



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

B41895

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February 27, 2013

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, 2011 to June 30, 2012. 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, 2012 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, 2012
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, 2012**

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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, 2012, 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 financial position of the Organization as of June 30, 2012, and the 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 January 17, 2013, 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 7 be presented to supplement the basic financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the 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 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
January 17, 2013

INTERLOCAL ASSOCIATION

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Interlocal Association (the "Organization") ("IA"), we offer readers of the Organization's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2012 (Program Year 11).

FINANCIAL HIGHLIGHTS

The funded budget for Program Year 2011 was about 3.1 million dollars, a decrease of over fifty percent from the prior year. The reduction was due to the removal of direct client costs such as classroom training and supportive services and the Madison County service provision contract from the IA contract budget. These expenses were paid directly by the Regional Operator. The 3.1 million dollar budget is the smallest IA has experienced since Program Year 2002. The 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. The VWIP program continued with a third year of funding comprised of \$498,800 federal and \$250,000 from DWD. Green training, certifications, and job placement was the focus of the program which served 414 veterans throughout the state. IA subcontracted with regional providers for implementing the VWIP 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 8 and 9 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 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 12 through 16 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 \$248,328 at June 30, 2012. Table 1 below provides a summary of the Organization's net assets for the years ended June 30, 2012 and 2011.

Table 1
Condensed Statement of Net Assets

<u>ASSETS</u>	Governmental Activities		Dollar Change	Percent Change
	2012	2011		
Current and other assets	\$ 692,873	\$ 1,118,858	\$ (425,985)	-38.07%
Capital assets	3,766	3,238	528	16.31%
TOTAL ASSETS	\$ 696,639	\$ 1,122,096	\$ (425,457)	
<u>LIABILITIES</u>				
Current liabilities	\$ 447,783	\$ 875,915	\$ (428,132)	-48.88%
TOTAL LIABILITIES	447,783	875,915	(428,132)	
<u>NET ASSETS</u>				
Unrestricted	245,090	118,866	126,224	
Unrestricted - Board designated	-	124,077	(124,077)	
Unrestricted - Investment in capital assets	3,766	3,238	528	
TOTAL NET ASSETS	248,856	246,181	2,675	1.09%
TOTAL LIABILITIES AND NET ASSETS	\$ 696,639	\$ 1,122,096	\$ (425,457)	-37.92%

The governmental activities' total assets decreased by \$425,457 primarily due to decreases in cash and accounts receivable. Total liabilities decreased by \$428,132, 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>2012</u>	<u>2011</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Revenue:				
Operating grants	\$ 2,951,340	\$ 5,647,576	\$ (2,696,236)	-47.74%
Other	4,240	4,498	(258)	-5.74%
Interest	1,080	1,512	(432)	-28.57%
Loss on disposal of assets	-	(16,701)	16,701	100.00%
Total revenue	<u>2,956,660</u>	<u>5,636,885</u>	<u>(2,680,225)</u>	
Expenditures:				
Administration	64,493	68,061	(3,568)	-5.24%
Program	<u>2,889,492</u>	<u>5,594,480</u>	<u>(2,704,988)</u>	-48.35%
Total expenditures	<u>2,953,985</u>	<u>5,662,541</u>	<u>(2,708,556)</u>	-47.83%
Change in net assets	2,675	(25,656)	28,331	
Net assets, beginning of year	<u>246,181</u>	<u>271,837</u>	<u>(25,656)</u>	
Net assets, end of year	<u>\$ 248,856</u>	<u>\$ 246,181</u>	<u>\$ 2,675</u>	1.09%

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 revenue for the year ended June 30, 2012 was \$2,956,660 or 52.45% less than June 30, 2011, while operating expenses experienced a similar decrease for the year ended June 30, 2012 of \$2,708,556 or 47.83% less than June 30, 2011.

FUTURE OUTLOOK

On July 1, 2012, IA became the Regional Operator for the Region 5 Workforce Board, Inc. (Board). As Regional Operator, IA will provide management and oversight of the WorkOne programs throughout Region 5. On October 1, 2012, IA also became the Fiscal Agent for the Board. The Fiscal Agent manages all funding received and disbursed by the Board. The Indiana Department of Workforce Development (DWD) has mandated that Region 5 transition to a Workforce Investment Board (WIB) as defined by the federal Workforce Investment Act by July 1, 2013. IA will be involved with transition planning with the Board and regional local elected officials. It is anticipated there will be opportunities for IA to continue to work with the Board after it becomes a WIB. IA management will continue to identify appropriate roles, consistent with the Organization's mission, to add value to the workforce system.

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, 2012

ASSETS

CURRENT ASSETS

Cash	\$	401,321
Grants receivable		270,900
Other receivables		5,258
Prepaid expenses		<u>15,394</u>

TOTAL CURRENT ASSETS 692,873

PROPERTY AND EQUIPMENT

Equipment, net - unrestricted		<u>3,766</u>
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TOTAL ASSETS \$ 696,639

LIABILITIES

CURRENT LIABILITIES

Accounts payable	\$	293,476
Accrued payroll and related expenses		121,096
Compensated absences		<u>33,211</u>

TOTAL LIABILITIES \$ 447,783

NET ASSETS

Investment in equipment - unrestricted	\$	3,766
Unrestricted		<u>245,090</u>

TOTAL NET ASSETS \$ 248,856

See notes to financial statements.

INTERLOCAL ASSOCIATION

STATEMENT OF ACTIVITIES
for the year ended June 30, 2012

Functions/Programs	<u>Expenses</u>	<u>Program Revenues</u>	<u>Net Expense and Change in Net Assets</u>
		Federal, State, and Local Grants	<u>Primary Government Governmental Activities</u>
Primary Government			
Governmental Activities:			
Public Services	\$ 2,953,985	\$ 2,951,340	\$ <u>(2,645)</u>
		General Revenues:	
		Other Income	4,240
		Interest Income	<u>1,080</u>
		Total General Revenues	<u>5,320</u>
		Change in Net Assets	2,675
		Net Assets - Beginning	<u>246,181</u>
		Net Assets - Ending	<u><u>\$ 248,856</u></u>

See notes to financial statements.

INTERLOCAL ASSOCIATION

GOVERNMENTAL FUND BALANCE SHEET

June 30, 2012

ASSETS

CURRENT ASSETS:

Cash	\$ 401,321
Grants receivable	270,900
Other receivables	5,258
Prepaid and other assets	<u>15,394</u>

TOTAL ASSETS \$ 692,873

LIABILITIES AND FUND BALANCES

CURRENT LIABILITIES:

Accounts payable	\$ 293,476
Accrued payroll and related expenses	<u>154,307</u>

TOTAL LIABILITIES 447,783

FUND BALANCES:

Unrestricted	<u>245,090</u>
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TOTAL FUND BALANCES 245,090

TOTAL LIABILITIES AND FUND BALANCES \$ 692,873

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

June 30, 2012

Total fund balance - total governmental funds \$ 245,090

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

Capital assets of \$15,579, net of accumulated
depreciation of \$11,813, are not financial
resources and, therefore, are not reported in
the funds. All capital assets are currently unrestricted. 3,766

Net assets of governmental activities \$ 248,856

INTERLOCAL ASSOCIATION

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
for the year ended June 30, 2012**

REVENUES	
Grant funds	\$ 2,951,340
Other income	4,240
Interest income	<u>1,080</u>
TOTAL REVENUES	<u>2,956,660</u>
EXPENDITURES	
Administration	64,493
Program	<u>2,890,020</u>
TOTAL EXPENDITURES	<u>2,954,513</u>
Excess of revenues over expenditures	2,147
FUND BALANCE, BEGINNING OF YEAR	<u>242,943</u>
FUND BALANCE, END OF YEAR	<u>\$ 245,090</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, 2012**

Net change in fund balance - total governmental funds \$ 2,147

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. This is the amount by
which capital outlays of \$2,248 exceeded
depreciation expense of \$1,720.

528

Change in net assets of governmental activities.

\$ 2,675

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") except those that 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. There were no cash equivalents at June 30, 2012.

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, 2012 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.

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 \$6,697 for the year ended June 30, 2012.

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.

Income Taxes

The Organization was formed under the Interlocal Cooperation Act of 1957 and, as such, is exempt from federal and Indiana income taxes and, accordingly, is not required to file federal or state income tax returns.

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 leave from approximately two and one half to five weeks, based on a predetermined schedule. Other merit employees also accumulate annual leave on a pro-rated basis. Only a maximum of eighty hours may be carried over to the next calendar year. Employees are not entitled to pay in lieu of taking annual leave time. 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 compensated absences at June 30, 2012 was \$33,211.

Subsequent Events

The Organization has evaluated events and transactions for potential recognition or disclosure through January 17, 2013, the date the financial statements were available for issuance.

NOTE 2—CASH

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

NOTE 3—GRANTS RECEIVABLE

Grants receivable at June 30, 2012 consist of the following:

Reach Funds	\$	41,456
Veteran Funds		229,444
Total grants receivable	\$	270,900

NOTE 4—PROPERTY AND EQUIPMENT

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

	Balance June 30, 2011	Additions	Disposals	Balance June 30, 2012
Office furniture and equipment	\$ 35,291	\$ 2,248	\$ (21,960)	\$ 15,579
Less: accumulated depreciation	(32,053)	(1,720)	21,960	(11,813)
Totals	\$ 3,238	\$ 528	\$ -	\$ 3,766

Depreciation expense for the year ended June 30, 2012 was \$1,720.

INTERLOCAL ASSOCIATION

NOTES TO FINANCIAL STATEMENTS—Continued

NOTE 5—OPERATING LEASES

Beginning July 1, 2012, the Organization became the Regional Operator and assumed the leases of various facilities for the operation of its programs. The leases expire at various times through 2021. Future minimum lease payments on all leases having terms beyond one year are as follows:

2013	\$ 524,535
2014	\$ 389,639
2015	\$ 389,639
2016	\$ 346,171
2017	\$ 311,174

During the year ended June 30, 2012, the Organization did not have any leases and therefore there was no lease expense.

NOTE 6—EMPLOYEE RETIREMENT PLANS

The Organization has established a retirement plan for all permanent employees who work 30 hours or more per week. The retirement benefits are fully vested with the employee at the time of contribution. The Organization contributes a percentage of the employee's compensation to the program as follows: employees with five years or less – 3%; employees with more than five but not more than ten years – 5%; and employees with more than ten years – 7.5%. The amount of an employee's contribution is at their discretion. The contributions by the Organization to the employee retirement plan for the year ended June 30, 2012 were \$84,153.

NOTE 7—CONTINGENCIES, RISKS, AND UNCERTAINTIES

Group Concentration Risk

The Organization is substantially funded by grants and contracts awarded directly and indirectly by the federal government and the State of Indiana. Approximately 78% of the funding is from the Indiana Region 5 Workforce Board (Reach, Inc.).

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 ended on June 30, 2012. Beginning July 1, 2012, Interlocal Association became the regional operator.

INTERLOCAL ASSOCIATION

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
for the year ended June 30, 2012**

<u>Federal Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
U.S. Department of Labor:		
Pass-through Entities		
State of Indiana:		
<u>Indiana Department of Workforce Development:</u>		
Veteran Workforce Investment Program – Training	17.802	\$ 490,429
Veteran Workforce Investment Program	17.258	<u>136,491</u>
Total passed through the State of Indiana		<u>626,920</u>
<u>Indiana Region 5 Workforce Board (Reach, Inc.):</u>		
Wagner Peyser	17.207	20,725
Local Veterans Employment Program	17.207	1,561
Disabled Veterans Outreach Program	17.207	2,305
Unemployment Insurance	17.225	1,123
Workforce Investment Act Cluster:		
Workforce Investment Act Adult	17.258	590,548
Veteran Workforce Investments Program	17.258	10,986
Workforce Investment Act Youth	17.259	714,806
Workforce Investment Act – Jobs for America’s Graduates	17.259	27,321
Workforce Investment Act Dislocated Worker & Rapid Response	17.260	<u>946,343</u>
Total Workforce Investment Act Cluster		<u>2,290,004</u>
Total passed through the Indiana Region 5 Workforce Board (Reach, Inc.)		<u>2,315,718</u>
Total U.S. Department of Labor		<u>2,942,638</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS		<u><u>\$ 2,942,638</u></u>

INTERLOCAL ASSOCIATION

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS—Continued
for the year ended June 30, 2012**

NOTE A - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards ("Schedule") includes the federal grant activity of the Copy of Interlocal Association (the "Organization") under programs of the federal government for the year ended June 30, 2012. 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>
17.802	Veteran's Employment Program	\$ 450,000
17.258	Veteran Workforce Investment Program	\$ 129,003

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, 2012, and have issued our report thereon dated January 17, 2013. 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

Management of Interlocal Association is responsible for establishing and maintaining effective 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
January 17, 2013

**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
Copy of 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, 2012. 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, 2012.

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
January 17, 2013

INTERLOCAL ASSOCIATION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
for the year ended June 30, 2012

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
Veteran Workforce Investment Program	17.258
Workforce Investment Act Youth Activities	17.259
Workforce Investment Act Youth Activities –	
Jobs for American Graduates	17.259
Workforce Investment Act Dislocated Workers	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

<u>Findings</u>	<u>Questioned Costs</u>
None	None