

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

**Paul D. Joyce, CPA  
State Examiner**

SUPPLEMENTAL COMPLIANCE REPORT

OF

CITY OF DELPHI

CARROLL COUNTY, INDIANA

January 1, 2022 to December 31, 2023



**FILED**  
12/17/2024



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Leanne Aldrich Julie Price	01-01-22 to 12-31-23 01-01-24 to 12-31-24
Mayor	Anita Werling Kamron Yates	01-01-22 to 12-31-23 01-01-24 to 12-31-24
President of the Board of Public Works and Safety	Anita Werling Kamron Yates	01-01-22 to 12-31-23 01-01-24 to 12-31-24
President Pro Tempore of the Common Council	Spencer Kingery	01-01-22 to 12-31-24



Paul D. Joyce, CPA  
State Examiner

## INDIANA STATE BOARD OF ACCOUNTS

302 WEST WASHINGTON STREET  
ROOM E418  
INDIANAPOLIS, INDIANA 46204-2769  
Telephone: (317) 232-2513  
Fax: (317) 232-4711  
[www.in.gov/sboa](http://www.in.gov/sboa)

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

This report is supplemental to the audit report of the City of Delphi (City), for the period from January 1, 2022 to December 31, 2023. It has been provided as a separate report so that the reader may easily identify any Audit Results and Comments that pertain to the City. It should be read in conjunction with the Financial Statement Audit Report of the City, which provides our opinions on the City's financial statement. This report may be found at [www.in.gov/sboa/](http://www.in.gov/sboa/).

As authorized under Indiana Code 5-11-1, we performed procedures to determine compliance with applicable Indiana laws and uniform compliance guidelines established by the Indiana State Board of Accounts. The Audit Results and Comments contained herein describe the identified reportable instances of noncompliance found as a result of these procedures. Our tests were not designed to identify all instances of noncompliance; therefore, noncompliance may exist that is unidentified.

Any Official Response to the Audit Results and Comments, incorporated within this report, was not verified for accuracy.

Beth Kelley, CPA, CFE  
Deputy State Examiner

November 26, 2024



CLERK-TREASURER  
CITY OF DELPHI

CLERK-TREASURER  
CITY OF DELPHI  
AUDIT RESULTS AND COMMENTS

**INTERNAL CONTROLS**

*Condition and Context*

There were deficiencies in the internal control system of the City related to financial transactions and reporting. The City had designed an internal control activity in which the Clerk-Treasurer and the Bookkeeper/Payroll Clerk initialed a printed copy of the Annual Financial Report (AFR) prior to submission to demonstrate the preparation of the report and the review of the report; however, the 2023 AFR did not include this documentation.

*Criteria*

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

An integral part of the control activity component is segregation of duties. . . .

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . ."

**OVERDRAWN CASH BALANCES**

The same comment also appeared in prior Report B59875.

*Condition and Context*

Internal controls were not effective in preventing noncompliance related to overdrawn cash balances. The financial statement presented for audit included the following funds with overdrawn cash balances:

Fund	Amount Overdrawn 2022	Amount Overdrawn 2023
COVID 3 CV-CV2-330	\$ 108	\$ 108
Trails - Greenway and 25	-	88,629
Street & Water Bldg Construction Fund	-	541,947

CLERK-TREASURER  
CITY OF DELPHI  
AUDIT RESULTS AND COMMENTS  
(Continued)

*Criteria*

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The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

## **FUND SOURCES AND USES**

*Condition and Context*

The City began construction of a new Water and Street Building in 2023. A loan was obtained for \$2,000,000 from Security Federal Savings Bank on September 28, 2023. The Clerk-Treasurer signed the loan documentation. There was no documented approval in the Common Council meeting minutes or via a resolution authorizing the loan.

In addition, there were five disbursements to BW Construction in 2023 totaling \$872,971, and nine disbursements to BW Construction in 2024 totaling \$1,667,163, for the Water and Street Building project; however, the funds were not appropriated for these disbursements prior to payment.

*Criteria*

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CLERK-TREASURER  
CITY OF DELPHI  
AUDIT RESULTS AND COMMENTS  
(Continued)

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Indiana Code 36-4-8-2 states in part:

". . . Unless a statute provides otherwise, the fiscal officer may draw a warrant against a fund of the city only if:

- (1) an appropriation has been made for that purpose and the appropriation is not exhausted; . . ."

Sources and uses of funds must be limited to those authorized by the enabling law, ordinance/ resolution, or grant agreement. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

### **TIMELY RECORDING**

A similar comment appeared in a Management Letter addressed to the officials of the City for the audit period ending December 31, 2021.

#### *Condition and Context*

During our testing of debt payments, there were principal and interest payments for the Waterworks Revenue Bonds of 2018 and the Waterworks Revenue Bonds of 2019 made by the Bank of New York (BNY) on behalf of the City. These payments were not recorded in the City's ledger at the time of the transaction or in a timely manner as follows:

- The payments made by BNY on January 3, 2022, in the amounts of \$248,995 and \$272,838 and the payments made by BNY on July 1, 2022, in the amounts of \$125,847 and \$58,273 were recorded in the City's ledger on December 31, 2022.
- The payments made by BNY on January 3, 2023, in the amounts of \$250,487 and \$275,273 were recorded in the City's ledger on February 28, 2023.
- The payments made by BNY on July 3, 2023, in the amounts of \$123,628 and \$55,647 were recorded in the City's ledger on September 19, 2023.

During our testing of vendor claims, payments were made to vendors from the BNY 2018 SRFDW Const (I) fund. These payments were not recorded in the City's ledger at the time of the transaction or in a timely manner as follows:

- The payment made to Butler, Fairman & Seufert on March 10, 2023, in the amount of \$25,176 was recorded in the ledger on May 4, 2023.
- The payment made to Butler, Fairman & Seufert on April 8, 2022, in the amount of \$6,454 was recorded in the ledger on December 31, 2022.
- The payment made to Bowen Engineering on January 14, 2022, in the amount of \$97,549 was recorded in the ledger on December 31, 2022.

CLERK-TREASURER  
CITY OF DELPHI  
AUDIT RESULTS AND COMMENTS  
(Continued)

*Criteria*

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An integral part of the control activity component is segregation of duties. . . .

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All documents and entries to records must be made in a timely manner to ensure that accurate financial information is available to allow the unit to make informed management decisions and to help ensure compliance with IC 5-15-1-1. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

All financial transactions pertaining to the unit must be recorded in the records of the unit at the time of the transaction. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

**ORDINANCES AND RESOLUTIONS**

*Condition and Context*

Internal controls were not effective in preventing noncompliance related to ordinances and resolutions. The City did not adopt an ordinance or resolution authorizing the City to enter into a Build-Operate-Transfer agreement with BW Construction, LLC for the public works and water department garage project.

*Criteria*

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

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CITY OF DELPHI  
AUDIT RESULTS AND COMMENTS  
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Indiana Code 5-23-1-1 states:

"This article applies to the following:

- (1) The state.
- (2) A political subdivision in a county containing a consolidated city.
- (3) A political subdivision in a county where:
  - (A) the legislative body of the political subdivision; or
  - (B) if the political subdivision does not have a legislative body, the fiscal body of the political subdivision; adopts the provisions of this article by resolution or ordinance."

Indiana Code 5-23-3-1 states: "A governmental body may enter into a BOT agreement with an operator for the acquisition, planning, design, development, reconstruction, repair, maintenance, or financing of any public facility on behalf of the governmental body."

## **GRANT ACCOUNTING**

### *Condition and Context*

The City received a Community Crossings Matching Grant on September 16, 2022, in the amount of \$736,002, and on August 1, 2023, in the amount of \$897,991, from the Indiana Department of Transportation. The amounts were both posted to the Community Crossing Grant fund. The fund had a beginning balance as of January 1, 2022, of \$346,268 due to two Community Crossings Matching Grants posted to the fund in 2021. A separate fund was not created for the new grants. Grant money received should have their own separate grant funds to ensure proper accounting of the grant monies and compliance with those specific grant funds and uses.

### *Criteria*

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CITY OF DELPHI  
AUDIT RESULTS AND COMMENTS  
(Continued)

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Units are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings, court decisions and filing requirements concerning reports and other procedural matters of federal and state agencies. Units must file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

Sources and uses of funds must be limited to those authorized by the enabling law, ordinance/ resolution, or grant agreement. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

### **ORDINANCES AND RESOLUTIONS - HYDRANT RENTAL**

#### *Condition and Context*

Based on rates included in the Code of Ordinances, Chapter 51, Section 39, the amount to be paid by the City for hydrant rental was \$175.50 per hydrant per year. The City provided documentation for 207 fire hydrants, which would equal \$36,328 that should have been paid each year to the Water Utility by the City. The actual amount paid to the Water Utility was \$172,000 for 2022 and 2023, resulting in a overpayment of \$271,344.

#### *Criteria*

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AUDIT RESULTS AND COMMENTS  
(Continued)

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Each unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

**CONFLICT OF INTEREST**

*Condition and Context*

The Water Superintendent, Craig Myers, also operated C & C Enterprises, which had a lawn management contract with the City for the City Cemetery and the Baum Cemetery. There were Uniform Conflict of Interest Disclosure Statements completed and maintained on file at City Hall for 2022 and 2023. However, due to the lack of internal controls, the Uniform Conflict of Interest Disclosure Statements for 2022 and 2023 were not signed by an Officer of the Governing Body and were not filed with the Clerk of the Circuit Court and the Indiana State Board of Accounts.

*Criteria*

Indiana Code 35-44.1-1-4 states in part:

". . . (b) A public servant who knowingly or intentionally:

- (1) has a pecuniary interest in; or
- (2) derives a profit from;

a contract or purchase connected with an action by the governmental entity served by the public servant commits conflict of interest, a Level 6 felony.

(c) It is not an offense under this section if any of the following apply: . . .

(6) A public servant makes a disclosure that meets the requirements of subsection (d) or (e) and is . . .

(B) appointed by an elected public servant;

(C) employed by the governing body of a school corporation and the contract or purchase involves the employment of a dependent or the payment of fees to a dependent;

(D) elected; or

(E) a member of, or a person appointed by, the board of trustees of a state supported college or university. . . .

(d) A disclosure must:

- (1) be in writing;
- (2) describe the contract or purchase to be made by the governmental entity;

CLERK-TREASURER  
CITY OF DELPHI  
AUDIT RESULTS AND COMMENTS  
(Continued)

- (3) describe the pecuniary interest that the public servant has in the contract or purchase;
- (4) be affirmed under penalty of perjury;
- (5) be submitted to the governmental entity and be accepted by the governmental entity in a public meeting of the governmental entity before final action on the contract or purchase;
- (6) be filed within fifteen (15) days after final action on the contract or purchase with:
  - (A) the state board of accounts; and
  - (B) . . . the clerk of the circuit court in the county where the governmental entity takes final action on the contract or purchase . . ."

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Clerk-Treasurer  
Julie Price



201 South Union Street  
Delphi, Indiana 46923  
Phone (765) 564-2097  
Fax: (765) 564-3273  
email: clerk@cityofdelphi.org



OFFICIAL RESPONSE

Date: December 5, 2024

Indiana State Board of Accounts  
302 West Washington St. Room E418  
Indianapolis, IN 46204-2765

Re: With regards to our internal 2 year audit, our responses for the findings are as follows:

**OVERDRAWN CASH BALANCES:**

A resolution has been initiated, voted on, and passed by the City council to zero out negative overdrawn fund cash balances. Those amounts have been transferred and reconciled as of 12/3/24. Those line items now have a zero balance so that they will be in compliance with state board guidelines.

**INTERNAL CONTROLS:**

The annual fund reports will have 2 signatures or initials from the clerk/treasurer and bookkeeper and a hard copy will be on file in the clerk's office per the state board regulations and guidelines. This has been reconciled as of 11/26/24. The clerk's office will make this a yearly practice to meet the state board guidelines.

**FUND SOURCES AND USES:**

The council has placed a retroactive resolution and ordinance in place to account for the loan to be used for the construction of the new water/street building and to allow reimbursement of expenditures for the project. The resolution and ordinance has been established for funding of the construction of the new building. This was completed as of March 4, 2024 in order to be in compliance with state board guidelines.

**TIMELY RECORDING:**

All payments for bonds and vendor payments are currently being recorded in a timely manner and will continue to be recorded within compliance of state board guidelines.

**ORDINANCES AND RESOLUTIONS:**

The city council will adopt an ordinance or resolution to coincide with the building agreement from BW Construction in order to be in compliance with state board guidelines. This will be completed by 1/31/25.

**GRANT ACCOUNTING:**

The city will create separate fund accounts for each grant awarded so that we can disperse funds to ensure proper accounting of monies to be in compliance with state board guidelines. This will begin as of 12/5/24 and remain within our accounting procedures.

**HYDRANT RENTAL:**

The city has amended the ordinance to state that the amount paid from the city to the water utility will be \$172,000 annually to be divided equally among the amount of fire hydrants the city has at any given time. The fee of \$175.50 will remain in effect for owners of private or private fire protection per hydrant, per



year to be paid semi-annually. The ordinance will be implemented and in full force by 1/31/25 to be in compliance with state board guidelines.

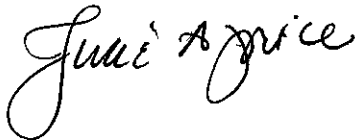
**CONFLICT OF INTEREST:**

The water superintendent has a mowing contract with the city for lawn management. The current lawn management contract has been signed, dated, and a conflict of interest form has been filed with the county clerk's office and sent to SBOA to be in compliance with state board requirements. This has been resolved and will have a new form on file each year for future mowing contract schedules/seasons.

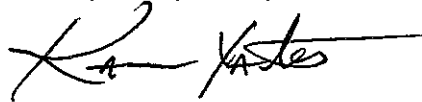
*Official Response to 2 year audit for the City of Delphi*

*Dated: December 5, 2024*

Julie A. Price  
Clerk/Treasurer- City of Delphi



Kamron Yates  
Mayor- City of Delphi



CLERK-TREASURER  
CITY OF DELPHI  
EXIT CONFERENCE

The contents of this report were discussed on November 26, 2024, with Julie Price, Clerk-Treasurer; Kamron Yates, Mayor; Spencer Kingery, President Pro Tempore of the Common Council; and Doyle Moore, Common Council member.