



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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March 28, 2012

Board of Directors
Interlocal Association
P.O. Box 69
Greenfield, IN 46140

We have reviewed the audit report prepared by McCauley, Nicolas & Company, LLC, Independent Public Accountants, for the period July 1, 2010 to June 30, 2011. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Public Accountants' opinion, the financial statements included in the report present fairly the financial condition of the Interlocal Association, as of June 30, 2011, and the results of its operations for the period then ended, on the basis of accounting described in the report.

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

STATE BOARD OF ACCOUNTS

**INTERLOCAL ASSOCIATION
Greenfield, Indiana
REPORT ON AUDIT OF FINANCIAL STATEMENTS
for the year ended June 30, 2011
and
REPORTS REQUIRED BY U.S. OFFICE OF MANAGEMENT
AND BUDGET CIRCULAR A-133, AUDITS OF STATES,
LOCAL GOVERNMENTS AND NON-PROFIT ORGANIZATIONS
for the year ended June 30, 2011**

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Independent Auditors' Report

The Board of Directors
Interlocal Association
Greenfield, Indiana

We have audited the accompanying financial statements of Interlocal Association (the "Organization"), as of and for the year ended June 30, 2011, as listed in the table of contents. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Organization as of June 30, 2011, and the respective changes in net assets for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 13, 2012, on our consideration of the Organization's internal control over financial reporting and 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis information on pages 4 through 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

McCauley, Nicolas & Company, LLC

McCauley, Nicolas & Company, LLC
Certified Public Accountants

Jeffersonville, Indiana
March 13, 2012

INTERLOCAL ASSOCIATION

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Interlocal Association (the "Organization), 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, 2011 (Program Year 10).

FINANCIAL HIGHLIGHTS

The funded budget for Program Year 2010 was about 6.2 million dollars. A grant from the Region 5 Regional Operator to provide Workforce Investment Act (WIA) services and a Veterans Workforce Investment Program (VWIP) grant from the Indiana Department of Workforce Development were the two main sources of funding. A significant portion (42%) of the WIA grant was earmarked for direct funding of client services which allowed IA, through the WorkOne Offices, to provide more financial assistance to participants for training and job search activities. This was important because the Regional Workforce Board (RWB) increased the maximum allowable amounts for each individual client. Additional funding for On- the-Job Training was also accessible through the Regional Operator. The VWIP program continued with a second year of funding comprised of \$495,000 federal and \$250,000 from DWD. Green training, certifications and job placement was the focus of the program which served 392 veterans throughout the state. IA subcontracted with regional providers for implementing the program.

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 assets 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 ASSETS** presents information on all of the Organization's assets and liabilities, with the difference between the two being reported as net assets.
- **THE STATEMENT OF ACTIVITIES** presents information showing how the Organization's net assets changed during the year.

The government-wide financial statements are shown on pages 9 and 10 of this report.

INTERLOCAL ASSOCIATION

MANAGEMENT'S DISCUSSION AND ANALYSIS

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.

There are two fund financial statements:

- **GOVERNMENTAL FUND BALANCE SHEET and STATEMENT OF FUND 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 fund financial statements are shown on pages 11 and 12 of this report.

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 assets and statement of activities.	Statement of net assets and governmental fund balance sheet and statement of activities and governmental fund revenue, expenditures, and changes in fund balance.
Basis of Accounting and Measurement Focus	Accrual accounting and economic resources focus.	Accrual accounting. 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.

INTERLOCAL ASSOCIATION

MANAGEMENT'S DISCUSSION AND ANALYSIS

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.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the Organization, assets exceeded liabilities by \$246,181 at June 30, 2011. Table 1 below provides a summary of the Organization's net assets for the years ended June 30, 2011 and 2010.

Table 1
Condensed Statement of Net Assets

<u>ASSETS</u>	Governmental Activities		Dollar Change	Percent Change
	2011	2010		
Current and other assets	\$ 1,118,858	\$ 1,157,248	\$ (38,390)	-3.32%
Capital assets	3,238	25,296	(22,058)	-87.20%
TOTAL ASSETS	\$ 1,122,096	\$ 1,182,544	\$ (60,448)	
<u>LIABILITIES</u>				
Current liabilities	\$ 875,915	\$ 910,707	\$ (34,792)	-3.82%
TOTAL LIABILITIES	875,915	910,707	(34,792)	
<u>NET ASSETS</u>				
Unrestricted	118,866	122,464	(3,598)	
Unrestricted - Board designated	124,077	124,077	-	
Unrestricted - Investment in capital assets	3,238	5,904	(2,666)	
Restricted - Investment in capital assets	-	19,392	(19,392)	
TOTAL NET ASSETS	246,181	271,837	(25,656)	-9.44%
TOTAL LIABILITIES AND NET ASSETS	\$ 1,122,096	\$ 1,182,544	\$ (60,448)	-5.11%

The governmental activities' total assets decreased by \$60,448, primarily due to decreases in accounts receivable and disposal of capital assets. Total liabilities decreased by \$34,792, primarily due to decreases in accounts payable.

INTERLOCAL ASSOCIATION

MANAGEMENT'S DISCUSSION AND ANALYSIS

GOVERNMENT-WIDE FINANCIAL ANALYSIS—Continued

	Table 2			
	Change in Net Assets			
	<u>2011</u>	<u>2010</u>	<u>Dollar</u> <u>Change</u>	<u>Percent</u> <u>Change</u>
Revenue:				
Operating grants	\$ 5,647,576	\$ 6,459,705	\$ (812,129)	-12.57%
Other	4,498	4,889	(391)	-8.00%
Interest	1,512	2,591	(1,079)	-41.64%
Loss on disposal of assets	<u>(16,701)</u>	<u>-</u>	<u>(16,701)</u>	100.00%
Total revenue	<u>5,636,885</u>	<u>6,467,185</u>	<u>(830,300)</u>	
Expenditures:				
Administration	68,061	93,072	(25,011)	-26.87%
Program	<u>5,594,480</u>	<u>6,385,748</u>	<u>(791,268)</u>	-12.39%
Total expenditures	<u>5,662,541</u>	<u>6,478,820</u>	<u>(816,279)</u>	-12.60%
Change in net assets	(25,656)	(11,635)	(14,021)	
Net assets, beginning of year	<u>271,837</u>	<u>283,472</u>	<u>(11,635)</u>	
Net assets, end of year	<u>\$ 246,181</u>	<u>\$ 271,837</u>	<u>\$ (25,656)</u>	-9.44%

As shown above, program revenue in the form of grants provides over 99% of the funds for governmental activities, which are expended primarily on program services. Operating grant revenue for the year ended June 30, 2011 was \$5,647,576 or 12.57% less than June 30, 2010, while operating expenses experienced a similar decrease for the year ended June 30, 2011 of \$816,279 or 12.60% less than June 30, 2010.

FUTURE OUTLOOK

Interlocal Association (IA) was granted funding for an additional year, July 1, 2011 through June 30, 2012 to continue providing Workforce Investment Act services in Region 5 in central Indiana. The contract amount is greatly reduced in that there is a limited budget for direct client expense and no budget for a subcontract with Madison County for provision of services. Although reductions in staffing will be necessary, the grant will provide a significant financial basis for continuing operations. IA will also continue to manage a statewide Veterans Workforce Investment Program for the Indiana Department of Workforce Development. This proposal was funded by the US Department of Labor, and IA will continue to administer this grant in Program Year 11. On January 26, 2012, IA was selected by the Central Indiana Regional Workforce Board (CIRWB) to become the Regional Operator for the two year period beginning July 1, 2012. This selection was confirmed by the state Joint Workforce Investment Board on February 9, 2012. In this new role, working directly with the CIRWB, IA will not be allowed to operate as a service provider as of July 1, 2012, necessitating a reduction in force. Transition planning will occur during the second half of Program Year 2011. IA management will continue to identify appropriate roles, consistent with the agency's mission, to add value to the workforce system.

INTERLOCAL ASSOCIATION

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 ASSETS

June 30, 2011

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 662,429
Grants receivable	393,226
Other receivables	24,448
Prepaid expenses	<u>38,755</u>

TOTAL CURRENT ASSETS 1,118,858

PROPERTY AND EQUIPMENT

Equipment, net - unrestricted	<u>3,238</u>
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TOTAL ASSETS \$ 1,122,096

LIABILITIES

CURRENT LIABILITIES

Accounts payable	\$ 701,197
Accrued payroll and related expenses	120,802
Compensated absences	<u>53,916</u>

TOTAL LIABILITIES \$ 875,915

NET ASSETS

Investment in equipment - unrestricted	\$ 3,238
Unrestricted	118,866
Unrestricted - Board Designated	<u>124,077</u>

TOTAL NET ASSETS \$ 246,181

See notes to financial statement.

INTERLOCAL ASSOCIATION

STATEMENT OF ACTIVITIES
for the year ended June 30, 2011

Functions/Programs	Expenses	Program Revenues	Net Expense and Change in Net Assets
Primary Government		Federal Grants	Primary Government Governmental Activities
Governmental Activities:			
Public Services	\$ 5,662,541	\$ 5,647,576	\$ (14,965)
		General Revenues (Losses):	
		Other Income	4,498
		Interest Income	1,512
		Disposal of Asset	(16,701)
		Total General Losses	(10,691)
		Change in Net Assets	(25,656)
		Net Assets - Beginning	271,837
		Net Assets - Ending	\$ 246,181

See notes to financial statements.

INTERLOCAL ASSOCIATION

GOVERNMENTAL FUND BALANCE SHEET

June 30, 2011

ASSETS

CURRENT ASSETS:

Cash and cash equivalents	\$ 662,429
Grants receivable	393,226
Other receivables	24,448
Prepaid and other assets	<u>38,755</u>

TOTAL ASSETS \$ 1,118,858

LIABILITIES AND FUND BALANCES

CURRENT LIABILITIES:

Accounts payable	\$ 701,197
Accrued payroll and related expenses	<u>174,718</u>

TOTAL LIABILITIES 875,915

FUND BALANCES:

Unrestricted	118,866
Unrestricted - Board Designated	<u>124,077</u>

TOTAL FUND BALANCES 242,943

TOTAL LIABILITIES AND FUND BALANCES \$ 1,118,858

**RECONCILIATION OF THE BALANCE SHEET OF
GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET ASSETS**

June 30, 2011

Total fund balance - total governmental funds \$ 242,943

Amounts reported for governmental activities
in the statement of net assets are different
because:

Capital assets of \$35,291, net of accumulated
depreciation of \$32,053, are not financial
resources and, therefore, are not reported in
the funds. All capital assets are currently unrestricted. 3,238

Net assets of governmental activities \$ 246,181

See notes to financial statements.

INTERLOCAL ASSOCIATION

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
for the year ended June 30, 2011

REVENUES	
Federal funds	\$ 5,647,576
Other income	4,498
Interest income	<u>1,512</u>
TOTAL REVENUES	<u>5,653,586</u>
EXPENDITURES	
Administration	68,061
Program	<u>5,589,123</u>
TOTAL EXPENDITURES	<u>5,657,184</u>
Excess of revenues over expenditures	(3,598)
FUND BALANCE, BEGINNING OF YEAR	<u>246,541</u>
FUND BALANCE, END OF YEAR	<u>\$ 242,943</u>

**RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
for the year ended June 30, 2011**

Net change in fund balance - total governmental funds	\$ (3,598)
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Amounts reported for governmental activities
in the statement of activities are different
because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Depreciation expense was \$5,357 for the year ended June 30, 2011. Additionally, loss was incurred on disposal of assets in the amount of \$16,701. There were no capital outlays in the current year.	<u>(22,058)</u>
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Change in net assets of governmental activities.	<u>\$ (25,656)</u>
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See notes to financial statements.

INTERLOCAL ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of Interlocal Association (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 described hereinafter.

Nature of Organization and Reporting Entity

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, Morgan, and Shelby counties in Indiana. The Organization is primarily supported through federal and state government grants. Approximately 99% of the grant funding is federal pass-through funds received from the State of Indiana.

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

Measurement Focus, Basis of Accounting and Basis of Presentation

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

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

The Governmental Accounting Standards Board ("GASB") is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board ("FASB") issued through November 30, 1989, that do not conflict with or contradict GASB pronouncements.

INTERLOCAL ASSOCIATION

NOTES TO FINANCIAL STATEMENTS—Continued

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Measurement Focus, Basis of Accounting and Basis of Presentation—Continued

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

Use of Estimates

The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities (and disclosure of contingent assets and liabilities, if any) at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Organization considers all short-term investments with an original maturity of three months or less. The Organization had \$630,365 in cash equivalents as of June 30, 2011, respectively. Carrying value approximates fair value due to the short-term maturity of the investments.

Receivables

The Organization uses the allowance for bad debts method of valuing receivables, which is based on historical experience, coupled with a review of the current status of existing receivables. Management has determined that no allowance for doubtful accounts is required at June 30, 2011 for grant and other receivables.

Recognition of Revenue

Grant funds are recognized as revenue when an expense is incurred for the grant supported programs in the manner specified by the grant.

The Organization receives grant funds from the Department of Labor for a substantial part of its operating budget. During the year ended June 30, 2011, the Organization received approximately \$846,000 of funds from the American Recovery and Reinvestment Act of 2009 (“ARRA”). The funds were used to provide programmatic services.

Property and Equipment

Property and equipment generally result from expenditures in the governmental funds. These assets are reported in the government-wide statement of net assets but are not reported in the fund financial statements.

INTERLOCAL ASSOCIATION

NOTES TO FINANCIAL STATEMENTS—Continued

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Property and Equipment—Continued

Property and equipment 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 and declining-balance methods. 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.

Advertising Costs

The Organization expenses advertising costs as incurred. Advertising costs were \$6,791 for the year ended June 30, 2011.

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 Agency. Joint costs are those costs incurred for the common benefit of all Organization programs that cannot be readily identified with a final cost objective.

Net Assets

Net assets present the difference between assets and liabilities in the Statement of Net Assets. Net assets invested in capital assets are reduced by the outstanding balances of any borrowing, if any, used for the acquisition, construction or improvement of those assets. See Note 7 for additional information.

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, there is no provision in the financial statements for federal or state income taxes.

Budgetary Controls

The Organization receives funds under various grants and contracts which end on various budget cycles. As a result, no formal organization-wide budget is available. Therefore, no budgetary comparison has been included in these financial statements.

Compensated Absences

Full-time employees who have a continuous service record of one year or longer are entitled to an annual vacation from approximately two and one half to five weeks, based on a predetermined schedule. Other merit employees also accumulate annual leave on a pro-rated basis. Only a maximum of eighty hours may be carried over to the next calendar year. Employees are not entitled to pay in lieu of taking annual leave time. Terminating employees are entitled to be paid for all earned, unused annual leave time up to a maximum of 160 hours.

INTERLOCAL ASSOCIATION

NOTES TO FINANCIAL STATEMENTS—Continued

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Compensated Absences—Continued

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 150 hours of hospital time can be earned in one year. The balance of annual leave payable at June 30, 2011 was \$53,916.

Subsequent Events

The Organization has evaluated events and transactions for potential recognition or disclosure through March 13, 2012, the date the financial statements were available for issuance.

NOTE 2—GRANTS RECEIVABLE

Grants receivable at June 30, 2011 consist of the following:

Reach Funds	\$	320,379
Veteran Funds		<u>72,847</u>
Total grants receivable	\$	<u>393,226</u>

NOTE 3—PROPERTY AND EQUIPMENT

The changes in property and equipment purchased with local funds and related accumulated depreciation activity consist of the following:

	Balance June 30, 2010	Additions	Disposals	Balance June 30, 2011
Office furniture and equipment	\$ 35,291	\$ -	\$ -	\$ 35,291
Less: accumulated depreciation	<u>(29,387)</u>	<u>(2,666)</u>	<u>-</u>	<u>(32,053)</u>
Totals	<u>\$ 5,904</u>	<u>\$ (2,666)</u>	<u>\$ -</u>	<u>\$ 3,238</u>

Equipment, acquired with federal and state funds as of June 30, 2011, consists of the following:

Property and Equipment	Grant			Amount
Microcomputers/software and office equipment	Indiana Department of Workforce Development			\$ <u>-</u>
	Balance June 30, 2010	Additions	Disposals	Balance June 30, 2011
Office furniture and equipment	\$ 109,353	\$ -	\$ (109,353)	\$ -
Less: accumulated depreciation	<u>(89,961)</u>	<u>(2,691)</u>	<u>92,652</u>	<u>-</u>
Totals	<u>\$ 19,392</u>	<u>\$ (2,691)</u>	<u>\$ (16,701)</u>	<u>\$ -</u>

Depreciation expense for the year ended June 30, 2011 was \$5,357.

INTERLOCAL ASSOCIATION

NOTES TO FINANCIAL STATEMENTS—Continued

NOTE 4—OPERATING LEASES

The Organization leased various facilities for the operation of its programs during the year ended June 30, 2011. Monthly rent expense for the use of these facilities was \$107,849 for the year ended June 30, 2011. As of July 1, 2011, lease contracts for all facilities had been assumed by the regional operator. The Organization will continue to utilize these facilities at no cost to operate its programs.

During a prior year, the Organization secured an operating lease for the use of office equipment. The lease has monthly payments of \$3,365 and expires on April 2014. The lease expense related to this lease was approximately \$40,000 for the year ended June 30, 2011.

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

2012	\$ 40,687
2013	40,958
2014	<u>41,229</u>
Total	<u>\$ 122,874</u>

NOTE 5—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 deferred compensation plan for the year ended June 30, 2011 were \$93,097.

NOTE 6—CONTINGENCIES, RISKS, AND UNCERTAINTIES

Cash Concentration Risk

The Organization's cash is maintained with one financial institution. Management has taken action with the financial institution to provide security collateral for the cash balances in excess of the federally insured amounts through the Public Deposit Insurance Fund.

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. Approximately 87% of the funding is Workforce Investment Act funds.

INTERLOCAL ASSOCIATION

NOTES TO FINANCIAL STATEMENTS—Continued

NOTE 6—CONTINGENCIES, RISKS, AND UNCERTAINTIES—Continued

Economic Dependency

A majority of programs administered by the Organization are funded through a contract with a regional operator. This regional operator is designated by a regional board (Region 5) who is established by the state of Indiana to provide federal and state funding to the Organization. The contract with regional operator was extended for an additional year, now ending June 30, 2012.

NOTE 7—UNRESTRICTED NET ASSETS – BOARD DESIGNATED

The balance of unrestricted net assets – Board designated is from the Indiana Manpower Placement and Comprehensive Training (IMPACT) grant and the Temporary Assistance for Needy Families (TANF) youth grant. These programs are paid on a per unit basis. Excess revenue has been designated by the Board of Directors for future use in these programs.

INTERLOCAL ASSOCIATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
for the year ended June 30, 2011

<u>Federal Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
U.S. Department of Agriculture:		
<u>Board Designated Assets:</u>		
Impact Food Stamps – Supplemental Nutrition Assistance Program	10.561	\$ 495
Total U.S. Department of Agriculture		<u>495</u>
U.S. Department of Labor:		
Pass-through Entities		
State of Indiana:		
<u>Indiana Department of Workforce Development:</u>		
Veterans' Employment Program	17.802	496,681
Workforce Investment Act Cluster:		
Workforce Investment Act Adult – Discretionary	17.258	<u>153,798</u>
Total passed through the State of Indiana		<u>650,479</u>
<u>Indiana Region 5 Workforce Board (Reach, Inc.):</u>		
Wagner Peysner	17.207	74,344
Local Veterans Employment Program	17.207	6,050
Disabled Veterans Outreach Program	17.207	7,984
Unemployment Insurance	17.225	14,192
Workforce Investment Act Cluster:		
Workforce Investment Act Adult	17.258	1,070,557
Workforce Investment Act Adult – American Recovery Reinvestment Act ("ARRA")	17.258	423,263
Workforce Investment Act Youth	17.259	851,659
Workforce Investment Act Youth - ARRA	17.259	10,914
Workforce Investment Act Dislocated Worker & Rapid Response	17.260	2,114,825
Workforce Investment Act Dislocated Worker & Rapid Response – ARRA	17.260	<u>412,020</u>
Total Workforce Investment Act Cluster		<u>4,985,808</u>
Prioritize Client Services	17.269	<u>10,794</u>
Total passed through the Indiana Region 5 Workforce Board (Reach, Inc.)		<u>4,996,602</u>
Total U.S. Department of Labor		<u>5,647,081</u>
 TOTAL EXPENDITURES OF FEDERAL AWARDS		 <u>\$ 5,647,576</u>

INTERLOCAL ASSOCIATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS—Continued for the year ended June 30, 2011

NOTE A - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards ("Schedule") includes the federal grant activity of the Interlocal Association (the "Organization") under programs of the federal government for the year ended June 30, 2011. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

NOTE B - SUBRECIPIENTS

Of the federal expenditures presented in the Schedule, the Organization provided federal awards to subrecipients as follows:

<u>CFDA Number</u>	<u>Program Name</u>	<u>Amount Provided to Subrecipients</u>
17.207	Employment Services/Wagner Peysor Funded Activities	\$ 7,248
17.225	Unemployment Insurance	\$ 5,609
17.258	WIA Adult Program	\$ 267,254
17.258	WIA Adult Program – American Recovery Reinvestment Act 2009 ("ARRA")	\$ 99,859
17.259	WIA Youth Activities	\$ 105,317
17.260	WIA Dislocated Workers	\$ 359,508
17.260	WIA Dislocated Workers – ARRA	\$ 96,208
17.802	Veteran's Employment Program	\$ 445,500
17.258	WIA Adult Program (VWIP)	\$ 128,370

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

Board of Directors
Interlocal Association
Greenfield, Indiana

We have audited the financial statements of Interlocal Association (the "Organization") as of and for the year ended June 30, 2011, and have issued our report thereon dated March 13, 2012. 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.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Organization's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

This report is intended solely for the information and use of the Board of Directors, management, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

McCauley, Nicolas & Company, LLC

McCauley, Nicolas & Company, LLC
Certified Public Accountants

Jeffersonville, Indiana
March 13, 2012

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH
OMB CIRCULAR A-133**

Board of Directors
Interlocal Association
Jeffersonville, Indiana

Compliance

We have audited Interlocal Association's (*the "Organization's"*) compliance with the types of compliance requirements described in the OMB *Circular A-133 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, 2011. The Organization's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Organization's management. Our responsibility is to express an opinion on the Organization's compliance based on our audit.

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 Organization'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. Our audit does not provide a legal determination of the Organization's compliance with those requirements.

In our opinion, Interlocal Association complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

Management of the Interlocal Association is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Interlocal Association's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Interlocal Association's internal control over compliance.

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

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Directors, management, others within the entity, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

McCauley, Nicolas & Company, LLC

McCauley, Nicolas & Company, LLC
Certified Public Accountants

Jeffersonville, Indiana
March 13, 2012

INTERLOCAL ASSOCIATION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
for the year ended June 30, 2011

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unqualified opinion on the financial statements of Interlocal Association
2. No significant deficiencies relating to the audit of the financial statements are reported in the Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of Interlocal Association were disclosed during the audit.
4. No significant deficiencies relating to the audit of financial statements are reported in the Independent Auditors' Report on Compliance with Requirements That Could Have A Direct And Material Effect On Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133.
5. The auditors' report on compliance for the major federal award programs for Interlocal Association expresses an unqualified opinion on all major programs.
6. There were no audit findings relative to the major federal award programs for Interlocal Association.
7. The programs tested as major programs included:

<u>Program</u>	<u>CFDA #</u>
Workforce Investment Act Cluster	
Workforce Investment Act Adult Program	17.258
Workforce Investment Act Adult Program – Discretionary	17.258
Workforce Investment Act Adult Program- American Recovery Reinvestment Act ("ARRA") funds	17.258
Workforce Investment Act Youth Activities	17.259
Workforce Investment Act Youth Activities - ARRA	17.259
Workforce Investment Act Dislocated Workers	17.260
Workforce Investment Act Dislocated Workers - ARRA	17.260

8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Interlocal Association was determined to be a low-risk auditee.

B. FINDINGS-FINANCIAL STATEMENTS AUDIT

None

C. FINDINGS AND QUESTIONED COSTS—MAJOR FEDERAL AWARD PROGRAMS AUDIT

Findings
None

Questioned
Costs
None