



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

B33871

STATE BOARD OF ACCOUNTS
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May 7, 2008

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, 2006 to June 30, 2007. 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, 2007, 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, 2007**

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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, as of and for the year ended June 30, 2007, as listed in the table of contents. These financial statements are the responsibility of Interlocal'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 Interlocal Association as of June 30, 2007, and results of its operations and its cash flows for the years 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 February 28, 2008, 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 read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages 3 through 6 is not a required part of the basic financial statements but is supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

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Kenneth N. Nicolas, CPA Ronald F. Barnes, CPA, PFS Lee E. Pieper, CPA J. Patrick Byrne, CPA
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MEMBER

PKF North American Network American Institute of CPAs AICPA PCPS Division Indiana CPA Society Kentucky Society of CPAs

Our audit was performed for the purpose of forming an opinion on the financial statements taken 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. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

McCauley, Nicolas & Company, LLC

McCauley, Nicolas & Company, LLC
Certified Public Accountants

Jeffersonville, Indiana
February 28, 2008

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, 2007.

FINANCIAL HIGHLIGHTS

Interlocal Association (IA) began PY06 with reduced basic funding due to changed responsibilities in working for the Region 5 Workforce Board (RWB) and a new contracting structure which eliminated carryover fund availability at the start of the year. This resulted in reduced staffing levels for the year. Sources of supplemental funding included a PY05 Closeout contract, a discretionary grant for completion of Airline workers services and a new VWIP contract to serve veterans in four regions of the state. A Training Acceleration Grant to serve incumbent health care workers continued and a new contract to provide management information services to the Workforce Board in Region 10 was obtained. A major discretionary grant to serve laid off manufacturing workers was in place in the last half of the year and a large carryover modification from PY05 was received in the third quarter. IA also received notice that it was the only region in the state to individually qualify for WIA incentive funds base on PY05 performance.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to Interlocal Association'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 Interlocal Association's finances in a manner similar to private and nonprofit sectors.

- **THE STATEMENT OF NET ASSETS** presents information on all of Interlocal Association's assets and liabilities, with the difference between the two being reported as net assets.
- **THE STATEMENT OF ACTIVITIES** presents information showing how Interlocal Association's net assets changed during the year.
- The government-wide financial statements are shown on pages 9-10 of this report.

INTERLOCAL ASSOCIATION

MANAGEMENT'S DISCUSSION AND ANALYSIS—Continued

FUND FINANCIAL STATEMENTS

Interlocal Association also produces 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. Interlocal Association, like other federal/state and local governments, uses fund accounting to demonstrate compliance with finance related legal requirements. Fund statements generally report operation in more detail than Interlocal Association'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.**

Interlocal Association has only one fund:

- **GOVERNMENTAL GENERAL FUND.** The general fund accounts for all federal, state, and local grant funded programs.

The major features of Interlocal Association's financial statements, including the portion of the activities reported and the type of information contained, is shown in the following table.

	Government-Wide Statements	Fund Financial Statements Governmental
Scope	Entire government.	The programmatic and operating activities of Interlocal Association 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—Continued

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 Interlocal Association's government-wide and fund financial statements. The notes to the financial statements can be found on pages 11 through 15 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 Interlocal Association, assets exceeded liabilities by \$308,354 at June 30, 2007. Table 1 below provides a summary of Interlocal Association's net assets for the years ended June 30, 2007 and 2006.

Table 1
Condensed Statement of Net Assets

<u>ASSETS</u>	Governmental Activities		Dollar Change	Percent Change
	2007	2006		
Current and other assets	\$ 842,796	\$ 738,579	\$ 104,217	14.11%
Capital assets	65,189	88,207	(23,018)	-26.10%
TOTAL ASSETS	\$ 907,985	\$ 826,786	\$ 81,199	
 <u>LIABILITIES</u>				
Current liabilities	\$ 599,631	\$ 477,858	\$ 121,773	25.48%
TOTAL LIABILITIES	599,631	477,858	121,773	
 <u>NET ASSETS</u>				
Unrestricted	116,440	121,408	(4,968)	
Unrestricted - Board designated	126,725	139,313	(12,588)	
Unrestricted - Investment in capital assets	9,645	7,496	2,149	
Restricted - Investment in capital assets	55,544	80,711	(25,167)	
TOTAL NET ASSETS	308,354	348,928	(40,574)	-11.63%
 TOTAL LIABILITIES AND NET ASSETS	 \$ 907,985	 \$ 826,786	 \$ 81,199	 9.82%

The governmental activities' total assets increased by \$81,199. Total liabilities increased by \$121,773, primarily due an increase in accounts payable.

INTERLOCAL ASSOCIATION

MANAGEMENT'S DISCUSSION AND ANALYSIS—Continued

Table 2
Change in Net Assets

	2007	2006	Dollar Change	Percent Change
Revenue:				
Operating grants	\$ 3,913,570	\$ 4,025,521	\$ (111,951)	-2.78%
Other	4,404	23,356	(18,952)	-81.14%
Interest	7,458	2,738	4,720	172.39%
Total revenue	<u>3,925,432</u>	<u>4,051,615</u>	<u>(126,183)</u>	
Expenditures:				
Administration	134,525	405,536	(271,011)	-66.83%
Program	<u>3,831,481</u>	<u>3,671,902</u>	<u>159,579</u>	4.35%
Total expenditures	<u>3,966,006</u>	<u>4,077,438</u>	<u>(111,432)</u>	
Change in net assets	(40,574)	(25,823)	(14,751)	
Net assets, beginning of year	<u>348,928</u>	<u>374,751</u>	<u>(25,823)</u>	
Net assets, end of year	<u>\$ 308,354</u>	<u>\$ 348,928</u>	<u>\$ (40,574)</u>	-11.63%

As shown, 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, 2007 was \$111,951 or 2.78% less than June 30, 2006.

FUTURE OUTLOOK

Interlocal Association (IA) is continuing the second year of a contract for the provision of Workforce Investment Act adult, youth and dislocated worker programs in Region 5 which consists of Boone, Hamilton, Hancock, Hendricks, Johnson, Madison, Morgan and Shelby counties. The contract funding level was about 40% higher than the previous year allowing for the hiring of additional staff for customer services. This contract with the Region 5 Workforce Board has an option for a third year of funding based on performance. In December of 2007, the Region 5 Workforce Board unanimously approved extending the contract for a third year. This contract will provide a significant financial basis for the continued operation of the agency over the next two program years, July 1, 2007 through June 30, 2009. IA will also pursue contracts with the Region 10 Workforce Board in southern Indiana to provide management information services and with the Indiana Department of Workforce Development to administer a state veterans grant. The veterans grant has a third year funding option, based on performance. As in the past, IA will need to continue to seek discretionary funding consistent with the agency's mission to maintain and grow the organization. IA's continuing history of excellent performance and financial accountability provide a competitive advantage for securing funding in the future.

CONTACTING INTERLOCAL ASSOCIATION'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and 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, 2007

ASSETS

CURRENT ASSETS

Cash	\$ 118,767
Grants receivable	664,994
Accounts receivable	2,336
Prepaid expenses	48,233
Other assets	8,466

TOTAL CURRENT ASSETS 842,796

PROPERTY AND EQUIPMENT

Equipment acquired using federal and state funds, net - restricted	<u>55,544</u>
Equipment, net - unrestricted	<u>9,645</u>

TOTAL ASSETS \$ 907,985

LIABILITIES

CURRENT LIABILITIES

Accounts payable	\$ 474,031
Accrued payroll and related expenses	<u>125,600</u>

TOTAL LIABILITIES \$ 599,631

NET ASSETS

Investment in equipment acquired using federal and state funds, net - restricted	\$ 55,544
Investment in equipment - unrestricted	9,645
Unrestricted	<u>243,165</u>

TOTAL NET ASSETS \$ 308,354

See notes to financial statements.

INTERLOCAL ASSOCIATION

STATEMENT OF ACTIVITIES
for the year ended June 30, 2007

Functions/Programs Primary Government	<u>Expenses</u>	<u>Program Revenues Federal Grants</u>	<u>Net Expense and Change in Net Assets Primary Government Governmental Activities</u>
Governmental Activities:			
Public Services	\$ 3,966,006	\$ 3,913,570	\$ <u>(52,436)</u>
		General Revenues:	
		Other Income	4,404
		Interest Income	<u>7,458</u>
		Total General Revenues	<u>11,862</u>
		Change in Net Assets	<u>(40,574)</u>
		Net Assets - Beginning	<u>348,928</u>
		Net Assets - Ending	<u><u>\$ 308,354</u></u>

See notes to financial statements.

INTERLOCAL ASSOCIATION

GOVERNMENTAL FUND BALANCE SHEET
June 30, 2007

ASSETS

CURRENT ASSETS:

Cash	\$	118,767
Grants receivable		664,994
Accounts receivable		2,336
Prepaid expenses		48,233
Other assets		8,466

TOTAL ASSETS \$ 842,796

LIABILITIES AND FUND BALANCES

CURRENT LIABILITIES:

Accounts payable	\$	474,031
Accrued payroll and related expenses		125,600

TOTAL LIABILITIES 599,631

FUND BALANCES:

Unrestricted		116,440
Unrestricted - Board Designated		126,725

TOTAL FUND BALANCES 243,165

TOTAL LIABILITIES AND FUND BALANCES \$ 842,796

**RECONCILIATION OF THE BALANCE SHEET OF
GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET ASSETS
June 30, 2007**

Total fund balance - total governmental funds \$ 243,165

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

Capital assets of \$198,040, net of accumulated
depreciation of \$132,851, are not financial
resources and, therefore, are not reported in
the funds. 65,189

Net assets of governmental activities \$ 308,354

See notes to financial statements.

INTERLOCAL ASSOCIATION

**STATEMENT OF REVENUES, EXPENDITURE, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
for the year ended June 30,2007**

REVENUES

Federal funds	\$ 3,913,570
Other income	4,404
Interest income	<u>7,458</u>

TOTAL REVENUES

3,925,432

EXPENDITURES

Administration	134,525
Program	<u>3,808,463</u>

TOTAL EXPENDITURES

3,942,988

Excess (deficiency) of revenues over (under) expenditures	(17,556)
--	----------

FUND BALANCE, BEGINNING OF YEAR

260,721

FUND BALANCE, END OF YEAR

\$ 243,165

**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, 2007**

Net change in fund balance - total governmental funds	\$ (17,556)
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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. This is the amount by
which depreciation of \$31,794 exceeded
capital outlay of \$8,776.

(23,018)

Change in net assets of governmental activities.

\$ (40,574)

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 of Interlocal Association's accounting policies 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. Nonexchange 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.

INTERLOCAL ASSOCIATION

NOTES TO FINANCIAL STATEMENTS—Continued

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Unearned revenue is reported on the balance sheet 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 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 Equivalents

The Organization considers short-term investments with an original maturity of three months or less to be cash equivalents. There were no cash equivalents at June 30, 2007.

Receivables

The Organization uses the allowance for bad debts method of valuing doubtful accounts receivable 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, 2007.

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.

Property, Plant and Equipment

Property, plant, 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.

Property, plant, and equipment are stated at cost. 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 lives are five years for equipment.

INTERLOCAL ASSOCIATION

NOTES TO FINANCIAL STATEMENTS—Continued

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Advertising Costs

The Organization expenses advertising costs as incurred.

Cost Allocation

Joint costs are allocated to benefiting programs using various allocation methods, depending on the type of joint cost being allocated. Whenever possible, costs are allocated directly to each program. Joint costs are those costs incurred for the common benefit of all Organization programs that cannot be readily identified with a final cost objective.

Income Taxes

The Organization was formed under the Interlocal Cooperation Act of 1957 and, as such, is exempt from federal and Indiana income taxes.

Budgetary Accounting

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.

NOTE 2—GRANTS RECEIVABLE

Grants receivable at June 30, 2007 consist of the following:

DWD	\$ 90,495
Vendors	<u>574,499</u>
 Total	 <u>\$ 664,994</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 <u>June 30, 2006</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>June 30, 2007</u>
Office furniture and equipment	\$ 45,266	\$ 8,776	\$ -	\$ 54,042
Less accumulated depreciation	<u>(37,770)</u>	<u>(6,627)</u>	-	<u>(44,397)</u>
Totals	<u>\$ 7,496</u>	<u>\$ 2,149</u>	<u>\$ -</u>	<u>\$ 9,645</u>

INTERLOCAL ASSOCIATION

NOTES TO FINANCIAL STATEMENTS—Continued

NOTE 3—PROPERTY AND EQUIPMENT - Continued

Equipment, which has been acquired with federal and state funds as of June 30, 2007, consists of the following:

<u>Property and Equipment</u>	<u>Grant</u>			<u>Amount</u>
Microcomputers/software and office equipment	Indiana Department of Workforce Development			<u>\$ 143,998</u>
	<u>Balance</u> <u>June 30, 2006</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>June 30, 2007</u>
Office furniture and equipment	\$ 259,248	\$ -	\$ (115,250)	\$ 143,998
Less accumulated depreciation	<u>(178,537)</u>	<u>(25,167)</u>	<u>115,250</u>	<u>(88,454)</u>
Totals	<u>\$ 80,711</u>	<u>\$ (25,167)</u>	<u>\$ -</u>	<u>\$ 55,544</u>

Depreciation expense for the year ended June 30, 2007 was \$31,794.

NOTE 4—OPERATING LEASES

The Organization leases various facilities for operation of its programs. Rent expense for the year ended June 30, 2007 was \$285,761.

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

2008	\$ 239,067
2009	160,393
2010	46,059
2011	34,544
2012	<u>-</u>
Total	<u>\$ 480,063</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 to the deferred compensation plan for the year ended June 30, 2007 were \$64,053.

INTERLOCAL ASSOCIATION

NOTES TO FINANCIAL STATEMENTS—Continued

NOTE 6 —CONCENTRATION OF RISK

Cash Concentration Risk

Bank account balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000. At June 30, 2007, The Organization's bank accounts were in excess of FDIC coverage by \$1,086. Balances in excess of FDIC coverage are not insured.

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 75% of the funding is Workforce Investment Act funds.

NOTE 7—UNRESERVED NET ASSETS – BOARD DESIGNATED

The balance of unreserved 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.

NOTE 8—RISK MANAGEMENT

Significant losses are covered by commercial insurance for all major programs. For insured programs, there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

NOTE 9—CONTINGENCIES

A majority of all programs administered by the Organization are funded by federal, state and local governments. A significant reduction in the level of this support, if this were to occur, may have a material effect on the Organization's future operations.

INTERLOCAL ASSOCIATION

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
for the year ended June 30, 2007**

<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>		
Workforce Investment Act Adult	17.258	\$ 31,787
Workforce Investment Act Youth	17.259	5,749
Workforce Investment Act Dislocated Worker	17.260	9,763
Workforce Investment Act Incumbent Worker Healthcare Training	17.260	42,171
Workforce Investment Act Rapid Response	17.260	10,656
VWIP Veterans Training	17.802	729,846
<u>Indiana Region 5 Workforce Board:</u>		
Wagner Peyser	17.207	128,595
Local Veterans Employment Program	17.207	16,867
Disabled Veterans Outreach Program	17.207	15,933
Unemployment Insurance	17.225	30,001
Workforce Investment Act Adult	17.258	583,011
Workforce Investment Act Youth	17.259	559,219
Workforce Investment Act Dislocated Worker & Rapid Response	17.260	1,653,125
<u>Workforce Dev. Associates:</u>		
Workforce Investment Act Adult	17.258	6,110
Workforce Investment Act Youth	17.259	6,788
Workforce Investment Act Dislocated Worker	17.260	43,446
Workforce Investment Act Rapid Response	17.260	11,540
<u>Crowe Chizek and Company</u>		
Strategic Skills Initiative	17.225	33
U.S. Department of Agriculture		
Pass-through Entities:		
State of Indiana:		
<u>Indiana Family and Social Services Administration:</u>		
IMPACT – Food Stamps	10.561	7,590

INTERLOCAL ASSOCIATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - Continued
for the year ended June 30, 2007

U.S. Department of Health and Human Services

Pass-through Entities:

State of Indiana:

Indiana Family and Social Services Administration:

IMPACT - TANF	93.558	\$ 10,348
IMPACT - TANF Youth	93.558	<u>50</u>

Total from State of Indiana \$ 3,902,628

Total expenditures of federal awards \$ 3,902,628

Notes to Schedule of Expenditures of Federal Awards:

1. General:

The above Schedule of Expenditures of Federal Awards presents the activity of all federal financial assistance programs of the Interlocal Association (the Organization). The Organization's reporting entity is defined in Note 1 to the Organization's annual financial statements.

2. Basis of Presentation:

The accompanying schedule of expenditures of federal awards 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*.



**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 as of and for the year ended June 30, 2007, and have issued our report thereon dated February 28, 2008. 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 Interlocal Association 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 control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is a more than a remote likelihood that a misstatement of the Organization's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the organization's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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 Interlocal Association'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, 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
February 28, 2008



**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Directors
Interlocal Association
Greenfield, Indiana

Compliance

We have audited the compliance of Interlocal Association with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. Interlocal Association's major federal programs are identified in the summary of audit results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs is the responsibility of Interlocal Association's management. Our responsibility is to express an opinion on Interlocal Association'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 Interlocal Association'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 Interlocal Association's compliance with those requirements.

In our opinion, Interlocal Association complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

Internal Control Over Compliance

The management of Interlocal Association is responsible for establishing and maintaining effective internal control over compliance with 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 requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 internal control over compliance.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

This report is intended solely for the information and use of the Board of Directors, management, 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
February 28, 2008

INTERLOCAL ASSOCIATION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
for the year ended June 30, 2007

SECTION I. SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? ___ yes X no

Federal Awards

Internal control over major programs:

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

Type of auditors' 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:

CFDA	
Number	Name of Federal Program
17.258	Workforce Investment Act Adult Program
17.259	Workforce Investment Act Youth Activities
17.260	Workforce Investment Act Dislocated Workers
17.802	Veterans' Employment Program

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

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

SECTION II. SUMMARY OF AUDIT RESULTS

None which were required to be reported.

SECTION III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no findings or questioned costs which were required to be reported.