

**NORTH CENTRAL REGIONAL PLANNING COMMISSION**

**FINANCIAL STATEMENTS  
WITH INDEPENDENT AUDITORS' REPORT**

**FOR THE YEAR ENDED MARCH 31, 2012**

**NORTH CENTRAL REGIONAL PLANNING COMMISSION**

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### INDEPENDENT AUDITORS' REPORT

Executive Board Members  
North Central Regional Planning Commission  
Beloit, Kansas

We have audited the summary statement of cash receipts, expenditures, and unencumbered cash balances of North Central Regional Planning Commission (NCRPC), as of and for the year ended March 31, 2012. This financial statement is the responsibility of NCRPC's management. 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 Guide*. Those standards and guidance require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, NCRPC has prepared this financial statement in conformity with the accounting practices prescribed by the State of Kansas to demonstrate compliance with the cash basis laws of the State of Kansas, which practices differ from accounting principles generally accepted in the United States of America. The effects on the financial statement of the variances between these statutory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding 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 NCRPC, as of March 31, 2012, or the changes in its financial position for the year then ended. Further, NCRPC has not presented a management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statement.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the cash and unencumbered cash balances of NCRPC, as of March 31, 2012, and its cash receipts and expenditures for the year then ended, on the basis of accounting described in Note 1.

MEMBERS:  
American Institute of  
Certified Public Accountants

Kansas Society of Certified  
Public Accountants



In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2012, on our consideration of NCRPC'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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

*Pottberg, Gassman & Hoffman, Chtd.*

Pottberg, Gassman & Hoffman, Chartered  
Manhattan, Kansas  
November 16, 2012

**NORTH CENTRAL REGIONAL PLANNING COMMISSION**

SUMMARY OF CASH RECEIPTS, EXPENDITURES AND UNENCUMBERED CASH  
FOR THE YEAR ENDED MARCH 31, 2012

<u>Fund</u>	<u>Beginning</u> <u>Unencumbered</u> <u>Cash Balance</u>	<u>Prior Year</u> <u>Canceled</u> <u>Encumbrances</u>	<u>Cash</u> <u>Receipts</u>	<u>Expenditures</u>	<u>Ending</u> <u>Unencumbered</u> <u>Cash Balance</u>	<u>Add</u> <u>Outstanding</u> <u>Encumbrances</u> <u>and Accounts</u> <u>Payable</u>	<u>Ending</u> <u>Cash Balance</u>
Governmental Type Funds:							
General Fund	\$ 374,147	-	\$ 9,712,304	\$ 9,880,544	\$ 205,907	\$ 15,490	\$ 221,397
Fiduciary Type Funds							
Private Purpose Trust Fund	46,509	-	188,113	19,455	215,167	-	215,167
Total Reporting Entity	<u>\$ 420,656</u>	<u>\$ -</u>	<u>\$ 9,900,417</u>	<u>\$ 9,899,999</u>	<u>\$ 421,074</u>	<u>\$ 15,490</u>	<u>\$ 436,564</u>
Composition of Cash							
					Checking Accounts		\$ 385,945
					Certificates of Deposit		50,619
					Total Reporting Entity		<u>\$ 436,564</u>

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, 2012

### **Note 1 Summary of Significant Accounting Policies**

#### A. 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, 2012 was sixteen.

#### B. Fund Accounting

A fund is defined as an independent fiscal and accounting entity with a self-balances 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 limitation. 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, 2012:

##### Governmental Funds:

General Fund – The General Fund is the main 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.

##### Fiduciary Funds:

Trust Funds – The Fiduciary fund is used to account for assets held by the Commission in a trustee or as an agent for individuals, private organizations, other governmental units and / or other funds.

#### C. Statutory Basis of Accounting

The statutory basis of accounting, as used in the preparation of this statutory basis financial statement, is designed to demonstrate compliance with the cash basis laws of the State of Kansas. Cash receipts are recognized when the cash balance of a fund is increased. Expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods and services, and are usually evidenced by a purchase order or written contract. For an interfund transaction, a cash receipt is recorded in the fund receiving cash from another fund, and an expenditure would be charged in the fund from which the transfer is made.

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 Commission to use the statutory basis of accounting.

## NORTH CENTRAL REGIONAL PLANNING COMMISSION

### NOTES TO THE FINANCIAL STATEMENT MARCH 31, 2012

#### **Note 1 Summary of Significant Accounting Policies, continued**

##### **D. Departure from Generally Accepted Accounting Principles**

The basis of accounting described above results in a financial statement presentation which shows cash receipts, expenditures, cash and unencumbered cash balances, and expenditures compared to budget. Balance sheets that would have shown non-cash assets such as receivables, inventories, and prepaid expense, liabilities such as deferred revenue and matured principal and interest payable, and reservations of the fund balance are not presented. Under accounting principles generally accepted in the United States of America, encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the fiscal year in accordance with generally accepted accounting principles. Capital assets that account for the equipment owned by the Commission are not presented in the financial statements. Capital assets arising from cash transactions are accounted for as capital outlay expenditures upon acquisition. Also, long-term debt such as capital leases and compensated absences are not presented in the financial statement.

##### **E. Budgetary Control**

The Commission's management prepares a budget of estimated cash 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 cash receipts and expenditures and budget amounts is presented as supplemental information.

#### **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 period." All deposits were legally secured at March 31, 2012.

## NORTH CENTRAL REGIONAL PLANNING COMMISSION

### NOTES TO THE FINANCIAL STATEMENT MARCH 31, 2012

#### **Note 2 Deposits, continued**

As of March 31, 2012, the Commission's carrying amount of deposits was \$436,564 and the bank balances totaled \$551,470. The bank balances were held by 2 banks resulting in a concentration of credit risk. Of the bank balances, \$306,893 was covered by federal depository insurance and \$244,577 was collateralized with securities held by the pledging financial institution's agents in the Commission's name.

#### **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. Currently, loans are made to applicants from a nine-county area that meet specific criteria. 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 or they may be sequestered. The EDA can review activity and can request repayment of grant funds if adequate activity is not maintained.

As of March 31, 2012, there were 14 loans outstanding totaling \$663,098 with interest rates ranging from 3.25% to 5.00%.

#### **Note 4 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, 2012 of \$35,770.

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**

##### **A. Plan Description**

The Commission contributes to 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.* KPERs provides retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERs issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERs (611 S Kansas, Suite 100, Topeka, KS 66603) or by calling 1-888-275-5737.

##### **B. Funding Policy**

K.S.A. 74-4919 establishes the KPERs member-employee contribution rate at 4% of covered salary for employees hired prior to July 1, 2009 and 6% of covered salary for employee's hired on or after July 1, 2009. The employer collects and remits member-employee contributions according to the provisions of section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rate be determined annually based on the results of an annual actuarial valuation. KPERs is funded on an actuarial reserve basis. State law sets a limitation on annual increases in the contribution rates for KPERs employers. The employer rate established for calendar year 2012 was 7.74%. The Commission employer contributions to KPERs for retirement and insurance for the years ending December 31, 2011, 2010 and 2009 were \$58,477, \$48,890, and \$41,634, respectively, equal to the required contributions for each year as set forth by the legislature.

**NORTH CENTRAL REGIONAL PLANNING COMMISSION**

**NOTES TO THE FINANCIAL STATEMENT  
MARCH 31, 2012**

**Note 6 Litigation**

There were no legal actions involving the Commission as of March 31, 2012.

**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. Settled claims resulting from these risks have not exceeded commercial coverage in the past three years.

**Note 8 Subsequent Events**

Auditors from the Office of the Inspector General were on site September 13, 14 and 15, 2011 in conjunction with their visit to the Kansas Highway Patrol, reviewing documents for the Homeland Security Grant Program. Several items were discussed concerning changes in accounting procedures for procurement and administrative expenses going forward, and a preliminary report has been issued. A final report with requirements for procurement procedures and documentation of administrative expenses has not been received as of the date of these financial statements.

Management has evaluated subsequent events through November 16, 2012, the date on which the financial statements were available to be issued.

SUPPLEMENTAL SCHEDULES

**NORTH CENTRAL REGIONAL PLANNING COMMISSION**

**SCHEDULE OF CASH RECEIPTS AND EXPENDITURES  
FOR THE YEAR ENDED MARCH 31, 2012**

	General	Weatherization			DOE (ARRA)	Economic Development	Health	Total
		Homeland Security	LIEAP	DOE				
<b>Cash Receipts:</b>								
Grant Income and Contracts	\$ 440,952	4,696,423	1,597,362	278,711	1,853,460	61,000	45,008	8,972,916
Local Contributions	57,085	-	-	-	-	-	-	57,085
Rural Tax Credit Program	77,979	-	-	-	-	-	-	77,979
EDA Grant Local Match	-	-	-	-	-	61,000	-	61,000
Loan Management	74,733	-	-	-	-	-	-	74,733
Business Loan Programs	7,530	-	-	-	-	-	-	7,530
Local Health Match	-	-	-	-	-	-	7,800	7,800
Interest from Bank	1,765	761	-	-	-	-	-	2,526
Reimbursement / Fees	437,669	-	-	-	-	-	-	437,669
Miscellaneous Revenue	13,066	-	-	-	-	-	-	13,066
<b>Total Cash Receipts:</b>	<b>1,110,779</b>	<b>4,697,184</b>	<b>1,597,362</b>	<b>278,711</b>	<b>1,853,460</b>	<b>122,000</b>	<b>52,808</b>	<b>9,712,304</b>
<b>Expenditures:</b>								
Homeland Security Expenses	11,000	4,703,519	-	-	-	-	-	4,714,519
Salaries and Wages	376,901	-	90,279	17,441	198,221	81,809	41,871	806,522
Payroll Taxes and Benefits	83,701	-	34,578	8,838	69,553	19,457	5,754	221,881
Audit	13,468	-	566	4,168	597	1,000	500	20,299
Building Repair and Maintenance	2,327	-	597	119	634	397	-	4,074
Insurance	5,171	-	5,544	3,292	20,886	1,856	284	37,033
Office Supplies	7,687	-	1,556	373	3,111	1,099	52	13,878
Dues / Subscriptions	3,615	-	539	129	1,273	2,378	75	8,009
Postage	7,018	-	1,686	424	4,124	692	7	13,951
Occupancy Expense	6,001	-	1,710	419	3,657	1,383	600	13,770
Telephone and Utilities	303,124	-	5,675	1,359	13,625	2,181	1,415	327,379
Equipment Rental/Maintenance	8,591	-	1,308	275	3,997	867	1,908	16,946
Materials and Supplies	147,809	-	601,117	137,392	991,774	19	-	1,878,111
Professional Fees	15,561	-	118	24	243	463	1,406	17,815
Travel	19,528	-	12,215	2,831	33,087	7,226	2,235	77,122
Capital Purchases	12,943	-	3,103	1,717	6,555	-	-	24,318
Transfers Out - Local Match	61,000	-	-	-	-	-	-	61,000
Transfers Out - RLF	16,672	-	-	-	-	-	-	16,672
Conferences and Seminars	391	-	3,405	833	8,092	420	200	13,341
Contract Labor	146,736	-	509,774	111,674	794,501	344	1,500	1,564,529
Miscellaneous Expense	21,397	15	421	126	971	66	6,379	29,375
<b>Total Expenditures</b>	<b>1,270,641</b>	<b>4,703,534</b>	<b>1,274,191</b>	<b>291,434</b>	<b>2,154,901</b>	<b>121,657</b>	<b>64,186</b>	<b>9,880,544</b>
<b>Receipts Over Expenditures</b>								<b>(168,240)</b>
Unencumbered Cash, Beginning								<b>374,147</b>
Unencumbered Cash, Ending								<b>205,907</b>

**NORTH CENTRAL REGIONAL PLANNING COMMISSION**

SCHEDULE OF CASH RECEIPTS AND EXPENDITURES  
FOR THE YEAR ENDED MARCH 31, 2012

**Revolving Loan Fund**

Cash Receipts:

Interest From Bank	\$ 771
Interest on Loans	33,403
Principal Payments	137,267
Transfer from General	16,672
Total Cash Receipts	<u>188,113</u>

Expenditures:

Salaries and Wages	13,551
Payroll Taxes and Benefits	3,522
Building Repairs and Maintenance	115
Insurance	348
Office Supplies	127
Dues / Subscriptions	21
Postage	46
Occupancy Expense	203
Telephone and Utilities	336
Equipment Rental / Maintenance	103
Materials and Supplies	3
Professional Fees	834
Travel	148
Contract Labor	49
Miscellaneous Expense	49
Total Expenditures:	<u>19,455</u>
Receipts over Expenditures	168,658
Unencumbered Cash, Beginning	<u>46,509</u>
Unencumbered Cash, Ending	<u><u>215,167</u></u>

## NORTH CENTRAL REGIONAL PLANNING COMMISSION

### SCHEDULE OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET FOR THE YEAR ENDED MARCH 31, 2012

<b>GENERAL FUND</b>	<b><u>Actual</u></b>	<b><u>Budget</u></b>	<b>Variance - Over (Under)</b>
<b>Cash Receipts:</b>			
Grant Income and Contracts	8,972,916	9,183,224	(210,308)
Local Contributions	57,085	56,560	525
Business Finance Programs	-	67,030	(67,030)
Rural Tax Credit Program	77,979	41,808	36,171
EDA Grant Local Match	61,000	54,000	7,000
Loan Management	74,733	-	74,733
Business Loan Programs	7,530	-	7,530
Loan Health Match	7,800	-	7,800
Interest from Bank	2,526	5,400	(2,874)
Interest on Loans	-	39,850	(39,850)
Reimbursement / Fees	437,669	365,942	71,727
Miscellaneous Revenue	13,066	12,865	201
<b>Total Cash Receipts:</b>	<b><u>9,712,304</u></b>	<b><u>9,826,679</u></b>	<b><u>(114,375)</u></b>
<b>Expenditures:</b>			
Homeland Security Expenses	4,714,519	4,305,059	409,460
Salaries and Wages	806,522	819,683	(13,161)
Payroll Taxes and Benefits	221,881	229,511	(7,630)
Audit	20,299	20,000	299
Building Repair and Maintenance	4,074	9,270	(5,196)
Insurance	37,033	51,000	(13,967)
Office Supplies	13,878	12,700	1,178
Dues / Subscriptions	8,009	12,000	(3,991)
Postage	13,951	13,000	951
Occupancy Expense	13,770	14,000	(230)
Telephone and Utilities	327,379	371,242	(43,863)
Equipment Rental/Maintenance	16,946	13,000	3,946
Materials and Supplies	1,878,111	1,728,000	150,111
Professional Fees	17,815	22,250	(4,435)
Travel	77,122	90,000	(12,878)
Capital Purchases	24,318	-	24,318
Transfers Out - Local Match	61,000	-	61,000
Transfers Out - RLF	16,672	-	16,672
Conferences and Seminars	13,341	13,000	341
Contract Labor	1,564,529	1,675,000	(110,471)
Interest Expense	-	800	(800)
Miscellaneous Expense	29,375	29,490	(115)
<b>Total Expenditures</b>	<b><u>9,880,544</u></b>	<b><u>9,429,005</u></b>	<b><u>451,539</u></b>
<b>Receipts Over Expenditures</b>	<b><u>(168,240)</u></b>	<b><u>397,674</u></b>	<b><u>(337,164)</u></b>

**NORTH CENTRAL REGIONAL PLANNING COMMISSION**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED MARCH 31, 2012**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Commerce			
Economic Development Administration			
Support for Planning Organization	11.302	05-83-0495-02	\$ 61,000
Economic Development Administration - Economic Adjustment Assistance			
Revolving Loan Fund	11.307	05-390-2438	672,459
Passed through the Kansas Highway Patrol Homeland Security Program			
Public Safety Interoperable Communications Grant Program	11.555	PSIC FY07	<u>13,965</u>
Total U.S. Department of Commerce			<u>747,424</u>
U.S. Department of Energy			
Passed through Kansas Housing Resources Corporation			
Weatherization Assistance for Low Income Persons	81.042	DOE 11-11	296,529
ARRA-Weatherization Assistance for Low Income Persons	81.042	ARRA DOE 11-12	<u>2,154,901</u>
Total U.S. Department of Energy			<u>2,451,430</u>
U.S. Department of Health and Human Services			
Passed through Kansas Department of Health and Environment			
Public Health Emergency Preparedness	93.069	PHEP 11	8,927
	93.069	PHEP 12	<u>36,081</u>
			<u>45,008</u>
Passed through Kansas Housing Resources Corporation			
Low Income Home Energy Assistance Program	93.568	LP-10-11	205,681
Low Income Home Energy Assistance Program	93.568	LP-11-11	<u>1,068,510</u>
			<u>1,274,191</u>
Total U.S. Department of Health and Human Services			<u>1,319,199</u>
U.S. Department of Homeland Security			
Passed through the Kansas Highway Patrol			
Homeland Security Grant Program	97.067	SHSP FY08	1,035,664
		SHSP FY09	1,956,226
		SHSP FY10	<u>1,690,569</u>
			<u>4,682,459</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u><u>\$ 9,200,512</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, 2012**

#### **NOTE 1 – BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of North Central Regional Planning Commission (the Commission) under programs of the federal government for the year ended March 31, 2012. The information in the Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. 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 accounting practices prescribed by the State of Kansas to demonstrate compliance with the cash basis and budget laws of the State of Kansas, the same basis as the financial statements accompanying this schedule.



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**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**

Executive Board Members  
North Central Regional Planning Commission  
Beloit, Kansas

We have audited the financial statement of North Central Regional Planning Commission (NCRPC) as of and for the year ended March 31, 2012, and have issued our report thereon dated November 16, 2012. 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 Guide.

Internal Control over Financial Reporting

Management of NCRPC is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered NCRPC's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of NCRPC's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of NCRPC's internal control over financial reporting.

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 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 financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting 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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a deficiency in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency in internal control over financial reports, listed as 2011-1. 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.

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### Compliance and Other Matters

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

We noted certain other matters that we reported to management of NCRPC in a separate letter dated November 16, 2012.

NCRPC's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the Commission's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the board, management, others within the organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Pottberg, Gassman & Hoffman, Chartered.*

Pottberg, Gassman & Hoffman, Chartered  
Manhattan, Kansas  
November 16, 2012



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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Executive Board Members  
North Central Regional Planning Commission  
Beloit, Kansas

Compliance

We have audited the compliance of North Central Regional Planning Commission (NCRPC) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended March 31, 2012. NCRPC's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grant agreements applicable to each of its major federal programs is the responsibility of NCRPC's management. Our responsibility is to express an opinion on the Organization's compliance based on our audit.

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 Guide; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about NCRPC'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. Our audit does not provide a legal determination of the Organization's compliance with those requirements.

In our opinion, NCRPC complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended March 31, 2012.

Internal Control over Compliance

The management of NCRPC is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered NCRPC's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing an opinion on compliance, 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 Organization's internal control over compliance.

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A deficiency in internal control over compliance 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 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.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended for the information and use of the board, management, others within the organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Pottberg, Gassman & Hoffman, Chartered.*

Pottberg, Gassman & Hoffman, Chartered  
Manhattan, Kansas  
November 16, 2012

**NORTH CENTRAL REGIONAL PLANNING COMMISSION**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED MARCH 31, 2012

**SECTION I – SUMMARY OF AUDIT RESULTS**

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

- Significant deficiencies identified?   X   Yes        No
- Material weakness(es) identified?        Yes   X   No
- Noncompliance material to financial statements noted?        Yes   X   No

Federal Awards

Internal control over major programs:

- Significant deficiencies identified?        Yes   X   No
- Material weakness(es) identified?        Yes   X   No

Type of auditors' report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?        Yes   X   No

Indication of major programs:

CFDA

<u>Number(s)</u>	<u>Name of Federal Program or Cluster</u>
11.307	U.S. Department of Commerce Economic Development Administration – Economic Adjustment Assistance Revolving Loan Fund
81.042	U.S. Department of Energy Weatherization Home Assistance Program
93.069	U.S. Department of Health and Human Services Low Income Home Energy Assistance Program
97.067	U.S. Department of Homeland Security Homeland Security Grant Program

Dollar threshold used to Distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk Auditee?        Yes   X   No

**SECTION II – FINANCIAL STATEMENT FINDINGS**

## **NORTH CENTRAL REGIONAL PLANNING COMMISSION**

### **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** **FOR THE YEAR ENDED MARCH 31, 2012**

#### **2011-1**

- **Criteria** – Management is responsible for the fair presentation of the financial statements in conformity with the cash basis laws of the State of Kansas.
- **Condition** – Management requested us to help prepare the draft financial statement and notes to the financial statement.
- **Context** – At Management's request, we prepared recommended adjustments to the financial statements in conformity with the cash basis laws of Kansas.
- **Effect** – Management did not use correct cutoff procedures for posting transactions to the financial statements and made adjustments that affected prior year balances.
- **Cause** – Management is using accrual methods for some of their financial statement transactions does not have documented policies or procedures related to the preparation of the financial statements and supplemental information, is voiding prior period checks, and posting adjustments in the wrong period.
- **Recommendation** – Management should adopt year-end procedures to prepare financial statements for audit, and adopt a policy for financial statement review prior to annual audit.
- **Response** – The financial procedures have been modified to better prepare financial the statements and supplemental information for auditing. Plans are to adopt a policy for the aforementioned financial statements review prior to the annual auditing in accordance with Government Auditing Standards and the cash basis laws of Kansas. Staff has attended and will continue to attend training at KMAAG seminars and for QuickBooks accounting software to assist with improvement of procedures, developing financial policies and implementing review steps.

#### **SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None.

#### **SECTION IV – SUMMARY OF PRIOR AUDIT FINDINGS**

##### **2010-1**

- **Criteria** – Timely preparation of complete and accurate bank reconciliations and review by an individual independent of the process is a key to maintaining adequate control over both cash receipts and disbursements.
- **Condition** – In four of nine bank reconciliations reviewed, the date of the printed bank reconciliation was subsequent to the date of the review.
- **Context** – In testing internal controls as required by government auditing standards, bank statements and their respective reconciliations were selected for review of documentation of internal control procedures.
- **Potential Effects** – Outstanding deposits, payee and date of cash disbursements could be in error or fraudulent.
- **Cause** – Indication of review by date and initials of the reviewer was made on the bank statement only and not on the reconciliation itself.

## NORTH CENTRAL REGIONAL PLANNING COMMISSION

### SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED MARCH 31, 2012

- Recommendation – Both the bank statement and respective reconciliation should be initialed and dated by the reviewer.
- Response – Reviewer is signing off all bank statements and reconciliations with initials and date of review. No exceptions were noted in the 2011 audit.

#### 2010-2

- Criteria – Management is responsible for the fair presentation of the financial statements in conformity with the cash basis and budget laws of the State of Kansas.
- Condition – Management requested us to help prepare draft financial statements and notes to those financial statements.
- Context – At Management's request, we prepared recommended adjustments to the financial statements in conformity with the cash basis and budget laws of Kansas.
- Effect – Management did not use correct cutoff procedures for posting transactions to the financial statements.
- Cause – Management is using accrual methods for some of their financial statement transactions, and no documented policies or procedures related to the preparation of the financial statements and supplemental information.
- Recommendation – Management should (1) obtain a current copy of the Kansas Municipal Audit Guide (KMAG), (2) obtain a report checklist for KMAG financial statements, (3) adopt year-end procedures to prepare financial statements for audit, and (4) adopt a policy for financial statement review prior to annual audit.
- Response – We have obtained a copy of the Kansas Municipal Audit Guide (KMAG.) A report checklist for KMAG statements is being used. The financial procedures have been modified to better prepare financial statements for auditing. Plans are to adopt a policy for the aforementioned financial statements review prior to annual auditing in accordance with Government Auditing Standards. Staff has attended training at KMAG seminars and for QuickBooks accounting software.

#### 2010-3

- Criteria – Management is responsible for compliance with grant agreements applicable to each of its major federal programs.
- Condition – Two contractors paid with ARRA funds did not document compliance with Davis-Bacon Act.
- Context – Documentation for compliance by weatherization contractors for payment of employees in compliance with Davis-Bacon Act had not been completed.
- Effect – Some of the work done with federal funds had not been reviewed for compliance by management.
- Cause – Management did not request employee pay rates from two contractors until requested for the audit.

## **NORTH CENTRAL REGIONAL PLANNING COMMISSION**

### **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** **FOR THE YEAR ENDED MARCH 31, 2012**

- Recommendation – Management should review each contractor's employee pay rates before payments for services on weatherization projects.
- Response – Weatherization program staff have gone back through and verified that Davis-Bacon Wage Act payroll reports are now provided for each contractor working on program houses. We have implemented new internal controls to make certain all Davis-Bacon payroll reports are in place prior to contractor payments occurring. No exceptions were noted in the 2011 audit.