



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

B51281

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November 14, 2018

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

We have reviewed the audit report prepared by MCM CPAs & Advisors, LLP, Independent Public Accountants, for the period July 1, 2016 to June 30, 2017. 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, 2017, and the results of its operations for the period then ended, on the basis of accounting described in the report.

In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts.

The Independent Public Accountants' report is filed with this letter in our office as a matter of public record.

A handwritten signature in blue ink that reads "Paul D. Joyce".

Paul D. Joyce, CPA
State Examiner

Interlocal Association
Report on Audit of Financial Statements
Year Ended June 30, 2017

Interlocal Association

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Year Ended June 30, 2017

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Independent Auditor's Report

The Board of Directors
Interlocal Association

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Interlocal Association (the "Organization"), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Organization's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

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, 2017, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Kentucky
Indiana
Ohio

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Independent Auditor's Report (Continued)

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 3 through 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the budgetary comparison information that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

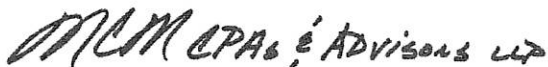
Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Organization's basic financial statements. The schedule of expenditures of federal awards, as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 26, 2018 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.



Jeffersonville, Indiana
January 26, 2018

**Interlocal Association
Management's Discussion and Analysis
June 30, 2017**

As management of the Interlocal Association (the "Organization") ("IA"), we offer readers of the Organization's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2017 (Program Year 16).

Financial Highlights

The funding for Program Year 2016 was about \$6.3 million, down from about \$7.2 million in the prior year. In addition to Workforce Investment Opportunity Act (WIOA) funds, IA continued to receive funding for the Jobs for America's Graduates (JAG) program from State and Temporary Assistance for Needy Families (TANF) resources. The WorkIndiana program continued with State funding support. IA secured a competitive grant for the Workforce Board from the US Department of Labor in the amount of \$427,327 to operate an offender reentry program at the Hamilton County Jail. RESEA funds of about \$504,000 continued to assist unemployed workers more quickly enter the workforce. This was the second year of a new two year contract awarded by the Region 5 Workforce Board, Inc. in the spring of 2015. Under the agreement, IA managed and processed all direct client and vendor payments and was responsible for direct service provision throughout the region. To accomplish this, IA maintained a staff 50 plus employees during the period. IA subcontracted with another entity for service provision in one county. The Chief Elected Officials (CEOs) for Region 5 approved IA serving as the Fiscal Agent for the WIOA Grant Recipient which is the Board of Madison County Commissioners for Program Year 2016 and in this role IA managed all funding received and disbursed for the Board.

Overview of the Financial Statements

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

Government-Wide Financial Statements

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

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

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

Fund Financial Statements

The Organization also presents fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities. The Organization, like other federal, state, and local governments, uses fund accounting to demonstrate compliance with finance related legal requirements. Fund statements generally report operating activity in more detail than the Organization's government-wide statements.

**Interlocal Association
Management's Discussion and Analysis (Continued)
June 30, 2017**

Fund Financial Statements (Continued)

There are two fund financial statements:

- **Governmental Fund Balance Sheet and Statement of Fund Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds.**

The Organization has only one fund:

- **Governmental General Fund.** The general fund accounts for all federal, state, and local grant funded programs.

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

	Government-Wide Statements	Fund Financial Statements Governmental
Scope	Entire government.	The programmatic and operating activities of the Organization such as employment and training.
Required Financial Statements	Statement of net position and statement of activities.	Governmental fund balance sheet and statement of revenue, expenditures, and changes in fund balance.
Basis of Accounting and Measurement Focus	Accrual accounting and economic resources focus.	Modified accrual accounting, and 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 the Organization's government-wide and fund financial statements. The notes to the financial statements can be found on pages 11 through 15 of this report.

**Interlocal Association
Management's Discussion and Analysis (Continued)
June 30, 2017**

Government-Wide Financial Analysis

Net position may serve over time as a useful indicator of a government's financial position. In the case of the Organization, assets exceeded liabilities by \$225,369 at June 30, 2017. Table 1 below provides a summary of the Organization's net position for the years ended June 30, 2017 and 2016.

**Table 1
Condensed Statement of Net Position**

	Governmental Activities		Dollar Change	Percent Change
	2017	2016		
<u>Assets</u>				
Current and other assets	\$ 995,275	\$ 1,096,878	\$ (101,603)	-9.26%
Capital assets, net	4,623	6,333	(1,710)	-27.00%
Total Assets	<u>\$ 999,898</u>	<u>\$ 1,103,211</u>	<u>\$ (103,313)</u>	<u>-9.36%</u>
<u>Liabilities</u>				
Current liabilities	<u>\$ 774,529</u>	<u>\$ 683,062</u>	<u>\$ 91,467</u>	<u>13.39%</u>
Total Liabilities	<u>774,529</u>	<u>683,062</u>	<u>91,467</u>	<u>13.39%</u>
<u>Net Position</u>				
Unrestricted	220,746	413,816	(193,070)	-46.66%
Investment in capital assets	<u>4,623</u>	<u>6,333</u>	<u>(1,710)</u>	<u>-27.00%</u>
Total Net Position	<u>\$ 225,369</u>	<u>\$ 420,149</u>	<u>\$ (194,780)</u>	<u>-46.36%</u>

The governmental activities' total assets decreased by \$103,313 primarily due to a reduction in cash of approximately \$197,000 which was offset by an increase in grants receivable of approximately \$98,000. Total liabilities increased by \$91,467, primarily due to an increase in unearned revenue of approximately \$186,000, which was offset by a decrease in accounts payable of approximately \$105,000.

**Interlocal Association
Management's Discussion and Analysis (Continued)
June 30, 2017**

Government-Wide Financial Analysis (Continued)

**Table 2
Change in Net Position**

	2017	2016	Dollar Change	Percent Change
Operating grants	\$ 6,768,832	\$ 7,196,731	\$ (427,899)	-5.95%
Other	1,400	2,738	(1,338)	-48.87%
Interest	275	513	(238)	-46.39%
 Total Revenues	 <u>6,770,507</u>	 <u>7,199,982</u>	 <u>(429,475)</u>	 <u>-5.96%</u>
 Administration	 505,384	 592,597	 (87,213)	 -14.72%
Program	<u>6,459,903</u>	<u>6,553,601</u>	<u>(93,698)</u>	<u>-1.43%</u>
 Total Expenditures	 <u>6,965,287</u>	 <u>7,146,198</u>	 <u>(180,911)</u>	 <u>-2.53%</u>
 Change in Net Position	 (194,780)	 53,784	 (248,564)	 -462.15%
 Net Position, Beginning of Year	 <u>420,149</u>	 <u>366,365</u>	 <u>53,784</u>	 <u>14.68%</u>
 Net Position, End of Year	 <u>\$ 225,369</u>	 <u>\$ 420,149</u>	 <u>\$ (194,780)</u>	 <u>-46.36%</u>

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, 2017 was \$6,768,832, or 5.95% less than June 30, 2016. Total expenses for the year ended June 30, 2017 were \$6,965,287, or 2.53% less than June 30, 2016.

Future Outlook

On July 1, 2017, IA will begin the third year of a contract with the Region 5 Workforce Board, Inc. to provide staff support, one-stop operator and service provider functions under WIOA. IA has also been designated to serve as the Fiscal Agent for the Region 5 Chief Elected Officials through June 30, 2018. WIOA allocations for adult, dislocated worker and youth programs are expected to be eight to ten percent less than in the prior year. RESEA funding is expected but at about half of the prior year level. The Hamilton County Jail Reentry program will continue for the first nine months of the program year. A similar level of funding is anticipated for the WorkIndiana Program and the JAG Programs. IA has demonstrated very good performance with regard to the required performance standards as well as fiscal accountability which should position the agency well for the competitive procurement for the next four year WIOA grant period. IA management will continue to identify appropriate roles, consistent with the agency's mission, to add value to the workforce system.

Contacting Interlocal Association's Financial Management

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

**Interlocal Association
Statement of Net Position
June 30, 2017**

	<u>Governmental Activities</u>
Assets	
Current Assets	
Cash	\$ 54,292
Grants receivable	864,477
Other receivables	1,522
Prepaid expenses and other current assets	<u>74,984</u>
Total Current Assets	995,275
Capital Assets, net - unrestricted	<u>4,623</u>
Total Assets	<u>999,898</u>
Liabilities	
Current Liabilities	
Accounts payable	328,714
Accrued payroll and related expenses	174,153
Compensated absences	69,409
Unearned revenue	<u>202,253</u>
Total Liabilities	774,529
Net Position	
Investment in capital assets	4,623
Unrestricted	<u>220,746</u>
Total Net Position	<u><u>\$ 225,369</u></u>

See accompanying notes.

**Interlocal Association
Statement of Activities
Year Ended June 30, 2017**

Functions/Programs	Expenses	Program Revenues	Net Expense and Change in Net Position
Primary Government		Federal, State, and Local Grants	Primary Government Governmental Activities
Governmental Activities:			
Administration	\$ 505,384	\$ 503,674	\$ (1,710)
Program	<u>6,459,903</u>	<u>6,265,158</u>	<u>(194,745)</u>
Total Governmental Activities	<u>\$ 6,965,287</u>	<u>\$ 6,768,832</u>	<u>\$ (196,455)</u>
		General Revenues:	
		Other Income	1,400
		Interest Income	<u>275</u>
		Total General Revenues	<u>1,675</u>
		Change in Net Position	(194,780)
		Net Position, Beginning of Year	<u>420,149</u>
		Net Position, End of Year	<u>\$ 225,369</u>

See accompanying notes.

**Interlocal Association
Governmental Fund Balance Sheet
June 30, 2017**

Assets

Current Assets	
Cash	\$ 54,292
Grants receivable	864,477
Other receivables	1,522
Prepaid and other assets	<u>74,984</u>
Total Assets	<u><u>\$ 995,275</u></u>

Liabilities and Fund Balances

Current Liabilities	
Accounts payable	\$ 328,714
Accrued payroll and related expenses	243,562
Unearned Revenue	<u>202,253</u>
Total Liabilities	774,529
Fund Balances	
Unassigned	<u>220,746</u>
Total Fund Balances	<u>220,746</u>
Total Liabilities and Fund Balances	<u><u>\$ 995,275</u></u>

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

Total Fund Balance - Total Governmental Funds	\$ 220,746
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets of \$21,233, net of accumulated depreciation of \$16,610 are not current financial resources and, therefore, are not reported in the funds.	<u>4,623</u>
Net Position of Governmental Activities	<u><u>\$ 225,369</u></u>

See accompanying notes.

**Interlocal Association
Statement of Revenues, Expenditures and Changes in
Fund Balances - Governmental Funds
Year Ended June 30, 2017**

Revenues	
Federal grant funds	\$ 5,753,380
Other grant funds	1,015,452
Other income	1,400
Interest income	<u>275</u>
Total Revenues	6,770,507
Expenditures	
Administration	503,674
Program	<u>6,459,903</u>
Total Expenditures	<u>6,963,577</u>
Excess of Expenditures Over Revenues	(193,070)
Fund Balance, Beginning of Year	<u>413,816</u>
Fund Balance, End of Year	<u><u>\$ 220,746</u></u>

**Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds to the
Statement of Activities
For the Year Ended June 30, 2017**

Net Change in Fund Balance - Total Governmental Funds	\$ (193,070)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Depreciation expense was \$1,710 for the year ended June 30, 2017. There were no capital outlays for the year ended June 30, 2017	<u>(1,710)</u>
Change in Net Position of Governmental Activities	<u><u>\$ (194,780)</u></u>

See accompanying notes.

**Interlocal Association
Notes to Financial Statements
Year Ended June 30, 2017**

Note A - Nature of Organization

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

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

Note B - Summary of Significant Accounting Policies

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

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

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

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

The Governmental Accounting Standards Board ("GASB") is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations).

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

Interlocal Association
Notes to Financial Statements (Continued)
Year Ended June 30, 2017

Note B - Summary of Significant Accounting Policies (Continued)

2. Use of Estimates: The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities (and disclosure of contingent assets and liabilities, if any) at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.
3. Cash Equivalents: The Organization considers all short-term investments with an original maturity of three months or less to be cash equivalents. There were no cash equivalents at June 30, 2017.
4. Receivables: The Organization uses the allowance for bad debts method of valuing receivables, which is based on historical experience, coupled with a review of the current status of existing receivables. Management has determined that no allowance for doubtful accounts is required at June 30, 2017 for grant and other receivables.
5. Recognition of Revenue: Grant funds are recognized as revenue in the fiscal year in which all eligibility requirements have been satisfied.

The Organization receives grant funds from the Department of Labor for a substantial part of its operating budget.

6. Capital Assets: Capital assets generally result from expenditures in the governmental funds. These assets are reported in the government-wide statement of net position but are not reported on the governmental balance sheet.

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

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

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

7. Advertising Costs: The Organization expenses advertising costs as incurred. Advertising costs were \$8,712 for the year ended June 30, 2017.
8. Cost Allocation: Costs directly identifiable to a particular function are charged to that function. Joint costs are allocated to the various functions by means of a method which management believes best allocates cost in accordance with the benefits derived and is equitable to both the federal government and the Organization. Joint costs are those costs incurred for the common benefit of all Organization programs that cannot be readily identified with a final cost objective.

Interlocal Association
Notes to Financial Statements (Continued)
Year Ended June 30, 2017

Note B - Summary of Significant Accounting Policies (Continued)

9. Net Position: Net position present the difference between assets and liabilities in the statement of net position. Net position invested in capital assets is reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets.

The Organization displays net position in three components (if and when applicable):

- a. Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation, reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. At June 30, 2017, there is \$4,623 of investment in capital assets.
 - b. Restricted net position - Consists of net position with constraints placed on the use thereof either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation. At June 30, 2017, there is \$-0- of restricted net position.
 - c. Unrestricted net position - All other net position that does not meet the definition of net investment in capital assets or restricted. At June 30, 2017, there is \$220,746 of unrestricted net position.
10. Income Taxes: The Organization was formed under the Interlocal Cooperation Act of 1957 and, as such, is exempt from federal and Indiana income taxes and, accordingly, is not required to file federal or state income tax returns.
11. Budgetary Controls: The Organization receives funds under various grants and contracts which end on various budget cycles. As a result, no formal organization-wide budget is available. Therefore, no budgetary comparison has been included in these financial statements.
12. Compensated Absences: Full-time employees who have a continuous service record of one year or longer are entitled to an annual leave from approximately two and one half to five weeks, based on a predetermined schedule. Other merit employees also accumulate annual leave on a pro-rated basis. Only a maximum of eighty hours may be carried over to the next calendar year. Employees are not entitled to pay in lieu of taking annual leave time. Terminated employees are entitled to be paid for all earned, unused annual leave time up to a maximum of 160 hours.

All full-time active employees earn hospital leave time at a rate of 3.75 hours per month, 6 days per year, up to a maximum of 150 hours or 20 days. Other merit employees earn hospital leave on a pro-rated basis. Hospital leave is accrued but cannot be used for the first six months of employment after it has been earned. A maximum of 150 hours of hospital time can be earned in one year.

The balance of compensated absences at June 30, 2017 was \$69,409.

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

Interlocal Association
Notes to Financial Statements (Continued)
Year Ended June 30, 2017

Note C - Cash

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

Note D - Grants Receivable

Grants receivable at June 30, 2017 consist of the following:

Passed through the Department of Workforce Development	\$ 775,386
Passed through the Region 5 Workforce Development Board, Inc	<u>89,091</u>
Total Grants Receivable	<u><u>\$ 864,477</u></u>

Note E - Capital Assets

The changes in capital assets for the year ended June 30, 2017 are summarized as follows:

	Balance June 30, 2016	Additions	Disposals	Balance June 30, 2017
Office furniture and equipment	\$ 21,233	\$ -	\$ -	\$ 21,233
Accumulated depreciation	<u>(14,900)</u>	<u>(1,710)</u>	<u>-</u>	<u>(16,610)</u>
Capital Assets, net	<u><u>\$ 6,333</u></u>	<u><u>\$ (1,710)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 4,623</u></u>

Depreciation expense for the year ended June 30, 2017 was \$1,710.

Note F - Operating Leases

In a prior year the Organization became the Regional Operator and assumed the leases of various facilities for the operation of its programs. The leases expire at various times through 2022. Future minimum lease payments on all leases having terms beyond one year are as follows:

2018	\$ 512,911
2019	332,641
2020	332,641
2021	165,839
2022	18,875

During the year ended June 30, 2017, the Organization had lease expense of \$615,519.

Interlocal Association
Notes to Financial Statements (Continued)
Year Ended June 30, 2017

Note G - Employee Retirement Plans

The Organization has established a retirement plan for all permanent employees who work 30 hours or more per week. The retirement benefits are fully vested with the employee at the time of contribution. The Organization contributes a percentage of the employee's compensation to the program as follows: employees with five years or less - 3%; employees with more than five but not more than ten years - 5%; and employees with more than ten years - 7.5%. The amount of an employee's contribution is at their discretion. The contributions by the Organization to the employee retirement plan for the year ended June 30, 2017 were \$94,858.

Note H - Contingencies, Risks, and Uncertainties

Group Concentration Risk

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

Note I - Recent Accounting Pronouncements

In June 2017, the GASB issued statement No. 87, *Leases*. The provisions of this statement are effective for fiscal years beginning after December 15, 2019.

This Statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset.

Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

The Organization is currently evaluating the impact that will result from adopting GASB No. 87 and is therefore unable to disclose the impact that adopting the Standard will have on the Organization's financial position and the results of its operations when the Statement is adopted.

Supplementary Information

Interlocal Association
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2017

Federal Grantor/Program Title	Federal CFDA Number	Agency or Passthrough Number	Passed Through to Subrecipients	Federal Expenditures
U.S. Department of Labor:				
Pass-through Entities				
State of Indiana:				
<u>Indiana Department of Workforce Development:</u>				
Workforce Innovation and Opportunity Act Cluster:				
WIOA Adult Program	17.258	WIB-6-05	\$ 362,443	\$ 1,398,994
WIOA Adult Program	17.258	WIB-5-05	-	174,564
WIOA Adult Program	17.258	BC-6-05	11,626	36,000
			<u>374,069</u>	<u>1,609,558</u>
WIOA Youth Activities	17.259	WIB-6-05	278,888	1,041,417
WIOA Youth Activities	17.259	WIB-5-05	-	353,459
			<u>278,888</u>	<u>1,394,876</u>
WIOA Dislocated Worker Program	17.278	WIB-6-05	267,897	929,064
WIOA Dislocated Worker Program	17.278	WIB-5-05	-	309,984
WIOA Dislocated Worker Program	17.278	BC-6-05	15,501	48,000
WIOA Dislocated Worker Program	17.278	RR-6-05	-	39,284
WIOA Dislocated Worker Program	17.278	RR-6a-05	-	19,016
WIOA Dislocated Worker Program	17.278	WIODT-6-05	-	15,000
			<u>283,398</u>	<u>1,360,348</u>
Sub-total Workforce Innovation and Opportunity Act Cluster passed through the Indiana Department of Workforce Development			<u>936,355</u>	<u>4,364,782</u>
WIA National Emergency Grant	17.277	SPDWG505	-	12,484
WIA National Emergency Grant	17.277	SPNEG505	-	128,766
			<u>-</u>	<u>141,250</u>
Employment Service Cluster:				
Employment Service/Wagner-Peyser Funded Activities	17.207	BC-6-05	11,626	36,000
Employment Service/Wagner-Peyser Funded Activities	17.207	IS-4-05	6,978	130,238
			<u>18,604</u>	<u>166,238</u>
Disabled Veterans' Outreach Program	17.801	IS-4-05	1,475	34,397
Local Veterans' Employment Representative Program	17.804	IS-4-05	1,475	15,357
Sub-total Employment Service Cluster passed through the Indiana Department of Workforce Development			<u>21,554</u>	<u>215,992</u>
Unemployment Insurance	17.225	IS-4-05	7,826	71,302
Unemployment Insurance	17.225	IS-4-05	-	65,747
Unemployment Insurance	17.225	RESEA605	117,917	266,539
Unemployment Insurance	17.225	RESEA505	105,213	237,824
			<u>230,956</u>	<u>641,412</u>
Trade Adjustment Assistance	17.245	IS-4-05	-	10,183
Trade Adjustment Assistance	17.245	TAACM-6-05	-	1,835
			<u>-</u>	<u>12,018</u>
Total passed through the State of Indiana - Department of Workforce Development			<u>1,188,865</u>	<u>5,375,454</u>
<u>Region 5 Workforce Development Board, Inc:</u>				
Reentry Employment Opportunities	17.270	PE-29752-16-60-A-18	-	107,650
Total passed through the Region 5 Workforce Development Board, Inc			<u>-</u>	<u>107,650</u>
Total U.S. Department of Labor			<u>1,188,865</u>	<u>5,483,104</u>

Interlocal Association
 Schedule of Expenditures of Federal Awards (Continued)
 For the Year Ended June 30, 2017

Federal Grantor/Program Title	Federal CFDA Number	Agency or Passthrough Number	Passed Through to Subrecipients	Federal Expenditures
U.S. Department of Health and Human Services				
Pass-through Entities				
State of Indiana:				
<u>Indiana Department of Workforce Development:</u>				
Temporary Assistance for Needy Families	93.558	JAGT505	86,575	245,440
Temporary Assistance for Needy Families	93.558	WIN605	-	24,836
Total U.S. Department of Health and Human Services			<u>86,575</u>	<u>270,276</u>
Total Expenditures of Federal Awards			<u>\$ 1,275,440</u>	<u>\$ 5,753,380</u>

Interlocal Association
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017

Note A - Basis of Presentation

The accompanying schedule of expenditures of federal awards ("Schedule") includes the federal grant activity of the Interlocal Association (the "Organization") under programs of the federal government for the year ended June 30, 2017 and is presented on the accrual basis of accounting. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note B - Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles required by the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited to reimbursement. Pass-through entity identifying numbers are presented where available.

Note C - Indirect Cost Rate

The Organization has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note D - Procurement Policy

The Organization has elected to delay adopting the procurement requirements specified in the Uniform Guidance.



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

Board of Directors
Interlocal Association

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States the financial statements of the governmental activities and each major fund of the Interlocal Association (the "Organization") as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Organization's basic financial statements, and have issued our report thereon dated January 26, 2018.

Internal Control over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

MCM CPAs & Advisors LLP

Jeffersonville, Indiana
January 26, 2018



Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance in Accordance with the Uniform Guidance

Board of Directors
Interlocal Association

Report on Compliance for Each Major Federal Program

We have audited Interlocal Association's (the "Organization's") compliance with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended June 30, 2017. The Organization's major federal programs are identified in the summary of Auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion on Each Major Federal Program

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance in Accordance with the Uniform Guidance (Continued)

Report on Internal Control Over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

MCM CPAs & Advisors LLP

Jeffersonville, Indiana
January 26, 2018

**Interlocal Association
 Schedule of Findings and Questioned Costs
 For the Year Ended June 30, 2017**

Section I - Summary of Independent Auditor's Report

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? yes X no

Significant deficiency(ies) identified not considered to be material weaknesses? yes X none reported

Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? yes X no

Significant deficiency(ies) identified not considered to be material weaknesses? yes X none reported

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)? yes X no

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>	
17.225	Unemployment Insurance	\$ 641,412
	Workforce Innovation and Opportunity Act (WIOA) Cluster	
17.258	WIOA Adult Program	\$ 1,609,558
17.259	WIOA Youth Activities	\$ 1,394,876
17.278	WIOA Dislocated Worker Formula Grants	\$ 1,360,348

Dollar threshold used to distinguish between Type A and Type B programs: \$ 750,000

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

Section II - Financial Statement Findings

None

Section III - Major Federal Award Programs Audit Findings

None

**Interlocal Association
Summary Schedule of Prior Year Findings
For the year ended June 30, 2017**

There were no findings for the prior year ended June 30, 2016.