



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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February 20, 2009

Board of Directors
Northwest Indiana Regional Bus Authority
6100 Southport Road
Portage, Indiana 46368

We have reviewed the audit report prepared by Joe Krnich & Associates, P.C., Independent Public Accountants, for the period May 1, 2006 to October 31, 2008. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Public Accountants' opinion, the financial statements included in the report present fairly the financial condition of the of the Northwest Indiana Regional Bus Authority, as of October 31, 2008 and the results of its operations for the period then ended, on the basis of accounting described in the report.

The Independent Public Accountants' report and the related management letter are filed with this letter in our office as a matter of public record.

We call your attention to the comments contained in the management letter. We recommend that you follow the advice of your auditors with respect to the various issues addressed within that letter; however, we would like to communicate additional comments regarding the auditors' concern over cash balances exceeding federally insured limits. We believe that balances exceeding federally insured limits may be insured by the state's Public Deposit Insurance Fund. We strongly recommend that you review Indiana Code 5-13-12 and 5-13-13. As the Authority is identified as a municipal corporation, within Indiana Code 36-9-3, it seems apparent that funds coming into the hands of Authority officials would be public funds. Officials with the Indiana Board of Depositories should be contacted to confirm that deposits are covered.

STATE BOARD OF ACCOUNTS

NORTHWEST INDIANA REGIONAL BUS AUTHORITY
FINANCIAL STATEMENTS
For the Period May 1, 2006 thru October 31, 2008

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Northwest Indiana Regional Bus Authority

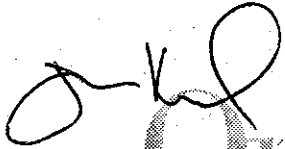
To the Board of Directors of
Northwest Indiana Regional Development Authority

We have audited the accompanying statement of financial position of the Northwest Indiana Regional Bus Authority for the period May 1, 2006 through October 31, 2008 and the related statement of activities for the period then ended. These financial statements are the responsibility of the Organization'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 of America and the standards applicable to financial audits contained in Government Accounting 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 Northwest Indiana Regional Bus Authority as of October 31, 2008 and the changes in its net assets and its cash flows for the period then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated January 2, 2009, on our consideration of the Northwest Indiana Regional Bus Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.


Crown Point, IN
January 2, 2009

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Northwest Indiana Regional Bus Authority
Statement of Financial Position
As of October 31, 2008

Assets

Cash

Cash in Bank	\$	1,223,279	
Accounts Receivable		<u>1,163,309</u>	
Total Current Assets	\$		2,386,588

Fixed Assets

Computer Equipment		1,100	
Office Equipment		3,207	
Less: Accumulated Depreciation		<u>(1,191)</u>	
Total Net Fixed Assets			<u>3,116</u>

Total Assets	\$		<u><u>2,389,704</u></u>
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Liabilities and Net Assets

Current Liabilities

Accounts Payable	\$	<u>10,484</u>	
Total Current Liabilities	\$		10,484

Net Assets

Unrestricted		<u>2,379,220</u>	
Total Net Assets			<u>2,379,220</u>

Total Liabilities and Net Assets	\$		<u><u>2,389,704</u></u>
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Northwest Indiana Regional Bus Authority
Statement of Activities
For the Period May 1, 2006 Through October 31, 2008

Unrestricted Net Assets

Support

RDA-Strategic Operations Plan	\$	125,000	
RDA-Administrative Capacity Grant		300,000	
RDA-Transportation Feasibility Grant		2,868,706	
Interest		44,005	
Total Support		3,337,711	\$ 3,337,711

Expenses

General & Administrative

Administrative Salaries	30,075
Contractual Services	49,045
Depreciation	1,191
Dues	4,475
Insurance	6,280
Legal	75,695
Marketing	83,782
Marketing Materials	83,704
Meeting Expense	7,818
Miscellaneous	9,000
Office Services & Expense	39,340
Office Space	31,215
Professional Service	208,570
Recruiting	24,883
Taxes-Payroll	2,540
Transportation Study	125,000
Travel Reimbursement	9,282
Total General & Administrative	791,895

Customer Service Center & Dispatch

Call Center	259,251
Dispatch	964
Total Customer Service Center & Dispatch	260,215

Regional Service

Operating Costs	201,828
Total Regional Service	201,828

Cont.

See Notes to the Financial Statements

Northwest Indiana Regional Bus Authority
Statement of Activities
For the Period May 1, 2006 Through October 31, 2008

Unrestricted Net Assets (cont.)

Expenses (cont.)

Grant Management & Capital Matching

Grant Administration	72,000
Vehicle Matching	26,386
Total Grant Mgmt & Capital Matching	98,386

Total Expenses	1,352,324
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Increase (Decrease) in Unrestricted Net Assets	1,985,387
Unrestricted Net Assets, Beginning of Period	393,833
Unrestricted Net Assets, End of Period	\$ 2,379,220

Northwest Indiana Regional Bus Authority
Statement of Cash Flows
For the Period Beginning May 1, 2006 and Ending October 31, 2008

		2008
Cash Flows From Operating Activities		
Net Increase in Unrestricted Assets	\$	1,985,387
Adjustments to Reconcile Net Assets to Net Cash Provided By (Used In) Operating Activities:		
Depreciation and Amortization		1,191
Increase (Decrease) in Operating Assets:		
Accounts Receivable		(1,163,309)
Increase (Decrease) in Operating Liabilities:		
Accounts Payable		10,484
Total Adjustments		<u>(1,151,634)</u>
Net Cash Provided By (Used In) Operating Activities		833,753
Cash Flows From Investing Activities		
Capital Expenditures		<u>(4,307)</u>
Net Cash Provided By (Used In) Investing Activities		<u>(4,307)</u>
Net Increase (Decrease) in Cash And Cash Equivalents		829,446
Cash and Cash Equivalents at Beginning of Period		<u>393,833</u>
Cash and Cash Equivalents at End of Period	\$	<u><u>1,223,279</u></u>

See Notes to the Financial Statements

Northwest Indiana Regional Bus Authority

Notes to the Financial Statements

A. Summary of Significant Accounting Policies

Nature of Activities

In 2000, the Lake County Council created the Regional Transportation Committee. This committee was responsible for developing recommendations for the creation of a Regional Transportation Authority. By the end of 2001, the Lake County Council voted to establish the Regional Transportation Authority. The Regional Bus Authority (RBA) evolved out of its predecessor, the Regional Transportation Authority (RTA).

In 2005, the Indiana General Assembly through House Bill 1120 created the Northwest Indiana Regional Development Authority (RDA). The RDA is charged with overseeing development initiatives and providing funding necessary to accomplish those goals. The bill also changed the name of the RTA to the Regional Bus Authority and named the RBA an eligible petitioner for RDA grant funds.

At the same time, Congressman Peter Visclosky secured funding for a “bus service needs” study. The RDA then awarded two grants to the RBA. The first provided a \$125,000 local match to Federal funds to pursue the development of a Strategic and Operations Plan. The second award in the amount of \$300,000 was for an administrative capacity grant to improve public transportation in Northwest Indiana.

In May of 2006 funds held by the RTA were transferred into a new bank account for the RBA.

On July 18, 2008, the RDA awarded a \$6,500,000 grant payable over a two year period for the RBA to demonstrate the value of a regional transportation system to existing and potential customers, to become a regional operating organization and to develop a regional focus and to initiate improved transportation services in Lake and Porter (La Porte) counties.

Powers and Duties

- Initiate regional reforms to improve accountability and control of regional investments in bus and demand response public transportation vehicles, support systems and infrastructure.
- Achieve reforms by managing the match funding required for Federal Transit Administration capital grants representing 80% of project costs and by

assuming the roles of grant administration and oversight of bus and demand response projects.

- Develop and implement a regional customer information and real-time service management and control center.
- Plan and implement service improvements that connect communities and reach underserved markets with fast, more convenient and reliable services.

Financing

During the audit period, the Regional Bus Authority has no permanent source of funding.

Mission and Vision

In 2006 the RBA Board developed and accepted Mission & Vision Statements to enhance the quality of life in Northwest Indiana by assuring the availability of a customer responsive regional bus transportation system. The RBA will be accountable for employing strategic planning and sound business practices, recognizing the importance of job access and improved quality of life results.

The RBA vision is to be an efficient, effective and financially viable organization providing continuous high quality bus transportation oversight and multimodal coordination, that delivers value to Northwest Indiana.

Its operating principles and values are:

- Respect for the needs of all people
- To act with integrity and honesty.
- To be responsive to the community
- To operate in compliance with the law and to adhere to high ethical standards
- To focus on the customers and evaluate all decisions for its impact on the customer.
- To be market focused, recognizing that Northwest Indiana has multiple components, which define the market environment for transportation services
- To operate as an integrated bus authority.

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

Financial Statement Presentation

The Organization has adopted Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statement of Not-for-profit Organizations. Under

SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Organization had no restricted assets.

Use of Estimates

Generally accepted accounting principals require management to estimate some amounts reported in the Financial Statements: actual amounts could differ.

Revenue

From May 2006 through October 31, 2008 the RBA received substantially all of its support from the RDA.

In 2006, the RBA was awarded a \$125,000 grant for a regional transportation study.

Also in 2006, an administrative capacity grant was awarded in the amount of \$300,000. From this grant the RBA received \$112,500 in 2006, \$150,000 in 2007 and the final payment of \$37,500 in 2008.

On June 19, 2008 the RBA was awarded a \$6,500,000 grant from the RDA payable over a two year period to be used to demonstrate the value of bus services to existing and potential customers, tax payers and funding authorities.

As of October 31, 2008, the RBA received \$1,705,397 which represents three of the five payments scheduled to be distributed in 2008. The fourth installment was due on September 25, 2008 in the amount of \$1,163,309 was not received until November 07, 2008.

Still payable to the RBA are four installments as follows:

12-25-08	\$ 908,524
03-25-09	934,149
06-25-09	908,571
09-25-09	<u>880,050</u>
Total Due	\$ 3,631,294

Interest income generated from cash in bank was the second source of income. Interest income for 2006, 2007 and 2008 was \$11,284, \$17,654 and \$15,067 respectively.

Accounts Receivable

At October 31, 2008 the RBA had not yet received the September 25, 2008 payment from the RDA in the amount of \$1,163,309. This payment was postmarked by the RDA on November 05, 2008 and received by the RBA on November 7, 2008.

Income Tax Status

The RBA is established pursuant to I.C. 36-9-3 as a separate governmental authority operating pursuant to Indiana law. The RBA's status regarding exemption from federal or state taxation including filing requirements would be identical to any other similarly situated governmental authority. Express authority for exemption will be confirmed with our attorneys.

Cash

During the audit period the RBA cash in bank balances exceed the federally insured limits.

Cash is stated at fair value and consists of cash bank account.

	<u>2006</u>	<u>2007</u>	<u>2008</u>
Horizon Bank	\$420,044	\$389,022	\$1,223,279

B. Restricted Net Assets

During the audit period there were no restricted assets, however the RBA is subject to the RDA contractual provisions.

C. Staff and Payroll

Under an intergovernmental contractual agreement with Northwestern Indiana Regional Planning Commission, staff is assigned to the RBA for broad tasks such as monitoring and oversight, financial reporting and draw downs, procurement, support functions and technical assistance on filing grants and Title VI.

In August of 2008 Tim Brown became the first employee of the RBA followed by Barbara Malone in September.

D. Leases

Under an agreement between Northwestern Indiana Regional Planning Commission (NIRPC) and the RBA, office space is provided within the NIRPC building located at 6100 Southport Road, Portage IN 46368.

E. Subsequent Events

Referring to Vehicle Matching, check #1363 dated Sept. 1, 2008 for \$26,386 written to Northwest Indiana Community Action Agency, Inc (NWICA) is outstanding and being held by the RBA. It is anticipated it will be voided, due to the pending elimination of transportation services.

A NWICA invoice for January 2009 was adjusted by the RBA from \$126,083 to \$18,500. Per an agreement dated March 6, 2008, NWICA is responsible for the implementation of a Call & Dispatch Center for the RBA. These services have been provided, however, the RBA does not feel the NWICA has proceeded as envisioned with other services in the agreement.

On December 15, 2008, a staff meeting was held with Tim Brown, Ken Dallmeyer and representatives of NWICA in reference to their contractual obligations. Findings from this session are scheduled to be discussed at a service development meeting scheduled for Jan 7, 2009 at 9:30 a.m.

SUPPLEMENTAL INFORMATION

Northwest Indiana Regional Bus Authority
Statement of Activities
For the Period May 1, 2006 Through December 31, 2006

Unrestricted Net Assets

Support

RDA-Strategic Operations Plan	\$	125,000	
RDA-Administrative Capacity Grant		112,500	
Interest		<u>11,284</u>	
Total Support			\$ 248,784

Expenses

General & Administrative

Contractual Services	22,490
Depreciation	110
Dues	998
Insurance	320
Legal	12,000
Marketing	10,140
Meeting Expense	960
Office Services & Expense	2,388
Office Space	5,077
Professional Service	35,916
Recruiting	3,551
Transportation Study	125,000
Travel Reimbursement	<u>2,633</u>
Total General & Administrative	221,583

Total Expenses

221,583

Increase (Decrease) in Unrestricted Net Assets

27,201

Unrestricted Net Assets, Beginning of Period

393,833

Unrestricted Net Assets, End of Period

\$ 421,034

Northwest Indiana Regional Bus Authority
Statement of Activities
For the Year Ended December 31, 2007

Unrestricted Net Assets

Support

RDA-Administrative Capacity	\$	150,000	
Interest		<u>17,654</u>	
Total Support			\$ 167,654

Expenses

General & Administrative

Contractual Services	26,555
Depreciation	220
Dues	1,597
Insurance	806
Legal	21,039
Marketing	28,129
Meeting Expense	3,416
Miscellaneous	4,732
Office Services & Expense	15,474
Office Space	13,412
Professional Service	80,350
Travel Reimbursement	<u>3,166</u>
Total General & Administrative	198,896

Total Expenses	<u>198,896</u>
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Increase (Decrease) in Unrestricted Net Assets	(31,242)
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Unrestricted Net Assets, Beginning of Period	<u>421,034</u>
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Unrestricted Net Assets, End of Period	<u><u>\$ 389,792</u></u>
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Northwest Indiana Regional Bus Authority
Statement of Activities
For the Period January 1, 2008 Through October 31, 2008

Unrestricted Net Assets

Support

RDA-Administrative Capacity	\$	37,500	
RDA-Transportation Feasibility Study		2,868,706	
Interest		15,067	
Total Support		<u>2,921,273</u>	\$ 2,921,273

Expenses

General & Administrative

Administrative	30,075
Depreciation	861
Dues	1,880
Insurance	5,154
Legal	42,656
Marketing	45,513
Marketing Materials	83,704
Meeting Expense	3,442
Miscellaneous	4,268
Office Services & Expense	21,478
Office Space	12,726
Professional Service	92,304
Recruiting	21,332
Taxes-Payroll	2,540
Travel Reimbursement	3,483
Total General & Administrative	<u>371,416</u>

Customer Service Center & Dispatch

Call Center	259,251
Dispatch	964
Total Customer Service Center & Dispatch	<u>260,215</u>

Regional Service

Operating Costs	201,828
Total Regional Service	<u>201,828</u>

Cont.

See Notes to the Financial Statements

Northwest Indiana Regional Bus Authority
Statement of Activities
For the Period January 1, 2008 Through October 31, 2008

Unrestricted Net Assets (cont.)

Expenses (cont.)

Grant Management & Capital Matching

Grant Administration	72,000	
Vehicle Matching	26,386	
Total Grant Mgmt & Capital Matching	98,386	

Total Expenses

931,845

Increase (Decrease) in Unrestricted Net Assets

1,989,428

Unrestricted Net Assets, Beginning of Period

389,792

Unrestricted Net Assets, End of Period

\$ 2,379,220

See Notes to the Financial Statements



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

To the Board of Directors
Northwest Indiana Regional Bus Authority

To the Board of Directors
Northwest Indiana Regional Development Authority

We have audited the financial statements of the Northwest Indiana Regional Bus Authority for the period May 1, 2006 through October 31, 2008, and have issued our report thereon dated January 2, 2009. 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.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Northwest Indiana Regional Bus Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to relatively low levels the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

One Vision...
One Passion...
One Goal...

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether Northwest Indiana Regional Bus Authority's financial statements are 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.

We noted certain matters that we reported to management of the Northwest Indiana Regional Bus Authority in a separate letter dated January 2, 2009.

This report is intended solely for the information and use of the audit committee, management, Board of Directors, the RDA, and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to be 'JKL' with a stylized flourish.

Crown Point, Indiana
January 2, 2009



Joe Krnich & Associates, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

January 2, 2009

Board of Directors
Northwest Indiana Regional Bus Authority
6100 Southport Road
Portage, IN 46368

Board of Directors
Northwest Indiana Regional Development Authority
9800 Connecticut Drive
Crown Point, IN 46307

To the Board of Directors of the Northwest Indiana Regional Bus Authority and the Northwest Indiana Regional Development Authority:

In planning and performing our audit of the financial statements of the Northwest Indiana Regional Bus Authority, period beginning May 1, 2006 through October 31, 2008, we became aware of several matters that are opportunities for strengthening internal controls and improving operating efficiencies. This letter does not affect our report on the financial statements of Northwest Indiana Regional Bus Authority. We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with Mr. Brown and we will be pleased to discuss these comments in further detail at the next board meeting.

Our comments are summarized as follows:

Organizational Structure/Responsibility of Board Members

The size of the Organization's accounting and administration staff precluded certain internal controls that would be preferred if the office staff were large enough to provide optimum segregation of duties. This situation dictates that the Board of Directors remains involved in the financial affairs of the Organization to provide oversight and independent review functions.

One Vision...
One Passion...
One Goal...

INCREASING THE VALUE
OF YOUR BUSINESS

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RAN-ONE member
building business value

Under well-established principles of law, a board member must meet certain standards of conduct and attention in carrying out his or her responsibilities to the organization. Several states have statutes adopting some variation of these duties, which would be used in court to determine whether a board member acted improperly. These standards are usually described as the following:

- **Duty of Care:** The duty of care describes the level of competence that is expected of a board member. This is usually described as “the care that an ordinarily prudent person would exercise in a like position and under similar circumstances.”
- **Duty of Loyalty:** The duty of loyalty is a standard of faithfulness. A board member must give undivided allegiance when making decisions affecting the organization. This means that a board member can never use information obtained as a member for personal gain, but must act in the best interests of the organization.
- **Duty of Obedience:** The duty of obedience requires board members to be faithful to the organization’s mission. Board members are not permitted to act in a way that is inconsistent with the central goals of the organization, as the public trusts that the organization will manage contributed funds to fulfill the organization’s mission.

General Ledger/Fixed Assets

The RBA does not maintain a general ledger in accordance with generally accepted accounting principles. The general ledger is maintained on the “cash” basis of accounting. Although the “cash” basis of accounting may be useful for internal purposes, it is not appropriate for the audited financial statements. The general ledger should be maintained in accordance with the audited financial statements. Currently the accounting service is contractually provided by Northwest Indiana Regional Planning Commission (NIRPC). We feel these services are of limited benefit to the RBA. These services consist of manually posting checks and deposits to a ledger, depositing checks, completing bank reconciliations, and issuing a monthly budget report. It was noted during our audit that there were many classification errors on the budget report. We recommend the RBA consider assuming these duties and further recommend the purchase of accounting software that can generate the types of reports that would help the organization with budgeting, planning and financial reporting that would comply with generally accepted accounting principles and would assist the organization in carrying out their directives and goals.

The ledger shows purchase of furniture and fixtures as an expense. Most of these items should be capitalized. The RBA does not maintain a detailed listing of these assets. The

Authority should establish a capitalization policy which will determine which assets are considered long term.

RDA Reported Disbursement Discrepancy

While performing our audit of the RBA an error was discovered on page 13 of the RDA's Notes to the Financial Statements. The RDA disbursement to the RBA through August 28, 2008 was reported as \$2,092,897, the verified disbursement by the RBA Audit is \$1,705,397, a discrepancy of \$387,500. The inaccuracy was discussed with the RDA and it was agreed that the correct disbursement from the RDA to the RBA through August 28, 2008 was \$1,705,397, as reported in the RBA Audit.

Federal Tax Exemption

It is clear that the RBA is exempt from federal income taxation. However it is not clear that the RBA is exempt from federal reporting and filing requirements. Because the RBA is a "one of a kind" entity we recommend that the Authority obtain a written opinion from the Attorney General or other qualified council regarding the exemption from federal reporting requirements.

Lack of Formal By-Laws

The RBA has not formally adopted bylaws. The Board is urged to review this situation and adopt appropriate bylaws as soon as possible.

Contracted Employees

We believe Kenneth E. Dallmeyer, RBA Project Director, should be treated as an employee and not as independent contractor.

Worker classification is one of the most contentious issues between the IRS and employers and is now purported to be an area of emphasis for IRS auditors in 2009. Failure to properly classify workers can be a costly error. The incorrect classification of workers as contractors rather than employees can result in significant adverse consequences.

An employer has a bias toward treating a worker as a contractor rather than an employee in order to shift the employment tax burden to the worker, exclude the worker from fringe benefit programs, and minimize the administrative burden of payroll tax returns.

The Common Law Test

The status of an individual for federal employment tax purposes is determined in accordance with certain common law rules. Status guidelines are set forth in three substantially similar sections of Regs. 31.3121(d), 31.3306(i)-1, and 31.3401(c)-1. These

regulations provide that generally the relationship of employer and employee exists when the person for whom the services are performed has the right to control and direct the individual who performs the services, not only as to the result to be accomplished, but also as to the details and means by which that result is accomplished. It isn't necessary that the employer actually direct or control the manner in which the services are performed as long as he or she has the right to do so.

The IRS 20 Factors

As an aid to worker classification under the common law rules the IRS has identified 20 factors that indicate whether sufficient control is present to establish an employer-employee relationship.

Although no single factor is determinative of a worker's classification, several of the 20 carry more weight than the others. Answering yes to one or more of the following questions may mean that an employee-employer relation exists.

- *Instructions.* Does the person for whom the services are performed have a right to require compliance with their instructions?
- *Integration.* Is the worker's services integrated into the operations of the business?
- *Continuing Relationship.* Is there a continuing relationship between the worker and the person for whom the services are performed?
- *Significant Investment.* Is there a lack of investment in facilities and/or assets used in performing the services on the part of the worker?
- *Realization of Profit or Loss.* Is the worker unable to realize a profit or loss (in addition to the profit or loss ordinarily realized by an employee)?
- *Right to Discharge.* Does the person for whom the services are performed have the right to discharge the worker?

Lack of Independence/Potential Conflict of Interest - Attorney

We believe Attorney Dave Hollenbeck has a lack of Independence as attorney for both the RBA and RDA, particularly as the RDA has been the sole source of funding for the RBA. If a dispute arose, who would he represent? The RDA? The RBA? We believe it is advisable to have an independent council.

Lack of Permanent Funding

The RBA has no permanent source of funding. We believe the RBA should continue seeking alternate funding sources other than RDA as the RDA funding is only temporary in nature. Additional funding sources are required to proceed with the long term RBA strategic Plan.

Cash Balance in excess of Federally Insured Limits

The RBA cash in bank balance exceeds federally insured limits. All of the cash is currently at Horizon Bank. The RBA should consider allocating the cash among several banks in order to minimize exposure to loss.

ROI

The agreement with the RDA calls for reporting on Return on Investment (ROI). To date no information has been compiled. We recommend that the Authority compile all data needed to report on ROI.

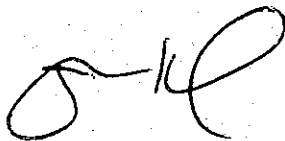
Monitoring Recipient Performance

Although we are not required to search for fraud, our analysis of fraud opportunities indicates that the most significant threat of misappropriation would be at the recipient or project level. The Board should establish formal recipient and project monitoring procedures as well as the use of professional service vendors as needed.

The Authority has the right to request any and all documents or audits needed to assess the status and progress of the grantee. The authority should establish post approval reporting requirements for each grantee and monitor progress including MBE/WBE compliance and ROI.

We wish to thank Mr. Tim Brown and Ms. Barbara Malone for their support and assistance during our audit.

This report is intended solely for the information and use of the Board of Directors, management, the RDA, the Indiana Office of Management and Budget and the State Board of Accounts and is not intended to be and should not be used by anyone other than these specified parties.



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Ten Basic Responsibilities of Boards

- **Determine the organization's mission and purpose.** It is the board's responsibility to create and review a statement of mission and purpose that articulates the organization's goals, means, and primary constituents served.
- **Select the Chief Executive.** Boards must reach consensus on the chief executive's responsibilities and undertake a careful search to find the most qualified individual for the position.
- **Provide proper financial oversight.** The board must assist in developing the annual budget and ensuring that proper financial controls are in place.
- **Ensure adequate resources.** One of the board's foremost responsibilities is to provide adequate resources for the organization to fulfill its mission.
- **Ensure legal and ethical integrity and maintain accountability.** The board is ultimately responsible for ensuring adherence to legal standards and ethical norms.
- **Ensure effective organizational planning.** Boards must actively participate in an overall planning process and assist in implementing and monitoring the plan's goals.
- **Recruit and orient new board members and assess board performance.** All boards have a responsibility to articulate prerequisites for candidates, orient new members, and periodically and comprehensively evaluate its own performance.
- **Enhance the organization's public standing.** The board should clearly articulate the organization's mission, accomplishments, and goals to the public and garner support from the community.
- **Determine, monitor, and strengthen the organization's programs and services.** The board's responsibility is to determine which programs are consistent with the organization's mission and to monitor their effectiveness.
- **Support the chief executive and assess his or her performance.** The board should ensure that the chief executive has the moral and professional support he or she needs to further the goals of the organization.

Individual Board Member Responsibilities

- Attend all board and committee meetings and functions, such as special events.
- Be informed about the organization's mission, services, policies, and programs.
- Review agenda and supporting materials prior to board and committee meetings.
- Serve on committees or task forces and offer to take on special assignments.
- Inform others about the organization.
- Suggest possible nominees to the board who can make significant contributions to the work of the board and the organization.
- Keep up-to date on developments in the organization's field.
- Follow conflict of interest and confidentiality policies.
- Refrain from making special requests of the staff.
- Assist the board in carrying out its fiduciary responsibilities, such as reviewing the organization's annual financial statements.