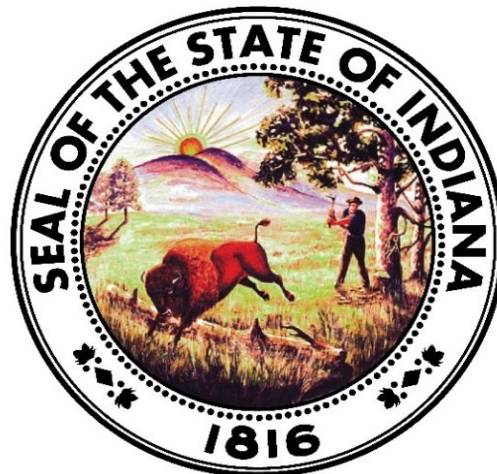


STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

FINANCIAL STATEMENT AND
FEDERAL COMPLIANCE AUDIT REPORT
OF

MICHIANA AREA COUNCIL OF GOVERNMENTS
ST. JOSEPH COUNTY, INDIANA

July 1, 2022 to June 30, 2023



FILED
03/26/2024



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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March 26, 2024

To: The Officials of the Michiana Area Council of Governments
Michiana Area Council of Governments
St. Joseph County, Indiana

As authorized under Indiana Code 5-11-1, we engaged private examiners under our review to perform the audit of the Michiana Area Council of Governments. We have reviewed the audit report opined upon by Crowe LLP, Independent Public Accountants, for the period July 1, 2022 to June 30, 2023. Per the *Independent Auditor's Report*, the financial statements included in the report present fairly the financial condition of Michiana Area Council of Governments as of June 30, 2023, and the results of its operations for the period then ended, on the basis of accounting described in the report.

In our opinion, Crowe LLP prepared the audit report in accordance with the guidelines established by the Indiana State Board of Accounts.

In addition to the report presented herein, a Supplemental Report for the Michiana Area Council of Governments was prepared in accordance with the guidelines established by the Indiana State Board of Accounts.

The report is filed with this letter in our office as a matter of public record.

A handwritten signature in black ink that reads "Tammy R. White". The signature is written in a cursive style.

Tammy R. White, CPA
Deputy State Examiner

MICHIANA AREA COUNCIL OF GOVERNMENTS
St. Joseph County, Indiana

FINANCIAL STATEMENTS
June 30, 2023

MICHIANA AREA COUNCIL OF GOVERNMENTS
FINANCIAL STATEMENTS
June 30, 2023

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MICHIANA AREA COUNCIL OF GOVERNMENTS
SCHEDULE OF OFFICIALS
June 30, 2023

<u>Office</u>	<u>Official</u>	<u>Term</u>
Director	James J. Turnwald	07-01-22 to 06-30-23
Fiscal Accounting Manager	Deborah Gardner	07-01-22 to 06-30-23
President of the Board	Suzanne Weirick Mark Senter	07-01-22 to 01-11-23 01-12-23 to 06-30-23

INDEPENDENT AUDITOR'S REPORT

The Officials of the Michiana Area Council of
Governments, St. Joseph County, Indiana

Report on the Audit of the Financial Statements***Opinion***

We have audited the financial statements of the Michiana Area Council of Governments (MACOG), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise MACOG'S basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of MACOG as of June 30, 2023, and the respective changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the MACOG, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about MACOG'S ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

(Continued)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 MACOG's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the MACOG's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Matters

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Government 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. Our opinion on the basic financial statements is not affected by this missing information.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Schedule of Proportionate Share of the Net Position Liability and the Schedule of Contributions, as listed in the Table of Contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

(Continued)

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise MACOG's basic financial statements. The 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* is presented for purposes of additional analysis and is not a required part of the basic financial statements. 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 statements. The 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 schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included with the financial statements. The other information comprises the Schedule of Officials and State Reporting Information, marked as unaudited on the table of contents, but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 12, 2024, on our consideration of MACOG'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 MACOG'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 MACOG's internal control over financial reporting and compliance.


Crowe LLP

Indianapolis, Indiana
March 12, 2024

MICHIANA AREA COUNCIL OF GOVERNMENTS
STATEMENT OF NET POSITION
June 30, 2023

Assets and Deferred Outflow of Resources

Current assets:

Cash and cash equivalents	\$ 2,445,032
Accounts receivable	160,529
Due from federal and state grants	1,424,205
Prepaid items	48,848
Total current assets	<u>4,078,614</u>

Non-current assets:

Capital assets (net of accumulated depreciation)	<u>2,544,453</u>
--	------------------

Total assets	6,623,067
--------------	-----------

Deferred outflows of resources -pension	<u>346,112</u>
---	----------------

Total assets and deferred outflows of resources	<u>6,969,179</u>
---	------------------

Liabilities and Deferred inflows of Resources

Current liabilities:

Accounts payable	438,288
Accrued payroll and withholdings payable	52,565
Compensated absences	14,898
Due to FTA	129,457
Total current liabilities	<u>635,208</u>

Non-current liabilities:

Net pension liability	<u>610,266</u>
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Total liabilities	1,245,474
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Deferred inflows of resources - pension	<u>42,926</u>
---	---------------

Total liabilities and deferred inflows of resources	<u>1,288,400</u>
---	------------------

Net position

Net investment in capital assets	2,544,453
Unrestricted	<u>3,136,326</u>

Total net position	<u>\$ 5,680,779</u>
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See accompanying notes to financial statements.

MICHIANA AREA COUNCIL OF GOVERNMENTS
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION
For the Year Ended June 30, 2023

Operating revenues:	
Federal and state grants	\$ 6,140,807
Other local governmental grants	801,644
Transit fares	60,745
Other	<u>207,273</u>
Total operating revenues	7,210,469
 Operating expenses:	
Salaries and wages	1,251,869
Employee pensions and benefits	797,469
Contractual services	4,705,508
Legal expense	18,153
Conference training	15,053
Telephone expense	16,713
Materials and supplies	28,581
Maintenance and repairs	60,344
Memberships and subscriptions	6,588
Printing, reproduction, and publication	2,226
Mileage and travel	36,624
Postage expense	2,360
Office rent expense	61,081
Furniture and equipment	42,588
Software and Licenses	161,852
Advertising expense	5,273
Depreciation	598,723
Insurance & Bonding	39,676
Miscellaneous expenses	1,511
Other contractual payments	150,928
Over/under applied fringe benefits and indirect costs	<u>(15,397)</u>
Total operating expenses	<u>7,987,723</u>
Operating (loss)	(777,254)
 Nonoperating revenues/expenses:	
Loss on disposal of assets	(129,457)
Interest and investment revenue	<u>111,034</u>
Change in net position	(795,677)
Total net position - beginning as of the year	<u>6,476,456</u>
Total net position - ending	<u>\$ 5,680,779</u>

See accompanying notes to financial statements.

MICHIANA AREA COUNCIL OF GOVERNMENTS
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2023

Cash flows from operating activities:	
Receipts from customers and users	\$ 470,951
Receipts from grants	6,942,451
Payments to suppliers and contractors	(5,459,733)
Payments to employees and benefits	(2,056,404)
Other operating expenses	<u>(161,480)</u>
Net cash provided by (used in) operating activities	(264,215)
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	(538,993)
Cash flows from investing activities:	
Interest received	<u>111,034</u>
Net increase in cash and cash equivalents	(692,174)
Cash and cash equivalents, beginning of year	<u>3,137,207</u>
Cash and cash equivalents, end of year	<u><u>\$ 2,445,033</u></u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ (777,254)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	598,723
(Increase) decrease in assets:	
Accounts receivable	137,681
Due from federal and state grants	(193,662)
Deferred outflow of resources	(84,536)
Prepaid items	(1,669)
Increase (decrease) in liabilities:	
Accounts payable	(103,005)
Pension liability	376,835
Deferred inflow of resources	(339,719)
Due to FTA	129,457
Accrued payroll and withholdings payable	(4,888)
Compensated absence payable	<u>(2,178)</u>
Total adjustments	<u>513,039</u>
Net cash provided by operating activities	<u><u>\$ (264,215)</u></u>
Noncash investing, capital and financing activities:	
Disposal of assets	\$ 218,079

See accompanying notes to financial statements.

MICHIANA AREA COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity: The Michiana Area Council of Governments (MACOG) was established April 6, 1970, under the authority of the Inter-local Cooperation Act of the State of Indiana. MACOG is governed by a board consisting of members from each participating political subdivision as described in the by-laws.

The Michiana Area Council of Governments is a voluntary organization of local governments that studies and attempts to resolve, for the benefit of each member and the region, areas of interlocal issues, which includes but is not limited to transportation, transit, economic development, environment, and other issues that impact the region.

The accompanying financial statements present the activities of the MACOG. There are no significant component units which require inclusion.

Financial Statements: Business-type activity financial statements consist of the Statement of Net Position; Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows. Business-type activities rely to a significant extent on fees and charges for support.

Measurement Focus, Basis of Accounting and Financial Statement Presentation: The accounts of the business-type activity are maintained, and the financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when incurred.

Enterprise funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. The principal operating revenues of the enterprise funds are grants. Operating expenses for enterprise funds include the cost of sales and services and administrative costs. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Use of Estimates in Preparation of Financial Statements: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities and deferred inflow of resources at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Risk Management: MACOG is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; and natural disasters.

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

Restricted Asset Spending Policy: Restricted assets are released from restriction by incurring expenses satisfying the restricted purpose or by occurrence of other events. When expenditures are eligible to be paid from either restricted or unrestricted resources, it is the policy to apply restricted resources first, then unrestricted resources as needed. As of June 30, 2023, MACOG did not have any restricted assets.

(Continued)

MICHIANA AREA COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent Events: Management has performed an analysis of the activities and transactions subsequent to June 30, 2023, to determine the need for any adjustments or disclosures to the financial statements for the year ended June 30, 2023. Management has performed their analysis through March 12, 2024, the date the financial statements were available to be issued.

Assets, Liabilities and Net Position:

Deposits and Investments: MACOG'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 MACOG to invest in securities, including but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units. Nonparticipating certificates of deposit, demand deposits, and similar nonparticipating negotiable instruments that are not reported as cash and cash equivalents are reported as investments at cost.

Investment income, including changes in the fair value of investments, is reported as revenue in the operating statement in the period earned.

Accounts Receivable: Accounts receivable includes amounts due from local government for dues or services.

Due from Federal and State: Grants receivable represents federal and state grant expenditures incurred but not yet claimed or not yet reimbursed from grantors as of June 30, 2023.

Allowance for Uncollectible Accounts: The allowance for uncollectible accounts is determined by management based upon historical losses, specific circumstances and general economic conditions. Periodically, management reviews grants and accounts receivable and records an allowance based on current circumstances, and charges off the receivable against the allowance when all attempts to collect the receivable are deemed to have failed in accordance with the collection policy. Management estimated that no material allowance was necessary at June 30, 2023.

Prepaid Items: Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

Capital Assets: Capital assets, which include machinery and equipment, and transportation equipment, are reported in the financial statements. 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 acquisition value. Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets are as follows:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Machinery and equipment	\$ 500	Straight-line	5-20 years
Transportation equipment	\$ 500	Straight-line	3-12 years

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

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position: Net position is the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources in the statements of net position. Net position is reported as:

- Unrestricted which may be designated for specific purposes at the option of the Board.
- Restricted when there are legal limitations imposed on their use by laws or regulations of other governments or external restrictions by creditors or grantors.
- Net Investment in Capital Assets which consists of capital assets, net of accumulated depreciation, less outstanding balances of any bonds, notes or other borrowings, and payables that are attributable to the acquisition, construction or improvement of those assets.

Due to FTA: Due to FTA consists of insurance proceeds received on a bus that caught fire that was originally purchased with FTA grant money. The proceeds will be applied to a future capital purchase.

Compensated Absences:

- Sick Leave - MACOG employees earn sick leave at the rate of 8 days per fiscal year. Unused sick leave may be accumulated to a maximum of 90 days. Accumulated sick leave is not paid to employees upon termination. No liability is reported for sick leave.
- Vacation Leave - MACOG employees earn vacation leave at rates from 5 days to 20 days per year based upon the number of years of service. Up to 40 hours of unused vacation leave may be carried from the previous years to be used within the first 90 days of the new fiscal year. Unused vacation leave is paid to employees upon termination. Vacation leave is accrued when earned.

Net Pension Liability: MACOG has recorded a net pension liability reflecting their proportionate share of the difference between the total pension liabilities and the fiduciary net positions of the Indiana Public Retirement System (INPRS) PERF Plan. For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position of INPRS PERF Plan and additions to/deductions from the INPRS PERF Plan fiduciary net position have been determined on the same basis as they are reported by the INPRS system. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Outflows of Resources and Deferred Inflows of Resources - Pension: Deferred outflows of resources represent a consumption of net position that applies to a future period(s). Deferred inflows of resources represent an acquisition of net position that applies to a future period(s). These amounts will not be recognized as expense or revenue until the applicable period. MACOG's activities are related to recognition of changes in its defined benefit plan's net pension liability that will be amortized in future periods.

Implementation of Accounting Standards: MACOG adopted the following accounting standards during the year, which were determined to have no material impact on MACOG's financial position, results of operations, or disclosures:

GASB issued Statement No. 91, *Conduit Debt Obligations*. This Statement establishes a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice for commitments extended by issuers and other arrangements with conduit debt obligations. The standard also clarifies the existing definition of conduit debt obligations and improves required note disclosures.

(Continued)

MICHIANA AREA COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued).

GASB issued Statement No. 94, *PublicPrivate and PublicPublic Partnerships and Availability Payment Arrangements*. This Statement defines publicprivate and publicpublic partnership arrangements (PPPs) and an service concession arrangement (SCA). The new Statement provides accounting and financial reporting requirements for PPPs that either (1) meet the definition of an SCA or (2) are not within the scope of Statement 87, as amended (as clarified by this Statement). This Statement also defines availability payment arrangements (APAs) and provides guidance for accounting and financial reporting for APAs.

GASB issued Statement No. 96, *Subscription Based Information Technology Arrangements*. This Statement establishes accounting and financial reporting requirements related to subscription-based information technology arrangements (SBITAs) for government end users. This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right to use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA.

NOTE 2 - DETAILED NOTES

Deposits and Investments: Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Indiana Code 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. At June 30, 2023, the bank balances held in financial institutions were entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

	<u>Book Value</u>	<u>Bank Balance</u>
Cash and cash equivalents at June 30, 2023	\$ 2,445,032	\$ 2,951,129

Capital Assets: Capital asset activity for the year ended June 30, 2023, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, being depreciated:				
Machinery and equipment	\$ 2,163,462	\$ 3,801	\$ 18,356	\$ 2,148,907
Transportation equipment	<u>5,309,355</u>	<u>535,192</u>	<u>199,723</u>	<u>5,644,824</u>
Totals	7,472,817	538,993	218,079	7,793,731
Less accumulated depreciation for:				
Machinery and equipment	2,028,896	44,851	18,356	2,055,391
Transportation equipment	<u>2,839,738</u>	<u>553,872</u>	<u>199,723</u>	<u>3,193,885</u>
Totals	<u>4,868,634</u>	<u>598,723</u>	<u>218,079</u>	<u>5,249,276</u>
Total capital assets, net	<u>\$ 2,604,183</u>	<u>\$ (59,730)</u>	<u>\$ -</u>	<u>\$ 2,544,453</u>

(Continued)

NOTE 3 - OTHER INFORMATION

Cost Sharing Multiple-Employer Defined Benefit Pension Plan

The MACOG contributes to the Public Employees' Retirement Fund (PERF), which is administered by the Indiana Public Retirement System (INPRS).

Plan Description: PERF Defined Benefit (DB) is a cost-sharing, multiple-employer defined benefit fund providing retirement, disability, and survivor benefits to fulltime employees of the State of Indiana not covered by another plan and those political subdivisions (counties, cities, townships, and other governmental units) that elect to participate in the retirement fund. Administration of the fund is generally in accordance with IC 5-10.2, IC 5-10.3, and 35 IAC 1.2. and other Indiana pension law. PERF DB is a component of the Public Employees Hybrid plan (PERF Hybrid).

PERF Hybrid consists of two components: PERF DB, the employer-funded monthly defined benefit component, along with the Public Employees' Hybrid Members Defined Contribution Account (see Defined Contribution Plans section), a member-funded account.

INPRS administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. The report is available online at <http://www.inprs.in.gov> or may be obtained by contacting:

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

Retirement Benefits Provided: A member is entitled to a full retirement benefit 1) at age 65 with at least 10 years of creditable service (eight years for certain elected officials), 2) at age 60 with at least 15 years of creditable service, 3) at age 55 if age and creditable service total at least 85, 4) at age 55 with 20 years of creditable service and active as an elected official in the PERF-covered position, or 5) at age 70 with 20 years of creditable service and still active in the PERF-covered position. A member is entitled to an early retirement benefit at age 50 and a minimum of 15 years of creditable service. The benefit is reduced to 44 percent of full benefit at age 50, increasing five percent per year up to 89 percent at age 59.

Disability and Survivor Benefits Provided: An active member qualifying for Social Security disability with five years of creditable service may receive an unreduced retirement benefit for the duration of their disability (minimum of \$180 per month). If a member dies after June 30, 2018, a spouse or dependent beneficiary of a member with a minimum of 10 years of creditable service receives a benefit as if the member retired the later of age 50 or the age the day before the member's death. If a member dies while receiving a benefit, a beneficiary receives the benefit associated with the member's selected form of payment Five Year Certain & Life, Joint with 100 percent Survivor Benefits, Joints with Two-Thirds Benefits, or Joint with One-Half Survivor Benefits.

The lifetime annual benefit equals years of creditable service multiplied by the average highest five-year annual salary multiplied by 1.1 percent (minimum of \$180 per month). Average annual compensation is outlined in IC 5-10.2-4-3 and includes compensation of not more than \$2,000 received from the employer in severance.

(Continued)

MICHIANA AREA COUNCIL OF GOVERNMENTS
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2023

NOTE 3 - OTHER INFORMATION (Continued)

Contributions: Contributions are determined by the INPRS Board of Trustees based on an actuarial valuation. During fiscal year 2023, all participating employers were required to contribute 11.2 percent of covered payroll for Hybrid members, with 0.44 percent funding a supplemental reserve account for postretirement benefits. No member contributions are required for the defined benefit plan. The employer contribution requirement, which was made by the MACOG, was \$138,922 for 2023 which represents the required 11.2% of covered payroll for 2023. The following represents the MACOG's annual required contributions for the last two years:

<u>Year Ended</u> <u>June 30</u>	<u>Annual Required</u> <u>Contribution</u>	<u>Percentage</u> <u>Contributed</u>
2023	\$ 138,922	100%
2022	\$ 124,744	100%

Actuarial Assumptions: The total pension liability is determined by INPRS actuaries in accordance with GASB No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuations are presented below:

- Measurement Date – June 30, 2022
- Asset valuation date – June 30, 2022
- Liability valuation date – June 30, 2021 – Member census data as of June 30, 2021 was used in the valuation and adjusted, where appropriate, to reflect changes between June 30, 2021 and June 30, 2022. Standard actuarial roll forward techniques were then used to project the total pension liability computed as of June 30, 2021 to the June 30, 2022 measurement date.
- Actuarial cost method (accounting) – Entry age normal (level percent of payroll)
- Experience study date – Period of 5 years ended June 30, 2019
- Investment rate of return – 6.25%, includes inflation and net of investment expenses
- COLA – As of June 30, 2022 Members were granted a 1% COLA beginning January 1, 2022, and no additional postretirement benefit increases through June 30, 2023. The COLA assumption thereafter will be 0.4% beginning on January 1, 2024, 0.5% beginning on January 1, 2034, and 0.6% beginning on January 1, 2039.
- Future salary increases, including inflation – 2.65% - 8.65%
- Inflation – 2.00%
- Mortality assumptions – Pub-2010 Public Retirement Plans Mortality Tables (Amount-Weighted) with a fully generational projection of mortality improvements using the SOA Scale MP-2019.

The most recent comprehensive experience study, based on member experience between June 30, 2014 and June 30, 2019 was completed in February 2020. The demographic assumptions were approved by the Board in June 2020 and were used beginning with the June 30, 2020 actuarial valuation. Economic assumptions were updated and approved by the Board in May 2021 following the completion of an Asset-Liability student and first used in the June 30, 2021 actuarial valuation.

Changes in Assumptions from the Prior Year: There were no changes in actuarial assumptions from the prior year.

(Continued)

MICHIANA AREA COUNCIL OF GOVERNMENTS
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2023

NOTE 3 - OTHER INFORMATION (Continued)

The long-term return expectation for the INPRS defined benefit retirement plans has been determined by using a building-block approach and assumes a time horizon, as defined in the INPRS Investment Policy Statement. A forecasted rate of inflation serves as the baseline for the return expectation. In order to determine the expected long-term nominal rate of return, the asset class geometric real returns are projected for a 30-year time horizon. These returns are combined with a projected covariance matrix and the target asset allocations to create a range of expected long-term real rates of return for the portfolio. A range of possible expected long-term rates of return is created by adding the forecasted inflation to the expected long-term real rates of return and adding an expected contribution to the return due to manager selection. This range ultimately supports the long-term expected rate of return assumption of 6.25% selected by the Board as the discount rate. The assumption is a long-term assumption and is not expected to change with small fluctuations in the underlying inputs, but may change with a fundamental shift in the underlying market factors or significant asset allocation change. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized below:

	Long Term Target Allocation (%)	Long Term Expected Real Rate of Return (%)
Public Equity	20.0	3.6
Private Equity	15.0	7.7
Fixed Income – Ex Inflation Linked	20.0	1.4
Fixed Income – Inflation Linked	15.0	(0.3)
Commodities	10.0	0.9
Real Estate	10.0	3.7
Absolute Return	5.0	2.1
Risk Parity	20.0	3.8
Leverage Offset	<u>(15.0)</u>	(1.7)
Total	<u>100.0</u>	

Discount Rate: Total pension liability for each defined benefit pension plan was calculated using the long-term expected rate of return of 6.25 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and, where applicable, from members, would at the minimum be made at the actuarially determined required rates, computed in accordance with the current funding policy adopted by the Board, and contributions required by the State of Indiana (the nonemployee contributing entity) would be made as stipulated by Indiana statute. Projected inflows from investment earnings were calculated using the 6.25 percent long-term assumed investment rate of return. Based on those assumptions, each defined benefit pension plan's Fiduciary Net Position were projected to be available to make all projected future benefit payments of current plan members, therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability for each plan.

Sensitivity of the MACOG's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate: The following presents the MACOG's share of the net pension liability calculated using the discount rate of 6.25% percent for 2022, as well as what the MACOG's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.25%), or one percentage point higher (7.25%) than the current rate:

(Continued)

MICHIANA AREA COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 3 - OTHER INFORMATION (Continued)

	1% Decrease <u>(5.25%)</u>	Current Rate <u>(6.25%)</u>	1% Increase <u>(7.25%)</u>
Proportionate share of the Collective Net Pension Liability	\$ 1,030,964	\$ 610,266	\$ 259,375

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: As of June 30, 2023, the MACOG reported a liability of \$610,266 for their proportionate share of the net pension liability. The MACOG's proportionate share of the net pension liability was based on wages reported by employers relative to the collective wages of the plan. The proportionate share used at the June 30, 2023 measurement date was 0.0001935. This represents a decrease from the prior measurement date. The proportionate share used at the June 30, 2022 measurement date was 0.0001774.

For the year ended June 30, 2023, the MACOG recognized pension income of \$91,502, which included net amortization of deferred amounts from changes in proportion and differences between employer contributions and proportionate share of contributions of \$13,471. At June 30, 2023, the MACOG reported deferred outflows of resources and deferred inflows of resources related to the PERF Hybrid Plan from the following sources:

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
Differences between expected and actual experience	\$ 13,160	\$ 2,321
Net difference between projected and actual investment earnings on pension plan investment	75,313	-
Changes of assumptions	82,658	26,109
Changes in proportion and differences between employer contributions and proportionate share of contributions	36,059	14,496
Employer contributions subsequent to the measurement date	<u>138,922</u>	<u>-</u>
Total	<u>\$ 346,112</u>	<u>\$ 42,926</u>

(Continued)

MICHIANA AREA COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 3 - OTHER INFORMATION (Continued)

An amount of \$138,922 reported as deferred outflows of resources related to pensions resulting from the MACOG's contributions subsequent to the measurement date will be recognized as a reduction of their net pension liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2024	\$ 33,114
2025	54,532
2026	(3,049)
2027	79,667
2028	<u>-</u>
Total	<u>\$ 164,264</u>

Public Employees' Retirement Fund - Defined Contribution Plan

PERF DC is a multiple-employer defined contribution plan providing retirement benefits to full-time employees of the State of Indiana not covered by another plan and those political subdivisions (counties, cities, townships, and other governmental units) that elect to participate in the retirement fund. Administration of the account is in accordance with IC 5-10.2, IC 5-10.3, 35 IAC 1.2 and other Indiana pension law. The plan provides supplemental defined contribution benefits under the PERF Hybrid plan.

The Public Employees' Hybrid Members Defined Contribution Account (PERF Hybrid DC) is the defined contribution component of the Public Employees' Hybrid Plan. The Public Employees' Defined Benefit Account (see Defined Benefit Plans section) is the other component of the Public Employees' Hybrid Plan. Member contributions are set by statute at three percent of compensation, and the employer may choose to make these contributions on behalf of the member. Members are 100 percent vested in their account balance, which includes all contributions and earnings.

REQUIRED SUPPLEMENTARY INFORMATION

MICHIANA AREA COUNCIL OF GOVERNMENTS
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 June 30, 2023

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
MACOG's proportion of the net pension liability (asset)	0.01935%	0.01774%	0.01860%	0.01835%	0.01762%	0.01718%	0.01768%	0.01743%	0.01846%	0.01690%
MACOG's proportionate share of the net pension liability (asset)	\$ 610,266	\$ 233,431	\$ 561,793	\$ 606,479	\$ 598,559	\$ 766,493	\$ 802,397	\$ 709,907	\$ 485,117	\$ 587,838
MACOG's covered-employee Payroll	\$ 1,113,792	\$ 978,222	\$ 1,004,313	\$ 956,169	\$ 899,003	\$ 852,476	\$ 847,188	\$ 834,899	\$ 901,156	\$ 811,321
MACOG's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	54.80%	23.9%	55.9%	63.4%	66.6%	89.9%	94.7%	85.0%	53.8%	72.5%
Plan fiduciary net position as a percentage of the total pension liability	82.5%	92.5%	81.4%	80.1%	78.9%	76.6%	75.3%	77.3%	84.3%	78.8%

Notes: The amounts presented are on a 1-year lag -the 2022 Actuarial valuation represents the 2023 financial statements.

- Asset valuation date – June 30, 2022
- Liability valuation date – June 30, 2021 – The TPL as of June 30, 2022 was determined based on an actuarial valuation prepared as of June 30, 2021 rolled forward one year to June 30, 2022, using the following key assumptions and other inputs, such as benefit accruals and actual benefits payments during that time period.
- Actuarial cost method (accounting) – Entry age normal (level percent of payroll)
- Experience study date – Period of 5 years ended June 30, 2019
- Investment rate of return – 6.25%
- COLA – Members in pay were granted a 1.0% COLA on January 1, 2023 and no COLA on January 1, 2024. Therefore, the COLA assumption will be 0.4% beginning on January 1, 2024, 0.5% beginning on January 1, 2034, and 0.6% beginning on January 1, 2039.
- Future salary increases, including inflation – 2.65% - 8.65% based on service
- Inflation – 2.00%
- Mortality assumptions – Pub-2010 Public Retirement Plans Mortality Tables (Amount-Weighted) with a fully generational projection of mortality improvements using SOA Scale MP-2019.

Measurement date: Actuarial valuation reports from the prior fiscal year.

MICHIANA AREA COUNCIL OF GOVERNMENTS
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CONTRIBUTIONS
 June 30, 2023

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required Contribution	\$ 138,922	\$ 124,744	\$ 109,561	\$ 112,483	\$ 107,08	\$ 100,689	\$ 95,477	\$ 94,885	\$ 92,686	\$ 92,266
Contributions in relation to the contractually required contribution	<u>\$ 138,922</u>	<u>\$ 124,744</u>	<u>\$ 109,561</u>	<u>\$ 112,483</u>	<u>\$ 107,089</u>	<u>\$ 100,689</u>	<u>\$ 95,477</u>	<u>\$ 94,885</u>	<u>\$ 92,686</u>	<u>\$ 92,266</u>
Contributions as a percentage of contractually required contribution	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
MACOG's covered-employee payroll	\$ 1,240,375	\$ 1,113,792	\$ 978,222	\$ 1,004,313	\$ 956,169	\$ 899,003	\$ 852,476	\$ 847,188	\$ 834,899	\$ 901,156
Contributions as a percentage of covered -employee payroll	11.20%	11.20%	11.20%	11.20%	11.20%	11.20%	11.20%	11.10%	10.24%	8.77%

Valuation date: Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which the contributions are reported.

- *Actuarial cost method:* Entry age normal (Level Percent of Payroll)
- *Amortization method:* Level dollar
- *Remaining amortization period:* 20 years, closed
- *Asset valuation method:* 5 year smoothing of gains and losses on the market value of assets subject to a 20% corridor.
- *Inflation:* 2.0%
- *Salary increases:* 2.65% - 8.65%
- *Investment rate of return:* 6.25%
- *Mortality:* Pub-2010 Public Retirement Plans Mortality Tables (Amount-Weighted) with a fully generational projection of mortality improvements using SOA Scale MP-2019.

Other information:

The INPRS Board sets, at its discretion, the State's employer contribution rate upon considering the results of the actuarial valuation and other analysis as appropriate. The actuarially determined contribution rate for the State for the fiscal year ended 6/30/16 was 9.80%; however, the INPRS Board approved a State employer contribution rate of 11.20%. The actuarially determined contribution rate for the State for the fiscal year ended 6/30/17 was 10.11%; however, the INPRS Board approved a State employer contribution rate of 11.2%. The actuarially determined contribution rate for the State for the fiscal year ended 6/30/18 was 9.89%; however, the INPRS Board approved a State employer contribution rate of 11.2%. The actuarially determined contribution rate for the State for the fiscal year ended 6/30/19 was 10.03%; however, the INPRS Board approved a State employer contribution rate of 11.2%. The actuarially determined contribution rate for the State for the fiscal year ended 6/30/20 was 7.83%. In addition, SEA 373-2018 mandated that the cost of any expected postretirement benefit increases after 6/30/2018 be broken out into separate surcharges. The surcharges used in the fiscal year ended 6/30/20 are 0.43% for 7/1/19-12/31/19 and 0.44% for 1/1/20-6/30/20. However, the INPRS Board approved a State employer contribution rate of 11.2%, which includes both the base benefit and surcharge rates. The actual dollar amount of the State's contributions depends on the actual payroll for the fiscal year.

Member census data as of the prior year end was used in the valuation and adjusted, where appropriate, to reflect changes during the current fiscal year. Standard actuarial roll forward techniques were then used to project the liabilities computed as of prior year end to the current year measurement date.

SUPPLEMENTARY INFORMATION

MICHIANA AREA COUNCIL OF GOVERNMENTS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2023

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Assistance Listing	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Extended	Pass Through to Subrecipient
<u>Department of Commerce</u>					
Economic Development Support of Planning Organizations					
EDA	Direct	11.302	ED22CHI3020019	\$ 60,300	\$ -
EDA			ED23CHI3020011	18,411	-
EDA			ED20CHI3070068	<u>58,022</u>	<u>-</u>
Total - Department of Commerce				<u>136,733</u>	<u>\$ -</u>
<u>Department of Transportation</u>					
Federal Transit Cluster					
Federal Transit Formula Grants	Direct	20.507	IN-90-x688	33,367	-
			IN-2018-004	119,092	-
			IN-2019-003	43,351	-
COVID-19			IN-2020-001	1,040,066	-
			IN-2021-003	210,982	-
COVID-19			IN-2022-009	1,276,317	-
			IN-2023-020	<u>140,677</u>	<u>-</u>
Total - Federal Transit Cluster				<u>2,863,852</u>	<u>-</u>
<u>Transit Services Programs Cluster</u>					
Enhanced Mobility of Seniors and Individuals with disabilities	Direct	20.513	IN-2020-004	93,658	93,658
			IN-2021-043	<u>3,560</u>	<u>-</u>
Total - Transit Services Programs Cluster				<u>97,218</u>	<u>93,658</u>

See accompanying notes to the schedule of expenditure of federal awards.
(Continued)

MICHIANA AREA COUNCIL OF GOVERNMENTS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2023

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Assistance Listing	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Extended	Pass Through to Subrecipient
<u>Highway Planning and Construction Cluster</u>					
Highway Planning and Construction	Indiana Department of Transportation	20.205	2004222	\$ 7,242	\$ -
CMAQ			20065641	56,909	-
CMAQ			20088486	976,572	-
PL			20066541	100,712	-
STBG			20088486	261,875	-
STBG			20066414	<u>81,018</u>	<u>-</u>
Rural Planning					
Total - Highway Planning and Construction Cluster				<u>1,484,328</u>	<u>-</u>
Total - Department of Transportation				<u>4,445,398</u>	<u>93,658</u>
<u>Environmental Protection Agency</u>					
Brownfields Multipurpose Assessment Revolving Loan Fund and Cleanup Cooperative Agreements	Direct	66.818	BF-00E02717-0 4B-00E03206-0	43,274 <u>240,408</u>	- <u>-</u>
Total - Environmental Protection Agency				<u>283,682</u>	<u>-</u>
<u>Corporation for National and Community Service</u>					
Americorps State and National Americorps State and National	Indiana Department of Workforce Development	94.006	AF221009 AF211009	230,101 <u>10,542</u>	- <u>-</u>
Total - Americorps State and National				<u>240,643</u>	<u>-</u>
Total federal awards expended				<u>\$ 5,106,456</u>	<u>\$ 93,658</u>

See accompanying notes to the schedule of expenditure of federal awards.

NOTE 1 - BASIS OF PRESENTATION

A. 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 June 30, 2023. 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* (Uniform Guidance). Because the SEFA presents only a select portion of the operations of the MACOG, it is not intended to and does not present the financial position of the MACOG.

B. Other Significant Accounting Policies

Expenditures reported on the SEFA are reported on the accrual basis of accounting. Such expenditures are recognized following cost principles contained in Uniform Guidance, 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 expenses are incurred.

NOTE 2 - INDIRECT COST RATE

The MACOG has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

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*

The Officials of the Michiana Area Council of
Governments
St. Joseph 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 business-type activities of the Michiana Area Council of Governments (MACOG) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise MACOG's basic financial statements, and have issued our report thereon dated March 12, 2024.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered MACOG's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of MACOG's internal control. Accordingly, we do not express an opinion on the effectiveness of MACOG'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 entity'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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether MACOG'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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

Crowe LLP

Crowe LLP

Indianapolis, Indiana
March 12, 2024

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

The Officials of the Michiana Area Council of
Governments
St. Joseph County, Indiana

Report on Compliance for Major Federal Program

Opinion on Major Federal Program

We have audited Michiana Area Council of Governments' (MACOG) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on the MACOG's major federal program for the year ended June 30, 2023. MACOG's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, MACOG complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2023.

Basis for Opinion on Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States (*Government Auditing Standards*); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of MACOG and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of MACOG's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to MACOG's federal programs.

(Continued)

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on MACOG's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about MACOG's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding MACOG's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of MACOG's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 MACOG's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

(Continued)

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

Crowe LLP

Crowe LLP

Indianapolis, Indiana
March 12, 2024

MICHIANA AREA COUNCIL OF GOVERNMENTS
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 June 30, 2023

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditors report issued		Unmodified		
Internal control over financial reporting				
Material weakness(es) identified?	_____	Yes	___X___	No
Significant deficiencies identified not considered to be material weaknesses?	_____	Yes	___X___	None Reported
Noncompliance material to financial statements noted?	_____	Yes	___X___	No

Federal Awards

Internal control over major programs				
Material weakness(es) identified?	_____	Yes	___X___	No
Significant deficiencies identified not considered to be material weaknesses?	_____	Yes	___X___	None Reported
Type of auditor’s report issued on compliance for major programs			Unmodified	
Any audit findings disclosed that are required to be reported in accordance with 2CFR 200.516(a)?	_____	Yes	___X___	No

Identification of major programs

Assistance Listing Number

Name of Federal Program or Cluster

20.507

Federal Transit Cluster – COVID-19

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

Auditee qualified as low-risk auditee? X Yes _____ No

Section II – Financial Statement Findings

None.

Section III – Federal Award Findings and Questioned Costs

None.

OTHER INFORMATION

MICHIANA AREA COUNCIL OF GOVERNMENTS
STATE REPORTING INFORMATION (Unaudited)
June 30, 2023

The reports presented herein were prepared in addition to another official report prepared for the MACOG as listed below:

Indiana State Board of Accounts Compliance Examination of the Michiana Area Council of Governments.

The above report contains the results of the compliance examination as required by the Indiana State Board of Accounts' *Accounting and Uniform Compliance Guidelines Manual For Special Districts*.