

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

CITY OF KOKOMO
HOWARD COUNTY, INDIANA

January 1, 2013 to December 31, 2013



FILED

09/12/2014

*Reissued on February 27, 2015,
to correct the Schedule of
Expenditures of Federal Awards
and related reports.*

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Controller	Randall J. Morris Milton Beach	01-01-13 to 07-21-13 07-22-13 to 12-31-15
Mayor	Gregory Goodnight	01-01-12 to 12-31-15
President of the Board of Public Works and Safety	James J. Brannon Randy McKay	01-01-13 to 08-09-13 08-10-13 to 12-31-15
President of the Common Council	John M. Kennedy Robert Hayes, Sr.	01-01-13 to 12-31-14 01-01-15 to 12-31-15
Superintendent of Wastewater Utility	Christopher Cooper	01-01-13 to 12-31-15



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INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE CITY OF KOKOMO, HOWARD COUNTY, INDIANA

Report on the Financial Statement

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

Management's Responsibility for the Financial Statement

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

Auditor's Responsibility

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

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

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

INDEPENDENT AUDITOR'S REPORT
(Continued)

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

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

Opinion on Regulatory Basis of Accounting

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated July 17, 2014, except for Finding 2013-001, as to which the date is January 28, 2015, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Restatement of Schedule of Expenditures of Federal Awards

As discussed in Note 3 of the Notes to the Schedule of Expenditures of Federal Awards, the 2013 Schedule of Expenditures of Federal Awards has been restated to correct a misstatement. Our opinion on the Schedule of Expenditures of Federal Awards in relation to the financial statement is not modified with respect to this matter.

Accompanying Information


Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the City's financial statement. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the *U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The information has been subjected to

INDEPENDENT AUDITOR'S REPORT
(Continued)

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.

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.


Paul D. Joyce, CPA
State Examiner

July 17, 2014, except for the Schedule of Expenditures of Federal Awards, as to which the date is January 28, 2015



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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 KOKOMO, HOWARD 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 Kokomo (City), which comprises the financial position and results of operations for the year ended December 31, 2013, and the related notes to the financial statement, and have issued our report thereon dated July 17, 2014, except for the Schedule of Expenditures of Federal Awards, as to which the date is January 28, 2015, 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.

As discussed in Note 3 of the Notes to the Schedule of Expenditures of Federal Awards, the 2013 Schedule of Expenditures of Federal Awards has been restated to correct a misstatement. Our opinion on the Schedule of Expenditures of Federal Awards in relation to the financial statement is not modified with respect to this matter. This report cites a material weakness identified by the auditor as a result of the City having failed to prevent or detect the misstatement in the original Schedule of Expenditures of Federal Awards.

Internal Control Over Financial Reporting

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

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

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

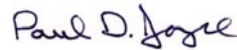
As part of obtaining reasonable assurance about whether the City's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2013-001.

City of Kokomo's Response to Finding

The City's response to the finding 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

July 17, 2014, except for Finding 2013-001, as to which the date is January 28, 2015

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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 KOKOMO
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Year Ended December 31, 2013

Fund	Cash and Investments 01-01-13	Receipts	Disbursements	Cash and Investments 12-31-13
General	\$ 15,902,782	\$ 41,669,891	\$ 37,627,041	\$ 19,945,632
Motor Vehicle Highway	2,251,830	4,445,582	4,312,982	2,384,430
Local Road And Street	544,908	435,307	400,000	580,215
Aviation	362,966	663,910	599,438	427,438
Economic Development Operating	2,586,491	1,866,999	2,062,585	2,390,905
Building Demolition	26,241	23,834	-	50,075
Plan Commission	246,870	469,321	357,414	358,777
Community Development	(11,264)	1,501,611	1,477,365	12,982
Law Enforcement Continuing Ed	162,669	62,407	21,711	203,365
Parks And Recreation	2,011,473	3,381,375	3,004,746	2,388,102
Rainy Day	698	2,244	-	2,942
Levy Excess	89,914	-	-	89,914
Cumulative Capital Improvement	271,094	122,059	202,488	190,665
Health Insurance	449,774	8,722,737	9,132,121	40,390
Police Pension	1,281,654	2,406,548	3,096,305	591,897
Fire Pension	1,813,600	3,511,768	4,266,826	1,058,542
SPRITE	11	-	11	-
Markland and Park	19,545	121,804	77,683	63,666
Washington & LaFountain	-	329	329	-
PO-212 4/1/2011-3/31/2013	(212)	832	-	620
AI-19 Road Construction	4,822	357,565	341,305	21,082
FEMA-21 Thermal Imaging Camera	399	-	-	399
FTA-12 2012 IN-90-X624	-	442,257	442,257	-
AI-20 Rnnway 5-23 Phase 5	33,971	910,827	928,914	15,884
Neighborhood Stab Prog-3	(3,071)	874,171	870,320	780
VOCA	330	18,250	18,580	-
PO-311 2011 BG	15,441	-	-	15,441
PO-312 2012 BG	18,387	-	18,387	-
DNR-12 Urban Tree Canopy	(1,397)	5,000	3,603	-
PO112A Laptop	(5,000)	5,000	-	-
PO-912 PO-99	-	25,895	15,046	10,849
PO-213 ICAC 7/1/12-6/30/13	(2,632)	12,207	10,075	(500)
PO-112 2012 Local Bomb Squad	(3,800)	3,800	-	-
AI-21 Extend Runway 5-23 Phase 6	-	151,208	58,243	92,965
LOCAL-Local match for FTA grant	-	153,795	-	153,795
FTA11- 2011 Grant IN-90-X611	3,004	-	3,004	-
LOC13-Local Match for FTA13	-	101,500	76,506	24,994
FTA12A- 2012 Flex Grant IN-95-X043	-	496,636	496,636	-
FTA13- 2013 Grant IN-90-X641	-	776,531	776,531	-
LOC12A-Local Match for FTA12A	75,000	33,125	107,290	835
DWISE-2012 DollarWise Summer Youth	-	4,000	-	4,000
CFD1-2012 Comm Foundation Grant	-	12,000	6,000	6,000
VOCA13-2013 Grant	-	7,500	7,530	(30)
Brownfield Grant	-	126,362	126,252	110
PO813 Forensic Crime Lab	-	91,892	91,892	-
POD-5 Citizen Police Academy	-	70	-	70
Redevelopment Commission- NonTIF	-	298,195	-	298,195
PO-14 Local Bomb Squad	1,361	-	-	1,361
AI-08 to AI-16	7,613	-	7,613	-
AI-16	392	5,643	6,035	-
Redevelopment Commission	58,242	80,603	58,209	80,636
Cemetery Operating	290,900	537,872	377,686	451,086
Se-1	81,753	58,144	46,246	93,651
Se-1 Area 5 And State Pmtf	19,574	55,728	43,729	31,573

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

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

Fund	Cash and Investments 01-01-13	Receipts	Disbursements	Cash and Investments 12-31-13
Rehab Appersonway/ Jackson Park	955	-	-	955
Rotary Fuel	37,639	319,908	303,381	54,166
Cdr	29,310	1,537	-	30,847
Dad-1	3,483	-	-	3,483
Emd-1	3,824	-	3,824	-
Fid-1	1,499	1,625	2,026	1,098
Pod-1	7,243	8,959	7,090	9,112
Pod-2	3,775	50	1,043	2,782
Sed-1	14,335	3,762	4,348	13,749
Sed-2	32,456	6,852	421	38,887
Cad-1	2,076	3,770	2,836	3,010
Hmd-1	11,574	5,261	-	16,835
Pad-1	38,237	19,769	11,034	46,972
Kod-1	11,556	12,500	245	23,811
Pad-3	2,146	1,000	-	3,146
Pad-2	336	1,557	876	1,017
Pod-3	515	1,500	-	2,015
Fema-15	770	-	-	770
Po-4 Po-7	(5,293)	22,885	20,206	(2,614)
Po-6	(859)	8,877	8,018	-
Po-5	2,780	2,229	5,009	-
Tr-1	49,265	-	-	49,265
Ma-1 Ma-3	2,281	-	328	1,953
Continuing Throughfare	59,099	-	-	59,099
Special Revenue - Kgov	1,380	-	722	658
Howard Co Local Coor Council	6,335	-	-	6,335
Fta-Transit Center	73,516	60,872	37,562	96,826
Cops Hiring Recovery Program	(7,555)	89,001	129,572	(48,126)
Neighborhood Stabilization Program	9,165	6,403	4,464	11,104
Special Revenue-Barrett Law Surplus	242,009	17,640	105	259,544
Special Revenue-Barrett Law Revlv	18,394	47	-	18,441
Certified Technology Park	-	194,377	194,377	-
Usda Small Bus Rlf Program	4,319	45,867	15,000	35,186
Ai-17	302	-	302	-
Ai-18	21,672	-	21,672	-
Fema-9	(2,320)	2,320	-	-
Dixon	6,682	2,121	625	8,178
Fed Grants #10-Energy Grant	5	-	-	5
Special Revenue - Other	152,492	5,800	-	158,292
Payroll	513,817	51,670	-	565,487
Cemetery Trust	3,442	8	121	3,329
Ked-1 Kokomo Eco Dev	23,222	-	-	23,222
Eda Revolving Loan Fund	516,101	150,809	39,587	627,323
Lcc-4	1,186	-	-	1,186
Upi Trust Fund	198	-	-	198
Wastewater Utility-Operating	10,762,977	13,251,067	14,353,272	9,660,772
Wastewater Utility- Deprec/Improve	2,235,744	3,043	-	2,238,787
Sewer Improvements	1,000,000	-	-	1,000,000
Wastewater Utility-Debt Reserve	1,614,150	-	-	1,614,150
Wastewater Utility-Ext & Betterment	881,850	294,600	676,311	500,139
Totals	\$ 46,994,418	\$ 89,652,020	\$ 87,421,311	\$ 49,225,127

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

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

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

CITY OF KOKOMO
NOTES TO FINANCIAL STATEMENT
(Continued)

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

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

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

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

Penalties which include fees received for late payments.

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

E. Disbursements

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

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

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

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

CITY OF KOKOMO
NOTES TO FINANCIAL STATEMENT
(Continued)

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

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

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

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

F. Interfund Transfers

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

G. Fund Accounting

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

Note 2. Budgets

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

Note 3. Property Taxes

Property taxes levied are collected by the County Treasurer and are scheduled to be distributed to the City in June and December; however, situations can arise which would delay the distributions. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to

CITY OF KOKOMO
NOTES TO FINANCIAL STATEMENT
(Continued)

establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100 percent of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which normally become delinquent if not paid by May 10 and November 10, respectively.

Note 4. Deposits and Investments

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

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

Note 5. Risk Management

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

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

Note 6. Pension Plans

A. Public Employees' Retirement Fund

Plan Description

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

CITY OF KOKOMO
NOTES TO FINANCIAL STATEMENT
(Continued)

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

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

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.

CITY OF KOKOMO
NOTES TO FINANCIAL STATEMENT
(Continued)

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.

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

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

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

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, 2013.

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SUPPLEMENTARY INFORMATION - UNAUDITED

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

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

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

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

	General	Motor Vehicle Highway	Local Road And Street	Aviation	Economic Development Operating	Building Demolition	Plan Commission
Cash and investments - beginning	\$ 15,902,782	\$ 2,251,830	\$ 544,908	\$ 362,966	\$ 2,586,491	\$ 26,241	\$ 246,870
Receipts:							
Taxes	31,645,400	2,326,020	-	449,898	-	-	231,906
Licenses and permits	90,930	-	-	-	-	-	70,532
Intergovernmental	7,944,345	2,109,455	435,307	21,202	1,849,512	-	10,929
Charges for services	844,803	2,760	-	157,708	-	4,095	153,638
Fines and forfeits	42,751	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	1,101,662	7,347	-	35,102	17,487	19,739	2,316
Total receipts	41,669,891	4,445,582	435,307	663,910	1,866,999	23,834	469,321
Disbursements:							
Personal services	26,296,199	815,592	-	305,936	-	-	334,338
Supplies	1,559,934	1,202,207	-	37,733	-	-	7,334
Other services and charges	6,820,405	1,950,347	400,000	215,097	971,651	-	15,623
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	2,930,764	344,836	-	40,672	1,090,934	-	119
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	19,739	-	-	-	-	-	-
Total disbursements	37,627,041	4,312,982	400,000	599,438	2,062,585	-	357,414
Excess (deficiency) of receipts over disbursements	4,042,850	132,600	35,307	64,472	(195,586)	23,834	111,907
Cash and investments - ending	\$ 19,945,632	\$ 2,384,430	\$ 580,215	\$ 427,438	\$ 2,390,905	\$ 50,075	\$ 358,777

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

	Community Development	Law Enforcement Continuing Ed	Parks And Recreation	Rainy Day	Levy Excess	Cumulative Capital Improvement	Health Insurance
Cash and investments - beginning	\$ (11,264)	\$ 162,669	\$ 2,011,473	\$ 698	\$ 89,914	\$ 271,094	\$ 449,774
Receipts:							
Taxes	-	-	2,891,871	-	-	-	-
Licenses and permits	-	36,905	-	-	-	-	-
Intergovernmental	1,476,858	-	139,888	-	-	122,059	-
Charges for services	-	17,420	280,271	-	-	-	9,000
Fines and forfeits	1,415	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	23,338	8,082	69,345	2,244	-	-	8,713,737
Total receipts	1,501,611	62,407	3,381,375	2,244	-	122,059	8,722,737
Disbursements:							
Personal services	147,884	-	1,748,013	-	-	-	1,661
Supplies	2,445	21,711	348,542	-	-	-	96,706
Other services and charges	1,327,036	-	581,987	-	-	-	9,033,754
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	326,204	-	-	202,488	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-
Total disbursements	1,477,365	21,711	3,004,746	-	-	202,488	9,132,121
Excess (deficiency) of receipts over disbursements	24,246	40,696	376,629	2,244	-	(80,429)	(409,384)
Cash and investments - ending	\$ 12,982	\$ 203,365	\$ 2,388,102	\$ 2,942	\$ 89,914	\$ 190,665	\$ 40,390

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

	Police Pension	Fire Pension	SPRITE	Markland and Park	Washington & LaFountain	PO-212 4/1/2011-3/31/2013	AI-19 Road Construction
Cash and investments - beginning	\$ 1,281,654	\$ 1,813,600	\$ 11	\$ 19,545	\$ -	\$ (212)	\$ 4,822
Receipts:							
Taxes	44,062	44,062	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	2,362,147	3,467,212	-	73,729	329	832	355,019
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	339	494	-	48,075	-	-	2,546
Total receipts	2,406,548	3,511,768	-	121,804	329	832	357,565
Disbursements:							
Personal services	490,307	623,483	-	-	-	-	-
Supplies	-	75	-	-	-	-	-
Other services and charges	2,605,998	3,643,268	11	77,683	329	-	120,676
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	220,629
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-
Total disbursements	3,096,305	4,266,826	11	77,683	329	-	341,305
Excess (deficiency) of receipts over disbursements	(689,757)	(755,058)	(11)	44,121	-	832	16,260
Cash and investments - ending	\$ 591,897	\$ 1,058,542	\$ -	\$ 63,666	\$ -	\$ 620	\$ 21,082

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

	FEMA-21 Thermal Imaging Camera	FTA-12 2012 IN-90-X624	AI-20 Runway 5-23 Phase 5	Neighborhood Stab Prog-3	VOCA	PO-311 2011 BG
Cash and investments - beginning	\$ 399	\$ -	\$ 33,971	\$ (3,071)	\$ 330	\$ 15,441
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	442,257	869,752	721,093	18,250	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Penalties	-	-	-	-	-	-
Other receipts	-	-	41,075	153,078	-	-
Total receipts	-	442,257	910,827	874,171	18,250	-
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	296	-	-
Other services and charges	-	442,257	202,790	850,862	18,580	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	726,124	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	19,162	-	-
Total disbursements	-	442,257	928,914	870,320	18,580	-
Excess (deficiency) of receipts over disbursements	-	-	(18,087)	3,851	(330)	-
Cash and investments - ending	\$ 399	\$ -	\$ 15,884	\$ 780	\$ -	\$ 15,441

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

	PO-312 2012 BG	DNR-12 Urban Tree Canopy	PO112A Laptop	PO-912 PO-99	PO-213 ICAC 7/1/12-6/30/13	PO-112 2012 Local Bomb Squad
Cash and investments - beginning	\$ 18,387	\$ (1,397)	\$ (5,000)	\$ -	\$ (2,632)	\$ (3,800)
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	5,000	5,000	25,895	12,207	3,800
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Penalties	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-
Total receipts	-	5,000	5,000	25,895	12,207	3,800
Disbursements:						
Personal services	-	-	-	12,207	488	-
Supplies	-	-	-	-	1,628	-
Other services and charges	3,807	3,603	-	-	7,959	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	14,580	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	2,839	-	-
Total disbursements	18,387	3,603	-	15,046	10,075	-
Excess (deficiency) of receipts over disbursements	(18,387)	1,397	5,000	10,849	2,132	3,800
Cash and investments - ending	\$ -	\$ -	\$ -	\$ 10,849	\$ (500)	\$ -

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

	AI-21 Extend Runway 5-23 Phase 6	LOCAL-Local match for FTA grant	FTA11- 2011 Grant IN-90-X611	LOC13-Local Match for FTA13	FTA12A- 2012 Flex Grant IN-95-X043	FTA13- 2013 Grant IN-90-X641
Cash and investments - beginning	\$ -	\$ -	\$ 3,004	\$ -	\$ -	\$ -
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	52,418	-	-	-	496,636	776,531
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Penalties	-	-	-	-	-	-
Other receipts	98,790	153,795	-	101,500	-	-
Total receipts	151,208	153,795	-	101,500	496,636	776,531
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	3,500	-
Other services and charges	58,243	-	-	-	-	307,031
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	76,506	493,136	469,500
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	3,004	-	-	-
Total disbursements	58,243	-	3,004	76,506	496,636	776,531
Excess (deficiency) of receipts over disbursements	92,965	153,795	(3,004)	24,994	-	-
Cash and investments - ending	\$ 92,965	\$ 153,795	\$ -	\$ 24,994	\$ -	\$ -

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

	LOC12A-Local Match for FTA12A	DWISE-2012 DollarWise Summer Youth	CFD1-2012 Comm Foundation Grant	VOCA13-2013 Grant	Brownfield Grant	PO813 Forensic Crime Lab
Cash and investments - beginning	\$ 75,000	\$ -	\$ -	\$ -	\$ -	\$ -
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	126,359	91,892
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Penalties	-	-	-	-	-	-
Other receipts	33,125	4,000	12,000	7,500	3	-
Total receipts	33,125	4,000	12,000	7,500	126,362	91,892
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	875	-	-	-	-	1,944
Other services and charges	-	-	6,000	7,530	126,252	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	106,415	-	-	-	-	89,948
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-
Total disbursements	107,290	-	6,000	7,530	126,252	91,892
Excess (deficiency) of receipts over disbursements	(74,165)	4,000	6,000	(30)	110	-
Cash and investments - ending	\$ 835	\$ 4,000	\$ 6,000	\$ (30)	\$ 110	\$ -

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

	POD-5 Citizen Police Academy	Redevelopment Commission- NonTIF	PO-14 Local Bomb Squad	AI-08 to AI-16	AI-16	Redevelopment Commission
Cash and investments - beginning	\$ -	\$ -	\$ 1,361	\$ 7,613	\$ 392	\$ 58,242
Receipts:						
Taxes	-	-	-	-	-	79,103
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	1,500
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Penalties	-	-	-	-	-	-
Other receipts	70	298,195	-	-	5,643	-
Total receipts	70	298,195	-	-	5,643	80,603
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	7,613	6,035	33,271
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	24,938
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-
Total disbursements	-	-	-	7,613	6,035	58,209
Excess (deficiency) of receipts over disbursements	70	298,195	-	(7,613)	(392)	22,394
Cash and investments - ending	\$ 70	\$ 298,195	\$ 1,361	\$ -	\$ -	\$ 80,636

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

	Cemetery Operating	Se-1	Se-1 Area 5 And State Pmtf	Rehab Appersonway/ Jackson Park	Rotary Fuel	Cdr
Cash and investments - beginning	\$ 290,900	\$ 81,753	\$ 19,574	\$ 955	\$ 37,639	\$ 29,310
Receipts:						
Taxes	417,431	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	19,672	58,144	15,728	-	-	-
Charges for services	98,267	-	-	-	319,908	-
Fines and forfeits	-	-	-	-	-	1,537
Utility fees	-	-	-	-	-	-
Penalties	-	-	-	-	-	-
Other receipts	2,502	-	40,000	-	-	-
Total receipts	537,872	58,144	55,728	-	319,908	1,537
Disbursements:						
Personal services	306,311	-	-	-	-	-
Supplies	21,706	-	34,316	-	269,742	-
Other services and charges	27,643	1,620	9,413	-	2,819	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	22,026	44,626	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	30,820	-
Total disbursements	377,686	46,246	43,729	-	303,381	-
Excess (deficiency) of receipts over disbursements	160,186	11,898	11,999	-	16,527	1,537
Cash and investments - ending	\$ 451,086	\$ 93,651	\$ 31,573	\$ 955	\$ 54,166	\$ 30,847

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

	<u>Dad-1</u>	<u>Emd-1</u>	<u>Fid-1</u>	<u>Pod-1</u>	<u>Pod-2</u>	<u>Sed-1</u>
Cash and investments - beginning	\$ 3,483	\$ 3,824	\$ 1,499	\$ 7,243	\$ 3,775	\$ 14,335
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Penalties	-	-	-	-	-	-
Other receipts	-	-	1,625	8,959	50	3,762
Total receipts	-	-	1,625	8,959	50	3,762
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	1,314	1,043	16
Other services and charges	-	3,824	2,026	5,776	-	4,332
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-
Total disbursements	-	3,824	2,026	7,090	1,043	4,348
Excess (deficiency) of receipts over disbursements	-	(3,824)	(401)	1,869	(993)	(586)
Cash and investments - ending	\$ 3,483	\$ -	\$ 1,098	\$ 9,112	\$ 2,782	\$ 13,749

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

	Sed-2	Cad-1	Hmd-1	Pad-1	Kod-1	Pad-3
Cash and investments - beginning	\$ 32,456	\$ 2,076	\$ 11,574	\$ 38,237	\$ 11,556	\$ 2,146
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Penalties	-	-	-	-	-	-
Other receipts	6,852	3,770	5,261	19,769	12,500	1,000
Total receipts	6,852	3,770	5,261	19,769	12,500	1,000
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	421	1,161	-	8,056	-	-
Other services and charges	-	1,675	-	2,978	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	245	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-
Total disbursements	421	2,836	-	11,034	245	-
Excess (deficiency) of receipts over disbursements	6,431	934	5,261	8,735	12,255	1,000
Cash and investments - ending	\$ 38,887	\$ 3,010	\$ 16,835	\$ 46,972	\$ 23,811	\$ 3,146

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

	Pad-2	Pod-3	Fema-15	Po-4 Po-7	Po-6	Po-5
Cash and investments - beginning	\$ 336	\$ 515	\$ 770	\$ (5,293)	\$ (859)	\$ 2,780
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	22,885	8,877	2,229
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Penalties	-	-	-	-	-	-
Other receipts	1,557	1,500	-	-	-	-
Total receipts	1,557	1,500	-	22,885	8,877	2,229
Disbursements:						
Personal services	-	-	-	20,206	8,018	-
Supplies	876	-	-	-	-	5,009
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-
Total disbursements	876	-	-	20,206	8,018	5,009
Excess (deficiency) of receipts over disbursements	681	1,500	-	2,679	859	(2,780)
Cash and investments - ending	\$ 1,017	\$ 2,015	\$ 770	\$ (2,614)	\$ -	\$ -

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

	Tr-1	Ma-1 Ma-3	Continuing Throughfare	Special Revenue - Kgov	Howard Co Local Coor Council	Fta-Transit Center
Cash and investments - beginning	\$ 49,265	\$ 2,281	\$ 59,099	\$ 1,380	\$ 6,335	\$ 73,516
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	60,872
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Penalties	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-
Total receipts	-	-	-	-	-	60,872
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	722	-	4,950
Other services and charges	-	328	-	-	-	28,909
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	3,703
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-
Total disbursements	-	328	-	722	-	37,562
Excess (deficiency) of receipts over disbursements	-	(328)	-	(722)	-	23,310
Cash and investments - ending	\$ 49,265	\$ 1,953	\$ 59,099	\$ 658	\$ 6,335	\$ 96,826

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

	Cops Hiring Recovery Program	Neighborhood Stabilization Program	Special Revenue-Barrett Law Surplus	Special Revenue-Barrett Law Revlvq	Certified Technology Park	Usda Small Bus Rlf Program
Cash and investments - beginning	\$ (7,555)	\$ 9,165	\$ 242,009	\$ 18,394	\$ -	\$ 4,319
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	89,001	6,403	-	-	194,377	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	165	-	-	-
Utility fees	-	-	-	-	-	-
Penalties	-	-	-	-	-	-
Other receipts	-	-	17,475	47	-	45,867
Total receipts	89,001	6,403	17,640	47	194,377	45,867
Disbursements:						
Personal services	129,572	-	-	-	-	-
Supplies	-	103	-	-	-	-
Other services and charges	-	185	105	-	194,377	15,000
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	4,176	-	-	-	-
Total disbursements	129,572	4,464	105	-	194,377	15,000
Excess (deficiency) of receipts over disbursements	(40,571)	1,939	17,535	47	-	30,867
Cash and investments - ending	\$ (48,126)	\$ 11,104	\$ 259,544	\$ 18,441	\$ -	\$ 35,186

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

	<u>Ai-17</u>	<u>Ai-18</u>	<u>Fema-9</u>	<u>Dixon</u>	<u>Fed Grants #10-Energy Grant</u>	<u>Special Revenue - Other</u>
Cash and investments - beginning	\$ 302	\$ 21,672	\$ (2,320)	\$ 6,682	\$ 5	\$ 152,492
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	1,756	-	-
Charges for services	-	-	-	365	-	5,800
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Penalties	-	-	-	-	-	-
Other receipts	-	-	2,320	-	-	-
Total receipts	-	-	2,320	2,121	-	5,800
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	302	21,672	-	625	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-
Total disbursements	302	21,672	-	625	-	-
Excess (deficiency) of receipts over disbursements	(302)	(21,672)	2,320	1,496	-	5,800
Cash and investments - ending	\$ -	\$ -	\$ -	\$ 8,178	\$ 5	\$ 158,292

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

	Payroll	Cemetery Trust	Ked-1 Kokomo Eco Dev	Eda Revolving Loan Fund	Lcc-4	Upi Trust Fund
Cash and investments - beginning	\$ 513,817	\$ 3,442	\$ 23,222	\$ 516,101	\$ 1,186	\$ 198
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Penalties	-	-	-	-	-	-
Other receipts	51,670	8	-	150,809	-	-
Total receipts	51,670	8	-	150,809	-	-
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	121	-	39,587	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-
Total disbursements	-	121	-	39,587	-	-
Excess (deficiency) of receipts over disbursements	51,670	(113)	-	111,222	-	-
Cash and investments - ending	\$ 565,487	\$ 3,329	\$ 23,222	\$ 627,323	\$ 1,186	\$ 198

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

	Wastewater Utility-Operating	Wastewater Utility- Deprec/Improve	Sewer Improvements	Wastewater Utility-Debt Reserve	Wastewater Utility-Ext & Betterment	Totals
Cash and investments - beginning	\$ 10,762,977	\$ 2,235,744	\$ 1,000,000	\$ 1,614,150	\$ 881,850	\$ 46,994,418
Receipts:						
Taxes	-	-	-	-	-	38,129,753
Licenses and permits	-	-	-	-	-	198,367
Intergovernmental	-	-	-	-	-	24,434,985
Charges for services	-	-	-	-	-	1,956,407
Fines and forfeits	-	-	-	-	-	45,868
Utility fees	13,235,011	-	-	-	294,600	13,529,611
Penalties	3,116	-	-	-	-	3,116
Other receipts	12,940	3,043	-	-	-	11,353,913
Total receipts	13,251,067	3,043	-	-	294,600	89,652,020
Disbursements:						
Personal services	3,017,403	-	-	-	-	34,257,618
Supplies	-	-	-	-	-	3,634,365
Other services and charges	161,677	-	-	-	-	30,370,692
Debt service - principal and interest	3,126,430	-	-	-	-	3,126,430
Capital outlay	2,547,703	-	-	-	676,311	10,452,407
Utility operating expenses	5,500,059	-	-	-	-	5,500,059
Other disbursements	-	-	-	-	-	79,740
Total disbursements	14,353,272	-	-	-	676,311	87,421,311
Excess (deficiency) of receipts over disbursements	(1,102,205)	3,043	-	-	(381,711)	2,230,709
Cash and investments - ending	\$ 9,660,772	\$ 2,238,787	\$ 1,000,000	\$ 1,614,150	\$ 500,139	\$ 49,225,127

CITY OF KOKOMO
SCHEDULE OF PAYABLES AND RECEIVABLES
December 31, 2013

<u>Government or Enterprise</u>	<u>Accounts Payable</u>	<u>Accounts Receivable</u>
Wastewater	\$ 259,736	\$ 1,310,093
Governmental activities	<u>404,825</u>	<u>277,140</u>
Totals	<u>\$ 664,561</u>	<u>\$ 1,587,233</u>

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

Description of Debt		Ending	Principal and
Type	Purpose	Principal	Interest Due
		Balance	Within One
			Year
Wastewater:			
Revenue bonds	WWU 2005 REVENUES BONDS SERIES A	\$ 9,330,000	\$ 936,623
Revenue bonds	WWU 2008 REVENUES BONDS SERIES A	4,325,000	357,773
Revenue bonds	WWU 2012 Refunding Bond	<u>13,015,000</u>	<u>1,827,609</u>
Total Wastewater		<u>26,670,000</u>	<u>3,122,005</u>
Totals		<u>\$ 26,670,000</u>	<u>\$ 3,122,005</u>

CITY OF KOKOMO
SCHEDULE OF CAPITAL ASSETS
December 31, 2013

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

	Ending Balance
Governmental activities:	
Land	\$ 21,108,646
Infrastructure	88,961,944
Buildings	21,019,306
Improvements other than buildings	4,080,530
Machinery, equipment, and vehicles	<u>22,853,430</u>
Total governmental activities	<u>158,023,856</u>
Wastewater:	
Land	140,849
Infrastructure	92,017,058
Buildings	19,108,998
Improvements other than buildings	903,766
Machinery, equipment, and vehicles	<u>20,131,277</u>
Total Wastewater	<u>132,301,948</u>
Total capital assets	<u><u>\$ 290,325,804</u></u>

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

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

TO: THE OFFICIALS OF THE CITY OF KOKOMO, HOWARD COUNTY, INDIANA

Report on Compliance for Each Major Federal Program

We have audited the City of Kokomo's (City) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2013. The City's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

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

Other Matters

This report replaces the previously issued Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance dated July 17, 2014. As discussed in Note 3 of the Notes to the Schedule of Expenditures of Federal Awards, the 2013 Schedule of Expenditures of Federal Awards has been restated to correct a misstatement. This correction changed the determination of the major programs. The Economic Development Cluster was also audited as a major program due to the change.

Report on Internal Control Over Compliance


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

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2013-002, 2013-003, and 2013-004 to be material weaknesses.

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

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


Paul D. Joyce, CPA
State Examiner

July 17, 2014, except the Economic Development Cluster, as to which the date is January 28, 2015

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

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended
<u>Department of Agriculture</u>				
Cooperative Forestry Assistance	IN DEPT OF NAT RESOURCES DIVISION OF FORESTRY			
DNR-12		10.664	2012 Grant	\$ 5,000
Total - Department of Agriculture				5,000
<u>Department of Commerce</u>				
Economic Development Cluster				
Economic Adjustment Assistance	DIRECT GRANT			
Revolving Loan Fund Program		11.307	65-15-0196	1,244,588
Total - Department of Commerce				1,244,588
<u>Department of Housing and Urban Development</u>				
CDBG - Entitlement Grants Cluster				
Community Development Block Grants/Entitlement Grants	DIRECT GRANT	14.218		
NSP			B08-MN-18-0008	6,403
HUD CDBG-2011			B11-MC-18-0014	366,348
NSP-3			B-11-MN-18-0008	721,093
HUD CDBG-2012			B-12-MC-18-0014	926,060
HUD CDBG-2013			B13-MC-18-0014	184,451
Total - Department of Housing and Urban Development				2,204,355
<u>Department of Justice</u>				
JAG Program Cluster				
Edward Byrne Memorial Justice Assistance Grant Program	INDIANA CRIMINAL JUSTICE	16.738		
PO112A 2012 under \$10K Equipment Grant			2009-DJ-BX-0049	5,000
Forensic Crime Lab-PO813			2010-DD-BX-0634	91,892
Block Grant 2012 PO-312			2012 GRANT	18,387
Total - JAG Program Cluster				115,279
Missing Children's Assistance	INDIANA CRIMINAL JUSTICE			
ICAC PO-213		16.543	2011-MC-CXK005	12,207
ICAC PO-212		16.543	2011-MC-CX-K005	832
Total for program				13,039
Crime Victim Assistance	INDIANA CRIMINAL JUSTICE			
VOCA 2012 Grant		16.575	2012Grant	18,250
Edward Byrne Memorial Formula Grant Program	INDIANA CRIMINAL JUSTICE			
Byrne Formula Grant-PO-912		16.579	2010-DJ-BX-0254	25,895
Bulletproof Vest Partnership Program	INDIANA CRIMINAL JUSTICE			
Bulletproof vest 50/50 partnership PO-5		16.607	FY2011	2,229
ARRA-Public Safety Partnership and Community Policing Grants Cops Hiring Recovery Program	INDIANA CRIMINAL JUSTICE	16.710	2009RKWX0342	89,001
Total - Department of Justice				263,693
<u>Department of Transportation</u>				
Federal Transit Cluster				
Federal Transit - Formula Grants	DIRECT GRANT	20.507		
Federal Transit Grant 2012			IN-90-X624-00	442,257
Federal Transit Formula Grant-2013			IN-90-X641-00	776,531
Federal Transit Grant-2012			IN-95-X043-00	496,635
Total - Federal Transit Cluster				1,715,423

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

CITY OF KOKOMO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2013
(Continued)

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended
<u>Department of Transportation (continued)</u>				
Highway Planning and Construction Cluster				
Highway Planning and Construction	INDIANA DEPT OF TRANSPORTATION	20.205		
Dixon			DES NO 0600560 STP-K	1,756
Washington LaFountain			DES NO 0900130	329
Markland and Park			DES NO 1006003	<u>73,729</u>
Total - Highway Planning and Construction Cluster				<u>75,814</u>
Highway Safety Cluster				
Highway Safety	INDIANA DEPT OF TRANSPORTATION	20.600	DA-13-7322	<u>22,885</u>
State and Community Highway Safety				
Alcohol Impaired Driving Countermeasures				
Incentive Grants I		20.601	FY2012	<u>8,877</u>
Total - Highway Safety Cluster				<u>31,762</u>
Airport Improvement Program	DIRECT GRANT	20.106		
AI-19 Road Construction Phase 4			3-18-0044-19	350,683
AI-20 Extend Runway 5-23 Phase 5			3-18-0044-20	836,022
AI-21 Extend Runway 5-23 Phase 6			3-18-0044-21	<u>52,418</u>
Total - Airport Improvement Program				<u>1,239,123</u>
Total - Department of Transportation				<u>3,062,122</u>
<u>Environmental Protection Agency</u>				
Brownsfields Assessment and Cleanup				
Cooperative Agreements	DIRECT GRANT	66.818		
Brownfield Grant			BF-00E01157	<u>126,362</u>
<u>Department of Health and Human Services</u>				
Aging Cluster				
Special Programs for the Aging Title III, Part B Grants for		93.044		
Supportive Services and Senior Centers				
Area 5-Supporting Services	INDIAN DEPT OF FAMILY & SOCIAL SERVICES ADMINISTRATION		2012/2013	<u>15,728</u>
<u>Department of Homeland Security</u>				
State Homeland Security Program (SHSP)	INDIANA DEPT OF HOMELAND SECURITY	97.073		
PO-112 2012 Local Bomb Squad			EMW-2011-SS-00058	<u>3,800</u>
Total - Department of Homeland Security				<u>3,800</u>
Total federal awards expended				<u>\$ 6,925,648</u>

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

CITY OF KOKOMO
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Basis of Presentation

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

Note 2. Subrecipients

Of the federal expenditures presented in the schedule, the City provided federal awards to subrecipients as follows for the year ended December 31, 2013:

Program Title	Federal CFDA Number	2013
Community Development Block Grants/Entitlement Grants	14.218	\$ 6,019
Crime Victim Assistance	16.575	18,250
Federal Transit - Formula Grants	20.507	598,498

Note 3. Restatement - Economic Development Cluster

Subsequent to the issuance of the original audit report on July 17, 2014, it has been determined that the amounts listed as expenditures on the SEFA were misstated due to the omission of the Revolving Loan Fund Program for the Economic Development Cluster. The following schedule presents the changes.

Program	Federal CFDA Number	For the Year Ended December 31, 2013		
		Original Presentation	Revision	Revised Expenditures
Economic Adjustment Assistance	11.307	\$ -	\$1,244,588	\$ 1,244,588
Net Effect on Previously Issued SEFA		\$ -	\$1,244,588	\$ 1,244,588

CITY OF KOKOMO
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(Continued)

Note 4. Calculation of Economic Development Cluster Expenditures on the SEFA

The reported expenditures were calculated as follows in accordance with guidance by the grantor:

Revolving Loan Fund (RLF):		
Outstanding loans as of December 31, 2013	\$ 850,677	
Cash and Investments as of December 31, 2013	627,324	
Administrative expenses paid out of RLF income during 2013	1,586	
Unpaid principal on loans written off during 2013	<u>180,694</u>	
Subtotal		1,660,280
Calculation of Federal Participation Rate (FPR):		
Original grant	500,000	
Original match (In-kind)	<u>167,000</u>	
Subtotal	<u>667,000</u>	
FPR - Original grant awarded divided by total including original match		<u>74.9625%</u>
Expenditures reported on the SEFA		<u>\$ 1,244,588</u>

CITY OF KOKOMO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I - Summary of Auditor's Results

Financial Statement:

Type of auditor's report issued:	Adverse as to GAAP; Unmodified as to Regulatory Basis
Internal control over financial reporting:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Noncompliance material to financial statement noted?	yes

Federal Awards:

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

Identification of Major Programs:

<u> Name of Federal Program or Cluster </u>
Economic Development Cluster
CDBG - Entitlement Grants Cluster
Federal Transit Cluster

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

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

Section II - Federal Award Findings and Questioned Costs

**FINDING 2013-001 - CONTROLS OVER PREPARING THE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

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

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

During the audit of the SEFA, we noted that the City had omitted \$1,244,588 in expenditures for the Economic Adjustment Assistance program from their SEFA. Audit adjustments were proposed, accepted by the City, and made to the SEFA presented in this report.

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

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

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

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

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

- (1) List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For R&D, total Federal awards expended shall be shown either by individual award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.
- (4) Include notes that describe the significant accounting policies used in preparing the schedule.
- (5) To the extent practical, pass-through entities should identify in the schedule the total amount provided to subrecipients from each Federal program.
- (6) Include, in either the schedule or a note to the schedule, the value of the Federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end. While not required, it is preferable to present this information in the schedule."

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

Section III - Federal Award Findings and Questioned Costs

FINDING 2013-002 - INTERNAL CONTROLS OVER COMPLIANCE REQUIREMENTS THAT HAVE A DIRECT AND MATERIAL EFFECT TO CDBG - ENTITLEMENT GRANTS CLUSTER

Federal Agency: Department of Housing and Urban Development
Federal Program: Community Development Block Grants/Entitlement Grants
CFDA Number: 14.218
Federal Award Number and Year: B08-MN-0008, B11-MC-18-0014, B-11-MN-18-0008,
B-12-MC-18-0014, B13-MC-18-0014
Pass-Through Entity: Direct Grant

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

An internal control system, including segregation of duties, should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement, or a type of compliance requirement of a federal program will be prevented, or detected and corrected, on a timely basis. In order to have an effective internal control system, it is important to have proper segregation of duties. This is accomplished by making sure proper oversight, reviews, and approvals take place and to have a separation of functions over certain activities related to the program. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same activity.

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

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

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

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

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

***FINDING 2013-003 - INTERNAL CONTROLS OVER COMPLIANCE REQUIREMENTS
THAT HAVE A DIRECT AND MATERIAL EFFECT TO FEDERAL TRANSIT CLUSTER***

Federal Agency: Department of Transportation

Federal Program: Federal Transit - Formula Grants

CFDA Number: 20.507

Federal Award Number and Year: IN-90-X624-00, IN-90-X641-00, IN-95-X043-00

Pass-Through Entity: Direct Grant

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

An internal control system, including segregation of duties, should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement, or a type of compliance requirement of a federal program will be prevented, or detected and corrected, on a timely basis. In order to have an effective internal control system, it is important to have proper segregation of duties. This is accomplished by making sure proper oversight, reviews, and approvals take place and to have a separation of functions over certain activities related to the program. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same activity.

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

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

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

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

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

FINDING 2013-004 - INTERNAL CONTROLS OVER COMPLIANCE REQUIREMENTS THAT HAVE A DIRECT AND MATERIAL EFFECT TO ECONOMIC DEVELOPMENT CLUSTER

Federal Agency: Department of Commerce
Federal Program: Economic Adjustment Assistance
CFDA Number: 11.307
Federal Award Number and Year: 65-15-0196
Pass-Through Entity: Direct Grant

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

An internal control system, including segregation of duties, should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement, or a type of compliance requirement of a federal program will be prevented, or detected and corrected, on a timely basis. In order to have an effective internal control system, it is important to have proper segregation of duties. This is accomplished by making sure proper oversight, reviews, and approvals take place and to have a separation of functions over certain activities related to the program. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same activity.

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

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

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

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

AUDITEE PREPARED DOCUMENT

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



CORRECTIVE ACTION PLAN

FINDING 2013-001

FINDING 2013-002

FINDING 2013-003

FINDING 2013-004

Contact Person Responsible for Corrective Action: Milton Beach, Controller
Contact Phone Number: (765) 456-7450

Description of Corrective Action Plan: The city has been made aware of this new requirement and will comply with the federal requirements by providing better documentation of management review and oversight responsibility over the activities of the grant. Also, we will review SEFA to insure all federal programs are included.

Anticipated Completion Date: 1/21/2015

M. Beach
(Signature)

City Controller
(Title)

1/21/2015
(Date)

OTHER REPORT

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