

**WORKFORCE INITIATIVE ASSOCIATION**

**AUDIT REPORT**

**FOR THE YEAR ENDED JUNE 30, 2008**





Mary Taylor, CPA  
Auditor of State

LEO Board  
Workforce Initiative Association  
822 30th Street NW  
Canton, Ohio 44709

We have reviewed the *Independent Auditor's Report* of the Workforce Initiative Association, Stark County, prepared by James G. Zupka, CPA, Inc., for the audit period July 1, 2007 through June 30, 2008. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Workforce Initiative Association is responsible for compliance with these laws and regulations.

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

March 10, 2009

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**WORKFORCE INITIATIVE ASSOCIATION  
AUDIT REPORT  
FOR THE YEAR ENDED JUNE 30, 2008**

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**JAMES G. ZUPKA, C.P.A., INC.**

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*Garfield Hts., Ohio 44125*

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Ohio Society of Certified Public Accountants

**INDEPENDENT AUDITOR'S REPORT**

To the LEO Board  
Stark and Tuscarawas Counties  
Workforce Initiative Association

We have audited the accompanying financial statements of the governmental activities and the major fund of the Workforce Initiative Association as of and for the year ended June 30, 2008, which collectively comprise the Association's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Workforce Initiative Association's management. Our responsibility is to express opinions on these basic 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 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 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 the major fund of the Workforce Initiative Association as of June 30, 2008, and the respective changes in financial position thereof 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 December 12, 2008, on our consideration of the Workforce Initiative Association'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 important for assessing the results of our audit.

The Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by 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 required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Workforce Initiative Association'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 also not a required part of the basic financial statements of the Workforce Initiative Association. The Schedule of Expenditures of Federal Awards has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects in relation to the basic financial statements taken as a whole.

  
James G. Zupka, CPA, Inc.  
Certified Public Accountant

December 12, 2008



**WORKFORCE INITIATIVE ASSOCIATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
Unaudited**

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The discussion and analysis of the Workforce Initiative Association's (WIA) financial performance provides an overall review of WIA's financial activities for the fiscal year ended June 30, 2008. The intent of this discussion and analysis is to look at WIA's financial performance as a whole; readers are encouraged to consider the information presented here in conjunction with the additional information contained in the financial statements and the notes thereof.

***FINANCIAL HIGHLIGHTS***

Key financial highlights for the year ended June 30, 2008 are as follows:

- The liabilities of WIA exceeded its assets by \$18,465.
- The total net assets decreased by \$31,256, primarily due to capital asset depreciation.
- Invested in capital assets also decreased by \$27,789, due to capital asset depreciation exceeding asset additions.

***USING THIS ANNUAL REPORT***

This discussion and analysis is intended to serve as an introduction to the Workforce Initiative Association's basic financial statements. WIA's basic financial statements comprise three components: 1) government-wide statements; 2) fund financial statements; and 3) notes to the financial statements.

***Government-Wide Statements***

The government-wide statements are designed to provide readers with a broad overview of WIA's finances on a full accrual basis of accounting, which is similar to a private-sector business. The statement of net assets present information on all of WIA's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of WIA is improving or deteriorating. The statement of activities presents information showing how WIA's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of WIA that are principally supported by intergovernmental revenues (governmental activities). The governmental activities of WIA include administration, adult, dislocated workers, rapid response, youth and other expenses. There are no business-type activities reported for WIA.

**WORKFORCE INITIATIVE ASSOCIATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
Unaudited**

*Fund Financial Statements*

The fund financial statements are used to report additional and detailed information about WIA. These statements focus on the major fund of WIA. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. WIA, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The only governmental fund of WIA is a special revenue fund.

Governmental Funds - WIA's basic services are reported in its governmental fund, which focuses on how money flows into and out of the fund and the balance left at year-end that is available for spending. This fund is reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of WIA's general government operations and the basic services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance WIA's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation in the financial statements.

*Notes to the Financial Statements*

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**THE ORGANIZATION AS A WHOLE**

*Government-Wide Financial Analysis*

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position.

Our analysis below focuses on the net assets (Table 1) and changes in net assets (Table 2) of WIA's governmental type activities.

**Table 1-Net Assets**

	<u>June 30, 2008</u>	<u>June 30, 2007</u>
<b><u>Assets</u></b>		
Current and Other Assets	\$ 751,326	\$ 1,964,511
Capital Assets, Net	34,753	62,542
<b>Total Assets</b>	<u>\$ 786,079</u>	<u>\$ 2,027,053</u>
<b><u>Liabilities</u></b>		
Current and Other Liabilities	\$ 804,544	\$ 2,014,262
<b>Total Liabilities</b>	<u>\$ 804,544</u>	<u>\$ 2,014,262</u>
<b><u>Net Assets</u></b>		
Invested in Capital Assets	\$ 34,753	\$ 62,542
Unrestricted	(53,218)	(49,751)
<b>Total Net Assets</b>	<u>\$ (18,465)</u>	<u>\$ 12,791</u>

**WORKFORCE INITIATIVE ASSOCIATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
Unaudited**

When compared to last year, WIA's total net assets decreased from \$12,791 to \$(18,465) at the end of the current period. This difference is primarily due to capital asset depreciation.

The decrease in current assets was due to a decrease in intergovernmental receivables. The intergovernmental receivable was \$1,610,717 lower as of June 30, 2008, due to a reduction in funds received in advance that relate to future program years.

Deferred revenue decreased by \$1,533,463 because of the decreased receipt of grant funds received for future program years as mentioned above.

**Table 2-Changes in Net Assets**

	June 30, 2008	June 30, 2007
<b><u>Revenues</u></b>		
Program Revenues:		
Operating Grants and Contributions	<u>\$ 6,005,386</u>	<u>\$ 5,696,529</u>
<b>Total Revenues</b>	<u>6,005,386</u>	<u>5,696,529</u>
<b><u>Program Expenses</u></b>		
Administration	317,158	567,267
Adult	1,401,244	1,192,318
Dislocated Workers	1,606,631	1,348,329
VR2/Rapid Response	47,000	68,662
Youth	1,372,210	1,270,869
Rapid Response and Development	370,000	225,668
VSTP	4,693	10,911
One Stop	422,266	411,713
Third Frontier	136,248	208,076
Workkeys	9,680	5,530
Workforce Advancement	107,533	128,876
Workforce Services	7,000	35,880
TANF - Stark County	167,000	133,686
TANF - Tuscarawas County	26,544	73,356
Youth Employment Project	8,647	0
In-Kind	25,056	22,149
Other	<u>7,732</u>	<u>20,073</u>
<b>Total Program Expenses</b>	<u>6,036,642</u>	<u>5,723,363</u>
Increase (Decrease) in Net Assets	<u>\$ (31,256)</u>	<u>\$ (26,834)</u>

**WORKFORCE INITIATIVE ASSOCIATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
Unaudited**

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Expenses exceeded revenues for the period primarily due to the capital asset depreciation of \$27,789 during the program year. The net decrease of revenues over expenditures in governmental activities was \$(31,256). The final balance at year-end for net assets is \$(18,465), which includes the balance of net assets in the beginning of the year in the amount of \$12,791.

It should be noted that the credit of \$(53,218) on the Balance Sheet - Unrestricted Net Assets is a result of the inclusion of payroll benefits that is required under GASB Statement No. 34. WIA's vacation leave is credited to employees at the beginning of each calendar year. Organizational policy requires this leave to be used by December 31<sup>st</sup> and does not permit carry-over into the next year. Furthermore, employees only have the option of cashing out unused vacation in the event employment is terminated. At fiscal year-end, the outstanding value of unused vacation leave was \$78,966. While GASB Statement No. 34 requires this amount to be shown as a liability for this period, only in the event an employee terminates employment would their portion of these expenses ever materialize as cash expenditures. The unreserved fund balance without the inclusion of payroll benefits would show a year-end balance of \$25,748.

Grant revenues and program expenses for the year ended June 30, 2008, exceeded revenues and expenses for the year ended June 30, 2007. A comparison of the current program year to the prior program year is required under GASB Statement No. 34.

Adult, Dislocated Worker, and Youth program revenues and expenditures increased from \$3,811,516 as of June 30, 2007 to \$4,380,085 as of June 30, 2008. The agreement for the One-Stop operations started its fourth year and the revenue and expenditures were slightly more as of June 30, 2008.

Adult expenditures increased \$208,926, mainly due to an increase in the number of ITA contracts written. Adult ITA contract expense increased approximately \$169,872. Dislocated Worker expenditures increased \$258,302, due to an increased cost pool allocation based on quarterly RMS hits. Youth costs increased due to additional contracts for Youth Service Providers, which went from 5 to 8 providers through June 30, 2008. This resulted in additional Provider Contract Staff expense in the approximate amount of \$100,000.

Rapid Response funding increased from \$225,668 to \$370,000. This was due to the request for additional funds for Transition Centers at I.A.C., Inc., and Trelleborg for Dislocated Workers.

Accrued vacation expense decreased by \$2,150. The current year vacation compensated balance outstanding as of June 30, 2008, was \$78,966. The decrease of \$2,150 is recognized since \$81,116 was the outstanding balance as of June 30, 2007.

**WORKFORCE INITIATIVE ASSOCIATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
Unaudited**

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***THE ORGANIZATION'S FUNDS***

As noted earlier, WIA uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The focus of WIA's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing WIA's financing requirements.

As of the end of the current fiscal year, WIA's governmental fund reported an ending fund balance of \$(53,218). As WIA has only one governmental fund, the analysis from a fund perspective is similar to the analysis already presented on a government-wide basis, exclusive of generally accepted accounting differences between the two sets of statements which are highlighted in the reconciliation statements and notes to the financial statements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

***SPECIAL REVENUE FUND BUDGETARY HIGHLIGHTS***

WIA's annual budget is a management tool not subject to formal budget commission procedures and/or legal requirements. It is reviewed and approved annually by the Executive Board and used throughout each fiscal period to monitor activity and ensure sound fiscal management. Modifications are made as needed to remain within established spending limits for the year and as additional initiatives are added or as existing projects/programs change.

One advantage enjoyed by WIA is the two-year life cycle of its local funding allocations. All major funding streams are available for two fiscal periods from the date of initial allocation. Management routinely builds flexibility into its fiscal plan by budgeting allocations over the two-year cycle. This allows for sufficient levels of carry-over funding from one period to the next, which provides a cushion against unanticipated revenue changes and extends the adjustment period available to respond to such changes. Since federal legislation and regulations only permit revenue drawdowns for mature obligations, this effectively prevents WIA from maintaining any significant investment assets or accumulating reserves. Therefore, management uses the two-year funding cycle in its budget planning to provide a means of compensating for its lack of reserves and ensuring continuity of its ongoing operations.

Actual revenues and expenses through June 30, 2008 were within budgeted levels. Expenditures as of June 30, 2008 increased slightly due in part to additional ITA's contracted in the Adult program. Health care insurance premiums increased by 14 percent.

**WORKFORCE INITIATIVE ASSOCIATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
Unaudited**

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***CAPITAL ASSET AND DEBT ADMINISTRATION***

*Capital Assets*

At June 30, 2008, WIA had \$34,753 invested in capital assets as reflected in the following table, which represents a net decrease of \$27,789 from the previous period.

**Table 3-Capital Assets at Year-end (Net of Depreciation)**

	<u>June 30, 2008</u>	<u>June 30, 2007</u>
Equipment and Furniture	\$ 34,753	\$ 62,542
Total Capital Assets	<u>\$ 34,753</u>	<u>\$ 62,542</u>

See Note 5 for additional information on capital assets.

*Debt*

WIA has no debt for the year ended June 30, 2008.

***ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS***

Significant economic factors affecting WIA are as follows:

- Federal Workforce Investment Act funding through the U.S. Department of Labor
- National, State, and Local Unemployment rates
- National, State, and Local Poverty and Income Levels
- Inflationary pressure on training, services, supplies and other program and operational costs

WIA's program allocations are calculated by the Ohio Department of Jobs and Family Services (ODJFS) based on a formula specified in the Workforce Investment Act. This formula considers various economic factors including income levels and unemployment rates. During the period of this report, the trend continued in Stark and Tuscarawas counties in experiencing high levels of unemployment as a result of worker dislocations from company downsizing and shutdowns.

***CONTACTING THE ORGANIZATION'S FINANCIAL MANAGEMENT***

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of WIA's finances and to show WIA's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Workforce Initiative Association, Attention: Fiscal Manager, at 822 30<sup>th</sup> Street NW, Canton, Ohio 44709.

**WORKFORCE INITIATIVE ASSOCIATION**  
**STATEMENT OF NET ASSETS**  
**AS OF JUNE 30, 2008**

<u>Assets</u>	Governmental <u>Activities</u>
Equity in Pooled Cash and Cash Equivalents	\$ 479,734
Accounts Receivable	83,178
Intergovernmental Receivable	188,414
Depreciable Capital Assets, Net	<u>34,753</u>
<b>Total Assets</b>	<b><u>\$ 786,079</u></b>
<u>Liabilities</u>	
Grant Funds Payable - WIA	\$ 373,370
Accrued Expenses	80,847
Accrued Compensated Absences	78,966
Deferred Revenue	<u>271,361</u>
<b>Total Liabilities</b>	<b><u>804,544</u></b>
<u>Net Assets</u>	
Invested in Capital Assets	34,753
Unrestricted	<u>(53,218)</u>
<b>Total Net Assets</b>	<b><u>\$ (18,465)</u></b>

See accompanying notes to the basic financial statements.

**WORKFORCE INITIATIVE ASSOCIATION  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

	<u>Expenses</u>	<u>Program Revenues Operating Grants and Contributions</u>	<u>Net (Expense) Revenue and Changes In Net Assets Governmental Activities</u>
<b><u>Governmental Activities</u></b>			
Administration	\$ 317,158	\$ 289,369	\$ (27,789)
Adult	1,401,244	1,401,244	0
Dislocated Workers	1,606,631	1,606,631	0
VR2/Rapid Response	47,000	47,000	0
Youth	1,372,210	1,372,210	0
Rapid Response and Development	370,000	370,000	0
VSTP	4,693	4,693	0
One Stop	422,266	422,266	0
Third Frontier	136,248	136,248	0
Workkeys	9,680	9,680	0
Workforce Advancement	107,533	107,533	0
Youth Employment Project	8,647	8,647	0
TANF - Stark County	167,000	167,000	0
TANF - Tuscarawas County	26,544	26,544	0
In-Kind	25,056	25,056	0
Workforce Services	7,000	7,000	0
Other	7,732	4,265	(3,467)
<b>Total Governmental Activities</b>	<u>\$ 6,036,642</u>	<u>\$ 6,005,386</u>	<u>(31,256)</u>
		Net Assets - Beginning of Year	<u>12,791</u>
		<b>Net Assets - End of Year</b>	<u><b>\$ (18,465)</b></u>

See accompanying notes to the basic financial statements.



**WORKFORCE INITIATIVE ASSOCIATION  
BALANCE SHEET - GOVERNMENTAL FUND  
JUNE 30, 2008**

	<u>Special Revenue</u>
<b><u>Assets</u></b>	
Equity in Pooled Cash and Cash Equivalents	\$ 479,734
Accounts Receivable	83,178
Intergovernmental Receivable	<u>188,414</u>
<b>Total Assets</b>	<b><u>\$ 751,326</u></b>
<b><u>Liabilities and Fund Balance</u></b>	
<b><u>Liabilities</u></b>	
Grant Funds Payable - WIA	\$ 373,370
Accrued Expenses	80,847
Accrued Compensated Absences	78,966
Deferred Revenue	<u>271,361</u>
Total Liabilities	<u>804,544</u>
<b><u>Fund Balance</u></b>	
Unreserved, Undesignated	<u>(53,218)</u>
Total Fund Balance	<u>(53,218)</u>
<b>Total Liabilities and Fund Balance</b>	<b><u>\$ 751,326</u></b>

See accompanying notes to the basic financial statements.

**WORKFORCE INITIATIVE ASSOCIATION  
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO  
NET ASSETS OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2008**

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**Total Governmental Fund Balances** \$ (53,218)

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

Capital assets used in governmental activities are not financial  
resources and therefore are not reported in the funds. 34,753

**Net Assets of Governmental Activities** \$ (18,465)

**WORKFORCE INITIATIVE ASSOCIATION**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -**  
**GOVERNMENTAL FUND**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

	<u>Special Revenue</u>
<b><u>Revenues</u></b>	
Intergovernmental	\$ 5,976,065
In-Kind Revenue	25,056
Other Revenues	<u>4,265</u>
<b>Total Revenues</b>	<b><u>6,005,386</u></b>
 <b><u>Expenditures</u></b>	
Administration	258,369
Adult	1,401,244
Dislocated Workers	1,606,631
VR2/Rapid Response	47,000
Youth	1,372,210
Rapid Response and Development	370,000
VSTP	4,693
One Stop	422,266
Third Frontier	136,248
Workkeys	9,680
Workforce Advancement	107,533
Workforce Services	7,000
In-Kind Expenditures	25,056
TANF- Stark County	167,000
TANF - Tuscarawas County	26,544
Youth Employment Project	8,647
Other	<u>7,732</u>
<b>Total Expenditures</b>	<b><u>6,008,853</u></b>
Net Change in Fund Balance	(3,467)
 Fund Balance - Beginning of Year	 <u>(49,751)</u>
 <b>Fund Balance - End of Year</b>	 <b><u>\$ (53,218)</u></b>

See accompanying notes to the basic financial statements.

**WORKFORCE INITIATIVE ASSOCIATION  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUND TO THE  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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**Net Change in Fund Balances - Total Governmental Funds** \$ (3,467)

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

Governmental funds report capital outlays and transportation as expenditures.  
However, in the statement of activities, the cost of those assets is allocated  
over their estimated useful lives as depreciation expense. This is the amount  
by which depreciation exceeded capital outlays in the current period.

(27,789)

**Change in Net Assets of Governmental Activities** \$ (31,256)

**WORKFORCE INITIATIVE ASSOCIATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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**NOTE 1: DESCRIPTION OF ENTITY**

Workforce Initiative Association (WIA) was established in 2000 by the State of Ohio under the Ohio Revised Code. This regional council of government is eligible to receive and administer funds granted by the Governor of the State under the Workforce Investment Act of 1998. WIA is a regional council of governments, including Stark and Tuscarawas counties and the City of Canton.

WIA carries out the purpose of the Workforce Investment Act by assessing workforce needs, developing strategies, plans, programs and resources to provide employment, training and education, and related services to the citizens of the local area; and to provide oversight and evaluation of such efforts. These functions and tasks will be conducted within the framework of a public/private partnership. The purpose of the Workforce Investment Act is to provide workforce investment activities through statewide and local workforce investment systems that increase the employment, retention, and earnings of participants and increase occupational skill attainment by participants and, as a result, improve the quality of the workforce, reduce welfare dependency, and enhance the productivity and competitiveness of the nation.

For financial reporting purposes, all departments and operations over which WIA exercises financial accountability are included in the reporting entity. Oversight responsibility was evaluated based on consideration of financial interdependency, selection of governing authority, designation of management, the ability to significantly influence management and accountability for fiscal matters.

No governmental units other than WIA itself are included in the reporting entity. WIA does not have oversight responsibility over any other governmental unit. This is evidenced by the fact that, with respect to any other governmental unit, there is no financial interdependency and WIA does not select their governing authority, designate their management, exercise significant influence over their daily operations or maintain their accounting records.

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of WIA have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting financial reporting principles. The more significant of WIA's accounting policies are described below.

**WORKFORCE INITIATIVE ASSOCIATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(CONTINUED)**

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NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**A. Basis of Presentation**

WIA's financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

**Government-wide Financial Statements**

The statement of net assets and the statement of activities display information about WIA as a whole. These statements include the financial activities of the primary government. All activities of WIA are governmental activities.

The statement of net assets presents the financial condition of the governmental activities of WIA at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of WIA's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore are clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program, and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of WIA, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of WIA.

**Fund Financial Statements**

Fund financial statements report detailed information about WIA. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. WIA has only one fund which is major.

**B. Fund Accounting**

WIA uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain WIA functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The only fund of WIA is a governmental fund.

**WORKFORCE INITIATIVE ASSOCIATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(CONTINUED)**

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NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

B. **Fund Accounting** (Continued)

**Governmental Funds**

Governmental funds focus on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund asset and liabilities is reported as fund balance. WIA's major governmental fund is:

Special Revenue Fund - This fund accounts for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes.

C. **Measurement Focus**

**Government-wide Financial Statements**

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of WIA are included on the Statement of Net Assets.

**Fund Financial Statements**

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

**WORKFORCE INITIATIVE ASSOCIATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(CONTINUED)**

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NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**D. Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

**Revenues - Exchange and Non-exchange Transactions**

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Measurable" means the amount of the transaction can be determined, and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. For WIA, available means expected to be received within 60 days of fiscal year end.

Non-exchange transactions, in which WIA receives value without directly giving equal value in return, include grants and donations. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which WIA must provide local resources to be used for a specific purpose, and expenditure requirements, in which the resources are provided to WIA on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources such as grants and investment earnings are considered to be both measurable and available at fiscal year end.

**Deferred Revenue**

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

On governmental fund financial statements, receivables that will not be collected with the available period have also been reported as deferred revenue.



**WORKFORCE INITIATIVE ASSOCIATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(CONTINUED)**

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NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

D. **Basis of Accounting** (Continued)

**Expenses/Expenditures**

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation, is not recognized in governmental funds.

E. **Capital Assets**

Capital assets include furniture and equipment purchased by WIA. These assets generally result from expenditures in the governmental funds.

These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported on the fund financial statements.

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available.

Workforce Investment Act property management standards require that depreciation be computed on all non-expendable personal property having a useful life of more than one year and purchase price of \$5,000 or more. WIA's capitalization policy is \$5,000. Depreciation is computed using the straight-line method over estimated useful lives of three to ten years.

F. **Budgetary Process**

WIA's annual budget is primarily a management tool that assists its users in analyzing financial activity for its fiscal year ending June 30.

WIA's primary funding source is federal and state grants which have grant periods that may or may not coincide with the Agency's fiscal year. These grants normally are for a twelve-month period, ending June 30. However, they can be awarded for periods longer than twelve months.

**WORKFORCE INITIATIVE ASSOCIATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(CONTINUED)**

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NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

F. **Budgetary Process** (Continued)

Because of WIA's dependency on federal and state budgetary decisions, revenue estimates are based upon the best available information as to potential sources of funding. The annual budget differs from that of a local government in two respects:

1. the uncertain nature of grant awards from other entities
2. conversion of grant budgets to a fiscal year basis

The annual budget is subject to constant change within the fiscal year due to:

1. Increases/decreases in actual grant awards from those estimated;
2. Changes in grant periods;
3. Unanticipated grant awards not included in the budget; and
4. Expected grant awards which fail to materialize.

The Executive Board formally approved the annual budget, but greater emphasis is placed on complying with the grant budget, terms and conditions on a grant-by-grant basis. These terms and conditions usually specify the period during which costs may be incurred and outline budget restrictions or allowances.

Although the annual budget for the special revenue funds is reviewed and approved by the Executive Board, it is not a legally adopted budget and it is not subject to the budget procedures that are followed by the County Budget Commission.

G. **Encumbrances**

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by WIA.

H. **Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**WORKFORCE INITIATIVE ASSOCIATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(CONTINUED)**

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NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

I. **Cash and Cash Equivalents**

For presentation on the financial statements investments with an original maturity of three months or less at the time they are purchased by WIA are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

J. **Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2008, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year which services are consumed.

K. **Fund Balance Designation**

Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods.

L. **Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by WIA or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

WIA applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

NOTE 3: **CASH AND INVESTMENTS**

State statutes classify monies held by WIA into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

**WORKFORCE INITIATIVE ASSOCIATION**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2008**  
**(CONTINUED)**

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NOTE 3: **CASH AND INVESTMENTS** (Continued)

Inactive deposits are public deposits that WIA has identified as not required for use within the current two year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit account including, but limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit, or by savings or deposit accounts including passbook accounts.

Protection of WIA's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution, or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Legislation permits interim monies to be deposited or invested in the following securities:

1. United States Treasury notes, bills, bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be directly issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds or other obligations of the State of Ohio;

**WORKFORCE INITIATIVE ASSOCIATION**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2008**  
**(CONTINUED)**

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NOTE 3: **CASH AND INVESTMENTS** (Continued)

5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
6. The State Treasurer's investment pool (STAROhio).
7. Certain banker's acceptance and commercial paper notes for the period not to exceed one hundred eighty days in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purchase of arbitrage, the use of leverage, and short selling are prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of WIA, and must be purchased with the expectation that it will be held until maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The following disclosure is based on the criteria described in GASB Statement No. 40, *Deposits and Investments Risk Disclosures*.

**Deposits**

At June 30, 2008, the carrying amount of WIA's deposits was \$479,734 and the bank balance was \$800,702. Based on criteria described in GASB Statement No. 40, *Deposits and Investments Risk Disclosures*, as of June 30, 2008, \$100,000 of WIA's bank balance was covered by Federal Depository Insurance and \$700,702 was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in WIA's name.

**WORKFORCE INITIATIVE ASSOCIATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(CONTINUED)**

**NOTE 3: CASH AND INVESTMENTS** (Continued)

**Deposits** (Continued)

Custodial credit risk is the risk that, in the event of a bank failure, WIA's deposits may not be returned. WIA's policy is to place deposits with major local banks approved by WIA's Board of Directors. All deposits, except for deposits held by fiscal and escrow agents, are collateralized with eligible securities in amounts equal to at least 105 percent of the carrying value of the deposits. Such collateral, as permitted by Chapter 135 of the ORC, is held in financial institution pools at Federal Reserve banks, or at member banks of the Federal Reserve system in the name of the respective depository bank, and pledged as a pool of collateral against all of the public deposits it holds, or as specified collateral held at a Federal Reserve bank in the name of WIA.

**Investments**

WIA did not have investments at June 30, 2008.

Cash and cash equivalents at year-end were as follows:

	<u>June 30, 2008</u>
Cash in Checking	\$ 479,734
Total Cash and Cash Equivalents	<u>\$ 479,734</u>

**NOTE 4: INTERGOVERNMENTAL RECEIVABLE**

Intergovernmental receivable represents amounts owed to WIA from Ohio Department of Jobs and Family Services for grant funds earned but not received as of June 30, 2008. The balance of intergovernmental receivable in the governmental fund is \$188,414 as of June 30, 2008.

**NOTE 5: CAPITAL ASSETS**

A summary of changes in capital assets during the year is as follows:

	<u>Balance at 06/30/07</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at 06/30/08</u>
<b><u>Government Activities</u></b>				
<i>Capital Assets being Depreciated:</i>				
Furniture and Equipment	\$ 206,842	\$ 0	\$ 0	\$ 206,842
<i>Total Capital Assets being Depreciated</i>	<u>206,842</u>	<u>0</u>	<u>0</u>	<u>206,842</u>
Less Accumulated Depreciation:				
Furniture and Equipment	<u>(144,300)</u>	<u>(27,789)</u>	<u>0</u>	<u>(172,089)</u>
Total Accumulated Depreciation	<u>(144,300)</u>	<u>(27,789)</u>	<u>0</u>	<u>(172,089)</u>
<b>Total Capital Assets being Depreciated - Net</b>	<u>\$ 62,542</u>	<u>\$ (27,789)</u>	<u>\$ 0</u>	<u>\$ 34,753</u>

All depreciation is charged to administration expense.

**WORKFORCE INITIATIVE ASSOCIATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(CONTINUED)**

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NOTE 6: **DEFINED BENEFIT PENSION PLAN**

**Ohio Public Employees Retirement System**

WIA participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the Combined Plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar in nature to the Traditional Pension Plan benefit. Member contributions, whose investment is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of both the Traditional Pension and the Combined plans. Members of the Member-Directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by State statute per Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling 1-800-222-7377 or by using the OPERS website at [www.opers.org](http://www.opers.org).

Through December 31, 2007, the members of all three plans, except those in law enforcement or public safety participating in the Traditional Plan, were required to contribute 9.5 percent of their annual covered salaries. Effective January 1, 2008, members were required to contribute 10 percent of their annual covered salaries. WIA's contribution rate for pension benefits was 13.85 percent through December 31, 2007. Effective January 1, 2008, WIA's contribution rate was 14.00 percent. In addition, WIA picks up one-half of the employee contribution. The Ohio Revised Code provides statutory authority for member and employer contributions.

WIA's required contributions for pension obligations to the Traditional and Combined plans for the years ended June 30, 2008, 2007, and 2006, were \$273,725, \$255,244, and \$230,483, respectively. The full amount has been contributed for 2008, 2007, and 2006. Contributions to the Combined and Member-Directed Plan for 2008 were \$4,854 made by WIA and \$1,264 made by the plan members.

**WORKFORCE INITIATIVE ASSOCIATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(CONTINUED)**

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**NOTE 7: POST-EMPLOYMENT BENEFITS**

**Ohio Public Employees Retirement System**

The Ohio Public Employees Retirement System (OPERS) provides post-retirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the Traditional or Combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the Member-Directed Plan do not qualify for post-employment health care coverage.

OPERS provides post-retirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 45. A portion of each employer's contribution to the Traditional or Combined plans is set aside for the funding of post-retirement health care based on authority granted by State statute. Effective January 1, 2007, the employer's contribution rate was 13.85 percent of covered payroll; and 5.0 percent of the covered payroll was the portion that was used to fund healthcare. Effective January 1, 2008, the employer's contribution rate was 14.00 percent of covered payroll; and 5.5 percent of the covered payroll was the portion that was used to fund healthcare. WIA's actual contributions for the period which were used to fund post-employment benefits were \$76,437.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS' latest actuarial review performed as of December 31, 2006, include a rate of return on investments of 6.50 percent, an annual increase in active employee total payroll of 4 percent compounded annually (assuming no change in the number of active employees), and an additional increase in total payroll of between .50 percent and 6.30 percent based on additional annual pay increases. Health care premiums were assumed to increase at the projected wage inflation rate plus an additional factor ranging from .50 percent to 5 percent annually for the next 8 years. In subsequent years (9 and beyond), health care costs were assumed to increase at 4 percent (the projected wage inflation rate).

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12 percent corridor.



**WORKFORCE INITIATIVE ASSOCIATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(CONTINUED)**

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NOTE 7: **POST-EMPLOYMENT BENEFITS** (Continued)

**Ohio Public Employees Retirement System** (Continued)

As of December 31, 2007, the number of active contributing participants in the Traditional Pension and Combined plans totaled 374,979. The actual contribution and the actuarially required contribution amounts are the same. OPERS' net assets available for payment of benefits at December 31, 2006 (the latest information available) was \$12.1 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$30.7 billion and \$18.7 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007, and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

Under the HCPP, retirees eligible for health care coverage will receive a graded monthly allocation based on their years of service at retirement. The Plan incorporates a cafeteria approach, offering a broad range of health care options that allow benefit recipients to use their monthly allocation to purchase health care coverage customized to meet their individual needs. If the monthly allocation exceeds the cost of the options selected, the excess is deposited into a Retiree Medical Account that can be used to fund future health care expenses.

NOTE 8: **COMPENSATED ABSENCES**

Full time, permanent employees are granted vacation benefits in varying amounts to specified maximums depending on tenure with WIA. Regular part-time employees receive vacation credit on a pro-rated basis of the hours worked. Vacation days may not be carried over into the next calendar year. Generally, upon termination after one year of service, employees are entitled to be paid all accrued vacation.

The following schedule details earned annual leave based on length of service.

1 -5 years	10 days
6-10 years	15 days
11-15 years	20 days
16-24 years	25 days
25 years and over	30 days

**WORKFORCE INITIATIVE ASSOCIATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(CONTINUED)**

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NOTE 8: **COMPENSATED ABSENCES** (Continued)

Sick leave accrues to full time, permanent employees to specified maximums. Sick leave may be cumulative without limit. However, sick leave is not vested, and therefore, not payable upon termination and not a liability at year end.

Vacation and compensatory time are accrued as liabilities when an employee's right to receive compensation is attributable to services already rendered and it is probable that the employee will be compensated through paid time off or some other means, such as cash payments at termination or retirement. Leave time that has been earned but is unavailable for use as paid time off or as some other form of compensation because an employee has not met the minimum service time requirement, is accrued to the extent that it is considered to be probable that the conditions for compensation will be met in the future.

The estimated current liability for compensated absences is \$78,966.

NOTE 9: **CONTINGENT LIABILITIES**

There are no pending material lawsuits in which WIA is involved.

Under the terms of federal and state grants, periodic audits are required and certain expenditures may be questioned as not appropriate under the terms of the grants. Such audits could lead to reimbursement to the grantor agencies. WIA's management believes disallowances, if any, will be immaterial.

There are no expenditures recommended for disallowance. Cost recommended for disallowance are those involving expenditures for which existing documentary evidence leads the auditor to conclude that the expenditures were in violation of legislative or regulatory requirements. These costs are disallowed by the Grantor unless the grantee is able to convince the Grantor that they were made in accordance with legal or regulatory requirements.

There are no expenditures listed as questionable. Questionable costs are those involving the lack of or inadequacy of documentary support. Findings containing questionable costs do not necessarily mean that the costs were used for improper purposes, but that there was insufficient documentary evidence to allow a determination of their eligibility.

**WORKFORCE INITIATIVE ASSOCIATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(CONTINUED)**

**NOTE 10: LEASE COMMITMENTS**

**Operating**

Total facilities lease expense was \$393,401 for fiscal year ended June 30, 2008. WIA leases facilities and personal property under certain operating leases in excess of one year.

Future minimum payments due under WIA's facilities operating leases are as follows:

<u>Year Ending June 30</u>	<u>Operating</u>
2009	\$ 396,011
2010	365,343
2011	267,468
2012	156,023
2013	0
Thereafter	0
Total Payments	<u>\$ 1,184,845</u>

**NOTE 11: INSURANCE AND RISK MANAGEMENT**

WIA is exposed to various risks of loss related to torts, thefts of, damages to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. During 2008, WIA contracted with insurance companies for various types of insurance as follows:

<u>Insurer</u>	<u>Type of Coverage</u>	<u>Deductible</u>
Travelers	Commercial Property	\$ 500
Travelers	General Liability	None
Travelers	Auto - Collision	500
	- Comprehensive	500
Arch Insurance Group	Officer and Director Liability	5,000

WIA pays the State Workers' Compensation system a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

WIA continued to carry commercial insurance for other risks of loss, including employee health and life insurance. Settled claims resulting from the above noted risks have not exceeded commercial insurance coverage in any of the past three years.

**WORKFORCE INITIATIVE ASSOCIATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(CONTINUED)**

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**NOTE 12: CHANGES IN ACCOUNTING PRINCIPLES**

In June 2004, the GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pension Plans*. WIA has determined that the adoption of this statement did not have an impact on WIA's financial statements; however, note disclosures related to postemployment benefits have been modified.

The following other pronouncements have been issued by the GASB and have been adopted by WIA; however, WIA has not incurred any of the transactions described below and as a result there has been no impact on the financial statements or note disclosures for the current period:

- In September 2006, the GASB issued Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*.
- In May 2007, the GASB issued Statement No. 50, *Pension Disclosures*. The information is not yet available from the retirement systems for the implementation of GASB 50.

**WORKFORCE INITIATIVE ASSOCIATION  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

<b>Federal Grantor/ Pass Through Grantor/ Program Titles</b>	<b>CFDA Number</b>	<b>Grant Period</b>	<b>Pass-Through Entity Identifying Number</b>	<b>Expenditures</b>
<b><u>United States Department of Labor</u></b>				
<u>Direct Payment</u>				
Workforce Advancement Grant	17.261	07/01/07-06/30/08		\$ 107,533
Total Direct Payment				<u>107,533</u>
<u>Passed Through Ohio Department of Jobs and Family Services</u>				
<u>Workforce Initiative Association Funds - Cluster Funds</u>				
Adult	17.258	07/01/07-06/30/08	2-1130	1,401,244
Admin Adult	17.258	07/01/07-06/30/08	2-1100	<u>92,573</u>
Total CFDA #17.258				<u>1,493,817</u>
Youth	17.259	07/01/07-06/30/08	2-1120	1,372,210
Admin - Youth	17.259	07/01/07-06/30/08	2-1100	<u>90,655</u>
Total CFDA #17.259				<u>1,462,865</u>
Dislocated Workers	17.260	07/01/07-06/30/08	2-1140	1,606,631
Admin - Dislocated Workers	17.260	07/01/07-06/30/08	2-1100	106,141
VR2/Rapid Response	17.260	07/01/07-06/30/08	2-1160	47,000
Rapid Response	17.260	07/01/07-06/30/08		<u>370,000</u>
Total CFDA #17.260				<u>2,129,772</u>
<i>Total Workforce Initiative Association Funds - Cluster</i>				<u>5,086,454</u>
Workkeys	Not Available	07/01/07-06/30/08		9,680
Youth Employment Project	Not Available	07/01/07-06/30/08		8,647
VSTP	Not Available	07/01/07-06/30/08		4,693
Workforce Service	Not Available	07/01/07-06/30/08		<u>7,000</u>
				<u>30,020</u>
Total Funds Passed Through Ohio Department of Jobs and Family Services				<u>5,116,474</u>
<u>Passed through Ohio Department of Development</u>				
Third Frontier Grant	17.255	09/01/05-09/30/07		<u>136,248</u>
Total Passed through Ohio Department of Development				<u>136,248</u>
<b>Total United States Department of Labor</b>				<u>5,360,255</u>
<u>United States Department of Human Services</u>				
Temporary Assistance for Needy Families - Stark County	93.558	07/01/07-06/30/08		167,000
Temporary Assistance for Needy Families - Tuscarawas County	93.558	07/01/07-06/30/08		<u>26,544</u>
<b>Total Passed though U.S. Department of Human Services</b>				<u>193,544</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>				<u>\$ 5,553,799</u>

**WORKFORCE INITIATIVE ASSOCIATION**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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NOTE 1: **GENERAL**

The accompanying Schedule of Expenditures of Federal Awards of WIA presents the activity of all federal financial assistance programs of WIA. WIA's reporting entity is defined in Note 1 to WIA's basic financial statements. Federal financial assistance received directly from federal agencies as well as financial assistance passed through other government agencies is included on this schedule.

NOTE 2: **BASIS OF ACCOUNTING**

The accompanying Schedule of Expenditures of Federal Awards is presented on the modified accrual basis of accounting and has been reconciled to the program's federal financial reports. On the modified accrual basis, fixed assets are expensed and on the full accrual basis, fixed assets are capitalized and depreciated.

**JAMES G. ZUPKA, C.P.A., INC.**

*Certified Public Accountants*

*5240 East 98<sup>th</sup> Street*

*Garfield Hts., Ohio 44125*

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**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**

To the LEO Board  
Stark and Tuscarawas Counties  
Workforce Initiative Association

We have audited the financial statements of the governmental activities and the major fund of the Workforce Initiative Association as of and for the year ended June 30, 2008, which collectively comprise the Workforce Initiative Association's basic financial statements and have issued our report thereon dated December 12, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Workforce Initiative Association's internal control over financial reporting as a basis for designing our auditing procedures 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 Workforce Initiative Association's internal control over financial reporting. Accordingly, we do not express an opinion of the effectiveness of the Workforce Initiative Association'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 Workforce Initiative Association's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Workforce Initiative Association's financial statements that is more than inconsequential will not be prevented or detected by the Workforce Initiative Association'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 Workforce Initiative Association'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 Workforce Initiative Association's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the Board of Directors, others within the entity, and 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.



James G. Zupka, CPA, Inc.  
Certified Public Accountants

December 12, 2008



**JAMES G. ZUPKA, C.P.A., INC.**  
*Certified Public Accountants*  
5240 East 98<sup>th</sup> Street  
Garfield Hts., Ohio 44125

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

To the LEO Board  
Stark and Tuscarawas Counties  
Workforce Initiative Association

**Compliance**

We have audited the compliance of the Workforce Initiative Association with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. The Workforce Initiative Association's major federal programs are identified in the summary of auditor's 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 Workforce Initiative Association's management. Our responsibility is to express an opinion on the Workforce Initiative Association's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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 Workforce Initiative Association's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Workforce Initiative Association's compliance with those requirements.

In our opinion, the Workforce Initiative Association complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008

### **Internal Control Over Compliance**

The management of the Workforce Initiative Association is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Workforce Initiative Association's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Workforce Initiative Association'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 the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the Board of Directors, others within the entity, and 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.



James G. Zupka, CPA, Inc.  
Certified Public Accountants

December 12, 2008

**WORKFORCE INITIATIVE ASSOCIATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 SECTION .505  
JUNE 30, 2008**

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**1. SUMMARY OF AUDITOR'S RESULTS**

2008(i)	Type of Financial Statement Opinion	Unqualified
2008(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
2008(ii)	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
2008(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
2008(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
2008(iv)	Were there any other significant deficiencies in internal control reported for major federal programs?	No
2008(v)	Type of Major Programs' Compliance Opinion	Unqualified
2008(vi)	Are there any reportable findings under Section 510?	No
2008(vii)	Major Programs (list):  WIA Cluster:  Workforce Investment Act - Adult - CFDA #17.258 Youth - CFDA #17.259 Dislocated Workers - CFDA #17.260 Rapid Response - CFDA #17.260	
2008(viii)	Dollar Threshold: Type A/B Programs	Type A: \$300,000 Type B: All others less than \$300,000
2008(ix)	Low Risk Auditee?	Yes

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

None.

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None.

**WORKFORCE INITIATIVE ASSOCIATION  
 SCHEDULE OF PRIOR AUDIT FINDINGS AND MANAGEMENT COMMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	<u>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b>Explain:</b></u>
2007-001	Significant Deficiency - Internal Controls Over Cash	Yes	

There were no management comments for the fiscal year ended June 30, 2007.



**Mary Taylor, CPA**  
Auditor of State

**WORKFORCE INITIATIVE ASSOCIATION**

**STARK COUNTY**

**CLERK'S CERTIFICATION**

**This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.**

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MARCH 24, 2009**