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

ANNUAL FINANCIAL REPORT

2006

NORTHWESTERN INDIANA REGIONAL PLANNING COMMISSION

LAKE, LAPORTE, AND PORTER COUNTIES, INDIANA

FILED

09/17/2007

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OFFICIALS

Office	Official	Term
Executive Director	John Swanson	01-01-06 to 12-31-07
Director of Finance and Administration	Mary Jane Shkroba	01-01-06 to 12-31-07
Chairperson of the Commission Board	Kevin Breitzke	01-01-06 to 12-31-06
	Leigh Morris	01-01-07 to 12-31-07

STATE OF INDIANA

AN EQUAL OPPORTUNITY EMPLOYER

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ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

TO: THE OFFICIALS OF NORTHWESTERN INDIANA REGIONAL PLANNING COMMISSION, LAKE, LAPORTE, AND PORTER COUNTIES, INDIANA

We have audited the accompanying financial statements of the governmental activities and each major fund of Northwestern Indiana Regional Planning Commission (Commission), as of and for the year ended December 31, 2006, which collectively comprise the Commission's primary government basic financial statements. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States 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 statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of the Commission as of December 31, 2006, and the respective changes in financial position, thereof and for the year then ended, in conformity with accounting principles generally accepted in the United States.

The Schedule of Funding Progress, as listed in the Table of Contents, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it. The Commission has not presented the Management Discussion and Analysis and Budgetary Comparison Schedules that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(Continued)

In accordance with Government Auditing Standards, we have also issued our report dated August 16, 2007, on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. Our report on compliance and on internal control over financial reporting should be read along with this report.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of the County taken as a whole. 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

STATE BOARD OF ACCOUNTS

August 16, 2007

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

TO: THE OFFICIALS OF NORTHWESTERN INDIANA REGIONAL PLANNING COMMISSION, LAKE, LAPORTE, AND PORTER COUNTIES, INDIANA

We have audited the financial statements of the governmental activities and each major fund of Northwestern Indiana Regional Planning Commission (Commission), as of and for the year ended December 31, 2006, which collectively comprise the Commission's basic financial statements and have issued our report thereon dated August 16, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Commission's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial date reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be significant deficiencies or material weaknesses, as defined above.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS
(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the Commission's management, the Commission Board, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

August 16, 2007

NORTHWESTERN INDIANA REGIONAL PLANNING COMMISSION
STATEMENT OF NET ASSETS
December 31, 2006

	GOVERNMENTAL ACTIVITIES
ASSETS	
CASH AND CASH EQUIVALENTS	$ 1,582,444
RECEIVABLES (net of allowance for uncollectibles)	947,003
CAPITAL ASSETS (net of depreciation)	
Machinery and Equipment	3,296,844
TOTAL ASSETS	5,826,291
LIABILITIES	
ACCOUNTS PAYABLE AND OTHER CURRENT LIABILITIES	216,798
COMPENSATED ABSENCES	58,509
DEFERRED REVENUE - UNEARNED	460,975
TOTAL LIABILITIES	736,282
NET ASSETS	
INVESTED IN CAPITAL ASSETS (net of related debt)	3,296,844
UNRESTRICTED	1,793,165
TOTAL NET ASSETS	$ 5,090,009

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

NORTHWESTERN INDIANA REGIONAL PLANNING COMMISSION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2006

		Program Revenues			
Functions/Programs	Expenses	Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities
Governmental Activities					
Planning and Development	$ 3,057,184	$ 12,750	$ 2,315,673	$ -	$ (728,761)
Workforce Development	268,113	-	287,260	-	19,147
Transit Operating	1,974,463	-	1,295,745	-	(678,718)
Transit Capital	34,358	-	-	1,091,499	1,057,141
Total Governmental Activities	$ 5,334,118	$ 12,750	$ 3,898,678	$ 1,091,499	(331,191)
General Revenues					
County Contributions not restricted to specific purposes					518,931
Unrestricted Interest Income					61,001
Restricted Interest Income					3,794
Total General Revenues					583,726
Change in Net Assets					252,535
Net Assets - Beginning					4,837,474
Net Assets - Ending					$ 5,090,009

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

NORTHWESTERN INDIANA REGIONAL PLANNING COMMISSION
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2006

	General	LCISDB Services	LaPorte RLF	Transit Operating	Transit Capital	Total Governmental Funds
ASSETS						
CASH AND CASH EQUIVALENTS	$ 1,070,912	$ 4,513	$ 212,749	$ -	$ 294,270	$ 1,582,444
RECEIVABLES (net of allowance for uncollectibles)	561,958	-	385,045	-	-	947,003
DUE FROM OTHER FUNDS	10,256	-	-	-	-	10,256
TOTAL ASSETS	$ 1,643,126	$ 4,513	$ 597,794	$ -	$ 294,270	$ 2,539,703
LIABILITIES AND FUND BALANCES						
LIABILITIES						
ACCOUNTS PAYABLE	$ 175,134	$ -	$ 3,794	$ -	$ -	$ 178,928
PAYROLL PAYABLE	37,870	-	-	-	-	37,870
DUE TO OTHER FUNDS	-	-	10,256	-	-	10,256
DEFERRED REVENUE	162,192	4,513	-	-	294,270	460,975
TOTAL LIABILITIES	375,196	4,513	14,050	-	294,270	688,029
FUND BALANCES						
UNRESERVED, UNDESIGNATED FUND BALANCE	1,267,930	-	583,744	-	-	1,851,674
TOTAL FUND EQUITY	1,267,930	-	583,744	-	-	1,851,674
TOTAL LIABILITIES & FUND BALANCES	$ 1,643,126	$ 4,513	$ 597,794	$ -	$ 294,270	

Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	3,296,844
Compensated absences, a form of liability, are not due and payable in the current period and, therefore, are not reported in the funds.	(58,509)
	$ 5,090,009

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

NORTHWESTERN INDIANA REGIONAL PLANNING COMMISSION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-
GOVERNMENTAL FUNDS
December 31, 2006

	General	LCISDB Services	LaPorte RLF	Transit Operating	Transit Capital	Total Governmental Funds
REVENUES						
INTERGOVERNMENTAL - COUNTY APPROPRIATIONS	$ 518,931	$ -	$ -	$ -	$ -	$ 518,931
INTERGOVERNMENTAL - FEDERAL AGENCIES	620,339	-	-	1,295,745	869,958	2,786,042
INTERGOVERNMENTAL - STATE AGENCIES	1,095,744	-	-	-	-	1,095,744
INTERGOVERNMENTAL - LOCAL AGENCIES	521,279	287,260	-	-	154,705	963,244
NON-GOVERNMENTAL	101,317	-	-	-	66,836	168,153
INTEREST INCOME	50,745	-	14,050	-	-	64,795
TOTAL REVENUES	2,908,355	287,260	14,050	1,295,745	1,091,499	5,596,909
EXPENDITURES						
CURRENT - PLANNING & DEVELOPMENT						
PERSONNEL SERVICES - SALARIES	1,323,100	125,861	-	-	-	1,448,961
PERSONNEL SERVICES - FRINGE BENEFITS	429,844	43,415	-	-	-	473,259
OTHER SERVICES AND CHARGES	1,194,011	117,984	78,662	1,295,745	-	2,686,402
CAPITAL OUTLAYS	46,215	-	-	-	1,091,499	1,137,714
TOTAL EXPENDITURES	2,993,170	287,260	78,662	1,295,745	1,091,499	5,746,336
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(84,815)	-	(64,612)	-	-	(149,427)
FUND BALANCE - BEGINNING	1,352,745	-	648,356	-	-	2,001,101
FUND BALANCE - ENDING	$ 1,267,930	$ -	$ 583,744	$ -	$ -	1,851,674

Amounts reported for governmental activities in the Statement of Activities are different because:	
Net change in fund balances - total governmental funds (Statement of Revenues, Expenditures and Changes in Fund Balance)	(149,427)
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	388,815
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. This is the amount by which compensated absences decreased in the current period.	13,147
Change in net assets of government activities (Statement of Activities)	$ 252,535

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

NORTHWESTERN INDIANA REGIONAL
PLANNING COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2006

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Northwestern Indiana Regional Planning Commission have been prepared in conformity with generally accepted accounting principals (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. A summary of the Commission's more significant accounting policies which have been consistently applied in the preparation of the accompanying financial statements is presented as follows:

A. ORGANIZATION OF THE REPORTING ENTITY

The Northwestern Indiana Regional Planning Commission (the Commission) operates as a separate legal entity under provisions of the Indiana Code (Title 36, Article VII, Chapter 7.6). Its primary mission is planning and development coordination in northwestern Indiana, which includes Lake, Porter, and LaPorte Counties in Indiana. Legislation enacted into law during 2003 changed the composition of the Commission. The governing body of the Commission currently consists of 51 members. Members are appointed by the counties, cities and towns within northwestern Indiana according to the provisions of the enabling legislation. Each county makes three appointments; each city and town appoints one member. All members must be elected officials. Members serve until replaced by the appointing authorities, which are typically the chief elected executive officials of the individual cities and towns and specified county officials. The Commission itself cannot remove a member for any reason.

According to state legislation, each of the three counties must make a mandatory appropriation to the Commission in an amount equal to seventy cents per capita. Counties voluntarily may make contributions in excess of this amount. The Commission selects and employs its Executive Director, controls the hiring of its employees and is responsible for its overall fiscal management. No other entity is responsible for the legal obligations of the Commission.

The enabling legislation under which the Commission was established provides for an appointing and funding process that is sufficient to support the conclusion that the Commission is not accountable to any other single unit of government. The Commission is a primary unit; it has no component units.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the nonfiduciary activities of the Commission. For the most part, the effect of interfund activity has been removed from these statements. Under governmental accounting standards, governmental activities, which normally are supported by taxes and intergovernmental revenues are reported separately from business-type activities which rely to a significant extent of fees and charges for support. The Commission does not have what are normally considered business-type activities.

The Statement of Activities demonstrates the degree to which direct expenses of a given function or segments are offset by program revenues. Direct expenses are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges proved by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. The Commission has only governmental type funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Revenues from cost reimbursable grants, contracts or similar agreements are recognized when expenditures are made or as soon as all eligibility requirements imposed by the provider have been met. The Commission occasionally reports deferred revenues that arise when resources are received by the commission before it has a legal claim to them, such as when grant or contract monies are received prior to the incurrence of qualifying expenditures. In subsequent periods or when the Commission has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

Governmental fund financial statements are reported using the current financial resources measurement focus and modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible in the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Commission considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting.

The Commission has established the following major governmental funds:

General Fund: The general fund is the general operating fund of the Commission. It is used to account for all revenues received which support the Commission's general operation as well as specific programs relating to the Commission's primary mission of planning and development coordination.

Special Revenue Funds and Capital Projects Fund: Special revenue funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes. The Commission has three special revenue funds and a capital project fund:

LCISDB Fund: This special revenue fund is used to account for financial resources which are received from other governmental units and are used by the Lake County Integrated Services Delivery Board to promote job creation in northwestern Indiana.

LaPorte Revolving Loan Fund: This special revenue fund is used to account for the financial resources that are used in conjunction with a revolving loan program whose purpose is to foster economic growth and development in LaPorte County.

Transit Operating Fund: This special revenue fund is used to account for financial resources that are received from other governmental units and are provided to entities which operate public transportation service within northwestern Indiana.

Transit Capital Fund: This capital projects fund is a governmental type fund which is used to account for the financial resources that are used in the acquisition or purchase of capital equipment and facilities other than operating equipment, the purchase of which is accounted for in the general fund.

D. ASSETS, LIABILITIES AND NET ASSETS OR EQUITY

1. Deposits and Investments

The Commission's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statute (IC 5-13-9) authorizes 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 government units.

2. Interfund Transactions and Balances

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "interfund receivables/payables" (i.e., the current and noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "interfund services provided/used."

3. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental type activities column in the government-wide statements. The Commission does not own real property or infrastructure assets.

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. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the useful life of an asset are not capitalized.

The capitalization threshold (the dollar value above which asset acquisitions are added to the capital asset accounts) used by the Commission is $5,000 (amount not rounded) and an estimated useful life in excess of one year. An exception is made with regard to computer and similar equipment where individual components have a lesser value but the combined cost of an operational network is in excess of the capitalization threshold.

The Commission's equipment is depreciated using the straight line method of depreciation based on the following estimated useful lives:

Vehicles	4-12 Years
Office Equipment	4-6 Years
Computer Equipment	3 Years

4. Compensated Absences

It is the Commission's policy to permit employees to accumulate earned but not used vacation and personal leave time. There is no liability for unpaid accumulated personal leave since the Commission does not have a policy to pay any amounts when employees separate from service with the Commission. Vacation pay is accrued when incurred in the government-wide financial statements. Vacation time is earned at the rate of 9-18 days per year based on the number of years of service. A maximum of 30 days may be accrued at the end of any annual reporting period.

5. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

6. Allocated Costs

Under provisions of the U.S. Office of Management and Budget (OMB) Circular A-87, Attachment A, the Commission allocates to each program activity those costs which are "(a) incurred for a common or joint purpose benefiting more than one cost objective, and (b) not readily assignable to the cost objectives specifically benefited, without effort disproportionate to the results achieved."

There are three categories of costs which are allocated. The first is leave costs which includes the employer's cost of providing vacation, sick, personal, holiday and other leave (jury duty, military and funeral). The second is fringe benefits which includes the employer's cost of providing various types of insurance and retirement benefits and social security taxes. The third is other indirect costs, which includes those costs related to general management, finance and accounting, office operation and maintenance, and general clerical and printing functions. It also includes an aggregate amount of depreciation representing the expiration in the service life of fixed assets of the general fund consisting primarily of office machines and furniture which is attributable to and charged as an expense during the reporting period.

The vehicle utilized to allocate costs is an indirect cost allocation plan which is prepared at the beginning of each year and establishes allocation rates based on prior experience and anticipated program effort. This plan is prepared by the Commission and is negotiated with the "cognizant federal agency for indirect costs" which for the past several years has been the Federal Highway Administration of the U.S. Department of Transportation working through the Indiana Department of Transportation. Provisional rates are established in this plan, which are used for billing purposes throughout the year. Upon the completion of an independent audit at the end of each year, final allocation rates are established based on actual costs. When actual costs are less than the amounts previously allocated, revenue is reduced and a liability is recognized.

During 2006, the Commission's provisional allocation rates were as follows:

Leave Costs	13% of Direct Salaries and Wages
Fringe Benefits	28% of Total Direct Salaries and Wages
Other Indirect Costs	70% of Total Direct Personnel

7. Nongovernmental Accounts

Occasionally the Commission provides contractual services to nongovernmental entities – primarily not-for-profit agencies. The most common example of this occurs when the Commission acquires transit vehicles for such agencies through its Transit Capital Fund. In this circumstance, as well as other cases where a nongovernmental entity provides revenue, it is reported under the heading "nongovernmental accounts."

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. BUDGETARY INFORMATION

Annual budgets for the governmental funds are adopted on a basis consistent with generally accepted accounting principles. These funds include the Commission's general fund, its special revenue funds (the LCISDB Fund, the LaPorte Revolving Loan (RLF) Fund, and the Transit Operating Fund) and its one capital projects fund (the Transit Capital Fund). A proposed budget for the ensuing year is submitted to the Commission by the Executive Director. This usually occurs at the fourth quarterly meeting of the Commission which is typically held in October. The Commission may vote to adopt the budget at this meeting, or may call a special meeting to take action on the budget. The budget as adopted by the commission is organized by object class categories. Major object class categories (which typically include salaries, fringe benefits, occupancy, equipment service and maintenance, departmental, contractual and capital outlays) represent the legal level of control. Amendments to the adopted budget may be made only by the Commission at any regular meeting of the Commission or at any special meeting of the Commission called to consider the budget. The Commission has established a Finance and Personnel Committee composed exclusively of Commission members appointed by the Chairman. This Committee exercises financial oversight over Commission operations and establishes more detailed accounts. Amounts presented in the financial statements are the final budget amounts for the year, as legally amended. No supplemental budgetary appropriations were made during the year ended December 31, 2006. Encumbrance accounting, under which purchase orders, contracts or other commitments for the expenditure of resources are recorded in order to reserve that portion of a relevant appropriation, is employed as an extension of the Commission's formal budgeting process in the governmental funds. Encumbrances outstanding at year-end are reported as reservations of fund balances since they do not constitute expenditures or liabilities. All appropriations lapse at year-end. Outstanding encumbrances at year-end are reappropriated in the ensuing year. The Commission had no outstanding encumbrances at year-end.

III. DETAILED NOTES ON ALL FUNDS

A. DEPOSITS

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Indiana Code 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state funds; and has a principal office or branch that qualifies to receive public funds of the political subdivision. The bank balances were insured by the Federal Deposit Insurance Corporation or the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

At year end, the Commission's carrying amount of deposits was $1,582,444 and the bank balance was $1,599,071.

As of December 31, 2006, the entire amount reported as cash on the balance sheet was in the form of demand deposits.

B. INVESTMENTS

Authorization for investment activity is stated in Indiana Code 5-13. As of December 31, 2006, the Commission had no investments.

C. OPERATING LEASES

The Commission leases office facilities and copier equipment under noncancelable operating leases. Total costs for such leases were $189,340 for the year ended December 31, 2006. The future minimum lease payments for these leases are as follows:

Year Ending December 31,	Office	Copiers	Totals
2007	$ 178,328	$ 24,569	$ 202,897
2008	185,349	8,190	193,539
2009	192,647	-	192,647
2010	200,234	-	200,234
2011	208,121	-	208,121
2012-2013	441,163	-	441,163
Totals	$ 1,405,842	$ 32,759	$ 1,438,601

D. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2006, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital Assets Being Depreciated:				
Machinery and Equipment	$ 6,742,809	$ 1,085,489	$ 31,799	$ 7,796,499
Less Accumulated Depreciation for:				
Machinery and Equipment	3,834,780	696,674	31,799	4,499,655
Total Governmental Activities Capital Assets, net	$ 2,908,029	$ 388,815	$ -	$ 3,296,844

IV. OTHER INFORMATION

A. RISK MANAGEMENT

The Commission is 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; and natural disasters for which the Commission carries commercial insurance from independent third parties. There were no significant reductions in insurance coverage in the prior year. The amounts of settlements have not exceeded insurance coverage for any of the past three fiscal years.

B. CONTINGENT LIABILITIES

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the Commission expects such amounts, if any, to be immaterial.

C. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS

The Commission contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan.

1. Plan Description

The 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 the defined benefit plan. State statues (Indiana Code 5-10.2 and 5-10.3) provide the Commission authority to contribute to the plan and govern most requirements of the system. 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 member contributions, set by state statute at three percent of compensation, plus the interest credited to the member's account. Under state statue, the Commission may elect to make these contributions on behalf of the member; the Commission has not elected to do so.

PERF issues a publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing the Public Employees' Retirement Fund, Harrison Building, Room 800, 143 West Market Street, Indianapolis, IN 46402, or by calling (317) 223-4123.

2. Funding Policy

The contribution requirements for plan members of PERF are established by the Board of Trustees of PERF. Commission employees participating in the plan are required to contribute 3% of their annual covered salary. The Commission is required to contribute at an actuarially determined rate; the rate which was contributed during calendar year 2006 was 7% of annual covered payroll.

The Commission's annual pension cost and changes in net pension obligation were made by PERF, as follows:

Annual Required Contribution	$ 103,071
Interest on Net Pension Obligation	(93)
Adjustment to Annual Required Contribution	106
Annual Pension Cost	103,084
Contributions Made	95,484
Increase in Net Pension Obligation	7,600
Net Pension Obligation, Beginning of Year	(1,286)
Net Pension Obligation, End of Year	$ 6,314

The following is a summary of actuarial assumptions used by PERF:

Actuarial Cost Method:	Entry Age
Amortization Method:	Level Percentage of Projected Payroll; Closed
Amortization Period:	40 Years from 07-01-97
Asset Valuation Method:	4 Year; Smoothed; Market

Other Actuarial Assumptions:	
Invested Rate of Return:	7.25%
Projected Future Salary Increases:	
Total	5.00%
Attributed to Inflation	4.00%
Attributed to Merit/Seniority	1.00%
Postretirement Benefit Increases	2.00%

3. Trend Information

PERF has provided the Commission with the following three-year trend information pertaining to annual pension costs which is presented on the basis of PERF's fiscal years ended June 30th:

Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
06-30-04	$ 80,720	79%	$ 6,094
06-30-05	78,441	109%	(1,286)
06-30-06	103,084	122%	6,314

D. CONSENT DECREE

Pursuant to a Consent Decree filed in federal court on October 12, 2006, the Commission, acting as the Metropolitan Planning Organization (MPO), is required to allocate a minimum of $2,500,000 of the Commission's allocation of Federal Transit Authority (FTA) Section 5307 funds to one or more ADA-compliant providers of Demand Response Services for the purpose of vehicle acquisitions and to provide for eligible preventive maintenance expenses for the years 2007, 2008, and 2009. This allocation is subject to the availability of these funds from the Federal Transit Authority. The subrecipients who currently provide such demand response services are Northwest Indiana Community Action Corporation, North Township, Southlake Community Services, Porter County Council on Aging and Community Services, and Opportunity Enterprises.

Also, subject to funding availability, the Commission is required to pass-through Congestion Mitigation and Air Quality funds or such other funds as the Indiana Department of Transportation (INDOT) may allocate to one or more ADA-compliant Subgrantee Operators of Demand Response Services in the amount provided to the Commission by INDOT.

Additionally, in each of the remaining years in which the Consent Decree remains in force (2010 through 2013, inclusive) the Commission shall aggressively pursue a good faith effort to allocate funds to one or more ADA-compliant Subgrantee Operators of Demand Response Services.

Furthermore, the Commission, acting as MPO, is required to allocate $104,000 plus expenses, as provided in the agreement with the third-party subcontractor designed by this Consent Decree, for the years 2007, 2008, and 2009 for the purpose of monitoring Subgrantee Operator compliance with FTA regulations pertaining to the Americans with Disabilities Act.

Finally in October 2006, the Commission was required to pay $1,000 to each Named Class member of which there were seven. The Commission compensated plaintiff, Everybody Counts, Inc., in the amount of $5,000 for diversions of resources, frustration of mission, loss of funding and funding opportunities and defamation of its reputation as a federally-designated Center for Independent Living. The Commission was also required to compensate one plaintiff $2,000 for damages. The Commission paid attorney fees in the amount of $5,000 and $2,000 in other litigation costs. Additionally, the Commission understands that plaintiffs' attorneys shall apply to the Court for reasonable additional fees to represent the plaintiffs' interests in the implementation of this Consent Decree, but the Commission also reserves the right to dispute and contest the necessity and reasonableness of those fees.

E. CHANGES IN STATUTES

Effective July 1, 2007, Indiana Code 36-7-7.6-13 was amended to allow the Commission to make loans and issue notes.

Indiana Code 36-7-7.6-18 was also amended to allow participating counties to pay their portion of the Commission's budget from "Any other local revenue. . ." as opposed to the money being paid strictly from property tax revenue.

NORTHWESTERN INDIANA REGIONAL PLANNING COMMISSION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS

Public Employees' Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-04	$ 1,583,619	$ 1,770,177	$ (186,558)	89%	$ 1,317,849	(14%)
07-01-05	1,651,285	2,039,802	(388,517)	81%	1,423,231	(27%)
07-01-06	1,679,614	2,110,250	(430,636)	80%	1,340,418	(32%)

SUPPLEMENTAL AUDIT OF

FEDERAL AWARDS

STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

TO: THE OFFICIALS OF NORTHWESTERN INDIANA REGIONAL PLANNING COMMISSION, LAKE, LAPORTE, AND PORTER COUNTIES, INDIANA

Compliance

We have audited the compliance of the Northwestern Indiana Regional Planning Commission (Commission) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended December 31, 2006. 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. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Commission's management. Our responsibility is to express an opinion on the Commission's compliance based on our audit.

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. Our audit does not provide a legal determination of the Commission's compliance with those requirements.

In our opinion, the Commission complied in all material respects with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2006.

Internal Control Over Compliance

The management of the Commission is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Commission's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133
(Continued)

A control deficiency in a Commission's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be significant deficiencies or material weaknesses, as defined above.

This report is intended solely for the information and use of the Commission's management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

August 16, 2007

NORTHWESTERN INDIANA REGIONAL PLANNING COMMISSION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended December 31, 2006

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended
U.S. DEPARTMENT OF TRANSPORTATION			
Direct Grant			
Federal Transit Cluster			
Federal Transit - Formula Grants	20.507	IN-04-0006	$ 199,643
		IN-90-X446	224,531
		IN-90-X467	322,697
		IN-90-X484	90,672
		IN-90-X489	1,485,997
		IN-90-X504	4,989
		IN-90-X508	170,568
		IN-90-X512	85,561
		IN-90-X519	201,384
Total for cluster			2,786,042
Pass-Through Indiana Department of Transportation			
Highway Planning and Construction Cluster			
Highway Planning and Construction	20.205	PL-00034039	430,392
		PL-00034049	150,205
Congestion Mitigation and Air Quality (CMAQ)		CQ-00034039-03	177,645
		CQ-00034049-03	68,453
Total for cluster			826,695
Pass-Through Indiana Department of Transportation			
Federal Transit - Metropolitan Planning Grants	20.505	5303-00034049	269,048
Total for federal grantor agency			3,881,785
Total federal awards expended			$ 3,881,785

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

NORTHWESTERN INDIANA REGIONAL PLANNING COMMISSION
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note I. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Northwestern Indiana Regional Planning Commission (primary government) and is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Accordingly, the amount of federal awards expended is based on when the activity related to the award occurs. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note II. Subrecipients

Of the federal expenditures presented in the schedule, the primary government provided federal awards to subrecipients as follows for the year ended December 31, 2006:

Program Title	Federal CFDA Number	Amount Provided to Subrecipients
Federal Transit – Formula Grants	20.507	$ 1,295,745

NORTHWESTERN INDIANA REGIONAL PLANNING COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unqualified

Internal control over financial reporting:	
Material weaknesses identified?	no
Reportable conditions identified that are not considered to be material weaknesses?	none reported
Noncompliance material to financial statements noted?	no

Federal Awards:

Internal control over major program:	
Material weaknesses identified?	no
Reportable conditions identified that are not considered to be material weaknesses?	none reported

Type of auditor's report issued on compliance for major program: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?	no

Identification of Major Program:

CFDA Number	Name of Federal Program or Cluster
20.507	Federal Transit Cluster

Dollar threshold used to distinguish between Type A and Type B programs:	$300,000
Auditee qualified as low-risk auditee?	yes

Section II – Financial Statement Findings

No matters are reportable.

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.

NORTHWESTERN INDIANA REGIONAL PLANNING COMMISSION
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

NORTHWESTERN INDIANA REGIONAL PLANNING COMMISSION
EXIT CONFERENCE

The contents of this report were discussed on August 16, 2007, with Mary Jane Shkroba, Director of Finance and Administration; John Swanson, Executive Director; Angie Hayes, Chief Accountant; and Jonathon Costas, Treasurer of the Commission Board. Our audit disclosed no material items that warrant comment at this time.