

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

FINANCIAL STATEMENT EXAMINATION REPORT
OF

KOKOMO - HOWARD COUNTY
GOVERNMENTAL COORDINATING COUNCIL
HOWARD COUNTY, INDIANA

January 1, 2012 to December 31, 2013



FILED
12/01/2014

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Director	Larry Ives Tammy Corn	01-01-12 to 12-31-13 01-01-14 to 12-31-14
Treasurer	Greg Sheline	01-01-12 to 12-31-14
Chairman of the Policy Board	Greg Goodnight	01-01-12 to 12-31-14



STATE OF INDIANA
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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 accompanying financial statement of the Kokomo-Howard County Governmental Coordinating Council (Council), for the period of January 1, 2012 to December 31, 2013. The financial statement is the responsibility of the Council's management. Our responsibility is to express an opinion on the financial statement 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 statement and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

As discussed in Note 1, the Council 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 comprehensive 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 these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the matter discussed in the preceding paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position and results of operations of the Council for the period of January 1, 2012 to December 31, 2013.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position and results of operations of the Council for the period of January 1, 2012 to December 31, 2013, on the basis of accounting described in Note 1.

Our examination was conducted for the purpose of forming an opinion on the Council's financial statement. The Combining Schedules of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis, Schedule of Leases and Debt, and Schedule of Capital Assets, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the financial statement. They have not been subjected to the examination procedures applied to the financial statement and, accordingly, we express no opinion on them.

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

October 1, 2014

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FINANCIAL STATEMENT

The financial statement and accompanying notes were approved by management of the Council.
The financial statement and notes are presented as intended by the Council.

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KOKOMO - HOWARD COUNTY GOVERNMENTAL COORDINATING COUNCIL
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Years Ended December 31, 2012 and 2013

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Fund	Cash and Investments 01-01-12	Receipts	Disbursements	Cash and Investments 12-31-12	Receipts	Disbursements	Cash and Investments 12-31-13
General Fund	\$ 97,225	\$ 282,527	\$ 227,984	\$ 151,768	\$ 251,188	\$ 240,361	\$ 162,595
First City Rider	<u>70,426</u>	<u>547,147</u>	<u>521,392</u>	<u>96,181</u>	<u>599,602</u>	<u>659,212</u>	<u>36,571</u>
Totals	<u>\$ 167,651</u>	<u>\$ 829,674</u>	<u>\$ 749,376</u>	<u>\$ 247,949</u>	<u>\$ 850,790</u>	<u>\$ 899,573</u>	<u>\$ 199,166</u>

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

KOKOMO - HOWARD COUNTY GOVERNMENTAL COORDINATING COUNCIL
NOTES TO FINANCIAL STATEMENT

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The Council was established under the laws of the State of Indiana. The Council operates under an appointed governing board.

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

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:

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.

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

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.

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

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 Council 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 Council. 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 Council. 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 Council 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.

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

Note 2. Budgets

The operating budget is initially prepared and approved at the local level. The fiscal officer of the Council 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. 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 Council 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 4. Risk Management

The Council 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 Council 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 5. Pension Plan

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 Council authority to contribute to the plan. The PERF retirement benefit consists of the pension provided

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

by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3 percent of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

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

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

Funding Policy and Annual Pension Cost

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

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SUPPLEMENTARY INFORMATION - UNAUDITED

For additional financial information, the Council's Annual Reports for years prior to 2011 can be found on the Indiana Transparency Portal website: www.in.gov/itp/annual_reports/.

For additional financial information, the Council's Annual Report information for years 2011 and later 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 Reports of the Council which are referenced above. These differences, if any, are due to adjustments made to the financial information during the course of the examination. This is a common occurrence in any financial statement examination. The financial information presented in this report is examined information, and the accuracy of such information can be determined by reading the opinion given in the Independent Accountant's Report.

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

KOKOMO - HOWARD COUNTY GOVERNMENTAL COORDINATING COUNCIL
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2012

	<u>General Fund</u>	<u>First City Rider</u>	<u>Totals</u>
Cash and investments - beginning	\$ 97,225	\$ 70,426	\$ 167,651
Receipts:			
Intergovernmental	216,511	546,545	763,056
Charges for services	52,000	-	52,000
Other receipts	<u>14,016</u>	<u>602</u>	<u>14,618</u>
Total receipts	<u>282,527</u>	<u>547,147</u>	<u>829,674</u>
Disbursements:			
Personal services	191,256	186,156	377,412
Supplies	6,338	2,547	8,885
Other services and charges	24,350	332,689	357,039
Capital outlay	6,040	-	6,040
Other disbursements	<u>-</u>	<u>-</u>	<u>-</u>
Total disbursements	<u>227,984</u>	<u>521,392</u>	<u>749,376</u>
Excess (deficiency) of receipts over disbursements	<u>54,543</u>	<u>25,755</u>	<u>80,298</u>
Cash and investments - ending	<u>\$ 151,768</u>	<u>\$ 96,181</u>	<u>\$ 247,949</u>

KOKOMO - HOWARD COUNTY GOVERNMENTAL COORDINATING COUNCIL
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2013

	General Fund	First City Rider	Totals
	<u> </u>	<u> </u>	<u> </u>
Cash and investments - beginning	\$ 151,768	\$ 96,181	\$ 247,949
Receipts:			
Intergovernmental	197,827	598,498	796,325
Charges for services	52,000	-	52,000
Other receipts	<u>1,361</u>	<u>1,104</u>	<u>2,465</u>
Total receipts	<u>251,188</u>	<u>599,602</u>	<u>850,790</u>
Disbursements:			
Personal services	192,895	192,895	385,790
Supplies	9,442	4,435	13,877
Other services and charges	38,024	461,882	499,906
Other disbursements	<u>-</u>	<u>-</u>	<u>-</u>
Total disbursements	<u>240,361</u>	<u>659,212</u>	<u>899,573</u>
Excess (deficiency) of receipts over disbursements	<u>10,827</u>	<u>(59,610)</u>	<u>(48,783)</u>
Cash and investments - ending	<u>\$ 162,595</u>	<u>\$ 36,571</u>	<u>\$ 199,166</u>

KOKOMO - HOWARD COUNTY GOVERNMENTAL COORDINATING COUNCIL
 SCHEDULE OF LEASES AND DEBT
 December 31, 2013

<u>Lessor</u>	<u>Purpose</u>	<u>Annual Lease Payment</u>	<u>Lease Beginning Date</u>	<u>Lease Ending Date</u>
Governmental activities: City of Kokomo	Office rental	\$ 16,607	7/1/2013	7/1/2014
Total of annual lease payments		<u>\$ 16,607</u>		

KOKOMO - HOWARD COUNTY GOVERNMENTAL COORDINATING COUNCIL
 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:	
Books and other	\$ 4,932
First City Rider Program:	
Total First City Rider Program	-
Total capital assets	\$ 4,932

KOKOMO - HOWARD COUNTY GOVERNMENTAL COORDINATING COUNCIL
EXAMINATION RESULTS AND COMMENTS

BANK ACCOUNT RECONCILIATIONS

Depository reconciliations of the fund balances to the bank account balances were conducted; however, the reconciliation contained errors. The outstanding check lists presented for examination contained errors.

Indiana Code 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statement provided by the respective depositories."

ANNUAL FINANCIAL REPORTS

The Annual Financial Reports for 2012 and 2013 contained errors and did not properly reflect the financial activity of the unit.

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under IC 5-14-3.8-7."

KOKOMO - HOWARD COUNTY GOVERNMENTAL COORDINATING COUNCIL
EXIT CONFERENCE

The contents of this report were discussed on October 10, 2014, with Greg Sheline, Treasurer; Tammy Corn, Director; and Leigha Buscher, Office Manager.