B34071

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

ANNUAL FINANCIAL REPORT

OF

MICHIANA AREA COUNCIL OF GOVERNMENTS

ST. JOSEPH COUNTY, INDIANA

July 1, 2007 to June 30, 2008

FILED

02/10/2009

TABLE OF CONTENTS

OFFICIALS

Office	Official	Term
Executive Director	Sandra M. Seanor	01-01-07 to 12-31-08
Fiscal Accounting Manager	Rosemary Barbara	01-01-07 to 12-31-08
Council Chairman	Larry Thompson	01-01-07 to 12-31-07
	John Letherman	01-01-08 to 12-31-08

STATE OF INDIANA

AN EQUAL OPPORTUNITY EMPLOYER

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

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

TO: THE OFFICIALS OF THE MICHIANA AREA COUNCIL
OF GOVERNMENTS, ST. JOSEPH COUNTY, INDIANA

We have audited the accompanying financial statements of the business-type activities, of the Michiana Area Council of Governments (MACOG), as of and for the year ended June 30, 2008, which collectively comprise the MACOG's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of MACOG's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of MACOG, as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof and for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated December 30, 2008, on our consideration of MACOG's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. 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 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 opinions on the financial statements that collectively comprise MACOG's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(Continued)

The Schedule of Funding Progress, as listed in the Table of Contents, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

MACOG has not presented a Management Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of the basic financial statements.

STATE BOARD OF ACCOUNTS

December 30, 2008

STATE OF INDIANA

AN EQUAL OPPORTUNITY EMPLOYER

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

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

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

TO: THE OFFICIALS OF THE MICHIANA AREA COUNCIL
OF GOVERNMENTS, ST. JOSEPH COUNTY, INDIANA

We have audited 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, 2008, which collectively comprise the MACOG's basic financial statements and have issued our report thereon dated December 30, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered MACOG's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of MACOG's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the MACOG's internal control over financial reporting.

A control deficiency 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 significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether MACOG'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.

This report is intended solely for the information and use of MACOG's management, 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. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

December 30, 2008

MICHIANA AREA COUNCIL OF GOVERNMENTS
STATEMENT OF NET ASSETS
June 30, 2008

Assets	
Current assets:	
Cash and cash equivalents	$ 2,388,247
Interest receivable	722
Accounts receivable	51,689
Due from federal and state grants	447,517
Prepaid items	11,787
Total current assets	2,899,962
Capital assets:	
Capital assets (net of accumulated depreciation)	970,381
Total assets	3,870,343
Liabilities	
Current liabilities:	
Accounts payable	156,134
Accrued payroll and withholding payable	28,601
Compensated absences	5,209
Total current liabilities	189,944
Long-term liabilities:	
Pension liability	25,150
Total liabilities	215,094
Net Assets	
Invested in capital assets, net of related debt	970,381
Unrestricted	2,684,868
Total net assets	$ 3,655,249

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

MICHIANA AREA COUNCIL OF GOVERNMENTS
STATEMENT OF REVENUES, EXPENSES, AND OTHER CHANGES IN FUND NET ASSETS
As Of And For The Year Ended June 30, 2008

Operating revenues:	
Federal and state grants	$ 2,556,282
Other local governmental grants	338,221
Other	56,025
Total operating revenues	2,950,528
Operating expenses:	
Salaries and wages	606,647
Employee pensions and benefits	333,710
Contractual services	1,466,220
Legal expense	12,723
Conference and training	16,150
Telephone services	10,824
Materials and supplies	33,718
Maintenance and repair	33,164
Memberships and subscriptions	4,967
Printing, reproduction, and publication	37,929
Mileage and travel	26,131
Postage	15,726
Office rent	32,741
Furniture and equipment	43,290
Advertising	81,513
Depreciation	370,647
Miscellaneous expenses	17,833
Total operating expenses	3,143,933
Operating loss	(193,405)
Nonoperating revenues (expenses):	
Interest and investment revenue	45,759
Loss on sale of asset	(2,741)
Total nonoperating revenues	43,018
Change in net assets	(150,387)
Total net assets - beginning	3,805,636
Total net assets - ending	$ 3,655,249

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

MICHIANA AREA COUNCIL OF GOVERNMENTS
STATEMENT OF CASH FLOWS
As Of And For The Year Ended June 30, 2008

Cash flows from operating activities:	
Receipts from customers and users	$ 3,178,319
Payments to suppliers and contractors	(1,861,625)
Payments to employees	(958,145)
Net cash provided by operating activities	358,549
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(238,457)
Cash flows from investing activities:	
Interest received	47,447
Cash and cash equivalents, July 1	2,220,708
Cash and cash equivalents, June 30	$ 2,388,247
Reconciliation of operating loss to net cash provided by operating activities:	
Operating loss	$ (193,405)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	370,647
(Increase) decrease in assets:	
Accounts receivable	3,745
Due from federal and state grants	224,046
Prepaid items	691
Increase (decrease) in liabilities:	
Accounts payable	(29,084)
Accrued payroll and withholdings payable	(16,462)
Compensated absence payable	(1,326)
Pension liability	(303)
Total adjustments	551,954
Net cash provided by operating activities	$ 358,549

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

I. Summary of Significant Accounting Policies

A. Reporting Entity

The Michiana Area Council of Governments (MACOG) was established April 6, 1970, under the authority of the Interlocal 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. MACOG fosters a cooperative effort in resolving common interlocal problems such as air pollution, housing, land use, transportation, and water resources.

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

B. Fund Financial Statements

Business-type activity financial statements consist of the Statement of Net Assets; Statement of Revenues, Expenses, and Other Changes in Fund Net Assets; and the Statement of Cash Flows. These business-type activities rely to a significant extent on grants for support.

C. 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.

Proprietary funds distinguish operating revenues from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of this enterprise fund are grants. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Assets, Liabilities and Net Assets or Equity

1. 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 the Utility 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.

2. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

3. Capital Assets

Capital assets, which include property, plant, and 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 estimated fair value at the time received.

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:

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Machinery and equipment	$ 500	Straight-line	5 years
Transportation equipment	500	Straight-line	4 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.

4. Compensated Absences

a. 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.

b. Vacation Leave – MACOG employees earn vacation leave at rates from 5 days to 20 days per fiscal year based upon the number of years of service. Up to 5 unused vacation leave days may be carried over from the previous year to be used within the first 90 days of the new fiscal year. Unused vacation leave vacation leave is paid to employees upon termination.

Vacation leave is accrued when incurred.

No liability is reported for sick leave.

II. Detailed Notes on All Funds

A. Deposits and Investments

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

B. Capital Assets

Capital asset activity for the year ended June 30, 2008, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, being depreciated:				
Machinery and equipment	$ 788,480	$ 42,845	$ 89,892	$ 741,433
Transportation equipment	1,513,222	195,612	193,018	1,515,816
				-
Totals	2,301,702	238,457	282,910	2,257,249
Less accumulated depreciation for:				
Machinery and equipment	719,271	83,742	87,784	715,229
Transportation equipment	477,119	286,905	192,385	571,639
Totals	1,196,390	370,647	280,169	1,286,868
Total capital assets, net	$ 1,105,312	$ (132,190)	$ 2,741	$ 970,381

III. Other Information

A. 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.

B. Pension Plan

Public Employees' Retirement Fund

Plan Description

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

PERF 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 may be obtained by contacting:

Public Employees' Retirement Fund
Harrison Building, Room 800
143 West Market Street
Indianapolis, IN 46204
Ph. (317) 233-4162

Funding Policy and Annual Pension Cost

The contribution requirements of plan members for PERF are established by the Board of Trustees of PERF. The Utility's annual pension cost and related information, as provided by the actuary, is presented in this note.

Actuarial Information for the Above Plan

	PERF
Annual required contribution	$ 27,992
Interest on net pension obligation	1,845
Adjustment to annual required contribution	(2,103)
Annual pension cost	27,734
Contributions made	28,037
Decrease in net pension obligation	(303)
Net pension obligation, beginning of year	25,453
Net pension obligation, end of year	$ 25,150

	PERF
Contribution rates:	
MACOG	5%
Plan members	3%
Actuarial valuation date	07-01-07
Actuarial cost method	Entry age
Amortization method	Level percentage of projected payroll, closed
Amortization period	40 years
Amortization period (from date)	07-01-97
Asset valuation method	75% of expected actuarial value plus 25% of market value

Actuarial Assumptions

Investment rate of return	7.25%
Projected future salary increases:	
Total	5%
Attributed to inflation	4%
Attributed to merit/seniority	1%
Cost-of-living adjustments	2%

Three Year Trend Information

	Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
PERF	06-30-05	$ 25,629	56%	$ 10,343
	06-30-06	34,094	56%	25,453
	06-30-07	27,734	101%	25,150

MICHIANA AREA COUNCIL OF GOVERNMENTS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Excess of Assets Over (Unfunded) AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Excess (Unfunded) AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-05	$ 681,446	$ 752,419	$ (70,973)	91%	$ 590,428	(12%)
07-01-06	892,386	813,317	79,069	110%	582,242	14%
07-01-07	1,014,427	919,209	95,218	110%	611,487	16%

(This page intentionally left blank.)

SUPPLEMENTAL AUDIT OF

FEDERAL AWARDS

STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

TO: THE OFFICIALS OF THE MICHIANA AREA COUNCIL
OF GOVERNMENTS, ST. JOSEPH COUNTY, INDIANA

Compliance

We have audited the compliance of the Michiana Area Council of Governments (MACOG) 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 June 30, 2008. MACOG's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of MACOG's management. Our responsibility is to express an opinion on MACOG'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; 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 MACOG'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 MACOG's compliance with those requirements.

In our opinion, MACOG complied in all material respects with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The management of MACOG is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered MACOG'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 our 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 MACOG's internal control over compliance.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133
(Continued)

A control deficiency in a MACOG's 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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 that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be significant deficiencies or material weaknesses, as defined above.

This report is intended solely for the information and use of MACOG's management, 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. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

December 30, 2008

MICHIANA AREA COUNCIL OF GOVERNMENTS, ST. JOSEPH COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended June 30, 2008

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended
U.S. DEPARTMENT OF TRANSPORTATION			
Direct Grant			
Federal Transit Cluster			
Federal Transit - Formula Grants	20.507	IN-90-0339	$ 3,200
		IN-90-0469	32,406
		IN-90-0483	348,900
		IN-90-0528	665,937
		IN-90-0529	119,116
Total for cluster			1,169,559
Pass-Through Indiana Department of Transportation			
Highway Planning and Construction Cluster			
Highway Planning and Construction	20.205	STP-04020611	225,021
		PL-08802256	480,600
		CMAQ-07020659	68,010
		SPR-08802715	30,136
Total for cluster			803,767
Formula Grants for Other Than Urbanized Areas	20.209	RCR IN-1802520	4,327
Total federal awards expended			$ 1,977,653

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

MICHIANA AREA COUNCIL OF GOVERNMENTS
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Michiana Area Council of Governments (MACOG) and is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Accordingly, the amount of federal awards expended is based on when the activity related to the award occurs. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

MICHIANA AREA COUNCIL OF GOVERNMENTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unqualified

Internal control over financial reporting:	
Material weaknesses identified?	no
Reportable conditions identified that are not considered to be material weaknesses?	none reported
Noncompliance material to financial statements noted?	no

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	no
Reportable conditions identified that are not considered to be material weaknesses?	none reported

Type of auditor's 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?	no

Identification of Major Programs:

Name of Federal Program or Cluster
Highway Planning and Construction Cluster

Dollar threshold used to distinguish between Type A and Type B programs:	$300,000
Auditee qualified as low-risk auditee?	yes

Section II – Financial Statement Findings

No matters are reportable.

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.

MICHIANA AREA COUNCIL OF GOVERNMENTS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

MICHIANA AREA COUNCIL OF GOVERNMENTS
EXIT CONFERENCE

The contents of this report were discussed on December 30, 2008, with Sandra M. Seanor, Executive Director; Rosemary Barbara, Fiscal Accounting Manager; and Deborah M. Gardner, Fiscal Accounting Coordinator. Our audit disclosed no material items that warrant comment at this time.