

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

FINANCIAL STATEMENT AND  
FEDERAL SINGLE AUDIT REPORT  
OF

KANKAKEE - IROQUOIS REGIONAL  
PLANNING COMMISSION  
WHITE COUNTY, INDIANA

January 1, 2011 to December 31, 2012



**FILED**  
09/26/2013



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Executive Director	Edwin Buswell	01-01-11 to 12-31-13
Treasurer	Ron Schmierer Dave Diener	01-01-11 to 12-31-11 01-01-12 to 12-31-13
President of the Board	Larry D. Wiley	01-01-11 to 12-31-13



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INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE KANKAKEE - IROQUOIS REGIONAL  
PLANNING COMMISSION, WHITE COUNTY, INDIANA

***Report on the Financial Statement***

We have audited the accompanying financial statement of the Kankakee - Iroquois Regional Planning Commission (Planning 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 Planning 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 Planning 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 Planning 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 Planning 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 Planning 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 September 11, 2013, on our consideration of the Planning 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 Planning 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 Planning 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 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 taken as a whole.

INDEPENDENT AUDITOR'S REPORT  
(Continued)

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

*Other Information*

The Planning Commission's response to the Audit Result and Comment identified in our audit is described in the accompanying section of the report entitled Official Response. We did not audit the Planning Commission's response and, accordingly, we express no opinion on it.



Bruce Hartman  
State Examiner

September 11, 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 KANKAKEE - IROQUOIS REGIONAL  
PLANNING COMMISSION, WHITE 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 Kankakee - Iroquois Regional Planning Commission (Planning 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, and have issued our report thereon dated September 11, 2013, wherein we noted the Planning 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 Planning 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 Planning Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Planning 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***

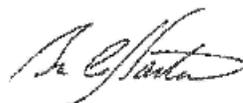
As part of obtaining reasonable assurance about whether the Planning Commission's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and 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*.

***Kankakee - Iroquois Regional Planning Commission's Response to Findings***

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



Bruce Hartman  
State Examiner

September 11, 2013

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## FINANCIAL STATEMENT

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

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KANKAKEE - IROQUOIS 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	\$ 466,995	\$ 412,753	\$ 255,237	\$ 624,511	\$ 525,970	\$ 280,557	\$ 869,924
Money Market	18,084	24	5,000	13,108	102	-	13,210
Preschool Money Market	3,739	4	3,743	-	-	-	-
Medical Reimbursement Account	15,984	13,888	28,068	1,804	41,132	30,120	12,816
Economic Development	(17,779)	104,085	103,522	(17,216)	104,809	109,240	(21,647)
Head Start	(213,779)	820,490	1,111,695	(504,984)	1,453,699	1,157,024	(208,309)
RPO-INDOT Planning	(39,460)	47,381	27,605	(19,684)	21,152	25,291	(23,823)
Transportation (5311)	(13,746)	816,215	815,413	(12,944)	806,850	809,393	(15,487)
Transportation (5311)-ARRA	(6,792)	28,825	22,033	-	-	-	-
<b>Totals</b>	<b>\$ 213,246</b>	<b>\$ 2,243,665</b>	<b>\$ 2,372,316</b>	<b>\$ 84,595</b>	<b>\$ 2,953,714</b>	<b>\$ 2,411,625</b>	<b>\$ 626,684</b>

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

KANKAKEE - IROQUOIS REGIONAL PLANNING COMMISSION  
NOTES TO FINANCIAL STATEMENT

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

*A. Reporting Entity*

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

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

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.

KANKAKEE - IROQUOIS REGIONAL PLANNING COMMISSION  
NOTES TO FINANCIAL STATEMENT  
(Continued)

*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 Planning 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 Planning 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 Planning 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 Planning 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 Planning Commission submits a proposed operating budget to the governing board for the following calendar year. The Budget Committee (which is the same as the Executive Board) meets in September and reviews the budget in detail. The full Commission meets in October to approve the budget after any Executive Board recommendations or changes.

KANKAKEE - IROQUOIS REGIONAL PLANNING COMMISSION  
NOTES TO FINANCIAL STATEMENT  
(Continued)

**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 Planning 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.

**Note 4. Risk Management**

The Planning 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 Planning 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. 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 Planning 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

KANKAKEE - IROQUOIS REGIONAL PLANNING COMMISSION  
NOTES TO FINANCIAL STATEMENT  
(Continued)

*Funding Policy and Annual Pension Cost*

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

**Note 6. Cash Balance Deficits**

The financial statement contains some funds with deficits in cash. This is a result of reimbursable grants. The reimbursements for expenditures made by the Planning Commission were not received by December 31, 2012.

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## SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the Planning 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 Planning Commission 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 Planning Commission. It is presented as intended by the Planning Commission.

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

	General Fund	Money Market	Preschool Money Market	Medical Reimbursement Account	Economic Development	Head Start	RPO-INDOT Planning	Transportation (5311)	Transportation (5311)-ARRA	Totals
Cash and investments - beginning	\$ 466,995	\$ 18,084	\$ 3,739	\$ 15,984	\$ (17,779)	\$ (213,779)	\$ (39,460)	\$ (13,746)	\$ (6,792)	\$ 213,246
Receipts:										
Intergovernmental	-	-	-	-	62,676	-	-	-	-	62,676
Charges for services	405,420	-	-	-	-	820,490	40,474	786,154	28,825	2,081,363
Other receipts	7,333	24	4	13,888	41,409	-	6,907	30,061	-	99,626
Total receipts	412,753	24	4	13,888	104,085	820,490	47,381	816,215	28,825	2,243,665
Disbursements:										
Personal services	111,584	-	-	-	81,714	829,749	17,806	68,137	-	1,108,990
Supplies	11,191	-	-	-	10,422	30,764	1,349	7,315	-	61,041
Other services and charges	54,086	-	-	-	11,386	193,939	1,133	8,618	-	269,162
Capital outlay	-	-	-	-	-	57,243	-	-	22,017	79,260
Other disbursements	78,376	5,000	3,743	28,068	-	-	7,317	731,343	16	853,863
Total disbursements	255,237	5,000	3,743	28,068	103,522	1,111,695	27,605	815,413	22,033	2,372,316
Excess (deficiency) of receipts over disbursements	157,516	(4,976)	(3,739)	(14,180)	563	(291,205)	19,776	802	6,792	(128,651)
Cash and investments - ending	\$ 624,511	\$ 13,108	\$ -	\$ 1,804	\$ (17,216)	\$ (504,984)	\$ (19,684)	\$ (12,944)	\$ -	\$ 84,595

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

	General Fund	Money Market	Preschool Money Market	Medical Reimbursement Account	Economic Development	Head Start	RPO-INDOT Planning	Transportation (5311)	Transportation (5311)-ARRA	Totals
Cash and investments - beginning	\$ 624,511	\$ 13,108	\$ -	\$ 1,804	\$ (17,216)	\$ (504,984)	\$ (19,684)	\$ (12,944)	\$ -	\$ 84,595
Receipts:										
Intergovernmental	-	-	-	-	61,113	-	-	-	-	61,113
Charges for services	519,161	-	-	-	-	1,434,418	15,584	780,880	-	2,750,043
Other receipts	6,809	102	-	41,132	43,696	19,281	5,568	25,970	-	142,558
Total receipts	525,970	102	-	41,132	104,809	1,453,699	21,152	806,850	-	2,953,714
Disbursements:										
Personal services	100,997	-	-	-	87,570	834,444	14,335	63,948	-	1,101,294
Supplies	6,639	-	-	-	8,291	33,114	2,556	6,927	-	57,527
Other services and charges	44,567	-	-	-	13,379	226,393	1,591	738,518	-	1,024,448
Capital outlay	33,839	-	-	-	-	63,073	-	-	-	96,912
Other disbursements	94,515	-	-	30,120	-	-	6,809	-	-	131,444
Total disbursements	280,557	-	-	30,120	109,240	1,157,024	25,291	809,393	-	2,411,625
Excess (deficiency) of receipts over disbursements	245,413	102	-	11,012	(4,431)	296,675	(4,139)	(2,543)	-	542,089
Cash and investments - ending	\$ 869,924	\$ 13,210	\$ -	\$ 12,816	\$ (21,647)	\$ (208,309)	\$ (23,823)	\$ (15,487)	\$ -	\$ 626,684

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KANKAKEE - IROQUOIS 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.

	Ending Balance
Governmental activities:	
Buildings	\$ 77,336
Machinery, equipment, and vehicles	1,783,589
Total governmental activities	1,860,925
Total capital assets	\$ 1,860,925

KANKAKEE - IROQUOIS REGIONAL PLANNING COMMISSION  
AUDIT RESULT AND COMMENT

***CONTROLS OVER REPORTING OF SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS***

The Planning Commission did not have a proper system of internal control in place to prevent or detect and correct errors on the Schedule of Expenditures of Federal Awards (SEFA). The Planning Commission 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.

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 Special Districts of Indiana, 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 KANKAKEE - IROQUOIS REGIONAL  
PLANNING COMMISSION, WHITE COUNTY, INDIANA

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

We have audited the Kankakee - Iroquois Regional Planning Commission's (Planning 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 its major federal program for the period of January 1, 2011 to December 31, 2012. The Planning Commission's major federal program is 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 the Planning Commission's major federal program 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 Planning 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 the major federal program. However, our audit does not provide a legal determination of the Planning Commission's compliance.

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

In our opinion, the Planning Commission complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program 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)

**Other Matters**

The Planning Commission's response to our audit is described in the accompanying Official Response. The Planning 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.

**Report on Internal Control Over Compliance**

Management of the Planning 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 Planning 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 Planning 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. 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 Planning Commission's response to our audit is described in the accompanying Official Response. The Planning 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

September 11, 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 Planning Commission. The schedule and notes are presented as intended by the Planning Commission.

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KANKAKEE - IROQUOIS 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	Pass-Through Entity or Direct Grant	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>Department of Commerce</u>					
Economic Development-Support for Planning Organizations ED	Direct Grant	11.302	06-83-05650	\$ 104,084	\$ 104,809
<u>Department of Transportation</u>					
Formula Grants for Other Than Urbanized Areas Transit Transit	Indiana Department of Transportation	20.509 20.509	PO#0010810805 001181 No.180028 & 180029	540,252 -	- 535,105
ARRA-Formula Grants for Other Than Urbanized Areas Transit-ARRA	Indiana Department of Transportation	20.509	PO# 0011811528 0012	28,825	-
State Planning and Research RPO RPO	Indiana Department of Transportation	20.515 20.515	PO#0010810690 00118 PO#0011808039	47,381 -	- 21,152
Total - Department of Transportation				616,458	556,257
<u>Department of Health and Human Services</u>					
Head Start Cluster Head Start Head Start Head Start	Direct Grant	93.600 93.600	FY 10-11 FY 11-12 FY 11-12 FY 12-13	820,490 -	- 1,453,700
Total - Department of Health and Human Services				820,490	1,453,700
Total federal awards expended				\$ 1,541,032	\$ 2,114,766

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

KANKAKEE - IROQUOIS 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 Kankakee - Iroquois Regional Planning Commission (Planning 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 Planning 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 Planning 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	\$ 502,585	\$ 499,055

KANKAKEE - IROQUOIS 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 program:	
Material weaknesses identified?	no
Significant deficiencies identified?	none reported
Type of auditor's report issued on compliance for major program:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?	no

Identification of Major Programs:

Name of Federal Program or Cluster

Head Start Cluster

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

Auditee qualified as low-risk auditee?	no
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KANKAKEE - IROQUOIS REGIONAL PLANNING COMMISSION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

***Section II – Financial Statement Findings***

***FINDING 2012-1 - CONTROLS OVER REPORTING OF SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS***

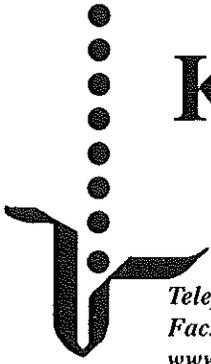
The Planning Commission did not have a proper system of internal control in place to prevent or detect and correct errors on the Schedule of Expenditures of Federal Awards (SEFA). The Planning Commission should have proper controls in place over the preparation of the SEFA to ensure accurate reporting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

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 Special Districts of Indiana, Chapter 10)

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

No matters are reportable.



# K-IRPC *Kankakee-Iroquois Regional Planning Commission*

115 East Fourth Street, P.O. Box 127, Monon, Indiana 47959-0127

Telephone: 219.253.6658  
Facsimile: 219.253.6659  
www.kirpc.net

- \* *Economic/Community Development*
- \* *Arrowhead Country Public Transit*
- \* *K-IRPC Head Start Program*
- \* *Rural Transportation Planning*

September 11, 2013

## CORRECTIVE ACTION PLAN

### FINDING 2012-1 CONTROLS OVER REPORTING OF SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS

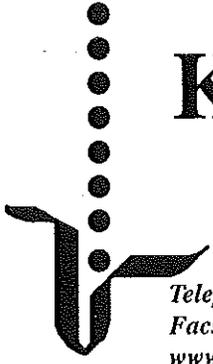
Audit Finding: KIRPC did not have the proper system of internal control in place to prevent errors in the reporting the amounts of Federal Expenditures Awarded on the Schedule of Expenditures of Federal Awards (SEFA). Without the proper internal controls in place material misstatements of the SEFA could remain undetected.

Corrective Action Plan: KIRPC has been made aware of this new requirement and strives to comply with the federal requirements by providing better documentation of our overall review and oversight responsibility of SEFA reporting.

Signed: Edna Buswell  
Title: Executive Director  
Date: 9-11-13

KANKAKEE - IROQUOIS REGIONAL PLANNING COMMISSION  
EXIT CONFERENCE

The contents of this report were discussed on September 11, 2013, with Edwin Buswell, Executive Director; Larry D. Wiley, President of the Board; and Lynette Carpenter, Financial Manager. The Official Response has been made a part of this report and may be found on page 35.



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September 23, 2013

Kankakee-Iroquois Regional Planning Commission(KIRPC) has all the proper internal controls in place for the expenditures and reporting of federal monies.

Indiana State Board of Accounts(SBOA) has changed their position on how they are auditing the Schedule of Expenditures of Federal Awards(SEFA). KIRPC has always prepared the SEFA as part of the audit reports with the understanding that this schedule would be a part of the audit report after being reviewed by SBOA and an opinion being issued. SBOA is now requiring that this report be reviewed by another internal source. SBOA made this change without giving any prior notice to KIRPC.

SBOA has issued a finding stating that the proper internal controls were not in place to detect errors in the SEFA report because it was not reviewed by another internal source before being issued to the public. KIRPC states that they hired SBOA to perform this review and audit the agency, and issue and file the audit report. Therefore, the schedule has always been reviewed before being issued to the public in the audit report.

Edwin Buswell  
Executive Director

Lynette Carpenter  
Financial Manager