



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

B43639

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June 6, 2014

Board of Directors
Interlocal Association
P.O. Box 69
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We have reviewed the audit report prepared by Mountjoy Chilton Medley, LLP, Independent Public Accountants, for the period July 1, 2012 to June 30, 2013. 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, 2013 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
Report on Audit of Financial Statements
For the Year Ended June 30, 2013
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, 2013

Interlocal Association

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June 30, 2013

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Independent Auditor's Report

The Board of Directors
Interlocal Association

Report on the Financial Statements

We have audited the accompanying financial statement of net position, statement of activities, governmental fund balance sheet and statement of revenues, expenditures and changes in fund balances - governmental funds of Interlocal Association (the "Organization"), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Organization's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, 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 statements 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 statements.

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

Independent Auditor's Report (Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial statement of net position and governmental fund balance sheet of the Organization as of June 30, 2013, and the respective changes in net position, and statement of changes in revenues, expenditures and changes in fund balances - governmental funds, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 6 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Interlocal's basic financial statements. The 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2014 on our consideration of Interlocal'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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Interlocal's internal control over financial reporting and compliance.



Jeffersonville, Indiana
March 28, 2014

**Interlocal Association
Management's Discussion and Analysis
June 30, 2013**

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, 2013 (Program Year 12).

FINANCIAL HIGHLIGHTS

The funded budget for Program Year 2013 was about \$6.1 million, nearly double the prior year funding of about \$3.1 million. The significant increase resulted from the selection of Interlocal Association (IA) to be the Regional Operator and Fiscal Agent for the Region. IA provided staff support to the Regional Workforce Board including assistance with transitioning to a new Workforce Investment Board (WIB) structure on July 1, 2013. IA managed all direct client and vendor payments as well as subcontracting with other entities for service provision in eight counties. IA obtained supplemental funding for OJTs through a Green Manufacturing Program. It should be noted that the number of IA employees was reduced to ten at the start of the year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

The government-wide financial statements are shown on pages 7 and 8 of this report.

**Interlocal Association
Management's Discussion and Analysis (Continued)
June 30, 2013**

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 position and statement of activities.	Statement of net position 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 (Continued)
June 30, 2013**

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 11 through 14 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 \$238,460 at June 30, 2013. Table 1 below provides a summary of the Organization's net position for the years ended June 30, 2013 and 2012.

**Table 1
Condensed Statement of Net Position**

	Governmental Activities		Dollar Change	Percent Change
	2013	2012		
<u>ASSETS</u>				
Current and other assets	\$ 1,054,739	\$ 692,873	\$ 361,866	52.23%
Capital assets, net	2,405	3,766	(1,361)	-36.14%
TOTAL ASSETS	\$ 1,057,144	\$ 696,639	\$ 360,505	
<u>LIABILITIES</u>				
Current liabilities	\$ 818,684	\$ 447,783	\$ 370,901	82.83%
TOTAL LIABILITIES	818,684	447,783	370,901	
Unrestricted	236,055	245,090	(9,035)	
Unrestricted - Investment in capital assets	2,405	3,766	(1,361)	
TOTAL NET POSITION	\$ 238,460	\$ 248,856	\$ (10,396)	-4.18%

The governmental activities' total assets increased by \$360,505 primarily due to increases in cash and accounts receivable. Total liabilities increased by \$370,901, primarily due to increases in accounts payable.

**Interlocal Association
Management's Discussion and Analysis (Continued)
June 30, 2013**

GOVERNMENT-WIDE FINANCIAL ANALYSIS—Continued

**Table 2
Change in Net Position**

	2013	2012	Dollar Change	Percent Change
Operating grants	\$ 5,605,279	\$ 2,951,340	\$ 2,653,939	89.92%
Other	1,000	4,240	(3,240)	-76.42%
Interest	916	1,080	(164)	-15.19%
Total revenues	<u>5,607,195</u>	<u>2,956,660</u>	<u>2,650,535</u>	
Administration	388,962	64,493	324,469	503.11%
Program	<u>5,228,629</u>	<u>2,889,492</u>	<u>2,339,137</u>	80.95%
Total expenditures	<u>5,617,591</u>	<u>2,953,985</u>	<u>2,663,606</u>	90.17%
(Deficit) excess of revenues over expenditures	(10,396)	2,675	(13,071)	
Net position, beginning of year	<u>248,856</u>	<u>246,181</u>	<u>2,675</u>	
Net position, end of year	<u>\$ 238,460</u>	<u>\$ 248,856</u>	<u>\$ (10,396)</u>	-4.18%

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, 2013 was \$5,605,279 or 89.92% more than June 30, 2012, while operating expenses experienced an increase for the year ended June 30, 2013 of \$2,663,606 or 90.17% more than June 30, 2012.

FUTURE OUTLOOK

The newly constituted Region 5 Workforce Investment Board (WIB) assumed IA's contract from the prior Board effective July 1, 2013 for executive staff support and One Stop Operator services. IA will provide management and oversight of the WorkOne programs throughout Region 5. The WIB also continued the structure of using the One Stop Operator to subcontract with the WIA service providers. The WIA Grant Recipient for Region 5, the Board of Madison County Commissioners, designated IA as the Fiscal Agent to manage all funding received and disbursed by the Board. During the year the WIB will decide how to structure its staffing and services for future years. One approach that has been discussed is exercising the third year option of the current IA contract which would provide continuity of operations. It is anticipated there will be opportunities for IA to continue to work with the WIB. IA management will continue to identify appropriate roles, consistent with the agency'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 Position
June 30, 2013**

Assets

Current Assets	
Cash	\$ 616,651
Grants receivable	349,753
Other receivables	3,780
Prepaid expenses	<u>84,555</u>
Total Current Assets	1,054,739
Capital Assets, net - unrestricted	<u>2,405</u>
Total Assets	<u><u>\$ 1,057,144</u></u>

Liabilities

Current Liabilities	
Accounts payable	\$ 772,221
Accrued payroll and related expenses	24,640
Compensated absences	<u>21,823</u>
Total Liabilities	818,684

Net Position	
Investment in capital assets - unrestricted	2,405
Unrestricted	<u>236,055</u>
Total Net Position	<u><u>\$ 238,460</u></u>

See accompanying notes.

**Interlocal Association
Statement of Activities
For the Year Ended June 30, 2013**

Functions/Programs	<u>Expenses</u>	<u>Program Revenues</u> Federal, State, and Local Grants	<u>Net Expense and Change in Net Position</u> Primary Government Governmental Activities
Primary Government			
Governmental Activities:			
Public Services	\$ 5,617,591	\$ 5,605,279	<u>\$ (12,312)</u>
		General Revenues:	
		Other Income	1,000
		Interest Income	<u>916</u>
		Total General Revenues	<u>1,916</u>
		Change in Net Position	(10,396)
		Net Position, Beginning of Year	<u>248,856</u>
		Net Position, End of Year	<u><u>\$ 238,460</u></u>

See accompanying notes.

**Interlocal Association
Governmental Fund Balance Sheet
June 30, 2013**

Assets

Current Assets	
Cash	\$ 616,651
Grants receivable	349,753
Other receivables	3,780
Prepaid and other assets	<u>84,555</u>
Total Assets	<u><u>\$ 1,054,739</u></u>

Liabilities and Fund Balances

Current Liabilities	
Accounts payable	\$ 772,221
Accrued payroll and related expenses	<u>46,463</u>
Total Liabilities	818,684
Fund Balances	
Unrestricted	<u>236,055</u>
Total Fund Balances	<u>236,055</u>
Total Liabilities and Fund Balances	<u><u>\$ 1,054,739</u></u>

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

Total Fund Balance - Total Governmental Funds	\$ 236,055
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets of \$15,579, net of accumulated depreciation of \$13,174, are not financial resources and, therefore, are not reported in the funds. All capital assets are currently unrestricted.	<u>2,405</u>
Net position of governmental activities	<u><u>\$ 238,460</u></u>

See accompanying notes.

**Interlocal Association
Statement of Revenues, Expenditures and Changes in
Fund Balances - Governmental Funds
For the Year Ended June 30, 2013**

Revenues	
Grant funds	\$ 5,605,279
Other income	1,000
Interest income	<u>916</u>
Total Revenues	5,607,195
Expenditures	
Administration	387,601
Program	<u>5,228,629</u>
Total Expenditures	5,616,230
Excess of Expenditures Over Revenues	(9,035)
Fund Balance, Beginning of Year	<u>245,090</u>
Fund Balance, End of Year	<u><u>\$ 236,055</u></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, 2013**

Net Change in Fund Balance - Total Governmental Funds	\$ (9,035)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Depreciation expense was \$1,361 for the year ended June 30, 2013.	
There were no capital outlays in the current year.	<u>(1,361)</u>
Change in Net Position of Governmental Activities	<u><u>\$ (10,396)</u></u>

See accompanying notes.

Interlocal Association
Notes to Financial Statements
June 30, 2013

Note A - Nature of Organization

Interlocal Association ("the Organization") was organized under Joint Resolution and Articles of Agreement in 1973 pursuant to the Interlocal Cooperation Act of the State of Indiana. The Organization was formed to provide training and technical assistance to better serve the needs of the citizens of Boone, Hamilton, Hancock, Hendricks, Johnson, 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.

Note B - Summary of Significant Accounting Policies

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

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

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

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

The Governmental Accounting Standards Board ("GASB") is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board ("FASB") except those that conflict with or contradict GASB pronouncements.

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

Interlocal Association
Notes to Financial Statements (Continued)
June 30, 2013

Note B - Summary of Significant Accounting Policies (Continued)

2. Use of Estimates: The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities (and disclosure of contingent assets and liabilities, if any) at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.
3. Cash Equivalents: The Organization considers all short-term investments with an original maturity of three months or less to be cash equivalents. There were no cash equivalents at June 30, 2013.
4. Receivables: The Organization uses the allowance for bad debts method of valuing receivables, which is based on historical experience, coupled with a review of the current status of existing receivables. Management has determined that no allowance for doubtful accounts is required at June 30, 2013 for grant and other receivables.
5. 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.

6. Capital Assets: Capital assets 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.

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

Depreciation is provided on the basis of estimated useful lives of the assets using the straight-line 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.

7. Advertising Costs: The Organization expenses advertising costs as incurred. Advertising costs were \$4,785 for the year ended June 30, 2013.
8. 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.
9. Net Position: Net position present the difference between assets and liabilities in the statement of net position. Net position 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.

Interlocal Association
Notes to Financial Statements (Continued)
June 30, 2013

Note B - Summary of Significant Accounting Policies (Continued)

10. 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.
11. 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.
12. 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.

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, 2013 was \$21,823.

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

Note C - Cash

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

Note D - Grants Receivable

Grants receivable at June 30, 2013 consist of the following:

Department of Workforce Development	\$ 349,337
Veteran Funds	<u>416</u>
 Total Grants Receivable	 <u><u>\$ 349,753</u></u>

Interlocal Association
Notes to Financial Statements (Continued)
June 30, 2013

Note E - Capital Assets

The changes in capital assets for the year ended June 30, 2013 are summarized as follows:

	Balance June 30, 2012	Additions	Disposals	Balance June 30, 2013
Office furniture and equipment	\$ 15,579	\$ -	\$ -	\$ 15,579
Accumulated depreciation	(11,813)	(1,361)	-	(13,174)
Capital Assets, net	<u>\$ 3,766</u>	<u>\$ (1,361)</u>	<u>\$ -</u>	<u>\$ 2,405</u>

Depreciation expense for the year ended June 30, 2013 was \$1,361.

Note F - Operating Leases

In a prior year 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:

2014	\$ 524,535
2015	389,639
2016	353,171
2017	346,171
2018	311,174
Thereafter	826,972

During the year ended June 30, 2013, the Organization had lease expense of \$524,535.

Note G - Employee Retirement Plans

The Organization has established a retirement plan for all permanent employees who work 30 hours or more per week. The retirement benefits are fully vested with the employee at the time of contribution. The Organization contributes a percentage of the employee's compensation to the program as follows: employees with five years or less - 3%; employees with more than five but not more than ten years - 5%; and employees with more than ten years - 7.5%. The amount of an employee's contribution is at their discretion. The contributions by the Organization to the employee retirement plan for the year ended June 30, 2013 were \$32,814.

Note H - Contingencies, Risks, and Uncertainties

Group Concentration Risk

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

Supplementary Information

**Interlocal Association
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013**

Federal Grantor/Program Title	Federal CFDA Number	Agency or Passthrough Number	Federal Expenditures
U.S. Department of Labor:			
Pass-through Entities			
State of Indiana:			
<u>Indiana Department of Workforce Development:</u>			
Workforce Investment Act Cluster:			
Workforce Investment Act Adult	17.258	RWB-1-05, RWB-2-05	\$ 1,914,493
Workforce Investment Act Youth	17.259	RWB-1-05, RWB-2-05, JAGCD-105, BC-2-05	1,289,682
Workforce Investment Act – Jobs for America’s Graduates	17.259	JAG-2-05	32,529
Workforce Investment Act Dislocated Worker-ARRA	17.260	NEGOJTARRA-0-05	11,836
Workforce Investment Act Dislocated Worker & Rapid Response	17.278	RWB-1-05, RWB-2-05, BC-2-05	1,717,538
Total Workforce Investment Act Cluster			<u>4,966,078</u>
Employment Service Cluster:			
Wagner Peysner	17.207	IS-0-05 WP, BC-2-05	236,535
Disabled Veterans' Outreach Program	17.801	IS-0-05 DVOP, IS-2-05 DVOP	36,892
Local Veterans' Employment Representative	17.804	IS-0-05 LVER, IS-2-05 LVER	25,545
Total Employment Service Cluster:			<u>298,972</u>
Trade Adjustment Assistance	17.245	IS-2-05	4,021
Community Based Job Training The American Taxpayer Relief Act	17.269	S0509-CB-10	32,908
Work Opportunity Tax Credit Program	17.271	BC-2-05	3,600
Worker Training and Placement in High Growth and Emerging Industry Sectors	17.275	IS-0-05-UI, IS-2-05 EUC REA	63,465
Unemployment Insurance Recovery	17.225	IS-0-05 UI, IS-2-05 EUC REA	160,802
Total passed through the State of Indiana			<u>5,529,846</u>
Total U.S. Department of Labor			<u>5,529,846</u>
Total Expenditures of Federal Awards			<u>\$ 5,529,846</u>

Interlocal Association
Note to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

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, 2013 and is presented on the accrual basis of accounting. 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*. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

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

Board of Directors
Interlocal Association

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States the financial statements of net position, activities, governmental fund net position and activities of Interlocal Association (the "Organization") as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Organization's basic financial statements, and have issued our report thereon dated March 28, 2014.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing out opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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



Jeffersonville, Indiana
March 28, 2014

Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133

Board of Directors
Interlocal Association

Report on Compliance for Each Major Federal Program

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, 2013. The Organization's major federal programs are identified in the summary of Auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization'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 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion on Each Major Federal Program

In our opinion, the Organization complied, in all material respects, with the types of 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, 2013.

**Independent Auditor's Report on Compliance for Each Major Program and on
Internal Control Over Compliance Required by OMB Circular A-133 (Continued)**

Report on Internal Control Over Compliance

Management of the Organization 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, we considered the Organization'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 auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program 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 the Organization'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. 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 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. However, material weaknesses may exist that have not been identified.

This 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Jeffersonville, Indiana
March 28, 2014

**Interlocal Association
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2013**

Section I - Summary of Independent Auditor's Report

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:
 Material weakness(es) identified? ___yes X no
 Significant deficiency(ies) identified not considered to be
 material weaknesses? ___yes X none reported

Noncompliance material to financial statements noted? ___yes X no

Federal Awards

Internal control over major programs:
 Material weakness(es) identified? ___yes X no
 Significant deficiency(ies) identified not considered to be
 material weaknesses? ___yes X none reported

Type of auditor's report issued on compliance for major
 programs: Unqualified

Any audit findings disclosed that are required to be reported
 in accordance with Section 510(a) of Circular A-133? ___yes X no

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
	Workforce Investment Act (WIA) Cluster
17.258	WIA Adult
17.259	WIA Youth
17.260	RR, Disaster Relief, NEGOJT - ARRA
17.278	WIA Dislocated Worker

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as a low-risk auditee? X yes ___no

Section II - Financial Statement Findings

None

Section III - Major Federal Award Programs Audit Findings

None