

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

FINANCIAL STATEMENTS AND
FEDERAL SINGLE AUDIT REPORT
OF

MICHIANA AREA COUNCIL OF GOVERNMENTS
ST. JOSEPH COUNTY, INDIANA

July 1, 2013 to June 30, 2014



FILED
09/11/2015

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SCHEDULE OF OFFICIALS

| <u>Office</u> | <u>Official</u> | <u>Term</u> |
|---------------------------|-------------------|----------------------|
| Executive Director | Sandra M. Seanor | 07-01-13 to 08-01-14 |
| | James J. Turnwald | 08-02-14 to 06-30-16 |
| Fiscal Accounting Manager | Deborah Gardner | 07-01-13 to 06-30-16 |
| President of the Board | David Wood | 01-01-13 to 12-31-13 |
| | Judy Stone | 01-01-14 to 12-31-14 |
| | Larry Thompson | 01-01-15 to 12-31-15 |



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

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Michiana Area Council of Governments (MACOG), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the MACOG's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

INDEPENDENT AUDITOR'S REPORT
(Continued)

Opinion

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the MACOG, as of June 30, 2014, and the respective changes in financial position and cash flows, where applicable, thereof and for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America, requires 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.


Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the MACOG's basic financial statements. The Schedule of Expenditures of Federal Awards (SEFA) as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* (Circular A-133), is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The SEFA 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the SEFA is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 27, 2015, on our consideration of the 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the MACOG's internal control over financial reporting and compliance.


Paul D. Joyce, CPA
State Examiner

July 27, 2015



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

TO: THE OFFICIALS OF THE 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 Michiana Area Council of Governments (MACOG), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the MACOG's basic financial statements and have issued our report thereon dated July 27, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the MACOG's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the MACOG's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 MACOG'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 may exist that have not been identified.


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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 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*.

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.


Paul D. Joyce, CPA
State Examiner

July 27, 2015

BASIC FINANCIAL STATEMENTS AND ACCOMPANYING NOTES

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

MICHIANA AREA COUNCIL OF GOVERNMENTS
STATEMENT OF NET POSITION
June 30, 2014

Assets

| | |
|--|----------------------|
| Current assets: | |
| Cash and cash equivalents | \$ 3,658,229 |
| Investments | 500,070 |
| Interest receivable | 614 |
| Accounts receivable | 87,527 |
| Due from federal and state grants | 951,271 |
| Prepaid items | <u>119,297</u> |
| Total current assets | <u>5,317,008</u> |
| Capital assets: | |
| Capital assets (net of accumulated depreciation) | <u>2,551,447</u> |
| Total assets | <u>7,868,455</u> |

Liabilities

| | |
|--|--------------------|
| Current liabilities: | |
| Accounts payable | 250,408 |
| Accrued payroll and withholdings payable | 30,216 |
| Compensated absences | <u>8,869</u> |
| Total liabilities | <u>289,493</u> |

Net position

| | |
|---|-------------------------|
| Invested in capital assets, net of related debt | 2,551,447 |
| Unrestricted | <u>5,027,515</u> |
| Total net position | <u>\$ 7,578,962</u> |

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

MICHIANA AREA COUNCIL OF GOVERNMENTS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
As of and for the Year Ended June 30, 2014

| | |
|---|---------------------|
| Operating revenues: | |
| Federal and state grants | \$ 3,644,906 |
| Other local governmental grants | 642,330 |
| Transit fares | 318,798 |
| Other | <u>147,342</u> |
| Total operating revenues | <u>4,753,377</u> |
| Operating expenses: | |
| Salaries and wages | 825,673 |
| Employee pensions and benefits | 554,261 |
| Contractual services | 2,053,602 |
| Legal expense | 13,229 |
| Conference training | 18,093 |
| Telephone expense | 16,947 |
| Materials and supplies | 33,069 |
| Maintenance and repairs | 97,609 |
| Memberships and subscriptions | 6,422 |
| Printing, reproduction, and publication | 46,848 |
| Mileage and travel | 28,551 |
| Postage expense | 12,565 |
| Office rent expense | 56,247 |
| Furniture and equipment | 7,706 |
| Advertising expense | 161,046 |
| Depreciation | 995,004 |
| Miscellaneous expenses | 38,269 |
| In-kind Service | 318,798 |
| Over/under applied fringe benefits and indirect costs | <u>(65,333)</u> |
| Total operating expenses | <u>5,218,606</u> |
| Operating income (loss) | <u>(465,229)</u> |
| Nonoperating revenues (expenses): | |
| Interest and investment revenue | 5,022 |
| Loss on disposal of assets | <u>(16,576)</u> |
| Total nonoperating revenues (expenses) | <u>(11,554)</u> |
| Change in net position | (476,784) |
| Total net position - beginning, restated | <u>8,055,746</u> |
| Total net position - ending | <u>\$ 7,578,962</u> |

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, 2014

| | |
|---|----------------------------|
| Cash flows from operating activities: | |
| Receipts from customers and users | \$ 4,925,905 |
| Payments to suppliers and contractors | (3,167,213) |
| Payments to employees | (1,433,545) |
| Other operating expenses | <u>65,333</u> |
| Net cash provided by operating activities | <u>390,480</u> |
| Cash flows from capital and related financing activities: | |
| Acquisition and construction of capital assets | <u>(287,693)</u> |
| Cash flows from investing activities: | |
| Interest received | <u>5,020</u> |
| Net increase in cash and cash equivalents | 107,807 |
| Cash and cash equivalents, July 1 | <u>3,550,422</u> |
| Cash and cash equivalents, June 30 | <u><u>\$ 3,658,229</u></u> |
| Reconciliation of operating income to net cash provided by operating activities: | |
| Operating income | \$ (465,229) |
| Adjustments to reconcile operating income to net cash provided by operating activities: | |
| Depreciation expense | 995,004 |
| (Increase) decrease in assets: | |
| Accounts receivable | (49,762) |
| Due from federal and state grants | 222,290 |
| Prepaid items | (52,777) |
| Increase (decrease) in liabilities: | |
| Accounts payable | (200,777) |
| Accrued payroll and withholdings payable | (53,621) |
| Compensated absence payable | <u>(4,648)</u> |
| Total adjustments | <u>855,709</u> |
| Net cash provided by operating activities | <u><u>\$ 390,480</u></u> |
| Noncash investing, capital, and financing activities: | |
| Disposal of assets | \$ 1,169,378 |

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

MICHIANA AREA COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS

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 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 MACOG fosters a cooperative effort in resolving common inter-local problems such as air pollution, land use, transportation, and water resources.

The accompanying financial statements present the activities of the 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 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.

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.

Enterprise funds distinguish operating revenues and expenses from nonoperating 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 nonoperating revenues and expenses.

D. Assets, Liabilities and Net Assets or Equity

1. Deposits and Investments

The 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 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.

MICHIANA AREA COUNCIL OF GOVERNMENTS
 NOTES TO FINANCIAL STATEMENTS
 (Continued)

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.

3. 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 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:

| | <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 | 3-10 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 year based upon the number of years of service. Up to 5 unused vacations leave days 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 incurred.

No liability is reported for sick leave.

MICHIANA AREA COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
(Continued)

II. Detailed Notes on All Funds

A. 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, 2014, the bank balances held in financial institutions were entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. The bank balances were insured by the Federal Deposit Insurance Corporation or the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

B. Capital Assets

Capital asset activity for the year ended June 30, 2014, was as follows:

| | <u>Beginning Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balance</u> |
|------------------------------------|------------------------------|---------------------|------------------|---------------------------|
| Capital assets, being depreciated: | | | | |
| Machinery and equipment | \$ 2,179,810 | \$ 55,074 | \$ - | \$ 2,234,884 |
| Transportation equipment | <u>5,666,931</u> | <u>232,619</u> | <u>1,169,378</u> | <u>4,730,172</u> |
| Totals | <u>7,846,741</u> | <u>287,693</u> | <u>1,169,378</u> | <u>6,965,056</u> |
| Less accumulated depreciation for: | | | | |
| Machinery and equipment | 1,729,517 | 340,067 | - | 2,069,584 |
| Transportation equipment | <u>2,841,890</u> | <u>654,937</u> | <u>1,152,802</u> | <u>2,344,025</u> |
| Totals | <u>4,571,407</u> | <u>995,004</u> | <u>1,152,802</u> | <u>4,413,609</u> |
| Total capital assets, net | <u>\$ 3,275,334</u> | <u>\$ (707,311)</u> | <u>\$ 16,576</u> | <u>\$ 2,551,447</u> |

C. Reporting Change - Prior Period Adjustment

The financial statements for the fiscal year ended June 30, 2013, have been restated in order to account for a change in accounting related to the Public Employees' Retirement Fund (PERF). The PERF is now classified as a cost-sharing multiple-employer pension plan. The effect of this correction was to remove the \$28,480 net pension obligation related to the PERF from the Statement of Net Position.

MICHIANA AREA COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
(Continued)

The effect of this change is as follows:

| | |
|--|--------------|
| Net Position - June 30, 2013, as previously reported | \$ 8,027,266 |
| Adjustment to remove PERF net pension obligation | 28,480 |
| Net Position - June 30, 2013, as restated | \$ 8,055,746 |

III. Other Information

A. Risk Management

The 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

Cost-Sharing Multiple-Employer Defined Benefit -
Pension Plan Public Employees' Retirement Fund

Plan Description

The MACOG contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is a cost-sharing multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in this defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the Indiana Public Retirement System (INPRS) Board, most requirements of the system, and give the MACOG 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 members' 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. 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 and may be obtained by contacting:

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

MICHIANA AREA COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
(Continued)

The report can also be viewed at <http://www.inprs.in.gov>.

Funding Policy

PERF members are required to contribute 3 percent of their annual covered salary. The MACOG is required to contribute at an actuarially determined rate; the rates for calendar years 2012, 2013, and 2014 were 6, 9.5, and 11 percent, respectively, of annual covered payroll. The contribution requirements of plan members and The MACOG are established and may be amended by the INPRS Board of Trustees. The MACOG's contributions to PERF for the years ending June 30, 2012, 2013, and 2014 were \$59,731, \$71,085, and \$92,266, respectively, and were equal to the annual required contribution.

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



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

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

Report on Compliance for the Major Federal Program

We have audited the Michiana Area Council of Governments (MACOG) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended June 30, 2014. The MACOG's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the MACOG's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 the 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 on compliance for the major federal program. However, our audit does not provide a legal determination of the MACOG's compliance.

Opinion on the Major Federal Program

In our opinion, the MACOG complied in all material respects with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2014.

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

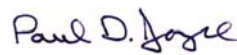
Report on Internal Control Over Compliance

Management of the MACOG is responsible for establishing and maintaining effective internal control over compliance with types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the MACOG's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the MACOG's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the Indiana State Board of Accounts and of the office examined.


Paul D. Joyce, CPA
State Examiner

July 27, 2015

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTE

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

MICHIANA AREA COUNCIL OF GOVERNMENTS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2014

| 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>U.S. DEPARTMENT OF COMMERCE</u> | | | |
| Direct Grant | | | |
| Economic Development_Support for Planning Organizations | 11.302 | 06-86-05875 | \$ 8,988 |
| <u>U.S. DEPARTMENT OF TRANSPORTATION</u> | | | |
| Direct Grant | | | |
| Federal Transit Cluster | | | |
| Federal Transit_Formula Grants | 20.507 | IN-90-x529 | 21,788 |
| | | IN-90-x610 | 8,526 |
| | | IN-90-x629 | 341,346 |
| | | IN-90-x646 | 537,476 |
| | | IN-95-x019 | 77,878 |
| | | IN-95-x030 | 197,641 |
| | | IN-95-x042 | 146,476 |
| | | IN-95-x047 | <u>162,582</u> |
| Total for program | | | <u>1,493,713</u> |
| Pass-Through Indiana Department of Transportation Highway Planning and Construction Cluster | | | |
| Highway Planning and Construction | 20.205 | PL-13800918 | 109,640 |
| | | PL-14805119 | 584,961 |
| | | CMAQ-11802325 | 65,206 |
| | | CMAQ-14805118 | 33,470 |
| | | HSIP-12802506 | 55,684 |
| | | HSIP-13800918 | 44,172 |
| | | HSIP -14805120 | 78,358 |
| | | SPR-14806718 | 40,591 |
| | | STP-13800918 | 217,908 |
| | | STP-14805230 | <u>95,631</u> |
| Total for cluster | | | <u>1,325,622</u> |
| Total for federal grantor agency | | | <u>2,819,335</u> |
| Total federal awards expended | | | <u>\$ 2,828,323</u> |

The accompanying note is an integral part of the Schedule of Expenditures of Federal Awards.

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

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Michiana Area Council of Governments (primary government) and is presented in conformity with accounting principles generally accepted in the United States of America which is the basis of accounting used in the presentation of the financial statements. 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: | Unmodified |
| Internal control over financial reporting: | |
| Material weaknesses identified? | no |
| Significant deficiencies identified? | none reported |
| Noncompliance material to financial statements noted? | no |

Federal Awards:

| | |
|--|---------------|
| Internal control over major program: | |
| Material weaknesses identified? | no |
| Significant deficiencies identified? | none reported |
| Type of auditor's report issued on compliance for major program: | Unmodified |
| Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of <i>OMB Circular A-133</i> ? | no |

Identification of Major Program:

Name of Federal Program or Cluster

Federal Transit 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.