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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

June 29, 2021

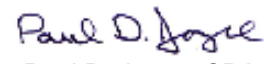
To: The Officials of the Michiana Area Council of Government
Michiana Area Council of Government
1120 City-County Building
South Bend, IN 46601

As authorized under Indiana Code 5-11-1, we engaged private examiners under our review to perform the audit of Michiana Area Council of Government. We have reviewed the audit report opined upon by Crowe LLP, Independent Public Accountants, for the period July 1, 2019 to June 30, 2020. Per the *Independent Auditor's Report*, the financial statements included in the report present fairly the financial condition of Michiana Area Council of Government as of June 30, 2020, and the results of its operations for the period then ended, on the basis of accounting described in the report.

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

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

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


Paul D. Joyce, CPA
State Examiner

MICHIANA AREA COUNCIL OF GOVERNMENTS
St. Joseph County, Indiana

FINANCIAL STATEMENTS
June 30, 2020

MICHIANA AREA COUNCIL OF GOVERNMENTS
FINANCIAL STATEMENTS
June 30, 2020

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MICHIANA AREA COUNCIL OF GOVERNMENTS
SCHEDULE OF OFFICIALS
June 30, 2020

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

INDEPENDENT AUDITOR'S REPORT

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, 2020, 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 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 opinion.

(Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of MACOG, as of June 30, 2020, and the 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 District's Proportionate Share of the Net Position Liability - PERF and Schedule of District's Contributions - PERF, 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 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 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. Our opinion on the basic financial statements are not affected by this missing information.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and the Schedule of Officials, are presented for purposes of additional analysis and are not a required part of the financial statements.

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

The accompanying Schedule of Officials has not been subjected to the auditing procedures applied in the audits of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

(Continued)

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated May 18, 2021 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 the effectiveness of MACOG's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering MACOG's internal control over financial reporting and compliance.

Crowe LLP
Crowe LLP

Indianapolis, Indiana
May 18, 2021

MICHIANA AREA COUNCIL OF GOVERNMENTS
STATEMENT OF NET POSITION
June 30, 2020

Assets

Current assets:

Cash and cash equivalents	\$ 2,136,670
Accounts receivable	137,150
Due from federal and state grants	1,048,599
Prepaid items	<u>54,239</u>
Total current assets	3,376,658

Non-current assets:

Capital assets (net of accumulated depreciation)	<u>3,825,589</u>
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Total assets	7,202,247
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Deferred outflow of resources -pension	<u>83,635</u>
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Total assets and deferred outflows of resources	<u>\$ 7,285,882</u>
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Liabilities

Current liabilities:

Accounts payable	\$ 407,170
Accrued payroll and withholdings payable	48,770
Compensated absences	<u>12,286</u>
Total current liabilities	468,226

Non-current liabilities:

Net pension liability	<u>561,793</u>
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Total liabilities	1,030,019
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Deferred inflows of resources - pension	<u>124,597</u>
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Total liabilities and deferred inflows of resources	<u>\$ 1,154,616</u>
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Net position

Net investment in capital assets	\$ 3,825,589
Unrestricted	<u>2,305,677</u>

Total net position	<u>\$ 6,131,266</u>
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See accompanying notes to financial statements.

MICHIANA AREA COUNCIL OF GOVERNMENTS
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION
For the Year Ended June 30, 2020

Operating revenues:	
Federal and state grants	\$ 4,304,472
Other local governmental grants	566,376
Transit fares	253,315
Transit funds exchange	500,000
Other	<u>208,807</u>
Total operating revenues	5,832,970
Operating expenses:	
Salaries and wages	950,075
Employee pensions and benefits	605,099
Contractual services	3,707,308
Legal expense	14,955
Conference training	14,961
Telephone expense	12,736
Materials and supplies	6,396
Maintenance and repairs	21,972
Memberships and subscriptions	8,157
Printing, reproduction, and publication	8,751
Mileage and travel	27,843
Postage expense	5,412
Office rent expense	61,016
Furniture and equipment	51,513
Software and Licenses	120,885
Advertising expense	3,045
Depreciation	616,085
Miscellaneous expenses	41,077
Other contractual payments	201,725
Over/under applied fringe benefits and indirect costs	<u>(16,709)</u>
Total operating expenses	<u>6,462,302</u>
Operating loss	<u>(629,332)</u>
Nonoperating revenues:	
Interest and investment revenue	<u>27,800</u>
Change in net position	(601,532)
Total net position - beginning	<u>6,732,798</u>
Total net position - ending	<u>\$ 6,131,266</u>

See accompanying notes to financial statements.

MICHIANA AREA COUNCIL OF GOVERNMENTS
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2020

Cash flows from operating activities:	
Receipts from customers and users	\$ 140,029
Receipts from grants	5,579,655
Payments to suppliers and contractors	(4,210,368)
Payments to employees and benefits	(1,531,677)
Other operating expenses	<u>(53,326)</u>
Net cash used in operating activities	(75,687)
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	(174,209)
Cash flows from investing activities:	
Interest received	<u>27,800</u>
Net decrease in cash and cash equivalents	(222,096)
Cash and cash equivalents, beginning of year	<u>2,358,766</u>
Cash and cash equivalents, end of year	<u><u>\$ 2,136,670</u></u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ (629,332)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	616,085
(Increase) decrease in assets:	
Accounts receivable	20,602
Due from federal and state grants	(133,887)
Deferred outflow of resources	(38,078)
Prepaid items	8,640
Increase (decrease) in liabilities:	
Accounts payable	88,742
Pension liability	(44,686)
Deferred inflow of resources	29,429
Accrued payroll and withholdings payable	3,263
Compensated absence payable	<u>3,535</u>
Total adjustments	<u>553,645</u>
Net cash used in operating activities	<u><u>\$ (75,687)</u></u>
Noncash investing, capital and financing activities:	
Disposal of assets	\$ 356,144

See accompanying notes to financial statements.

MICHIANA AREA COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

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

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

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

Restricted Asset Spending Policy: Restricted assets are released from restriction by incurring expenses satisfying the restricted purpose or by occurrence of other events. When expenditures are eligible to be paid from either restricted or unrestricted resources, it is the policy to apply restricted resources first, then unrestricted resources as needed. As of June 30, 2020, MACOG did not have any restricted assets.

(Continued)

MICHIANA AREA COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business Disruption: In March 2020, the World Health Organization declared the coronavirus (COVID-19) outbreak to be a global pandemic. COVID-19 has impacted economic activity and financial markets globally. The operations and business results of MACOG could be materially adversely affected. The extent to which the coronavirus may impact business activity will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus and the actions required to contain the coronavirus or treat its impact, among others. Management has not reported any significant changes in funding and MACOG continues to operate.

Subsequent Events: Management has performed an analysis of the activities and transactions subsequent to June 30, 2020, to determine the need for any adjustments or disclosures to the financial statements for the year ended June 30, 2020. Management has performed their analysis through May 18, 2021, the date the financial statements were available to be issued.

Assets, Liabilities and Net Position:

Deposits and Investments: MACOG's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. State statute (IC 5-13-9) authorizes MACOG to invest in securities, including but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units. Nonparticipating certificates of deposit, demand deposits, and similar nonparticipating negotiable instruments that are not reported as cash and cash equivalents are reported as investments at cost.

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

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

Due from Federal and State Grants Receivable: Grants receivable represents federal and state grant expenditures incurred but not yet claimed or not yet reimbursed from grantors as of June 30, 2020.

Allowance for Uncollectible Accounts: The allowance for uncollectible accounts is determined by management based upon historical losses, specific circumstances and general economic conditions. Periodically, management reviews grants and accounts receivable and records an allowance based on current circumstances, and charges off the receivable against the allowance when all attempts to collect the receivable are deemed to have failed in accordance with the collection policy. Management estimated that no material allowance was necessary at June 30, 2020.

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

(Continued)

MICHIANA AREA COUNCIL OF GOVERNMENTS
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets: Capital assets, which include machinery and equipment, and transportation equipment, are reported in the financial statements. Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at acquisition value. Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets are as follows:

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

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

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

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

Compensated Absences:

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

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

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

(Continued)

MICHIANA AREA COUNCIL OF GOVERNMENTS
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2020

NOTE 2 - DETAILED NOTES

Deposits and Investments: Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Indiana Code 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state funds and has a principal office or branch that qualifies to receive public funds of the political subdivision. At June 30, 2020, 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.

Capital Assets: Capital asset activity for the year ended June 30, 2020, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, being depreciated:				
Machinery and equipment	\$ 2,142,421	\$ 45,796	\$ 42,143	\$ 2,146,074
Transportation equipment	<u>5,965,647</u>	<u>128,413</u>	<u>314,001</u>	<u>5,780,059</u>
Totals	8,108,068	174,209	356,144	7,926,133
Less accumulated depreciation for:				
Machinery and equipment	1,978,403	54,513	42,143	1,990,773
Transportation equipment	<u>1,862,199</u>	<u>561,572</u>	<u>314,001</u>	<u>2,109,768</u>
Totals	<u>3,840,602</u>	<u>616,085</u>	<u>356,144</u>	<u>4,100,541</u>
Total capital assets, net	<u>\$ 4,267,465</u>	<u>\$ (441,874)</u>	<u>\$ -</u>	<u>\$ 3,825,589</u>

NOTE 3 - OTHER INFORMATION

Pension Plan:

Cost Sharing Multiple-Employer Defined Benefit Pension Plan

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

Public Employees' Retirement System - Defined Benefit Plan

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

PERF Hybrid consists of two components: PERF DB, the employer-funded monthly defined benefit component, and the Public Employees' Hybrid Members Defined Contribution Account (see Defined Contribution Plans section), the defined contribution component. New employees hired by the State or a participating political subdivision have a one-time election to join either the PERF Hybrid or the PERF My Choice: Retirement Savings Plan for Public Employees (PERF MC DC) which is covered in the Defined Contribution Plans section. A new hire that is an existing member of PERF Hybrid and was not given the option for PERF MC DC is given the option to elect PERF MC DC or remain in PERF Hybrid.

(Continued)

MICHIANA AREA COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 3 - OTHER INFORMATION (Continued)

Members who have at least one year of service in both PERF DB and the Teachers Retirement Fund (TRF Pre-'96 DB or TRF '96 DB) have the option of choosing from which of these funds they would like to retire.

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

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

Postretirement benefit increases are granted on an ad hoc basis pursuant to IC 5-10.2-12-4 and administered by the INPRS Board. Historically, eligible members receive a one-time check (13th check) with the dollar amount tied to years of service.

Disability and survivor benefits provided: An active member qualifying for Social Security disability with five years of creditable service may receive an unreduced retirement benefit for the duration of their disability (minimum of \$180 per month). If death occurs while in active service, a spouse or dependent beneficiary of a member with a minimum of 15 years of creditable service receives a benefit as if the member retired the later of age 50 or the age the day before the member's death. If death occurs while receiving a benefit, a spouse or dependent receives the benefit associated with the member's selected form of payment: Five Year Certain & Life, Joint with 100 percent Survivor Benefits, Joint with Two-Thirds Survivor Benefits, or Joint with One-Half Survivor Benefits.

Contributions: Contributions are determined by the INPRS Board of Trustees based on an actuarial valuation. During fiscal year 2020, all participating employers were required to contribute 11.2 percent of covered payroll for Hybrid members. For PERF MC DC plan members, the political subdivisions were required to contribute a supplemental cost of 7.4 percent of covered payroll as of July 1, 2020, which decreased from 7.8 percent as of July 1, 2019. No member contributions are required.

MACOG's contributions to PERF for the years ending June 30, 2018, 2019, and 2020 were \$100,689, \$107,089, and \$112,483 respectively, equal to the annual required contribution rate of 11.2%.

Financial Report: INPRS issues a publicly available stand-alone financial report that includes financial statements and required supplementary information for the plan as a whole. This report may be obtained by writing the Indiana Public Retirement System, One North Capitol, Suite 001, Indianapolis, IN 46204, by calling (844) 464-6777, by emailing questions@inprs.in.gov, or by visiting www.in.gov/inprs.

(Continued)

MICHIANA AREA COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 3 - OTHER INFORMATION (Continued)

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

- Asset valuation date – June 30, 2020
- Liability valuation date – June 30, 2019 – Member census data as of June 30, 2019 was used in the valuation and adjusted, where appropriate, to reflect changes between June 30, 2019 and June 30, 2020. Standard actuarial roll forward techniques were then used to project the total pension liability computed as of June 30, 2019 to the June 30, 2020 measurement date.
- Actuarial cost method (accounting) – Entry age normal (level percent of payroll)
- Experience study date – Period of 5 years ended June 30, 2019
- Investment rate of return – 6.75%, includes inflation and net of investment expenses
- COLA – In lieu of a 1% COLA occurring beginning on January 1, 2020, the COLA was replaced by a 13th check for 2020 and 2021. The COLA assumption thereafter will be 0.4% beginning on January 1, 2022, 0.5% beginning on January 1, 2034, and 0.6% beginning on January 1, 2039.
- Future salary increases, including inflation – 2.75% - 8.75%
- Inflation – 2.25%

Mortality rates for were based on the Pub-2010 Public Retirement Plans Mortality Tables (Amount-Weighted), with a fully generational projection of mortality improvements using SOA Scale MP-2019. Mortality rates for healthy employees were based on the General Employee table with a 3-year set forward for males and a 1 year set forward for females. Mortality rates for disabled members were based on the General Disabled table with a 140% load.

The most recent comprehensive experience study was completed in February 2020 and was based on member experience between June 30, 2014 and June 30, 2019. The demographic assumptions were updated as needed for the June 30, 2020 actuarial valuation.

The long-term return expectation for the INPRS defined benefit retirement plan was determined by using a building-block approach and assumes a time horizon, as defined in the INPRS Investment Policy Statement. A forecasted rate of inflation serves as the baseline for the return expectation.

(Continued)

MICHIANA AREA COUNCIL OF GOVERNMENTS
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2020

NOTE 3 - OTHER INFORMATION (Continued)

The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

	Target		Geometric Basis	
	<u>Asset Allocation</u>		<u>Long-Term Expected</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Public Equity	22.0%	22.0%	4.4%	4.9%
Private Equity	14.0%	14.0%	7.6%	7.0%
Fixed Income – ExInflation-Linked	20.0%	20.0%	1.9%	2.5%
Fixed Income – Inflation-Linked	7.0%	7.0%	0.5%	1.3%
Commodities	8.0%	8.0%	1.6%	2.0%
Real Estate	7.0%	7.0%	5.8%	6.7%
Absolute Return	10.0%	10.0%	2.9%	2.9%
Risk Parity	12.0%	12.0%	5.5%	5.3%

Discount rate: Total pension liability for each defined benefit pension plan was calculated using the discount rate of 6.75 percent for 2020. The projection of cash flows used to determine the discount rate assumed the contributions from employers and where applicable from the members, would at the minimum be made at the actuarially determined required rates computed in accordance with the current funding policy adopted by the INPRS Board, and contributions required by the State (the non-employer contributing entity) would be made as stipulated by State statute. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (6.75 percent).

Based on these assumptions, the PERF defined benefit pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability for the plan.

Sensitivity: The following presents the MACOG's share of the net pension liability calculated using the discount rate of 6.75% percent for 2020, as well as what the MACOG's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%), or one percentage point higher (7.75%) than the current rate:

	1% Decrease <u>(5.75%)</u>	Current Rate <u>(6.75%)</u>	1% Increase <u>(7.75%)</u>
Proportionate share of the Collective Net Pension Liability	\$ 915,914	\$ 561,793	\$ 265,188

Pension Plan Fiduciary Net Position: Detailed information about the pension plan's fiduciary net position is available in a stand-alone financial report of INPRS that includes financial statements and required supplementary information for the plan as a whole. This report may be obtained by writing the Indiana Public Retirement System, One North Capitol, Suite 001, Indianapolis, IN 46204, by calling (844) 464-6777, by emailing questions@inprs.in.gov, or by visiting www.in.gov/inprs.

(Continued)

MICHIANA AREA COUNCIL OF GOVERNMENTS
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2020

NOTE 3 - OTHER INFORMATION (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: At June 30, 2020, the MACOG reported a liability of \$561,793 for its proportionate share of the net pension liability. The MACOG's proportionate share of the net pension liability was based on the MACOG's wages as a proportion of total wages for the PERF Hybrid Plan. The proportionate share used at the June 30, 2020 measurement date was 0.0001860. This represents a slight increase from the prior measurement date. The proportionate share used at the June 30, 2019 measurement date was 0.0001835.

For the year ended June 30, 2020, the MACOG recognized pension expense of \$59,148, which included net amortization of deferred amounts from changes in proportion and differences between employer contributions and proportionate share of contributions of \$13,904. At June 30, 2020, the MACOG reported deferred outflows of resources and deferred inflows of resources related to the PERF Hybrid Plan from the following sources:

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
Differences between expected and actual experience	\$ 9,953	\$ 7,543
Net difference between projected and actual investment earnings on pension plan investment	48,080	-
Changes of assumptions		117,054
Changes in proportion and differences between employer contributions and proportionate share of contributions	<u>25,602</u>	<u>-</u>
Total	<u>\$ 83,635</u>	<u>\$ 124,597</u>

Deferred outflows of resources resulting from employer contributions subsequent to the June 30, 2020 measurement dates are recognized as a reduction of net pension liability in the year ending June 30, 2021. Deferred inflows of resources resulting from the differences between projected and actual investment earnings on Plan investments are amortized over a 5-year period. A change in an employer's proportionate share represents the change as of the current year measurement date versus the prior year measurement date and is amortized over the average expected remaining service lives of the plan. The difference between an employer's contributions and the employer's proportionate share of the collective contributions is amortized over the average expected remaining service lives of the plan. Amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

<u>Year Ending June 30, 2020</u>	<u>Amount</u>
2021	\$ (42,290)
2022	(12,277)
2023	(6,818)
2024	<u>20,423</u>
Total	<u>\$ (40,962)</u>

(Continued)

NOTE 3 - OTHER INFORMATION (Continued)

Public Employees' Retirement Fund - Defined Contribution Plan

PERF DC is a multiple-employer defined contribution plan and is generally administered in accordance with IC 5-10.2, IC 5-10.3, and 35 IAC 1.2. The plan provides supplemental retirement benefits to PERF DB members and serves as the primary retirement benefit for the My Choice: Retirement Savings Plan for Public Employees (My Choice) members.

New employees hired by the State, or a participating political subdivision, have a one-time election to join either the Public Employees' Defined Benefit Account (Hybrid Plan) or My Choice. A new hire that is an existing member of the Public Employees' Defined Benefit Account (Hybrid Plan), and was not given the option for My Choice, is given the option to elect My Choice or remain in the Public Employees' Defined Benefit Account (Hybrid Plan).

PERF DC consists of two tiers:

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

My Choice: Retirement Savings Plan for Public Employees (My Choice) is for members who are full-time employees of the State of Indiana or a participating political subdivision that elected to become members of My Choice. Member contributions are set by statute at three percent of compensation, plus these members may receive additional employer contributions in lieu of the Public Employees' Defined Benefit Account.

Members are 100 percent vested in all member contributions and are vested in employer contributions (see Contributions section), which includes all employer contributions and earnings as follows:

One (1) year of participation	20%
Two (2) years of participation	40%
Three (3) years of participation	60%
Four (4) years of participation	80%
Five (5) years of participation	100%

My Choice

The My Choice retirement and termination benefit is that after a 30-day separation from employment, the member is entitled to the sum total of vested contributions plus earnings. The amount may be paid in a lump sum, partial lump sum, direct rollover to another eligible retirement plan, or a monthly annuity (in accordance with INPRS requirements). Upon providing proof of the member's qualification for social security disability benefits, the member is entitled to the sum total of vested contributions plus earnings. The amount may be paid in a lump sum, partial lump sum, direct rollover to another eligible retirement plan, or a monthly annuity (in accordance with INPRS requirements).

The survivor benefit is that the beneficiary is entitled to the sum total of vested contributions plus earnings. The amount may be paid in a lump sum, partial lump sum, direct rollover to another eligible retirement plan, or a monthly annuity (in accordance with INPRS requirements).

(Continued)

NOTE 3 - OTHER INFORMATION (Continued)

Investments in the members' accounts are self-directed as participants direct the investment of their account balances among several investment options of varying degrees of risk and return potential. There are eight investment options available to My Choice members: Stable Value Fund, Fixed Income Fund, Inflation-Linked Fixed Income Fund, Money Market Fund, Small/Mid Cap Equity Fund, Large Cap Equity Index Fund, International Equity Fund and Target Date Funds. Members may make changes to their investment directions daily, and investments of the plan are reported at fair value.

PERF Hybrid DC and My Choice members contribute three percent of covered payroll to their annuity savings account, which is not used to fund the defined benefit pension for PERF Hybrid. In addition, members of PERF Hybrid and My Choice may elect to make additional voluntary contributions, under certain criteria, of up to 10 percent of their compensation into their annuity savings accounts.

REQUIRED SUPPLEMENTARY INFORMATION

SUPPLEMENTARY INFORMATION

OTHER INFORMATION

MICHIANA AREA COUNCIL OF GOVERNMENTS
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 June 30, 2020

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
MACOG's proportion of the net pension liability (asset)	0.01860%	0.01835%	0.01762%	0.01718%	0.01768%	0.01743%	0.01846%	0.01690%
MACOG's proportionate share of the net pension liability (asset)	\$ 561,793	\$ 606,479	\$ 598,559	\$ 766,493	\$ 802,397	\$ 709,907	\$ 485,117	\$ 587,838
MACOG's covered-employee payroll	\$ 1,004,313	\$ 956,169	\$ 899,003	\$ 852,476	\$ 847,188	\$ 834,899	\$ 901,156	\$ 811,321
MACOG's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	55.9%	63.4%	66.6%	89.9%	94.7%	85.0%	53.8%	72.5%
Plan fiduciary net position as a percentage of the total pension liability	81.5%	80.1%	78.9%	76.6%	75.3%	77.3%	84.3%	78.8%

* The amounts presented for each calendar year were determined as of the June 30 fiscal year-end that occurred within the calendar year.

Changes of assumptions: An assumption study was performed in February 2020 resulting in an update to the following assumptions:

- The future salary increase rate increased from a table ranging from 2.50% to 4.25% to a table ranging from 2.75% to 8.75%.
- Mortality changed from the RP-2014 Mortality Total Data Set Mortality Table with mortality improvement since 2006 using scale MP-2014 removed to the Pub-2010 Public Retirement Plans Mortality Tables with a fully generational projection of mortality improvements using SOA Scale MP-2019
- Retirement, Termination and Disability rates were adjusted to reflect recent experience.

** This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the MACOG is presenting information for those years for which information is available.

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

Benefit changes: There were no changes to the plan that impacted pension benefits during the fiscal year.

MICHIANA AREA COUNCIL OF GOVERNMENTS
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CONTRIBUTIONS
 June 30, 2020

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 112,483	\$ 107,089	\$ 100,689	\$ 95,477	\$ 94,885	\$ 92,686	\$ 92,266	\$ 71,085
Contributions in relation to the contractually required contribution	<u>\$ 112,483</u>	<u>\$ 107,089</u>	<u>\$ 100,689</u>	<u>\$ 95,477</u>	<u>\$ 94,885</u>	<u>\$ 92,686</u>	<u>\$ 92,266</u>	<u>\$ 71,085</u>
Contributions as a percentage of contractually required contribution	100%	100%	100%	100%	100%	100%	100%	100%
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
MACOG's covered-employee payroll	\$ 1,004,313	\$ 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%	11.20%	11.10%	10.24%	8.77%

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the MACOG is presenting information for those years for which information is available.

Actuarial Assumptions:

- *Asset valuation date:* June 30, 2020
- *Liability valuation date:* June 30, 2019
- *Actuarial cost method:* Entry age normal
- *Amortization method:* Level dollar
- *Remaining amortization period:* 20 years, closed
- *Asset valuation method:* 5 year smoothing of gains and losses on the market value of assets subject to a 20% corridor.
- *Inflation:* 2.25%
- *Salary increases:* 2.75-8.75%
- *Investment rate of return:* 6.75%
- *Mortality:* Pub-2010 Public Retirement Plans Mortality Tables with a fully generational projection of mortality improvements using SOA Scale MP-2019.

Member census data as of June 30, 2019 was used in the valuation and adjusted, where appropriate, to reflect changes between June 30, 2019 and June 30, 2020. Standard actuarial roll forward techniques were then used to project the liabilities computed as of June 30, 2019 to June 30, 2020.

MICHIANA AREA COUNCIL OF GOVERNMENTS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2020

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Pass Through To Subrecipient	Total Federal Awards Expended
<u>Department of Commerce</u>					
Economic Development Support for Planning Organizations	Direct				
EDA		11.302	ED19CH13020010	\$ -	\$ 55,588
EDA		11.302	ED20CH13020017	-	15,495
Total - Economic Development Support for Planning Organizations				-	71,083
Total - Department of Commerce				-	71,083
<u>Department of Transportation</u>					
Federal Transit Cluster					
Federal Transit Formula Grant					
Transit	Direct				
Transit		20.507	IN-2018-004	-	4,594
Transit		20.507	IN-2019-003	-	1,058,048
Transit		20.507	IN-2020-001	-	216,562
Transit		20.507	IN-2020-011	-	464,411
Transit		20.507	IN-90-x646	-	6,866
Transit		20.507	IN-90-x688	-	7,150
Total - Federal Transit Cluster				-	1,757,631
Highway Planning and Construction Cluster					
Highway Planning and Construction					
CMAQ					
PL		20.205	20,001,435	-	20,000
STP		20.205	20,022,274	-	798,600
CMAQ		20.205	20,022,274	-	458,282
Rural Planning		20.205	20,022,274	-	64,266
Rural Planning		20.205	20,029,183	-	50,598
Total - Highway Planning and Construction Cluster				-	1,391,746
Total - Department of Transportation				-	3,149,377

(Continued)

MICHIANA AREA COUNCIL OF GOVERNMENTS
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 Year ended June 30, 2020

Federal Grantor Agency <u>Cluster Title/Program Title/Project Title</u>	<u>Pass-Through Entity or Direct Grant</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity (or Other) Identifying Number</u>	<u>Pass Through To Subrecipient</u>	<u>Total Federal Awards Expended</u>
<u>Environmental Protection Agency</u>					
Brownfields Multipurpose Assessment RLF and Cleanup Cooperative Agreements EPA/Brownfields	Direct	66.818	BF-00E02717-0	\$ -	\$ 173,654
Total - Environmental Protection Agency				<u>-</u>	<u>173,654</u>
Total federal awards expended				<u>\$ -</u>	<u>\$ 3,394,114</u>

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

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

MICHIANA AREA COUNCIL OF GOVERNMENTS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2020

NOTE 1 - BASIS OF PRESENTATION

A. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes the federal grant activity of the District under programs of the federal government for the year ended June 30, 2020. The information in the SEFA is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the SEFA presents only a select portion of the operations of the District, it is not intended to and does not present the financial position of the District.

B. Other Significant Accounting Policies

Expenditures reported on the SEFA are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, or the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement. When federal grants are received on a reimbursement basis, the federal awards are considered expended when the expenses are incurred.

NOTE 2 - INDIRECT COST RATE

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

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Michiana Area Council of Governments (MACOG), which comprise the statement of net position as of June 30, 2020, and the related statement of revenues, expenses and changes in net position, and cash flow for the year then ended and the related notes to the financial statements, which collectively comprise the MACOG's basic financial statements, and have issued our report thereon dated May 18, 2021.

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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the MACOG' 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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Crowe LLP
Crowe LLP

Indianapolis, Indiana
May 18, 2021

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

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

Report on Compliance for Each Major Federal Program

We have audited Michiana Area Council of Governments' (MACOG) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the MACOG's major federal program for the year ended June 30, 2020. 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the MACOG's major federal programs 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 Each 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, 2020.

(Continued)

Report on Internal Control Over Compliance

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


Crowe LLP

Indianapolis, Indiana
May 18, 2021

MICHIANA AREA COUNCIL OF GOVERNMENTS
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 June 30, 2020

SECTION 1 - SUMMARY OF AUDITORS' RESULTS:

Financial Statements

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

Federal Awards

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

Identification of major programs

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
20.507	Federal Transit Cluster

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

Auditee qualified as low-risk auditee?	_____ Yes	___X___ No
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SECTION 2 - FINDINGS RELATED TO THE FINANCIAL STATEMENTS THAT ARE REQUIRED TO BE REPORTED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

None.

SECTION 3 - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None.

MICHIANA AREA COUNCIL OF GOVERNMENTS
EXIT CONFERENCE
July 1, 2019 to June 30, 2020

The contents of this report were discussed on May 11, 2021, with Deborah Gardner, Fiscal Accounting Manager, James Turnwald, Director, and Board Chairman, Jeremy Stutsman.