



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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August 11, 2023

Board of Directors
Interlocal Association
836 S State Street
Greenfield, IN 46140

We have reviewed the audit report of the Interlocal Association, which was opined upon by MCM CPAs & Advisors, LLP, Independent Public Accountants, for the period July 1, 2021 to June 30, 2022. Per the *Independent Auditor's Report*, the financial statements included in the report present fairly the financial condition of the Interlocal Association as of June 30, 2022, and the results of its operations for the period then ended, on the basis of accounting described in the report.

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

The audit 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

Interlocal Association
Financial Statements
Year Ended June 30, 2022
with Independent Auditor's Report Thereon

**Interlocal Association
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Year Ended June 30, 2022**

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Independent Auditor's Report

Board of Directors
Interlocal Association

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities and each major fund of Interlocal Association, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Interlocal Association's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Interlocal Association, as of June 30, 2022, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Interlocal Association, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Interlocal Association's ability to continue as a going-concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

MCM CPAs & Advisors LLP

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Independent Auditor's Report (Continued)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Interlocal Association's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Interlocal Association's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 4 through 7 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Interlocal Association does not prepare a budget to actual comparison for the general fund which accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Independent Auditor's Report (Continued)

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Interlocal Association's basic financial statements. The Schedule of Expenditures of Federal Awards, as required by the audit requirements of Title 2 U.S. Code of Federal Regulations ("CFR") Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Emphasis of Matter - Lessee

During the fiscal year ended June 30, 2022, Interlocal Association implemented Government Accounting Standards ("GASB") Statement No. 87 - *Leases*. Interlocal Association recorded a right of use asset and lease liability upon implementation of the standard utilizing the facts and circumstances that existed at that date; however, financial position as of June 30, 2021, was not impacted by the implementation of the standard.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 17, 2023 on our consideration of Interlocal Association's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Interlocal Association'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 Interlocal Association's internal control over financial reporting and compliance.



Jeffersonville, Indiana
January 17, 2023

**Interlocal Association
Management's Discussion and Analysis
Year Ended June 30, 2022**

As management of the Interlocal Association (the "Organization") ("IA"), we offer readers of the Organization's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2022 (Program Year 21).

Financial Highlights

Federal funding for Program Year ("PY") 2021 was about \$4.8 million. This decreased from prior year PY20 expenditures from funding of about \$5.6 million. The decrease in funding is primarily due to a decrease in COVID funding.

IA also managed and processed all direct client and vendor payments for the region. IA maintained a staff of approximately 60 full time employees to fulfill its contract obligations.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Organization's basic financial statements. The basic financial statements are comprised of three components: government-wide financial statements, fund financial statements, and notes to the financial statements. In addition, other information supplementary to the basic financial statements is provided.

Government-wide Financial Statements

The government-wide financial statements are the statement of net position and the statement of activities. These statements present an aggregate view of the Organization's finances in a manner similar to private and nonprofit sectors.

- **The Statement of Net Position** presents information on all of the Organization's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference between the two being reported as net position.
- **The Statement of Activities** presents information showing how the Organization's net position changed during the year.

The government-wide financial statements are shown on pages 8 and 9 of this report.

Fund Financial Statements

The Organization also presents fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities. The Organization, like other federal, state, and local governments, uses fund accounting to demonstrate compliance with finance related legal requirements. Fund statements generally report operating activity in more detail than the Organization's government-wide statements.

**Interlocal Association
Management's Discussion and Analysis (Continued)
Year Ended June 30, 2022**

Fund Financial Statements (Continued)

There are two fund financial statements:

- **Governmental Fund Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds.**

The Organization has only one fund:

- **Governmental General Fund.** The general fund accounts for all federal, state, and local grant funded programs.

The major features of the Organization's financial statements, including the portion of the activities reported and the type of information contained, are shown in the following table.

	Government-wide Statements	Fund Financial Statements Governmental
Scope	Entire government	The programmatic and operating activities of the Organization such as employment and training.
Required Financial Statements	Statement of net position and statement of activities	Governmental fund balance sheet and statement of revenues, expenditures, and changes in fund balance.
Basis of Accounting and Measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting, and current financial resources focus.
Type of Asset and Liability Information	All assets and liabilities, both financial and capital, short-term and long-term	Generally includes assets expected to be used up and liabilities that come due during the year or soon thereafter. No capital assets or long-term liabilities included.
Type of Inflow and Outflow Information	All revenue and expenses during the year, regardless of when cash is received or paid	Revenue for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and the related liability is due and payable.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to the full understanding of the data provided in the Organization's government-wide and fund financial statements. The notes to the financial statements can be found on pages 13 through 18 of this report.

**Interlocal Association
Management's Discussion and Analysis (Continued)
Year Ended June 30, 2022**

Government-wide Financial Analysis

Net position may serve over time as a useful indicator of a government's financial position. In the case of the Organization, assets exceeded liabilities by \$213,232 at June 30, 2022. Table 1 below provides a summary of the Organization's net position for the years ended June 30, 2022.

**Table 1
Condensed Statement of Net Position**

	Governmental activities		Dollar change	Percent change
	2022	2021		
Assets				
Current assets	\$ 665,579	\$ 565,390	\$ 100,189	17.72%
Capital assets and right of use assets, net	556,934	6,323	550,611	8708.07%
Total assets	1,222,513	571,713	650,800	113.83%
Liabilities				
Current liabilities	636,829	396,680	240,149	60.54%
Noncurrent liabilities	372,452	-	372,452	100.00%
Total liabilities	1,009,281	396,680	612,601	154.43%
Net position				
Unrestricted	208,490	168,710	39,780	23.58%
Investment in capital assets	4,742	6,323	(1,581)	-25.00%
Total net position	\$ 213,232	\$ 175,033	\$ 38,199	21.82%

The governmental activities' total assets increased by approximately \$651,000. The fluctuation was due an increase in prepaid insurance of approximately \$50,000, an increase in the DWD receivable at year end of approximately \$85,000, the decrease of cash by approximately \$44,000 and recording the impact of adopting GASB 87 of approximately \$557,000. Total liabilities increased by approximately \$613,000. The fluctuation was due to accounts payable increasing approximately \$60,000, accrued expenses decreasing approximately \$20,000 and recording the impact of adopting GASB 87 of approximately \$573,000.

**Interlocal Association
Management's Discussion and Analysis (Continued)
Year Ended June 30, 2022**

Government-wide Financial Analysis (Continued)

As shown below, program revenue in the form of grants provides over 99% of the funds for governmental activities, which are expended primarily on program services. Operating grants revenue for the year ended June 30, 2022 was \$8,422,499, or 51.52% more than 2021. Total expenses for the year ended June 30, 2022 were \$8,396,269, or 51.02% more than June 30, 2022.

**Table 2
Change in Net Position**

	2022	2021	Dollar change	Percent change
Operating grants	\$ 8,422,499	\$ 5,558,688	\$ 2,863,811	51.52%
Other	11,925	1,002	10,923	1090.12%
Interest	44	47	(3)	-6.38%
Total revenues	8,434,468	5,559,737	2,874,731	51.71%
Administration	578,149	540,391	37,758	6.99%
Program	7,818,120	5,019,417	2,798,703	55.76%
Total expenditures	8,396,269	5,559,808	2,836,461	51.02%
Change in net position	38,199	(71)	38,270	-53901.41%
Net position, beginning of year	175,033	175,104	(71)	-0.04%
Net position, end of year	<u>\$ 213,232</u>	<u>\$ 175,033</u>	<u>\$ 38,199</u>	<u>21.82%</u>

Future Outlook

Interlocal Association ("IA") continues to provide services to the Region 5 Workforce Board, Inc. ("WDB") under a contract for the period January 1, 2019 through December 31, 2022. In December 2022 the WDB awarded IA another two-year contract to continue providing services from January 1, 2023 through December 31, 2024 with the option for the WDB to extend the contract through December 2026. The contract(s) require IA to provide staff support, one-stop operator, service provider and business services functions under WIOA. IA has also been designated to serve as the Fiscal Agent for the Region 5 Chief Elected Officials through June 30, 2024. Adult, dislocated worker and youth WIOA program allocations declined in PY21 and are expected to continue to decline in the short term. However, the recent surges in unemployment may serve to modify the short-term trend in future years. RESEA funding is expected at about the same level as the prior year. State Next Level Jobs funding for Workforce Ready Grants and Employer Training Grants continue to provide significant funding of over \$2.6 million to support the training and upskilling of workers. It is anticipated that additional federal funding may be available over the next few years to support the economic recovery. IA management has demonstrated the capacity to obtain continued financial resources and will continue to identify appropriate roles and funding sources, consistent with the agency's mission, to add value to the workforce system and communities in Region 5.

Contacting Interlocal Association's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors, and/or creditors with a general overview of the Organization's finances and to demonstrate the Organization's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Mr. Lance D. Ratliff, Executive Director, 836 South State Street, Greenfield, IN 46140.

**Interlocal Association
Statement of Net Position
June 30, 2022**

Governmental
activities

Assets

Current assets

Cash	\$ 120,954
Grants receivable	430,588
Other receivables	844
Prepaid expenses and other current assets	<u>113,193</u>

Total current assets 665,579

Capital assets, net - unrestricted

4,742

Right of use assets, net 552,192

Total assets \$ 1,222,513

Liabilities

Current liabilities

Accounts payable	\$ 242,553
Accrued payroll and related expenses	114,802
Lease liabilities - current	200,670
Compensated absences	<u>78,804</u>

636,829

Lease liabilities - noncurrent 372,452

Total liabilities 1,009,281

Net position

Investment in capital assets 4,742

Unrestricted 208,490

Total net position \$ 213,232

See accompanying notes.

**Interlocal Association
Statement of Activities
Year Ended June 30, 2022**

<u>Functions/programs</u>	<u>Expenses</u>	<u>Program revenues Federal, state, and local grants</u>	<u>Net expense and change in net position Primary government Governmental activities</u>
Primary government			
Governmental activities			
Administration	\$ 578,149	\$ 578,149	\$ -
Program	<u>7,818,120</u>	<u>7,844,350</u>	<u>26,230</u>
Total governmental activities	<u>\$ 8,396,269</u>	<u>\$ 8,422,499</u>	26,230
	General revenues		
	Other income		11,925
	Interest income		<u>44</u>
	Total general revenues		<u>11,969</u>
			Change in net position 38,199
			<u>Net position, beginning of year 175,033</u>
			<u>\$ 213,232</u>

See accompanying notes.

**Interlocal Association
Governmental Fund Balance Sheet
June 30, 2022**

Assets

Current assets	
Cash	\$ 120,954
Grants receivable	430,588
Other receivables	844
Prepaid and other assets	<u>113,193</u>
Total assets	<u><u>\$ 665,579</u></u>

Liabilities and fund balances

Current liabilities	
Accounts payable	\$ 242,553
Accrued payroll and related expenses	<u>193,606</u>
Total liabilities	436,159
Fund balances	
Unassigned	<u>229,420</u>
Total fund balances	<u>229,420</u>
Total liabilities and fund balances	<u><u>\$ 665,579</u></u>

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position

Total fund balance - total governmental funds	\$ 229,420
Amounts reported for governmental activities in the statement of net position are different because	
Capital assets of \$26,091, net of accumulated depreciation of \$21,349 are not current financial resources and, therefore, are not reported in the funds.	4,742
Right of use assets, net	552,192
Lease liabilities	<u>(573,122)</u>
Net position of governmental activities	<u><u>\$ 213,232</u></u>

See accompanying notes.

Interlocal Association
Statement of Revenues, Expenditures and Changes in
Fund Balance - Governmental Funds
Year Ended June 30, 2022

Revenues		
Federal grant funds	\$	4,847,446
Other grant funds		3,575,053
Other income		11,925
Interest income		44
		<hr/>
Total revenues		8,434,468
Expenditures		
Administration		578,149
Program		7,795,609
		<hr/>
Total expenditures		8,373,758
		<hr/>
Excess of expenditures over revenues		60,710
Fund balance, beginning of year		<hr/> 168,710
		<hr/>
Fund balance, end of year	\$	<u><u>229,420</u></u>

See accompanying notes.

Interlocal Association
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balance of Governmental Funds to the
Statement of Activities
Year Ended June 30, 2022

Net change in fund balance - total governmental funds	\$ 60,710
Amounts reported for governmental activities in the statement of activities are different because	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Depreciation expense was \$1,581 for the year ended June 30, 2022.	(1,581)
Governmental funds report leases as expenditures. However, in the statement of activities, the cost of those liabilities are amortized over their estimated useful lives.	<u>(20,930)</u>
Change in net position of governmental activities	<u><u>\$ 38,199</u></u>

See accompanying notes.

**Interlocal Association
Notes to Financial Statements
Year Ended June 30, 2022**

Note A - Nature of Organization

The Interlocal Association (the "Organization") was organized under Joint Resolution and Articles of Agreement in 1973 pursuant to the Interlocal Cooperation Act of the State of Indiana. The Organization was formed to provide training and technical assistance to better serve the needs of the citizens of Boone, Hamilton, Hancock, Hendricks, Johnson, Madison, Morgan, and Shelby counties in Indiana. The Organization is primarily supported through federal and state government grants. Approximately 57% of the grant funding is federal pass-through funds received from the State of Indiana.

In evaluating the Organization as a reporting entity, management has addressed its relationship with the local governments and concluded that, in accordance with the criteria set forth in Section 2100 and 2600 of the Governmental Accounting Standards Board Codification, the Organization is a separate reporting entity.

Note B - Summary of Significant Accounting Policies

This summary of significant accounting policies of the Organization is presented to assist in understanding the Organization's financial statements. The financial statements and notes are representations of the Organization's management, who is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

The more significant accounting policies of the Organization are as follows:

1. Measurement Focus, Basis of Accounting and Basis of Presentation: The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Non-exchange transactions, in which the Organization gives or receives value without directly receiving or giving equal value in exchange, include grants, entitlements, and donations. On an accrual basis, revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Interest earnings on temporary investments are recognized in the fiscal period earned.

The governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenue is recognized when measurable and available. The Organization considers all revenue reported in the governmental funds to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, as under accrual accounting.

The Governmental Accounting Standards Board ("GASB") is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations).

Unearned revenue is reported on the Statement of Net Position when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Unearned revenue also arises when resources are received by the Organization before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability on the Statement of Net Position and the Governmental Fund Balance Sheet is removed and revenue is recognized.

Interlocal Association
Notes to Financial Statements (Continued)
Year Ended June 30, 2022

Note B - Summary of Significant Accounting Policies (Continued)

2. Use of Estimates: 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 and liabilities (and disclosure of contingent assets and liabilities, if any) at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.
3. Cash Equivalents: The Organization considers all short-term investments with an original maturity of three months or less to be cash equivalents. There were no cash equivalents at June 30, 2022.
4. Receivables: The Organization uses the allowance for bad debts method of valuing receivables, which is based on historical experience, coupled with a review of the current status of existing receivables. Management has determined that no allowance for doubtful accounts is required at June 30, 2022 for grant and other receivables.
5. Recognition of Revenue: Grant funds are recognized as revenue in the fiscal year in which all eligibility requirements have been satisfied.

The Organization receives grant funds from the Department of Labor passed through the Indiana Department of Workforce Development for a substantial part of its operating budget.

6. Capital Assets: Capital assets generally result from expenditures in the governmental funds. These assets are reported in the government-wide statement of net position but are not reported on the governmental balance sheet.

Capital assets are stated at cost. All expenditures for renewals and betterments are funded by grants and are capitalized. Maintenance and repairs are charged to expense as incurred. Gain or loss on retirements or disposition of assets is credited or charged to operations, and respective costs and accumulated depreciation are eliminated from the accounts.

Depreciation is provided on the basis of estimated useful lives of the assets using the straight-line method. The estimated useful life is five years for equipment.

The Organization periodically reviews the carrying values of property and equipment for impairment whenever adverse events or changes in circumstances indicate the carrying value of the asset may not be recoverable.

7. Right-of-use Assets: Right-of-use assets represent the Organization's right to occupy a leased asset during the rental period. Right-of-use assets are valued at the total present value of the lease payments less accumulated amortization. Amortization expense is computed using the straight-line method over the lease term.
8. Advertising Costs: The Organization expenses advertising costs as incurred. Advertising costs were \$1,008 for the year ended June 30, 2022.
9. Cost Allocation: Costs directly identifiable to a particular function are charged to that function. Joint costs are allocated to the various functions by means of a method which management believes best allocates cost in accordance with the benefits derived and is equitable to both the federal government and the Organization. Joint costs are those costs incurred for the common benefit of all Organization programs that cannot be readily identified with a final cost objective.

Interlocal Association
Notes to Financial Statements (Continued)
Year Ended June 30, 2022

Note B - Summary of Significant Accounting Policies (Continued)

10. Net Position: Net position presents the difference between assets and liabilities in the statement of net position. Net position invested in capital assets is reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets.

The Organization displays net position in three components (if and when applicable):

- *Net Investment in Capital Assets* - Consists of capital assets including restricted capital assets, net of accumulated depreciation, reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. At June 30, 2022, there is \$4,742 of investment in capital assets.
 - *Restricted Net Position* - Consists of net position with constraints placed on the use thereof either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation. At June 30, 2022, there is \$0- of restricted net position.
 - *Unrestricted Net Position* - All other net position that does not meet the definition of net investment in capital assets or restricted. At June 30, 2022, there is \$208,490 of unrestricted net position.
11. Income Taxes: The Organization was formed under the Interlocal Cooperation Act of 1957 and, as such, is exempt from federal and Indiana income taxes and, accordingly, is not required to file federal or state income tax returns.
12. Budgetary Controls: The Organization receives funds under various grants and contracts which end on various budget cycles. The Organization does not prepare a budget to actual comparison for the general fund therefore no budgetary comparison has been included in these financial statements.
13. Compensated Absences: Full-time employees who have a continuous service record of one year or longer are entitled to an annual leave from approximately two and one half to five weeks, based on a predetermined schedule. Other merit employees also accumulate annual leave on a pro-rated basis. Only a maximum of eighty hours may be carried over to the next calendar year. Employees are not entitled to pay in lieu of taking annual leave time. Terminated employees are entitled to be paid for all earned, unused annual leave time up to a maximum of 160 hours.

All full-time active employees earn hospital leave time at a rate of 3.75 hours per month, 6 days per year, up to a maximum of 150 hours or 20 days. Other merit employees earn hospital leave on a pro-rated basis. Hospital leave is accrued but cannot be used for the first six months of employment after it has been earned. A maximum of 45 hours of hospital time can be earned in one year.

The balance of compensated absences at June 30, 2022 was \$78,804.

14. Subsequent Events: The Organization has evaluated events and transactions for potential recognition or disclosure through the date of the Independent Auditor's Report, the date the financial statements were available to be issued.

Note C - Cash

Cash deposits made in accordance with Indiana Code (IC) 5-13 with financial institutions in the State of Indiana were entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution. Therefore, all cash deposits are considered secured.

Interlocal Association
Notes to Financial Statements (Continued)
Year Ended June 30, 2022

Note D - Grants Receivable

Grants receivable at June 30, 2022 consist of the following:

Department of Workforce Development	\$ 411,115
Indiana Family and Social Services Administration	<u>19,473</u>
Total grants receivable	<u>\$ 430,588</u>

Note E - Capital Assets

The changes in capital assets for the year ended June 30, 2022 are summarized as follows:

	Balance June 30, 2021	Additions	Disposals	Balance June 30, 2022
Office furniture and equipment	\$ 26,743	\$ -	\$ (650)	\$ 26,093
Accumulated depreciation	<u>(20,420)</u>	<u>(1,581)</u>	<u>650</u>	<u>(21,351)</u>
Capital assets, net	<u>\$ 6,323</u>	<u>\$ (1,581)</u>	<u>\$ -</u>	<u>\$ 4,742</u>

Depreciation expense for the year ended June 30, 2022 was \$1,581.

Note F - Leases

Effective July 1, 2021, the Organization adopted GASB statement No. 87, *Leases* with no material impact on net position. The Organization recorded an initial lease liability of \$749,845 offset by a related right of use asset. The Statement establishes a single model for lease accounting based on the foundational principal that leases are financings of the right to use an underlying asset. Under the Statement, a lessee is required to recognize a lease liability and an intangible right to use lease asset, thereby enhancing the relevance and consistency of information about governments' leasing activities.

On April 1, 2020, the Organization entered into a 60-month lease as Lessee for the 140 East 53rd Street property. An initial lease liability was recorded in the amount of \$302,141. As of June 30, 2022, the value of the lease liability is \$232,346. The Organization is required to make monthly fixed payments of \$6,651 from April 1, 2020, through October 1, 2020, \$7,617 from November 1, 2020, through December 31, 2021, and \$7,896 from January 1, 2022, through March 31, 2025. The lease has an interest rate of 0.47%. The value of the right to use asset as of June 30, 2022 of \$356,629 with accumulated amortization of \$134,577.

On July 1, 2021, the Organization entered into a 36-month lease as Lessee for the 97 Umbarger Lane property. An initial lease liability was recorded in the amount of \$260,129. As of June 30, 2022, the value of the lease liability is \$180,654. The Organization is required to make monthly fixed payments of \$7,676. The lease has an interest rate of 0.47%. The value of the right to use asset as of June 30, 2022, of \$260,129 with accumulated amortization of \$84,366.

On July 1, 2021, the Organization entered into a 36-month lease as Lessee for the 2177 Intelliplex Park property. An initial lease liability was recorded in the amount of \$31,726. As of June 30, 2022, the value of the lease liability is \$21,739. The Organization is required to make monthly fixed payments of \$960. The lease has an interest rate of 0.47%. The value of the right to use asset as of June 30, 2022, of \$31,726 with accumulated amortization of \$10,572.

Interlocal Association
Notes to Financial Statements (Continued)
Year Ended June 30, 2022

Note F - Leases (Continued)

On October 1, 2021, the Organization entered into a 60 month lease as Lessee for the 1610 Reeves Road, Suite 101 property. An initial lease liability was recorded in the amount of \$155,849. As of June 30, 2022, the value of the lease liability is \$138,383. The Organization is required to make monthly fixed payments of \$3,319. The lease has an interest rate of 0.93%. The value of the right to use asset as of June 30, 2022, of \$155,849 with accumulated amortization of \$22,626.

Future minimum lease payments on all leases having terms beyond one year are as follows:

<u>Years ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 200,670	\$ 34,199	\$ 234,869
2024	213,813	21,056	234,869
2025	106,671	9,390	116,061
2026	35,827	4,001	39,828
2027	16,141	454	16,595
Total	<u>\$ 573,122</u>	<u>\$ 69,100</u>	<u>\$ 642,222</u>

The changes in right of use assets for the year ended June 30, 2022 are summarized as follows:

	<u>Balance</u> <u>July 01, 2021</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>June 30, 2022</u>
Right of use assets	\$ 648,484	\$ 155,849	\$ -	\$ 804,333
Accumulated amortization	(53,831)	(198,310)	-	(252,141)
Right of use assets, net	<u>\$ 594,653</u>	<u>\$ (42,461)</u>	<u>\$ -</u>	<u>\$ 552,192</u>

Note G - Employee Retirement Plans

The Organization has established a retirement plan for all permanent employees who work 30 hours or more per week. The retirement benefits are fully vested with the employee at the time of contribution. The Organization contributes a percentage of the employee's compensation to the program as follows: employees with five years or less - 3%; employees with more than five but not more than ten years - 5%; and employees with more than ten years - 7.5%. The amount of an employee's contribution is at their discretion. The contributions by the Organization to the employee retirement plan for the year ended June 30, 2022 were \$112,262.

Note H - Contingencies, Risks and Uncertainties

Group Concentration Risk

The Organization is substantially funded by grants and contracts awarded directly and indirectly by the federal government and the State of Indiana.

Interlocal Association
Notes to Financial Statements (Continued)
Year Ended June 30, 2022

Note I - Recent Accounting Pronouncements

In June 2022, GASB issued Statement No. 100, *Accounting Changes and Error Corrections*. The provisions of this Statement were effective for fiscal years beginning after June 15, 2023, with earlier applicable allowed. The requirements of this Statement improve the clarity of the accounting and financial reporting requirements for accounting changes and error corrections, which result in greater consistency in application in practice.

The Organization implemented GASB Statement No. 100, *Accounting Changes and Error Corrections*, for the period ending June 30, 2022.

GASB Statement No. 96 - *Subscription-Based Information Technology Arrangements*, was issued in May 2020. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements ("SBITAs") for governments. This Statement defines an SBITA, establishes that a SBITA results in a right-to-use subscription intangible asset and a corresponding subscription liability, provides the capitalization criteria for outlays other than subscription payments and requires note disclosures regarding an SBITA. The standards for SBITAs are based on the standards established in Statement No. 87 - *Leases*. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022.

GASB Statement No. 101 - *Compensated Absences*, was issued in June 2022. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. This Statement requires that liabilities for compensated absences be recognized for leave that has not been used and leave that has been used but not yet paid in cash or settled through noncash means. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023.

The Organization is currently evaluating the impact that will result from adopting GASB No. 96 and 101 and is therefore unable to disclose the impact that adopting the Statements will have on the Organization's financial position and the results of its operations when the Statements are adopted.

Supplementary Information

**Interlocal Association
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2022**

<u>Federal Grantor/Program Title</u>	Federal CFDA Number	Agency or Passthrough Number	Passed Through to Subrecipients	Federal Expenditures
U.S. Department of Labor: Pass-through Entities				
State of Indiana:				
<u>Indiana Department of Workforce Development:</u>				
Workforce Innovation and Opportunity Act Cluster:				
WIOA Adult Program	17.258	WIOA-2005	\$ -	\$ 159,795
WIOA Adult Program	17.258	WIOA-2105	-	982,609
			-	1,142,404
WIOA Formula Youth	17.259	WIOA-2005	-	39,050
WIOA Formula Youth	17.259	WIOA-2105	-	750,787
			-	789,837
WIOA Dislocated Worker Formula Grants	17.278	WIOA-2005	-	126,056
WIOA Dislocated Worker Formula Grants	17.278	WIOA-2105	-	612,621
WIOA Dislocated Worker Formula Grants	17.278	RR2105	-	2,106
WIOA Dislocated Worker Formula Grants	17.278	RRCOVID2105	-	73,938
WIOA Dislocated Worker Formula Grants	17.278	PSG2105	-	293,208
			-	1,107,929
Sub-total Workforce Innovation and Opportunity Act Cluster Passed through the Indiana Department of Workforce Development			-	3,040,170
WIOA National Dislocated Worker Grants	17.277	ERCOVID2005	-	381,504
WIOA National Dislocated Worker Grants	17.277	DRCOVID2005	-	100,691
			-	482,195
Employment Service Cluster:				
Employment Service/Wagner-Peyser Funded Activities	17.207	BC-2105	-	120,000
Employment Service/Wagner-Peyser Funded Activities	17.207	IFA-2105	-	82,097
Employment Service/Wagner-Peyser Funded Activities	17.207	PSG2105	-	55,042
			-	257,139
Jobs for Veterans State Grants	17.801	IFA-2105	-	36,380
			-	36,380
Local Veterans' Employment Representative Program	17.804	IFA-2105	-	21,366
			-	21,366
Sub-total Employment Service Cluster Passed through the Indiana Department of Workforce Development			-	797,080
Unemployment Insurance	17.225	RESEA2105	-	265,221
Unemployment Insurance	17.225	RESEA2005	-	133,809
			-	399,030
Trade Adjustment Assistance	17.245	IFA-2105	-	21,437
			-	21,437
Apprenticeship USA Grants	17.285	ASEDRI2005	-	70,407
Total Passed through the State of Indiana - Department of Workforce Development			-	4,328,124
Total U.S. Department of Labor			\$ -	\$ 4,328,124

See independent auditor's report and notes to schedule of expenditures of federal awards.

Interlocal Association
 Schedule of Expenditures of Federal Awards (Continued)
 Year Ended June 30, 2022

<u>Federal Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Agency or Passthrough Number</u>	<u>Passed Through to Subrecipients</u>	<u>Federal Expenditures</u>
U.S. Department of Education				
Pass-through Entities				
State of Indiana:				
<u>Indiana Department of Workforce Development:</u>				
Rehabilitation Services-Vocational Rehabilitation Grants to States	84.126	PRE-ETS2005	\$ -	\$ 75,453
Rehabilitation Services-Vocational Rehabilitation Grants to States	84.126	IFA	-	19,473
Total U.S. Department of Education			-	94,926
U.S. Department of Treasury				
Pass-through Entities				
State of Indiana:				
<u>Indiana Department of Workforce Development:</u>				
Coronavirus Relief Fund	21.019	WRGCARES2105	-	424,396
Total U.S. Department of Treasury			-	424,396
Total Expenditures of Federal Awards			\$ -	\$ 4,847,446

See independent auditor's report and notes to schedule of expenditures of federal awards.

Interlocal Association
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2022

Note A - Basis of Presentation

The accompanying schedule of expenditures of federal awards ("Schedule") includes the federal grant activity of the Interlocal Association (the "Organization") under programs of the federal government for the year ended June 30, 2022 and is presented on the accrual basis of accounting. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations ("CFR") Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards* ("Uniform Guidance"). Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note B - Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles required by the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited to reimbursement. Pass-through entity identifying numbers are presented where available.

Note C - Indirect Cost Rate

The Organization has not elected 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*

Board of Directors
Interlocal Association

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States the financial statements of the governmental activities and each major fund of Interlocal Association as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Interlocal Association's basic financial statements, and have issued our report thereon dated January 17, 2023.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Interlocal Association's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Interlocal Association's internal control. Accordingly, we do not express an opinion on the effectiveness of Interlocal Association'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 combination of deficiencies, in internal control, such that there is 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 over financial reporting 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 financial reporting that might be material weaknesses, or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Independent Auditor's Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards* (Continued)**

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Interlocal Association's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of the 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.



Jeffersonville, Indiana
January 17, 2023



Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance in Accordance with the Uniform Guidance

Board of Directors
Interlocal Association

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Interlocal Association's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Interlocal Association's major federal programs for the year ended June 30, 2022. Interlocal Association's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Interlocal Association complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America ("GAAS"); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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"). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Interlocal Association and to meet our ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Interlocal Association's compliance with the compliance requirements referred to above.

Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance in Accordance with the Uniform Guidance (Continued)

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Interlocal Association's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Interlocal Association's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgement made by a reasonable user of the report on compliance about Interlocal Association's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, Government Auditing Standards, and the Uniform Guidance, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Interlocal Association's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Interlocal Association's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Interlocal Association's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

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.

Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance in Accordance with the Uniform Guidance (Continued)

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given, these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

MCM CPAs & Advisors LLP

Jeffersonville, Indiana
January 17, 2023

**Interlocal Association
Schedule of Findings and Questioned Costs
Year Ended June 30, 2022**

Section I - Summary of Independent Auditor's Report

Financial statements

Type of auditor's report issued Unmodified

Internal control over financial reporting

Material weakness(es) identified? yes X no

Significant deficiency(ies) 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 deficiency(ies) 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 2 CFR section 200.516(a)? yes X no

Identification of major programs:

<u>CFDA number</u>	<u>Name of federal program or cluster</u>	
	Workforce Innovation and Opportunity Act (WIOA) Cluster	
17.258	WIOA Adult Program	\$ 1,142,404
17.259	WIOA Formula Youth	789,837
17.278	WIOA Dislocated Worker	1,107,929

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

Auditee qualified as a low-risk auditee? X yes no

Section II - Financial Statement Findings

None

Section III - Major Federal Award Programs Audit Findings

None

**Interlocal Association
Summary Schedule of Prior Year Findings
Year Ended June 30, 2022**

There were no findings for the prior year ended June 30, 2021.