

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

FINANCIAL STATEMENT AND  
FEDERAL SINGLE AUDIT REPORT  
OF

SOUTHEASTERN INDIANA REGIONAL  
PLANNING COMMISSION  
RIPLEY COUNTY, INDIANA

January 1, 2011 to December 31, 2012



**FILED**  
08/28/2013



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Executive Director	Susan A. Craig	01-01-11 to 12-31-13
Treasurer	Scott Fortner	01-01-11 to 12-31-13
Chairman of the Commission	Mark S. Vice	01-01-11 to 12-31-13



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INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE SOUTHEASTERN INDIANA REGIONAL  
PLANNING COMMISSION, RIPLEY COUNTY, INDIANA

***Report on the Financial Statement***

We have audited the accompanying financial statement of the Southeastern Indiana Regional Planning Commission (Commission), which comprises the financial position and results of operations for the period of January 1, 2011 to December 31, 2012, 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 Commission'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 Commission'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 Commission 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 Commission for the period of January 1, 2011 to December 31, 2012.

***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 Commission for the period of January 1, 2011 to December 31, 2012, 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 1, 2013, on our consideration of the Commission'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 Commission's internal control over financial reporting and compliance.

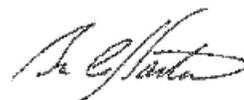
***Accompanying Information***

*Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the Commission'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 reports used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statement taken as a whole.

INDEPENDENT AUDITOR'S REPORT  
(Continued)

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



Bruce Hartman  
State Examiner

July 1, 2013



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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 SOUTHEASTERN INDIANA REGIONAL  
PLANNING COMMISSION, RIPLEY 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 Southeastern Indiana Regional Planning Commission (Commission), which comprise the financial position and results of operations for the period of January 1, 2011 to December 31, 2012, and the related notes to the financial statement, and have issued our report thereon dated July 1, 2013, wherein we noted the Commission 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 Commission'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 Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control.

Our consideration of the 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 certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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 deficiencies described in the accompanying Schedule of Findings and Questioned Costs as item 2012-1 to be material weaknesses.

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 Commission'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*.

***Commission's Response to Findings***

The Commission's response to the findings identified in our audit is described in the accompanying Corrective Action Plan. The Commission'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 Commission'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 Commission's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Bruce Hartman  
State Examiner

July 1, 2013

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## FINANCIAL STATEMENT

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

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SOUTHEASTERN INDIANA REGIONAL PLANNING COMMISSION  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -  
REGULATORY BASIS  
For The Years Ended December 31, 2011 And 2012

Fund	Cash and Investments 01-01-11	Receipts	Disbursements	Cash and Investments 12-31-11	Receipts	Disbursements	Cash and Investments 12-31-12
General Fund	\$ 300,021	\$ 660,565	\$ 577,086	\$ 383,500	\$ 629,374	\$ 529,849	\$ 483,025
Area 12/INDOT	-	1,757,722	1,757,722	-	1,257,271	1,257,271	-
Madison HPG	-	5,278	5,278	-	16,467	16,467	-
Aurora RSRF	-	-	-	-	30,000	29,795	205
Aurora HPG	-	-	-	-	19,165	19,165	-
Invision Southeast	25,276	-	25,276	-	-	-	-
Se Indiana Growth Alliance (Seiga)	12,965	29,042	13,462	28,545	18,012	722	45,835
Totals	<u>\$ 338,262</u>	<u>\$ 2,452,607</u>	<u>\$ 2,378,824</u>	<u>\$ 412,045</u>	<u>\$ 1,970,289</u>	<u>\$ 1,853,269</u>	<u>\$ 529,065</u>

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

SOUTHEASTERN INDIANA REGIONAL PLANNING COMMISSION  
NOTES TO FINANCIAL STATEMENT

**Note 1. Summary of Significant Accounting Policies**

*A. Reporting Entity*

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

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

*B. Basis of Accounting*

The financial statement is reported on a regulatory basis of accounting prescribed by the 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. Receipts are recorded when received and disbursements are recorded when paid.

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. Examples of this type of receipts include, but are not limited to, federal and state grants.

Charges for services which can include, but are not limited to the following: membership fees and administrative fees for services rendered.

Other receipts which include amounts received from various sources which can include, but are not limited to the following: interest, contributions, refunds, and reimbursements.

*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.

SOUTHEASTERN INDIANA REGIONAL PLANNING COMMISSION  
NOTES TO FINANCIAL STATEMENT  
(Continued)

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 payments to subrecipients of federal and state grants; refunds; and reimbursements.

*F. Interfund Transfers*

The Commission 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 Commission. 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 Commission. 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 Commission 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 Commission submits a proposed operating budget to the governing board for the following calendar year.

**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 Commission 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.

SOUTHEASTERN INDIANA REGIONAL PLANNING COMMISSION  
NOTES TO FINANCIAL STATEMENT  
(Continued)

**Note 4. Risk Management**

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

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

Indiana Public Retirement System  
1 North Capital 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.

## SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the Commission'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 Reports of the Commission which are 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 Commission. It is presented as intended by the Commission.

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SOUTHEASTERN INDIANA REGIONAL PLANNING COMMISSION  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2011

	General Fund	Area 12/INDOT	Madison HPG	Aurora RSRF	Aurora HPG	Invision Southeast	Se Indiana Growth Alliance (Seiga)	Totals
Cash and investments - beginning	\$ 300,021	\$ -	\$ -	\$ -	\$ -	\$ 25,276	\$ 12,965	\$ 338,262
Receipts:								
Intergovernmental	61,628	1,757,722	5,278	-	-	-	-	1,824,628
Charges for services	513,723	-	-	-	-	-	-	513,723
Other receipts	85,214	-	-	-	-	-	29,042	114,256
Total receipts	<u>660,565</u>	<u>1,757,722</u>	<u>5,278</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>29,042</u>	<u>2,452,607</u>
Disbursements:								
Personal services	471,784	-	-	-	-	-	-	471,784
Supplies	10,657	-	-	-	-	-	-	10,657
Other services and charges	71,016	-	-	-	-	-	13,462	84,478
Capital outlay	23,629	-	-	-	-	-	-	23,629
Other disbursements	-	1,757,722	5,278	-	-	25,276	-	1,788,276
Total disbursements	<u>577,086</u>	<u>1,757,722</u>	<u>5,278</u>	<u>-</u>	<u>-</u>	<u>25,276</u>	<u>13,462</u>	<u>2,378,824</u>
Excess (deficiency) of receipts over disbursements	<u>83,479</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(25,276)</u>	<u>15,580</u>	<u>73,783</u>
Cash and investments - ending	<u>\$ 383,500</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 28,545</u>	<u>\$ 412,045</u>

SOUTHEASTERN INDIANA REGIONAL PLANNING COMMISSION  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2012

	General Fund	Area 12/INDOT	Madison HPG	Aurora RSRF	Aurora HPG	Invision Southeast	Se Indiana Growth Alliance (Seiga)	Totals
Cash and investments - beginning	\$ 383,500	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 28,545	\$ 412,045
Receipts:								
Intergovernmental	61,628	-	-	-	-	-	-	61,628
Charges for services	476,562	-	-	-	-	-	-	476,562
Other receipts	91,184	1,257,271	16,467	30,000	19,165	-	18,012	1,432,099
Total receipts	<u>629,374</u>	<u>1,257,271</u>	<u>16,467</u>	<u>30,000</u>	<u>19,165</u>	<u>-</u>	<u>18,012</u>	<u>1,970,289</u>
Disbursements:								
Personal services	443,387	-	-	-	-	-	-	443,387
Supplies	6,748	-	-	-	-	-	-	6,748
Other services and charges	67,894	-	-	-	-	-	722	68,616
Capital outlay	11,820	-	-	-	-	-	-	11,820
Other disbursements	-	1,257,271	16,467	29,795	19,165	-	-	1,322,698
Total disbursements	<u>529,849</u>	<u>1,257,271</u>	<u>16,467</u>	<u>29,795</u>	<u>19,165</u>	<u>-</u>	<u>722</u>	<u>1,853,269</u>
Excess (deficiency) of receipts over disbursements	<u>99,525</u>	<u>-</u>	<u>-</u>	<u>205</u>	<u>-</u>	<u>-</u>	<u>17,290</u>	<u>117,020</u>
Cash and investments - ending	<u>\$ 483,025</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 205</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 45,835</u>	<u>\$ 529,065</u>

SOUTHEASTERN INDIANA REGIONAL PLANNING COMMISSION  
SCHEDULE OF RECEIVABLES  
December 31, 2012

<u>Government or Enterprise</u>	<u>Accounts Receivable</u>
Governmental activities	<u>\$ 15,407</u>

SOUTHEASTERN INDIANA REGIONAL PLANNING COMMISSION  
 SCHEDULE OF DEBT  
 December 31, 2012

Description of Debt		Ending	Principal and
Type	Purpose	Principal	Interest Due
		Balance	Within One
			Year
Governmental activities:			
Notes and loans payable	Mortgage	\$ 10,917	\$ 10,917
Notes and loans payable	Staff car	<u>8,493</u>	<u>3,640</u>
Total governmental activities		<u>19,410</u>	<u>14,557</u>
Totals		<u>\$ 19,410</u>	<u>\$ 14,557</u>

SOUTHEASTERN INDIANA REGIONAL PLANNING COMMISSION  
SCHEDULE OF CAPITAL ASSETS  
December 31, 2012

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.

	<u>Ending Balance</u>
Governmental activities:	
Buildings	\$ 207,000
Improvements other than buildings	46,701
Machinery, equipment, and vehicles	<u>161,499</u>
Total governmental activities	<u>415,200</u>
Total capital assets	<u>\$ 415,200</u>

SOUTHEASTERN INDIANA REGIONAL PLANNING COMMISSION  
AUDIT RESULT AND COMMENT

***INTERNAL CONTROLS***

We noted several deficiencies in the internal control system of the Commission related to financial transactions and reporting. We believe the following deficiencies constitute material weaknesses.

Lack of Segregation of Duties: Control activities should be selected and developed at various levels to reduce risks to the achievement of financial reporting objectives as described below.

1. The Commission has not separated incompatible activities related to receipts and the preparation of the Schedule of Expenditures of Federal Awards. The failure to establish these controls could enable material misstatements or irregularities to remain undetected.
2. Documentation of Internal Control Procedures: Internal control procedures performed at various levels should be documented to provide evidence of procedures performed. Bank reconciliations did not show proper evidence of review or approval. The failure to establish these controls could enable material misstatements or irregularities to remain undetected.

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. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

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 Special Districts, Chapter 10)

SUPPLEMENTAL AUDIT OF  
FEDERAL AWARDS



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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 SOUTHEASTERN INDIANA REGIONAL  
PLANNING COMMISSION, RIPLEY COUNTY, INDIANA

***Report on Compliance for Each Major Federal Program***

We have audited the Southeastern Indiana Regional Planning Commission's (Commission) 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 period of January 1, 2011 to December 31, 2012. The Commission'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 Commission'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 Commission'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 Commission's compliance.

***Opinion on Each Major Federal Program***

In our opinion, the Commission 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 period of January 1, 2011 to December 31, 2012.

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

***Report on Internal Control Over Compliance***

Management of the Commission is responsible for establishing and maintaining effective internal control over compliance with types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Commission's internal control over compliance with the type 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 Commission'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as item 2012-2 that we consider to be significant deficiencies.

The Commission's response to the internal control over compliance findings identified in our audit is described in the accompanying Corrective Action Plan. The Commission'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.



Bruce Hartman  
State Examiner

July 1, 2013

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## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

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SOUTHEASTERN INDIANA REGIONAL PLANNING COMMISSION  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For The Years Ended December 31, 2011 and 2012

Federal Grantor Agency Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 12-31-11	Total Federal Awards Expended 12-31-12
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
Direct grant				
Rural Housing Preservation Grants	10.433			
Madison Housing Grant		FY 2011	\$ 5,278	\$ 16,467
Aurora Housing Grant		FY 2012	-	19,165
			<u>5,278</u>	<u>35,632</u>
Total for federal grantor agency				
<u>U.S. DEPARTMENT OF COMMERCE</u>				
Direct grant				
Economic Development Support for Planning Organizations	11.302			
EDA Planning Grant		06-83-05551	61,628	61,628
			<u>61,628</u>	<u>61,628</u>
Total for federal grantor agency				
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>				
Pass-Through Indiana Department of Transportation				
Transit Services Programs Cluster				
New Freedom Program				
Section 5317	20.521	570059	156,048	38,107
Section 5317		NWFR CAP	-	178,269
			<u>156,048</u>	<u>216,376</u>
Total for cluster				
Pass-Through Indiana Department of Transportation				
Formula Grants for Other Than Urbanized Areas				
Section 5311	20.509			
Area 12/INDOT		180027	649,224	147,326
Area 12/INDOT		180028	245,514	-
Area 12/INDOT		180029	-	572,814
			<u>894,738</u>	<u>720,140</u>
Total for program				
ARRA-Formula Grants for Other Than Urbanized Areas				
Area 12/INDOT	20.509	86X001	352,249	-
			<u>352,249</u>	<u>-</u>
Total for federal grantor agency				
			<u>1,403,035</u>	<u>936,516</u>
Total federal awards expended			<u>\$ 1,469,941</u>	<u>\$ 1,033,776</u>

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

SOUTHEASTERN INDIANA REGIONAL PLANNING COMMISSION  
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 Southeastern Indiana Regional Planning Commission (Commission) 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.

Circular A-133 requires an annual audit of nonfederal entities expending a total amount of federal awards equal to or in excess of \$500,000 in any fiscal year unless by constitution or statute a less frequent audit is required. In accordance with Indiana Code (IC 5-11-1 et seq.), audits of commissions shall be conducted biennially. Such audits shall include both years within the biennial period.

**Note 2. Subrecipients**

Of the federal expenditures presented in the schedule, the Commission provided federal awards to subrecipients as follows for the years ended December 31, 2011 and 2012:

Program Title	Federal CFDA Number	2011	2012
Formula Grants for Other Than Urbanized Areas	20.509	\$ 1,246,987	\$ 720,140
New Freedom Program	20.521	156,048	216,376

SOUTHEASTERN INDIANA REGIONAL PLANNING COMMISSION  
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?	no

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	no
Significant deficiencies identified?	yes
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:

CFDA Number	Name of Federal Program or Cluster
20.509	Transit Services Programs Cluster Formula Grants for Other Than Urbanized Areas

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

Auditee qualified as low-risk auditee? no

**Section II – Financial Statement Findings**

**FINDING 2012-1 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING OF FEDERAL AWARDS**

We noted several deficiencies in the internal control system of the Commission related to financial transactions and reporting. We believe the following deficiencies constitute material weaknesses:

Lack of Segregation of Duties: Control activities should be selected and developed at various levels to reduce risks to the achievement of financial reporting objectives as described below:

1. The Commission has not separated incompatible activities related to receipts and the preparation of the Schedule of Expenditures of Federal Awards. The failure to establish these controls could enable material misstatements or irregularities to remain undetected.

SOUTHEASTERN INDIANA REGIONAL PLANNING COMMISSION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

2. Documentation of Internal Control Procedures: Internal control procedures performed at various levels should be documented to provide evidence of procedures performed. Bank reconcilements did not show proper evidence of review or approval. The failure to establish these controls could enable material misstatements or irregularities to remain undetected.

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. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

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 Special Districts, Chapter 10)

**Section III – Federal Award Findings and Questioned Costs**

**FINDING 2012-2 - INTERNAL CONTROLS OVER SUBRECIPIENT MONITORING**

Federal Agency: U.S. Department of Transportation

Federal Programs: New Freedom Program, Formula Grants for Other Than Urbanized Areas

CFDA Numbers: 20.521, 20.509

Federal Award Years and Numbers: 2011 - 570059, 2012 - 570059, and NWFR CAP

2011 - 180027, 180028, and 86X001: 2012 - 180027 and 180029

Pass-Through Entity: Indiana Department of Transportation

Management of the Southeastern Indiana Regional Planning Commission (Commission) has not established an effective internal control system related to subrecipient monitoring as follows:

1. A subrecipient agreement for a project for the year 2000 was renewed by vote of the Commission's Executive Board each year thereafter. No new agreements were written. As a result, additional compliance requirements specific to new projects were not communicated and agreed to in writing.
2. The Data Collection Forms submitted to the Federal Clearinghouse by the subrecipient for the fiscal years ending June 30, 2011 and June 30, 2012, did not include DUNS numbers. The Commission did not review those forms; discover the errors; and require that the subrecipient take corrective action.
3. The subrecipient did not report the Commission as the pass-through agency in its Schedules of Expenditures of Federal Awards in the audited financial statements for the fiscal years ending June 30, 2011 and June 30, 2012. The Commission did not review the schedules; discover the errors; and require that the subrecipient take corrective action.

Kathy Kelly, Financial Director, stated the errors were due to a misunderstanding of applicable requirements.

SOUTHEASTERN INDIANA REGIONAL PLANNING COMMISSION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

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."

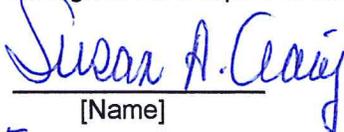
The failure to establish internal controls could enable material noncompliance to go undetected. Non-compliance of the grant agreement or the compliance requirements that have a direct and material effect to the program could result in the loss of federal funds to the Commission.

We recommended that the Commission's management establish controls related to the grant agreement and compliance requirements for subrecipient monitoring.

**SOUTHEASTERN INDIANA REGIONAL PLANNING COMMISSION**  
**PO BOX 765**  
**VERSAILLES, IN 47042**  
**(812) 689-5505**

FINDING 2012-1, INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

- (A) Effective immediately, we plan to implement the following policy concerning receipts:
- a. Incoming mail will be opened and payments received in the mail will be recorded by someone other than the Financial Director.
  - b. The Financial Director will receive the reports of collections and payments received and issue receipts, enter payments into the records, make up bank deposits and take the deposits to the bank.
  - c. Deposit slips from the bank will be returned and compared to the daily receipts report by someone other than the Financial Director. The person performing this comparison will document their review by signing the daily collections report.
  - d. All records of receipts will be retained for audit.
- (B) We plan to implement the following policy concerning bank reconciliements upon receipt of our next bank statement:
- a. Incoming mail- including bank statements will be opened- by someone other than the Financial Director.
  - b. The bank statements will be forwarded to the Financial Director who will perform the bank reconciliation to the records. Upon completion of the bank reconciliation, the Financial Director will sign the reconciliation as preparer.
  - c. The bank reconciliation will be forwarded to a reviewer who will review the bank reconciliation and compare the balances to the records. Upon completion of the review, the reviewer will sign the reconciliation as reviewer.
  - d. The signed copies of the reconciliements will be retained for audit.
- (C) We plan to implement the following policy concerning the preparation of the Schedule of Federal Financial Assistance when we next file our electronic annual report:
- a. Only federal funds will be reported in the grant schedule.
  - b. Upon completion of the electronic annual report, a hard copy of all statements and schedules- including the grant schedule- will be printed out.
  - c. The person submitting the electronic annual report will review and sign the reports as preparer.
  - d. A person other than the preparer will review all reports and sign the reports as reviewer.
  - e. All signed hard copies of the annual report's statements and schedules will be retained for audit.

  
[Name]

  
[Title]

  
[Date]

**SOUTHEASTERN INDIANA REGIONAL PLANNING  
COMMISSION  
PO BOX 765  
VERSAILLES IN 47042**

FINDING NO. 2010-2, INTERNAL CONTROLS OVER SUBRECIPIENT MONITORING

Contact Person: Susan A. Craig  
Title: Executive Director  
Phone Number: 812-689-5505

1. Written subrecipient agreements will be executed for each new project. These agreements will contain the federal compliance information the subrecipients will need to know including any project-specific requirements.
2. Subrecipient agreements will require that, when required, the subrecipients will have audits in accordance with OMB Circular A-133. We will review those audits for proper disclosures and follow-up on findings, errors, or omissions related to federal grants we have passed-through to them.
3. We will review and follow-up on errors or omissions in the reporting package (Data Collection Form) the subrecipient submits to the federal clearinghouse.
4. We will implement procedures that provide for the documentation of our monitoring by maintaining files that include: the subrecipient agreements for each project; records of on-site visits or other monitoring procedures performed during the project; subrecipient audit reports and Data Collection Forms; records of desk reviews performed on subrecipient audit reports and Data Collection Forms; management decisions made in response to subrecipient findings; follow-up work performed on corrective actions taken by subrecipients; and any additional information necessary to document our monitoring of subrecipient activity.

Susan A. Craig  
[Name]

Executive Director  
[Title]

April 30, 2013  
[Date]

SOUTHEASTERN INDIANA REGIONAL PLANNING COMMISSION  
EXIT CONFERENCE

The contents of this report were discussed on July 1, 2013, with Susan A. Craig, Executive Director; Scott Fortner, Treasurer; and Mark S. Vice, Chairman of the Commission. The officials concurred with our audit findings.