



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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August 9, 2024

Board of Directors
Interlocal Association
Hancock County, Indiana

We have reviewed the audit report of the Interlocal Association, which was opined upon by Cherry Bekaert LLP, Independent Public Accountants, for the period July 1, 2022 to June 30, 2023. Per the *Report of Independent Auditor*, the financial statements included in the report present fairly the financial condition of the Interlocal Association as of June 30, 2023, and the results of its operations for the period then ended, on the basis of accounting described in the report.

In our opinion, Cherry Bekaert LLP, prepared the audit report in accordance with the guidelines established by the Indiana 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 AND SUPPLEMENTARY INFORMATION

As of and for the Year Ended June 30, 2023

And Report of Independent Auditor

INTERLOCAL ASSOCIATION
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Report of Independent Auditor

To the Board of Directors
Interlocal Association
Interlocal Association

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Interlocal Association (the "Organization"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Organization's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Organization, as of June 30, 2023, and the respective changes in financial position 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 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 the Organization, 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 the Organization'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.

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 generally accepted auditing standards 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 generally accepted auditing standards 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 the Organization'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 the Organization'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 the management's discussion and analysis 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Organization'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* 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 11, 2024 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Cherry Bekaert LLP

Jeffersonville, Indiana
March 11, 2024

INTERLOCAL ASSOCIATION MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2023

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, 2023 (Program Year 22).

Financial Highlights

Federal funding for Program Year ("PY") 2022 was about \$4.4 million. This decreased from prior year PY21 expenditures from funding of about \$4.8 million. The decrease in funding is primarily due to a decrease in WIOA funding.

IA also managed and processed all direct client and vendor payments for the region. IA maintained a staff of 62 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**

JUNE 30, 2023

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**

JUNE 30, 2023

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 \$138,175 at June 30, 2023. Table 1 below provides a summary of the Organization's net position for the years ended June 30, 2023 and 2022.

**Table 1
Condensed Statement of Net Position**

	Governmental Activities		Dollar Change	Percent Change
	2023	2022		
Assets:				
Current assets	\$ 734,291	\$ 665,579	\$ 68,712	10.32%
Capital assets and right of use assets, net	428,403	556,934	(128,531)	-23.08%
Total assets	<u>1,162,694</u>	<u>1,222,513</u>	<u>\$ (59,819)</u>	<u>-4.89%</u>
Liabilities:				
Current liabilities	829,424	636,829	192,595	30.24%
Noncurrent liabilities	195,095	372,452	(177,357)	-47.62%
Total liabilities	<u>1,024,519</u>	<u>1,009,281</u>	<u>15,238</u>	<u>1.51%</u>
Net position:				
Investment in capital assets	(29,888)	4,742	(34,630)	-730.28%
Unrestricted	168,063	208,490	(40,427)	-19.39%
Total net position	<u>\$ 138,175</u>	<u>\$ 213,232</u>	<u>\$ (40,427)</u>	<u>-18.96%</u>

The governmental activities' total assets decreased by approximately \$60,000. The fluctuation was due to a decrease in prepaid insurance of approximately \$43,000, a decrease in the DWD receivable at year end of approximately \$71,000, the increase of cash by approximately \$182,000, capitalization of a new leased asset totaling approximately \$96,000, depreciation on capital assets of approximately \$3,000 and amortization on the lease assets totaling 223,000. Total liabilities increased by approximately \$15,000. The fluctuation was due to accounts payable increasing approximately \$56,000, accrued expenses increasing approximately \$32,000, deferred revenues increasing approximately \$42,000, and lease liabilities decreasing approximately \$115,000.

**INTERLOCAL ASSOCIATION
MANAGEMENT'S DISCUSSION AND ANALYSIS**

JUNE 30, 2023

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, 2023 was \$6,073,631, or 27.89% less than June 30, 2022. Total expenses for the year ended June 30, 2023 were \$6,166,312, or 26.56% less than June 30, 2022.

**Table 2
Change in Net Position**

	2023	2022	Dollar Change	Percent Change
Operating grants	\$ 6,073,631	\$ 8,422,499	\$ (2,348,868)	-27.89%
Other	17,624	11,969	5,655	47.25%
Total revenues	<u>6,091,255</u>	<u>8,434,468</u>	<u>(2,343,213)</u>	<u>-27.78%</u>
Administration	598,064	578,149	19,915	3.44%
Program	5,568,248	7,818,120	(2,249,872)	-28.78%
Total expenditures	<u>6,166,312</u>	<u>8,396,269</u>	<u>(2,229,957)</u>	<u>-26.56%</u>
Change in net position	(75,057)	38,199	(113,256)	-296.49%
Net position, beginning of year	213,232	175,033	38,199	21.82%
Net position, end of year	<u>\$ 138,175</u>	<u>\$ 213,232</u>	<u>\$ (75,057)</u>	<u>-35.20%</u>

Capital Assets

Total capital assets, net of accumulated depreciation, as of year-end were \$428,403. Leased assets make up the majority of the capital assets.

Debt Administration

Total outstanding long-term liabilities, as of year-end were \$458,201. Lease liabilities make up the majority of the outstanding long-term liabilities.

INTERLOCAL ASSOCIATION MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2023

Future Outlook

IA continues to provide services to the Region 5 Workforce Board, Inc. ("WDB") under a contract for the period 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 PY22 and are expected to continue to decline in the short term. RESEA funding is expected at about 93% as the prior year. State Next Level Jobs funding for Workforce Ready Grants and Employer Training Grants continue to provide significant funding of over \$2.3 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, 2023

	<u>Governmental Activities</u>
ASSETS	
Current Assets:	
Cash	\$ 302,909
Grants receivable	360,041
Other receivables	743
Prepaid expenses and other current assets	<u>70,598</u>
Total Current Assets	734,291
Capital assets, net	<u>428,403</u>
Total Assets	<u>\$ 1,162,694</u>
LIABILITIES AND NET POSITION	
Current Liabilities:	
Accounts payable	\$ 298,467
Accrued payroll and related expenses	146,037
Unearned revenues	42,073
Lease liabilities - current	263,196
Compensated absences	<u>79,651</u>
Total Current Liabilities	829,424
Lease liabilities - noncurrent	<u>195,095</u>
Total Liabilities	<u>1,024,519</u>
Net Position:	
Investment in capital assets	(29,888)
Unrestricted	<u>168,063</u>
Total Net Position	<u>\$ 138,175</u>

The accompanying notes to the financial statements are an integral part of these statements.

INTERLOCAL ASSOCIATION
STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2023

Functions/programs	Expenses	Program Revenues Operating Grants	Net Expense and Change in Net Position Primary Governmental Activities
Primary government			
Governmental Activities:			
Administration	\$ 598,064	\$ 598,064	\$ -
Program	<u>5,568,248</u>	<u>5,475,567</u>	<u>(92,681)</u>
Total Governmental Activities	<u>\$ 6,166,312</u>	<u>\$ 6,073,631</u>	<u>(92,681)</u>
General Revenues:			
Other income			<u>17,624</u>
Total General Revenues			<u>17,624</u>
Change in net position			(75,057)
Net position, beginning of year			<u>213,232</u>
Net position, end of year			<u>\$ 138,175</u>

The accompanying notes to the financial statements are an integral part of these statements.

INTERLOCAL ASSOCIATION**GOVERNMENTAL FUND BALANCE SHEET AND RECONCILIATION OF THE
BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET
POSITION***JUNE 30, 2023***ASSETS**

Current Assets:

Cash	\$	302,909
Grants receivable		360,041
Other receivables		743
Prepaid and other assets		70,598
Total Assets	\$	<u>734,291</u>

LIABILITIES AND FUND BALANCES

Current Liabilities:

Accounts payable	\$	298,467
Accrued payroll and related expenses		225,688
Unearned revenues		42,073
Total Liabilities		<u>566,228</u>

Fund Balances:

Nonspendable		70,598
Unassigned		97,465
Total Liabilities and Fund Balances	\$	<u>734,291</u>

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

Total fund balance - total governmental funds	\$	168,063
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets, net of accumulated amortization		428,403
Lease liabilities		<u>(458,291)</u>
Net position of governmental activities	\$	<u>138,175</u>

The accompanying notes to the financial statements are an integral part of these statements.

INTERLOCAL ASSOCIATION**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE OF
GOVERNMENTAL FUNDS***YEAR ENDED JUNE 30, 2023*

Revenues:		
Federal grant funds	\$	4,373,038
Other grant funds		1,700,593
Other income		<u>17,624</u>
Total revenues		<u>6,091,255</u>
Expenditures:		
Administration		598,064
Program		5,554,548
Capital outlay		<u>95,687</u>
Total expenditures		<u>6,248,299</u>
Excess of expenditures over revenues		<u>(157,044)</u>
Other financing sources/12/2024		
Lease liability issued		<u>95,687</u>
Net change in fund balance		(61,357)
Fund balance, beginning of year		<u>229,420</u>
Fund balance, end of year	\$	<u><u>168,063</u></u>

The accompanying notes to the financial statements are an integral part of these statements.

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, 2023

Net change in fund balance - total governmental funds	\$ (61,357)
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.	
Capital asset additions	95,687
Depreciation expense	(1,581)
Amortization expense	(222,637)
Governmental funds report leases as expenditures. However, in the statement of activities, the cost of those liabilities are recognized over their estimated useful lives.	
Lease additions	(95,687)
Principal payments	210,518
Change in net position of governmental activities	<u>\$ (75,057)</u>

The accompanying notes to the financial statements are an integral part of these statements.

INTERLOCAL ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

Note 1—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.

In evaluating the Organization as a reporting entity, management has addressed its relationship with the local governments and concluded that the Organization is a separate reporting entity and not a component unit of any other governmental entity.

Note 2—Summary of significant accounting policies

The Governmental Accounting Standards Board ("GASB") is responsible for establishing accounting principles generally accepted in the United States of America ("U.S. GAAP") for state and local governments through its pronouncements (Statements and Interpretations).

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:

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 within 90 days of year end. Expenditures are recorded when the related fund liability is incurred, as under accrual accounting. However, debt service principal and interest expenditures on long term liabilities are recognized generally when payment is due.

Unearned revenue 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

JUNE 30, 2023

Note 2—Summary of significant accounting policies (continued)

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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

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, 2023.

Receivables – The Organization uses the allowance for bad debts method of measuring 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, 2023 for grant and other receivables.

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.

Capital Assets – 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.

Right-to-use (“RTU”) assets represent the Organization's right to occupy a leased asset during the rental period. RTU 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.

Advertising Costs – The Organization expenses advertising costs as incurred. Advertising costs were \$11,195 for the year ended June 30, 2023.

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

JUNE 30, 2023

Note 2—Summary of significant accounting policies (continued)

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 capital assets, net of accumulated amortization, reduced by the outstanding balances of any bonds, mortgages, notes, leases or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. At June 30, 2023, capital related liabilities exceeded capital assets by \$29,888.

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, 2023, there was no 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, 2023, there was \$168,063 of unrestricted net position.

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.

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 80 hours may be carried over to the next fiscal 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, 2023 was \$79,651.

Subsequent Events – The Organization has evaluated events and transactions for potential recognition or disclosure through the date of March 11, 2024, the date the financial statements were available to be issued.

Note 3—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

JUNE 30, 2023

Note 4—Grants receivable

Grants receivable as of June 30, 2023 consist of the following:

Department of Workforce Development	\$ 340,747
Indiana Family and Social Services Administration	19,294
Total grants receivable	<u>\$ 360,041</u>

Note 5—Capital assets

The changes in capital assets for the year ended June 30, 2023 are summarized as follows:

	<u>Balance</u> <u>June 30, 2022</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>June 30, 2023</u>
Office furniture and equipment	\$ 26,093	\$ -	\$ -	\$ 26,093
Right-to-use assets, property	804,333	95,687	-	900,020
Accumulated depreciation	(21,351)	(1,581)	-	(22,932)
Accumulated amortization, right-to-use assets	(252,141)	(222,637)	-	(474,778)
Capital assets, net	<u>\$ 556,934</u>	<u>\$ (128,531)</u>	<u>\$ -</u>	<u>\$ 428,403</u>

Depreciation expense for the year ended June 30, 2023 was \$1,581. Amortization expense for the year ended June 30, 2023 was \$222,637.

Note 6—Leases

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, 2023, the value of the lease liability is \$157,701. The Organization is required to make monthly fixed payments of \$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 ROU asset as of June 30, 2023 is \$356,629 with accumulated amortization of \$208,185.

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, 2023, the value of the lease liability is \$96,579. 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 ROU asset as of June 30, 2023 is \$260,129 with accumulated amortization of \$168,734.

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, 2023, the value of the lease liability is \$11,175. The Organization is required to make monthly fixed payments of \$960. The lease has an interest rate of 0.47%. The value of the ROU asset as of June 30, 2023 is \$31,726 with accumulated amortization of \$21,147.

INTERLOCAL ASSOCIATION
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

Note 6—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, 2023, the value of the lease liability is \$112,712. 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 ROU asset as of June 30, 2023 is \$155,849 with accumulated amortization of \$52,791.

On December 31, 2022, the Organization entered into a 24-month lease as lessee for the 836 and 840 S. State Street properties. An initial lease liability was recorded in the amount of \$95,687. As of June 30, 2023, the value of the lease liability is \$80,124. The Organization is required to make monthly fixed payments of \$6,542. The lease has an interest rate of 4.41%. The value of the ROU asset as of June 30, 2023 is \$95,687 with accumulated amortization of \$23,921.

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>
2024	\$ 263,196	\$ 53,520	\$ 316,716
2025	143,127	14,866	157,993
2026	35,827	4,001	39,828
2027	16,141	454	16,595
Total	<u>\$ 458,291</u>	<u>\$ 72,841</u>	<u>\$ 531,132</u>

The changes in ROU assets for the year ended June 30, 2023 is included in Note 5.

Note 7—Long-term debt

A summary of long-term debt activities for the year ended is as follows. Additional detailed information is available in the notes above.

	<u>Balance</u>		<u>Balance</u>
	<u>June 30, 2022</u>	<u>Additions</u>	<u>June 30, 2023</u>
Lease liability	<u>\$ 573,122</u>	<u>\$ 95,687</u>	<u>\$ (210,518)</u>
			<u>\$ 458,291</u>

Note 8—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, 2023 were \$107,249.

INTERLOCAL ASSOCIATION
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

Note 9—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.

SUPPLEMENTARY INFORMATION

INTERLOCAL ASSOCIATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2023

<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 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-2205	\$ -	\$ 833,959
WIOA Adult Program	17.258	WIOA-2105	-	2,669
			-	836,628
WIOA Youth Activities	17.259	WIOA-2205	-	471,158
WIOA Youth Activities	17.259	WIOA-2105	-	273,656
WIOA Youth Activities	17.259	PSG2205	-	191,582
			-	936,396
WIOA Dislocated Worker Formula Grant	17.278	WIOA-2205	-	578,671
WIOA Dislocated Worker Formula Grant	17.278	WIOA-2105	-	753,828
WIOA Dislocated Worker Formula Grant	17.278	RR2105	-	22,894
WIOA Dislocated Worker Formula Grant	17.278	PSG2105	-	104,756
			-	1,460,149
Sub-total Workforce Innovation and Opportunity Act Cluster Passed through the Indiana Department of Workforce Development			-	3,233,173
WIOA National Dislocated Worker Grants / WIA National Emergency Grants	17.277	ERCOVID2005	-	146,417
			-	146,417
Employment Service Cluster:				
Employment Service/Wagner-Peyser Funded Activities	17.207	BC-2205	-	120,000
Employment Service/Wagner-Peyser Funded Activities	17.207	IFA-2205	-	90,598
Employment Service/Wagner-Peyser Funded Activities	17.207	PSG2105	-	13,396
			-	223,994
Jobs for Veterans State Grants	17.801	IFA-2205	-	23,048
Local Veterans' Employment Representative Program	17.804	IFA-2205	-	23,048
			-	270,090
Sub-total Employment Service Cluster Passed through the Indiana Department of Workforce Development			-	270,090
Unemployment Insurance	17.225	RESEA2105	-	107,779
Unemployment Insurance	17.225	RESEA2205	-	336,484
			-	444,263
Trade Adjustment Assistance	17.245	IFA-2205	-	25,014
Registered Apprenticeship	17.285	ASEDRI2005	-	28,397
Registered Apprenticeship	17.285	ABA2205	-	443
			-	28,840
Total Passed through the State of Indiana - Department of Workforce Development			-	4,147,797
Total U.S. Department of Labor			-	4,147,797
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	PRETS2205	-	47,000
Rehabilitation Services Vocational Rehabilitation Grants to States	84.126	PRETS2105	-	158,947
			-	205,947
Total Passed through the State of Indiana - Department of Workforce Development			-	205,947
Direct program				
Rehabilitation Services Vocational Rehabilitation Grants to States	84.126		-	19,294
Total U.S. Department of Education			-	225,241
Total Expenditures of Federal Awards			\$ -	\$ 4,373,038

INTERLOCAL ASSOCIATION
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2023

Note 1—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, 2023. The information in this Schedule 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 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 2—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 3—Indirect cost rate

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

Report of Independent Auditor 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 (the "Organization") as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Organization's basic financial statements, and have issued our report thereon dated March 11, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit, we considered the Organization's internal control over financial reporting ("internal control") as a basis for designing 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 the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 Organization'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 or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization'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 the testing, and not to provide an opinion on the effectiveness of the Organization'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 Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Cherry Bekaert LLP

Jeffersonville, Indiana

March 11, 2024

Report of Independent Auditor on Compliance for Each Major Program and on Internal Control over Compliance Required by 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 (the "Organization") 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 the Organization's major federal programs for the year ended June 30, 2023. The Organization'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, the Organization 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, 2023.

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; 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"). 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 the Organization and to meet our other 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 the Organization's compliance with the compliance requirements referred to above.

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 the Organization'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 the Organization'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 generally accepted auditing standards, *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 the Organization's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *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 the Organization'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 the Organization'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 the Organization'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.

Report on 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 *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.

Cherry Bekaert LLP

Jeffersonville, Indiana
March 11, 2024

INTERLOCAL ASSOCIATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2023

Section—Summary of auditor’s results

Type of auditor’s report issued on whether the financial statements audited were prepared in accordance to GAAP: **Unmodified**

Internal control over financial reporting:

- Material weakness(es) identified? _____ yes X no
- Significant deficiency(ies) identified that are 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 federal programs:

- Material weakness(es) identified? _____ yes X no
- Significant deficiency(ies) identified that are not considered to be material weaknesses _____ yes X none reported

Type of auditor’s report issued on compliance for major federal programs: **Unmodified**

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a) _____ yes X no

Identification of major federal programs:

Assistance Listing Numbers

Names of Federal Program or Cluster

17.258
 17.259
 17.278

Workforce Innovation and Opportunity Act (WIOA) Cluster
 WIOA Adult Program
 WIOA Formula Youth
 WIOA Dislocated Worker

17.225

Unemployment Insurance

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

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

INTERLOCAL ASSOCIATION
SCHEDULE OF PRIOR YEAR FINDINGS

YEAR ENDED JUNE 30, 2023

There were no findings for the prior year ended June 30, 2022.