

NORTH CENTRAL REGIONAL PLANNING COMMISSION

**FINANCIAL STATEMENT
WITH INDEPENDENT AUDITORS' REPORT**

FOR THE YEAR ENDED MARCH 31, 2017

NORTH CENTRAL REGIONAL PLANNING COMMISSION

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INDEPENDENT AUDITORS' REPORT

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Executive Board Members
North Central Regional Planning Commission
Beloit, Kansas

Report on the Financial Statement

We have audited the accompanying summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of the North Central Regional Planning Commission (Commission), a Municipality, as of and for the year ended March 31, 2017 and the related notes to the financial statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the *Kansas Municipal Audit and Accounting Guide* as described in Note 1 to meet the financial reporting requirements of the State of Kansas; this includes determining that the regulatory basis of accounting is an acceptable basis for the preparation of a financial statement in the circumstances. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit 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 *Kansas Municipal Audit and Accounting Guide*. Those standards and guidance require we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement.

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

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

MEMBERS:
American Institute of
Certified Public Accountants

Kansas Society of Certified
Public Accountants



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

As described in Note 1 of the financial statement, the financial statement is prepared by the Commission to meet the requirements of the State of Kansas on the basis of the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide*, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Commission as of March 31, 2017, or changes in financial position and cash flows thereof for the year then ended.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the aggregate cash and unencumbered cash balances of the Commission as of March 31, 2017, and the aggregate receipts and expenditures for the year then ended in accordance with the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide* described in Note 1.

Other Matters

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances (basic financial statement) as a whole. The individual fund schedules of regulatory basis receipts and expenditures and schedule of regulatory basis receipts and expenditures-actual and budget (Schedules 1 and 2 as listed in the table of contents) are presented for analysis and are not a required part of the basic financial statement, however are required to be presented under the provisions of the *Kansas Municipal Audit and Accounting Guide*. The accompanying schedule of expenditures of federal awards (see Single Audit Section in the table of contents) is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the financial statement.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statement. The information has been subjected to the auditing procedures applied in the audit of the basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statement or to the basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statement as a whole, on the basis of accounting described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2017, on our consideration of the Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

Pottberg, Gassman & Hoffman, Chld.

Pottberg, Gassman & Hoffman, Chartered
Manhattan, Kansas
December 1, 2017

NORTH CENTRAL REGIONAL PLANNING COMMISSION

SUMMARY OF RECEIPTS, EXPENDITURES AND UNENCUMBERED CASH

REGULATORY BASIS

FOR THE YEAR ENDED MARCH 31, 2017

<u> Fund</u>	<u>Beginning</u>	<u>Prior Year</u>	<u>Receipts</u>	<u>Expenditures</u>	<u>Ending</u>	<u>Add</u>	<u>Ending</u>
<u>Governmental Type Fund:</u>	<u>Unencumbered</u>	<u>Canceled</u>	<u> </u>	<u> </u>	<u>Unencumbered</u>	<u>Encumbrances</u>	<u>Cash Balance</u>
<u>General Fund</u>	<u>Cash Balance</u>	<u>Encumbrances</u>	<u> </u>	<u> </u>	<u>Cash Balance</u>	<u>and Accounts</u>	<u>Cash Balance</u>
<u>Special Purpose Fund:</u>						<u>Payable</u>	
<u>Revolving Loan Fund</u>							
	\$ 491,206	-	\$ 4,476,623	\$ 4,513,021	\$ 454,808	\$ 11,214	\$ 466,022
	<u>166,252</u>	<u>-</u>	<u>204,019</u>	<u>155,792</u>	<u>214,479</u>	<u>-</u>	<u>214,479</u>
Total Reporting Entity	\$ 657,458	\$ -	\$ 4,680,642	\$ 4,668,813	\$ 669,287	\$ 11,214	\$ 680,501
Composition of Cash							
					Checking Accounts		\$ 474,778
					Certificates of Deposit		<u>205,723</u>
					Total Reporting Entity		\$ 680,501

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

NORTH CENTRAL REGIONAL PLANNING COMMISSION

NOTES TO THE FINANCIAL STATEMENT
MARCH 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Municipal Financial Reporting Entity

The North Central Regional Planning Commission (Commission) was created under provisions of K.S.A. 12-2901 *et seq.* per resolutions, and presently serves a twelve-county area of North Central Kansas. The purpose of the Commission is to support the activities of member counties and cities, giving local leadership access to information and technical expertise, which would otherwise be unavailable in a truly rural setting.

The Commission was officially recognized as the Regional Planning Commission for the area in March 1972. Membership consists of county and / or city governmental units. The Governing Board is composed of one representative of each county commission or municipality, as well as private sector and at-large representatives. Total executive board membership on March 31, 2017 was sixteen.

B. Fund Accounting

A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific regulations, restrictions, or limitations. Certain funds contain restricted cash because their use is limited by debt covenants, statutory requirements, grant requirements or are held in a fiduciary or agency capacity.

The following types of funds comprise the financial activities of the Commission for the year ended March 31, 2017:

General Fund – the chief operating fund of the Commission. This fund is used to account for all financial resources not accounted for in other funds and is therefore, unrestricted.

Special Purpose Fund – used to account for the proceeds of specific tax levies and other specific revenue sources (other than Capital Project and tax levies for long-term debt) that are intended for specified purposes.

C. Regulatory Basis of Accounting and Departure from Accounting Principles Generally Accepted in the United States of America.

The KMAAG regulatory basis of accounting involves the recognition of cash, cash equivalents, marketable investments, and certain accounts payable and encumbrance obligations to arrive at a net unencumbered cash and investments balance on a regulatory basis for each fund, and the reporting of changes in unencumbered cash and investments of a fund resulting from the difference in regulatory basis revenues and regulatory basis expenditures for the fiscal year. All recognized assets and liabilities are measured and reported at cost, unless they have been permanently impaired and have no future cash value or represent no future obligation against cash. The KMAAG regulatory basis does not recognize capital assets, long-term debt, accrued receivables and payables, or any other assets, liabilities or deferred inflows or outflows, other than those mentioned above.

The Commission has approved a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of generally accepted accounting principles and allowing the municipality to use the regulatory basis of accounting.

NORTH CENTRAL REGIONAL PLANNING COMMISSION

NOTES TO THE FINANCIAL STATEMENT
MARCH 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

D. Budgetary Control

The Commission's management prepares a budget of estimated receipts and expenditures annually for the ensuing fiscal year. The annual operating budget is adopted, but is for internal management use only. State of Kansas statutes do not require the Commission to prepare or submit a legal budget.

Spending is controlled by federal regulations, other statutes, or by use of internal spending limits established by the governing body. A comparison of actual receipts and expenditures and budget amounts is presented as supplemental information.

E. Encumbrances for Grants

The Commission is a quasi-governmental entity that is not required to prepare a legal budget. Due to the Commission having federal awards that cover multiple years and contracts that are signed in advance of work, encumbrances are not recorded for these items. In addition, expenditures made prior to the start of the grant are not allowed for reimbursement.

F. Date of Management's Review

Management has evaluated subsequent events through December 1, 2017, the date on which the financial statement was available to be issued.

NOTE 2 - DEPOSITS

K.S.A. 9-1401 establishes the depositories which may be used by the Commission. The statute requires banks eligible to hold the Commission's funds have a main or branch bank in the county in which the Commission is located, or in an adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The Commission has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the Commission's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The Commission has no investment policy that would further limit its investment choices.

Concentration of credit risk. State statutes place no limit on the amount the Commission may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405.

Custodial credit risk – deposits. Custodial credit risk is the risk that in the event of a bank failure, the Commission's deposits may not be returned to it. State statutes require the Commission's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. The Commission has no designated 'peak periods.'

As of March 31, 2017, the Commission's carrying amount of deposits was \$680,501 and the bank balances totaled \$1,092,718. The bank balance was held by two banks resulting in a concentration of credit risk. Of the bank balances, \$500,000 was covered by federal depository insurance and \$592,718 was collateralized with securities held by the pledging financial institution's agents in the Commission's name.

NORTH CENTRAL REGIONAL PLANNING COMMISSION

NOTES TO THE FINANCIAL STATEMENT MARCH 31, 2017

NOTE 3 - REVOLVING LOAN FUND

In 1990, the Commission received an Economic Development Administration (EDA) grant of \$472,650 to be used in a revolving loan fund program matched with \$158,377 in local funds. On September 5, 2013 the EDA approved the expansion of the service area of the fund, from 9 counties to 12. Each of the new counties provided \$17,600 of local matching funds for a total of \$52,800 being added to the capital base of the fund in perpetuity. No more than 100% of the interest received from these loans may be used for documented administrative costs. The Commission cannot leave more than 25% of the funds idle for more than two consecutive semi-annual reporting periods or the overage amount exceeding \$5,000 may be sequestered unless a 6-month extension is granted. The EDA reviews the NCRPC/RLF program by requiring semi-annual reports for periods ending March 31 and September 30 and periodic on-site monitoring.

As of March 31, 2017, there were 11 loans outstanding totaling \$759,348 with interest rates of 5.00%.

NOTE 4 – OTHER LONG-TERM OBLIGATIONS FROM OPERATIONS

Compensated Absences. The Commission's policy is to recognize the costs of compensated absences when actually paid. The Commission's policy regarding vacation leave allows full-time permanent employees to earn one day of vacation for each month of continuous employment. An employee may accumulate a maximum of 15 days at a time. Management estimated a dollar amount of accrued vacation at March 31, 2017 of \$32,646.

Regular full-time employees accumulate sick leave at the rate of one day per month, and may accumulate up to 180 days. Employees are not paid unused sick pay upon termination.

NOTE 5 - DEFINED BENEFIT PENSION PLAN

Plan description. The Commission participates in the Kansas Public Employees Retirement System (KPERS) a cost-sharing, multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, et. seq. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. KPERS' financial statements are included in its Comprehensive Annual Financial Report which can be found on the KPERS website at www.kpers.org or by writing to KPERS (611 South Kansas, Suite 100, Topeka, KS 66603) or by calling 1-888-275-5737.

Contributions. K.S.A. 74-4919 and K.S.A. 74-49,210 establish the KPERS member-employee contribution rates. KPERS has multiple benefit structures and contribution rates depending on whether the employee is a KPERS 1, KPERS 2, or KPERS 3 member. KPERS 1 members are active and contributing members hired before July 1, 2009. KPERS 2 members were first employed in a covered position on or after July 1, 2009, and KPERS 3 members were first employed in a covered position on or after January 1, 2015. Effective January 1, 2015, Kansas law established the KPERS member-employee contribution rate at 6% of covered salary for KPERS 1, KPERS 2, and KPERS 3 members. Member contributions are withheld by their employer and paid to KPERS according the provisions of Section 414(h) of the Internal Revenue Code.

State law provides that the employer contribution rates for KPERS 1, KPERS 2, and KPERS 3 be determined based on the results of each annual actuarial valuation. Kansas law sets a limitation on annual increases in the employer contribution rates. The actuarially determined employer contribution rate (not including the 1.0% contribution rate through March 31, 2016 with a 0% moratorium until June 30, 2017 for Death and Disability Program) and the statutory contribution rate was 9.18% for the period of April 1, 2016 through December 31, 2017 and 8.46% from January 1, 2017 through March 31, 2017. Contributions to the pension plan from the Commission were \$68,743 for the year ended March 31, 2017.

NORTH CENTRAL REGIONAL PLANNING COMMISSION

NOTES TO THE FINANCIAL STATEMENT
MARCH 31, 2017

NOTE 5 - DEFINED BENEFIT PENSION PLAN, continued

Net Pension Liability. At December 31, 2016, the Commission's proportionate share of the collective net pension liability reported by KPERS was \$666,723. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015, which was rolled forward to June 30, 2016. The Commission's proportion of the net pension liability was based on the ratio of the Commission's contributions to KPERS, relative to the total employer and non-employer contributions to the Local subgroup within KPERS. Since the KMAAG regulatory basis of accounting does not recognize long-term debt, this liability is not reported on the financial statement.

The complete actuarial valuation report including all actuarial assumptions and methods, and the report on the allocation of the KPERS collective net pension liability to all participating employers are publicly available on the website at www.kpers.org or can be obtained as described above.

NOTE 6 - LITIGATION

There were no legal actions involving the Commission as of March 31, 2017.

NOTE 7 - RISK MANAGEMENT

The Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To insure against risk of these types of losses, the Commission has purchased commercial insurance coverage. In the past three years, the Commission has not had any claims.

SUPPLEMENTAL INFORMATION

NORTH CENTRAL REGIONAL PLANNING COMMISSION
GENERAL FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES
REGULATORY BASIS
FOR THE YEAR ENDED MARCH 31, 2017

	Weatherization										Total
	General	Homeland Security	LIEAP	DOE	KGS	KS15	KCC	Economic Development	Health	USDA Food Hub	
Receipts:											
Grant Income and Contracts	\$ 286,214	2,349,747	559,949	196,699	63,549	280,060	118,658	66,000	45,652	1,009	3,967,537
Local Contributions & Dues	55,950	-	-	-	-	-	-	-	-	-	55,950
Business Finance Program	65,431	-	-	-	-	-	-	-	-	-	65,431
Rural Tax Credit Program	53,523	-	-	-	-	-	-	-	-	-	53,523
EDA Grant Local Match	-	-	-	-	-	-	-	66,000	-	-	66,000
USDA Pass Through	-	-	-	-	-	-	-	-	-	11,094	11,094
Interest from Bank	1,606	64	-	-	-	-	-	-	-	-	1,670
Reimbursement / Fees	229,765	-	-	-	-	-	-	-	-	-	229,765
Miscellaneous Revenue	25,529	-	-	-	-	-	-	-	-	-	25,529
Total Receipts	718,018	2,349,811	559,949	196,699	63,549	280,060	118,658	132,000	45,652	124	4,476,623
Expenditures:											
Homeland Security Expenses	1,637	2,391,798	-	-	-	-	-	-	-	-	2,393,435
Salaries and Wages	346,476	-	111,679	49,690	18,233	32,140	28,273	87,605	26,082	1,284	701,462
Payroll Taxes and Benefits	114,516	-	26,534	11,844	1,986	11,729	7,168	22,412	5,130	374	201,693
Audit	4,691	-	-	9,000	-	-	-	1,000	250	-	14,941
Building Repair and Maintenance	238	-	31	9	-	6	22	20	-	-	326
Insurance	12,592	-	10,562	1,732	254	3,019	1,106	2,245	116	-	31,626
Office Supplies	6,888	-	1,908	524	114	759	468	981	348	-	11,990
Dues / Subscriptions	3,252	-	391	145	23	217	117	3,559	75	-	7,779
Postage	6,019	-	875	235	51	339	221	483	-	-	8,223
Occupancy Expense	7,468	-	2,078	633	149	931	580	1,398	1,546	-	14,783
Telephone and Utilities	51,654	-	3,727	1,171	273	1,787	1,104	1,520	1,548	-	62,794
Equipment Rental/Maintenance	12,024	-	5,011	1,877	554	2,183	622	1,130	1,560	-	24,961
Materials and Supplies	29,887	-	213,558	44,864	19,766	103,585	72,849	-	-	-	484,509
Professional Fees	9,493	-	706	189	39	270	264	455	3,718	11,739	26,873
Travel	12,036	-	5,423	2,952	345	2,329	13	8,004	2,151	131	33,384
Transfers Out - Local Match	66,000	-	-	-	-	-	-	-	-	-	66,000
Conferences and Seminars	3,975	-	115	14,983	-	78	-	756	150	-	20,057
Contract Labor	20,703	-	177,048	51,957	20,524	62,228	65,650	428	1,500	-	400,038
Miscellaneous Expense	6,138	-	303	147	15	163	1,377	4	-	-	8,147
Total Expenditures	715,687	2,391,798	559,949	191,952	62,326	221,773	179,934	132,000	44,174	13,528	4,513,021
Receipts Over Expenditures											(36,398)
Unencumbered Cash, Beginning											491,206
Unencumbered Cash, Ending											<u>\$ 454,808</u>

NORTH CENTRAL REGIONAL PLANNING COMMISSION
SPECIAL PURPOSE FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES
REGULATORY BASIS
FOR THE YEAR ENDED MARCH 31, 2017

REVOLVING LOAN FUND**Receipts:**

Principal Payments	\$ 160,853
Interest on Loans	41,288
Interest From Bank	283
Closing Costs / Fees	1,595
Total Receipts	<u>204,019</u>

Expenditures:

Salaries and Wages	22,721
Payroll Taxes and Benefits	6,865
Audit	1,000
Building Repair and Maintenance	5
Insurance	578
Office Supplies	301
Dues / Subscriptions	46
Postage	69
Occupancy Expense	349
Telephone and Utilities	305
Equipment Rental / Maintenance	228
Professional Fees	1,602
Travel	756
Loans Granted	120,500
Contract Labor	114
Loan Closing Costs	334
Miscellaneous Expense	19
Total Expenditures	<u>155,792</u>
Receipts over Expenditures	48,227
Unencumbered Cash, Beginning	<u>166,252</u>
Unencumbered Cash, Ending	<u>\$ 214,479</u>

NORTH CENTRAL REGIONAL PLANNING COMMISSION
GENERAL FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS
FOR THE YEAR ENDED MARCH 31, 2017

GENERAL FUND	<u>Actual</u>	<u>Budget</u>	Variance - Over (Under)
Receipts:			
Grant Income and Contracts	3,967,537	3,980,085	(12,548)
Local Contributions & Dues	55,950	55,540	410
Business Finance Program	65,431	67,000	(1,569)
Rural Tax Credit Program	53,523	53,000	523
EDA Grant Local Match	66,000	66,000	-
USDA Pass Through	11,094	-	11,094
Interest from Bank	1,670	2,000	(330)
Interest on Loans	-	40,000	(40,000)
Reimbursement / Fees	229,765	267,000	(37,235)
Miscellaneous Revenue	25,653	51,000	(25,347)
Total Receipts	<u>4,476,623</u>	<u>4,581,625</u>	<u>(105,002)</u>
Expenditures:			
Homeland Security Expenses	2,393,435	2,200,000	193,435
Salaries and Wages	701,462	752,658	(51,196)
Payroll Taxes and Benefits	201,693	254,629	(52,936)
Audit	14,941	23,000	(8,059)
Building Repair and Maintenance	326	1,000	(674)
Insurance	31,626	33,000	(1,374)
Office Supplies	11,990	11,000	990
Dues / Subscriptions	7,779	8,000	(221)
Postage	8,223	9,000	(777)
Occupancy Expense	14,783	14,000	783
Telephone and Utilities	62,794	66,000	(3,206)
Equipment Rental/Maintenance	24,961	26,000	(1,039)
Materials and Supplies	484,509	477,000	7,509
Professional Fees	26,873	30,000	(3,127)
Travel	33,384	48,000	(14,616)
Transfers Out - Local Match	66,000	66,000	-
Conferences and Seminars	20,057	16,000	4,057
Contract Labor	400,038	389,000	11,038
Miscellaneous Expense	8,147	10,100	(1,953)
Total Expenditures	<u>4,513,021</u>	<u>4,434,387</u>	<u>78,634</u>
Receipts Over Expenditures	<u>(36,398)</u>	<u>147,238</u>	<u>(183,636)</u>

SINGLE AUDIT SECTION

NORTH CENTRAL REGIONAL PLANNING COMMISSION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED MARCH 31, 2017

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Agriculture			
Rural Development			
Rural Business Development Grant	10.351		\$ 11,577
Total U.S. Department of Agriculture			<u>11,577</u>
U.S. Department of Commerce			
Economic Development Administration			
Support for Planning Organization	11.302	05-83-05338	66,000
Economic Development Administration - Economic Adjustment Assistance			
Revolving Loan Fund	11.307	05-390-2438	711,982
Total U.S. Department of Commerce			<u>777,982</u>
U.S. Department of Energy			
Passed through Kansas Housing Resources Corporation			
Weatherization Assistance for Low Income Persons	81.042	DOE 15	62,445
	81.042	DOE 16	128,600
Total U.S. Department of Energy			<u>191,045</u>
U.S. Department of Health and Human Services			
Passed through Kansas Department of Health and Environment			
Public Health Emergency Preparedness	93.069	PHEP 16	11,881
	93.069	PHEP 17	32,293
			<u>44,174</u>
Passed through Kansas Housing Resources Corporation			
Low Income Home Energy Assistance Program	93.568	2016-LIEAP-16	559,949
			<u>559,949</u>
Total U.S. Department of Health and Human Services			<u>604,123</u>
U.S. Department of Homeland Security			
Passed through the Kansas Highway Patrol			
Homeland Security Grant Program	97.067	SHSP FY10	35
		SHSP FY14	295,821
		SHSP FY 15	1,168,326
		SHSP FY16	817,218
			<u>2,281,400</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>\$ 3,866,127</u></u>

The accompanying notes are an integral part of this schedule.

NORTH CENTRAL REGIONAL PLANNING COMMISSION

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED MARCH 31, 2017

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal grant activity of North Central Regional Planning Commission (Commission) under programs of the federal government for the year ended March 31, 2017. The information in the Schedule is presented in accordance with the requirements of Title 2, *U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance.) Because the Schedule presents only a selected portion of the operations of the Commission, it is not intended to and does not present the financial position or changes in the financial position of the Commission.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported using the regulatory basis of accounting prescribed by the State of Kansas in the *Kansas Municipal Audit and Accounting Guide* to demonstrate compliance with the cash basis of the State of Kansas, the same basis as the financial statements accompanying this schedule, except that encumbrances are not included as noted in NOTE 1 to the financial statements.

The Commission has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance as they utilize the negotiated indirect cost rates as specified per their grants.

NOTE 3 – EDA RLF (CFDA 11.307) CALCULATION

For purposes of completing the Schedule of Expenditures of Federal Awards the EDA RLF grant expenditures are calculated as follows. The balance of RLF loans outstanding at the end of the fiscal year (1) plus, the cash balance of the RLF fund at the end of the fiscal year (2), plus the administrative expenses paid from the RLF fund during the fiscal year (3), times the federal share of the RLF.

(1)	\$ 759,348
(2)	233,556
(3)	<u>37,162</u>
	1,030,066
	x 69.12%
	<u>\$ 711,982</u>



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

**Executive Board Members
North Central Regional Planning Commission
Beloit, Kansas**

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the *Kansas Municipal Audit and Accounting Guide* and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statement of North Central Regional Planning Commission (Commission) as of and for the year ended March 31, 2017, and the related notes to the financial statement, which collectively comprise the North Central Regional Planning Commission's basic financial statement, and have issued our report thereon dated December 1, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statement, 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 opinion on the financial statement, 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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency, 2017-001.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission's financial statement is 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.

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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*.

North Central Regional Planning Commission's Response to Findings

The Commission's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Commission's response was not subjected to the auditing procedures applied in the audit of the financial statement 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Pottberg, Gassman & Hoffman, Chartered

Pottberg, Gassman & Hoffman, Chartered
Manhattan, Kansas
December 1, 2017



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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Executive Board Members
North Central Regional Planning Commission
Beloit, Kansas

Report on Compliance for Each Major Federal Program

We have audited North Central Regional Planning Commission's (Commission) compliance with the types of compliance requirements described in the *OMB Circular Compliance Supplement* that could have a direct and material effect on each of the Commission's major federal programs for the year ended March 31, 2017. The Commission's major federal program is identified in the summary of auditors' 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.

Auditors' Responsibility

Our responsibility is to express an opinion on the 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; *Kansas Municipal Audit and Accounting Guide*; 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 referred to above that could have a direct and material effect on the 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.

Opinion on Each Major Federal Program

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

Report on Internal Control over Compliance

Management of the Commission is responsible for establishing and maintaining effective internal control over compliance with types of compliance requirements referred to above. In planning and performing our audit of compliance we considered

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the Commission's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its 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 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 preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.

Pottberg, Gassman & Hoffman, Chartered.

Pottberg, Gassman & Hoffman, Chartered
Manhattan, Kansas
December 1, 2017

NORTH CENTRAL REGIONAL PLANNING COMMISSION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS **FOR THE YEAR ENDED MARCH 31, 2017**

SECTION II – FINANCIAL STATEMENT FINDINGS

2017-001

- **Criteria** – Preparation of the schedule of expenditures of federal awards (SEFA) should include all federal expenditures for the fiscal year.
- **Condition** – Management prepared SEFA detailed expenditures of \$3,833,863.
- **Context** – While performing procedures to form an opinion on whether the SEFA is fairly stated, it was noted that the amounts on the SEFA did not agree to the underlying accounting and grant report records used to prepare the financial statements. All grant report expenditures reported were then reconciled to the SEFA
- **Effect** – Federal award expenditures on the SEFA were understated by \$32,259, Rural Business Development Grant of \$11,577 was omitted, and the Weatherization Assistance for Low Income Person DOE 15 was understated by \$20,682.
- **Cause** – Management was preparing the SEFA based upon general ledger expenditures, which included grants with different fiscal year-ends. Also a new grant was received this year that did not appear on the SEFA. The SEFA was not reconciled to the submitted grant reports.
- **Recommendation** – Management should reconcile the general ledger expenditures to the submitted grant reports prior to preparing the SEFA to ensure that expenditures are recorded in the correct fiscal year and include all grants. This is a repeated finding.
- **Views of responsible officials and planned corrective actions** – Management plans and intends for all fiscal year federal expenditures to be included in the SEFA before it is provided for auditor examination. See attached corrective action plan.

SECTION III – MAJOR FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

None.

SECTION IV – SUMMARY OF PRIOR AUDIT FINDINGS

Finding – Financial Statement Audit – Significant Deficiency **2016-001**

- **Condition** – Management prepared SEFA detailed expenditures of \$5,041,379.
- **Effect** – Federal award expenditures on the SEFA were understated by \$93,724.
- **Recommendation** – Management should reconcile the general ledger expenditures to the submitted grant reports prior to preparing the SEFA to ensure that expenditures are recorded in the correct fiscal year and include all programs for each grant.
- **Current Status** – The past fiscal year implementation plan was not fully effective and will be revised in order to correct our procedures. See the attached corrective action plan.



North Central Regional Planning Commission

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Corrective Action Plan
And Summary of Schedule of Prior Audit Findings
Relating to the Federal Award Programs
March 31, 2017

December 6, 2017

North Central Regional Planning Commission respectfully submits the following corrective action plan for the fiscal year ended March 31, 2017.

Name and address of independent accounting firm: Pottberg, Gassman & Hoffman
529 Humboldt Suite I
Manhattan KS 66502

Audit period: April 1, 2016 through March 31, 2017

The findings from the March 31, 2017, Schedule of Findings and Questioned Costs related to the federal award programs are discussed below. The findings are numbered consistently with the number assigned in the Schedule. Section 1 of the Schedule, Summary of Auditors' Results, does not include findings and is not addressed.

II. Financial Statement Findings

Finding 2017-001:

Planned Corrective Action:

Management will reconcile the general ledger expenditures to the submitted grant reports prior to preparing the SEFA to ensure that the expenditures are recorded in the correct fiscal year and include all federal awards.

III. Federal Awards Findings and Questioned Costs

None reported.

IV. Summary of Prior Audit Findings

Finding 2016-001:

Management prepared SEFA and the Homeland Security Federal amount on the SEFA were understated. Management took the same action listed above to reconcile general ledger amounts to the submitted grant reports. An additional independent review will be performed prior to submission for audit.

If there are any questions regarding this plan, please call Doug McKinney or Pepper Roberg at 785-738-2218.

Sincerely,

Douglas L. McKinney

Douglas L. McKinney
Executive Director