ 80,184	\$ -	\$ 5,296	\$ 250,300	\$ 18,858

CITY OF DELPHI
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
CASH AND INVESTMENT BALANCES - REGULATORY BASIS
For the Year Ended December 31, 2013
(Continued)

	FIRE PROTECTION TERRITORY	CUMULATIVE CAPITAL IMPROV	NON REVERTING PARK FUND	FIRE TERR EQUIP FUND	POLICE PENSION	CITY COURT
Cash and investments - beginning	\$ 36,230	\$ 25,319	\$ 26,630	\$ 1,247,070	\$ 75,459	\$ 2,409
Receipts:						
Taxes	143,357	-	-	48,063	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	19,141	3,694	-	4,951	-	-
Charges for services	124	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	10,738
Utility fees	-	-	-	-	-	-
Other receipts	965	-	10,126	132	1,987	-
Total receipts	<u>163,587</u>	<u>3,694</u>	<u>10,126</u>	<u>53,146</u>	<u>1,987</u>	<u>10,738</u>
Disbursements:						
Personal services	33,993	-	-	-	13,231	-
Supplies	12,296	4,253	-	-	-	-
Other services and charges	71,347	-	15	-	-	12,126
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	60,000	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-
Total disbursements	<u>117,636</u>	<u>4,253</u>	<u>15</u>	<u>60,000</u>	<u>13,231</u>	<u>12,126</u>
Excess (deficiency) of receipts over disbursements	<u>45,951</u>	<u>(559)</u>	<u>10,111</u>	<u>(6,854)</u>	<u>(11,244)</u>	<u>(1,388)</u>
Cash and investments - ending	<u>\$ 82,181</u>	<u>\$ 24,760</u>	<u>\$ 36,741</u>	<u>\$ 1,240,216</u>	<u>\$ 64,215</u>	<u>\$ 1,021</u>

CITY OF DELPHI
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
CASH AND INVESTMENT BALANCES - REGULATORY BASIS
For the Year Ended December 31, 2013
(Continued)

	RIVERBOAT TAX	COURT COUNTY SHARE	DNR INTERP SITE GRANT	HOUSING DEVELOPMENT	FLOOD CLEAN UP	SPECIAL PROJECT
Cash and investments - beginning	\$ 80,279	\$ -	\$ 147	\$ 18,024	\$ 1,003	\$ 6,608
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	17,138	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	1,190	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-
Total receipts	17,138	1,190	-	-	-	-
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	1,190	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-
Total disbursements	-	1,190	-	-	-	-
Excess (deficiency) of receipts over disbursements	17,138	-	-	-	-	-
Cash and investments - ending	\$ 97,417	\$ -	\$ 147	\$ 18,024	\$ 1,003	\$ 6,608

CITY OF DELPHI
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
CASH AND INVESTMENT BALANCES - REGULATORY BASIS
For the Year Ended December 31, 2013
(Continued)

	SIDEWALK CURB SHARE PROG	HISTORIC TRAIL GRANT	MAIN ST NON-REVERTING	DARE NON-REVERTING	IN-DOOR REC	PARK WABASH HERITAGE FUND
Cash and investments - beginning	\$ 20,008	\$ 9,994	\$ 4,621	\$ 17	\$ 183	\$ 1,531
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	789	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-
Total receipts	789	-	-	-	-	-
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-
Total disbursements	-	-	-	-	-	-
Excess (deficiency) of receipts over disbursements	789	-	-	-	-	-
Cash and investments - ending	\$ 20,797	\$ 9,994	\$ 4,621	\$ 17	\$ 183	\$ 1,531

CITY OF DELPHI
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
CASH AND INVESTMENT BALANCES - REGULATORY BASIS
For the Year Ended December 31, 2013
(Continued)

	RAILROAD CLEANUP	FAA GRANT	FAA GRANT AIP 10	FAA GRANT - AIP-12	LOANS	HHH WATER
Cash and investments - beginning	\$ 1,045	\$ 6,273	\$ 2,233	\$ -	\$ -	\$ (813,415)
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	300,000	-	1,056,686
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	-	-	-	-	22,532	-
Total receipts	-	-	-	300,000	22,532	1,056,686
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	360,663
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	501,926	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-
Total disbursements	-	-	-	501,926	-	360,663
Excess (deficiency) of receipts over disbursements	-	-	-	(201,926)	22,532	696,023
Cash and investments - ending	\$ 1,045	\$ 6,273	\$ 2,233	\$ (201,926)	\$ 22,532	\$ (117,392)

CITY OF DELPHI
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
CASH AND INVESTMENT BALANCES - REGULATORY BASIS
For the Year Ended December 31, 2013
(Continued)

	HHH WASTE	FREEDOM BRIDGE	FLOODGATE PROJECT	LEEVE CERTIFICATION	INTER URBAN TRAIL	SAFE ROUTES/ PLANNING
Cash and investments - beginning	\$ (1,576,445)	\$ (963)	\$ (47,396)	\$ (79,762)	\$ (26,033)	\$ (28,000)
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	1,857,953	49,445	-	-	5,283	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-
Total receipts	<u>1,857,953</u>	<u>49,445</u>	<u>-</u>	<u>-</u>	<u>5,283</u>	<u>-</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	404,774	98,327	250	3,494	27,028	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-
Total disbursements	<u>404,774</u>	<u>98,327</u>	<u>250</u>	<u>3,494</u>	<u>27,028</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>1,453,179</u>	<u>(48,882)</u>	<u>(250)</u>	<u>(3,494)</u>	<u>(21,745)</u>	<u>-</u>
Cash and investments - ending	<u>\$ (123,266)</u>	<u>\$ (49,845)</u>	<u>\$ (47,646)</u>	<u>\$ (83,256)</u>	<u>\$ (47,778)</u>	<u>\$ (28,000)</u>

CITY OF DELPHI
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
CASH AND INVESTMENT BALANCES - REGULATORY BASIS
For the Year Ended December 31, 2013
(Continued)

	STELLAR PLANNING GRANT	AIRPORT ROTARY FUND	PAYROLL	STELLAR- PROGRAM MANAGEMENT	STELLAR OWNER OCCUPIED HOUSING	STELLAR - FACADE MASTER PLAN
Cash and investments - beginning	\$ (25,136)	\$ 36,487	\$ 10,280	\$ (104,005)	\$ -	\$ -
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	28,490	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	-	29,250	1,132,850	-	-	-
Total receipts	-	57,740	1,132,850	-	-	-
Disbursements:						
Personal services	-	-	1,128,643	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	15,343	-	121,220	176,991	44,363
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-
Total disbursements	-	15,343	1,128,643	121,220	176,991	44,363
Excess (deficiency) of receipts over disbursements	-	42,397	4,207	(121,220)	(176,991)	(44,363)
Cash and investments - ending	\$ (25,136)	\$ 78,884	\$ 14,487	\$ (225,225)	\$ (176,991)	\$ (44,363)

CITY OF DELPHI
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2013
 (Continued)

	GATEWAY - PHASE ONE	GATEWAY - PHASE TWO	STREET SCAPES - PHASE ONE	STREET SCAPES - PHASE TWO	STELLAR OPERA HOUSE	SEWAGE OPERATION
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 203,458
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	79,074	42,727	93,559	72,488	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	1,355,849
Other receipts	-	-	-	-	-	-
Total receipts	<u>79,074</u>	<u>42,727</u>	<u>93,559</u>	<u>72,488</u>	<u>-</u>	<u>1,355,849</u>
Disbursements:						
Personal services	-	-	-	-	-	227,956
Supplies	-	-	-	-	-	-
Other services and charges	106,087	58,198	167,881	127,316	346,548	30,835
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	5,987
Utility operating expenses	-	-	-	-	-	880,649
Other disbursements	-	-	-	-	-	166,945
Total disbursements	<u>106,087</u>	<u>58,198</u>	<u>167,881</u>	<u>127,316</u>	<u>346,548</u>	<u>1,312,372</u>
Excess (deficiency) of receipts over disbursements	<u>(27,013)</u>	<u>(15,471)</u>	<u>(74,322)</u>	<u>(54,828)</u>	<u>(346,548)</u>	<u>43,477</u>
Cash and investments - ending	<u>\$ (27,013)</u>	<u>\$ (15,471)</u>	<u>\$ (74,322)</u>	<u>\$ (54,828)</u>	<u>\$ (346,548)</u>	<u>\$ 246,935</u>

CITY OF DELPHI
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
CASH AND INVESTMENT BALANCES - REGULATORY BASIS
For the Year Ended December 31, 2013
(Continued)

	SEWAGE SINKING	SEWAGE DEBT SERVICE RES	SEWAGE CONST. BOND OF 2013	SEWAGE CAPITAL IMPROVEMENT	WATER OPERATING	CUSTOMER DEPOSIT
Cash and investments - beginning	\$ 9,220	\$ 159,940	\$ -	\$ -	\$ 508,458	\$ 51,904
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	1,323,815	-
Other receipts	152,964	-	1,410,000	14,000	44	9,375
Total receipts	152,964	-	1,410,000	14,000	1,323,859	9,375
Disbursements:						
Personal services	-	-	-	-	188,028	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	27,026	-
Debt service - principal and interest	157,064	-	-	-	-	-
Capital outlay	-	-	94,713	-	67,856	-
Utility operating expenses	25	-	-	-	509,216	-
Other disbursements	-	-	-	12,000	157,575	7,497
Total disbursements	157,089	-	94,713	12,000	949,701	7,497
Excess (deficiency) of receipts over disbursements	(4,125)	-	1,315,287	2,000	374,158	1,878
Cash and investments - ending	\$ 5,095	\$ 159,940	\$ 1,315,287	\$ 2,000	\$ 882,616	\$ 53,782

CITY OF DELPHI
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
CASH AND INVESTMENT BALANCES - REGULATORY BASIS
For the Year Ended December 31, 2013
(Continued)

	WATER DEBT RESERVE	WATER CONST. BOND OF 2013	WATER BOND & INTEREST	BOOSTER STATION	Totals
Cash and investments - beginning	\$ 167,636	\$ -	\$ 157,618	\$ 11,204	\$ 5,893,205
Receipts:					
Taxes	-	-	-	-	1,272,196
Licenses and permits	-	-	-	-	12,018
Intergovernmental	-	-	-	-	4,873,474
Charges for services	-	-	-	-	153,535
Fines and forfeits	-	-	-	-	15,345
Utility fees	-	-	-	2,355	2,682,019
Other receipts	-	1,960,000	157,575	-	5,724,061
Total receipts	-	1,960,000	157,575	2,355	14,732,648
Disbursements:					
Personal services	-	-	-	-	2,759,029
Supplies	-	-	-	-	123,108
Other services and charges	-	-	-	-	2,893,392
Debt service - principal and interest	-	-	157,618	-	314,682
Capital outlay	-	-	-	-	880,396
Utility operating expenses	-	90,949	-	-	1,480,839
Other disbursements	-	-	-	-	345,391
Total disbursements	-	90,949	157,618	-	8,796,837
Excess (deficiency) of receipts over disbursements	-	1,869,051	(43)	2,355	5,935,811
Cash and investments - ending	\$ 167,636	\$ 1,869,051	\$ 157,575	\$ 13,559	\$ 11,829,016

CITY OF DELPHI
SCHEDULE OF LEASES AND DEBT
December 31, 2013

Description of Debt		Ending Principal Balance	Principal and Interest Due Within One Year
Type	Purpose		
Governmental activities:			
Notes and loans payable	Dump Truck - Pickup Street Department	\$ 60,708	\$ 23,970
Notes and loans payable	Air Packs - Fire Territory	55,012	60,000
Notes and loans payable	Police squad car	<u>7,717</u>	<u>7,810</u>
Total governmental activities		<u>123,437</u>	<u>91,780</u>
Wastewater:			
Revenue bonds	Sewer line replacement upgrades to plant	140,000	154,413
Revenue bonds	2013 improvements	1,410,000	58,340
Notes and loans payable	Pickup Truck - Wastewater	<u>26,318</u>	<u>9,897</u>
Total Wastewater		<u>1,576,318</u>	<u>222,650</u>
Water:			
Revenue bonds	Water improvement plan	2,370,000	157,437
Revenue bonds	2013 improvements	<u>1,960,000</u>	<u>128,967</u>
Total Water		<u>4,330,000</u>	<u>286,404</u>
Totals		<u>\$ 6,029,755</u>	<u>\$ 600,834</u>

CITY OF DELPHI
SCHEDULE OF CAPITAL ASSETS
December 31, 2013

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received.

	Ending Balance
Governmental activities:	
Land	\$ 4,914,807
Infrastructure	2,144,522
Buildings	1,445,093
Machinery, equipment, and vehicles	<u>718,230</u>
Total governmental activities	<u>9,222,652</u>
Wastewater:	
Infrastructure	6,664,840
Buildings	1,250,000
Machinery, equipment, and vehicles	<u>81,032</u>
Total Wastewater	<u>7,995,872</u>
Water:	
Infrastructure	1,596,441
Buildings	60,000
Machinery, equipment, and vehicles	<u>98,689</u>
Total Water	<u>1,755,130</u>
Total capital assets	<u><u>\$ 18,973,654</u></u>

SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

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

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

Report on Compliance for Each Major Federal Program

We have audited the City of Delphi's (City) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on its major federal programs for the year ended December 31, 2013. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2013.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
(Continued)

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, 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 2013-004 and 2013-005. Our opinion on each major federal program is not modified with respect to these matters.

The City's response to the noncompliance findings identified in our audit is described in the accompanying Corrective Action Plan. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance


Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2013-003, 2013-004, and 2013-005 to be material weaknesses.

The City's response to the internal control over compliance findings identified in our audit is described in the accompanying Corrective Action Plan. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.


Paul D. Joyce, CPA
State Examiner

June 26, 2014

(This page intentionally left blank.)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTE

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

CITY OF DELPHI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2013

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended
<u>Department of Transportation</u>				
Highway Planning and Construction Cluster				
Highway Planning & Construction	Indiana Department of Transportation	20.205		
TE/Bike and Pedetrian Facilities				
Freedom Bridge			A249-10-320741	\$ 48,255
Interurban Trail			A249-11-320529	5,283
Transportation Alternatives				
Street Scapes Phase I			A249-13-320546	93,559
Street Scapes Phase II			A249-13-320551	72,488
TE/Bike and Pedestrian Facilities				
Gateway Phase I			A249-13-320552	79,074
Gateway Phase II			A249-13-320553	42,727
Highway Planning & Construction				
HHH WATER			NH-071-5(10)	697,798
HHH WASTE			NH-071-5(10)	1,226,925
Total for program				<u>2,266,109</u>
Recreational Trails Program	Indiana Department of Transportation	20.219		
Safe Routes to School			A249-11-320534	<u>4,900</u>
Total - Highway Planning and Construction Cluster				<u>2,271,009</u>
Highway Safety Cluster				
State and Community Highway Safety	Indiana Criminal Justice Institute	20.600		
Operation Pull-Over			18X9204020IN13	<u>3,921</u>
Occupant Protection Incentive Grants		20.602		
Rural Demonstration Project			18X9204050IN13	<u>1,964</u>
Total - Highway Safety Cluster				<u>5,885</u>
Airport Improvement Program	Direct Grant	20.106		
Extend Runway 18-36			3-18-0117-012-2013	<u>300,000</u>
Total federal awards expended				<u>\$ 2,576,894</u>

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

CITY OF DELPHI
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the 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:	Adverse as to GAAP; Unmodified as to Regulatory Basis
Internal control over financial reporting:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Noncompliance material to financial statement noted?	yes

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?	yes

Identification of Major Programs:

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

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

Auditee qualified as low-risk auditee?	no
--	----

Section II - Financial Statement Findings

FINDING 2013-001 - INTERNAL CONTROLS OVER FINANCIAL REPORTING

We noted a deficiency in the internal control system of the City related to financial reporting. We believe the deficiency in the preparation of the financial statement constitutes a material weakness. The Clerk-Treasurer is solely responsible for preparing the financial statement. There is no segregation of duties, which would include an oversight, review, or approval process.

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 and correct, material misstatements.

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

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

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

***FINDING 2013-002 - INTERNAL CONTROLS AND COMPLIANCE
OVER THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS***

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

During the audit of the SEFA, we noted the following errors: program names and pass-through entity identifying numbers were not always accurate or were incomplete. The Highway Planning and Construction Grant did not include all federal money received and was understated by \$991,007. The State and Community Highway Safety Grant was overstated by \$99. Audit adjustments were proposed, accepted by the City, and made to the SEFA presented in this report. These adjustments resulted in a presentation of the SEFA that is materially correct in relation to the financial statement.

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

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

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

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

"Schedule of expenditures of Federal awards. The auditee shall also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple award years, the auditee may list the amount of Federal awards expended for each award year separately. At a minimum, the schedule shall:

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

- (1) List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For R&D, total Federal awards expended shall be shown either by individual award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available."

Section III - Federal Award Findings and Questioned Costs

FINDING 2013-003 - INTERNAL CONTROLS OVER COMPLIANCE REQUIREMENTS OF THE HIGHWAY PLANNING AND CONSTRUCTION PROGRAM

Federal Agency: Department of Transportation

Federal Program: Highway Planning and Construction

CFDA Number: 20.205

Federal Award Numbers: A249-10-320741, A249-11-320529, A249-13-320546, A249-13-320551, A249-13-320552, A249-13-320553, NH-071-5(10)

Pass-Through Entity: Indiana Department of Transportation

Management of the City has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the Davis-Bacon Act compliance requirements that have a direct and material effect on the program. The failure to establish an effective internal control system places the City at risk of noncompliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system could also allow noncompliance with compliance requirements and allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the program.

Controls over the monitoring of the Davis-Bacon Act were not designed or implemented. Although the contracts for the project included a clause that the contractor will pay prevailing wages to the laborers who are employed to work under the contract, no monitoring, reviewing, or testing of wages paid was performed by the City. They relied completely on the Project Engineer/Consultant to verify compliance with the Davis-Bacon Act requirements.

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) 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."

The failure to establish internal controls could enable material noncompliance to go undetected. Noncompliance with the grant agreement or the compliance requirements that have a direct and material effect on the program could result in the loss of federal funds to the City.

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

We recommended that the City's management establish controls, including segregation of duties, related to the grant agreement and all compliance requirements that have a direct and material effect on the program.

FINDING 2013-004 - INTERNAL CONTROLS AND COMPLIANCE OVER REQUIREMENTS OF THE HIGHWAY PLANNING AND CONSTRUCTION PROGRAM

Federal Agency: Department of Transportation

Federal Program: Highway Planning and Construction

CFDA Number: 20.205

Federal Award Numbers: A249-10-320741, A249-11-320529, A249-13-320546, A249-13-320551,
A249-13-320552, A249-13-320553, NH-071-5(10)

Pass-Through Entity: Indiana Department of Transportation

Internal Controls

Management of the City has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the Equipment and Real Property Management compliance requirements that have a direct and material effect on the program. The failure to establish an effective internal control system places the City at risk of noncompliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system could also allow noncompliance with compliance requirements and allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the program.

Controls over Equipment and Real Property Management at the City were not properly designed or implemented. They did not establish procedures to confirm that inventories were performed every two years.

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) 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."

Compliance

The City did not comply with Equipment and Real Property Management requirements that a physical inventory be taken at least every two years. Officials did not realize that this was a requirement of the Highway Planning and Construction Program, and therefore, did not perform the required physical inventory.

49 CFR 18.32(d)(2) states: "A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years."

The failure to establish internal controls enabled noncompliance to go undetected. Noncompliance with the grant agreement or the compliance requirements that have a direct and material effect on the program could result in the loss of federal funds to the City.

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

We recommended that the City's management establish controls to ensure compliance and comply with Equipment and Real Property Management requirements of the program.

FINDING 2013-005 - INTERNAL CONTROLS AND COMPLIANCE OVER REQUIREMENTS OF THE AIRPORT IMPROVEMENT PROGRAM

Federal Agency: U.S. Department of Transportation
Federal Program: Airport Improvement Program
CFDA Number: 20.106
Federal Award Number: 3-18-0117-012-2013

Internal Controls

Management of the City has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the Equipment and Real Property Management compliance requirements that have a direct and material effect on the program. The failure to establish an effective internal control system places the City at risk of noncompliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system could also allow noncompliance with compliance requirements and allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the program.

Controls over Equipment and Real Property Management at the City were not properly designed or implemented. They did not establish procedures to confirm that inventories were performed every two years.

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) 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."

Compliance

The City did not comply with Equipment and Real Property Management requirements that a physical inventory be taken at least every two years. Officials did not realize that this was a requirement of the Airport Improvement Program, and therefore, did not perform the required physical inventory.

49 CFR 18.32(d)(2) states: "A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years."

The failure to establish internal controls enabled noncompliance to go undetected. Noncompliance with the grant agreement or the compliance requirements that have a direct and material effect on the program could result in the loss of federal funds to the City.

We recommended that the City's management establish controls to ensure compliance and comply with Equipment and Real Property Management requirements of the program.

AUDITEE PREPARED DOCUMENTS

The subsequent documents were provided by management of the City. The documents are presented as intended by the City.



SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

May 29, 2014

Contact: Leanne Aldrich

Title: Clerk Treasurer

Phone: 765-564-2097

Section III – Federal Award Findings and Questioned Costs

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

The lack of segregation of duties was addressed in the following manner:

Utility: Each day when the drawer is counted out, two people handle the duty and each initial the cash register tape and reports. The bank deposit is handled by the payroll clerk not the utility clerk. The drawer is counted by both employees and the tape is initialed by both. Payroll is handled by the payroll clerk, with the clerk treasurer signing off on the time cards as well as the hours report. The final payfile is also checked by the clerk treasurer.

The reports generated by the keystone software system are printed off and both the clerk treasurer and the deputy clerk go over the forms. Some of the data is entered by the deputy clerk and checked by the clerk treasurer. Other data is entered by the clerk treasurer and checked by the deputy clerk. Reports for payroll information are checked by both. The software (keystone) has excellent reports that can be utilized to make sure data is correctly utilized.

The Common Council for the City of Delphi receives data that gives a financial report for the city at different intervals during the year. The Common Council is constantly updated on the status of grants financially. Some of these grants are direct reimbursement as well as 100% reimbursable and 80/20 reimbursable. This allows the Common Council to know what the City is investing in the different projects for their community.

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 Clerk Treasurer contacted the grant administrator for the airport, NGC Corporation, requesting assistance with grant compliance. AIP forms will be presented to the BOAC for approval. The same AIP will also be sent the clerk's office. The clerk will be able to verify the request for payment is in compliance with the grant. The request for payment will be checked by NGC, BOAC, Clerk Treasurer and then on the docket for payment presented to the Board of Works.

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

NGC, grant administrator for Delphi Municipal Airport, prepared a **Oversight Risk Assessment Report** to insure that requirement of the grant is followed and a chain of responsible parties are aware and agree to the procedures followed in regards to payments and receipts. The BOAC for Delphi Municipal Airport is involved with the payment approval as well as the receipts and approves all payments. NGC prepares an AIP that must be approved by the BOAC. This AIP is also submitted to the Clerk Treasurer for payment. The clerk must make sure the claim is in compliance with the grant. The approval of the BOW was given to pay all claims in regards to the grant as well as receive payments when the grant agreement was entered into. The payment, if made prior to the scheduled BOW meeting, will be noted on the following docket presented to the BOW for approval.

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: 3-18-0127-10
Direct Grant

A software program was purchased from Keystone for capital assets. Every department in the City of Delphi was contacted with the request for a physical inventory. A request was also made for original purchase price as well as a description. These records were turned in to the clerk's office and entered into the asset program.

This software has the ability to input automatically purchases of more than \$2,000 into the asset system when processing the APV. This eliminates the problem of forgetting to manually enter the item in the asset program.

In 2014 department heads will be submitting physical inventories to the clerk's office for comparison and possible adjustments to the asset program.

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

VS Engineers has a contract with the City of Delphi as inspectors for the projects with grant disbursements. An arrangement was agreed for VS to oversee the payments for labor were in compliance with the federal wage requirements for each project. The individual inspector from VS Engineers will check and sign off with name and date signifying his approval each laborer has been paid correctly. Either the Mayor or Clerk Treasurer will also check the pay scales and either one checking will also initial and date the form. A copy of the wages that applies to the present contract will be posted on the bulletin board in the Clerk's office. The payroll form is attached to the accounts payable voucher and stays with the claim that is submitted to the BOW for approval for payment.

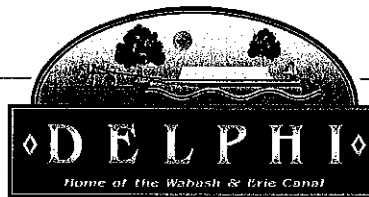
FINDING 2011-6

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

The record of each grant requirements is logged into the front page of each binder book. The contractors submit a statement of compliance with each invoice for work preformed. This also includes a copy of the payroll issued for that time period. A copy of the wages that apply to a particular project or contract will be place on the bulletin board in the clerk's office. The inspector of the project under a particular grant will be required to ensure that wages are in compliance. The inspector will sign and date the claim before submitting to the Clerk's office for payment. The inspector is in the field ensuring the work is being done per specifications and also checks the status of the laborers. Either the Mayor or Clerk Treasurer will also initial and date the form to prove they have checked the payroll information and it is in compliance.

Respectfully submitted,


Leanne Aldrich, Clerk Treasurer



CORRECTIVE ACTION PLAN

Contact Person Responsible for Corrective Action: Leanne Aldrich, Clerk Treasurer
Contact Phone Number: 765-564-2097

FINDING 2013-001 INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Clerk Treasurer will work with the deputy clerk in reviewing reports generated through keystone software before and during the input of information into the financial report. Each report after entered will be confirmed by both to ensure the amounts are entered correctly. After printing off the financial reports a copy will be given to the Mayor and the common council at the next scheduled meeting. Along with the financial statement copies of the fund reports generated through Keystone will be given for their inspection and approval.

This will be the procedure followed for the 2014 year financial report.

FINDING 2013-001 INTERNAL CONTROLS AND COMPLIANCE OVER THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The Clerk Treasurer will make sure a copy of the grant award is in the clerk's office. With a copy of the grant the clerk will be able to review each grant issued to the City of Delphi. A status report similar to the grant summary sheet used in the present binders kept for each grant. The clerk will be able to verify the program names and identifying numbers will be correct for input into the financial statement. The Clerk Treasurer will review each grant issued to the City of Delphi. A report will be composed and entered into the binder kept with copies of invoices as well as receipts. These factors will include the planning and construction costs and stages as well as completion date requirements. All information regarding the following of the grant stipulations will be shown on this report. This will ensure the grant requirements are met.

The City of Delphi has fifteen grants at the present time and each grant will be reviewed and corrections to program names or identifying numbers will be addressed before the financial statement for 2014 filing date.

FINDING 2013-003 INTERNAL CONROLS OVER COMPLIANCE REQUIREMENTS OF THE HIGHWAY PLANNING AND CONSTRUCTION PROGRAM

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

Federal Award Numbers: A249-10-320741, A249-II-320529, A249-13-320546, A249-13-320551, A249-13-320552, A249-13-320553, NH-071-5(10), A2439-11-320534

Pass Through Entity: Indiana Department of Transportation

The City of Delphi utilizes the services of the inspecting engineering firm for the highway grant to inspect, site check of workers status in pay as well as the pay scale to each employee of the construction firm. A pay request is presented to the clerk's office to be placed on the docket for payment. The Clerk Treasurer or the Mayor will review the wages and ensure they are in compliance with the prevailing wage statement. The signature and date is required of the engineer. The Mayor or Clerk Treasurer will initial and date the document. A copy of the prevailing wages will be kept in clerk's office.

This practice to ensure compliance with the Davis Bacon was put into practice during the 2013 audit. This procedure will be the standard procedure for this grant or any other federal grant in the future.

FINDING 2013-4 INTERNAL CONTROLS AND COMPLIANCE OVER REQUIREMENTS OF THE HIGHWAY PLANNING AND CONSTRUCTION PROGRAM

The City of Delphi purchased the capital asset program from Keystone Software. Each time an invoice is paid a determination is made and this can automatically be added to the capital asset data. In order to ensure the software program and the actual assets agree a physical inventory is needed. The asset program was implemented on the 2012 financial report. This year a physical inventory will be done by each department and the inventory will be compared to the items listed in the computer program. This will ensure the assets listed on the financial statement are up to date and accurate.

Departments of the City of Delphi have been informed a physical inventory will be taken and due in the clerk's office by September 30, 2014. A copy of these inventories will be kept in the clerk's office.

FINDING 2013-5 INTERNAL CONTROLS AND COMPLIANCE OVER REQUIREMENTS OF THE AIRPORT IMPROVEMENT PROGRAM

Federal Agency: U.S.Department of Transportation

Federal Program: Airport Improvement Program

CFDA Number: 20.106

Federal Award Number: '3-18-0117-012-2013

The City of Delphi purchased the capital asset program from Keystone Software. Each time an invoice is paid a determination is made and this can automatically be added to the capital asset data. In order to ensure the software program and the actual assets agree a physical inventory is needed. The asset program was implemented on the 2013 financial report. This year a physical inventory will be done by each department and the inventory will be compared to the items listed in the computer program. This will ensure the assets listed on the financial statement are up to date and accurate.

John Gingrich, President of the Airport Board, has been informed a physical inventory must be taken and due in the clerk's office by September 30, 2014. A copy of this inventory will be kept in the clerk's office.

James Redrich
Clerk Treasurer 6/26/2014

OTHER REPORT

In addition to this report, a Supplemental Compliance Report has been issued for the City. That report can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>.