

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

FINANCIAL STATEMENTS AND
FEDERAL SINGLE AUDIT REPORT

NORTHWESTERN INDIANA REGIONAL
PLANNING COMMISSION
PORTER COUNTY, INDIANA

January 1, 2017 to December 31, 2017



FILED
09/28/2018

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Executive Director	Ty Warner	01-01-17 to 12-31-18
Chief Financial Officer	Angie Hayes (Vacant) Daria Sztaba	01-01-17 to 08-11-17 08-12-17 to 11-26-17 11-27-17 to 12-31-18
Chairman of the Commission	Michael Griffin Geof Benson	01-01-17 to 12-31-17 01-01-18 to 12-31-18



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INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE NORTHWESTERN INDIANA REGIONAL
PLANNING COMMISSION, PORTER COUNTY, INDIANA

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Northwestern Indiana Regional Planning Commission (Commission), as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions 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 Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Commission's preparation and fair presentation of the financial statements 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 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 statements.

INDEPENDENT AUDITOR'S REPORT
(Continued)

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Commission, as of December 31, 2017, and the respective changes in financial position and for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Budgetary Comparison Schedules, as listed in the Table of Contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commission's basic financial statements. The accompanying Budgetary Comparison Schedule - Transit Capital and Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not required parts of the basic financial statements.

The Budgetary Comparison Schedule - Transit Capital and Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Budgetary Comparison Schedule - Transit Capital and Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole

INDEPENDENT AUDITOR'S REPORT
(Continued)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 20, 2018, on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the Commission's 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 Commission's internal control over financial reporting and compliance.


Paul D. Joyce, CPA
State Examiner

September 20, 2018



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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 FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

TO: THE OFFICIALS OF THE NORTHWESTERN INDIANA REGIONAL
PLANNING COMMISSION, PORTER COUNTY, INDIANA

We have audited, in accordance with the 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 statements of the governmental activities and each major fund of the Northwestern Indiana Regional Planning Commission (Commission), as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements and have issued our report thereon dated September 20, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Commission's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a 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. We did identify certain deficiencies in internal control, described in item 2017-001 of the accompanying Schedule of Findings and Questioned Costs, that we consider to be a material weakness.

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

Compliance and Other Matters

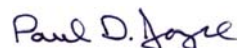
As part of obtaining reasonable assurance about whether the Commission's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material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

Northwestern Indiana Regional Planning Commission's Response to Findings

The Commission's response to the findings identified in our audit is described in the accompanying section of the report entitled Corrective Action Plan. The Commission's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 Commission's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


Paul D. Joyce, CPA
State Examiner

September 20, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

The Commission offers readers this narrative overview and analysis of the financial activities for the fiscal year ended December 31, 2017. Readers are encouraged to consider this information in conjunction with additional information furnished in the basic financial statements and notes to the financial statements to enhance understanding of the Commission's financial performance.

Financial Highlights

- The assets of the Commission exceeded its liabilities at the close of the fiscal year by \$3,803,809 (net position). Of this amount, \$188,180 (unrestricted net position) may be used to meet the Commission's ongoing obligations to citizens and creditors.
- 100% of the Commission's general fund balance, \$ 1,207,516, constitutes an unassigned fund balance, which is available for spending at the Commission's discretion.
- The Commission continues to experience a positive cash flow and has not, therefore, had to execute the board approved line of credit.
- The Commission invests in capital assets for its governmental activities. All capital assets owned by the Commission are free of debt.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Commission's basic financial statements. The Commission's basic financial statements comprise of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the Commission's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all the Commission's assets, liabilities, and deferred inflows/outflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Commission is improving or deteriorating.

The *statement of activities* presents information showing how the Commission's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the Commission that are principally supported by intergovernmental revenues (government activities). The Commission does not have business type activities.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities. The Commission, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Commission are governmental funds.

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) **(Continued)**

Governmental Funds

Governmental Funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

General Government Revenues

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Commission maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for all four funds.

The Commission adopts an annual budget for the four individual governmental funds. A budgetary comparison statement has been provided for all four funds to demonstrate compliance with the budget.

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Government-Wide Overall Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Commission, assets exceed liabilities by \$3,803,809 at the year ending December 31, 2017.

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
(Continued)

The Commission's Net Position

The following table reflects a summary of Net Position compared to the prior year.

Northwestern Indiana Regional Planning Commission			
Statement of Net Position			
	2017		2016
Current and Other Assets	\$ 3,201,685		\$ 2,852,335
Capital Assets	<u>3,103,805</u>		<u>3,308,757</u>
Total Assets	\$ 6,305,490		\$ 6,161,092
Deferred Outflows of Resources	\$ 308,202		\$ 495,096
Long-term Liabilities	1,170,329		1,355,733
Other Liabilities	<u>1,490,881</u>		<u>939,439</u>
Total Liabilities	\$ 2,661,211		\$ 2,295,172
Deferred Inflows of Resources	\$148,673		\$ 89,172
Net Position:			
Investment in Capital Assets	3,103,805		3,308,757
Restricted	511,823		501,980
Unrestricted	<u>188,180</u>		<u>461,106</u>
Total Net Position	<u>\$ 3,803,809</u>		<u>\$ 4,271,844</u>

Summary of Changes in Net Position

The following table summarizes the changes in net position for the current and previous year.

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
(Continued)

Northwestern Indiana Regional Planning Commission
Changes in Net Position

REVENUES	2017	2016
Program Revenues:		
Operating Grants and Contributions	\$ 5,623,536	\$ 5,602,038
Capital Grants and Contributions	1,237,687	1,256,803
General Revenues:		
County Contributions not restricted to specific purposes	540,271	540,271
Unassigned Interest Income	<u>12,407</u>	<u>11,935</u>
Total Revenues	<u>\$ 7,413,901</u>	<u>\$ 7,411,047</u>
 EXPENSES		
Planning and Development	3,010,555	3,188,387
Transit Operating	3,340,251	3,011,314
Transit Capital	<u>1,531,131</u>	<u>1,150,265</u>
Total Expenses	<u>\$ 7,881,937</u>	<u>\$ 7,349,966</u>
 Changes in net position	(468,035)	61,081
Net Position - Beginning, Restated	<u>4,271,844</u>	<u>4,210,763</u>
 Net Position - Ending	<u>\$ 3,803,809</u>	<u>\$ 4,271,844</u>

Analysis of Overall Financial Position and Results of Operations

Capital assets are used to provide services to citizens and they are not available for future spending. Approximately 77% of the Commission's net position reflects its investment in capital assets (e.g., machinery, equipment, and vehicles). The Commission does not own any real property or infrastructure. It should be noted that all capital assets owned by the Commission are free of debt and do not require additional resources.

Current and other assets consist mainly of cash, receivables from intergovernmental sources, and interest. Long-term liabilities consist of compensated absences and net pension obligation.

The Commission's net position decreased by \$468,035 during the current fiscal year, mostly due to decreases in capital assets.

Financial Analysis of the Government's Funds

As noted earlier, the Commission uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the Commission's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Commission's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year the Commission's governmental funds reported combined ending fund balances of \$1,719,338 a decrease of \$202,594 in comparison with the prior year. Of this total amount, \$1,207,515, constitutes unassigned fund balance which is available for spending at the government's discretion. The remainder of the fund balance is not available for

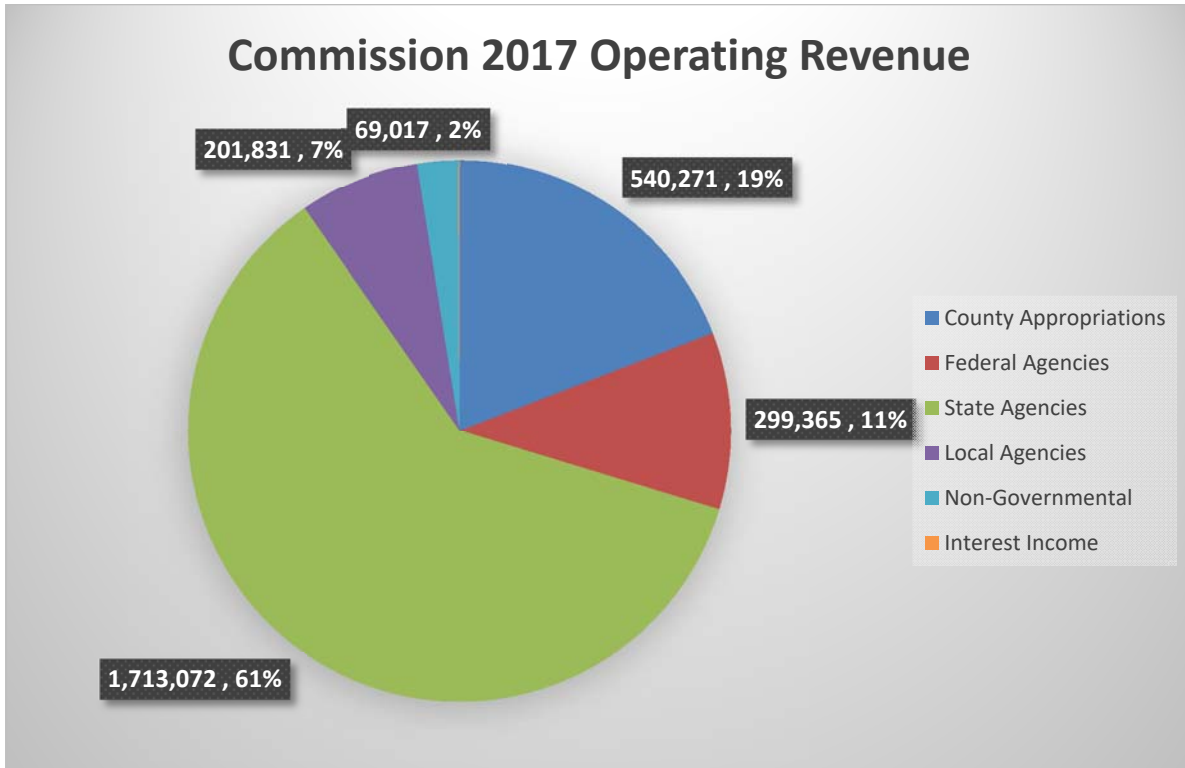
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
(Continued)

spending because it has been committed for restricted for economic development, \$511,823.

The general fund is the chief operating fund of the Commission. At the end of the current fiscal year, the unassigned fund balance amount of \$1,207,516 is in the Commission's general fund. As a measure of the general funds' liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures.

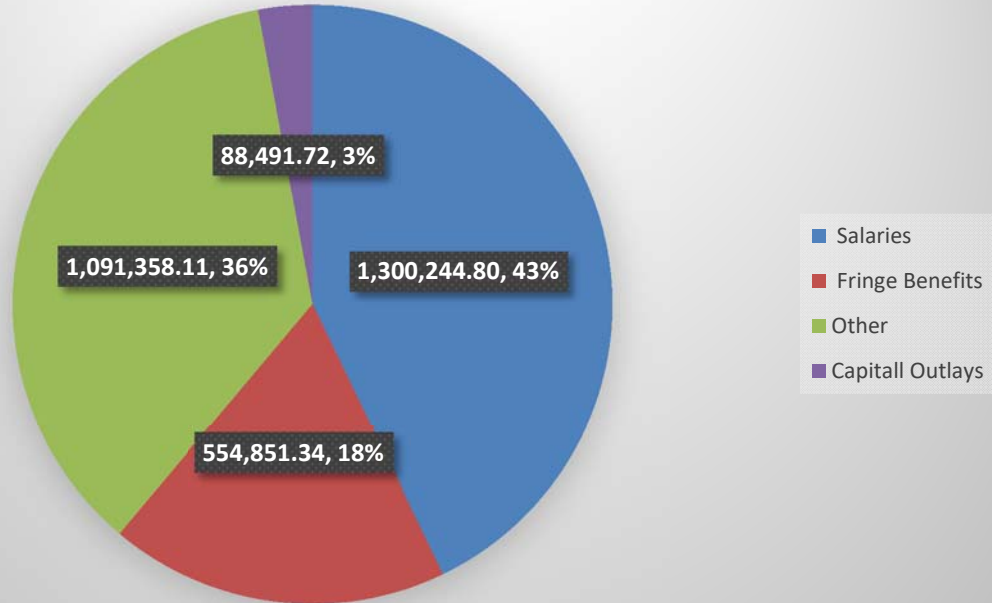
The fund balance of the Commission's general fund decreased by \$212,437 during the current fiscal year. Key factor in this decrease is the turnover in the accounting department, resignation of Chief Accountant in June 2017 and Director of Finance /CFO in August 2017. The Commissions was unable to fill these key positions until November/December 2017. The Commission utilized a contracted employee, not familiar with all aspects of the Commission's operations.

The charts below note the sources of the Commission's general fund operating revenues and operating expenses.



MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
(Continued)

Commission 2017 Operating Expenses



The LaPorte revolving loan fund accounts for the revolving loan program activities. The fund balance increased for 2017 due to closing cost and loan interest revenues. One loan was paid off by the borrower, Millstone Mills, Inc. A new loan for Bombats, LLC was closed in 2017 and was paid from sequestered funds with permission from the U.S. Department of Commerce, Economic Development Administration. For 2017, there was no requirement to sequester any additional funds. The fund had no delinquent loan write-offs in 2017.

The transit operating fund is used to account for the reimbursement of operation expenses for subrecipients providing public transit. The Commission itself does not operate public transit but is the direct recipient for these funds. As expected this fund balance has remained consistent with the 2016 balance, equals to \$0.

The transit capital fund is used to account for the purchase of capital equipment and facilities used for public transit. The funding for these purchases is provided by both Federal Transit Administration and the subrecipient operating the capital equipment. The Commission does not cover any costs associated with the purchase of the capital equipment in this fund. In order for the Commission to safeguard the federal interest, the Commission retains title to all federally funded capital equipment. As expected this fund balance has remained consistent with the 2016 balance of \$0.

Budgetary Highlights

General Fund

The Commission's general fund is budgeted annually for general operating expenses. During the year there are no significant variations between both the original general fund budget and the final amended budget and the actual results.

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
(Continued)

Capital Assets

The Commission's investment in capital assets for its governmental activities as of December 31, 2017 amounts to \$ 3,103,805 (net of accumulated depreciation). This investment in capital assets includes intangibles, vehicles, machinery, office equipment, and computer equipment. The Commission does not own land, buildings, or infrastructure assets.

The total decrease in the Commission's assets for the current fiscal year was \$ 204,952. A detailed note of these capital assets can be found in the Notes to the Financial Statements.

There were no major capital asset events during the current fiscal year.

Capital Assets		
	2017	2016
Intangible Assets	\$ 12,523	\$ 10,828
Total Intangible Assets	<u>12,523</u>	<u>10,828</u>
Capital Assets Net of Depreciation		
Vehicle	2,993,107	3,189,755
Transit machinery	91,691	97,759
Office and computer equipment	<u>6,484</u>	<u>10,415</u>
Total Capital Assets Net of Depreciation		
Net of Depreciation	\$ 3,091,282	\$ 3,297,929
Total Capital Assets	\$ 3,103,805	\$ 3,308,757

Long-term Debt

The Commission carries no long-term debt.

Economic Factors and Next Year's Budget

All these factors were considered in preparing the Commission's general fund budget for the 2018 fiscal year.

- In 2018 budget included a 3% pay increase for all full-time employees, with employment length of 12 months or greater and three new full-time positions for the total of salary expense increase of 4.3%.
- The 2018 budgeted cost of fringe benefit was kept at the same level as 2017. The insurance plan was restructured to accommodate the budget. The Commission pays 85% and employees paying 15% of actual health insurance costs.
- The General Fund budget was estimate at \$2,281,554 for 2018 fiscal year, which decreased 2.75% from 2017.

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
(Continued)

Requests for Information

This financial report is designed to provide a general overview of the Northwestern Indiana Regional Planning Commission's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to CFO, 6100 Southport Road, Portage, IN 46368 or by email at dsztaba@nirpc.org.

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BASIC FINANCIAL STATEMENTS AND ACCOMPANYING NOTES

The financial statements and accompanying notes were prepared by management of the Commission. The financial statements and notes are presented as intended by the Commission.

**NORTHWESTERN INDIANA REGIONAL PLANNING COMMISSION
STATEMENT OF NET POSITION
DECEMBER 31, 2017**

	GOVERNMENTAL ACTIVITIES
ASSETS	
Cash and cash equivalents	\$ 951,485
Accounts receivable	458,827
RESTRICTED ASSETS:	
Cash and cash equivalents	912,720
Accounts receivable	572,434
Loan receivable	306,218
CAPITAL ASSETS AND INTANGIBLE ASSETS	
Intangible Non-Depreciable	12,523
Machinery and Equipment, Net of Depreciation	3,091,282
TOTAL ASSETS	6,305,490
DEFERRED OUTFLOWS OF RESOURCES	
Deferred pension	308,202
TOTAL DEFERRED OUTFLOWS OF RESOURCES	308,202
LIABILITIES	
ACCOUNTS PAYABLE	
Payable from restricted assets	616,574
Payable from nonrestricted assets	207,228
UNEARNED REVENUES	658,545
NONCURRENT LIABILITIES	
Amounts due within one year:	
Compensated absences	8,534
Amounts due beyond one year:	
Compensated absences	76,805
Net pension liability	1,093,524
TOTAL LIABILITIES	2,661,211
DEFERRED INFLOWS OF RESOURCES	
Deferred pension	148,673
TOTAL DEFERRED INFLOWS OF RESOURCES	148,673
NET POSITION	
INVESTMENT IN CAPITAL ASSETS	3,103,805
RESTRICTED:	
Economic Development	511,823
UNRESTRICTED	188,180
TOTAL NET POSITION	\$ 3,803,809

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

**NORTHWESTERN INDIANA REGIONAL PLANNING COMMISSION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017**

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities
Governmental Activities				
Planning and Development	\$ 3,010,555	\$ 2,283,285	\$ -	\$ (727,270)
Transit Operating	3,340,251	3,340,251	-	-
Transit Capital	1,531,131	-	1,237,687	(293,444)
Total Governmental Activities	\$ 7,881,937	\$ 5,623,536	\$ 1,237,687	(1,020,714)
		General Revenues		
		Unassigned County Contributions		540,271
		Unassigned Interest Income		12,407
		Total Revenues		552,678
		Change in Net Position		(468,036)
		Net position - beginning		4,271,844
		Net Position - Ending		\$ 3,803,808

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

**NORTHWESTERN INDIANA REGIONAL PLANNING COMMISSION
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2017**

	General	LaPorte RLF	Transit Operating	Transit Capital	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 951,485	\$ -	\$ -	\$ -	\$ 951,485
Accounts receivable	458,827	-	-	-	458,827
RESTRICTED ASSETS:					
Cash and cash equivalents	171,540	205,605	54,526	481,049	912,720
Accounts receivable	5,430	-	214,875	352,129	572,434
Loan receivable	-	306,218	-	-	306,218
PREPAID OTHER:					
TOTAL ASSETS	\$ 1,587,282	\$ 511,823	\$ 269,401	\$ 833,178	\$ 3,201,685
LIABILITIES					
ACCOUNTS PAYABLE					
Payable from restricted assets	\$ -	\$ -	\$ 269,401	\$ 347,173	\$ 616,574
Payable from nonrestricted assets	112,408	-	-	-	112,408
PAYROLL AND WITHHOLDINGS PAYABLE	94,821	-	-	-	94,821
UNEARNED REVENUES	172,540	-	-	486,005	658,545
TOTAL LIABILITIES	379,768	-	269,401	833,178	1,482,347
FUND BALANCES					
Restricted for:					
Economic Development	-	511,823	-	-	511,823
Unassigned	1,207,515	-	-	-	1,207,515
TOTAL FUND BALANCES	1,207,515	511,823	-	-	1,719,338
 TOTAL LIABILITIES & FUND BALANCES	 \$ 1,587,282	 \$ 511,823	 \$ 269,401	 \$ 833,178	

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.

Machinery and Equipment, Net of Depreciation	3,091,282
Intangible Non-Depreciable	12,523
Total Capital Assets	3,103,805

Compensated absences, a form of liability, are not due and payable in the current period and therefore are not reported in the funds. (85,339)

Deferred outflows and inflows related to pension obligations are included in the governmental activities in the statement of net position. 159,529

Net pension obligation, a form of liability, are not due and payable in the current period and therefore are not reported in the funds. (1,093,524)

Net position of governmental activities **\$ 3,803,809**

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

**NORTHWESTERN INDIANA REGIONAL PLANNING COMMISSION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017**

	General	LaPorte RLF	Transit Operating	Transit Capital	Total Governmental Funds
REVENUES					
INTERGOVERNMENTAL - COUNTY APPROPRIATIONS	\$ 540,271	\$ -	\$ -	\$ -	\$ 540,271
INTERGOVERNMENTAL - FEDERAL AGENCIES	299,365	-	2,841,165	1,079,449	4,219,979
INTERGOVERNMENTAL - STATE AGENCIES	1,713,072	-	499,086	-	2,212,158
INTERGOVERNMENTAL - LOCAL AGENCIES	201,831	-	-	54,432	256,263
NON-GOVERNMENTAL	69,017	-	-	103,806	172,823
INTEREST INCOME	2,352	10,055	-	-	12,407
TOTAL REVENUES	2,825,908	10,055	3,340,251	1,237,687	7,413,901
EXPENDITURES					
CURRENT - PLANNING & DEVELOPMENT					
PERSONNEL SERVICES - SALARIES	1,300,245	-	-	-	1,300,245
PERSONNEL SERVICES - FRINGE BENEFITS	554,851	-	-	-	554,851
OTHER SERVICES AND CHARGES	1,094,758	212	3,340,251	-	4,435,221
CAPITAL OUTLAYS	88,492	-	-	1,237,687	1,326,179
TOTAL EXPENDITURES	3,038,346	212	3,340,251	1,237,687	7,616,496
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(212,437)	9,843	-	(0)	(202,594)
FUND BALANCE - BEGINNING	1,419,953	501,981	-	-	1,921,934
FUND BALANCE - ENDING	\$ 1,207,516	\$ 511,824	\$ -	\$ (0)	\$ 1,719,340

Amounts reported for governmental activities in the Statement of Activities are different because:

Net change in fund balances - total governmental funds (Statement of Revenues, Expenditures and Changes in Fund Balance) (202,594)

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.

Expenditures for capital assets - non depreciated	\$ 1,695	
Expenditures for capital assets	813,526	
Less current year depreciation expense	(1,020,173)	
Less reduction in accumulated depreciation related to disposal of assets	-	(204,952)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and are therefore not reported as expenditures in governmental funds. This is the amount by which compensated absences decreased in the current period. 5,035

Some expenses reported in the Statement of Activities do not require the use of current financial resources and are therefore not reported as expenditures in governmental funds. This is the amount by which net pension liability decreased in the current period.

	2016	2017	
Increase in deferred pension liability	\$ 1,274,395	\$ (1,093,524)	180,871
Net deferred outflows of resources for deferred pension	(495,096)	(308,202)	(186,894)
Deferred inflows of resources for deferred pension	89,172	(148,673)	(59,501)
			(65,524)

Change in net position of governmental activities (Statement of Activities): **\$ (468,035)**

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

**NORTHWESTERN INDIANA REGIONAL PLANNING
COMMISSION**
**Notes to the Financial
Statements December 31, 2017**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. ORGANIZATION OF THE REPORTING ENTITY

The Northwestern Indiana Regional Planning Commission (Commission) operates as a separate legal entity under provisions of the Indiana Code (Title 36, Article VII, Chapter 7.6). Its primary mission is planning and development coordination in northwestern Indiana, which includes Lake, Porter, and LaPorte Counties. Legislation enacted into law during 2007 changed the composition of the Commission. The governing body of the Commission currently consists of fifty-three members. Members are appointed by the counties, cities and towns within northwestern Indiana according to the provisions of the enabling legislation. Each county makes three appointments; each city and town appoint one member. All members must be elected officials. Members serve until replaced by the appointing authorities, which are typically the chief elected executive officials of the individual cities and towns and specified county officials. The Commission itself cannot remove a member for any reason.

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

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

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the activities of the Commission. Under governmental accounting standards, governmental activities, which normally are supported by taxes and intergovernmental revenues are reported separately from business-type activities which rely to a significant extent of fees and charges for support. The Commission does not have what are normally considered business-type activities.

The Statement of Activities demonstrates the degree to which direct expenses of a given function or segments are offset by program revenues. Direct expenses are clearly identifiable with a specific function or segment. Program revenues include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not properly included among program revenues are reported instead as general revenues.

The Commission has only governmental type funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

**NORTHWESTERN INDIANA REGIONAL PLANNING
COMMISSION
Notes to the Financial
Statements December 31, 2017
(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. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Revenues from cost reimbursable grants, contracts or similar agreements are recognized when expenditures are made or as soon as all eligibility requirements imposed by the provider have been met. The Commission occasionally reports unearned revenues that arise when resources are received by the Commission before it has a legal claim to them, such as when grant or contract monies are received prior to the incurrence of qualifying expenditures. In subsequent periods or when the Commission has a legal claim to the resources, the liability for unearned revenues is removed from the combined balance sheet and revenue is recognized.

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

The Commission has established the following major governmental funds:

General Fund: The general fund is the general operating fund of the Commission. It is used to account for all financial resources not accounted for and reported in another fund. The revenues received support the Commission's general operation as well as specific programs relating to the Commission's primary mission of planning and development coordination.

Special Revenue Funds: Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. Special revenue funds are designed to help determine and demonstrate that resources that must be used for a specified purpose are, in fact, used for that purpose. At the core of each special revenue fund must be resources derived from one or more specific revenue sources. The Commission has two special revenue funds:

LaPorte Revolving Loan Fund: This special revenue fund is used to account for the restricted financial resources that are used in conjunction with a revolving loan program which is regulated by the Economic Development Administration. The purpose of the revolving loan program is to foster economic growth and development by providing below market loans to businesses and industries locating or expanding operations within LaPorte County. This special revenue fund is used to issue loans and receipt in the principal and interest payments from those loans. Payments received are distributed as identified in the mandated management plan for the program.

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

Capital Projects Fund: Capital project funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. Capital project funds exclude those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations, or other governments.

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

**NORTHWESTERN INDIANA REGIONAL PLANNING
COMMISSION
Notes to the Financial
Statements December 31, 2017
(Continued)**

D. ASSETS, LIABILITIES AND NET POSITION

i. Deposits and Investments

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

State statute (IC 5-13-9) authorizes the Commission to invest in securities, including but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local government units.

ii. Capital Assets

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

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated acquisition value at the time received. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the useful life of an asset are not capitalized.

Statement No. 51 of the Governmental Accounting Standards Board (GASB), Accounting and Financial Reporting for Intangible Assets requires that intangible assets be classified as capital assets. For example, licensed financial accounting software that the government modifies to add special reporting capabilities would be considered internally generated software and is therefore an intangible asset. An intangible asset should be depreciated over the estimated useful life unless the intangible asset has an indefinite useful life. The Commission now owns an intangible asset.

The capitalization threshold (the dollar value above which asset acquisitions are added to the capital asset accounts) used by the Commission is \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Computer and similar equipment that does not meet the threshold and useful life test, is not depreciated but maintained as an inventory item.

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

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

iii. Compensated Absences

It is the Commission's policy to permit employees to accumulate earned but not used vacation and personal leave time. There is no liability for unpaid accumulated personal leave since the Commission does not have a policy to pay any amounts when employees separate from service with the Commission. Vacation pay is accrued when incurred in the government-wide financial statements. Vacation time is earned at the rate of 9-20 days per year based on the number of years of service. A maximum of 30 days may be accrued at the end of any annual reporting period.

**NORTHWESTERN INDIANA REGIONAL PLANNING
COMMISSION
Notes to the Financial
Statements December 31, 2017
(Continued)**

iv. Fund Balance

Fund balance for governmental funds should be reported in classifications that comprise a hierarchy on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

The classifications should depict the nature of the net resources that are reported in a governmental fund. The fund balance classifications are reported as follows: restricted, committed, assigned, non-spendable, and unassigned.

1. The restricted fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.
2. The committed fund balance category includes amounts that can be spent only for the specific purposes determined by a formal action of the Commission's Board.
3. The assigned fund balance category includes amounts that are constrained by the Commission's intent to be used for a specific purpose, but are neither restricted nor committed.
4. The non-spendable fund balance category includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The not in spendable form criterion includes items that are not expected to be converted to cash for example as inventories and prepaid amounts.
5. The unassigned fund balance category is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications.

The Commission has the following fund classifications: restricted and unassigned.

The Commission considers restricted or unrestricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. The Commission's policy is to spend the restricted balances first before spending any unrestricted funds. Likewise, committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

For the government-wide financial statements, net position is reported in three separate categories: investment in capital assets, net position—restricted, and net position—unrestricted. The financial statements report \$511,823 of restricted net position, of which \$0 is restricted by enabling legislation.

v. Allocated Costs

Under provisions of the U.S. Office of Management and Budget (OMB) Circular 2 CFR Part 200, the Commission allocates to each program activity those costs which are "(a) incurred for a common or joint purpose benefiting more than one cost objective, and (b) not readily assignable to the cost objectives specifically benefited, without effort disproportionate to the results achieved".

**NORTHWESTERN INDIANA REGIONAL PLANNING
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Notes to the Financial
Statements December 31, 2017
(Continued)**

There are two categories of costs which are allocated. The first is fringe benefits which includes the employer's cost of providing paid time off such as vacation, sick, personal, holiday, other leave (jury duty, military and funeral) and various types of insurance, retirement benefits, and social security taxes. The second is indirect costs, which includes those costs related to general management, finance and accounting, office operation and maintenance, and support services.

**NORTHWESTERN INDIANA REGIONAL PLANNING
COMMISSION
Notes to the Financial
Statements December 31, 2017
(Continued)**

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

During 2017, the Commission's allocation rates were as follows:

Fringe Benefits	84% of total direct salaries and wages
Other Indirect Costs	84% of total direct personnel

vi. Non-Governmental Accounts

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

E. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

a. BUDGETARY INFORMATION

Annual budgets for the governmental funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America. These funds include the Commission's general fund, its special revenue funds (the LaPorte Revolving Loan (RLF) Fund, and the Transit Operating Fund) and its one capital projects fund (the Transit Capital Fund). A proposed budget for the ensuing year is submitted to the Commission by the Executive Director. This usually occurs at the fourth quarterly meeting of the Commission which is typically held in October. The Commission may vote to adopt the budget at this meeting, or may call a special meeting to act on the budget. The budget as adopted by the Commission is organized by object class categories. Major object class categories (which typically include salaries, fringe benefits, occupancy, equipment service and maintenance, departmental, contractual, and capital outlays) represent the legal level of control. Amendments to the adopted budget may be made only by the Commission at any regular meeting of the Commission or at any special meeting of the Commission called to consider the budget. The Commission has established a Finance and Personnel Committee composed exclusively of Commission members appointed by the Chair. This Committee exercises financial oversight over Commission operations and establishes more detailed accounts. Amounts presented in the financial statements are the final budget amounts for the year, as legally amended. No supplemental budgetary appropriations were made during the year ended December 31, 2017. Encumbrance accounting, under which purchase orders, contracts or other commitments for the expenditure of resources are recorded in order to reserve that portion of a relevant appropriation, is employed as an extension of the Commission's formal budgeting process in the governmental funds. Encumbrances outstanding at year-end are reported as restricted fund balances since they do not constitute expenditures or liabilities. All appropriations lapse at year-end. Outstanding encumbrances at year-end are re-appropriated in the ensuing year. The Commission had no outstanding encumbrances at year-end.

**NORTHWESTERN INDIANA REGIONAL PLANNING
COMMISSION
Notes to the Financial
Statements December 31, 2017
(Continued)**

F. DETAILED NOTES ON ALL FUNDS

a. DEPOSITS

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

At year end, the Commission's ending balance amount of deposits was \$1,864,205.

As of December 31, 2017, the entire amount reported as cash and cash equivalents on the statement of net position and the balance sheet were in the form of demand deposits.

b. INVESTMENTS

Authorization for investment activity is stated in Indiana Code 5-13. As of December 31, 2017, the Commission had no investments.

c. OPERATING LEASES

The Commission leases office facilities, and copier equipment under non- cancelable operating leases. Total costs for such leases were \$229,062 for the year ended December 31, 2017. The future minimum lease payments for these leases are as follows:

<u>December 31,</u>	<u>Office</u>	<u>Copiers</u>	<u>Total</u>
2018	214,446	20,655	235,101
2019	219,807	20,655	240,462
2020	<u>225,302</u>	<u>12,049</u>	<u>237,351</u>
	<u>\$ 659,555</u>	<u>\$ 53,359</u>	<u>\$ 712,914</u>

**NORTHWESTERN INDIANA REGIONAL PLANNING
COMMISSION
Notes to the Financial
Statements December 31, 2017
(Continued)**

d. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2017 was as follows:

	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>
Governmental activities:				
Capital assets not being depreciated:				
Intangibles	\$ 10,828	\$1,695	\$ -	\$ 12,523
Total capital assets not depreciated	<u>10,828</u>	<u>1,695</u>	<u>-</u>	<u>12,523</u>
Capital assets being depreciated:				
Machinery and Equipment	9,105,089	813,526	696,396	9,222,219
Less accumulated depreciation for:				
Machinery and Equipment	<u>5,807,160</u>	<u>1,020,173</u>	<u>696,396</u>	<u>6,130,937</u>
Net capital assets being depreciated	<u>3,297,929</u>	<u>-</u>	<u>206,647</u>	<u>3,091,282</u>
Total governmental activity				
Capital assets, net	<u>\$3,308,757</u>	\$ -	<u>\$ 204,952</u>	\$ <u>3,103,805</u>

Depreciation expense was charged to functions/programs of the Commission as follows:

Governmental activities:	
Planning and Development Activities	\$ 3,390
Transit Capital	<u>1,016,243</u>
Total depreciation expense	<u>\$1,020,173</u>

e. LONG-TERM LIABILITIES

Changes in long-term liabilities for the Commission for the year ended December 31, 2017 were as follows:

**NORTHWESTERN INDIANA REGIONAL PLANNING
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Notes to the Financial
Statements December 31, 2017
(Continued)**

Changes in Long-Term Liabilities	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year	Amounts Due Thereafter
Government activities:						
Compensated absences	\$ 90,376	\$20,134	\$ (25,171)	\$ 85,339	\$ 8,534	\$ 76,805
Net pension liability	\$ 1,274,395	\$ -	\$(180,871)	\$ 1,093,524	\$ -	\$ 1,093,524

The General Fund typically has been used to liquidate any long-term liabilities.

**NORTHWESTERN INDIANA REGIONAL PLANNING
COMMISSION
Notes to the Financial
Statements December 31, 2017
(Continued)**

G. OTHER INFORMATION

a. RISK MANAGEMENT

The Commission is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; job related illnesses or injuries to employees; medical benefits to employees and dependents, and natural disasters for which the Commission carries commercial insurance from independent third parties. There were no significant reductions in insurance coverage in the prior year. The amounts of settlements have not exceeded insurance coverage for any of the past three fiscal years.

b. CONTINGENT LIABILITIES

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

**c. COST-SHARING MULTIPLE-EMPLOYER DEFINED BENEFIT
PENSION PLAN - PUBLIC EMPLOYEES' RETIREMENT FUND**

Plan Description

The Public Employees' Retirement Fund (PERF) provides pensions for all full-time Commission employees. The plan is a cost-sharing multiple-employer defined benefit plan administered by the Indiana Public Retirement System (INPRS). The pension system issues a publicly available financial report that can be obtained at www.inprs.in.gov

Benefits Provided

The plan provides retirement, disability and survivor benefits. The Indiana Code, Title 5, Articles 10.2 and 10.3, as amended only by the Indiana General Assembly, identifies the benefit provisions and establishes the authority under which employees and employers are obligated to contribute to the plan.

Retirement benefits for employees are calculated as years of credible service times the average highest 20 quarters of salary times 1.1% plus the employee's Annuity Savings Account. Normal retirement age is 60 with early retirement at 50-59 with 15 years of service. Vesting period is 10 years. An employee who leaves service may withdraw his or her Annuity Savings Account contributions, plus any accumulated interest. Benefit terms provide for annual cost of living adjustments to each employee's retirement allowance subsequent to the employee's retirement date. The annual adjustments are granted by the Indiana General Assembly on an ad hoc basis.

**NORTHWESTERN INDIANA REGIONAL PLANNING
COMMISSION
Notes to the Financial
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(Continued)**

Contributions

Per Indiana Code Title 5, Articles 10.2 and 10.3, contributions requirements of active employees and the participating employers are established and may be amended by the INPRS Board based on recommendations by the INPRS actuary. Employees are required to contribute three percent of their annual covered salary. The employer is required to contribute at an actuarially determined rate; the current rate for the calendar year 2017 is 11.20% percent of annual covered payroll. The annuity savings account consists of employee contributions, set by state statute at three percent of compensation, plus the interest credited to the employee's account. The employer may elect to make the contributions on behalf of the employee. In 2015, the Commission elected to pay the entire required employee contribution. The actuarial amount, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the PERF plan from the Commission were \$160,572 for the calendar year ended December 31, 2017.

Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2017, the Commission reported a liability of \$1,093,524 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Commission's proportion of the net pension liability was based on a projection of the Commission's long-term share of contributions to the pension plan relative to the projected contributions of all participating units, actuarially determined. At June 30, 2017, the Commission's proportion was .0002451 percent, which was a decrease of 0.0000267 from its proportion measured as of June 30, 2016. For the year ended December 31, 2017, the Commission recognized pension expense of \$180,871. At December 31, 2017, the Commission reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**NORTHWESTERN INDIANA REGIONAL PLANNING
COMMISSION**
Notes to the Financial
Statements December 31, 2017
(Continued)

	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between expected and actual experience	\$20,767	\$849
Net difference between projected and actual investment earnings on pension plan investments	172,976	54,826
Change of assumptions	17,557	\$ -
Changes in proportion and differences between employer contributions and proportionate share of contributions	17,709	92,998
Commission contributions subsequent to the measurement date	79,193	\$ -
Totals	\$308,202	\$148,673

\$79,193 reported as deferred outflows of resources related to pensions resulting from Commission contribution subsequent to the measurement date will be recognized as deferred outflows in the year ended December 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	Year Ended December 31, 2017
2018	\$ 31,219
2019	34,489
2020	20,513
2021	(5,885)
2022	-
Thereafter	-
Total	80,336

**NORTHWESTERN INDIANA REGIONAL PLANNING
COMMISSION
Notes to the Financial
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(Continued)**

Actuarial Assumptions

The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5%
Salary increases	3.5%
Investment rate of return	6.75% net of pension plan investment expense, including inflation
Mortality rates	RP-2014 Total Data Set Mortality tables projected on a fully generational basis using the future mortality improvement scale inherent in the mortality projection included in the Social Security Administration's 2014 Trustee Report

Annual rates of inflation are calculated using 12-month selections of the Consumer Price Index which is published monthly by the Labor Department's Bureau of Labor Statistics (BLS). The inflation percentage has not changed from year 2016 to 2017. Compensation costs for state and local government workers increased 2.5 percent for the 12-month period ending in December 2017. In December 2016, the increase was 2.4 percent. Wages and salaries increased 2.1 percent for the 12-month period ending in December 2017, the same as the December 2016 increase. Benefit costs increased 3.2 percent for the 12-month period ending in December 2017. The prior year's increase was 3.1 percent. The projected average annual rate of decline for the total age-sex-adjusted mortality rate is about 0.42 percent, 0.78 percent, and 1.16 percent between 2015 and 2090.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return as of June 30, 2017 for each major asset class are summarized in the following table.

**NORTHWESTERN INDIANA REGIONAL PLANNING
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Notes to the Financial
Statements December 31, 2017
(Continued)**

	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Public Equity	22.0%	4.9%
Private Equity	14.0%	5.7%
Fixed income - Ex inflation - linked	20.0%	2.3%
Fixed income - Inflation - Linked	7.0%	0.6%
Commodities	8.0%	2.2%
Real Estate	7.0%	3.7%
Absolute Return	10.0%	3.9%
Risk Parity	12.0%	5.1%

Discount Rate

The discount rate used to measure the total pension liability was 6.75 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from units will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Commission's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Commission's proportional share of the net pension liability calculated using the discount rate of 6.75 percent, as well as what the Commission's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1- percentage-point lower (5.75 percent) or 1-percentage point higher (7.75 percent) than the current rate:

	5.75%	6.75%	7.75%
	<u>1% Decrease</u>	<u>Current Rate</u>	<u>1% Increase</u>
	\$ 1,594,861	\$ 1,093,524	\$ 676,774

**NORTHWESTERN INDIANA REGIONAL PLANNING COMMISSION
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Budgeted Amounts		Actual Budgetary Basis Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Grantor	\$ 3,490,225	\$ 3,555,625	\$ 2,214,268	\$ (1,341,357)
Local	540,271	540,271	540,271	-
Interest	2,500	2,500	2,352	(148)
Other	41,457	47,057	69,017	21,960
	<u>4,074,453</u>	<u>4,145,453</u>	<u>2,825,908</u>	<u>(1,319,545)</u>
Total Revenues				
Expenditures:				
Personnel - Salaries	1,487,243	1,464,743	1,300,245	164,498
Personnel - Fringe Benefits	656,395	656,395	554,851	101,544
Occupancy	259,220	259,220	255,769	3,452
Equipment Service/Maintenance	72,500	72,500	65,300	7,200
Departmental	233,506	229,506	159,790	69,716
Contractual	1,264,589	1,362,089	613,899	748,190
Capital Outlays - Equipment & Furniture	101,000	101,000	88,492	12,508
	<u>4,074,453</u>	<u>4,145,453</u>	<u>3,038,345</u>	<u>1,107,108</u>
Total Expenditures				
Net Change In Fund Balance	-	-	(212,437)	(212,437)
Fund Balances - Beginning	<u>1,419,953</u>	<u>1,419,953</u>	<u>1,419,953</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 1,419,953</u>	<u>\$ 1,419,953</u>	<u>\$ 1,207,516</u>	<u>\$ (212,437)</u>

The accompanying Note to the Required Supplementary Information is an integral part of the required supplementary information.

**NORTHWESTERN INDIANA REGIONAL PLANNING COMMISSION
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
LAPORTE RLF
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Budgeted Amounts		Actual Budgetary Basis Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Inflows:				
New Loan Receivable	\$ 200,000	\$ 200,000	\$ -	\$ (200,000)
Interest Revenue	<u>-</u>	<u>-</u>	<u>10,055</u>	<u>10,055</u>
Total Inflows	<u>200,000</u>	<u>200,000</u>	<u>10,055</u>	<u>(189,945)</u>
Outflows:				
New Loans	200,000	200,000	-	200,000
Other Services and Charges	<u>-</u>	<u>-</u>	<u>212</u>	<u>(212)</u>
Total Outflows	<u>200,000</u>	<u>200,000</u>	<u>212</u>	<u>199,788</u>
Net Change In Fund Balance	-	-	9,843	9,843
Fund Balances - Beginning	<u>495,849</u>	<u>495,849</u>	<u>495,849</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 495,849</u>	<u>\$ 495,849</u>	<u>\$ 505,692</u>	<u>\$ 9,843</u>

The accompanying Note to the Required Supplementary Information is an integral part of the required supplementary information.

**NORTHWESTERN INDIANA REGIONAL PLANNING COMMISSION
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
TRANSIT OPERATING
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Budgeted Amounts		Actual Budgetary Basis Amounts	Variance With Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Grantor	\$ 3,764,616	\$ 3,764,616	\$ 3,340,251	\$ (424,365)
Total Revenues	<u>3,764,616</u>	<u>3,764,616</u>	<u>3,340,251</u>	<u>(424,365)</u>
Expenditures:				
Other Services and Charges	<u>3,764,616</u>	<u>3,764,616</u>	<u>3,340,251</u>	<u>424,365</u>
Total Expenditures	<u>3,764,616</u>	<u>3,764,616</u>	<u>3,340,251</u>	<u>424,365</u>
Net Change In Fund Balance	-	-	-	-
Fund Balances - Beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying Note to the Required Supplementary Information is an integral part of the required supplementary information.

**NORTHWESTERN INDIANA REGIONAL PLANNING COMMISSION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2017**

Note 1. Budgets and Budgetary Accounting

The Commission follows these procedures in establishing the budgetary data reflected in the budgetary comparison schedules:

- A. The Commission's annual budget for the governmental funds is adopted on a basis consistent with accounting principles generally accepted in the United States of America.
- B. A proposed budget for the ensuing year is submitted to the Commission by the Executive Director. This usually occurs at the fourth quarterly meeting of the Commission which is typically held in October.
- C. The budget as adopted by the Commission is organized by object class categories. Major object class categories which typically include salaries, fringe benefits, occupancy, equipment service and maintenance, departmental, contractual, and capital outlays represent the legal level of control.
- D. 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.
- E. The Commission has established a Finance and Personnel Committee composed exclusively of Commission members appointed by the Chair. This Committee exercises financial oversight over Commission operations and establishes more detailed accounts.
- F. Amounts presented in the financial statements are the final budget amounts for the year, as legally amended.

Note 2. Financial Reporting – Pension Plan

A. Plan Amendments

In 2017, there were no changes to PERF that impacted the pension benefits during the actuarial period.

B. Economic Assumptions:

As of June 30, 2017.

- a. Inflation 2.25% (no change from prior year).
- b. The future salary increases rate 2.25 percent per year
- c. Mortality (Healthy): RP-2014 White Collar Mortality Tables, with Social Security generational improvements from 2006 based on the Social Security Administration's 2014 Trustee Report. Mortality (Disabled): RP-2014 Disability Mortality Tables, with Social Security generational improvements from 2006 based on the Social Security Administration's 2014 Trustee Report.

NORTHWESTERN INDIANA REGIONAL PLANNING COMMISSION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2017
(Continued)

REQUIRED SUPPLEMENTARY INFORMATION					
SCHEDULE OF THE COMMISSION'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY					
Public Employees' Retirement Fund					
Last 10 Fiscal Years					
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	
Commission's proportion of the net pension liability (asset)	0.02541%	0.02808%	0.02687%	0.02607%	
Commission's proportion share of the net pension liability (asset)	\$ 1,093,524	\$ 1,274,395	\$ 1,094,389	\$ 685,103	
Commission's covered employee payroll	\$ 1,216,044	\$ 1,287,150	\$ 1,287,150	\$ 1,272,861	
Commission's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	89.9%	99.0%	85.0%	53.8%	
Plan fiduciary net position as a percentage of total pension liability	79.0%	PERF p 160 75.3%	77.3%	84.3%	
Information is not available prior to 2014. Additional years will be added until 10 years of historical data are shown.					

	<u>2017</u>	<u>2016</u>	<u>2015</u>	
Contractually required contributions	\$ 160,572	\$ 190,000	\$ 185,600	
Contributions in relation to the contractually required contribution	(136,197)	(150,726)	(144,161)	
Contribution deficiency (excess)	\$ 296,769	\$ 340,726	\$ 329,761	
Commission's covered employee payroll	\$ 1,216,045	\$ 1,345,765	\$ 1,287,150	
Contributions as a percentage of covered employee payroll	11.20%	11.20%	11.20%	
Information is not available prior to 2014. Additional years will be added until 10 of historical data are shown.				

**NORTHWESTERN INDIANA REGIONAL PLANNING COMMISSION
SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
TRANSIT CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Budgeted Amounts		Actual Budgetary Basis Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Grantor	\$ 1,953,599	\$ 1,953,599	\$ 1,079,449	\$ (874,150)
Local	421,853	421,853	158,238	(263,615)
Total Revenues	<u>2,375,452</u>	<u>2,375,452</u>	<u>1,237,687</u>	<u>(1,137,765)</u>
Expenditures:				
Capital outlays - transit equipment	<u>2,375,452</u>	<u>2,375,452</u>	<u>1,237,687</u>	<u>1,137,765</u>
Total Expenditures	<u>2,375,452</u>	<u>2,375,452</u>	<u>1,237,687</u>	<u>1,137,765</u>
Net Change In Fund Balance	-	-	-	-
Fund Balances - Beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

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

TO: THE OFFICIALS OF THE NORTHWESTERN INDIANA REGIONAL
PLANNING COMMISSION, PORTER COUNTY, INDIANA

Report on Compliance for the Major Federal Program

We have audited the Northwestern Indiana Regional Planning Commission's (Commission) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended December 31, 2017. The Commission's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Commission's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Commission's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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

Opinion on the Major Federal Program

In our opinion, the Commission complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2017.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2017-002. Our opinion on the major federal program is not modified with respect to these matters.

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

Report on Internal Control over Compliance

Management of the 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 Commission's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control over compliance.


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 a 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 a 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 identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2017-002, that we consider to be a material weakness.

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

The Commission's response to the internal control over compliance findings identified in our audit is described in the accompanying Corrective Action Plan. The 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.


Paul D. Joyce, CPA
State Examiner

September 20, 2018

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTES

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

**NORTHWESTERN INDIANA REGIONAL PLANNING COMMISSION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2017**

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Pass-Through To Subrecipient	Commission Expended	Total Federal Awards Expended
<u>U.S. DEPARTMENT OF COMMERCE</u>					
Direct Grant					
Economic Development Cluster					
Economic Adjustment Assistance					
LaPorte Revolving Loan Fund	11.307	06-39-02180	\$ -	\$ 368,519	\$ 368,519
Pass-Through Northwest Indiana Regional Development Authority					
Coastal Zone Management Administration Awards	11.419	CZ520	-	33,527	33,527
Total for Federal Grantor Agency			-	402,046	402,046
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>					
Direct Grant					
Federal Transit Cluster					
Federal Transit_Formula Grants					
	20.507	IN-90-X667	546,818	408,511	955,329
		IN-95-X053	-	137,496	137,496
		IN-2016-X030	109,412	-	109,412
		IN-95-X035	257,248	-	257,248
		IN-16-X027	261,257	34,561	295,818
		IN-2016-X015	-	307,352	307,352
		IN-2016-X033	866,583	291,594	1,158,177
		IN-2016-X030	112,724	-	112,724
		IN-90-X609-01	2,412	-	2,412
		IN-34-0012-00	-	137,926	137,926
		IN-90-X669	123,718	-	123,718
		IN-95-X035	262,866	-	262,866
		IN90-X653	134,662	8,276	142,938
Total for Cluster			2,677,700	1,325,716	4,003,416
Transit Services Program Cluster					
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	IN-16-X012	81,886	-	81,886
New Freedom Program	20.521	IN-57-X010	81,579	-	81,579
Total for Cluster			163,465	-	163,465
Pass-Through Indiana Department of Transportation					
Highway Planning and Construction Cluster					
Highway Planning and Construction	20.205	0017804837	-	808,839	808,839
Highway Planning and Construction		0018801273	-	353,904	353,904
Congestion Mitigation and Air Quality (CMAQ)		CQ-0016804160	-	315,782	315,782
		HSIP-0016816485	-	229,172	229,172
Total for Cluster			-	1,707,697	1,707,697
Total for Federal Grantor Agency			2,841,165	3,033,413	5,874,578
<u>U.S. ENVIRONMENTAL PROTECTION AGENCY</u>					
Pass-Through Indiana Department of Environmental Management					
Nonpoint Source Implementation Grants	66.460	0014530174	-	7,401	7,401
Pass-Through Northwest Indiana Regional Development Authority					
Brownfields Assessment and Cleanup Cooperative Agreements	66.818	1151	-	14,688	14,688
Total for Federal Grantor Agency			-	22,088	22,089
Total Federal Awards Expended			\$ 2,841,165	\$ 3,457,547	\$ 6,298,713

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

**NORTHWESTERN INDIANA REGIONAL PLANNING COMMISSION
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
DECEMBER 31, 2017**

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes the federal grant activity of the District under programs of the federal government for the year ended December 31, 2017. The information in the SEFA is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Because the SEFA presents only a select portion of the operations of the District, it is not intended to and does not present the financial position of the District.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the SEFA are reported on the cash basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowed or are limited as to reimbursement. When federal grants are received on a reimbursement basis, the federal awards are considered expended when the reimbursement is received. The District has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note 3. Calculation of Expenditures of the Economic Development Administration Revolving Loan Fund

Balance of RLF loans outstanding at the end of the fiscal year	\$	303,266
Plus: Cash and investment balance in the RLF at the end of the fiscal year		<u>205,642</u>
Total Calculation Basis		508,908
Calculation for Federal Participation Rate		
Original Economic Development Administration Funding		700,000
Local Match:		<u>266,667</u>
Total Original Grant with Original Match		966,667
Federal Participation Rate (Federal grant awarded divided by total program)		72.41%
The Federal share of the LaPorte Revolving Loan Fund	\$	368,519

NORTHWESTERN INDIANA REGIONAL PLANNING COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I - Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness identified?	yes
Significant deficiency identified?	none reported
Noncompliance material to financial statements noted?	no

Federal Awards:

Internal control over major program:	
Material weakness identified?	yes
Significant deficiency identified?	none reported
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	yes

Identification of Major Program and type of auditor's report issued on compliance for it:

<u>Name of Federal Program or Cluster</u>	<u>Opinion Issued</u>
Highway and Planning Construction Cluster	Unmodified

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee?	yes
--	-----

Section II - Financial Statement Findings

FINDING 2017-001

Subject: Account Balances, Financial Transactions, and Financial Reporting

Audit Finding: Material Weakness

Condition

There were deficiencies in the internal control system of the Commission related to account balances, financial transactions and financial reporting. The Commission had not separated incompatible activities related to Revenue, Accounts Receivable, Net Position, Net Pension Obligation, and financial reporting. Control procedures established to ensure the accuracy of Capital Assets were not effective.

Revenue

Receipts were entered into the accounting software by one employee and posted to the accounting software by the same employee. Bank reconciliations, which were performed by another employee, included a list of deposits and receipts; however, the fund into which they were receipted was not listed. There was no documentable review of revenue.

NORTHWESTERN INDIANA REGIONAL PLANNING COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Accounts Receivable and Net Position

The account balances for Accounts Receivable and Net Position were prepared by one employee without a review or oversight process to ensure the accuracy of the balances.

Net Pension Obligation

The calculations for Net Pension Obligation, including corresponding deferred outflows and deferred inflows, were prepared by one employee without a review or oversight process to ensure the accuracy of the calculations.

Capital Assets

The Commission had a control procedure in place to ensure the accuracy of the reported capital assets; however, the control did not operate effectively. The original capital asset documentation provided for audit did not support the amounts reported on the financial statements. The Commission then provided complete capital asset documentation and adjusted the amounts reported on the financial statements.

Financial Reporting

The Commission did not have adequate internal controls over financial reporting to facilitate the preparation of accurate and complete financial statements. One individual prepared the financial statements and notes to the financial statements. A proper system of oversight or review was not in place to ensure that the financial information gathered was accurate and supported by the Commission's records.

Context

The lack of effective controls was a systemic issue throughout the audit period.

Criteria

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

An integral part of the control activity component is segregation of duties. . . .

There is an expectation of segregation of duties. If compensating controls are necessary documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . ."

NORTHWESTERN INDIANA REGIONAL PLANNING COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Cause

Management of the Commission had not established a proper system of internal control that segregated key functions.

Effect

The failure to establish effective controls could have enabled misstatements or irregularities to remain undetected.

Recommendation

We recommended that the Commission establish a system of internal controls related to account balances and financial transactions and financial reporting.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

Section III - Federal Award Findings and Questioned Costs

FINDING 2017-002

Subject: Highway Planning and Construction - Suspension and Debarment

Federal Agency: U.S. Department of Transportation

Federal Program: Highway Planning and Construction

CFDA Number: 20.205

Federal Award Numbers and Years (or Other Identifying Numbers): 0017804837, 0018801273
HSIP-0016816485

Pass-Through Entity: Indiana Department of Transportation

Compliance Requirement: Procurement and Suspension and Debarment

Audit Findings: Material Weakness, Other Matters

Condition

An effective internal control system was not in place at the Commission in order to ensure compliance with requirements related to the grant agreement and the Procurement and Suspension and Debarment compliance requirement. The Commission did not have effective internal controls in place to ensure that the suspension and debarment requirements of 2 CFR 180.300 were met.

The Commission failed to provide evidence that a search of the Excluded Parties List Systems through the System of Award Manager Center was conducted, that certification from the entity was collected, or that a clause or condition was added to the contract.

Context

The lack of effective controls and noncompliance was applicable to one of the two contracts entered into during the audit period.

NORTHWESTERN INDIANA REGIONAL PLANNING COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Criteria

2 CFR section 200.303 states in part:

"The non-Federal entity must:

- (a) Establish and maintain effective internal control over Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

2 CFR 180.300 states:

"When you enter into a covered transaction with another person at the next lower tier, you must verify that the person with whom you intend to do business is not excluded or disqualified.

You do this by:

- (a) Checking SAM Exclusions; or
- (b) Collecting a certification from that person; or
- (c) Adding a clause or condition to the covered transaction with that person."

Cause

The Commission's management had not developed a system of internal controls that would have ensured compliance with the suspension and debarment requirements.

Effect

The failure to establish an effective internal control system enabled noncompliance to go undetected. Noncompliance with the grant agreement and the suspension and debarment requirements could have resulted in the loss of federal funds to the Commission.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the Commission's management establish controls to ensure compliance with the Procurement and Suspension and Debarment compliance requirement.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

AUDITEE-PREPARED SCHEDULE

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

CORRECTIVE ACTION PLAN

FINDING 2017-001

Contact Person Responsible for Corrective Action: Daria Sztaba
Contact Phone Number: 219-254-2502

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

1. Internal Control Segregation of Duties revised and implemented on June 25th 2018 (a copy attached).
2. All financials will be prepared by one employee (Financial Analyst or Chief Accountant) and check by the CFO or Chief of Staff.
3. Revenue and expenses by fund are reviewed by CFO /Chief Accountant on a monthly basis as of June 2018.
4. Revenue information added to the F&P Committee as of August 2018.
5. The Capital assets are done by a Procurement Coordinator and check by Chief Accountant or Financial Analyst (Hired Sept 2018).

Anticipated Completion Date:
Implemented in 2018.

X *Daria M. Sztaba*

Daria M Sztaba

CFO

(Title)

9-25-2018

(Date)

CORRECTIVE ACTION PLAN

FINDING 2017-002

Contact Person Responsible for Corrective Action: Daria Sztaba
Contact Phone Number: 219-763-6060

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

During 2017, NIRPC had major changes in the Finance department. In July, the Chief Accountant resigned and a month later, the CFO resigned as well. The Finance Department was without critical employees to attend to the financial needs of the department. NIRPC had non-financial employees helping in unfamiliar areas, and eventually hire a Temp Accountant. In Nov of 2017, key financial players, CFO and Chief Accountant, were hired and year end processes started.

Effective internal controls have already begun in 2018. Requirements for suspension and debarments are included in the contracts they were missing and sams.gov has been visited and printouts are attached to the contracts.

Anticipated Completion Date:
September 2018 for all federal grants.

Daria M. Sztaba

(Signature)

CFO

(Title)

9-25-2018

(Date)

OTHER REPORTS

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