



**STATE OF INDIANA**  
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STATE BOARD OF ACCOUNTS  
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August 5, 2022

To: The Officials of the Michiana Area Council of Governments  
Michiana Area Council of Governments  
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 Governments. We have reviewed the audit report opined upon by Crowe LLP, Independent Public Accountants, for the period July 1, 2020 to June 30, 2021. Per the *Independent Auditor's Report*, the financial statements included in the report present fairly the financial condition of Michiana Area Council of Governments as of June 30, 2021, 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 Governments 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.

A handwritten signature in cursive script that reads "Tammy R. White".

Tammy R. White, CPA  
Deputy State Examiner

**MICHIANA AREA COUNCIL OF GOVERNMENTS**  
St. Joseph County, Indiana

**FINANCIAL STATEMENTS**  
June 30, 2021

MICHIANA AREA COUNCIL OF GOVERNMENTS  
FINANCIAL STATEMENTS  
June 30, 2021

CONTENTS

SCHEDULE OF OFFICIALS .....	1
INDEPENDENT AUDITOR'S REPORT .....	2
FINANCIAL STATEMENTS	
STATEMENT OF NET POSITION .....	5
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION .....	6
STATEMENT OF CASH FLOWS .....	7
NOTES TO FINANCIAL STATEMENTS .....	8
REQUIRED SUPPLEMENTARY INFORMATION	
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY .....	17
SCHEDULE OF CONTRIBUTIONS .....	18
SUPPLEMENTARY INFORMATION	
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS .....	19
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS .....	21
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 .....	22
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE .....	24
SCHEDULE OF FINDINGS AND QUESTIONED COSTS .....	26
OTHER REPORT .....	27
EXIT CONFERENCE .....	28

MICHIANA AREA COUNCIL OF GOVERNMENTS  
SCHEDULE OF OFFICIALS  
June 30, 2021

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<b><u>Office</u></b>	<b><u>Official</u></b>	<b><u>Term</u></b>
Director	James J. Turnwald	07-01-20 to 06-30-21
Fiscal Accounting Manager	Deborah Gardner	07-01-20 to 06-30-21
President of the Board	Ernest Wiggins Jeremy Stutsman	07-01-20 to 01-12-21 01-13-21 to 06-30-21

## 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, 2021, 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.

***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, 2021, and the changes in financial position and, cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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(Continued)

## **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 and the Schedule of 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 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.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with Government Auditing Standards, we have also issued our report dated July 22, 2022 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  
July 22, 2022

MICHIANA AREA COUNCIL OF GOVERNMENTS  
STATEMENT OF NET POSITION  
June 30, 2021

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**Assets and Deferred Outflow of Resources**

Current assets:	
Cash and cash equivalents	\$ 2,259,376
Accounts receivable	149,086
Due from federal and state grants	988,648
Prepaid items	<u>62,966</u>
Total current assets	3,460,076
Non-current assets:	
Capital assets (net of accumulated depreciation)	<u>3,313,167</u>
Total assets	6,773,243
Deferred outflows of resources -pension	<u>136,832</u>
Total assets and deferred outflows of resources	<u>\$ 6,910,075</u>

**Liabilities and Deferred inflows of Resources**

Current liabilities:	
Accounts payable	\$ 267,051
Accrued payroll and withholdings payable	62,746
Compensated absences	<u>16,356</u>
Total current liabilities	346,153
Non-current liabilities:	
Net pension liability	<u>233,431</u>
Total liabilities	579,584
Deferred inflows of resources - pension	<u>382,645</u>
Total liabilities and deferred inflows of resources	<u>\$ 962,229</u>

**Net position**

Net investment in capital assets	\$ 3,313,167
Unrestricted	<u>2,634,679</u>
Total net position	<u>\$ 5,947,846</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, 2021

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<b>Operating revenues:</b>	
Federal and state grants	\$ 4,703,883
Other local governmental grants	875,693
Transit fares	93,721
Other	<u>60,239</u>
Total operating revenues	5,733,536
<b>Operating expenses:</b>	
Salaries and wages	947,011
Employee pensions and benefits	546,474
Contractual services	3,349,382
Legal expense	25,228
Conference training	2,205
Telephone expense	12,348
Materials and supplies	10,923
Maintenance and repairs	146,665
Memberships and subscriptions	7,814
Printing, reproduction, and publication	3,432
Mileage and travel	6,908
Postage expense	2,849
Office rent expense	61,016
Furniture and equipment	23,393
Software and Licenses	105,938
Advertising expense	4,984
Depreciation	573,661
Insurance & Bonding	37,573
Miscellaneous expenses	1,870
Other contractual payments	75,700
Over/under applied fringe benefits and indirect costs	<u>(24,575)</u>
Total operating expenses	<u>5,920,799</u>
<b>Operating loss</b>	(187,263)
Nonoperating revenues:	
Interest and investment revenue	<u>3,843</u>
<b>Change in net position</b>	(183,420)
Total net position - beginning	<u>6,131,266</u>
<b>Total net position - ending</b>	<u>\$ 5,947,846</u>

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See accompanying notes to financial statements.

MICHIANA AREA COUNCIL OF GOVERNMENTS  
STATEMENT OF CASH FLOWS  
For the Year Ended June 30, 2021

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<b>Cash flows from operating activities:</b>	
Receipts from customers and users	\$ 201,975
Receipts from grants	5,579,576
Payments to suppliers and contractors	(4,027,073)
Payments to employees and benefits	(1,475,439)
Other operating expenses	<u>(98,936)</u>
Net cash provided by operating activities	180,103
<b>Cash flows from capital and related financing activities:</b>	
Acquisition and construction of capital assets	(61,240)
<b>Cash flows from investing activities:</b>	
Interest received	<u>3,843</u>
<b>Net increase in cash and cash equivalents</b>	122,706
<b>Cash and cash equivalents, beginning of year</b>	<u>2,136,670</u>
<b>Cash and cash equivalents, end of year</b>	<u><u>\$ 2,259,376</u></u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ (187,263)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	573,661
(Increase) decrease in assets:	
Accounts receivable	(11,936)
Due from federal and state grants	59,952
Deferred outflow of resources	(53,197)
Prepaid items	(8,727)
Increase (decrease) in liabilities:	
Accounts payable	(140,119)
Pension liability	(328,362)
Deferred inflow of resources	258,048
Accrued payroll and withholdings payable	13,976
Compensated absence payable	<u>4,070</u>
Total adjustments	<u>367,366</u>
Net cash provided by operating activities	<u><u>\$ 180,103</u></u>
Noncash investing, capital and financing activities:	
Disposal of assets	\$ 35,844

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See accompanying notes to financial statements.

MICHIANA AREA COUNCIL OF GOVERNMENTS  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2021

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**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, 2021, MACOG did not have any restricted assets.

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(Continued)

MICHIANA AREA COUNCIL OF GOVERNMENTS  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2021

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

Subsequent Events: Management has performed an analysis of the activities and transactions subsequent to June 30, 2021, to determine the need for any adjustments or disclosures to the financial statements for the year ended June 30, 2021. Management has performed their analysis through July 22, 2022, the date the financial statements were available to be issued.

Assets, Liabilities and Net Position:

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

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

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

*Due from Federal and State:* Grants receivable represents federal and state grant expenditures incurred but not yet claimed or not yet reimbursed from grantors as of June 30, 2021.

*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, 2021.

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

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

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

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

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(Continued)

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

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

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

*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.

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(Continued)

MICHIANA AREA COUNCIL OF GOVERNMENTS  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2021

**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, 2021, the bank balances held in financial institutions were entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

	<u>Book Value</u>	<u>Bank Balance</u>
Cash and cash equivalents at June 30, 2021	\$ 2,259,376	\$ 2,385,173

Capital Assets: Capital asset activity for the year ended June 30, 2021, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, being depreciated:				
Machinery and equipment	\$ 2,146,074	\$ 61,240	\$ 3,594	\$ 2,203,720
Transportation equipment	<u>5,780,059</u>	<u>-</u>	<u>32,250</u>	<u>5,747,809</u>
Totals	7,926,133	61,240	35,844	7,951,529
Less accumulated depreciation for:				
Machinery and equipment	1,990,776	53,903	3,594	2,041,085
Transportation equipment	<u>2,109,768</u>	<u>519,759</u>	<u>32,250</u>	<u>2,597,277</u>
Totals	<u>4,100,541</u>	<u>573,661</u>	<u>35,844</u>	<u>4,638,362</u>
Total capital assets, net	<u>\$ 3,825,589</u>	<u>\$ (512,422)</u>	<u>\$ -</u>	<u>\$ 3,313,167</u>

**NOTE 3 - OTHER INFORMATION**

*Cost Sharing Multiple-Employer Defined Benefit Pension Plan*

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

***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, along with the Public Employees' Hybrid Members Defined Contribution Account (see Defined Contribution Plans section), a member-funded account.

(Continued)

MICHIANA AREA COUNCIL OF GOVERNMENTS  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2021

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**NOTE 3 - OTHER INFORMATION** (Continued)

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

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

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

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

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

Contributions: Contributions are determined by the INPRS Board of Trustees based on an actuarial valuation. During fiscal year 2021, all participating employers were required to contribute 11.2 percent of covered payroll for Hybrid members, with 0.44 percent funding a supplemental reserve account for postretirement benefits. No member contributions are required for the defined benefit plan. The employer contribution requirement, which was made by the MACOG, was \$109,561 for 2021 which represents the required 11.2% of covered payroll for 2021. The following represents the MACOG's annual required contributions for the last two years:

<u>Year Ended December 31</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2021	\$ 109,561	100%
2020	\$ 112,483	100%

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(Continued)

MICHIANA AREA COUNCIL OF GOVERNMENTS  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2021

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**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:

- Measurement Date – June 30, 2021
- Asset valuation date – June 30, 2021
- Liability valuation date – June 30, 2020 – Member census data as of June 30, 2020 was used in the valuation and adjusted, where appropriate, to reflect changes between June 30, 2020 and June 30, 2021. Standard actuarial roll forward techniques were then used to project the total pension liability computed as of June 30, 2020 to the June 30, 2021 measurement date.
- Actuarial cost method (accounting) – Entry age normal (level percent of payroll)
- Experience study date – Period of 5 years ended June 30, 2019
- Investment rate of return – 6.25%, includes inflation and net of investment expenses
- COLA – In 2021, HEA 1001-2021 granted a 1% COLA beginning January 1, 2022, and no additional postretirement benefit increases through June 30, 2023. The COLA assumption thereafter will be 0.4% beginning on January 1, 2024, 0.5% beginning on January 1, 2034, and 0.6% beginning on January 1, 2039.
- Future salary increases, including inflation – 2.65% - 8.65%
- Inflation – 2.00%
- Mortality assumptions – Pub-2010 Public Retirement Plans Mortality Tables (Amount-Weighted) with a fully generational projection of mortality improvements using the SOA Scale MP-2019.

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

Changes in Assumptions from the Prior Year:

The following economic assumptions were adopted for the June 30, 2021 actuarial valuation:

- The investment return assumption was lowered from 6.75% (as of June 30, 2020) to 6.25%.
- Price inflation was lowered from 2.25% (as of June 30, 2020) to 2.00%.
- General wage inflation was lowered from 2.75% (as of June 30, 2020) to 2.65%.

Legislation granted a 1.00% cost-of-living adjustment effective January 1, 2022 to paid from the Supplemental Reserve Account. No supplement benefits were granted for fiscal year 2023. This replaces the COLA assumption of 0.4% for Fiscal Years 2022 and 2023 but does not change the assumption for future years.

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(Continued)

MICHIANA AREA COUNCIL OF GOVERNMENTS  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2021

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**NOTE 3 - OTHER INFORMATION** (Continued)

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

	Long Term Target Allocation (%)	Long Term Expected Real Rate of Return (%)
Public Equity	20.0	3.6
Private Equity	15.0	7.3
Fixed Income – Ex Inflation Linked	20.0	1.5
Fixed Income – Inflation Linked	15.0	(0.3)
Commodities	10.0	0.8
Real Estate	10.0	4.2
Absolute Return	5.0	2.5
Risk Parity	20.0	4.4
Leverage Offset	<u>(15.0)</u>	(1.4)
Total	<u>100.0</u>	

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

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(Continued)

MICHIANA AREA COUNCIL OF GOVERNMENTS  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2021

**NOTE 3 - OTHER INFORMATION** (Continued)

Sensitivity of the MACOG's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate: The following presents the MACOG's share of the net pension liability calculated using the discount rate of 6.25% percent for 2021, as well as what the MACOG's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.25%), or one percentage point higher (7.25%) than the current rate:

	1% Decrease <u>(5.25%)</u>	Current Rate <u>(6.25%)</u>	1% Increase <u>(7.25%)</u>
Proportionate share of the Collective Net Pension Liability	\$ 611	\$ 233,431	\$ (81,115)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: As of December 31, 2021, the MACOG reported a liability of \$233,431 for their proportionate share of the net pension liability. The MACOG's proportionate share of the net pension liability was based on wages reported by employers relative to the collective wages of the plan. The proportionate share used at the June 30, 2021 measurement date was 0.0001774. This represents a decrease from the prior measurement date. The proportionate share used at the June 30, 2020 measurement date was 0.0001860.

For the year ended June 30, 2021, the MACOG recognized pension income of \$13,950, which included net amortization of deferred amounts from changes in proportion and differences between employer contributions and proportionate share of contributions of \$36,634. At June 30, 2021, 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	\$ 7,984	\$	4,661
Net difference between projected and actual investment earnings on pension plan investment	-		303,089
Changes of assumptions	117,418		52,433
Changes in proportion and differences between employer contributions and proportionate share of contributions	<u>11,430</u>		<u>22,462</u>
Total	<u>\$ 136,832</u>	\$	<u>382,645</u>

(Continued)

MICHIANA AREA COUNCIL OF GOVERNMENTS  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2021

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**NOTE 3 - OTHER INFORMATION** (Continued)

An amount of \$206,438 reported as deferred outflows of resources related to pensions resulting from the MACOG's contributions subsequent to the measurement date will be recognized as a reduction of their net pension liability in the year ended December 31, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30, 2021</u>	<u>Amount</u>
2022	\$ (62,842)
2023	(57,947)
2024	(38,387)
2025	<u>(86,637)</u>
Total	<u>\$ (245,813)</u>

**Public Employees' Retirement Fund - Defined Contribution Plan**

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

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

**REQUIRED SUPPLEMENTARY INFORMATION**

**SUPPLEMENTARY INFORMATION**

**OTHER INFORMATION**

MICHIANA AREA COUNCIL OF GOVERNMENTS  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
 June 30, 2021

	<u>2021</u>	<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)	0.01774%	0.01860%	0.01835%	0.01762%	0.01718%	0.01768%	0.01743%	0.01846%	0.01690%
MACOG's proportionate share of the net pension liability (asset)	\$ 233,431	\$ 561,793	\$ 606,479	\$ 598,559	\$ 766,493	\$ 802,397	\$ 709,907	\$ 485,117	\$ 587,838
MACOG's covered-employee payroll	\$ 978,222	\$ 1,004,313	\$ 956,169	\$ 899,003	\$ 852,476	\$ 847,188	\$ 834,899	\$ 901,156	\$ 811,321
MACOG's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	23.9%	55.9%	63.4%	66.6%	89.9%	94.7%	85.0%	53.8%	72.5%
Plan fiduciary net position as a percentage of the total pension liability	80.2%	81.5%	80.1%	78.9%	76.6%	75.3%	77.3%	84.3%	78.8%

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

- Asset valuation date – June 30, 2021
- Liability valuation date – June 30, 2020 – The TPL as of June 30, 2021 was determined based on an actuarial valuation prepared as of June 30, 2020 rolled forward one year to June 30, 2021, using the following key assumptions and other inputs, such as benefit accruals and actual benefits payments during that time period.
- Actuarial cost method (accounting) – Entry age normal (level percent of payroll)
- Experience study date – Period of 5 years ended June 30, 2019
- Investment rate of return – 6.25%
- COLA – Members in pay were granted a 1.0% COLA on January 1, 2022 and no COLA on January 1, 23. Therefore, the COLA assumption will be 0.4% beginning on January 1, 2024, 0.5% beginning on January 1, 2034, and 0.6% beginning on January 1, 2039.
- Future salary increases, including inflation – 2.65% - 8.65% based on service
- Inflation – 2.00%
- Mortality assumptions – Pub-2010 Public Retirement Plans Mortality Tables (Amount-Weighted) with a fully generational projection of mortality improvements using SOA Scale MP-2019.

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

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

MICHIANA AREA COUNCIL OF GOVERNMENTS  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF CONTRIBUTIONS  
 June 30, 2021

	<u>2021</u>	<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	\$ 109,561	\$ 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>\$ 109,561</u>	<u>\$ 112,483</u>	<u>\$ 107,089</u>	<u>\$ 100,689</u>	<u>\$ 95,477</u>	<u>\$ 94,885</u>	<u>\$ 92,686</u>	<u>\$ 92,266</u>	<u>\$ 71,085</u>
Contributions as a percentage of contractually required contribution	100%	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>	<u>\$ -</u>
MACOG's covered-employee payroll	\$ 978,222	\$ 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%	11.20%	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 BPTC is presenting information for those years for which information is available.

- *Valuation date:* Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which the contributions are reported.
- *Actuarial cost method:* Entry age normal (Level Percent of Payroll)
- *Amortization method:* Level dollar
- *Remaining amortization period:* 20 years, closed
- *Asset valuation method:* 5 year smoothing of gains and losses on the market value of assets subject to a 20% corridor.
- *Inflation:* 2.0%
- *Salary increases:* 2.65% - 8.65%
- *Investment rate of return:* 6.25%
- *Mortality:* Pub-2010 Public Retirement Plans Mortality Tables (Amount-Weighted) with a fully generational projection of mortality improvements using SOA Scale MP-2019.

Other information:

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

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

MICHIANA AREA COUNCIL OF GOVERNMENTS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year ended June 30, 2021

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Assistance Listing	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended	Pass Through To Subrecipient
<u>Department of Commerce</u>					
Economic Development Support of Planning Organizations	Direct				
		11.302	ED20CH13020017	\$ 43,191	\$ -
		11.302	ED21CH13020008	25,809	-
		11.302	ED20CH13070068	<u>89,231</u>	<u>-</u>
Total - Economic Development Support of Planning Organizations				<u>158,231</u>	<u>-</u>
Total - Department of Commerce				<u>158,231</u>	<u>-</u>
<u>Department of Transportation</u>					
Federal Transit Cluster					
Federal Transit Formula Grants	Direct				
		20.507	IN-2018-004	11,666	-
		20.507	IN-2017-004	288,000	-
		20.507	IN-2020-004	52,184	52,184
		20.507	IN-2020-001	292,213	-
COVID-19 Grant		20.507	IN-2020-011	1,979,110	-
COVID-19 Grant		20.507	IN-2021-003	25,576	-
		20.507	IN-90-x646	45,393	-
		20.507	IN-90-x688	<u>33,976</u>	<u>-</u>
Total - Federal Transit Cluster				<u>2,728,118</u>	<u>52,184</u>
Highway Planning and Construction Cluster					
Highway Planning and Construction	Indiana Department of Transportation				
CMAQ		20.205	20,022,274	35,643	-
CMAQ		20.205	20,044,222	28,596	-
PL		20.205	20,044,222	793,713	-
Rural Planning		20.205	20,057,623	<u>74,662</u>	<u>-</u>
Total - Highway Planning and Construction Cluster				<u>932,614</u>	<u>-</u>
Total - Department of Transportation				<u>3,660,732</u>	<u>-</u>

(Continued)

MICHIANA AREA COUNCIL OF GOVERNMENTS  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 Year ended June 30, 2021

Federal Grantor Agency <u>Cluster Title/Program Title/Project Title</u>	Pass-Through Entity or <u>Direct Grant</u>	Assistance <u>Listing</u>	Pass-Through Entity (or Other) Identifying <u>Number</u>	Total Federal Awards <u>Expended</u>	Pass Through To <u>Subrecipient</u>
<u>Environmental Protection Agency</u> Brownfields Multipurpose Assessment Revolving Loan Fund and Cleanup Cooperative Agreements	Direct	66.818	BF-00E02717-0	\$ <u>282,146</u>	\$ _____
Total federal awards expended				\$ <u>4,101,109</u>	\$ <u>52,184</u>

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, 2021

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**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, 2021. The information in the SEFA is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the SEFA presents only a select portion of the operations of the MACOG, it is not intended to and does not present the financial position of the MACOG.

*B. Other Significant Accounting Policies*

Expenditures reported on the SEFA are reported on the accrual basis of accounting. Such expenditures are recognized following cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement. When federal grants are received on a reimbursement basis, the federal awards are considered expended when the expenses are incurred.

**NOTE 2 - INDIRECT COST RATE**

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

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Michiana Area Council of Governments (MACOG), which comprise the statement of net position as of June 30, 2021, and the related statements 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 July 22, 2022.

### **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.

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(Continued)

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the MACOG's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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  
July 22, 2022

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, 2021. 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, 2021.

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(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*  
Crowe LLP

Indianapolis, Indiana  
July 22, 2022

MICHIANA AREA COUNCIL OF GOVERNMENTS  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 June 30, 2021

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**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 – COVID-19

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

Auditee qualified as low-risk auditee?      \_\_\_X\_\_\_ Yes      \_\_\_\_\_ No

**SECTION 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  
OTHER REPORT  
June 30, 2021

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

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

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

MICHIANA AREA COUNCIL OF GOVERNMENTS  
EXIT CONFERENCE  
July 1, 2020 to June 30, 2021

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The contents of this report were discussed on July 22, 2022, with Deborah Gardner, Fiscal Accounting Manager, James Turnwald, Director, Susan Weirick, President of the Board.