

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

KANKAKEE-IROQUOIS REGIONAL
PLANNING COMMISSION
WHITE COUNTY, INDIANA

January 1, 2013 to December 31, 2014



FILED
12/18/2015

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Executive Director	Edwin Buswell	01-01-13 to 12-31-15
Treasurer	David Diener	01-01-13 to 12-31-15
Chairman of the Board	Larry Wiley	01-01-13 to 12-31-15



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statement

We have audited the accompanying financial statement of the Kankakee-Iroquois Regional Planning Commission (Planning Commission), which comprises the financial position and results of operations for the period of January 1, 2013 to December 31, 2014, and the related notes to the financial statement as listed in the Table of Contents.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the financial reporting provisions of the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6). Management is responsible for and has determined that the regulatory basis of accounting, as established by the Indiana State Board of Accounts, is an acceptable basis of presentation. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Planning Commission's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Planning Commission's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As discussed in Note 1 of the financial statement, the Planning Commission prepares its financial statement on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6), which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position and results of operations of the Planning Commission for the period of January 1, 2013 to December 31, 2014.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position and results of operations of the Planning Commission for the period of January 1, 2013 to December 31, 2014, in accordance with the financial reporting provisions of the Indiana State Board of Accounts described in Note 1.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the Planning Commission's financial statement. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the *U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statement taken as a whole.

Other Information

Our audit was conducted for the purpose of forming an opinion on the Planning Commission's financial statement. The Combining Schedules of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis and Schedule of Capital Assets, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the financial statement. They have not been subjected to the auditing procedures applied by us in the audit of the financial statement and, accordingly, we express no opinion on them.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated September 22, 2015, on our consideration of the Planning Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Planning Commission's internal control over financial reporting and compliance.


Paul D. Joyce, CPA
State Examiner

September 22, 2015



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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statement of the Kankakee-Iroquois Regional Planning Commission (Planning Commission), which comprises the financial position and results of operations for the period of January 1, 2013 to December 31, 2014, and the related notes to the financial statement, and have issued our report thereon dated September 22, 2015, wherein we noted the Planning Commission followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Planning Commission's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Planning Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Planning Commission's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.


INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*
(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Planning Commission's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Planning Commission's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Planning Commission's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


Paul D. Joyce, CPA
State Examiner

September 22, 2015

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FINANCIAL STATEMENT AND ACCOMPANYING NOTES

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

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KANKAKEE-IROQUOIS REGIONAL PLANNING COMMISSION
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Years Ended December 31, 2013 and 2014

Fund	Cash and Investments 01-01-13	Receipts	Disbursements	Cash and Investments 12-31-13	Receipts	Disbursements	Cash and Investments 12-31-14
General Fund	\$ 869,925	\$ 282,739	\$ 214,558	\$ 938,106	\$ 254,301	\$ 253,371	\$ 939,036
Money Market	13,210	8	-	13,218	35,854	14,949	34,123
Medical Reimbursement Account	12,815	11,879	20,338	4,356	27,252	22,735	8,873
Transportation (5311)-ARRA	-	90,812	90,812	-	67,660	67,660	-
RPO-STATE INDOT	-	-	9,443	(9,443)	9,500	4,864	(4,807)
Economic Development	(21,647)	117,766	115,592	(19,473)	114,840	111,256	(15,889)
Head Start	(208,309)	1,069,688	1,063,728	(202,349)	1,107,695	1,120,336	(214,990)
RPO-INDOT Planning	(23,823)	43,401	28,886	(9,308)	-	29,535	(38,843)
Transportation (5311)	(15,487)	771,614	764,714	(8,587)	718,122	722,931	(13,396)
Totals	<u>\$ 626,684</u>	<u>\$ 2,387,907</u>	<u>\$ 2,308,071</u>	<u>\$ 706,520</u>	<u>\$ 2,335,224</u>	<u>\$ 2,347,637</u>	<u>\$ 694,107</u>

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

KANKAKEE-IROQUOIS REGIONAL PLANNING COMMISSION
NOTES TO FINANCIAL STATEMENT

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

B. Basis of Accounting

The financial statement is reported on a regulatory basis of accounting prescribed by the Indiana State Board of Accounts in accordance with state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The basis of accounting involves the reporting of only cash and investments and the changes therein resulting from cash inflows (receipts) and cash outflows (disbursements) reported in the period in which they occurred.

The regulatory basis of accounting differs from accounting principles generally accepted in the United States of America, in that receipts are recognized when received in cash, rather than when earned, and disbursements are recognized when paid, rather than when a liability is incurred.

C. Cash and Investments

Investments are stated at cost. Any changes in fair value of the investments are reported as receipts in the year of the sale of the investment.

D. Receipts

Receipts are presented in the aggregate on the face of the financial statement. The aggregate receipts include the following sources:

Intergovernmental receipts which include receipts from other governments in the form of operating grants, entitlements, or payments in lieu of taxes. Examples of this type of receipts include, but are not limited to: federal grants, state grants, cigarette tax distributions received from the state, motor vehicle highway distribution received from the state, local road and street distribution received from the state, financial institution tax received from the state, auto excise surtax received from the state, commercial vehicle excise tax received from the state, major moves distributions received from the state, and riverboat receipts received from the county.

Charges for services which can include, but are not limited to the following: planning commission charges, building department charges, copies of public records, copy machine charges, accident report copies, gun permit applications, 911 telephone services, recycling fees, dog pound fees, emergency medical service fees, park rental fees, swimming pool receipts, cable tv receipts, ordinance violations, fines and fees, bond forfeitures, court costs, and court receipts.

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

Other receipts which include amounts received from various sources which can include, but are not limited to the following: net proceeds from borrowings; interfund loan activity; transfers authorized by statute, ordinance, resolution, or court order; internal service receipts; and fiduciary receipts.

E. Disbursements

Disbursements are presented in the aggregate on the face of the financial statement. The aggregate disbursements include the following uses:

Personal services include outflows for salaries, wages, and related employee benefits provided for all persons employed. In those units where sick leave, vacation leave, overtime compensation, and other such benefits are appropriated separately, such payments would also be included.

Supplies which include articles and commodities that are entirely consumed and materially altered when used and/or show rapid depreciation after use for a short period of time. Examples of supplies include office supplies, operating supplies, and repair and maintenance supplies.

Other services and charges which include, but are not limited to: professional services, communication and transportation, printing and advertising, insurance, utility services, repairs and maintenance, and rental charges.

Capital outlay which include all outflows for land, infrastructure, buildings, improvements, and machinery and equipment having an appreciable and calculable period of usefulness.

Other disbursements which include, but are not limited to the following: interfund loan payments, loans made to other funds, internal service disbursements, and transfers out that are authorized by statute, ordinance, resolution, or court order.

F. Interfund Transfers

The Planning Commission may, from time to time, transfer money from one fund to another. These transfers, if any, are included as a part of the receipts and disbursements of the affected funds and as a part of total receipts and disbursements. The transfers are used for cash flow purposes as provided by various statutory provisions.

G. Fund Accounting

Separate funds are established, maintained, and reported by the Planning Commission. Each fund is used to account for money received from and used for specific sources and uses as determined by various regulations. Restrictions on some funds are set by statute while other funds are internally restricted by the Planning Commission. The money accounted for in a specific fund may only be available for use for certain, legally restricted purposes. Additionally, some funds are used to account for assets held by the Planning Commission in a trustee capacity as an agent of individuals, private organizations, other funds, or other governmental units and therefore the funds cannot be used for any expenditures of the unit itself.

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

Note 2. Budgets

The operating budget is initially prepared and approved at the local level. The fiscal officer of the Planning Commission submits a proposed operating budget to the governing board for the following calendar year. Prior to November 1, the governing board approves the budget for the next year.

Note 3. Deposits and Investments

Deposits, made in accordance with state statute (IC 5-13), with financial institutions in the State of Indiana at year end should be entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

State statutes authorize the Planning Commission to invest in securities including, but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

Note 4. Risk Management

The Planning Commission may be exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; medical benefits to employees, retirees, and dependents; and natural disasters.

These risks can be mitigated through the purchase of insurance, establishment of a self-insurance fund, and/or participation in a risk pool. The purchase of insurance transfers the risk to an independent third party. The establishment of a self-insurance fund allows the Planning Commission to set aside money for claim settlements. The self-insurance fund would be included in the financial statement. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks.

Note 5. Pension Plan

Public Employees' Retirement Fund

Plan Description

The Indiana Public Employees' Retirement Fund (PERF) is a defined benefit pension plan. PERF is a cost-sharing multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in this defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the Indiana Public Retirement System (INPRS) Board, most requirements of the system, and give the Planning Commission authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3 percent of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

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

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

Indiana Public Retirement System
One North Capitol, Suite 001
Indianapolis, IN 46204
Ph. (888) 526-1687

Funding Policy and Annual Pension Cost

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

Note 6. Cash Balance Deficits

The financial statement contains some funds with deficits in cash. This is because the funds were established for reimbursement basis grants. The reimbursements for expenditures made by the Planning Commission were not received by December 31, 2014.

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OTHER INFORMATION - UNAUDITED

The Planning Commission's Annual Financial Report information can be found on the Gateway website: <https://gateway.ifionline.org/>.

Differences may be noted between the financial information presented in the financial statement contained in this report and the financial information presented in the Annual Financial Report of the Planning Commission which is referenced above. These differences, if any, are due to adjustments made to the financial information during the course of the audit. This is a common occurrence in any financial statement audit. The financial information presented in this report is audited information, and the accuracy of such information can be determined by reading the opinion given in the Independent Auditor's Report.

The other information presented was approved by management of the Planning Commission. It is presented as intended by the Planning Commission.

KANKAKEE-IROQUOIS REGIONAL PLANNING COMMISSION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2013

	General Fund	Money Market	Medical Reimbursement Account	Transportation (5311)-ARRA	RPO-STATE INDOT	Economic Development	Head Start	RPO-INDOT Planning	Transportation (5311)	Totals
Cash and investments - beginning	\$ 869,925	\$ 13,210	\$ 12,815	\$ -	\$ -	\$ (21,647)	\$ (208,309)	\$ (23,823)	\$ (15,487)	\$ 626,684
Receipts:										
Intergovernmental	-	-	-	90,812	-	71,401	1,066,442	39,350	751,225	2,019,230
Charges for services	210,336	-	-	-	-	-	-	-	-	210,336
Other receipts	72,403	8	11,879	-	-	46,365	3,246	4,051	20,389	158,341
Total receipts	282,739	8	11,879	90,812	-	117,766	1,069,688	43,401	771,614	2,387,907
Disbursements:										
Personal services	103,289	-	20,338	-	4,536	90,733	780,279	9,648	41,516	1,050,339
Supplies	6,093	-	-	-	4,840	2,443	34,268	3,188	5,091	55,923
Other services and charges	14,182	-	-	-	67	22,416	223,580	2,306	14,407	276,958
Capital outlay	16,943	-	-	90,812	-	-	25,601	-	-	133,356
Other disbursements	74,051	-	-	-	-	-	-	13,744	703,700	791,495
Total disbursements	214,558	-	20,338	90,812	9,443	115,592	1,063,728	28,886	764,714	2,308,071
Excess (deficiency) of receipts over disbursements	68,181	8	(8,459)	-	(9,443)	2,174	5,960	14,515	6,900	79,836
Cash and investments - ending	\$ 938,106	\$ 13,218	\$ 4,356	\$ -	\$ (9,443)	\$ (19,473)	\$ (202,349)	\$ (9,308)	\$ (8,587)	\$ 706,520

KANKAKEE-IROQUOIS REGIONAL PLANNING COMMISSION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2014

	General Fund	Money Market	Medical Reimbursement Account	Transportation (5311)-ARRA	RPO-STATE INDOT	Economic Development	Head Start	RPO-INDOT Planning	Transportation (5311)	Totals
Cash and investments - beginning	\$ 938,106	\$ 13,218	\$ 4,356	\$ -	\$ (9,443)	\$ (19,473)	\$ (202,349)	\$ (9,308)	\$ (8,587)	\$ 706,520
Receipts:										
Intergovernmental	-	-	-	67,660	7,600	59,212	1,073,343	-	692,709	1,900,524
Charges for services	195,642	-	-	-	-	-	-	-	-	195,642
Other receipts	58,659	35,854	27,252	-	1,900	55,628	34,352	-	25,413	239,058
Total receipts	254,301	35,854	27,252	67,660	9,500	114,840	1,107,695	-	718,122	2,335,224
Disbursements:										
Personal services	115,425	-	-	-	4,059	88,138	790,472	26,485	49,673	1,074,252
Supplies	6,552	-	-	-	687	5,614	57,905	262	3,557	74,577
Other services and charges	16,002	-	-	-	118	17,504	225,890	2,788	16,993	279,295
Capital outlay	-	-	-	67,660	-	-	46,069	-	-	113,729
Other disbursements	115,392	14,949	22,735	-	-	-	-	-	652,708	805,784
Total disbursements	253,371	14,949	22,735	67,660	4,864	111,256	1,120,336	29,535	722,931	2,347,637
Excess (deficiency) of receipts over disbursements	930	20,905	4,517	-	4,636	3,584	(12,641)	(29,535)	(4,809)	(12,413)
Cash and investments - ending	\$ 939,036	\$ 34,123	\$ 8,873	\$ -	\$ (4,807)	\$ (15,889)	\$ (214,990)	\$ (38,843)	\$ (13,396)	\$ 694,107

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KANKAKEE-IROQUOIS REGIONAL PLANNING COMMISSION
 SCHEDULE OF CAPITAL ASSETS
 December 31, 2014

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received.

	Ending Balance
Governmental activities:	
Buildings	\$ 77,336
Machinery, equipment, and vehicles	1,858,389
Total capital assets	\$ 1,935,725

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



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

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

Report on Compliance for Each Major Federal Program

We have audited the Kankakee-Iroquois Regional Planning Commission's (Planning Commission) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the period of January 1, 2013 to December 31, 2014. The Planning Commission's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Planning Commission's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Planning Commission's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Planning Commission's compliance.

Opinion on Each Major Federal Program

In our opinion, the Planning Commission complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the period of January 1, 2013 to December 31, 2014.

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

Report on Internal Control Over Compliance

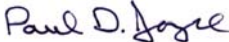
Management of the Planning Commission is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Planning Commission's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Planning Commission's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as item 2014-001 that we consider to be a significant deficiency.

The Planning Commission's response to the internal control over compliance findings identified in our audit is described in the accompanying Corrective Action Plan. The Planning Commission's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.


Paul D. Joyce, CPA
State Examiner

September 22, 2015

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTES

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

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KANKAKEE-IROQUOIS REGIONAL PLANNING COMMISSION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Years Ended December 31, 2013 and 2014

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 12-31-13	Total Federal Awards Expended 12-31-14
<u>Department of Agriculture</u>					
Child Nutrition Cluster National School Lunch Program	Indiana Department of Education	10.555	FY 13, FY 14	\$ 62,253	\$ 57,214
Total - Child Nutrition Cluster				<u>62,253</u>	<u>57,214</u>
Child and Adult Care Food Program		10.558	FY 13, FY 14	<u>3,835</u>	<u>3,616</u>
Total - Department of Agriculture				<u>66,088</u>	<u>60,830</u>
<u>Department of Commerce</u>					
Economic Development_Support for Planning Organizations Partnership Planning Assistance - EDA Partnership Planning Assistance - EDA	Direct Grant	11.302	06-83-05650 06-83-05898	71,401 <u>-</u>	 <u>59,212</u>
Total - Department of Commerce				<u>71,401</u>	<u>59,212</u>
<u>Department of Transportation</u>					
Highway Planning and Construction Cluster Highway Planning and Construction RPO RPO - State	Indiana Department of Transportation	20.205	PO #13803394 PO #14808843	32,139 <u>-</u>	 <u>7,600</u>
Total - Highway Planning and Construction Cluster				<u>32,139</u>	<u>7,600</u>
Formula Grants for Rural Areas Transit (5311) Transit (5311)	Indiana Department of Transportation	20.509	PO #0013809675 PO #0014811591	517,917 <u>-</u>	 <u>462,222</u>
Total - Formula Grants for Rural Areas				<u>517,917</u>	<u>462,222</u>
ARRA - Formula Grants for Rural Areas Transit-Capital - ARRA Transit-Capital - ARRA	Indiana Department of Transportation	20.509	PO #12810421 PO #0014809902	90,812 <u>-</u>	 <u>67,660</u>
Total - ARRA - Formula Grants for Rural Areas				<u>90,812</u>	<u>67,660</u>
Total - Department of Transportation				<u>640,868</u>	<u>537,482</u>
<u>Department of Health and Human Services</u>					
Head Start	Direct Grant	93.600	FY 12-13 FY 13-14 FY 13-14 FY 14-15	1,066,443 <u>-</u>	 <u>1,073,342</u>
Total - Department of Health and Human Services				<u>1,066,443</u>	<u>1,073,342</u>
Total federal awards expended				<u>\$ 1,844,800</u>	<u>\$ 1,730,866</u>

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

KANKAKEE-IROQUOIS REGIONAL PLANNING COMMISSION
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Planning Commission and is presented in accordance with the cash and investment basis of accounting used in the preparation of the financial statement. Accordingly, the amount of federal awards expended is based on when the disbursement related to the award occurs except when the federal award is received on a reimbursement basis. In these instances the federal awards are considered expended when the reimbursement is received.

Circular A-133 requires an annual audit of nonfederal entities expending a total amount of federal awards equal to or in excess of \$500,000 in any fiscal year unless by constitution or statute a less frequent audit is required. In accordance with Indiana Code (IC 5-11-1-25), audits of districts shall be conducted biennially. Such audits shall include both years within the biennial period.

Note 2. Subrecipients

Of the federal expenditures presented in the schedule, the Planning Commission provided federal awards to subrecipients as follows for the years ended December 31, 2013 and 2014:

Program Title	Federal CFDA Number	2013	2014
Formula Grants for Rural Areas	20.509	\$ 480,821	\$ 430,099

KANKAKEE-IROQUOIS REGIONAL PLANNING COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I - Summary of Auditor's Results

Financial Statement:

Type of auditor's report issued:	Adverse as to GAAP; Unmodified as to Regulatory Basis
Internal control over financial reporting:	
Material weaknesses identified?	no
Significant deficiencies identified?	none reported
Noncompliance material to financial statement noted?	no

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	no
Significant deficiencies identified?	yes
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?	yes

Identification of Major Programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
20.509	Formula Grants for Rural Areas
93.600	Head Start

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

Auditee qualified as low-risk auditee?	no
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Section II - Financial Statement Findings

No matters are reportable.

KANKAKEE-IROQUOIS REGIONAL PLANNING COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Section III - Federal Award Findings and Questioned Costs

FINDING 2014-001 - REPORTING

Federal Agency: Department of Transportation

Federal Program: Formula Grants for Rural Areas

CFDA Number: 20.509

Federal Award Number and Year (or Other Identifying Number): PO #0013809675, PO #0014811591

Pass-Through Entity: Indiana Department of Transportation

The Planning Commission has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the Reporting compliance requirement. The Director of Finance prepared and submitted the final reports for each grant year without oversight, review, or approval.

The failure to establish an effective internal control system places the Planning Commission at risk of noncompliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system could also allow noncompliance with compliance requirements and allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the program.

An internal control system, including segregation of duties, should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement or a compliance requirement of a federal program will be prevented, or detected and corrected, on a timely basis. In order to have an effective internal control system, it is important to have proper segregation of duties. This is accomplished by making sure proper oversight, reviews, and approvals take place and to have a separation of functions over certain activities related to the program. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same activity.

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

The failure to establish internal controls could enable material noncompliance to go undetected. Noncompliance with the grant agreement or the compliance requirements could result in the loss of federal funds to the Planning Commission.

We recommended that the Planning Commission establish controls, including segregation of duties, related to the grant agreement and the Reporting compliance requirement.

AUDITEE PREPARED DOCUMENT

The subsequent document was provided by management of the Planning Commission. The document is presented as intended by the Planning Commission.



K-IRPC

Kankakee-Iroquois Regional Planning Commission

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

CORRECTIVE ACTION PLAN

FINDING 2014-001 -Reporting

Contact Person Responsible for Corrective Action: Lynette Carpenter

Contact Phone Number: 219-253-6658

Description of Corrective Action Plan:

The Director of Finance will print the required INDOT Annual Report Excel Spreadsheet, and the Executive Director will review and sign a file copy before the spreadsheet is returned to INDOT.

Anticipated Completion Date: Effective with next Annual Report Due-February 2016

Edwin Buswell
(Signature)

Executive Director
(Title)

9/17/2015
(Date)

OTHER REPORTS

In addition to this report, other reports may have been issued for the Planning Commission. All reports can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>.