

WORKFORCE INITIATIVE ASSOCIATION

AUDIT REPORT

FOR THE PERIOD ENDED JUNE 30, 2001



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Board of Commissioners
Workforce Initiative Association
300 N. Market St.
Canton, OH 44702

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, 2000 through June 30, 2001. 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.

JIM PETRO
Auditor of State

January 9, 2002

WORKFORCE INITIATIVE ASSOCIATION
AUDIT REPORT
FOR THE PERIOD ENDED JUNE 30, 2001

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INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Workforce Initiative Association
Canton, Ohio

We have audited the general purpose financial statements of the Workforce Initiative Association as of and for the period ended June 30, 2001, as listed in the accompanying Table of Contents. These general purpose financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Workforce Initiative Association as of June 30, 2001, and the results of its operations and account groups for the period 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 November 2, 2001 on the consideration of the Workforce Initiative Association's internal control structure over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the result of our audit.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and is not a required part of the basic financial statements. The supplemental data on pages 29 through 31 (as listed in the Table of Contents) is also presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

November 2, 2001

James G. Zupka
Certified Public Accountant

WORKFORCE INITIATIVE ASSOCIATION
 COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
 AS OF JUNE 30, 2001

	Governmental	<u>Account Groups</u>		Total
	<u>Fund Type</u>	General	General	
	Special Revenue	Fixed Assets	Long-Term (Memorandum Debt)	
				(Memorandum Only)
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ 356,087	\$ 0	\$ 0	\$ 356,087
Due from Other Governments	1,421,803	0	0	1,421,803
Fixed Assets:				
Furniture and Equipment	0	198,415	0	198,415
Equipment Under Capital Lease	0	55,405	0	55,405
Less: Accumulated Depreciation	0	(156,378)	0	(156,378)
Amount to be Provided for Capital Leases	0	0	4,013	4,013
TOTAL ASSETS	\$ 1,777,890	\$ 97,442	\$ 4,013	\$1,879,345
	=====	=====	=====	=====
<u>LIABILITIES</u>				
Accounts Payable	80,570	0	0	80,570
Accrued Wages and Benefits	50,205	0	0	50,205
Accrued Compensated Absences	53,976	0	0	53,976
Deferred Revenue	1,567,483	0	0	1,567,483
Capital Lease Obligations	0	0	4,013	4,013
Total Liabilities	1,752,234	0	4,013	1,756,247
	=====	=====	=====	=====
<u>FUND EQUITY</u>				
Investment in General Fixed Assets	0	97,442	0	97,442
Fund Balance:				
Unreserved, Undesignated	25,656	0	0	25,656
Total Fund Equity	25,656	97,442	0	123,098
	=====	=====	=====	=====
TOTAL LIABILITIES AND FUND EQUITY	\$ 1,777,890	\$ 97,442	\$ 4,013	\$1,879,345
	=====	=====	=====	=====

The notes to the general purpose financial statements are an integral part of these statements

WORKFORCE INITIATIVE ASSOCIATION
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - ALL SPECIAL REVENUE FUNDS
FOR THE PERIOD ENDED JUNE 30, 2001

	Governmental Fund Type Special Revenue	Total (Memorandum Only)
<u>REVENUES</u>		
Intergovernmental	\$ 2,055,118	\$2,055,118
PRT Income	596,426	596,426
TANF Income	1,518,625	1,518,625
Total Revenues	4,170,169	4,170,169
<u>EXPENDITURES</u>		
Workforce Investment Act:		
Administration	95,262	95,262
Program Costs	1,959,856	1,959,856
PRT Expenses	596,426	596,426
TANF Expenses	1,518,625	1,518,625
Office Supplies	2,878	2,878
Total Expenditures	4,173,047	4,173,047
Excess (Deficiency) of Revenues Over Expenditures	(2,878)	(2,878)
Fund Balance at Beginning of Year	28,534	28,534
Fund Balance at End of Year	\$ 25,656	\$ 25,656

The notes to the general purpose financial statements are an integral part of these statements.

WORKFORCE INITIATIVE ASSOCIATION
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001

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.

The Workforce Initiative Association 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 oversight responsibility 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.

WORKFORCE INITIATIVE ASSOCIATION
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(CONTINUED)

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

This summary of significant accounting policies is presented to assist the reader in understanding and evaluating the general purpose financial statements of WIA.

A. **Basis of Presentation**

The financial reporting practices of WIA conform to generally accepted accounting principles as applicable to local governments.

The accounts of WIA are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures. Individual funds and account groups which are used by WIA and are summarized in the accompanying combined general purpose financial statements are classified as follows:

Governmental Funds

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

Account Groups

General Fixed Assets Account Group - To account for all fixed assets of WIA.

General Long-Term Debt Account Group - To account for long-term debt and other long-term liabilities of WIA.

WORKFORCE INITIATIVE ASSOCIATION
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(CONTINUED)

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

B. Measurement Focus and Basis of Accounting

Basis of accounting represents the methodology utilized in the recognition of revenues and expenditures or expenses reported in the financial statements. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the governmental funds. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current year or soon enough thereafter to be used to pay liabilities of the current year.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: interest earnings and intergovernmental revenue.

WIA reports deferred revenue on its combined balance sheet. Deferred revenue arises when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In subsequent periods, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Revenues are recognized in the accounting period when they become both measurable and available. "Measurable" means the amount of the transactions can be determined and "available" means collectible within the current year or soon enough thereafter to be used to pay liabilities of the current year.

WORKFORCE INITIATIVE ASSOCIATION
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(CONTINUED)

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

B. **Measurement Focus and Basis of Accounting** (Continued)

The measurement focus of governmental fund accounting is based on decreases in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related liability is incurred.

C. **Fixed Assets**

Fixed assets include furniture and equipment purchased by WIA. At the time of purchase, such assets are recorded as expenditures in the governmental funds and are accounted for in the general fixed assets account group.

All fixed 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 two years and purchase price of \$1,000 or more. The Workforce Initiative Association's capitalization policy is \$500. Depreciation is computed using the straight-line method over estimated useful lives of five to ten years. Depreciation is only recorded in the general fixed assets account group.

D. **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.

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:

WORKFORCE INITIATIVE ASSOCIATION
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(CONTINUED)

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

D. **Budgetary Process** (Continued)

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.

E. **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.

F. **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 GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(CONTINUED)

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

G. Total Columns on Combined Statements

Total columns on the financial statements are captioned "Totals - (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. This data is not comparable to a consolidation. Interfund-type eliminations have not been made in the aggregation of this data.

NOTE 3: **CHANGE IN ACCOUNTING PRINCIPLE**

For June 30, 2001, the Workforce Investment Act has adopted GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions* and GASB Statement No. 36, *Recipient Reporting for Certain Shared Nonexchange Revenues*. GASB Statement No. 36 modified the provisions of GASB Statement No. 33 for certain specific nonexchange revenues.

GASB Statement No. 33 and GASB Statement No. 36 were required for the current year. These statements clarified the timing requirements for recognizing assets, liabilities, revenues, and expenditures/expenses associated with nonexchange transactions. As a result of implementation of these statements, there was no impact on prior year balances. Therefore, restatement of prior year balances is not necessary.

NOTE 4: **EQUITY IN POOLED 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.

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.

WORKFORCE INITIATIVE ASSOCIATION
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(CONTINUED)

NOTE 4: **EQUITY IN POOLED CASH AND INVESTMENTS** (Continued)

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;
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).

WORKFORCE INITIATIVE ASSOCIATION
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(CONTINUED)

NOTE 4: **EQUITY IN POOLED CASH AND INVESTMENTS** (Continued)

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 information classified deposits and investments by categories of risk as defined in GASB Statement No. 3, *Deposits with Financial Institutions, Investments, and Repurchase Agreements*.

Deposits

The Governmental Accounting Standards Board has established risk categories for deposits as follows:

- Category 1 - Insured or collateralized with securities held by WIA or its agent in WIA's name.
- Category 2 - Collateralized with securities held by the pledging financial institution's trust department or agent in WIA's name.
- Category 3 - Uncollateralized. (This included any bank balance that is collateralized with securities held by the pledging institution or its trust department or agent but not in WIA's name).

WORKFORCE INITIATIVE ASSOCIATION
 NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
 JUNE 30, 2001
 (CONTINUED)

NOTE 4: **EQUITY IN POOLED CASH AND INVESTMENTS** (Continued)

		<u>Book Balance</u>	<u>Bank Balance</u>
FDIC	Key Bank	\$ 100,000	\$ 100,000
Uncollateralized	Key Bank	256,087	419,264
Total Deposits		<u>\$ 356,087</u>	<u>\$ 519,264</u>

All deposits are carried at cost. At year end, the carrying amount of WIA's deposits was \$356,087, and the bank balance was \$519,264. Of the bank balance, \$100,000 was insured and \$419,264 was classified as Risk Category 3.

Investments

WIA did not have investments at June 30, 2001.

The classification of cash and cash equivalents on the combined financial statements is based on criteria set forth in GASB Statement No. 9. The classification of cash and cash equivalents (deposits) for purposes of this note are based on criteria set forth in GASB Statement No. 3.

The captions on the combined balance sheet related to cash and cash equivalents is as follows:

	<u>GASB Statement No. 9</u>	<u>GASB Statement No. 3</u>
Cash in Checking	\$ 356,087	\$ 356,087
Total Cash and Cash Equivalents	<u>\$ 356,087</u>	<u>\$ 356,087</u>

NOTE 5: **DUE FROM OTHER GOVERNMENTS**

Due from Other Governments represents amounts owed to WIA from Ohio Department of Jobs and Family Services for grant funds earned but not received. As of June 30, 2001, the balance of Due from Other Governments in the governmental funds is \$1,421,803.

WORKFORCE INITIATIVE ASSOCIATION
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(CONTINUED)

NOTE 6: **FIXED ASSETS**

	Balance at 06/30/00	Additions	Deletions	Transfer to Other Counties	Balance at 06/30/01
<u>Cost:</u>					
Furniture and Equipment	\$ 203,658	\$ 15,508	\$ (10,777)	\$ (9,974)	\$ 198,415
Equipment Under Capital Lease	197,260	0	(141,855)	0	55,405
Total Cost	<u>400,918</u>	<u>15,508</u>	<u>(152,632)</u>	<u>(9,974)</u>	<u>253,820</u>
<u>Accumulated Depreciation:</u>					
Furniture and Equipment	102,056	24,287	(9,673)	(5,775)	110,895
Equipment Under Capital Lease	177,183	7,899	(139,599)	0	45,483
Total Depreciation	<u>279,239</u>	<u>32,186</u>	<u>(149,272)</u>	<u>(5,775)</u>	<u>156,378</u>
General Fixed Assets - Net	<u>\$ 121,679</u>	<u>\$ (16,678)</u>	<u>\$ (3,360)</u>	<u>\$ (4,199)</u>	<u>\$ 97,442</u>

NOTE 7: **DEFINED BENEFIT PENSION PLANS**

Public Employees Retirement System

The following information was provided by PERS of Ohio to assist WIA in complying with GASB Statement No. 27, *Accounting for Pensions by State and Local Government Employees*.

All employees of WIA participate in the PERS of Ohio, a cost-sharing, multiple-employer defined benefit pension plan. The PERS of Ohio provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Chapter 145 of the Ohio Revised Code provides statutory authority to establish and amend benefits. The Public Employees Retirement System of Ohio issues a stand-alone financial report that includes financial statements and required supplementary information for the PERS of Ohio. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 by calling (614) 466-2085 or 1-800-222-(7377).

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rate is 8.5 percent. The Retirement Board instituted a temporary employer contribution rate rollback for calendar year 2000. The rate rollback was 20 percent for state and local government divisions. The 2000 employer contribution rate for local government employer units was 10.84 percent of

WORKFORCE INITIATIVE ASSOCIATION
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(CONTINUED)

NOTE 7: **DEFINED BENEFIT PENSION PLANS** (Continued)

Public Employees Retirement System (Continued)

covered payroll, 6.54 percent to fund the pension and 4.3 percent to fund health care. The 1999 and 1998 employer contribution rates were 13.55 percent. The contribution requirements of plan members and WIA are established and may be amended by the Public Employees Retirement Board. WIA's required contributions to the PERS of Ohio for the years ended June 30, 2001, 2000, and 1999, were \$197,615, \$258,033, and \$213,425, respectively, which were equal to the required contributions for each year.

The PERS of Ohio provides postemployment health care benefits to age and service retirants with ten or more years of qualifying Ohio service credit and to primary survivor recipients of such retirants. Health care coverage for disability recipients is also available. The health care coverage provided by the PERS of Ohio is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to the PERS of Ohio is set aside for the funding of post retirement health care. The Ohio Revised Code provides statutory authority requiring public employers to fund postemployment health care through their contributions to the PERS of Ohio. The portion of the 2000 employer contribution rate (identified above) that was used to fund health care for the year ended June 30, 2001 was 4.3 percent of covered payroll, which amounted to \$44,004.

The significant actuarial assumptions and calculations relating to postemployment health care benefits were based on the PERS of Ohio's latest actuarial review performed as of December 31, 1999. An entry age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability. All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach assets are adjusted annually to reflect 25 percent of unrealized market appreciation or depreciation on investment assets. The investment assumption rate for 1999 was 7.75 percent. An annual increase of 4.75 percent compounded annually is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.75 percent base increase, were assumed to range from 0.54 percent to 5.1 percent. Health care costs were assumed to increase 4.75 percent annually.

WORKFORCE INITIATIVE ASSOCIATION
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(CONTINUED)

NOTE 7: **DEFINED BENEFIT PENSION PLANS** (Continued)

Public Employees Retirement System (Continued)

Benefits are advanced-funded on an actuarially determined basis. The number of active contributing participants was 401,339. The actuarial value of the PERS of Ohio's net assets available for OPEB at December 31, 1999 was \$10,805.5 million. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$12,473.6 million and \$1,668.1 million, respectively.

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

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.

In accordance with GASB Statement No. 16, *Accounting for Compensated Absences*, 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 vacation benefits is \$53,976.

WORKFORCE INITIATIVE ASSOCIATION
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(CONTINUED)

NOTE 9: **CONTINGENT LIABILITIES**

There are a few lawsuits pending in which WIA is involved. WIA estimates that the potential claims against WIA that are not covered by insurance resulting from such litigation would not materially affect the financial statements of WIA.

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.

NOTE 10: **LEASE COMMITMENTS**

Capital: Certain office equipment of \$55,405 and related accumulated amortization of \$45,483 is leased under arrangements which qualify as capital lease.

Operating: Total rent expense was \$115,561 for fiscal year ended June 30, 2001. WIA leases facilities and personal property under certain operating leases in excess of one year.

WORKFORCE INITIATIVE ASSOCIATION
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(CONTINUED)

NOTE 10: **LEASE COMMITMENTS** (Continued)

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

<u>Year Ending June 30</u>	<u>Capital</u>	<u>Operating</u>
2002	\$ 4,013	\$ 33,994
2003	0	18,994
2004	0	12,205
Total Payments	<u>4,013</u>	<u>\$ 65,193</u>
Less: Interest	(45)	
	<u>\$ 3,968</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 2001, WIA contracted with several companies for various types of insurance as follows:

<u>Company</u>	<u>Type of Coverage</u>	<u>Deductible</u>
Cincinnati Insurance Company	Commercial Property	\$ 250
	General Liability	None
	Data Processing Equipment	1,000
	Auto - Collision	500
	- Comprehensive	500
Cincinnati Insurance Company	Officer and Director Liability	2,500
Westfield Companies	Employee Dishonesty - Crime	1,000

WIA pays the State Worker's 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 GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(CONTINUED)

NOTE 12: **GRANT FUNDING**

As of June 30, 2000, the Bureau of Employment Services was terminated and core services were transferred to the Ohio Department of Jobs and Family Services. On July 1, 2000, JTPA participants were transferred and serviced through the Ohio Department of Jobs and Family Services. WIA, as the Regional Council of Governments for Stark and Tuscarawas counties and the City of Canton, is now the grant recipient and custodian of financial information and equipment.

WORKFORCE INITIATIVE ASSOCIATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE PERIOD ENDED JUNE 30, 2001

Federal Grantor/ Pass Through Grantor/ Program Titles	Grant Period	CFDA Number	Expenditures
<u>United States Department of Labor</u>			
Ohio Department of Jobs and Family Services			
<u>JTPA Carryover Funds</u>			
2-1171 Adult	07/01/00-06/30/01	17.250	\$ 207,833
2-1172 Dislocated Workers	07/01/00-06/30/01	17.246	164,205
2-1170 Youth	07/01/00-06/30/01	17.250	68,332
2-1173 Administration	07/01/00-06/30/01	17.250	48,930
Total JTPA Carryover Funds			489,300
 <u>WIA Funds</u>			
2-1130 Adult	07/01/00-06/30/01	17.258	512,135
2-1140 Dislocated Workers	07/01/00-06/30/01	17.260	574,197
Y-00060000 Youth	07/01/00-06/30/01	17.259	263,311
2-1120 Youth	07/01/00-06/30/01	17.259	169,843
2-1100 Admin	07/01/00-06/30/01	17.259	46,332
Total WIA Funds			1,565,818
Total Pass Through Ohio Department of Jobs and Family Services			2,055,118
 TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 2,055,118

Grant Period - Period of Subgrant.

Revenue and Expenditures - Should be reported net of program income.

Unexpended Allocations - Amount left to carry forward to following fiscal year.

WORKFORCE INITIATIVE ASSOCIATION
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2001

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 general purpose 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 accrual basis of accounting and has been reconciled to the program's federal financial reports.

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**INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF GENERAL PURPOSE
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Board of Commissioners
Workforce Initiative Association
Canton, Ohio

We have audited the general purpose financial statements of the Workforce Initiative Association as of and for the period ended June 30, 2001, and have issued our report thereon dated November 2, 2001. 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.

Compliance

As part of obtaining reasonable assurance about whether WIA's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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 that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered WIA's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses.

This report is intended for the information and use of the audit committee, management, others within the organization, the Workforce Investment Board, 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.

November 2, 2001

James G. Zupka
Certified Public Accountant

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

To the Board of Commissioners
Workforce Initiative Association
Canton, Ohio

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 period ended June 30, 2001. WIA'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 WIA's management. Our responsibility is to express an opinion on WIA's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the WIA'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 on WIA's compliance with those requirements.

In our opinion, WIA complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the period ended June 30, 2001.

Internal Control Over Compliance

The management of WIA 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 WIA's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information and use of the audit committee, management, others within the organization, the Workforce Investment Board, 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.

November 2, 2001

James G. Zupka
Certified Public Accountant

WORKFORCE INITIATIVE ASSOCIATION
STATUS OF PRIOR CITATIONS AND RECOMMENDATIONS
JUNE 30, 2001

The prior audit report included no citations or management letter recommendations.

WORKFORCE INITIATIVE ASSOCIATION
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 OMB CIRCULAR A-133 SECTION .505
 JUNE 30, 2001

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

2000(i)	Type of Financial Statement Opinion	Unqualified
2000(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
2000(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
2000(iii)	Was there any reported noncompliance at the financial statement level (GAGAS)?	No
2000(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
2000(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
2000(v)	Type of Major Programs' Compliance Opinion	Unqualified
2000(vi)	Are there any reportable findings under Section 510?	No
2000(vii)	Major Programs (list):	Workforce Investment Act - Adult - CFDA #17.258 Dislocated Workers - CFDA #17.260 Youth - CFDA #17.259
2000(viii)	Dollar Threshold: Type A/B Programs	Type A: \$300,000 Type B: All others less than \$300,000
2000(ix)	Low Risk Auditee?	Yes

WORKFORCE INITIATIVE ASSOCIATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 SECTION .505
JUNE 30, 2001
(CONTINUED)

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
 COMBINING BALANCE SHEET - ALL SPECIAL REVENUE FUNDS
 JUNE 30, 2001

	<u>Admin</u>	<u>Adult</u>	<u>Dislocated Worker</u>	<u>Youth</u>	<u>TANF</u>	<u>PRT</u>	<u>Fire Fund</u>	<u>Total</u>
<u>Assets</u>								
Cash and Cash Equivalents	\$ 50,133	\$ 313,569	\$ 102,341	\$ 180,163	\$(150,063)	\$(165,712)	\$ 25,656	\$ 356,087
Due from Other Governments	210,444	161,229	254,719	364,610	221,015	209,786	0	1,421,803
Total Assets	\$ 260,577	\$ 474,798	\$ 357,060	\$ 544,773	\$ 70,952	\$ 44,074	\$ 25,656	\$ 1,777,890
<u>Liabilities</u>								
Accounts Payable	\$ (2,673)	\$ 43,706	\$ 18,961	\$ 20,576	\$ 0	\$ 0	\$ 0	\$ 80,570
Accrued Wages and Benefits	2,673	11,998	8,233	9,430	17,871	0	0	50,205
Accrued Comp. Absences	53,976	0	0	0	0	0	0	53,976
Deferred Revenue	206,601	419,094	329,866	514,767	53,081	44,074	0	1,567,483
Total Liabilities	260,577	474,798	357,060	544,773	70,952	44,074	0	1,752,234
<u>Fund Equity</u>								
Fund Balance	0	0	0	0	0	0	25,656	25,656
Total Fund Equity	0	0	0	0	0	0	25,656	25,656
Total Liabilities and Fund Equity	\$ 260,577	\$ 474,798	\$ 357,060	\$ 544,773	\$ 70,952	\$ 44,074	\$ 25,656	\$ 1,777,890

WORKFORCE INITIATIVE ASSOCIATION
COMBINING STATEMENT OF REVENUES AND EXPENDITURES
AND CHANGES IN FUND BALANCES - ALL SPECIAL REVENUE FUNDS
JUNE 30, 2001

	Admin	Adult	Dislocated Worker	Youth	TANF	PRT	Fire Fund	Total
Revenues								
Intergovernmental	\$ 95,262	\$ 719,968	\$ 738,402	\$ 501,486	\$ 0	\$ 0	\$ 0	\$2,055,118
PRT Income	0	0	0	0	0	596,426	0	596,426
TANF Income	0	0	0	0	1,518,625	0	0	1,518,625
Total Revenues	\$ 95,262	\$ 719,968	\$ 738,402	\$ 501,486	\$1,518,625	\$ 596,426	\$ 0	\$4,170,169
Expenditures								
Workforce Investment Act:								
Administration	\$ 95,262	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 95,262
Program Costs	0	719,968	738,402	501,486	0	0	0	1,959,856
PRT Expenses	0	0	0	0	0	596,426	0	596,426
TANF Expenses	0	0	0	0	1,518,625	0	0	1,518,625
Office Supplies	0	0	0	0	0	0	2,878	2,878
Total Expenditures	95,262	719,968	738,402	501,486	1,518,625	596,426	2,878	4,173,047
Excess (Deficiency) of								
Revenues over Expenditures	0	0	0	0	0	0	(2,878)	(2,878)
Fund Balance at Beginning of Year	0	0	0	0	0	0	28,534	28,534
Fund Balance at End of Year	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 25,656	\$ 25,656

WORKFORCE INITIATIVE ASSOCIATION
SCHEDULE OF STAND-IN COSTS
FOR THE PERIOD ENDING JUNE 30, 2001

There were no stand-in costs for the period ending June 30, 2001.



STATE OF OHIO
OFFICE OF THE AUDITOR

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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
JANUARY 22, 2002**