

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

FEDERAL COMPLIANCE AUDIT REPORT

OF

CITY OF KOKOMO

HOWARD COUNTY, INDIANA

January 1, 2018 to December 31, 2018



FILED
09/19/2019

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
City Controller	Randall J. Morris	01-01-18 to 12-31-19
Mayor	Gregory Goodnight	01-01-16 to 12-31-19
President of the Board of Public Works and Safety	Randy McKay	01-01-18 to 12-31-19
President of the Common Council	Robert Hayes, Sr.	01-01-18 to 12-31-19



STATE OF INDIANA
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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), for the year ended December 31, 2018, and the related notes to the financial statement, which collectively comprise the City's financial statement and have issued our report thereon dated August 26, 2019, wherein we noted the City followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America.

Internal Control over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statement will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.


INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*
(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


Paul D. Joyce, CPA
State Examiner

August 26, 2019



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

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 *OMB Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2018. 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE
(Continued)

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, 2018.

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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.


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

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statement of the City, as of and for the year ended December 31, 2018, and the related notes to the financial statement. We issued our report thereon dated August 26, 2019, which contained a dual opinion on the financial statement. An adverse opinion was issued regarding the presentation in accordance with U.S. Generally Accepted Accounting Principles, and an unmodified opinion was issued regarding the presentation in accordance with the Regulatory Basis of Accounting. Our

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE
(Continued)

audit was conducted for the purpose of forming an opinion on the financial statement as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statement as a whole.


Paul D. Joyce, CPA
State Examiner

August 26, 2019

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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, 2018

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient	Total Federal Awards Expended
<u>Department of Commerce</u>					
Economic Development Cluster					
Economic Adjustment Assistance	Direct Grant	11.307			
EDA Revolving Loan			FY2018	\$ -	\$ 984,128
Total - Economic Development Cluster				-	984,128
Total - Department of Commerce				-	984,128
<u>Department of Housing and Urban Development</u>					
CDBG - Entitlement Grants Cluster					
Community Development Block Grants/Entitlement Grants	Direct Grant	14.218			
HUD CDBG 2014			B14-MC-18-0014	378	44,100
HUD-CDBG 2015			B15-MC-18-0014	-	106,278
HUD-CDBG 2017			B17-MC-18-0014	43,855	541,005
HUD CDBG 2018			B18-MC-18-0014	14,130	16,960
Total - Community Development Block Grants/Entitlement Grants				58,363	708,343
Total - CDBG - Entitlement Grants Cluster				58,363	708,343
Total - Department of Housing and Urban Development				58,363	708,343
<u>Department of Justice</u>					
Missing Children's Assistance	Indiana Criminal Justice Institute	16.543			
PO-217 ICAC			2014-MC-FX-K018 2016 Funds	-	1,330
PO218 ICAC			2017-MC-FX-K008 2017 Funds	-	5,633
Total - Missing Children's Assistance				-	6,963
Crime Victim Assistance	Indiana Criminal Justice Institute	16.575			
VOCA 2016-2018 Grant			EDS# D3-17-11464	-	29,703
Bulletproof Vest Partnership Program	Direct Grant	16.607			
Bulletproof vest 50/50 partnership PO-5			FY2016	-	324
Bulletproof vest 50/50 partnership PO-5			FY2017	-	2,198
Total - Bulletproof Vest Partnership Program				-	2,522
Edward Byrne Memorial Justice Assistance Grant Program	Indiana Criminal Justice Institute	16.738			
PO317 2017 Block Grant			2017-DJ-BX-0164	-	19,497
Total - Department of Justice				-	58,685
<u>Department of Transportation</u>					
Federal Transit Cluster					
Federal Transit Formula Grants	Direct Grant	20.507			
FTA16 Federal Transit Formula Grant 2016			IN-2016-034-00	-	630,702
FTA17 Federal Transit Formula Grant 2017			IN-2017-013-00	-	469,057
FTA18 Federal Transit Formula Grant 2018			IN-2018-015-01	-	12,489
Total - Federal Transit Formula Grants				-	1,112,248
Total - Federal Transit Cluster				-	1,112,248

CITY OF KOKOMO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2018

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient	Total Federal Awards Expended
Highway Planning and Construction Cluster					
Highway Planning and Construction	Indiana Department of Transportation	20.205			
Markland from Washginton to Apperson-Construction Inspection Eng			DES NO 1401820	-	67,519
Markland and Park			DES NO 1006003	-	26,022
Markland and Park Construction Engineer			DES NO 1006003	-	190,504
Nickel Plate Tr Construction Eng			DES NO 1172473	-	202,368
Lincoln Preliminary Engineering			DES NO 1401818	-	454,358
Markland and SR 22 Right of Way			DES NO 1401820	-	85,760
Markland and SR 22			DES NO 1401820	-	50,425
Total - Highway Planning and Construction				-	1,076,956
Total - Highway Planning and Construction Cluster				-	1,076,956
Highway Safety Cluster					
State and Community Highway Safety	Indiana Criminal Justice Institute	20.600			
Operation Pull Over Enforcement Grant			EDS #D3-18-11893	-	24,338
PO418A Non-Motorist Grantt			EDS# D3-18-12083	-	11,960
Total - State and Community Highway Safety				-	36,298
Alcohol Impaired Driving Countermeasures Incentive Grants I	Howard County	20.601			
PO-6 DUI-Task Force			FY2018	-	10,306
National Priority Safety Programs	Indiana Criminal Justice Institute	20.616			
PO418 High Visibility Enforcement Motorcycle			EDS #D3-18-12375	-	8,000
PO418B Summer Impaired Driving Enforcement Grant			EDS# D3-18-12381	-	5,000
Total - National Priority Safety Programs				-	13,000
Total - Highway Safety Cluster				-	59,604
Airport Improvement Program	Direct Grant	20.106			
AI24 Taxiway C & D Rehab			3-18-0044-24	-	157,917
AI25 Install Airfield Underdrain			3-18-0044-25	-	41,587
AI26 Rehab & New Construction of Taxiway C			3-18-0044-26	-	621,037
Total - Airport Improvement Program				-	820,541
Total - Department of Transportation				-	3,069,349
<u>Environmental Protection Agency</u>					
Brownfields Assessment and Cleanup Cooperative Agreements	Direct Grant	66.818			
Brownfield Revolving Loan			BF-00E01364	-	272,545
Brownfield Grant			BF-00E01545	-	155,508
Total - Brownfields Assessment and Cleanup Cooperative Agreements				-	428,053
Total - Environmental Protection Agency				-	428,053
<u>Department of Health and Human Services</u>					
Aging Cluster					
Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers	Area 5 on Aging and Community Services	93.044			
Title III part B Area 5			2017/2018	-	19,526
Total - Aging Cluster				-	19,526
Total - Department of Health and Human Services				-	19,526
Total federal awards expended				\$ 58,363	\$ 5,268,084

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. Summary of Significant Accounting Policies

A. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes the federal grant activity of the City under programs of the federal government for the year ended December 31, 2018. The information in the SEFA is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the SEFA presents only a select portion of the operations of the City, it is not intended to and does not present the financial position of the City.

B. Other Significant Accounting Policies

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

Note 2. Indirect Cost Rate

The City has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note 3. 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, 2018	\$	314,938	
Cash and Investments as of December 31, 2018		997,595	
Administrative expenses paid out of RLF income during 2018		295	
Unpaid principal on loans written off during 2018		<u> -</u>	
	Subtotal		<u>1,312,828</u>
Calculation of Federal Participation Rate (FPR):			
Original grant		500,000	
Original match (In-Kind)		<u>167,000</u>	
	Subtotal	667,000	
FPR - Original grant awarded divided by total including original match			<u>74.9625%</u>
Expenditures reported on the SEFA			<u>\$ 984,128</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?	no
Significant deficiencies identified?	none reported
Noncompliance material to financial statement noted?	no

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	no
Significant deficiencies identified?	none reported
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	no

Identification of Major Programs and type of auditor's report issued on compliance for each:

<u>Name of Federal Program or Cluster</u>	<u>Opinion Issued</u>
Federal Transit Cluster	Unmodified
Highway Planning and Construction Cluster	Unmodified

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

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

No matters are reportable.

Section III - Federal Award Findings and Questioned Costs

No matters are reportable.

OTHER REPORTS

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