

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

FINANCIAL STATEMENTS AUDIT REPORT
MICHIANA AREA COUNCIL OF GOVERNMENTS
ST. JOSEPH COUNTY, INDIANA
July 1, 2018 to June 30, 2019



FILED
03/30/2020

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Director	James J. Turnwald	07-01-18 to 06-30-20
Fiscal Accounting Manager	Deborah Gardner	07-01-18 to 06-30-20
President of the Board	David Wood	01-01-18 to 12-31-18
	Phil Jenkins	01-01-19 to 12-31-19
	Ernest Wiggins	01-01-20 to 12-31-20



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 of the Michiana Area Council of Governments (MACOG), as of and for the year ended June 30, 2019, 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 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 from 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 MACOG'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 also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

INDEPENDENT AUDITOR'S REPORT
(Continued)

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the MACOG, as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows 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

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

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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2020, 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 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 the 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 the MACOG's internal control over financial reporting and compliance.


Paul D. Joyce, CPA
State Examiner

March 25, 2020

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, 2019

Assets

Current assets:	
Cash and cash equivalents	\$ 2,358,766
Accounts receivable	157,752
Due from federal and state grants	914,713
Prepaid items	<u>62,878</u>
Total current assets	3,494,109
Capital assets:	
Capital assets (net of accumulated depreciation)	<u>4,267,465</u>
Total assets	<u>7,761,575</u>

Deferred outflow of resources 45,557

Liabilities

Current liabilities:	
Accounts payable	318,428
Accrued payroll and withholdings payable	45,507
Compensated absences	<u>8,751</u>
Total current liabilities	372,687
Non-current liabilities	
Net Pension Liability	<u>606,479</u>
Total liabilities	<u>979,166</u>

Deferred Inflows of Resources 95,168

Net position

Invested in capital assets, net of related debt	4,267,465
Unrestricted	<u>2,465,333</u>
Total net position	<u>\$ 6,732,798</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, 2019

Operating Revenues:	
Federal and state grants	\$ 4,437,886
Other local governmental grants	567,502
Transit fares	334,684
Other	<u>126,268</u>
 Total operating revenues	 <u>5,466,341</u>
 Operating expenses:	
Salaries and wages	880,456
Employee pensions and benefits	563,567
Contractual services	3,212,504
Legal expense	18,445
Conference training	26,197
Telephone expense	13,629
Materials and supplies	28,014
Maintenance and repairs	30,811
Memberships and subscriptions	11,712
Printing, reproduction, and publication	14,587
Mileage and travel	44,366
Postage expense	9,775
Office rent expense	61,016
Furniture and equipment	(475,888)
Software and Licenses	133,261
Advertising expense	1,922
Depreciation	598,431
Miscellaneous expenses	33,307
In-kind Service	274,328
Over/under applied fringe benefits and indirect costs	<u>32,193</u>
 Total operating expenses	 <u>5,512,634</u>
 Operating income (loss)	 <u>(46,293)</u>
 Nonoperating revenues (expenses):	
Interest and investment revenue	31,699
Loss on disposal of assets	<u>(12,327)</u>
 Total nonoperating revenues (expenses)	 <u>19,373</u>
 Income (loss) before contributions	 (26,921)
 Capital contributions	 <u>-</u>
 Change in net position	 (26,921)
 Total net position - beginning -	 <u>6,759,719</u>
 Total net position - ending	 <u>\$ 6,732,798</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, 2019

Cash flows from operating activities:	
Receipts from customers and users	\$ 5,637,287
Payments to suppliers and contractors	(3,755,657)
Payments to employees	(1,445,710)
Other operating expenses	<u>(37,614)</u>
Net cash provided by operating activities	<u>398,306</u>
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	<u>(1,438,132)</u>
Cash flows from investing activities:	
Interest received	<u>531,929</u>
Net increase in cash and cash equivalents	(507,897)
Cash and cash equivalents, July 1	<u>2,866,663</u>
Cash and cash equivalents, June 30	<u><u>\$ 2,358,766</u></u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	<u>\$ (46,293)</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	598,431
(Increase) decrease in assets:	
Accounts receivable	(51,729)
Due from federal and state grants	222,675
Deferred Outflow of Resources	(5,397)
Prepaid items	(2,861)
Increase (decrease) in liabilities:	
Accounts payable	(314,808)
Pension Liability	7,920
Deferred Inflow of Resources	(7,944)
Accrued payroll and withholdings payable	(36)
Compensated absence payable	<u>(1,651)</u>
Total adjustments	<u>444,600</u>
Net cash provided by operating activities	<u><u>\$ 398,306</u></u>
Noncash investing, capital and financing activities:	
Disposal of assets	\$ 616,580

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. 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 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.

D. Assets, Liabilities and Net Position

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 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.

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

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:

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
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.

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 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 incurred.

No liability is reported for sick leave.

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, 2019, 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.

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

B. Capital Assets

Capital asset activity for the year ended June 30, 2019, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, being depreciated:				
Machinery and equipment	\$2,115,083	\$46,233	\$18,895	\$ 2,142,421
Transportation equipment	5,171,432	1,391,900	597,685	5,965,647
Totals	7,286,515	1,438,132	616,580	8,108,068
Less accumulated depreciation for:				
Machinery and equipment	\$1,921,612	75,686	18,895	1,978,403
Transportation equipment	\$1,924,812	522,745	585,358	1,862,199
Totals	3,846,424	598,431	604,253	3,840,602
Total capital assets, net	<u>\$ 3,440,091</u>	<u>\$ 839,701</u>	<u>\$ 12,327</u>	<u>\$ 4,267,465</u>

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

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

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

Plan Description

The Public Employees' Retirement Fund (PERF) as part of the implementation of GASB Statement No. 67 changed from an agent to a cost-sharing, multiple-employer defined benefit plan effective July 1, 2013 based on 35 IAC 21-1-1, 35 IAC 21-1-2 and amended IC 5-10.2-2-11(b). PERF was established to provide retirement, disability, and survivor benefits to full-time employees of the State of Indiana not covered by another plan, those political subdivisions that elect to participate in the retirement plan, and certain INPRS employees. Political subdivisions mean a county, city, town, township, political body corporate, public school corporation, public library, public utility of a county, city, town, township, and any department of, or associated with, a county, city, town, or township, which department receives revenue independently of, or in addition to, funds obtained from taxation. There are two (2) tiers to the PERF Plan. The first is the Public Employees' Defined Benefit Plan (PERF Hybrid Plan) and the second is the Public Employees' Annuity Savings Account Only Plan (PERF ASA Only Plan). MACOG participates in the PERF Hybrid Plan. Details of the plan are shown below.

PERF Hybrid Plan

Plan Description

The PERF Hybrid Plan was established by the Indiana Legislature in 1945 and is governed by the INPRS Board of Trustees in accordance with Indiana Code (IC) 5-10.2, IC 5-10.3, and IC 5-10.5. There are two (2) aspects to the PERF Hybrid Plan defined benefit structure. The first portion is the monthly defined benefit pension that is funded by the employer. The second portion of the PERF Hybrid Plan benefit structure is the annuity savings account (ASA) that supplements the defined benefit at retirement.

Contributions

The State of Indiana is obligated by statute to make contributions to the PERF Hybrid Plan or the PERF ASA Only Plan. Any political subdivision that elects to participate in the PERF Hybrid Plan is obligated by statute to make contributions to the plan. The required contributions are determined by the INPRS Board of Trustees based on actuarial investigation and valuation in accordance with IC 5-10.2-2-11. The funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to fund the pension benefits when they become due. As PERF is a cost-sharing plan, all risks and costs, including benefit costs, are shared proportionately by the participating employers. During fiscal year 2015, all participating employers were required to contribute 11.2 percent of covered payroll for members employed by the State. For political subdivisions, an average contribution rate of 9.7 percent was required from employers during the period of July 1 – December 31, 2013, and an average contribution rate of 11.0 percent was required for the period of January 1 – June 30, 2014. From June 30, 2014 – December 31, 2020 the rate required by employers is 11.2% of covered payroll.

The MACOG's contributions to PERF for the years ending June 30, 2017, 2018, and 2019 were \$95,477, \$100,689, and \$107,089 respectively, and were equal to the annual required contribution.

The PERF Hybrid Plan members contribute three (3) percent of covered payroll to their annuity savings account, which is not used to fund the defined benefit pension for the PERF Hybrid Plan. For the PERF Hybrid Plan, the employer may elect to make the contributions on behalf of the member. In addition, members of the PERF Hybrid Plan may elect to make additional voluntary contributions.

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

Retirement Benefits – Defined Benefit Pension

The PERF Hybrid Plan retirement benefit consists of the sum of a defined pension benefit provided by employer contributions plus the amount credited to the member's annuity savings account. Pension benefits (non ASA) vest after 10 years of creditable service. The vesting period is eight (8) years for certain elected officials. Members are immediately vested in their annuity savings account. At retirement, a member may choose to receive a lump sum payment of the amount credited to the member's annuity savings account, receive the amount as an annuity, or leave the contributions invested with INPRS. Vested PERF members leaving a covered position, who wait 30 days after termination, may withdraw their annuity savings account and will not forfeit creditable service or a full retirement benefit. However, if a member is eligible for a full retirement at the time of the withdrawal request, he/she will have to begin drawing his/her pension benefit in order to withdraw the annuity savings account. A non-vested member who terminates employment prior to retirement may withdraw his/her annuity savings account after 30 days, but by doing so, forfeits his/her creditable service. A member who returns to covered service and works no less than six (6) months in a covered position may reclaim his/her forfeited creditable service.

A member who has reached age 65 and has at least 10 years of creditable service is eligible for normal retirement and, as such, is entitled to 100 percent of the pension benefit component. This annual pension benefit is equal to 1.1 percent times the average annual compensation times the number of years of creditable service. The average annual compensation in this calculation uses the highest 20 calendar quarters of salary in a covered position. All 20 calendar quarters do not need to be continuous, but they must be in groups of four (4) consecutive calendar quarters. The same calendar quarter may not be included in two (2) different groups. For PERF members who serve as an elected official, the highest one (1) year (total of four (4) consecutive quarters) of annual compensation is used. Member contributions paid by the employer on behalf of the member and severance pay up to \$2,000 are included as part of the member's annual compensation.

A member who has reached age 60 and has at least 15 years of creditable service is eligible for normal retirement and, as such, is entitled to 100 percent of the pension benefit. A member who is at least 55 years old and whose age plus number of years of creditable service is at least 85 is entitled to 100 percent of the benefits as described above.

A member who has reached at least age 50 and has at least 15 years of creditable service is eligible for early retirement with a reduced pension. A member retiring early receives a percentage of the normal annual pension benefit. The percentage of the pension benefit at retirement remains the same for the member's lifetime. For age 59, the early retirement percentage of the normal annual pension benefit is 89 percent. This amount is reduced five (5) percentage points per year (e.g., age 58 is 84 percent) to age 50 being 44 percent.

The monthly pension benefits for members in pay status may be increased periodically as cost of living adjustments (COLA). Such increases are not guaranteed by statute and have historically been provided on an "ad hoc" basis and can only be granted by the Indiana General Assembly. In lieu of COLA members in pay were provided a 13th check on October 1, 2017 and October 1, 2018. It is assumed that a 13th check will continue for the 2020 and 2021 fiscal years. Thereafter the following COLA's compounded annual were assumed, .4% beginning on January 1, 2022, .5% beginning on January 1, 2034, and .6% beginning on January 1, 2039.

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

Disability and Survivor Benefits

The PERF Hybrid Plan also provides disability and survivor benefits. A member who has at least five (5) years of creditable service and becomes disabled while in active service, on FMLA leave, receiving workers' compensation benefits, or receiving employer-provided disability insurance benefits may retire for the duration of the disability, if the member has qualified for social security disability benefits and has furnished proof of the qualification. The disability benefit is calculated the same as that for a normal retirement without reduction for early retirement. The minimum benefit is \$180 per month, or the actuarial equivalent.

Upon the death in service of a member with 15 or more years of creditable service as of January 1, 2007, a survivor benefit may be paid to the surviving spouse to whom the member had been married for two (2) or more years, or surviving dependent children under the age of 18. This payment is equal to the benefit which would have been payable to a beneficiary if the member had retired at age 50 or at death, whichever is later, under an effective election of the joint and survivor option available for retirement benefits. A surviving spouse or surviving dependent children are also entitled to a survivor benefit upon the death in service after January 1, 2007, of a member who was at least 65 years of age and had at least 10 but not more than 14 years of creditable service.

Retirement Benefits – Annuity Savings Account

Members are required to participate in an Annuity Savings Account (ASA). The ASA consists of the member's contributions, set by statute at three (3) percent of compensation as defined by IC 5-10.2-3-2 for PERF, plus the interest/earnings or losses credited to the member's account. The employer may elect to make the contributions on behalf of the member. In addition, under certain conditions, members may elect to make additional voluntary contributions of up to 10 percent of their compensation into their annuity savings accounts. A member's contributions and interest credits belong to the member and do not belong to the State or political subdivision.

Investments in the members' annuity savings accounts are individually directed and controlled by plan participants who direct the investment of their account balances among the following eight (8) investment options, with varying degrees of risk and return potential:

Guaranteed Fund – This fund's objective is to provide stability of principal and a competitive interest rate. The interest rate is set by the INPRS Board of Trustees each year and is guaranteed for the fiscal year. Market risk is assumed by the Fund.

Large Cap Equity Index Fund – This fund's objective is to seek investment growth/capital appreciation through passive investment in the stocks of the 500 largest U.S. companies. Market risk is assumed by the member.

Small/Mid Cap Equity Fund – This fund's objective is to seek investment growth/capital appreciation through both active and passive investment in stocks of small- and mid-sized U.S. companies. Market risk is assumed by the member.

International Equity Fund – This fund's objective is to seek investment growth/capital appreciation through both active and passive investment in stocks of non-U.S. companies in both developed and emerging markets. Market risk is assumed by the member.

Fixed Income Fund – This fund's objective is to seek total return, consisting of income and capital appreciation. Market risk is assumed by the member.

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

Inflation-Linked Fixed Income Fund – This fund’s objective is to provide investors inflation protection and income consistent with investment in inflation-indexed securities. Principal and interest payments are adjusted in response to changes in inflation. Market risk is assumed by the member.

Target Date Funds – The Funds are designed to seek an appropriate amount of total return, commensurate with risk, given the specific time horizon of each Fund. The Target Date Funds provide participants with a one-stop shop for investing. Participants simply choose the Fund most appropriate for them based on the year in which they plan to withdraw their money (usually their retirement year). Once a participant selects the appropriate Fund, the underlying asset allocation automatically adjusts over time. Market risk is assumed by the member.

Money Market Fund – This fund’s objective is to provide a market rate of return consistent with the preservation of capital through a shorter maturity, high quality portfolio. Market risk is assumed by the member.

Members may direct changes to their investment fund allocations daily and investments are reported at fair market value.

Pension plan fiduciary net position.

Detailed information about the pension plan’s fiduciary net position is available in the separately issued stand-alone financial report of the Indiana Public Retirement System. This report may be obtained by writing the Indiana Public Retirement System, One North Capitol, Suite 001, Indianapolis, IN 46204, by calling (888) 526-1687, by emailing questions@inprs.in.gov, or by visiting www.in.gov/inprs.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2019, the MACOG reported a liability of \$606,479 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The MACOG’s proportion of the net pension liability was based on a projection of the long-term share of contributions to the pension plan relative to the projected contributions actuarially determined. At June 30, 2019, the MACOG’s proportion was .01835 percent, which is an increase of .00073 percent from FY 2018.

For the year ended June 30, 2019, the MACOG recognized pension expense of \$101,668. At June 30, 2019, the MACOG reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between expected and actual experience	\$16,059.00	\$0.00
Net difference between projected and actual earnings on pension plan investments	\$0.00	\$28,667.00
Change of Assumptions	\$135.00	\$65,929.00
Changes in proportion and differences between employer contributions and proportionate share of contributions	\$29,363.00	\$572.00
Employer contributions subsequent to the Measurement date	\$0.00	\$0.00
Totals	\$45,557.00	\$95,168.00

\$45,557 reported as deferred outflows of resources related to pensions resulting from MACOG contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

For Year Ended June 30:

2020	-\$12,177.00
2021	-\$32,375.00
2022	-\$2,833.00
2023	-\$2,266.00
2024	\$0.00
Thereafter	\$0.00
Total	-\$49,611.00

Actuarial assumptions.

The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Interest rate / investment return	6.75%
Future salary increases	2.50%-4.25%
Inflation	2.25%

Cost of living increases. In lieu of COLA on January 1, 2020 and January 1, 2021, members in pay were provided a 13th check on October 1, 2019 and October 1, 2020. It is assumed that a 13th check will continue for the 2020 and 2021 fiscal years. Thereafter the following COLA's compounded annually, were assumed: .4% beginning on January 1, 2022, .5% beginning on January 1, 2034, and .6% beginning on January 1, 2039.

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

RP-2014 Mortality Total Data Set Mortality Table with mortality improvement since 2006 using scale MP-2014 removed and projected on a fully generational basis using the future mortality improvement scale inherent in the mortality projection shown in the Social Security Administration's 2014 Trustee report.

The most recent comprehensive experience study was completed in April 2015 and was based on member experience between June 30, 2010 and June 30, 2014. The demographic assumptions were updated as needed for the June 30, 2015 actuarial valuation based on the results of the study.

Discount Rate 6.75%, net of investment expenses

The discount rate is equal to the expected long-term rate of return on plan investments, net of investment expense and including price inflation. There was no change in the discount rate from the prior measurement date.

The INPRS Board of Trustees has established a funding policy of setting the employer contribution rate equal to the greater of 11.2% (the current contribution rate) or a rate equal to the actuarially determined contribution rate, which is based on the assumptions and methods selected by the Board for the annual actuarial valuations and projected covered member payroll. The June 30, 2019 actuarial valuation assumes a long-term rate of return on assets of 6.75%, a 20-year level dollar closed method for amortizing the future layers of unfunded actuarial accrued liability (30 years for amortization layers established prior to June 30, 2016), and a 5-year smoothing method for recognizing investment gains and losses in the actuarial value of assets.

In the past several years, the Board has followed its current funding policy and the State has complied in its contributions to the plan. Therefore, if past practice is continued, the appropriations will be sufficient to fully fund the plan within 20 to 30 years. In the past, deterministic projections have shown the actuarially determined contribution rate to reach a peak of 10.9% which is slightly below the current rate. As a result, it is presumed that the projected plan assets will be sufficient to cover the future benefit payments for current members and a detailed projection of plan assets and cash flows has not been prepared.

Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability of each defined benefit pension plan calculated using the discount rate of 6.75 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%), or one percentage point higher (7.75%) than the current rate:

	1% Decrease (5.75%)	Current Discount (6.75%)	1% Increase (7.75%)
Net Pension Liability	\$974,014	\$606,479	\$299,927

IV. Subsequent Events

During fiscal year 2018-2019, MACOG applied to and received an award from the United States Environmental Protection Agency for a Brownsfield Grant. The award was for the amount of \$600,000 to use over a three year period starting October 1, 2019.

MICHIANA AREA COUNCIL OF GOVERNMENTS
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 Public Employees Retirement Fund
 Last 10 Fiscal Years*

	2019	2018	2017	2016	2015	2014	2013
MACOG's proportion of the net pension liability (asset)	0.01835%	0.01762%	0.01718%	0.01768%	0.01743%	0.01846%	0.01690%
MACOG's proportionate share of the net pension liability (asset)	\$ 606,479	\$ 598,559	\$ 766,493	\$ 802,397	\$ 709,907	\$ 485,117	\$ 587,838
MACOG's covered-employee payroll	\$ 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	63.40%	66.6%	89.9%	94.7%	85.0%	53.8%	71.1%
Plan fiduciary net position as a percentage of the total pension liability	80.06%	78.9%	76.6%	75.3%	77.3%	84.3%	78.8%

*most recent fiscal years will be shown up to 10 years as they are available

MICHIANA AREA COUNCIL OF GOVERNMENTS
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF THE CONTRIBUTIONS
 Public Employees Retirement Fund
 Last 10 Fiscal Years*

	2019	2018	2017	2016	2015	2014	2013
Contractually required contribution	\$ 107,089	\$ 100,689	\$ 95,477	\$ 94,885	\$ 92,686	\$ 92,266	\$ 71,085
Contributions in relation to the contractually							
required contribution	\$ 107,089	\$ 100,689	\$ 95,477	\$ 94,885	\$ 92,686	\$ 92,266	\$ 71,085
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
MACOG's covered-employee payroll	\$ 956,169	\$ 899,003	\$ 852,476	\$ 847,188	\$ 834,899	\$ 901,156	\$ 811,321
Contributions as a percentage of							
covered -employee payroll	11.20%	11.20%	11.20%	11.20%	11.10%	10.24%	8.77%

*most recent fiscal years will be shown up to 10 years as they are available

OTHER REPORTS

In addition to this report, other reports may have been issued for the MACOG. All reports can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>.