

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, 2017 to December 31, 2017



FILED
09/07/2018

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Leanne Aldrich	01-01-16 to 12-31-19
Mayor	Shane Evans	01-01-16 to 12-31-19
President of the Board of Public Works and Safety	Shane Evans	01-01-16 to 12-31-19
President of the Common Council	Carolyn Pearson	01-01-17 to 12-31-18



STATE OF INDIANA
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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, 2017, and the related notes to the financial statement as listed in the Table of Contents.

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 from 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 to 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, 2017.

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, 2017, in accordance with the financial reporting provisions of the Indiana State Board of Accounts described in Note 1.

Other Matters

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 Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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.

Other Information

Our audit was conducted for the purpose of forming an opinion on the City's financial statement. The Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis, Schedule of Payables and Receivables, 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.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated August 8, 2018, 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 solely 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 effectiveness of the City's 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.


Paul D. Joyce, CPA
State Examiner

August 8, 2018



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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, 2017, and the related notes to the financial statement, and have issued our report thereon dated August 8, 2018, 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.

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 City's financial statement will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as item 2017-001, that we consider to be a material weakness.

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

August 8, 2018

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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, 2017

Fund	Cash and Investments 01-01-17	Receipts	Disbursements	Cash and Investments 12-31-17
GENERAL	\$ 4,067,199	\$ 2,877,459	\$ 2,734,160	\$ 4,210,498
MVH	256,692	143,264	108,534	291,422
LOCAL ROADS AND STREETS	37,506	13,845	14,886	36,465
AIRPORT DONATIONS	4,404	585	600	4,389
EDIT	367,404	132,274	88,194	411,484
ANIMAL CONTROL	1,224	-	-	1,224
OPERATION PULLOVER	231	-	-	231
SOLID WASTE	129,745	119,434	126,020	123,159
HIGHWAY RELINQUISHMENT FUND	284,000	250,000	44,511	489,489
TLEO	5,023	4,793	1,082	8,734
RAINY DAY FUND	568,889	1,145,552	1,172,970	541,471
LOIT SPECIAL DISTRIBUTION	191,126	-	131,892	59,234
LEVY EXCESS FUND	18,858	-	-	18,858
FIRE PROTECTION TERRITORY	123,583	197,479	184,750	136,312
CUMULATIVE CAPITAL IMPROV	10,750	7,037	7,083	10,704
NON REVERTING PARK FUND	30,894	3,354	57	34,191
FIRE TERR EQUIP FUND	1,153,139	493,282	922,147	724,274
POLICE PENSION	62,772	13,730	13,635	62,867
CITY COURT	2,716	15,088	16,545	1,259
RIVERBOAT TAX	58,673	17,138	20,449	55,362
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	20,797	-	-	20,797
HISTORIC TRAIL GRANT	9,994	-	-	9,994
MAIN ST NON-REVERTING	4,621	-	-	4,621
DARE NON REVERTING	17	-	-	17
POLICE DONATIONS	-	3,200	3,200	-
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	1,415	-	-	1,415
FAA GRANT - AIP-12	(33,888)	-	-	(33,888)
FLOODGATE PROJECT	(289,797)	1,633,598	1,754,615	(410,814)

CITY OF DELPHI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CASH AND INVESTMENT BALANCES - REGULATORY BASIS
For the Year Ended December 31, 2017

Fund	Cash and Investments 01-01-17	Receipts	Disbursements	Cash and Investments 12-31-17
LEVEE CERTIFICATION	63,256	-	4,892	58,364
INTER URBAN TRAIL	(98,896)	79,117	26,147	(45,926)
FAA GRANT (2017)	-	229,114	229,114	-
BUILDINGS - COMMUNITY CENTER	-	143,577	124,133	19,444
AIRPORT ROTARY FUND	112,151	70,184	55,927	126,408
PAYROLL	11,478	1,238,790	1,239,329	10,939
STELLAR - PROGRAM MANAGEMEN	(2,754)	-	30,382	(33,136)
STELLAR OWNER OCCUPIED HOUSING	(20,573)	5,000	45	(15,618)
STELLAR - FACADE MASTER PLAN	-	531	-	531
GATEWAY - PHASE ONE	-	-	8	(8)
GATEWAY - PHASE TWO	(206,084)	164,707	26,413	(67,790)
STREET SCAPES - PHASE ONE	(154,516)	-	5,009	(159,525)
STREET SCAPES - PHASE TWO	(137,783)	-	116,566	(254,349)
STELLAR OPERA HOUSE	(5,000)	5,000	-	-
SEWAGE OPERATION	164,618	1,437,653	1,274,492	327,779
SEWAGE SINKING	4	-	-	4
SEWER CONST. BOND OF 2013	274,052	-	307,312	(33,260)
SEWER 2013 DEBT SERVICE RESERVE	141,000	-	-	141,000
SEWER SINKING 2013	47,896	95,485	95,717	47,664
SEWAGE CAPITAL IMPROVEMENT	1,028,174	117,159	-	1,145,333
WATER OPERATING	111,051	1,234,762	1,195,160	150,653
CUSTOMER DEPOSIT	57,284	15,050	7,478	64,856
WATER DEBT RESERVE	167,636	-	-	167,636
WATER UTILITY CONSTRUCTIO	268,146	-	11,141	257,005
WATER CONST. BOND OF 2013	692,866	-	418,576	274,290
WATER 2013 B&I	101,718	133,076	133,076	101,718
WATER 2013 DEBT RESERVE	196,000	-	-	196,000
WATER BOND & INTEREST	188,723	147,944	148,644	188,023
BOOSTER STATION	19,899	2,174	-	22,073
Totals	\$ 10,143,147	\$ 12,190,435	\$ 12,794,891	\$ 9,538,691

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, electric, gas, 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. Amounts received from one or more of the following: property tax, certified shares (local option tax), property tax replacement credit (local option tax), county option income tax, wheel tax, innkeeper's 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. Amounts received from businesses, occupations, or non-businesses 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 the following: peddler licenses, animal licenses, auctioneer licenses, building and planning permits, demolition permits, electrical permits, sign permits, and gun permits.

Intergovernmental receipts. Amounts received from other governments in the form of operating grants, entitlements, or payments in lieu of taxes. Examples of intergovernmental receipts include, but are not limited to, the following: federal grants, state grants,

CITY OF DELPHI
NOTES TO FINANCIAL STATEMENT
(Continued)

cigarette tax distributions received from the state, motor vehicle highway distributions received from the state, local road and street distributions 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. Amounts received for services including, but not limited to, the following: planning commission charges, building department charges, copies of public records, copy machines charges, accident report copies, gun permit applications, 911 telephone services, recycling fees, dog pound fees, emergency medical service fees, park rental fees, swimming pool receipts, cable TV receipts, ordinance violations, fines and fees, bond forfeitures, court costs, and court receipts.

Fines and forfeits. Amounts received 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. Amounts received from charges for current services.

Other receipts. Amounts received from various sources, including, but 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. Amounts disbursed 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. Amounts disbursed for 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, but are not limited to, the following: office supplies, operating supplies, and repair and maintenance supplies.

Other services and charges. Amounts disbursed for services including, but not limited to, the following: professional services, communication and transportation, printing and advertising, insurance, utility services, repairs and maintenance, and rental charges.

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

Capital outlay. Amounts disbursed for land, infrastructure, buildings, improvements, and machinery and equipment having an appreciable and calculable period of usefulness.

CITY OF DELPHI
NOTES TO FINANCIAL STATEMENT
(Continued)

Utility operating expenses. Amounts disbursed for operating the utilities.

Other disbursements. Amounts disbursed for various other purposes including, but 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, make transfers 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 amounts 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 amounts 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 lien date (March 1 in a year ending before January 1, 2016 and January 1 in a year beginning after December 31, 2015) 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, the following: 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 a cost-sharing 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
One North Capitol, 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. 1937 Firefighters' Pension Plan

Plan Description

The 1937 Firefighters' 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 36-8-7). 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 1937 Firefighters' Pension Plan are established by state statute.

On Behalf Payments

The 1937 Firefighters' Pension Plan is funded by the State of Indiana through the Indiana Public Retirement System as provided under Indiana Code 5-10.3-11.

D. 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.

CITY OF DELPHI
NOTES TO FINANCIAL STATEMENT
(Continued)

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

Funding Policy

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

Note 7. Cash Balance Deficits

The financial statement contains some funds with deficits in cash. This is a result of funds being set up for reimbursable grants. The reimbursements for expenditures made by the City were not received by December 31, 2017.

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OTHER INFORMATION - UNAUDITED

The City's Annual Financial Report information can be found on the Indiana Gateway for Government Units 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 City's Annual Financial Report 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 other 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, 2017

	GENERAL	MVH	LOCAL ROADS AND STREETS	AIRPORT DONATIONS	EDIT	ANIMAL CONTROL
Cash and investments - beginning	\$ 4,067,199	\$ 256,692	\$ 37,506	\$ 4,404	\$ 367,404	\$ 1,224
Receipts:						
Taxes	2,076,905	-	-	-	-	-
Licenses and permits	10,756	-	-	-	-	-
Intergovernmental receipts	158,725	109,552	13,845	-	132,237	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	5,532	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	625,541	33,712	-	585	37	-
Total receipts	2,877,459	143,264	13,845	585	132,274	-
Disbursements:						
Personal services	1,347,499	33,777	-	-	15,985	-
Supplies	103,410	19,757	-	-	71	-
Other services and charges	596,357	-	-	600	72,138	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	586,721	55,000	14,886	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	100,173	-	-	-	-	-
Total disbursements	2,734,160	108,534	14,886	600	88,194	-
Excess (deficiency) of receipts over disbursements	143,299	34,730	(1,041)	(15)	44,080	-
Cash and investments - ending	\$ 4,210,498	\$ 291,422	\$ 36,465	\$ 4,389	\$ 411,484	\$ 1,224

CITY OF DELPHI
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2017

	OPERATION PULLOVER	SOLID WASTE	HIGHWAY RELINQUISHMENT FUND	TLEO	RAINY DAY FUND	LOIT SPECIAL DISTRIBUTION
Cash and investments - beginning	\$ 231	\$ 129,745	\$ 284,000	\$ 5,023	\$ 568,889	\$ 191,126
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	3,450	-	-
Intergovernmental receipts	-	-	250,000	-	934,232	-
Charges for services	-	119,370	-	984	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	-	64	-	359	211,320	-
Total receipts	-	119,434	250,000	4,793	1,145,552	-
Disbursements:						
Personal services	-	6,447	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	44,511	1,082	1,172,970	131,892
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	119,573	-	-	-	-
Total disbursements	-	126,020	44,511	1,082	1,172,970	131,892
Excess (deficiency) of receipts over disbursements	-	(6,586)	205,489	3,711	(27,418)	(131,892)
Cash and investments - ending	\$ 231	\$ 123,159	\$ 489,489	\$ 8,734	\$ 541,471	\$ 59,234

CITY OF DELPHI
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2017

	LEVY EXCESS FUND	FIRE PROTECTION TERRITORY	CUMULATIVE CAPITAL IMPROV	NON REVERTING PARK FUND	FIRE TERR EQUIP FUND	POLICE PENSION
Cash and investments - beginning	\$ 18,858	\$ 123,583	\$ 10,750	\$ 30,894	\$ 1,153,139	\$ 62,772
Receipts:						
Taxes	-	149,797	-	-	55,373	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental receipts	-	30,365	7,037	-	5,210	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	-	17,317	-	3,354	432,699	13,730
Total receipts	-	197,479	7,037	3,354	493,282	13,730
Disbursements:						
Personal services	-	26,267	-	-	-	-
Supplies	-	9,386	-	-	-	-
Other services and charges	-	132,113	-	57	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	16,984	7,083	-	922,147	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	13,635
Total disbursements	-	184,750	7,083	57	922,147	13,635
Excess (deficiency) of receipts over disbursements	-	12,729	(46)	3,297	(428,865)	95
Cash and investments - ending	\$ 18,858	\$ 136,312	\$ 10,704	\$ 34,191	\$ 724,274	\$ 62,867

CITY OF DELPHI
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2017

	CITY COURT	RIVERBOAT TAX	DNR INTERP SITE GRANT	HOUSING DEVELOPMENT	FLOOD CLEAN UP	SPECIAL PROJECT
Cash and investments - beginning	\$ 2,716	\$ 58,673	\$ 147	\$ 18,024	\$ 1,003	\$ 6,608
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental receipts	-	17,138	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	15,088	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-
Total receipts	15,088	17,138	-	-	-	-
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	16,545	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	20,449	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-
Total disbursements	16,545	20,449	-	-	-	-
Excess (deficiency) of receipts over disbursements	(1,457)	(3,311)	-	-	-	-
Cash and investments - ending	\$ 1,259	\$ 55,362	\$ 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, 2017

	SIDEWALK CURB SHARE PROG	HISTORIC TRAIL GRANT	MAIN ST NON-REVERTING	DARE NON REVERTING	POLICE DONATIONS	IN-DOOR REC
Cash and investments - beginning	\$ 20,797	\$ 9,994	\$ 4,621	\$ 17	\$ -	\$ 183
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental receipts	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	-	-	-	-	3,200	-
Total receipts	-	-	-	-	3,200	-
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	3,200	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-
Total disbursements	-	-	-	-	3,200	-
Excess (deficiency) of receipts over disbursements	-	-	-	-	-	-
Cash and investments - ending	\$ 20,797	\$ 9,994	\$ 4,621	\$ 17	\$ -	\$ 183

CITY OF DELPHI
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2017

	PARK WABASH HERITAGE FUND	RAILROAD CLEANUP	FAA GRANT	FAA GRANT AIP 10	FAA GRANT - AIP-12	FLOODGATE PROJECT
Cash and investments - beginning	\$ 1,531	\$ 1,045	\$ 6,273	\$ 1,415	\$ (33,888)	\$ (289,797)
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental receipts	-	-	-	-	-	1,633,598
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-
Total receipts	-	-	-	-	-	1,633,598
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	1,754,615
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-
Total disbursements	-	-	-	-	-	1,754,615
Excess (deficiency) of receipts over disbursements	-	-	-	-	-	(121,017)
Cash and investments - ending	\$ 1,531	\$ 1,045	\$ 6,273	\$ 1,415	\$ (33,888)	\$ (410,814)

CITY OF DELPHI
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2017

	LEVEE CERTIFICATION	INTER URBAN TRAIL	FAA GRANT (2017)	BUILDINGS - COMMUNITY CENTER	AIRPORT ROTARY FUND	PAYROLL
Cash and investments - beginning	\$ 63,256	\$ (98,896)	\$ -	\$ -	\$ 112,151	\$ 11,478
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental receipts	-	79,117	229,114	-	-	-
Charges for services	-	-	-	-	37,489	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	-	-	-	143,577	32,695	1,238,790
Total receipts	-	79,117	229,114	143,577	70,184	1,238,790
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	21,515	-
Other services and charges	4,892	26,147	23,431	124,133	385	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	205,683	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	34,027	1,239,329
Total disbursements	4,892	26,147	229,114	124,133	55,927	1,239,329
Excess (deficiency) of receipts over disbursements	(4,892)	52,970	-	19,444	14,257	(539)
Cash and investments - ending	\$ 58,364	\$ (45,926)	\$ -	\$ 19,444	\$ 126,408	\$ 10,939

CITY OF DELPHI
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2017

	STELLAR - PROGRAM MANAGEMENT	STELLAR OWNER OCCUPIED HOUSING	STELLAR - FACADE MASTER PLAN	GATEWAY - PHASE ONE	GATEWAY - PHASE TWO	STREET SCAPES - PHASE ONE
Cash and investments - beginning	\$ (2,754)	\$ (20,573)	\$ -	\$ -	\$ (206,084)	\$ (154,516)
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental receipts	-	5,000	531	-	164,707	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-
Total receipts	-	5,000	531	-	164,707	-
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	45	-	8	26,413	5,009
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	30,382	-	-	-	-	-
Total disbursements	30,382	45	-	8	26,413	5,009
Excess (deficiency) of receipts over disbursements	(30,382)	4,955	531	(8)	138,294	(5,009)
Cash and investments - ending	\$ (33,136)	\$ (15,618)	\$ 531	\$ (8)	\$ (67,790)	\$ (159,525)

CITY OF DELPHI
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2017

	STREET SCAPES - PHASE TWO	STELLAR OPERA HOUSE	SEWAGE OPERATION	SEWAGE SINKING	SEWER CONST. BOND OF 2013	SEWER 2013 DEBT SERVICE RESERVE
Cash and investments - beginning	\$ (137,783)	\$ (5,000)	\$ 164,618	\$ 4	\$ 274,052	\$ 141,000
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental receipts	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	1,414,834	-	-	-
Other receipts	-	5,000	22,819	-	-	-
Total receipts	-	5,000	1,437,653	-	-	-
Disbursements:						
Personal services	-	-	234,613	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	116,566	-	24,556	-	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	238,574	-	307,312	-
Utility operating expenses	-	-	416,671	-	-	-
Other disbursements	-	-	360,078	-	-	-
Total disbursements	116,566	-	1,274,492	-	307,312	-
Excess (deficiency) of receipts over disbursements	(116,566)	5,000	163,161	-	(307,312)	-
Cash and investments - ending	\$ (254,349)	\$ -	\$ 327,779	\$ 4	\$ (33,260)	\$ 141,000

CITY OF DELPHI
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2017

	SEWER SINKING 2013	SEWAGE CAPITAL IMPROVEMENT	WATER OPERATING	CUSTOMER DEPOSIT	WATER DEBT RESERVE	WATER UTILITY CONSTRUCTIO
Cash and investments - beginning	\$ 47,896	\$ 1,028,174	\$ 111,051	\$ 57,284	\$ 167,636	\$ 268,146
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental receipts	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	1,234,762	-	-	-
Other receipts	95,485	117,159	-	15,050	-	-
Total receipts	95,485	117,159	1,234,762	15,050	-	-
Disbursements:						
Personal services	-	-	212,696	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	18,361	-	-	-
Debt service - principal and interest	47,891	-	-	-	-	-
Capital outlay	-	-	62,065	-	-	11,141
Utility operating expenses	-	-	574,534	7,478	-	-
Other disbursements	47,826	-	327,504	-	-	-
Total disbursements	95,717	-	1,195,160	7,478	-	11,141
Excess (deficiency) of receipts over disbursements	(232)	117,159	39,602	7,572	-	(11,141)
Cash and investments - ending	\$ 47,664	\$ 1,145,333	\$ 150,653	\$ 64,856	\$ 167,636	\$ 257,005

CITY OF DELPHI
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2017

	WATER CONST. BOND OF 2013	WATER 2013 B&I	WATER 2013 DEBT RESERVE	WATER BOND & INTEREST	BOOSTER STATION	Totals
Cash and investments - beginning	\$ 692,866	\$ 101,718	\$ 196,000	\$ 188,723	\$ 19,899	\$ 10,143,147
Receipts:						
Taxes	-	-	-	-	-	2,282,075
Licenses and permits	-	-	-	-	-	14,206
Intergovernmental receipts	-	-	-	-	-	3,770,408
Charges for services	-	-	-	-	-	157,843
Fines and forfeits	-	-	-	-	-	20,620
Utility fees	-	-	-	-	2,174	2,651,770
Other receipts	-	133,076	-	147,944	-	3,293,513
Total receipts	-	133,076	-	147,944	2,174	12,190,435
Disbursements:						
Personal services	-	-	-	-	-	1,877,284
Supplies	-	-	-	-	-	154,139
Other services and charges	-	-	-	-	-	4,296,026
Debt service - principal and interest	-	133,076	-	148,644	-	329,611
Capital outlay	23,656	-	-	-	-	2,471,701
Utility operating expenses	394,920	-	-	-	-	1,393,603
Other disbursements	-	-	-	-	-	2,272,527
Total disbursements	418,576	133,076	-	148,644	-	12,794,891
Excess (deficiency) of receipts over disbursements	(418,576)	-	-	(700)	2,174	(604,456)
Cash and investments - ending	\$ 274,290	\$ 101,718	\$ 196,000	\$ 188,023	\$ 22,073	\$ 9,538,691

CITY OF DELPHI
 SCHEDULE OF PAYABLES AND RECEIVABLES
 December 31, 2017

<u>Government or Enterprise</u>	<u>Accounts Payable</u>	<u>Accounts Receivable</u>
Wastewater	\$ -	\$ 1,743
Water	<u>-</u>	<u>2,108</u>
Totals	<u>\$ -</u>	<u>\$ 3,851</u>

CITY OF DELPHI
 SCHEDULE OF LEASES AND DEBT
 December 31, 2017

Description of Debt		Ending	Principal and
Type	Purpose	Principal	Interest Due
		Balance	Within One
			Year
Governmental activities:			
Notes and loans payable	T Hangar	\$ 473,023	\$ 34,027
Wastewater:			
Revenue bonds	2013 Improvements	128,000	95,078
Water:			
Revenue bonds	2013 Improvements	1,765,000	132,247
Revenue bonds	Water improvement plan	2,295,000	147,244
Total Water		4,060,000	279,491
Totals		\$ 4,661,023	\$ 408,596

CITY OF DELPHI
 SCHEDULE OF CAPITAL ASSETS
 December 31, 2017

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	\$ 4,447,613
Infrastructure	2,321,024
Buildings	3,058,297
Machinery, equipment, and vehicles	<u>2,607,263</u>
Total governmental activities	<u>12,434,197</u>
Wastewater:	
Infrastructure	7,503,290
Buildings	400,000
Machinery, equipment, and vehicles	<u>494,808</u>
Total Wastewater	<u>8,398,098</u>
Water:	
Infrastructure	2,213,441
Buildings	60,000
Machinery, equipment, and vehicles	<u>246,186</u>
Total Water	<u>2,519,627</u>
Total capital assets	<u>\$ 23,351,922</u>

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



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

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

Report on Compliance for the Major Federal Program

We have audited the City of Delphi's (City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended December 31, 2017. The City's major federal program is 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the City's major federal program 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 the major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on the 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 its major federal program for the year ended December 31, 2017.

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

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 the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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.

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 a 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. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as item 2017-002, that we consider to be a material weakness.

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.


Paul D. Joyce, CPA
State Examiner

August 8, 2018

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTES

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

CITY OF DELPHI
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended December 31, 2017

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	Passed Through to Subrecipient	Total Federal Awards Expended
<u>Department of Housing and Urban Development</u>					
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii Floodgate Project	Indiana Office of Community & Rural Affairs	14.228	A192-12-DR2-09-216	\$ -	\$ 1,633,598
Total - Department of Housing and Urban Development				-	1,633,598
<u>Department of Transportation</u>					
Airport Improvement Program Airport Project	Direct Grant	20.106	3-18-0117-013-2016	-	229,114
Total - Airport Improvement Program				-	229,114
Highway Planning and Construction Cluster Highway Planning and Construction Interurban Trail	Indiana Department of Transportation	20.205	A249-11-320529	-	79,117
Total - Highway Planning and Construction Cluster				-	79,117
Total - Department of Transportation				-	308,231
Total federal awards expended				\$ -	1,941,829

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards.

CITY OF DELPHI
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes the federal grant activity of the City under programs of the federal government for the year ended December 31, 2017. The information in the SEFA is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the SEFA presents only a select portion of the operations of the City, it is not intended to and does not present the financial position of the City.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the SEFA are reported on the cash basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement. When federal grants are received on a reimbursement basis, the federal awards are considered expended when the reimbursement is received. The City has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

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 weakness identified?	yes
Significant deficiencies identified?	none reported
Noncompliance material to financial statement noted?	no

Federal Awards:

Material weakness identified?	yes
Significant deficiencies identified?	none reported
Any audit finding disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)?	yes

Identification of Major Program and type of auditor's report issued on compliance for it:

CFDA Number	Name of Federal Program or Cluster	Opinion Issued
14.228	Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	Unmodified

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee?	no
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Section II - Financial Statement Findings

FINDING 2017-001

Subject: Financial Transactions and Reporting
Audit Finding: Material Weakness

Condition

There were deficiencies in the internal control system of the City related to financial transactions and reporting. The City had not separated incompatible activities related to payroll disbursements and reporting of financial transactions and of federal program expenditures.

Payroll Disbursements

One person entered payroll information into the accounting system without an oversight, review, or approval process to ensure the accuracy of the information entered.

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

Reporting of Financial Transactions

One person entered the information into the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source for the Annual Financial Report and the financial statement, without an oversight, review, or approval process to ensure accuracy of the information submitted.

Reporting of Federal Program Expenditures

One person entered the federal program information into Gateway, which was the source for the Schedule of Expenditures of Federal Awards, without an oversight, review, or approval process to ensure the accuracy of the information submitted.

Context

The lack of adequate internal controls was a systemic issue throughout the audit period.

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. . . ."

Cause

Management of the City had not established a proper system of internal control that segregated key functions.

Effect

The failure to establish controls could have enabled misstatements or irregularities to remain undetected.

Recommendation

We recommended that the City establish a system of internal controls related to financial transactions and reporting.

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

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

Section III - Federal Award Findings and Questioned Costs

FINDING 2017-002

Subject: Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii - Special Tests and Provisions - Wage Rate Requirements
Federal Agency: Department of Housing and Urban Development
Federal Program: Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii
CFDA Number: 14.228
Federal Award Number and Year (or Other Identifying Number): A192-12-DR2-09-216
Pass-Through Entity: Indiana Office of Community & Rural Affairs
Compliance Requirement: Special Tests and Provisions - Wage Rate Requirements
Audit Finding: Material Weakness

Condition

An effective internal control system was not in place at the City in order to ensure compliance with requirements related to the grant agreement and the wage rate requirements. The grant administrator notified project contractors and subcontractors of the requirement to comply with the wage rate requirements and obtained weekly certified payrolls; however, there was no oversight, review, or approval process performed by the City to ensure compliance with the wage rate requirements.

Context

The lack of controls was a systemic issue throughout the audit period.

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

Cause

Management had not developed a system of internal controls that segregated key functions.

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

Effect

The failure to establish an effective internal control system placed the City at risk of noncompliance with the grant agreement and the compliance requirement. A lack of segregation of duties within an internal control system could have also allowed noncompliance with the compliance requirement and allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the program.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the City's management establish controls related to the grant agreement and the wage rate requirements.

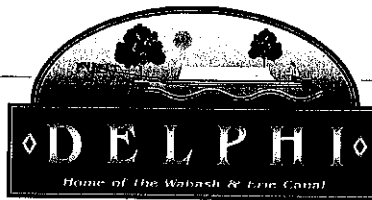
Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

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AUDITEE-PREPARED DOCUMENT

The subsequent document was provided by management of the City. The document is presented as intended by the City.



Date: August 8, 2018

CORRECTION ACTION PLAN

Finding 2017-001

Leanne Aldrich
765-564-2097

Payroll Disbursements

Correction Action Plan: A payroll clerk will continue to process payroll but with check points signed off from another individual in the office. Time sheets, PTO sheets, hours reports will be checked by two parties. Once the hours are entered into the keystone payroll system, the software calculates the taxes and prints the checks and the direct deposit check copies. The system prints off a report of "entries transferred to fund" and from this report your determination for checks to be printed from different accounts are created in order to make a deposit covering payroll. These checks will be checked by the second individual in the office and signed. The final stage of payroll is to make the necessary disbursements for individual retirement accounts, child support and health savings accounts and federal payment to IRS. The second individual will check the reports generated in keystone, the claim vouchers and the receipts and initial agreement.

Reporting of Financial Transactions

The information entered into Gateway will be verified by the second individual in the office through fund report balances as well as the copy printed in Gateway. The fund report and gateway copy will be initialed by both individuals to signify agreement.

Reporting of Federal Program Expenditures

The information entered into the federal program of Gateway will be verified by the second individual in the office through the fund report generated in keystone software and the print out of the Gateway federal section. Both the fund report and the copy of the Gateway will be initialed by both individuals to signify agreement.

A policy and procedure for internal controls on the above items will be made part of the City of Delphi's Internal Control Policy.

Finding 2017-002

Although the Clerk's office followed Davis Bacon procedures in regards to the FAA grant with Delphi Municipal Airport, it was not applied to the Community Development Block Grant for the Floodgate Project. KIRPC was the grant administrator and offered payrolls from the contractor to be certified by the Clerk's office. In the future, when those are offered by KIRPC or any other grant administrator, it will be part of our policy to pick payrolls to verify. Payroll dates will be selected and returned to KIRPC in order for them to supply the payroll records. These will be gone over and compared to the contract time data. These copies will be entered in the binder systems that has been used to keep records in addition to the software records.

A policy and procedure for internal controls of federal grants will be detailed and implemented in order to show a complete and correct record of all funds pertaining to the grant. Our policy and procedure will show that records contained in the binders will balance with the fund reports generated in keystone software. These reports will be initialed signifying approval by two individuals.

The steps described in the two findings will be implemented immediately and the policy and procedures for the internal control of the City of Delphi will be completed within 60 days.



Leanne Aldrich

Clerk Treasurer _____

August 8, 2018 _____

OTHER REPORTS

In addition to this report, other reports may have been issued for the City. All reports can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>.