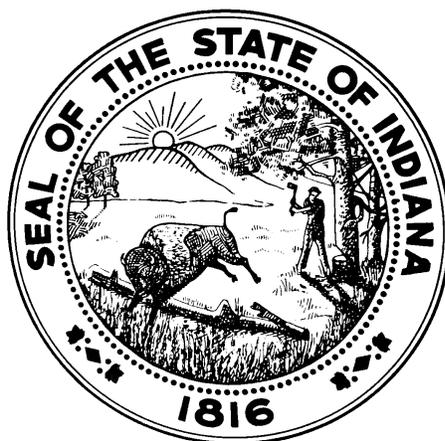


STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

EXAMINATION REPORT
OF

KOKOMO - HOWARD COUNTY GOVERNMENTAL
COORDINATING COUNCIL
HOWARD COUNTY, INDIANA

January 1, 2006 to December 31, 2007



FILED
02/09/2009

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Director	Larry Ives	01-01-06 to 12-31-08
Treasurer	Glen Boise	01-01-06 to 12-31-08
Chairman of the Board	Matthew McKillip	01-01-06 to 12-31-06
	Paul Raver	01-01-07 to 12-31-07
	Gregory Goodnight	01-01-08 to 12-31-08



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE KOKOMO - HOWARD COUNTY GOVERNMENTAL
COORDINATING COUNCIL, HOWARD COUNTY, INDIANA

We have examined the financial information presented herein of the Kokomo - Howard County Governmental Coordinating Council (Council), for the period of January 1, 2006 to December 31, 2007. The Council's management is responsible for the financial information presented herein. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the financial information presented herein and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the financial information referred to above presents fairly, in all material respects, the financial information of the Council for the years ended December 31, 2006 and 2007, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

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

STATE BOARD OF ACCOUNTS

December 24, 2008

KOKOMO - HOWARD COUNTY GOVERNMENTAL COORDINATING COUNCIL
 SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
 ALL GOVERNMENTAL FUND TYPES
 As Of And For The Years Ended December 31, 2006 And 2007

	<u>Cash and Investments 01-01-06</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Cash and Investments 12-31-06</u>
Governmental Fund: General	\$ <u>154,428</u>	\$ <u>969,012</u>	\$ <u>901,095</u>	\$ <u>222,345</u>
	<u>Cash and Investments 01-01-07</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Cash and Investments 12-31-07</u>
Governmental Fund: General	\$ <u>222,345</u>	\$ <u>878,723</u>	\$ <u>939,707</u>	\$ <u>161,361</u>

The accompanying notes are an integral part of the financial information.

KOKOMO - HOWARD COUNTY GOVERNMENTAL
COORDINATING COUNCIL
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

The Council was established pursuant to an agreement between the City of Kokomo and the Board of County Commissioners of Howard County. The agreement established a City-County legal governmental entity whose purpose is to operate a continuing, cooperative and comprehensive planning effort relating to transportation and any other governmental functions where joint cooperation is necessary and desired.

Note 2. Fund Accounting

The Council uses funds to report on its cash and investments and the results of its operations on a cash basis. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities.

Note 3. Deposits and Investments

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

Note 4. Pension Plan

Public Employees' Retirement Fund

Plan Description

The Council employees are included in the Howard County pension plan with the Public Employees' Retirement Fund.

KOKOMO - HOWARD COUNTY GOVERNMENTAL
COORDINATING COUNCIL
NOTES TO FINANCIAL INFORMATION
(Continued)

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

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

Public Employees' Retirement Fund
Harrison Building, Room 800
143 West Market Street
Indianapolis, IN 46204
Ph. (317) 233-4162

Funding Policy and Annual Pension Cost

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

KOKOMO - HOWARD COUNTY GOVERNMENTAL COORDINATING COUNCIL
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS

For The Year Ended December 31, 2007

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.

The unit has no infrastructure assets.

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Machinery and equipment	<u>\$ 21,586</u>

KOKOMO - HOWARD COUNTY GOVERNMENTAL
COORDINATING COUNCIL
EXAMINATION RESULTS AND COMMENTS

PREScribed FORMS

The Kokomo - Howard County Governmental Coordinating Council (Council) is using a computer program to generate all accounting records. The resulting forms and reports are not replicas of prescribed or approved forms and have not been approved by the State Board of Accounts. The following is a prescribed or approved form not in use by the Council:

<u>Form Number</u>	<u>Form Name</u>
358	Ledger of Receipts, Disbursements and Balances

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

PENALTIES, INTEREST, AND OTHER CHARGES

Penalties and interest were paid to the Internal Revenue Service as noted below.

<u>Tax Form</u>	<u>Tax Period</u>	<u>Amount</u>	<u>Date Paid</u>
941	09-07	\$ 610.39	01-08-08
941	06-07	253.93	10-25-07

Late fees and finance charges were paid as noted below:

<u>Source</u>	<u>Amount</u>	<u>Date Paid</u>
Credit Card	\$ 33.86	12-07-07

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit. Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

COMPENSATION AND BENEFITS

One employee (Eugene Ferguson) received \$1,798.20 in payments for 2006 which were not included in the W-2 wages for the year. Additionally, during 2007, payrolls in November and December were calculated incorrectly. Two checks dated December 28, 2007, were posted for amounts different than they were written for.

KOKOMO - HOWARD COUNTY GOVERNMENTAL
COORDINATING COUNCIL
EXAMINATION RESULTS AND COMMENTS
(Continued)

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution or salary schedule adopted by the governing body unless otherwise authorized by statute. Compensation should be made in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

Political subdivisions are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings and filing requirements concerning reports and other procedural matters of federal and state agencies, including opinions of the Attorney General of the State of Indiana, and court decisions. Governmental units should file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Districts, Chapter 10)

Each governmental unit is responsible for compliance with all rules, regulations, guidelines, and directives of the Internal Revenue Service and the Indiana Department of Revenue. All questions concerning taxes should be directed to these agencies. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

EXPENSE REIMBURSEMENT ITEMIZATION

Some claims for reimbursement of meals, while the employee was in travel status, were not supported by detailed documentation which would enable a determination that all expenses were for employees conducting governmental business.

All claims, invoices, receipts, accounts payable vouchers, including those presented to the governing body for approval in accordance with IC 5-11-10, should contain adequate detailed documentation. All claims, invoices, receipts, and accounts payable vouchers regarding reimbursement for meals and expenses for individuals must have specific detailed information of the names of all individuals for whom amounts are claimed, including the nature, name and purpose of the business meeting, to enable the governing body to authorize payment. Payments which do not have proper itemization showing the business nature of the claim may be the personal obligation of the responsible official, employee or other person for whom the claim is made. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

FUND SOURCES AND USES

Funds were disbursed from the the Kokomo - Howard County Governmental Coordinating Council (KHCGCC) for claims that contained documentation indicating the purpose was for City of Kokomo Christmas parties in 2006 and 2007. Purchases were made via the KHCGCC's credit card and paid by the KHCGCC, before being reimbursed by the City of Kokomo.

Sources and uses of funds should be limited to those authorized by the enabling statute, ordinance, resolution, or grant agreement. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

KOKOMO - HOWARD COUNTY GOVERNMENTAL
COORDINATING COUNCIL
EXAMINATION RESULTS AND COMMENTS
(Continued)

Public funds may not be used to pay for personal items or for expenses which do not relate to the functions and purposes of the governmental unit. Any personal expenses paid by the governmental entity may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

OPTICAL IMAGES OF WARRANTS

The financial institution did not return the actual cancelled checks with the monthly bank statements. Optical images were not included with the monthly bank statements. Copies of selected checks were requested from the bank for examination purposes. The unit should retain the actual cancelled check or an electronic record of the check.

IC 5-15-6-3(a) concerning optical imaging of checks states in part:

" . . . 'original records' includes the optical image of a check or deposit document when:

- (1) the check or deposit document is recorded, copied, or reproduced by an optical imaging process . . . ; and
- (2) the drawer of the check receives an optical image of the check after the check is processed for payment . . . "

Further, IC 26-2-8-111(a) and (e) state in part:

"(a) If a law requires that certain records be retained, that requirement is met by retaining an electronic record of the information in the record that:

- (1) accurately reflects the information set forth in the record after it was first generated in its final form as an electronic record or otherwise; and
- (2) remains accessible for later reference."

"(e) If a law requires retention of a check, that requirement is satisfied by retention of an electronic record of the information on the front and back of the check in accordance with subsection (a)."

KOKOMO - HOWARD COUNTY GOVERNMENTAL
COORDINATING COUNCIL
EXIT CONFERENCE

The contents of this report were discussed on January 5, 2009, with Larry Ives, Director; Earlene Cooper, Transit Manager; and Glen Boise, Treasurer. The officials concurred with our findings.