



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

B37852

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2765

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

November 17, 2010

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, 2008 to June 30, 2009. 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, 2009, 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

TAA/csc

INTERLOCAL ASSOCIATION
Greenfield, Indiana
REPORT ON AUDIT OF FINANCIAL STATEMENTS
for the year ended June 30, 2009
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, 2009

CONTENTS

Independent Auditors' Report	1 and 2
Management's Discussion and Analysis	3 – 7
Financial Statements:	
Statement of Net Assets	8
Statement of Activities	9
Governmental Fund Balance Sheet	10
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	11
Notes to Financial Statements	12 – 17
Reports Required by U.S. Office of Management and Budget Circular A-133:	
Schedule of Expenditures of Federal Awards	18 and 19
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	20 and 21
Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	22 and 23
Schedule of Findings and Questioned Costs	24

Independent Auditors' Report

The Board of Directors
Interlocal Association
Greenfield, Indiana

We have audited the accompanying financial statements of the governmental activities and each major fund of Interlocal Association (the "Organization"), as of and for the year ended June 30, 2009, as listed in the table of contents. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Organization as of June 30, 2009, and the respective changes in net assets for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 27, 2010, 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.

702 North Shore Drive, Suite 500 Jeffersonville, IN 47130-3104 812-288-6621 fax 812-288-2885 www.mnccpa.com

Kenneth N. Nicolas, CPA Ronald F. Barnes, CPA, PFS Lee E. Pieper, CPA J. Patrick Byrne, CPA
John C. Pieper, CPA Daniel K. McCauley, CPA, ABV J. Michael Grinnan, CPA Kenneth W. Coyle, CPA R. Kenneth Adams, CPA

MEMBER

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Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Organization's basic financial statements. 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
January 27, 2010

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, 2009 (Program Year 08).

FINANCIAL HIGHLIGHTS

The program year began with a base funding of approximately \$2.7 million for providing Workforce Investment Act (WIA) programs. This amount was roughly 60% of the prior year final contract amount. Through efficient program management and effective collaboration with Worksights, Inc., the Regional Operator, supplemental discretionary funding received during the year enabled services and staffing to be continued at nearly the same level as the previous year. This resulted in serving about three times as many WIA participants with the same staffing level as Program Year ("PY") 07. Third year funding for a Veterans Workforce Investment Program supported services to veterans in four regions of the state. American Recovery and Reinvestment Act funds from the federal stimulus package were also received to serve disadvantaged youth during the summer through the state's Young Hoosier Conservation Corps.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

The government-wide financial statements are shown on pages 8 and 9 of this report.

INTERLOCAL ASSOCIATION

MANAGEMENT'S DISCUSSION AND ANALYSIS

FUND FINANCIAL STATEMENTS

The Organization also 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. The Organization, like other federal/state and local governments, uses fund accounting to demonstrate compliance with finance related legal requirements. Fund statements generally report operating activity in more detail than the Organization's government-wide statements.

There are two fund financial statements:

- **GOVERNMENTAL FUND BALANCE SHEET and STATEMENT OF FUND REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – GOVERNMENTAL FUNDS.**

The Organization has only one fund:

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

The fund financial statements are shown on pages 10 and 11 of this report.

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

	Government-Wide Statements	Fund Financial Statements Governmental
Scope	Entire government.	The programmatic and operating activities of the Organization such as employment and training.
Required financial statements	Statement of net assets and statement of activities.	Statement of net assets and governmental fund balance sheet and statement of activities and governmental fund revenue, expenditures, and changes in fund balance.
Basis of Accounting and Measurement Focus	Accrual accounting and economic resources focus.	Accrual accounting. Current financial resources focus.
Type of Asset and Liability Information	All assets and liabilities, both financial and capital, short-term and long-term	Generally includes assets expected to be used up and liabilities that come due during the year or soon thereafter. No capital assets or long-term liabilities included.
Type of Inflow and Outflow Information	All revenue and expenses during the year, regardless of when cash is received or paid.	Revenue for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and the related liability is due and payable.

INTERLOCAL ASSOCIATION

MANAGEMENT'S DISCUSSION AND ANALYSIS

NOTES TO THE FINANCIAL STATEMENTS

The notes to the financial statements provide additional information that is essential to the full understanding of the data provided in the Organization's government-wide and fund financial statements. The notes to the financial statements can be found on pages 12 through 17 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 \$283,472 at June 30, 2009. Table 1 below provides a summary of the Organization's net assets for the years ended June 30, 2009 and 2008.

Table 1
Condensed Statement of Net Assets

<u>ASSETS</u>	Governmental Activities		Dollar Change	Percent Change
	2009	2008		
Current and other assets	\$ 969,346	\$ 946,298	\$ 23,048	2.44%
Capital assets	42,353	57,841	(15,488)	-26.78%
TOTAL ASSETS	\$ 1,011,699	\$ 1,004,139	\$ 7,560	
<u>LIABILITIES</u>				
Current liabilities	\$ 728,227	\$ 709,932	\$ 18,295	2.58%
TOTAL LIABILITIES	728,227	709,932	18,295	
<u>NET ASSETS</u>				
Unrestricted	116,992	112,141	4,851	
Unrestricted - Board designated	124,127	124,225	(98)	
Unrestricted - Investment in capital assets	7,390	6,810	580	
Restricted - Investment in capital assets	34,963	51,031	(16,068)	
TOTAL NET ASSETS	283,472	294,207	(10,735)	-3.65%
TOTAL LIABILITIES AND NET ASSETS	\$ 1,011,699	\$ 1,004,139	\$ 7,560	0.75%

The governmental activities' total assets increased by \$7,560. Total liabilities increased by \$18,295, primarily due to increases in accounts payable and accrued payroll.

INTERLOCAL ASSOCIATION

MANAGEMENT'S DISCUSSION AND ANALYSIS

Table 2
Change in Net Assets

	2009	2008	Dollar Change	Percent Change
Revenue:				
Operating grants	\$ 5,577,556	\$ 5,110,194	\$ 467,362	9.15%
Other	1,194	2,379	(1,185)	-49.81%
Interest	5,377	7,172	(1,795)	-25.03%
Total revenue	<u>5,584,127</u>	<u>5,119,745</u>	<u>464,382</u>	
Expenditures:				
Administration	63,809	58,552	5,257	8.98%
Program	<u>5,531,053</u>	<u>5,075,340</u>	<u>455,713</u>	8.98%
Total expenditures	<u>5,594,862</u>	<u>5,133,892</u>	<u>460,970</u>	
Change in net assets	(10,735)	(14,147)	3,412	
Net assets, beginning of year	<u>294,207</u>	<u>308,354</u>	<u>(14,147)</u>	
Net assets, end of year	<u>\$ 283,472</u>	<u>\$ 294,207</u>	<u>\$ (10,735)</u>	-3.65%

As shown above, program revenue in the form of grants provides over 99% of the funds for governmental activities, which are expended primarily on program services. Operating grant revenue for the year ended June 30, 2009 was \$467,362 or 9.15% more than June 30, 2008, while operating expenses experienced a similar increase for the year ended June 30, 2009 of \$460,970 or 8.98% more than June 30, 2008.

FUTURE OUTLOOK

The Organization was selected by the new Regional Operator for the Central Indiana Regional Workforce Board to continue to provide Workforce Investment Act services in Region 5 in central Indiana. The Organization received a two year contract for the period July 1, 2009 through June 30, 2011, with a third year option based on performance. This contract will provide a significant financial basis for continuing operations. On behalf of the Indiana Department of Workforce Development, the Organization wrote a competitive proposal for a statewide grant for serving veterans under the Veterans Workforce Investment Program. This proposal is funded by the US Department of Labor and the Organization will administer this grant throughout the state during PY 2009 with options for PY's 10 and 11. The management and staff of the Organization will be challenged in the future to serve more individuals while keeping staffing and overhead costs to a minimum. This will require the effective use of technology and ongoing staff training. Obtaining funding for updating and replacing aging IT equipment will be important. The Organization will need to proactively seek out funding for operations of programs in this region consistent with the Organization's mission.

INTERLOCAL ASSOCIATION

MANAGEMENT'S DISCUSSION AND ANALYSIS

CONTACTING INTERLOCAL ASSOCIATION'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and/or creditors with a general overview of the Organization's finances and to demonstrate the Organization's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Mr. Lance D. Ratliff, Executive Director, 836 South State Street, Greenfield, IN 46140.

INTERLOCAL ASSOCIATION

STATEMENT OF NET ASSETS

June 30, 2009

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$	325,739
Grants receivable		578,271
Other receivables		4,584
Prepaid expenses		52,981
Other assets		<u>7,771</u>

TOTAL CURRENT ASSETS 969,346

PROPERTY AND EQUIPMENT

Equipment acquired using federal and state funds, net - restricted		34,963
Equipment, net - unrestricted		<u>7,390</u>

TOTAL ASSETS \$ 1,011,699

LIABILITIES

CURRENT LIABILITIES

Accounts payable	\$	547,961
Accrued payroll and related expenses		<u>180,266</u>

TOTAL LIABILITIES \$ 728,227

NET ASSETS

Investment in equipment acquired using federal and state funds, net - restricted	\$	34,963
Investment in equipment - unrestricted Unrestricted		7,390
Unrestricted - Board Designated		<u>117,042</u>
		<u>124,077</u>

TOTAL NET ASSETS \$ 283,472

See notes to financial statement.

INTERLOCAL ASSOCIATION

STATEMENT OF ACTIVITIES
for the year ended June 30, 2009

Functions/Programs	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net Expense and Change in Net Assets</u>
		<u>Federal Grants</u>	<u>Primary Government Governmental Activities</u>	
Primary Government				
Governmental Activities:				
Public Services	\$ 5,594,862	\$ 5,577,556		\$ (17,306)
		General Revenues:		
		Other Income	1,194	
		Interest Income	5,377	
		Total General Revenues	<u>6,571</u>	
		Change in Net Assets		<u>(10,735)</u>
		Net Assets - Beginning		<u>294,207</u>
		Net Assets - Ending		<u>\$ 283,472</u>

See notes to financial statements.

INTERLOCAL ASSOCIATION

GOVERNMENTAL FUND BALANCE SHEET

June 30, 2009

ASSETS

CURRENT ASSETS:

Cash and cash equivalents	\$ 325,739
Grants receivable	578,271
Other receivables	4,584
Prepaid expenses	52,981
Other assets	<u>7,771</u>
TOTAL ASSETS	<u>\$ 969,346</u>

LIABILITIES AND FUND BALANCES

CURRENT LIABILITIES:

Accounts payable	\$ 547,961
Accrued payroll and related expenses	<u>180,266</u>
TOTAL LIABILITIES	<u>728,227</u>

FUND BALANCES:

Unrestricted	117,042
Unrestricted - Board Designated	<u>124,077</u>
TOTAL FUND BALANCES	<u>241,119</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 969,346</u>

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

June 30, 2009

Total fund balance - total governmental funds	\$ 241,119
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets of \$147,441, net of accumulated depreciation of \$105,088, are not financial resources and, therefore, are not reported in the funds	<u>42,353</u>
Net assets of governmental activities	<u>\$ 283,472</u>

See notes to financial statements.

INTERLOCAL ASSOCIATION

**STATEMENT OF REVENUES, EXPENDITURE, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
for the year ended June 30, 2009**

REVENUES	
Federal funds	\$ 5,577,556
Other income	1,194
Interest income	<u>5,377</u>
TOTAL REVENUES	<u>5,584,127</u>
EXPENDITURES	
Administration	63,809
Program	<u>5,515,565</u>
TOTAL EXPENDITURES	<u>5,579,374</u>
Excess of revenues over expenditures	4,753
FUND BALANCE, BEGINNING OF YEAR	<u>236,366</u>
FUND BALANCE, END OF YEAR	<u>\$ 241,119</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, 2009**

Net change in fund balance - total governmental funds	\$ 4,753
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 \$20,141 exceeded capital outlay of \$4,653.	<u>(15,488)</u>
Change in net assets of governmental activities.	<u>\$ (10,735)</u>

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. The Organization's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 2989 (when applicable), that do not conflict with or contradict GASB pronouncements. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

The more significant accounting policies of the Organization are described hereinafter.

Nature of Organization and Reporting Entity

The Organization was organized under Joint Resolution and Articles of Agreement in 1973 pursuant to the Interlocal Cooperation Act of the State of Indiana. The Organization was formed to provide training and technical assistance to better serve the needs of the citizens of Boone, Hamilton, Hancock, Hendricks, Johnson, Morgan, and Shelby counties in Indiana. The Organization is primarily supported through federal and state government grants. Approximately 99% of the grant funding is federal pass-through funds received from the State of Indiana.

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

Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. 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 statement of net assets/governmental fund balance sheet is removed and revenue is recognized.

Use of Estimates

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

Cash and Cash Equivalents

The Organization considers all short-term investments with an original maturity of three months or less. The Organization had \$33,600 and \$94,393 in cash equivalents as of June 30, 2009 and 2008, respectively. Carrying value approximates fair value due to the short-term maturity of the investments.

Receivables

The Organization uses the allowance for bad debts method of valuing receivables, which is based on historical experience, coupled with a review of the current status of existing receivables. Management has determined that no allowance for doubtful accounts is required at June 30, 2009 for grant and other receivables.

Recognition of Revenue

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

Property and Equipment

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

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

Depreciation is provided on the basis of estimated useful lives of the assets using the straight-line and declining-balance methods. The estimated useful life is five years for equipment.

The Organization periodically reviews the carrying values of property and equipment for impairment whenever adverse events or changes in circumstances indicate the carrying value of the asset may not be recoverable.

INTERLOCAL ASSOCIATION

NOTES TO FINANCIAL STATEMENTS—Continued

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Advertising Costs

The Organization expenses advertising costs as incurred. Advertising costs were \$4,232 for the year ended June 30, 2009.

Cost Allocation

Costs directly identifiable to a particular function are charged to that function. Joint costs are allocated to the various functions by means of a method which management believes best allocates cost in accordance with the benefits derived and is equitable to both the Federal Government and the Agency. Joint costs are those costs incurred for the common benefit of all Organization programs that cannot be readily identified with a final cost objective.

Net Assets

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

Income Taxes

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

Management of the Organization has evaluated the impact of Financial Accounting Standards Board ("FASB") Interpretation No. 48 ("FIN 48"), Accounting for Uncertainty in Income Taxes which requires disclosure of certain income tax positions and has determined that the application of FIN 48 has no effect on its financial statements.

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.

Vacation and Hospital Leave Policy

Full-time employees who have a continuous service record of one year or longer are entitled to an annual vacation from approximately two and one half to five weeks, based on a predetermined schedule. Other merit employees also accumulate annual leave on a pro-rated basis. Only a maximum of eighty hours may be carried over to the next calendar year and an employee must wait six months before using earned annual leave time after it has been earned. 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, 5.625 days per year, up to a maximum of 150 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 used in one year.

INTERLOCAL ASSOCIATION

NOTES TO FINANCIAL STATEMENTS—Continued

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through January 27, 2010, the date the financial statements were available for issuance.

NOTE 2—GRANTS RECEIVABLE

Grants receivable at June 30, 2009 consist of the following:

Region 5 Workforce Board	\$ 540,859
Veteran Funds	37,000
Others	<u>412</u>
Total grants receivable	<u>\$ 578,271</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:

	<u>Balance</u> <u>June 30, 2008</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>June 30, 2009</u>
Office furniture and equipment	\$ 54,042	\$ 4,055	\$ (23,306)	\$ 34,791
Less accumulated depreciation	<u>(47,232)</u>	<u>(3,475)</u>	<u>23,306</u>	<u>(27,401)</u>
Totals	<u>\$ 6,810</u>	<u>\$ 580</u>	<u>\$ -</u>	<u>\$ 7,390</u>

Equipment, which has been acquired with federal and state funds as of June 30, 2009, 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>\$ 112,650</u>

	<u>Balance</u> <u>June 30, 2008</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>June 30, 2009</u>
Office furniture and equipment	\$ 122,696	\$ 598	\$ (10,644)	\$ 112,650
Less accumulated depreciation	<u>(71,665)</u>	<u>(16,666)</u>	<u>10,644</u>	<u>(77,687)</u>
Totals	<u>\$ 51,031</u>	<u>\$ (16,068)</u>	<u>\$ -</u>	<u>\$ 34,963</u>

Depreciation expense for the year ended June 30, 2009 was \$20,141.

INTERLOCAL ASSOCIATION

NOTES TO FINANCIAL STATEMENTS—Continued

NOTE 4—OPERATING LEASES

The Organization leases various facilities for the operation of its programs. Monthly payments for these leases are approximately \$24,500 and expire on various dates through 2013. Rent expense for the year ended June 30, 2009 was \$280,971.

During the year ended June 30, 2009, the Organization secured an operating lease for the use of office equipment. The lease has monthly payments of \$3,365 and expires on April 2014. The lease expense related to this lease was approximately \$6,000 for the year ended June 30, 2009.

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

2010	\$ 329,282
2011	139,560
2012	105,279
2013	73,254
2014	<u>41,229</u>
Total	<u>\$ 688,604</u>

NOTE 5—EMPLOYEE RETIREMENT PLANS

The Organization has established a retirement plan for all permanent employees who work 30 hours or more per week. The retirement benefits are fully vested with the employee at the time of contribution. The Organization contributes a percentage of the employee's compensation to the program as follows: employees with five years or less – 3%; employees with more than five but not more than ten years – 5%; and employees with more than ten years – 7.5%. The amount of an employee's contribution is at their discretion. The contributions by the Organization to the deferred compensation plan for the year ended June 30, 2009 were \$81,920.

NOTE 6—CONCENTRATION OF RISK

Cash Concentration Risk

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

Group Concentration Risk

The Organization is substantially funded by grants and contracts awarded directly and indirectly by the federal government and the State of Indiana. Approximately 80% of the funding is Workforce Investment Act funds.

INTERLOCAL ASSOCIATION

NOTES TO FINANCIAL STATEMENTS—Continued

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—ECONOMIC DEPENDENCY

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, 2009**

<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 Incumbent Worker Healthcare Training	17.260	\$ 4,093
VWIP Veterans Training	17.802	743,253
<u>Indiana Region 5 Workforce Board:</u>		
Wagner Peyser	17.207	143,750
Local Veterans Employment Program	17.207	17,889
Disabled Veterans Outreach Program	17.207	17,562
Unemployment Insurance	17.225	36,436
Workforce Investment Act Adult	17.258	1,379,927
Workforce Investment Act Youth	17.259	801,081
Workforce Investment Act Youth - American Recovery Reinvestment Act ("ARRA") funds	17.259	64,027
Workforce Investment Act Dislocated Worker & Rapid Response	17.260	<u>2,362,149</u>
Total U.S. Department of Labor		<u>5,570,167</u>
U.S. Department of Health and Human Services		
Pass-through Entities:		
State of Indiana:		
<u>Indiana Family and Social Services Administration:</u>		
IMPACT - TANF Youth	93.558	<u>98</u>
Total U.S. Department of Health and Human Services		<u>98</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS		<u>\$ 5,570,265</u>

INTERLOCAL ASSOCIATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS—Continued
for the year ended June 30, 2009

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*.

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

Board of Directors
Interlocal Association
Greenfield, Indiana

We have audited the financial statements of Interlocal Association (the "Organization") as of and for the year ended June 30, 2009, and have issued our report thereon dated January 27, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

McCauley, Nicolas & Company, LLC

McCauley, Nicolas & Company, LLC
Certified Public Accountants

Jeffersonville, Indiana
January 27, 2010

**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 (the "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, 2009. The Organization's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Organization's management. Our responsibility is to express an opinion on the Organization's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Organization's compliance with those requirements.

In our opinion, the Organization 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, 2009.

Internal Control Over Compliance

The management of the Organization 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 the Organization'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 the Organization's 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 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
January 27, 2010

INTERLOCAL ASSOCIATION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
for the year ended June 30, 2009

A. SUMMARY OF AUDIT RESULTS

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

<u>Program</u>	<u>CFDA #</u>
Employment Service/Wagner-Peyser Funded Activities	17.207
Workforce Investment Act Adult Program	17.258
Workforce Investment Act Youth Activities	17.259
Workforce Investment Act Youth Activities - American Recovery Reinvestment Act ("ARRA") funds	17.259
Workforce Investment Act Dislocated Workers	17.260
7. The threshold for distinguishing Types A and B programs was \$300,000.
9. Interlocal Association was determined to be a low-risk auditee.

B. FINDINGS-FINANCIAL STATEMENTS AUDIT

None

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

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