

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

EXAMINATION REPORT  
OF

REGION III-A ECONOMIC DEVELOPMENT DISTRICT  
& REGIONAL PLANNING COMMISSION  
HUNTINGTON, LAGRANGE, NOBLE, STEUBEN, AND  
WHITLEY COUNTIES, INDIANA

January 1, 2007 to December 31, 2008



**FILED**  
02/12/2010



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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Executive Director	David Koenig	01-01-07 to 12-31-09
Chairperson of the Commission Board	Tom Rethlake	01-01-07 to 04-18-07
	Joe Humbert	04-19-07 to 12-15-07
	Paul Shepherd	12-16-07 to 04-16-08
	John Price	04-17-08 to 12-31-09



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE REGION III-A ECONOMIC DEVELOPMENT DISTRICT & REGIONAL PLANNING COMMISSION, HUNTINGTON, LAGRANGE, NOBLE, STEUBEN, AND WHITLEY COUNTIES, INDIANA

We have examined the accompanying financial statements of the governmental activities of the Region III-A Economic Development District & Regional Planning Commission (District), as of and for the years ended December 31, 2007, and 2008. The District's management is responsible for the financial statements presented herein. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the financial statement presented herein and performing such other procedures as we considered necessary in the circumstances. We believe that our examination 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 of the District as of December 31, 2007, and 2008, and the respective changes in financial position and cash flows, where applicable, thereof and for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

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 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 District has not presented Management's Discussion and Analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

STATE BOARD OF ACCOUNTS

December 9, 2009

REGION III-A ECONOMIC DEVELOPMENT DISTRICT & REGIONAL PLANNING COMMISSION  
STATEMENT OF NET ASSETS  
December 31, 2007

	Primary Government
<u>Assets</u>	Governmental Activities
Cash and cash equivalents	\$ 106,471
Receivables (net of allowances for uncollectibles):	
Accounts	118,932
Loans	40,653
Net pension asset	29,127
Restricted assets:	
Notes receivable	239,884
Interest receivable	59,532
Capital assets, net of depreciation	159,179
 Total assets	 753,778
 <u>Liabilities</u>	
Accounts payable	6,329
Accrued payroll and withholdings payable	4,384
Noncurrent liabilities:	
Due in more than one year:	
Compensated absences	8,082
Notes payable	239,884
Accrued interest payable	59,532
 Total liabilities	 318,211
 <u>Net Assets</u>	
Invested in capital assets, net of related debt	159,179
Unrestricted	276,388
 Total net assets	 \$ 435,567

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

REGION III-A ECONOMIC DEVELOPMENT DISTRICT & REGIONAL PLANNING COMMISSION  
 STATEMENT OF ACTIVITIES  
 For The Year Ended December 31, 2007

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Total Governmental Activities</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
Primary government:				
Governmental activities:				
Economic development and planning	\$ 305,721	\$ 217,270	\$ 141,929	\$ 53,478
Interest on long-term debt	<u>16,948</u>	<u>-</u>	<u>-</u>	<u>(16,948)</u>
 Total governmental activities	 <u>\$ 322,669</u>	 <u>\$ 217,270</u>	 <u>\$ 141,929</u>	 <u>36,530</u>
 General revenues:				
County contributions not restricted to specific purposes				64,225
Unrestricted investment earnings				3,612
Restricted investment earnings				16,948
Other				<u>1,028</u>
 Total general revenues				 <u>85,813</u>
 Change in net assets				 122,343
Net assets - beginning				<u>313,224</u>
 Net assets - ending				 <u>\$ 435,567</u>

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

REGION III-A ECONOMIC DEVELOPMENT DISTRICT & REGIONAL PLANNING COMMISSION  
BALANCE SHEET  
GOVERNMENTAL FUND  
December 31, 2007

<u>Assets</u>	General	Totals
Cash and cash equivalents	\$ 106,471	\$ 106,471
Receivables (net of allowances for uncollectibles):		
Accounts	118,932	118,932
Loans	2,030	2,030
 Total assets	 \$ 227,433	 \$ 227,433
 <u>Liabilities and Fund Balances</u>		
Liabilities:		
Accounts payable	\$ 6,329	\$ 6,329
Accrued payroll and withholdings payable	4,384	4,384
Total liabilities	10,713	10,713
 Fund balances:		
Unreserved, reported in:		
General fund	216,720	216,720
 Total liabilities and fund balances	 \$ 227,433	
 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.		159,179
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		38,623
Net pension asset is not accrued in the governmental funds, but rather is recognized as an expenditure when paid		29,127
Compensated absences, a form of liability, are not due and payable in the current period and, therefore, are not reported in the funds.		(8,082)
 Net assets of governmental activities		 \$ 435,567

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

REGION III-A ECONOMIC DEVELOPMENT DISTRICT & REGIONAL PLANNING COMMISSION  
STATEMENT OF REVENUES, EXPENDITURES, AND OTHER CHANGES IN FUND BALANCES  
GOVERNMENTAL FUND  
For The Year Ended December 31, 2007

	General
Revenues:	
Intergovernmental county contributions	\$ 64,225
Intergovernmental grants	141,929
Intergovernmental contractual services	229,212
Other	4,640
Total revenues	440,006
Expenditures:	
Current - planning and development	
Personnel services - salaries and wages	194,593
Personnel services - employee benefits	53,517
Other services and charges	54,768
Direct project expense	14,223
Capital outlays	19,554
Total expenditures	336,655
Excess of revenues over expenditures	103,349
Fund balances - beginning	113,371
Fund balances - ending	\$ 216,720

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

REGION III-A ECONOMIC DEVELOPMENT DISTRICT & REGIONAL PLANNING COMMISSION  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUND  
TO THE STATEMENT OF ACTIVITIES  
For The Year Ended December 31, 2007

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 Balances).	\$	103,349
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciat expense. This is the amount by which capital outlays exceeded depreciation in the current period.		9,891
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		(11,942)
Net pension asset is not accrued in the governmental funds, but rather is recognized as an expenditure when paid.		29,127
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.		<u>(8,082)</u>
Change in net assets of governmental activities (Statement of Activities)	\$	<u><u>122,343</u></u>

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

REGION III-A ECONOMIC DEVELOPMENT DISTRICT & REGIONAL PLANNING COMMISSION  
STATEMENT OF NET ASSETS  
December 31, 2008

	Primary Government
<u>Assets</u>	Governmental Activities
Cash and cash equivalents	\$ 150,618
Receivables (net of allowances for uncollectibles):	
Accounts	54,996
Loans	61,253
Net pension asset	28,037
Restricted assets:	
NIHP accounts receivable	952
Notes receivable	239,884
Interest receivable	77,497
Capital assets, net of depreciation	154,320
 Total assets	 767,557
 <u>Liabilities</u>	
Accounts payable	4,517
Accrued payroll and withholdings payable	1,020
Noncurrent liabilities:	
Due in more than one year:	
Compensated absences	10,841
Notes payable	239,884
Accrued interest payable	77,497
 Total liabilities	 333,759
 <u>Net Assets</u>	
Invested in capital assets, net of related debt	154,320
Unrestricted	279,478
 Total net assets	 \$ 433,798

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

REGION III-A ECONOMIC DEVELOPMENT DISTRICT & REGIONAL PLANNING COMMISSION  
STATEMENT OF ACTIVITIES  
For The Year Ended December 31, 2008

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Total Governmental Activities</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
Primary government:				
Governmental activities:				
Economic development and planning	\$ 404,816	\$ 244,260	\$ 89,265	\$ (71,291)
Interest on long-term debt	<u>17,965</u>	<u>-</u>	<u>-</u>	<u>(17,965)</u>
 Total governmental activities	 <u>\$ 422,781</u>	 <u>\$ 244,260</u>	 <u>\$ 89,265</u>	 <u>(89,256)</u>
General revenues:				
County contributions not restricted to specific purpose				64,225
Unrestricted investment earnings				3,986
Restricted investment earnings				17,965
Other				<u>1,311</u>
 Total general revenues				 <u>87,487</u>
Change in net assets				(1,769)
Net assets - beginning				<u>435,567</u>
 Net assets - ending				 <u>\$ 433,798</u>

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

REGION III-A ECONOMIC DEVELOPMENT DISTRICT & REGIONAL PLANNING COMMISSION  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
December 31, 2008

<u>Assets</u>	General	Totals
Cash and cash equivalents	\$ 150,618	\$ 150,618
Receivables (net of allowances for uncollectibles):		
Accounts	54,996	54,996
NIHP accounts	952	952
Loans	2,069	2,069
Total assets	\$ 208,635	\$ 208,635
<u>Liabilities and Fund Balances</u>		
Liabilities:		
Accounts payable	\$ 4,517	\$ 4,517
Accrued payroll and withholdings payable	1,020	1,020
Total liabilities	5,537	5,537
Fund balance:		
Unreserved, reported in:		
General fund	203,098	203,098
Total liabilities and fund balances	\$ 208,635	
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.		154,320
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		59,184
Net pension asset is not accrued in the governmental funds, but rather is recognized as an expenditure when paid.		28,037
Compensated absences, a form of liability, are not due and payable in the current period and, therefore, are not reported in the funds.		(10,841)
Net assets of governmental activities		\$ 433,798

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

REGION III-A ECONOMIC DEVELOPMENT DISTRICT & REGIONAL PLANNING COMMISSION  
STATEMENT OF REVENUES, EXPENDITURES, AND OTHER CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
For The Year Ended December 31, 2008

		General
Revenues:		
Intergovernmental County contributions	\$	64,225
Intergovernmental grants		89,266
Intergovernmental contractual services		184,885
NIHP contractual services		38,814
Other		5,297
Total revenues		382,487
Expenditures:		
Current:		
Personnel services - salaries and wages		230,824
Personnel services - employees benefits		66,758
Other services and charges		65,323
Direct project expense		10,371
NIHP direct project expense		13,144
Capital outlays		9,689
Total expenditures		396,109
Deficiency of revenues under expenditures		(13,622)
Fund balances - beginning		216,720
Fund balances - ending	\$	203,098

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

REGION III-A ECONOMIC DEVELOPMENT DISTRICT & REGIONAL PLANNING COMMISSION  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
For The Year Ended December 31, 2008

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 Balances).	\$	(13,622)
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciat expense. This is the amount by which capital outlays exceeded depreciation in the current period.		(4,860)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		20,561
Net pension asset is not accrued in the governmental funds, but rather is recognized as an expenditure when paid.		(1,090)
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.		<u>(2,758)</u>
Change in net assets of governmental activities (Statement of Activities)	\$	<u><u>(1,769)</u></u>

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

REGION III-A ECONOMIC DEVELOPMENT DISTRICT  
& REGIONAL PLANNING COMMISSION  
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

The financial statements of the Region III-A Economic Development District & Regional Planning Commission have been prepared in conformity with generally accepted accounting principles (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 Region III-A Economic Development District & Regional Planning Commission (the Commission) operates as a separate legal entity under provisions of the Indiana Code (Title 36, Article VII, Chapter 7). Its primary mission is planning and development coordination in northeastern Indiana, which includes Huntington, Lagrange, Noble, Steuben, and Whitley Counties in Indiana. The governing body of the Commission currently consists of thirty-four members. Members are appointed by the counties, cities and towns within northeastern Indiana, according to the provisions of the enabling legislation. Included in the thirty-member is one non-voting member appointed by the Office of the Governor.

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.

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 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 provided 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. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

REGION III-A ECONOMIC DEVELOPMENT DISTRICT  
& REGIONAL PLANNING COMMISSION  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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 as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the 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 within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the primary government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, claims and judgments, are recorded only when payment is due.

The primary government reports the following major governmental fund:

The general fund is the primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The primary government has elected not to follow subsequent private-sector guidance.

Amounts reported as program revenues include (1) charges to customers or applicants for goods, services or privileges provided and (2) operating grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues.

D. Assets, Liabilities and Net Assets or Equity

1. Deposits and Investments

The primary government'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 primary government 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.

REGION III-A ECONOMIC DEVELOPMENT DISTRICT  
 & REGIONAL PLANNING COMMISSION  
 NOTES TO FINANCIAL STATEMENTS  
 (Continued)

2. 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 activities column in the government-wide financial statements. The Commission does not own 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.

Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation methods and estimated useful lives of capital assets reported in the government-wide statements are as follows:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Buildings and improvements	\$ 250	Straight-line	50 Years
Furniture and fixtures	250	Straight-line	5 Years
Equipment	250	Straight-line	3 – 7 Years

For depreciated assets, the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

3. Loans Receivable

The Commission received grants from the State of Indiana and the Federal Government to establish a sustainable revolving loan fund for value-added agricultural projects and programs in Northeast Indiana.

4. Notes Receivable/Payable

On November 20, 2003, the Commission entered into an agreement with Town Village Apartments, L.P. to loan funds to construct a 25-unit apartment project located in the City of Ligonier, Indiana. The mortgage promissory notes bear interest at 6% per year. Principal and accrued interest is due and payable at maturity on December 31, 2033. The Commission received the principal from the following sources:

<u>Grant Funded By</u>	
Indiana Housing Finance Authority	\$ 118,812
Federal Home Loan Bank of Indianapolis	<u>121,072</u>
Total	<u>\$ 239,884</u>

REGION III-A ECONOMIC DEVELOPMENT DISTRICT  
& REGIONAL PLANNING COMMISSION  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

5. Compensated Absences

- a. Sick Leave – primary government employees earn sick leave at the rate of 1/2 day per month. Unused sick leave may be accumulated to a maximum of 30 days. Accumulated sick leave is paid to employees through cash payments upon termination.
- b. Vacation Leave – primary government employees earn vacation leave at rates from 12 days to 20 days per year based upon the number of years of service. Vacation leave does not accumulate from year to year.
- c. Personal Leave – primary government employees earn personal leave at the rate of two days per year. Unused personal leave is converted to sick leave on December 31<sup>st</sup> of each year.

II. Stewardship, Compliance and Accountability

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles. 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. The Commission may vote to adopt the budget at this meeting, or may call a special meeting to take action on the budget. 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.

III. Detailed Notes on All Funds

A. Deposits and Investments

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 IC 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 Commission does not have a deposit policy for custodial credit risk. At December 31, 2008, the Commission had deposit balances in the amount of \$150,618. 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.

B. Capital Assets

Capital asset activity for the years ended December 31, 2007 and December 31, 2008, was as follows:

REGION III-A ECONOMIC DEVELOPMENT DISTRICT  
& REGIONAL PLANNING COMMISSION  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Primary Government	Beginning Balance 2007	Additions	Reductions	Ending Balance 2007
Governmental activities:				
Capital assets, being depreciated:				
Buildings and improvements	\$ 155,144	\$ 13,514	\$ -	\$ 168,658
Furniture and fixtures	45,536	3,946	-	49,482
Equipment	22,663	-	-	22,663
Totals	<u>223,343</u>	<u>17,460</u>	<u>-</u>	<u>240,803</u>
Less accumulated depreciation:				
Buildings and improvements	16,807	3,103	-	19,910
Furniture and fixtures	40,328	3,810	-	44,138
Equipment	16,919	657	-	17,576
Totals	<u>74,054</u>	<u>7,570</u>	<u>-</u>	<u>81,624</u>
Total governmental activities capital assets net	<u>\$ 149,289</u>	<u>\$ 9,890</u>	<u>\$ -</u>	<u>\$ 159,179</u>
	Beginning Balance 2008	Additions	Reductions	Ending Balance 2008
Capital assets, being depreciated:				
Buildings and improvements	\$ 168,658	\$ -	\$ -	\$ 168,658
Furniture and fixtures	49,482	-	11,495	37,987
Equipment	22,663	-	1,999	20,664
Totals	<u>240,803</u>	<u>-</u>	<u>13,494</u>	<u>227,309</u>
Less accumulated depreciation:				
Buildings and improvements	19,910	3,373	-	23,283
Furniture and fixtures	44,138	1,299	11,495	33,942
Equipment	17,576	187	1,999	15,764
Totals	<u>81,624</u>	<u>4,859</u>	<u>13,494</u>	<u>72,989</u>
Total governmental activities capital assets net	<u>\$ 159,179</u>	<u>\$ (4,859)</u>	<u>\$ -</u>	<u>\$ 154,320</u>

REGION III-A ECONOMIC DEVELOPMENT DISTRICT  
& REGIONAL PLANNING COMMISSION  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

IV. Other Information

A. Risk Management

The primary government 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.

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; and natural disasters are covered by commercial insurance from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance by major category of risk.

Health Care Expenses Reimbursement

The Commission reimburses \$400 per month for health care expenses, accumulating until the end of the year (December 1 through November 30). Any unused amount is forfeited. Employees submit monthly medical claims to be reimbursed by the 10<sup>th</sup> of each month. Eligible expenses include medical, dental and/or vision expense incurred for employees and immediate family members.

B. Pension Plan

Agent Multiple-Employer Defined Benefit Pension Plan

Public Employees' Retirement Fund

Plan Description

The primary government contributes to the Indiana Public Employees' Retirement Fund (PERF) a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in the defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the PERF Board, most requirements of the system and give the primary government 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 member's contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

PERF 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. The report may be obtained by contacting:

Public Employees' Retirement Fund  
Harrison Building, Room 800  
143 West Market Street  
Indianapolis, IN 46204  
Ph. (317) 233-4162

REGION III-A ECONOMIC DEVELOPMENT DISTRICT  
& REGIONAL PLANNING COMMISSION  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Funding Policy and Annual Pension Cost

The contribution requirements of plan members for PERF are established by the Board of Trustees of PERF. The primary government's annual pension cost and related information, as provided by the actuary, is presented in this note.

Information to segregate the assets/liabilities and the actuarial study figures between the primary government and the Utilities is not available. Therefore, the liability for Net Pension Obligation (NPO) is considered an obligation of the primary government and is presented in the governmental activities of the financial statements and is not presented as an asset/liability of the proprietary funds.

Actuarial Information for the Above Plan

	PERF
Annual required contribution	\$ 10,010
Interest on net pension obligation	(2,112)
Adjustment to annual required contribution	2,406
Annual pension cost	10,304
Contributions made	9,214
Increase in net pension obligation	1,090
Net pension obligation, beginning of year	(29,127)
Net pension obligation, end of year	\$ (28,037)

	PERF
Contribution rates:	
District	5%
Plan members	3%
Actuarial valuation date	07-01-08
Actuarial cost method	Entry age
Amortization method	Level percentage of projected payroll, closed
Amortization period	30 years
Amortization period (from date)	07-01-97
Asset valuation method	75% of expected actuarial value plus 25% of market value

REGION III-A ECONOMIC DEVELOPMENT DISTRICT  
 & REGIONAL PLANNING COMMISSION  
 NOTES TO FINANCIAL STATEMENTS  
 (Continued)

<u>Actuarial Assumptions</u>	<u>PERF</u>
Investment rate of return	7.25%
Projected future salary increases:	
Total	5%
Attributed to inflation	4%
Attributed to merit/seniority	1%
Cost-of-living adjustments	2%

Three Year Trend Information

	<u>Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
PERF	06-30-06	\$ 4,872	191%	\$ (27,831)
	06-30-07	7,844	117%	(29,127)
	06-30-08	10,304	86%	(28,037)

REGION III-A ECONOMIC DEVELOPMENT DISTRICT & 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)	Excess of Assets Over AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Excess AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-06	\$ 113,667	\$ 58,284	\$ 55,383	195%	\$ 185,478	30%
07-01-07	133,741	87,487	46,254	153%	205,218	23%
07-01-08	153,600	116,466	37,134	132%	196,730	19%

REGION III-A ECONOMIC DEVELOPMENT DISTRICT  
& REGIONAL PLANNING COMMISSION  
EXAMINATION RESULTS AND COMMENTS

PRESCRIBED FORMS

The following prescribed or approved forms were not in use: Form 352, Receipt; Form 354, Claim; Form 364, Accounts Payable Voucher Register, and Form 350, Register of Investments. The printouts of the computer system in use have not been approved.

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

SUPPORTING DOCUMENTATION

Several payments were observed for which adequate supporting documentation, such as receipts, invoices, and other public records, was not available. Due to the lack of supporting information, the validity and accountability for some money disbursed could not be established.

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

PERSONAL EXPENSES

A portion of the meals at Board meetings was paid by the Commission.

Public funds may not be used to pay for personal items or for expenses which do not relate to the functions and purposes of the governmental unit. Any personal expenses paid by the governmental entity may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Page 10)

CASH DISBURSEMENTS

Some payments were made by debit card.

Disbursements, other than proper petty cash disbursements, shall be by check or warrant, not by cash or other methods unless specifically authorized by statute, federal or state rule. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

REGION III-A ECONOMIC DEVELOPMENT DISTRICT  
& REGIONAL PLANNING COMMISSION  
EXIT CONFERENCE

The contents of this report were discussed on December 9, 2009, with David Koenig, Executive Director; and Marjorie Keller, Office Manager. The official response has been made a part of this report and may be found on pages 25 and 26.



217 Fairview Blvd  
Kendallville, IN 46755  
260-347-4714

February 1, 2010

Bruce Hartman, CPA  
State Examiner  
State Board of Accounts  
302 W. Washington St, Rm. 418  
Indianapolis, IN 46204-2765

**RE: Region III-A Economic Development District & Regional Planning Commission**

Dear Mr. Hartman:

Please accept this letter as the official response to the Exit Conference conducted on December 9, 2009 for the financial examination conducted of Region III-A for the period from January 1, 2007 through December 31, 2008.

- 1) Under "NOTES TO FINANCIAL STATEMENTS"
  - I. Summary of Significant Accounting Policy
  - A. Organization of the Reporting Entity

First sentence of the second paragraph: "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."

I.C. 36-7-7-12 does not require a regional planning commission to levy a per capita tax on its member counties, however, it does specify the process should the membership of a regional planning commission vote to impose such a levy.

- 2) Under "EXAMINATION RESULTS AND COMMENTS"

**PRESCRIBED FORMS:** Region III-A will begin using forms as prescribed by the State Board of Accounts.

**SUPPORTING DOCUMENTATION:** Region III-A will assure detailed supporting documentation is present for every reimbursement or payment.

**PERSONAL EXPENSES:** Region III-A will adopt a per-diem system consistent with Accounting and Uniform Compliance Guidelines Manual for Special Districts. However, we dispute the inability or unauthorized meals provided to members of the Board of Directors, as each serves without compensation and travel distances to attend Commission meetings.

**CASH DISBURSEMENT:** Region III-A will cease use of the bank debit card and adopt use of a credit card. Some form of electronic payment is necessary to function. The preferred and least expensive is by debit card.

This concludes the comments to be provided in response to the Examination and Report and Exit Conference completed by the Indiana State Board of Accounts for Region III-A Economic Development District and Regional Planning Commission.

Please contact me at 260-347-4714 should you require additional information or clarification of this letter.

Sincerely,

A handwritten signature in black ink, appearing to read "David Koenig". The signature is fluid and cursive, with a large initial "D" and a stylized "K".

David Koenig  
Executive Director