B34946

# STATE OF INDIANA

AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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July 7, 2009

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

We have reviewed the audit report prepared by McCauley, Nicolas & Company, LLC, Independent Public Accountants, for the period July 1, 2007 to June 30, 2008. 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 Interlocal Association, as of June 30, 2008 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 and the related management letter are filed with this letter in our office as a matter of public record.

STATE BOARD OF ACCOUNTS

TAA:dsk

# INTERLOCAL ASSOCIATION
Greenfield, Indiana

## REPORT ON AUDIT OF FINANCIAL STATEMENTS
for the year ended June 30, 2008

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McCauley Nicolas & Company, LLC The Solution Is One Good Move Away
Certified Public Accountants & Advisors

## 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, 2008, 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, 2008, 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 January 31, 2009, 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 7 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 19, 2009

## 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, 2008.

### FINANCIAL HIGHLIGHTS

Interlocal Association (IA) began PY07 with a base funding level about 28% higher than the prior year funding. Staffing remained stable throughout the year. Supplemental funding included the dislocated worker grant for serving Guide/Delphi and Collins-Aikman workers, Veterans Workforce Investment Program (VWIP) Grant and a Management Information Services contract with Region 10. A national emergency grant contract for serving dislocated ATA workers was received in June 2008. An incentive grant award supported the acquisition of 50 laptop computers and software for use throughout the region. IA achieved an expenditure rate of over 99% of the funds available which positioned the Regional Workforce Board to request additional funding.

### 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 10 and 11 of this report.

## 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, are 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. |

## 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 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 Interlocal Association, assets exceeded liabilities by $294,207 at June 30, 2008. Table 1 below provides a summary of Interlocal Association's net assets for the years ended June 30, 2008 and 2007.

**Table 1**
**Condensed Statement of Net Assets**

| | Governmental Activities | | Dollar | Percent |
|---|---|---|---|---|
| ASSETS | 2008 | 2007 | Change | Change |
| Current and other assets | $ 946,298 | $ 842,796 | $ 103,502 | 12.28% |
| Capital assets | 57,841 | 65,189 | (7,348) | -11.27% |
| TOTAL ASSETS | $ 1,004,139 | $ 907,985 | $ 96,154 | |
| LIABILITIES | | | | |
| Current liabilities | $ 709,932 | $ 599,631 | $ 110,301 | 18.39% |
| TOTAL LIABILITIES | 709,932 | 599,631 | 110,301 | |
| NET ASSETS | | | | |
| Unrestricted | 112,141 | 116,440 | (4,299) | |
| Unrestricted - Board designated | 124,225 | 126,725 | (2,500) | |
| Unrestricted - Investment in capital assets | 6,810 | 9,645 | (2,835) | |
| Restricted - Investment in capital assets | 51,031 | 55,544 | (4,513) | |
| TOTAL NET ASSETS | 294,207 | 308,354 | (14,147) | -4.59% |
| TOTAL LIABILITIES AND NET ASSETS | $ 1,004,139 | $ 907,985 | $ 96,154 | 10.59% |

The governmental activities' total assets increased by $96,154. Total liabilities increased by $110,301, primarily due an increase in accounts payable.

## INTERLOCAL ASSOCIATION

### MANAGEMENT'S DISCUSSION AND ANALYSIS—Continued

**Table 2**
**Change in Net Assets**

| | 2008 | 2007 | Dollar Change | Percent Change |
|---|---|---|---|---|
| Revenue: | | | | |
| Operating grants | $ 5,110,194 | $ 3,913,570 | $ 1,196,624 | 30.58% |
| Other | 2,379 | 4,404 | (2,025) | -45.98% |
| Interest | 7,172 | 7,458 | (286) | -3.83% |
| Total revenue | 5,119,745 | 3,925,432 | 1,194,313 | |
| Expenditures: | | | | |
| Administration | 533,181 | 134,525 | 398,656 | 296.34% |
| Program | 4,600,711 | 3,831,481 | 769,230 | 20.08% |
| Total expenditures | 5,133,892 | 3,966,006 | 1,167,886 | |
| Change in net assets | (14,147) | (40,574) | 26,427 | |
| Net assets, beginning of year | 308,354 | 348,928 | (40,574) | |
| Net assets, end of year | $ 294,207 | $ 308,354 | $ (14,147) | -4.59% |

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, 2008 was $1,196,624 or 30.58% more than June 30, 2007 while operating expenses experienced a similar increase for the year ended June 30, 2008 of $1,167,886 or 29.44% more than June 30, 2007. Reasons for both the revenue and expense increases are discussed in the Financial Highlights section.

## FUTURE OUTLOOK

Interlocal Association (IA) is continuing the third year of a contract for the provision of Workforce Investment Act (WIA) adult, youth and dislocated worker programs in Region 5 which consists of Boone, Hamilton, Hancock, Hendricks, Johnson, Madison, Morgan and Shelby counties. After a December 2008 modification the contract funding level was about the same as the prior year. This contract will provide a significant funding base for IA continued operations during the program year. A new VWIP contract was obtained at about the same funding level as PY06. Due to a new interpretation of state law by the Indiana Department of Workforce Development, IA was prohibited from contracting to provide management information services for the Region 10 Workforce Board. 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. In the spring of 2009, IA will compete for continued operation of the WIA programs in Region 5. 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, 2008

### ASSETS

| | | |
|---|---|---|
| **CURRENT ASSETS** | | |
| Cash | $ | 161,140 |
| Grants receivable | | 697,640 |
| Accounts receivable | | 2,997 |
| Prepaid expenses | | 76,750 |
| Other assets | | 7,771 |
| **TOTAL CURRENT ASSETS** | | 946,298 |
| **PROPERTY AND EQUIPMENT** | | |
| Equipment acquired using federal and state funds, net - restricted | | 51,031 |
| Equipment, net - unrestricted | | 6,810 |
| **TOTAL ASSETS** | $ | 1,004,139 |

### LIABILITIES

| | | |
|---|---|---|
| **CURRENT LIABILITIES** | | |
| Accounts payable | $ | 523,861 |
| Accrued payroll and related expenses | | 169,584 |
| Grant payable | | 16,487 |
| **TOTAL LIABILITIES** | $ | 709,932 |

### NET ASSETS

| | | |
|---|---|---|
| Investment in equipment acquired using federal and state funds, net - restricted | $ | 51,031 |
| Investment in equipment - unrestricted | | 6,810 |
| Unrestricted | | 112,191 |
| Unrestricted - Board Designated | | 124,175 |
| **TOTAL NET ASSETS** | $ | 294,207 |

See notes to financial statements.

**INTERLOCAL ASSOCIATION**

STATEMENT OF ACTIVITIES
for the year ended June 30, 2008

| Functions/Programs | Expenses | Program Revenues Federal Grants | Net Expense and Change in Net Assets Primary Government Governmental Activities |
|---|---|---|---|
| **Primary Government** | | | |
| Governmental Activities: | | | |
| Public Services | $ 5,133,892 | $ 5,110,194 | $ (23,698) |
| | | General Revenues: | |
| | | Other Income | 2,379 |
| | | Interest Income | 7,172 |
| | | Total General Revenues | 9,551 |
| | | Change in Net Assets | (14,147) |
| | | **Net Assets - Beginning** | 308,354 |
| | | **Net Assets - Ending** | $ 294,207 |

See notes to financial statements.

## INTERLOCAL ASSOCIATION

GOVERNMENTAL FUND BALANCE SHEET
June 30, 2008

### ASSETS

| | | |
|---|---|---|
| **CURRENT ASSETS:** | | |
| Cash | $ | 161,140 |
| Grants receivable | | 697,640 |
| Accounts receivable | | 2,997 |
| Prepaid expenses | | 76,750 |
| Other assets | | 7,771 |
| **TOTAL ASSETS** | $ | 946,298 |

### LIABILITIES AND FUND BALANCES

| | | |
|---|---|---|
| **CURRENT LIABILITIES:** | | |
| Accounts payable | $ | 523,861 |
| Accrued payroll and related expenses | | 169,584 |
| Grant payable | | 16,487 |
| **TOTAL LIABILITIES** | | 709,932 |
| **FUND BALANCES:** | | |
| Unrestricted | | 112,191 |
| Unrestricted - Board Designated | | 124,175 |
| **TOTAL FUND BALANCES** | | 236,366 |
| **TOTAL LIABILITIES AND FUND BALANCES** | $ | 946,298 |

### RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS
**June 30, 2008**

| | | |
|---|---|---|
| Total fund balance - total governmental funds | $ | 236,366 |
| Amounts reported for governmental activities in the statement of net assets are different because: | | |
| Capital assets of $176,738, net of accumulated depreciation of $118,897, are not financial resources and, therefore, are not reported in the funds. | | 57,841 |
| Net assets of governmental activities | $ | 294,207 |

See notes to financial statements.

## INTERLOCAL ASSOCIATION

STATEMENT OF REVENUES, EXPENDITURE, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
for the year ended June 30,2008

| | |
|---|---|
| **REVENUES** | |
| Federal funds | $ 5,110,194 |
| Other income | 4,392 |
| Interest income | 7,172 |
| **TOTAL REVENUES** | 5,121,758 |
| **EXPENDITURES** | |
| Administration | 533,181 |
| Program | 4,595,376 |
| **TOTAL EXPENDITURES** | 5,128,557 |
| Excess (deficiency) of revenues over (under) expenditures | (6,799) |
| **FUND BALANCE, BEGINNING OF YEAR** | 243,165 |
| **FUND BALANCE, END OF YEAR** | $ 236,366 |

**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, 2008**

| | |
|---|---|
| Net change in fund balance - total governmental funds | $ (6,799) |
| 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 $21,480 exceeded capital outlay of $16,145 plus the loss on the disposal of assets in the amount of $2,013. | (7,348) |
| Change in net assets of governmental activities. | $ (14,147) |

## 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.

## 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, 2008.

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, 2008.

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 life is five years for equipment.

## 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, 2008 consist of the following:

| | |
|---|---|
| Region 5 Workforce Board | $ 416,500 |
| Veteran Funds | 156,926 |
| Others | 124,214 |
| Total grants receivable | $ 697,640 |

## NOTE 3—PROPERTY AND EQUIPMENT

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

| | Balance June 30, 2007 | Additions | Disposals | Balance June 30, 2008 |
|---|---|---|---|---|
| Office furniture and equipment | $ 54,042 | $ - | $ - | $ 54,042 |
| Less accumulated depreciation | (44,397) | (2,835) | - | (47,232) |
| Totals | $ 9,645 | $ (2,835) | $ - | $ 6,810 |

## NOTE 3—PROPERTY AND EQUIPMENT—Continued

Equipment, which has been acquired with federal and state funds as of June 30, 2008, consists of the following:

| Property and Equipment | Grant | Amount |
|---|---|---|
| Microcomputers/software and office equipment | Indiana Department of Workforce Development | $ 122,696 |

| | Balance June 30, 2007 | Additions | Disposals | Balance June 30, 2008 |
|---|---|---|---|---|
| Office furniture and equipment | $ 143,998 | $ 16,145 | $ (37,447) | $ 122,696 |
| Less accumulated depreciation | (88,454) | (18,645) | 35,434 | (71,665) |
| Totals | $ 55,544 | $ (2,500) | $ (2,013) | $ 51,031 |

Depreciation expense for the year ended June 30, 2008 was $21,480.

## NOTE 4—OPERATING LEASES

The Organization leases various facilities for operation of its programs. Rent expense for the year ended June 30, 2008 was $257,133.

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

| | |
|---|---|
| 2009 | $ 196,424 |
| 2010 | 46,059 |
| 2011 | 34,544 |
| Total | $ 277,027 |

## 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, 2008 were $74,813.

## NOTE 6—CONCENTRATION OF RISK

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

Group Concentration Risk
The Organization is substantially funded by grants and contracts awarded directly and indirectly by the federal government and the State of Indiana. Approximately 80% 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—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, 2008

| Federal Grantor/Program Title | Federal CFDA Number | Federal Expenditures |
|---|---|---|
| **U.S. Department of Labor:** | | |
| **Pass-through Entities:** | | |
| **State of Indiana:** | | |
| **Indiana Department of Workforce Development:** | | |
| Workforce Investment Act Adult | 17.258 | $ 555 |
| Workforce Investment Act Incumbent Worker Healthcare Training | 17.260 | 7,526 |
| VWIP Veterans Training | 17.802 | 745,000 |
| **Indiana Region 5 Workforce Board:** | | |
| Wagner Peyser | 17.207 | 137,441 |
| Local Veterans Employment Program | 17.207 | 17,745 |
| Disabled Veterans Outreach Program | 17.207 | 17,524 |
| Unemployment Insurance | 17.225 | 32,767 |
| Workforce Investment Act Adult | 17.258 | 1,169,701 |
| Workforce Investment Act Youth | 17.259 | 930,542 |
| Workforce Investment Act Dislocated Worker & Rapid Response | 17.260 | 1,952,277 |
| **Workforce Dev. Associates:** | | |
| Workforce Investment Act Adult | 17.258 | 15,626 |
| Workforce Investment Act Youth | 17.259 | 10,579 |
| Workforce Investment Act Dislocated Worker | 17.260 | 40,165 |
| Workforce Investment Act Rapid Response | 17.260 | 3,029 |
| **Total U.S. Department of Labor** | | 5,080,477 |
| **U.S. Department of Health and Human Services** | | |
| **Pass-through Entities:** | | |
| **State of Indiana:** | | |
| **Indiana Family and Social Services Administration:** | | |
| IMPACT - TANF Youth | 93.558 | 2,550 |
| Total from State of Indiana | | 2,550 |
| Total expenditures of federal awards | | $5,083,027 |

**INTERLOCAL ASSOCIATION**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS—Continued
for the year ended June 30, 2008

***Notes to Schedule of Expenditures of Federal Awards:***

1. General:
   The accompanying 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.*

McCauley, Nicolas & Company, LLC
Certified Public Accountants

## 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 (a nonprofit organization) as of and for the year ended June 30, 2008, and have issued our report thereon dated February 19, 2009. 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'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 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 19, 2009

McCauley Nicolas & Company, LLC
Certified Public Accountants

## 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 (a nonprofit organization) 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, 2008. Interlocal Association'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 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, 2008.

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 the 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 19, 2009

**INTERLOCAL ASSOCIATION**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
for the year ended June 30, 2008

## 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 |

| | | | | |
|---|---|---|---|---|
| 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.