



**AREA 10 WORKFORCE INVESTMENT BOARD
RICHLAND COUNTY**

SINGLE AUDIT

FOR THE FISCAL YEAR ENDED JUNE 30, 2006



**Auditor of State
Betty Montgomery**

**AREA 10 WORKFORCE INVESTMENT BOARD
RICHLAND COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Area 10 Workforce Investment Board
Richland County
171 Park Avenue East
Mansfield, Ohio 44901

To the Workforce Investment Board:

We have audited the accompanying financial statements of the governmental activities and the major fund of the Area 10 Workforce Investment Board, Richland County, Ohio, (the Board) as of and for the fiscal year ended June 30, 2006, which collectively comprise the Board's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Board's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Board as of June 30, 2006, and the respective changes in financial position thereof and the budgetary comparison for the general fund 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 November 9, 2006, on our consideration of the Board'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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to opine on the financial statements that collectively comprise the Board's basic financial statements. The Federal Awards Expenditures Schedule presents additional information and is 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. We subjected this schedule to the auditing procedures applied in our audit of the Board's financial statements. In our opinion, this information is fairly stated in all material respects in relation to the financial statements taken as a whole.



Betty Montgomery
Auditor of State

November 9, 2006

**AREA 10 WORKFORCE INVESTMENT BOARD
RICHLAND COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2006
UNAUDITED

This discussion and analysis of the Area 10 Workforce Investment Board's (the Board) financial performance provides an overall review of the Board's financial activities for the year ended June 30, 2006. The intent of this discussion and analysis is to look at the Board's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the Board's financial performance.

Highlights

Key Highlights for 2006 are as follows:

- The Board as of July 1, 2005, had a carry-forward grant allocation of \$1,551,789 from the Ohio Department of Job and Family Services, as follows:

WIA Administration	\$ 38,303
WIA Adult	141,735
WIA Dislocated Worker	201,351
WIA Youth	430,800
WIA Rapid Response	124,600
WIA National Emergency Grant – OH 14	<u>615,000</u>
Total Carry-Forward	<u>\$1,551,789</u>

- The Board's receipts are solely from support from Federal and State government agencies. The Federal receipts are designated for employment and training related activities.
- The Board's total grant allocations, including the carry-forward of \$1,551,789 during the program year, were \$5,622,925.

Using the Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Board's basis of accounting.

Report Components

The Statement of Net Assets and the Statement of Activities provides information about the activities of the Board.

These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid. These two statements report the Board's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the Board as a whole, the financial position of the Board has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include current laws in Ohio restricting revenue growth, and other factors.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Board, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the activities of the Board are recorded in a governmental fund. Fund financial reports provide detailed information about the Board's major fund. The Board uses one fund to account for a multitude of financial transactions. The Board's major governmental fund is the general fund.

**AREA 10 WORKFORCE INVESTMENT BOARD
RICHLAND COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2006
UNAUDITED

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The notes to the basic financial statements are an integral part of the financial statements and provide expanded explanation and detail regarding the information reported in the statements.

The Board as a Whole

Table 1 provides a summary of the Board's net assets for 2006 compared to 2005:

(Table 1)		
Net Assets		
	2006	2005
Assets		
Current and Other Assets	<u>\$923,995</u>	<u>\$484,584</u>
Liabilities		
Other Liabilities	<u>\$923,995</u>	<u>\$484,584</u>
Net Assets:		
Unrestricted	<u>\$ 0</u>	<u>\$ 0</u>
Total Net Assets:	<u>\$ 0</u>	<u>\$ 0</u>

Table 2 reflects the change in net assets during 2006 compared to 2005:

(Table 2)		
Change in Net Assets		
	2006	2005
Expenses		
Workforce Development:		
Adult	\$768,336	\$804,253
Dislocated Worker	724,500	524,953
Youth	703,561	878,342
Reed Act		267,519
Special Project Allocation	829,150	
National Emergency Grant – OH 14	615,000	
National Emergency Grant – OH 15 - BRAC	24,233	
Rapid Response Grant	113,742	
Administration	<u>165,272</u>	<u>53,879</u>
Total Expenses	<u>\$3,943,794</u>	<u>\$2,528,946</u>

**AREA 10 WORKFORCE INVESTMENT BOARD
RICHLAND COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2006
UNAUDITED

Program Revenues

Operating Grants:		
Adult	\$677,601	\$713,196
Dislocated Worker	639,605	541,532
Youth	879,823	976,380
Reed Act	111,574	215,336
Special Project Allocation	746,859	
National Emergency Grant – OH 14	615,000	
National Emergency Grant – OH 15 - BRAC	40,000	
Rapid Response Grant	92,746	
Administration	<u>140,586</u>	<u>82,502</u>
Total Program Revenues	3,943,794	2,528,946
Change in Net Assets	<u>0</u>	<u>0</u>
Net Assets, Beginning of Year	<u>0</u>	<u>0</u>
Net Assets, End of Year	<u><u>\$0</u></u>	<u><u>\$0</u></u>

Federal and State grants represent 100% of total revenues.

Administration revenues represent less than 10% of the total allocation and are primarily comprised of federal grant revenue.

Revenues and expenses for the year were largely for direct services by member counties for training, supportive, and employment related activities for both job seekers and employers within and outside of Area 10.

Financial Analysis of the Board's Funds

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

Governmental Funds. The focus of the Board's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Board's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a Board's net resources available for spending at the end of the year.

As of the end of the current year, the Board's governmental funds reported an ending fund balance of (\$923,995), which is all reported in the General Fund and reflects the deficiency of receipts under expenditures for the year.

Budgeting Highlights

The Board's budget is reflected in the Statement of Receipts, Disbursements, and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances.

During 2006, the Board amended its budget several times to reflect changing circumstances. The budgeted receipts and disbursements are prepared on a multi-year program basis. Final budgeted receipts were in excess of final actual receipts due to this basis.

**AREA 10 WORKFORCE INVESTMENT BOARD
RICHLAND COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2006
*UNAUDITED***

Final disbursements were budgeted at \$5,622,925 while actual disbursements were \$3,606,106. Actual receipts were exceeded by actual disbursements. The result is the decrease in fund balance of \$101,723 for 2006.

Capital Assets

The Board does not own any capital assets. Any capital assets are owned by Richland County.

Debt

The Board has no debt obligations.

Contractual Obligations

On November 16, 2004, the Board entered into a Memorandum of Understanding with Richland County to provide services as fiscal agent. The Richland County Auditor and Treasurer provide financial processing and accountability services for Area 10.

On May 17, 2005, the Board entered into a contract with Mid-Ohio Educational Service Center, effective from July 1, 2005 through June 30, 2007, to provide youth services.

Contacting the Board's Financial Management

This financial report is designed to provide a general overview of the Board's finances for all those with an interest in the Board's activities. Questions concerning any of the information in this report or requests for additional information should be directed to Carmen Jones, Business Administrator, Richland County Department of Job and Services, 171 Park Avenue East, Mansfield, Ohio 44901.

**AREA 10 WORKFORCE INVESTMENT BOARD
RICHLAND COUNTY**

**STATEMENT OF NET ASSETS
June 30, 2006**

Assets	
Intergovernmental Receivable	<u>\$923,995</u>
Liabilities	
Accounts Payable	659,174
Fiscal Agent Payable	<u>264,821</u>
Total Liabilities	<u>923,995</u>
Net Assets	
Unrestricted	<u>0</u>
Total Net Assets	<u><u>\$0</u></u>

See accompanying notes to the basic financial statements.

**AREA 10 WORKFORCE INVESTMENT BOARD
RICHLAND COUNTY**

**STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

Expenses:

Workforce development:

Adult	\$768,336
Dislocated Worker	724,500
Youth	703,561
Special Project Allocation	829,150
National Emergency Grant – OH 14	615,000
National Emergency Grant – OH 15 - BRAC	24,233
Rapid Response Grant	113,742
Administration	165,272
Total program expenses	<u>3,943,794</u>

Program revenue:

Operating grants:

Adult	677,601
Dislocated Worker	639,605
Youth	879,823
Reed Act	111,574
Special Project Allocation	746,859
National Emergency Grant – OH 14	615,000
National Emergency Grant – OH 15 - BRAC	40,000
Rapid Response Grant	92,746
Administration	140,586
Total program revenues	<u>3,943,794</u>

Change in Net Assets	0
Net Assets -- July 1, 2005	<u>0</u>
Net Assets -- June 30, 2006	<u><u>\$0</u></u>

See accompanying notes to the basic financial statements.

**AREA 10 WORKFORCE INVESTMENT BOARD
RICHLAND COUNTY**

**GENERAL FUND
BALANCE SHEET
June 30, 2006**

Assets	
Intergovernmental Receivable	<u>\$923,995</u>
Liabilities and Fund Balances	
Liabilities	
Accounts Payable	659,174
Fiscal Agent Payable	264,821
Deferred Revenue	<u>923,995</u>
Total Liabilities	<u>1,847,990</u>
Fund Balances	
Unreserved, Undesignated (Deficit), Reported in:	
General Fund	<u>(923,995)</u>
Total Liabilities and Fund Deficit	<u><u>\$923,995</u></u>

See accompanying notes to the basic financial statements.

**AREA 10 WORKFORCE INVESTMENT BOARD
RICHLAND COUNTY**

**Reconciliation of Governmental Fund Balance to
Net Assets of Governmental Activities**

Total General Fund Deficit	(\$923,995)
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*Amounts reported for governmental activities in
the statement of net assets are different
because:*

Some revenues in the governmental funds are
deferred because they are not collected within
the available period.

Deferred Revenue	<u>923,995</u>
Net Assets of Governmental Activities	<u><u>\$0</u></u>

See accompanying notes to the basic financial statements.

**AREA 10 WORKFORCE INVESTMENT BOARD
RICHLAND COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN GENERAL FUND BALANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

Revenues:

Operating grants:	
Adult	\$570,825
Dislocated Worker	905,255
Youth	494,816
Reed Act	188,568
Special Project Allocation	538,555
National Emergency Grant – OH 14	615,000
National Emergency Grant – OH 15 - BRAC	40,000
Rapid Response Grant	39,600
Administration	111,764
Total Revenues	<u>3,504,383</u>

Expenditures:

Workforce development:	
Adult	\$768,336
Dislocated Worker	724,500
Youth	703,561
Special Project Allocation	829,150
National Emergency Grant – OH 14	615,000
National Emergency Grant – OH 15 - BRAC	24,233
Rapid Response Grant	113,742
Administration	165,272
Total Expenditures	<u>3,943,794</u>

Net Change in Fund Balance (439,411)

Fund Balance, July 1, 2005 (484,584)

Fund Deficit, June 30, 2006 (\$923,995)

See accompanying notes to the basic financial statements.

**AREA 10 WORKFORCE INVESTMENT BOARD
RICHLAND COUNTY**

**Reconciliation of the Statement of Revenues,
Expenditures and Changes in Fund Balance of the
Governmental Fund to the Statement of Activities**

Net Change in Fund Balance - Governmental Fund (\$439,411)

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

Revenues in the statement of revenues, expenditures and
changes in fund balance from prior year accruals are not
reported as revenue in the statement of activities.

Intergovernmental Revenue (484,584)

Revenues in the statement of activities that do not provide
current financial resources are not reported as revenues
in the funds.

Intergovernmental Revenue 923,995

Change in Net Assets of Governmental Activities \$0

See accompanying notes to the basic financial statements.

**AREA 10 WORKFORCE INVESTMENT BOARD
RICHLAND COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
GENERAL FUND BALANCE - BUDGET (NON-GAAP BASIS) AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Operating grants:				
Adult	\$744,613	\$793,553	\$573,491	(\$220,062)
Dislocated Worker	813,949	765,010	500,335	(264,675)
Youth	1,098,521	1,107,234	909,095	(198,139)
Reed Act	1,800,000	1,800,000	538,555	(1,261,445)
Special Project Allocation	615,000	615,000	615,000	0
National Emergency Grant – OH 14	150,000	150,000	40,000	(110,000)
National Emergency Grant – OH 15 - BRAC	124,600	124,600	39,600	(85,000)
Rapid Response Grant	19,011	19,011	189,041	170,030
Administration	248,517	248,517	99,266	(149,251)
Total Revenues	<u>5,614,211</u>	<u>5,622,925</u>	<u>3,504,383</u>	<u>(2,118,542)</u>
Expenditures:				
Workforce development:				
Adult	\$744,613	\$793,553	761,595	31,958
Dislocated Worker	813,949	765,010	671,853	93,157
Youth	1,098,521	1,107,234	695,832	411,402
Reed Act	1,800,000	1,800,000	557,582	1,242,418
Special Project Allocation	615,000	615,000	513,852	101,148
National Emergency Grant – OH 14	150,000	150,000	24,234	125,766
National Emergency Grant – OH 15 - BRAC	124,600	124,600	110,680	13,920
Rapid Response Grant	19,011	19,011	120,501	(101,490)
Administration	248,517	248,517	149,977	98,540
Total Expenditures	<u>5,614,211</u>	<u>5,622,925</u>	<u>3,606,106</u>	<u>2,016,819</u>
Net Change in Fund Balance	0	0	(101,723)	(101,723)
Fund Deficit, July 1, 2005	<u>(163,098)</u>	<u>(163,098)</u>	<u>(163,098)</u>	<u>0</u>
Fund Deficit, June 30, 2006	<u>(\$163,098)</u>	<u>(\$163,098)</u>	<u>(\$264,821)</u>	<u>(\$101,723)</u>

See accompanying notes to the basic financial statements.

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**AREA 10 WORKFORCE INVESTMENT BOARD
RICHLAND COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006**

1. DESCRIPTION OF AREA 10 AND THE REPORTING ENTITY

A. Description of the Entity

The Workforce Investment Act (WIA) is a federally funded program that provides employment and job training services to eligible adults, dislocated workers and youth. The United States Department of Labor (DOL) is the federal agency responsible for the program. The Ohio Department of Job and Family Services (ODJFS) is the oversight agency for the State of Ohio.

Area 10 Workforce Investment Board (the Board) is designated as a local Workforce Investment Area under WIA 116 and its geopolitical span includes Richland and Crawford counties. The grant recipient is a consortium of elected officials from the counties within the local area. The functions of the consortium are carried out by a Board of Governors, which consists of the Chief Elected Official (CEO) of each participating sub area.

In accordance with WIA 117, the consortium established a local Workforce Investment Board (WIB) to set policy for the local workforce investment system. The local board has no employees. The Executive Director and business administrator perform administrative functions for the board and are employees of Richland County Department of Job and Family Services.

The grant recipient designated the Richland County as the fiscal agent for the local area. The County Auditor has the responsibility to disburse funds for the local area at the direction of the local board. Funds flow from the State to the board and are passed onto the individual counties based on allocations established by the state. The individual counties have responsibility for the administration of the adult and dislocated worker programs for their respective county. The Board has responsibility for the administration of the youth programs and unemployment insurance programs in Area 10.

B. Reporting Entity

A reporting entity is comprised of the primary government, component units and other organizations included ensuring that the basic financial statements are not misleading. The primary government of the Board consists of the general fund, departments, and boards that are not legally separate from the Board. The Board's financial statements include Adult, Dislocated Worker, Youth, Reed Act, Special Projects Allocation, National Emergency Grant, Base Realignment Commission Grant, Rapid Response Grant and Administrative programs.

Component units are legally separate organizations for which the Board is financially accountable. The Board is financially accountable for an organization if the Board appoints a voting majority of the organization's governing board and (1) the Board is able to significantly influence the programs or services performed or provided by the organization; or (2) the Board is legally entitled to or can otherwise access the organization's resources; the Board is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Board is obligated for the debt of the organization. The Board is also financially accountable for any organizations that are fiscally dependent on the Board in that the Board approves the budget, the issuance of debt, or the levying of taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the Board, are accessible to the Board and are significant in amount to the Board. The Board has no component units.

The Board's management believes these financial statements present all activities for which the Board is financially accountable.

**AREA 10 WORKFORCE INVESTMENT BOARD
RICHLAND COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Board 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 and financial reporting principles. The Board applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental activities unless those pronouncements conflict with or contradict GASB pronouncements. The most significant of the Board's accounting policies are described below.

A. Basis of Presentation

The Board's basic 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 the Board as a whole. These statements include the financial activities of the Board.

The statement of net assets presents the financial condition of the governmental activities of the Board at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Board's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include grants that are restricted to meeting the operational requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the Board, with certain limited exceptions. However, the Board had no general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental program is self-financing.

Fund Financial Statements During the year, all transactions related to the Board functions or activities are reported in the general fund in order to aid financial management and to demonstrate legal compliance. The focus of governmental fund financial statements is on major funds. The general fund is a major fund and is presented in a separate column. There are no other major or non-major funds.

B. Fund Accounting

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

Governmental Funds Governmental funds are those through which most governmental functions of the Board typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. The general fund is the Board's only fund:

General Fund - The general fund accounts for all financial resources of the Board. The general fund balance is available for any purpose in accordance with Ohio law.

**AREA 10 WORKFORCE INVESTMENT BOARD
RICHLAND COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 the Board are included on the statement of net assets. The statement of activities presents increases (i.e., revenues) and decreases (i.e., expenses) in total 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 current 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 reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

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 - Nonexchange Transactions Nonexchange transactions, in which the Board receives value without directly giving equal value in return, include grants. On an accrual basis, revenue from grants is recognized in the 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 year when use is first permitted, matching requirements, in which the Board must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Board on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized. Available means that the resources will be collected within the current year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. For the Board, available means expected to be received within thirty days of year-end. Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: Federal and State grants and subsidies.

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 within the available period have also been reported as deferred revenue.

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 and amortization, are not recognized in governmental funds.

**AREA 10 WORKFORCE INVESTMENT BOARD
RICHLAND COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting (Continued)

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, as applicable to the Board's basis of accounting.

E. Cash

The Richland County Treasurer is the custodian for the Board's cash. The Board's assets are held in Richland County's cash and investment pool, and are valued at the County Treasurer's reported carrying amount.

F. Budgetary Process

Richland County (the fiscal agent) requires the Board to budget all funds. The major documents prepared are the budget based on the WIA grant allocation. The budgetary basis reports expenditures when a commitment is made (i.e., when an encumbrance is approved). The WIA grant allocation establishes a limit on the amounts the Board may budget. The budget is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control the Board selects. The Board uses the fund, function, object level as its legal level of control. Individual grants are limited to their approved budget. The Board must approve an increase or decrease.

The amounts reported as the original budget in the budgetary statements reflect the amounts in the WIA grant allocation when the Board adopted the original budget. The amounts reported as the final budget in the budgetary statements reflect the amounts in the WIA grant allocation in effect at the time of the final budget.

The Board may amend the budget throughout the year with the restriction that the budget may not exceed WIA grant allocations. The amounts reported as the original budget reflect the first budget for a fund covering the entire fiscal year. The amounts reported as the final budget represent the final budget the Board passed during the year.

Budget versus actual statements for the General Fund are part of the financial statements.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2006, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expense in the year in which services are consumed.

**AREA 10 WORKFORCE INVESTMENT BOARD
RICHLAND COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Net Assets

Net assets represent the difference between assets and liabilities. Net assets are reported as restricted when there are limitations imposed on their use either through constitutional provisions or enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The government-wide statement of net assets reports \$0 of restricted net assets.

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

I. Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

3. CASH AND DEPOSITS

The Richland County Treasurer maintains a cash pool used by all of the County's funds, including those of the Board. The Ohio Revised Code prescribes allowable deposits and investments. At year-end, the carrying amount of the Board's deposits with the Richland County Treasurer was a negative \$264,821 and reflected as Fiscal Agent payable on the financial statements. The Richland County Treasurer is responsible for maintaining adequate depositor collateral for all funds in the County's pooled cash and deposit accounts.

4. RISK MANAGEMENT

For the fiscal year ended June 30, 2006 the Board did not have Commercial Insurance coverage. The Board was covered by the fiscal agent's insurance policies.

5. CONTRACTED SERVICES

The Board does not have any employees. They contract for accounting, administrative, use of facility and management services from other governmental agencies.

6. CONTRACTUAL OBLIGATIONS

On November 16, 2004, the Board entered into a Memorandum of Understanding with Richland County to provide services as fiscal agent. The Richland County Auditor and Treasurer provide financial processing and accountability services for Area 10.

On May 17, 2005, the Board entered into a contract with Mid-Ohio Educational Service Center, effective from July 1, 2005 through June 30, 2007, to provide youth services.

**AREA 10 WORKFORCE INVESTMENT BOARD
RICHLAND COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006
(Continued)**

7. CONTINGENCIES

A. Litigation

The Board is a party to litigation concerning the awarding of a service contract. There is no specific demand for monetary relief or attorney fees.

B. Grants

The Board receives financial assistance from Federal and State agencies in the form of grants. Disbursing grant funds generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit. Any disallowed claims resulting from such audits could become a liability. However, in the opinion of management, any such disallowed claims through June 30, 2006 will not have a material adverse effect on the Board.

8. SUBSEQUENT EVENT

On October 3, 2005, the Richland County Court of Common Pleas ruled in favor of the District in the litigation noted above. An appeal was filed on October 31, 2005 with the Fifth Appellate District court who affirmed the original judgment of the Court of Common Pleas in favor of the District on September 11, 2006.

**AREA 10 WORKFORCE INVESTMENT BOARD
RICHLAND COUNTY**

**FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

Federal Grantor/ Pass Through Grantor/ Program Title	Federal CFDA Number	Pass Through Entity Number	Federal Expenditures
<u>U.S. Department of Labor</u>			
<i>Passed through the Ohio Department of Jobs and Family Services:</i>			
WIA Cluster:			
WIA Adult Program	17.258	N/A	\$768,336
WIA Adult Program - Special Project Allocation - Training Workers in Advance			
Manufacturing Pilot Project		N/A	276,383
WIA Adult Program/Administration		N/A	45,696
Total WIA Adult Program Activities			<u>1,090,415</u>
WIA Youth Activities	17.259	N/A	703,561
WIA Youth Program - Special Project Allocation - Training Workers in Advance			
Manufacturing Pilot Project		N/A	276,383
WIA Youth Activities/Administration		N/A	42,863
Total WIA Youth Activities			<u>1,022,807</u>
WIA Dislocated Workers	17.260	N/A	724,500
WIA Dislocated Workers Program - Special Project Allocation - Training Workers in Advance			
Manufacturing Pilot Project		N/A	276,383
WIA Dislocated Workers - National Emergency Grant - OH 14 - Flooding Phase 2 Allocation		N/A	615,000
WIA Dislocated Workers - National Emergency Grant - OH 15 - BRAC		N/A	24,233
WIA Dislocated Workers - Rapid Response		N/A	113,742
WIA Dislocated Workers/Administration		N/A	76,714
Total WIA Dislocated Workers			<u>1,830,572</u>
Total U.S. Department of Labor - WIA Cluster			<u><u>\$3,943,794</u></u>

The accompanying notes to this schedule are an integral part of this schedule.

**AREA 10 WORKFORCE INVESTMENT BOARD
RICHLAND COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2006**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Expenditures Schedule (the Schedule) summarizes activity of the Board's federal award programs. The Schedule has been prepared on the accrual basis of accounting.

NOTE B - SUBRECIPIENTS

The Board passes-through certain Federal assistance received from Ohio Department of Job and Family Services to other governments. As described in Note A, the Board records expenditures of Federal awards to subrecipients when requested on the accrual basis of accounting.

The subrecipient agencies have certain compliance responsibilities related to administering these Federal Programs. Under Federal Circular A-133, the Board is responsible for monitoring subrecipients to help assure that Federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements, and that performance goals are achieved.



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Area 10 Workforce Investment Board
Richland County
171 Park Avenue East
Mansfield, Ohio 44901

To the Workforce Investment Board:

We have audited the financial statements of the governmental activities and the major fund of the Area 10 Workforce Investment Board, Richland County, Ohio, (the Board) as of and for the fiscal year ended June 30, 2006, and have issued our report thereon dated November 9, 2006. 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Board's internal control over financial reporting to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Board's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect 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 an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Area 10 Workforce Investment Board
Richland County
Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
Page 2

We intend this report solely for the information and use of management, the Workforce Investment Board, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

November 9, 2006



Auditor of State Betty Montgomery

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

Area 10 Workforce Investment Board
Richland County
171 Park Avenue East
Mansfield, Ohio 44901

To the Workforce Investment Board:

Compliance

We have audited the compliance of the Area 10 Workforce Investment Board, Richland County, Ohio, (the Board) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement that apply to its major federal program for the fiscal year ended June 30, 2006. The summary of auditor's results section of the accompanying Schedule of Findings identifies the Board's major federal program. The Board's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the Board'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 reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the Board's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Board's compliance with those requirements.

In our opinion, the Board complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended June 30, 2006.

Internal Control Over Compliance

The Board's management 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 Board's internal control over compliance with requirements that could directly and materially affect a major federal program 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 reportable 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 caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

We intend this report solely for the information and use of management, the Workforce Investment Board, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

November 9, 2006

**AREA 10 WORKFORCE INVESTMENT BOARD
RICHLAND COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
FOR THE YEAR ENDED JUNE 30, 2006**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	CFDA's # 17.258, 17.259 and 17.260: WIA Cluster
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: All others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

**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



**Auditor of State
Betty Montgomery**

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AREA 10 WORKFORCE INVESTMENT BOARD

RICHLAND 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
DECEMBER 12, 2006**