



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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September 21, 2021

To: The Officials of the Southern Indiana Development Commission
Southern Indiana Development Commission
P.O. Box 442
Loogootee, IN 47553

As authorized under Indiana Code 5-11-1, we engaged private examiners under our review to perform the audit of the Southern Indiana Development Commission. We have reviewed the audit report opined upon by Crowe LLP, Independent Public Accountants, for the period January 1, 2020 to December 31, 2020. Per the *Independent Auditor's Report*, the financial statements included in the report present fairly, in all material respects, the cash and investment balances of the Commission as of December 31, 2020, and its cash receipts and disbursements for the year then ended in accordance with the financial reporting provisions of the Indiana State Board of Accounts described in Note 1.

We call your attention to the finding included in the report on pages 21-22. Please see the Schedule of Findings and Questioned Costs for complete details related to the finding. Management's Corrective Action Plan appears on page 24.

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

In addition to the report presented herein, a Supplemental Report for the Southern Indiana Development Commission was prepared in accordance with the guidelines established by the State Board of Accounts.

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

Handwritten signature of Paul D. Joyce in blue ink.
Paul D. Joyce, CPA
State Examiner

SOUTHERN INDIANA DEVELOPMENT COMMISSION
Martin County, Indiana

FINANCIAL STATEMENT
December 31, 2020

SOUTHERN INDIANA DEVELOPMENT COMMISSION
Martin County, Indiana

FINANCIAL STATEMENTS
December 31, 2020

CONTENTS

SCHEDULE OF OFFICIALS (Unaudited)	1
INDEPENDENT AUDITOR'S REPORT	2
FINANCIAL STATEMENT	
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES – REGULATORY BASIS.....	4
NOTES TO FINANCIAL STATEMENT.....	5
SUPPLEMENTARY INFORMATION (Unaudited)	
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES – REGULATORY BASIS.....	8
SCHEDULE OF CAPITAL ASSETS.....	11
OTHER REPORT.....	12
OTHER INFORMATION	
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	13
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS.....	14
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	15
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE	17
SCHEDULE OF FINDINGS AND QUESTIONED COSTS.....	20
EXIT CONFERENCE	23

SOUTHERN INDIANA DEVELOPMENT COMMISSION
SCHEDULE OF OFFICIALS (Unaudited)
December 31, 2020

<u>Office</u>	<u>Official</u>	<u>Term</u>
Executive Director	Greg E. Jones	01-01-20 to 12-31-20
Treasurer	Joe Yochum	01-01-20 to 12-31-20
President of the Executive Board	John Michael Healy	01-01-20 to 12-31-20

INDEPENDENT AUDITOR'S REPORT

Those Charged with Governance
Southern Indiana Development Commission
Martin County, Indiana

Report on the Financial Statement

We have audited the accompanying statement of receipts, disbursements, and cash and investment balances of Southern Indiana Development Commission (Commission) as of and for the year ended December 31, 2020, and the related notes (the financial statement).

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the financial reporting provisions of the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6) as described in Note 1. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

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

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As discussed in Note 1 to the financial statement, the Commission prepares its financial statement on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6), which is a basis of accounting other than accounting principles generally accepted in the United States of America.

(Continued)

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statement referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Commission as of December 31, 2020, or changes in net position or cash flows thereof for the year then ended.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above present fairly, in all material respects, the cash and investment balances of the Commission as of December 31, 2020, and its cash receipts and disbursements for the year then ended in accordance with the financial reporting provisions of the Indiana State Board of Accounts described in Note 1.

Other Matters

Supplementary Information

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

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

The Schedule of Officials and Supplementary Information Schedules have not been subjected to the auditing procedures applied in the audit of the financial statement, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Governmental Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 1, 2021 on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Commission'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 Commission's internal control over financial reporting and compliance.


Crowe LLP

Indianapolis, Indiana
September 1, 2021

SOUTHERN INDIANA DEVELOPMENT COMMISSION
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND
INVESTMENT BALANCES - REGULATORY BASIS
For the Year Ended December 31, 2020

<u>Fund</u>	Cash and Investments January 1, <u>2020</u>	<u>Receipts</u>	<u>Disbursements</u>	Cash and Investments December 31, <u>2020</u>
General Fund	\$ 104,912	\$ 2,776,813	\$ 2,660,828	\$ 220,897
Totals	<u>\$ 104,912</u>	<u>\$ 2,776,813</u>	<u>\$ 2,660,828</u>	<u>\$ 220,897</u>

SOUTHERN INDIANA DEVELOPMENT COMMISSION
NOTES TO FINANCIAL STATEMENT
December 31, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity: The Southern Indiana Development Commission (the Commission) was established under the laws of the State of Indiana. The Commission operates under a governing board.

The accompanying financial statement presents the financial information for the Commission.

Basis of Accounting: The financial statement is reported on a regulatory basis of accounting prescribed by the Indiana State Board of Accounts in accordance with state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The basis of accounting involves the reporting of only cash and investments and the changes therein resulting from cash inflows (receipts) and cash outflows (disbursements) reported in the period in which they occurred.

The regulatory basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP), in that receipts are recognized when received in cash, rather than when earned, and disbursements are recognized when paid, rather than when a liability is incurred. The regulatory basis also allows for all investments to be stated at cost, while GAAP requires fair value for qualifying investments.

Cash and Investments: Investments are stated at cost. Any changes in fair value of the investments are reported as receipts in the year of the sale of the investment.

Receipts: Receipts are presented in the aggregate on the face of the financial statement. The aggregate receipts include the following sources:

Other receipts. Amounts received from various sources which can include, but are not limited to the following: net proceeds from borrowings; interfund loan activity; transfers authorized by statute, ordinance, resolution or court order; internal service receipts; and fiduciary receipts.

Disbursements: Disbursements are presented in the aggregate on the face of the financial statement. The aggregate disbursements include the following uses:

Personal services. Amounts disbursed for salaries, wages, and related employee benefits provided for all persons employed. In those Commissions where sick leave, vacation leave, overtime compensation, and other such benefits are appropriated separately, such payments would also be included.

Supplies. Amounts disbursed for articles and commodities that are entirely consumed and materially altered when used and/or show rapid depreciation after use for a short period of time. Examples of supplies include office supplies, operating supplies, and repair and maintenance supplies.

Other services and charges. Amounts disbursed for services including, but are not limited to: professional services, communication and transportation, printing and advertising, insurance, utility services, repairs and maintenance, and rental charges.

NOTE 2 - BUDGETS

The operating budget is initially prepared and approved at the local level. The fiscal officer of the Commission submits a proposed operating budget to the governing board for the following calendar year. The budget is advertised as required by law. Prior to adopting the budget, the governing board conducts public hearings and obtains taxpayer comments. Prior to November 1, the governing board approves the budget for the next year.

(Continued)

SOUTHERN INDIANA DEVELOPMENT COMMISSION
NOTES TO FINANCIAL STATEMENT
December 31, 2020

NOTE 3 - DEPOSITS AND INVESTMENTS

Deposits, made in accordance with state statute (IC 5-13), with financial institutions in the State of Indiana, at year end, should be entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund (PDIF). This includes any deposit accounts issued or offered by a qualifying financial institution.

State statutes authorize the Commission to invest in securities including, but not limited to, the following: federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units. Given the limited investment parameters applicable under state statute, certain risks, such as credit, custodial, concentration, and interest rate are not deemed significant. As of the year ended December 31, 2020, the Commission held investments in a money market account.

The Commission held cash deposits with financial institutions that maintained FDIC and PDIF coverages, as applicable.

NOTE 4 - RISK MANAGEMENT

The Commission may be exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions and natural disasters. These risks can be mitigated through the purchase of insurance, establishment of a self-insurance fund, and/or participation in a risk pool. The purchase of insurance transfers the risk to an independent third-party. The establishment of a self-insurance fund allows the Commission to set aside money for claim settlements. The self-insurance fund would be included in the financial statement. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks.

The Commission has purchased insurance to address the risks described above.

NOTE 5 - PENSION PLAN

Public Employees' Retirement Fund

Plan Description

The Indiana Public Employees' Retirement Fund (PERF) is a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in this defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the Indiana Public Retirement System (INPRS) Board, most requirements of the system, and give the Commission authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3 percent of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

(Continued)

SOUTHERN INDIANA DEVELOPMENT COMMISSION
NOTES TO FINANCIAL STATEMENT
December 31, 2020

NOTE 5 - PENSION PLAN (Continued)

INPRS administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by contacting:

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

Funding Policy and Annual Pension Cost

The contribution requirements of the plan members for PERF are established by the Board of Trustees of INPRS. The Commission made contributions to the PERF plan during the year(s) under audit. The contribution rate was 11.2% for the year under audit.

NOTE 6 - RECENT EVENTS

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

SUPPLEMENTAL SCHEDULES (Unaudited)

SOUTHERN INDIANA DEVELOPMENT COMMISSION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CASH AND
 INVESTMENT BALANCES – REGULATORY BASIS
 For the Year Ended December 31, 2020

AFR System Fund Number	Unit Fund Number	Fund Name	Enterprise Number	Enterprise Name	Level One Code	Level Two Code	Unit Account Number	Account Name	Receipts				
									Amount	Rounding Adjustments	Adjustments	Adjusted Amount	Rounded Totals
900001	101001	General Fund	0	Governmental Activities	900	20		Earnings on Investments and Deposits	\$ 46	\$ -	\$ -	\$ 46	\$ -
900001	101001	General Fund	0	Governmental Activities	900	130	1	Non State Owned Federal Aid Routes	-	-	-	-	-
900001	101001	General Fund	0	Governmental Activities	900	130	2	Rural Housing Preservation	-	-	-	-	-
900001	101001	General Fund	0	Governmental Activities	900	130	3	Rural Planning Organization	-	-	-	-	-
900001	101001	General Fund	0	Governmental Activities	900	130	4	U.S. EDA	-	-	-	-	-
900001	101001	General Fund	0	Governmental Activities	900	130	5	5311	-	-	-	-	-
900001	101001	General Fund	0	Governmental Activities	900	130	6	EPA Brownfields	-	-	-	-	-
900001	101001	General Fund	0	Governmental Activities	900	130	7	Miscellaneous	-	-	-	-	-
900001	101001	General Fund	0	Governmental Activities	900	130	8	Contractual	-	-	-	-	-
900001	101001	General Fund	0	Governmental Activities	900	130	1	Miscellaneous	138,829	-	-	138,829	-
900001	101001	General Fund	0	Governmental Activities	900	130	2	5311	2,046,798	-	-	2,046,798	-
900001	101001	General Fund	0	Governmental Activities	900	130	3	Non State Owned Federal Aid Routea	23,000	-	-	23,000	-
900001	101001	General Fund	0	Governmental Activities	900	130	4	Rural Planning Organization	49,576	-	-	49,576	-
900001	101001	General Fund	0	Governmental Activities	900	130	5	U.S. EDA	203,789	-	-	203,789	-
900001	101001	General Fund	0	Governmental Activities	900	130	6	Contractual	314,775	-	-	314,775	-
Total other receipts									2,776,813	-	-	2,776,813	2,776,813
Totals Fund 900001 General Fund									2,776,813	-	-	2,776,813	2,776,813
Grand Totals									\$ 2,776,813	\$ -	\$ -	\$ 2,776,813	\$ 2,776,813

(Continued)

SOUTHERN INDIANA DEVELOPMENT COMMISSION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CASH AND
 INVESTMENT BALANCES – REGULATORY BASIS
 For the Year Ended December 31, 2020

AFR System Fund Number	Unit Fund Number	Fund Name	Enterprise Number	Enterprise Name	Dept Code	Level One Code	Level Two Code	Disbursements				
								Amount	Rounding Adjustments	Adjustments	Adjusted Amount	Rounded Totals
900001	101001	General Fund	0	Governmental Activities	0	100	10	\$ 410,144	\$ -	\$ -	\$ 410,144	\$ -
900001	101001	General Fund	0	Governmental Activities	0	100	60	96,180	-	-	96,180	-
Total Personal services								506,324	-	-	506,324	506,324
900001	101001	General Fund	0	Governmental Activities	0	200	10	8,668	-	-	8,668	-
Total Supplies								8,668	-	-	8,668	8,668
900001	101001	General Fund	0	Governmental Activities	0	300	20	9,140	-	-	9,140	-
900001	101001	General Fund	0	Governmental Activities	0	300	40	6,932	-	-	6,932	-
900001	101001	General Fund	0	Governmental Activities	0	300	120	2,129,764	-	-	2,129,764	-
Total Other services and charges								2,145,836	-	-	2,145,836	2,145,836
Totals Fund 900001 General Fund								2,660,828	-	-	2,660,828	2,660,828
Grand Totals								\$ 2,660,828	\$ -	\$ -	\$ 2,660,828	\$ 2,660,828

(Continued)

SOUTHERN INDIANA DEVELOPMENT COMMISSION
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CASH AND
INVESTMENT BALANCES – REGULATORY BASIS
For the Year Ended December 31, 2020

	General Fund
Cash and investment balances - regulatory basis	
Cash and investments - beginning	\$ <u>104,912</u>
Receipts:	
Other receipts	<u>2,776,813</u>
Disbursements:	
Personal services	506,324
Supplies	8,668
Other services and charges	<u>2,145,836</u>
Total disbursements	<u>2,660,828</u>
Excess (deficiency) of receipts over disbursements	<u>115,985</u>
Cash and investments - ending	<u><u>\$ 220,897</u></u>

SOUTHERN INDIANA DEVELOPMENT COMMISSION
SCHEDULE OF CAPITAL ASSETS
December 31, 2020

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received.

	<u>Ending Balance</u>
Governmental activities:	
Machinery	\$ <u>127,366</u>
Total Capital Assets	\$ <u><u>127,366</u></u>

SOUTHERN INDIANA DEVELOPMENT COMMISSION
OTHER REPORT
December 31, 2020

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

Indiana State Board of Accounts Compliance Examination of the Southern Indiana Development Commission.

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

OTHER INFORMATION

SOUTHERN INDIANA DEVELOPMENT COMMISSION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended December 31, 2020

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Passed Though to Subrecipient	Total Federal Awards Expended
<u>Department of Commerce</u>					
Economic Development Cluster					
Economic Adjustment Assistance for Disaster Economic Recovery	Direct Award				
Economic Development Administration		11.307	ED20CHI3070065	\$ -	\$ 125,000
Total – Economic Development Cluster				-	125,000
Economic Development Support for Planning Organizations	Direct Award				
Economic Development Administration		11.302	ED20CHI3020025	-	70,000
Economic Development Technical Assistance	Direct Award				
Economic Development Administration		11.303	ED18CHI3030024	-	8,664
Total – Department of Commerce				-	203,664
<u>Department of Transportation</u>					
Federal Transit Cluster					
Buses and Bus Facilities Formula Competitive and Low or No Emissions Programs	Indiana Department of Transportation				
Local Transit – Fiscal Year 20		20.526	A249-20-G190032	77,660	89,660
Total – Federal Transit Cluster				77,660	89,660
Formula Grants for Rural Area and Tribal Transit Program	Indiana Department of Transportation				
Local Transit – Fiscal Year 19		20.509	A249-19-G180481	336,621	336,621
Formula Grants for Rural Area and Tribal Transit Program	Indiana Department of Transportation				
Local Transit – Fiscal Year 20		20.509	A249-20-G190096	549,751	549,751
Formula Grants for Rural Area and Tribal Transit Program	Indiana Department of Transportation				
Local Transit – Fiscal Year 20 – COVID-19		20.509	A249-20-G200036	463,122	463,122
Total: CFDA #20.509				1,349,494	1,349,494
Total – Department of Transportation				1,427,154	1,439,154
Total federal awards expended				\$ 1,427,154	\$ 1,642,818

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

SOUTHERN INDIANA DEVELOPMENT COMMISSION
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended December 31, 2020

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Southern Indiana Development Commission (the "Commission") under programs of the federal government for the year ended December 31, 2020. 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 for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Commission, it is not intended to and does not present the receipts, disbursements, and cash and investment balances – regulatory basis of the Commission.

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, Cost Principles for State and Local Governments, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. When federal grants are received on a reimbursement basis, the federal awards are considered expensed when the reimbursement is received.

NOTE 2 - INDIRECT COST RATE

The Commission has elected not to use the 10-percent de minimis indirect cost rate as 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 STATEMENT PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Those Charged with Governance
Southern Indiana Development Commission
Martin County, Indiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statement of Southern Indiana Development Commission ("Commission"), which comprise the statement of receipts, disbursements, and cash and investment balances of the Commission as of and for the year ended December 31, 2020 and the related notes to the financial statement, which collectively comprise the Commission's financial statement, and have issued our report thereon dated September 1, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Commission's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission's financial statement is 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 statement. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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


Crowe LLP

Indianapolis, Indiana
September 1, 2021

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

Those Charged with Governance
Southern Indiana Development Commission
Martin County, Indiana

Report on Compliance for Each Major Federal Program

We have audited Southern Indiana Development Commission's (Commission) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Commission's major federal program for the year ended December 31, 2020. The Commission's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Commission's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Commission's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Commission's compliance.

Basis for Qualified Opinion on CFDA #20.509 - Formula Grants for Rural Areas and Tribal Transit Program

As described in the accompanying schedule of findings and questioned costs, The Commission did not comply with requirements regarding CFDA 20.509 Formula Grants for Rural Areas and Tribal Transit Program as described in finding number 2020-001 for Subrecipient Monitoring. Compliance with such requirements is necessary, in our opinion, for the Commission to comply with the requirements applicable to that program.

Qualified Opinion on CFDA #20.509

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the Commission complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Formula Grants for Rural Areas and Tribal Transit Program for the year ended December 31, 2020.

Other Matters

The Commission's response to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs and management's response and corrective action plan. The Commission's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the Commission is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Commission's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2020-001, that we consider to be a material weakness.

The Commission's response to the internal control over compliance findings identified in our audit are described in the schedule of findings and questioned costs and management's response and corrective action plan. Commission's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

(Continued)

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Crowe LLP
Crowe LLP

Indianapolis, Indiana
September 1, 2021

SOUTHERN INDIANA DEVELOPMENT COMMISSION
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 December 31, 2020

SECTION 1 – SUMMARY OF AUDITORS’ RESULTS:

Financial Statements

Type of auditor’s report issued Adverse as to GAAP, Unmodified as to regulatory basis

Internal control over financial reporting

Material weakness(es) identified?	_____	Yes	_____ <u>X</u> _____	No
Significant deficiencies identified not considered to be material weaknesses?	_____	Yes	_____ <u>X</u> _____	None Reported
Noncompliance material to financial statements noted?	_____	Yes	_____ <u>X</u> _____	No

Federal Awards

Internal control over major programs

Material weakness(es) identified?	_____ <u>X</u> _____	Yes	_____	No
Significant deficiencies identified not considered to be material weaknesses?	_____	Yes	_____ <u>X</u> _____	None Reported

Type of auditor’s report issued on compliance for major programs Qualified

Any audit findings disclosed that are required to be reported in accordance with 2CFR 200.516(a)?	_____ <u>X</u> _____	Yes	_____	No
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Identification of major programs

<u>CFDA Number</u> 20.509	<u>Name of Federal Program or Cluster</u> Formula Grants for Rural Areas and Tribal Transit Program
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Dollar threshold used to distinguish between Type A and Type B programs \$ 750,000

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

None.

(Continued)

SOUTHERN INDIANA DEVELOPMENT COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
December 31, 2020

SECTION 3 – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding 2020-001 – SUBRECIPIENT MONITORING (Material Weakness)
CFDA #20.509 Formula Grants for Rural Areas and Tribal Transit Program

Criteria: Federal regulations 2 CFR section 200.332 (b), (d), (f) and (g) requires the Commission to:

(b) Evaluate each subrecipient's risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring described in paragraphs (d) and (e) of this section, which may include consideration of such factors as:

- (1) The subrecipient's prior experience with the same or similar subawards;
- (2) The results of previous audits including whether or not the subrecipient receives a Single Audit in accordance with Subpart F of this part, and the extent to which the same or similar subaward has been audited as a major program;
- (3) Whether the subrecipient has new personnel or new or substantially changed systems; and
- (4) The extent and results of Federal awarding agency monitoring (e.g., if the subrecipient also receives Federal awards directly from a Federal awarding agency).

(d) Monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward; and that subaward performance goals are achieved. (1) Reviewing financial and performance reports required by the pass-through entity.

(f) Verify that every subrecipient is audited as required by Subpart F of this part when it is expected that the subrecipient's Federal awards expended during the respective fiscal year equaled or exceeded the threshold set forth in § 200.501.

(g) Consider whether the results of the subrecipient's audits, on-site reviews, or other monitoring indicate conditions that necessitate adjustments to the pass-through entity's own records.

Condition: During testing of compliance for subrecipient monitoring, we noted that the Commission did not perform a documented risk assessment of noncompliance to determine what monitoring procedures should be performed. The Commission did not obtain and review the audited financial statements of the Commission's subrecipient to determine that their funds were reported and if any findings existed. The Commission does not receive detailed claim support from the subrecipient for quarterly claims.

SOUTHERN INDIANA DEVELOPMENT COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
December 31, 2020

Context: The Commission has a subrecipient who receives a majority of the Commission's federal funding for CFDA 20.509 to operate rural services. The Commission has stated that it interacts periodically during the year with the subrecipient and with the Indiana Department of Transportation, who grants federal funds to the Commission. The subrecipient's annual reporting period is June 30. Therefore, there is also a timing gap for reporting that may require other forms of financial monitoring, other than reliance on the audit, to make sure that the Commission performs monitoring throughout their calendar year reporting period.

Questioned Costs: None

Effect: Without effective risk assessment and monitoring procedures in place, the Commission could potentially miss noncompliance noted in the audit report of the subrecipient and not ensure that the subrecipient takes timely and appropriate action to address any issues identified.

Cause: The Commission has communicated the condition was due to a misunderstanding regarding the requirements for monitoring the subrecipient and their role. There is a lack of effective design and implementation of internal controls to formalize monitoring procedures.

Recommendation: We recommend that management create formalized subrecipient monitoring plan and procedures which includes a risk assessment, a review the subrecipient's annual audit report, periodic monitoring of claim invoice support to provide monitoring coverage throughout the Commission's calendar year.

Views of Responsible Officials: Management concurs with this finding. See the separate corrective action plan.

SOUTHERN INDIANA DEVELOPMENT COMMISSION
EXIT CONFERENCE
January 1, 2020 to December 31, 2020

The contents of this report were discussed on August 20, 2021 with Janice Taylor, Administrative Specialist, Greg Jones, Executive Director, Joe Yochum, Treasurer and Mike Healy, President of the Board.



Southern Indiana Development Commission (SIDC) respectfully submits our Corrective Action Plan to address unresolved findings and questioned costs related to the December 31, 2020 audit.

CORRECTIVE ACTION PLAN

CFDA Number
20.509

Name of Federal Program or Cluster
Formula Grants for Rural Areas and Tribal Transit Program

Finding 2020-001 – SUBRECIPIENT MONITORING (Material Weakness)

Recommendation: The auditors recommended that management create formalized subrecipient monitoring plan and procedures which includes a risk assessment, a review the subrecipient's annual audit report, periodic monitoring of claim invoice support to provide monitoring coverage throughout the Commission's calendar year.

Corrective Action Planned: SIDC will coordinate with its subrecipient and affiliates (DSI Inc, Four Rivers Resource Services and Ride Solution) to design and implement a corrective action plan to enhance subrecipient monitoring procedures and documentation. The plan includes the following steps:

1. A document will be created that outlines the pass-through entity and subrecipient responsibilities.
2. Periodic risk assessments will be created and performed on the grant funding requirements and the ability for the subrecipient to comply with grant requirements
3. Develop monitoring procedures based on risk assessment:
 - a. Obtain annual compliance audit from subrecipient
 - b. Perform periodic monitoring of claims including detailed source documentation
 - c. Coordinate with INDOT on grant programmatic and financial activities
 - d. Require subrecipient documentation on activities and assess impact of grant funds
4. Evaluate monitoring results and follow-up on findings, as applicable

Commission Contact responsible for Corrective Action:

Greg Jones
Executive Director

Anticipated Completion Date:

SIDC will set a timetable of November 5, 2021 to complete the steps of the Corrective Action Plan. SIDC plans to retroactively apply monitoring back to January 1, 2021.

Signatures

Greg E. Jones
Executive Director