

WORKFORCE INITIATIVE ASSOCIATION

AUDIT REPORT

FOR THE YEAR ENDED JUNE 30, 2005



**Auditor of State
Betty Montgomery**

Board of Commissioners
Workforce Initiative Association
Canton, Ohio

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, 2004 through June 30, 2005. 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.

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

April 27, 2006

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**WORKFORCE INITIATIVE ASSOCIATION
AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2005**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Workforce Initiative Association
Canton, Ohio

We have audited the accompanying financial statements of the governmental activities and the major fund of the Workforce Initiative Association, Canton, Ohio, as of and for the year ended June 30, 2005, which collectively comprise the Workforce Initiative Association's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Workforce Initiative Association's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Workforce Initiative Association as of June 30, 2005, and the respective changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 11, 2006, on our consideration of the Workforce Initiative Association's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Workforce Initiative Association's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

James G. Zupka
Certified Public Accountant

January 11, 2006

**WORKFORCE INITIATIVE ASSOCIATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
Unaudited**

The discussion and analysis of the Workforce Initiative Association's (WIA) financial performance provides an overall review of the Organization's financial activities for the fiscal year ended June 30, 2005. The intent of this discussion and analysis is to look at the Organization's financial performance as a whole; readers are encouraged to consider the information presented here in conjunction with the additional information contained in the financial statements and the notes thereof.

FINANCIAL HIGHLIGHTS

Key financial highlights for the year ended June 30, 2005 are as follows:

- The assets of the Organization exceeded its liabilities by \$64,575, an increase of 3,581.58 percent from the prior year.
- The total net assets increased by \$62,821 primarily due to fixed asset additions.
- Invested in capital assets also increased by \$61,509, due to fixed asset additions.
- All financial results were within acceptable standards.

USING THIS ANNUAL REPORT

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

Government-Wide Statements

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

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

**WORKFORCE INITIATIVE ASSOCIATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
Unaudited**

Fund Financial Statements

The fund financial statements are used to report additional and detailed information about the Organization. These statements focus on the major fund of the Organization. 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 Workforce Initiative Association, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The only governmental fund of the Workforce Initiative Association is a special revenue fund.

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

Notes to the Financial Statements

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

THE ORGANIZATION AS A WHOLE

Government-Wide Financial Analysis

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

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

**WORKFORCE INITIATIVE ASSOCIATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
Unaudited**

Table 1-Net Assets

	June 30, 2005	June 30, 2004
Assets		
Current and Other Assets	\$ 1,943,274	\$ 1,433,375
Capital Assets, Net	111,078	49,569
Total Assets	<u>\$ 2,054,352</u>	<u>\$1,482,944</u>
Liabilities		
Current and Other Liabilities	\$ 1,989,777	\$1,481,190
Total Liabilities	<u>\$ 1,989,777</u>	<u>\$1,481,190</u>
Net Assets		
Invested in Capital Assets	\$ 111,078	\$ 49,569
Unrestricted	(46,503)	(47,815)
Total Net Assets	<u>\$ 64,575</u>	<u>\$ 1,754</u>

When compared to last year, WIA's total net assets increased from \$1,754 to \$64,575 at the end of the current period. This difference is primarily due to fixed asset additions.

The increased fluctuation in grant funding was due to the additional funds received in regards to the Reed Act, Technical Assistance, Third Frontier Internship, and Business Services grants. The intergovernmental receivable was \$597,545 higher as of June 30, 2005, because of the undrawn balance in the Dislocated Workers Account.

Deferred revenue increased by \$541,995 primarily due to the increased carry-over funds for Dislocated Workers of \$290,167 and Youth of \$176,708.

Table 2-Changes in Net Assets

	June 30, 2005	June 30, 2004
Revenues		
Program Revenues:		
Operating Grants and Contributions	\$ 4,632,628	\$ 3,786,755
Investment Earnings	242	4,806
Other Revenue	13,071	0
Total Revenues	<u>4,645,941</u>	<u>3,791,561</u>
Program Expenses		
Administration	346,581	267,837
Adult	879,417	914,161
Dislocated Workers	917,022	434,010
Rapid Response	492,338	1,040,755
Youth	673,986	1,115,796
RAG Reed	225,571	0
TAG	10,000	0
One Stop	361,542	0
Third Frontier	157,443	0
Business Services	416,660	0
Payroll Benefits	7,568	63,246
In-Kind	86,612	0
Other	8,380	29,434
Total Program Expenses	<u>4,583,120</u>	<u>3,865,239</u>
Increase (Decrease) in Net Assets	<u>\$ 62,821</u>	<u>\$ (73,678)</u>

**WORKFORCE INITIATIVE ASSOCIATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
Unaudited**

Revenues exceeded expenses for the period due to the fixed asset additions acquired during the program year. The fixed asset increase was \$61,509. This increase was offset in the amount of \$12,001 which was the inclusion of payroll benefit expenses in the amount of \$7,568, and items listed under Other Expenses and Revenues totaling \$4,433, as required under GASB Statement No. 34. The net increase of revenues over expenditures in governmental activities was \$49,508. In addition, an increase in net assets of \$13,313 under general revenues resulted in a year-end change in net assets totaling \$62,821. The final balance at year-end for net assets is \$64,575, which includes the balance of net assets in the beginning of the year in the amount of \$1,754.

It should be noted that the credit \$(46,503) on the Balance Sheet - Governmental Fund is a result of the inclusion of payroll benefits that is required under GASB Statement No. 34. WIA's vacation leave is credited to employees at the beginning of each calendar year. Organizational policy requires this leave to be used by December 31st and does not permit carry-over into the next year. Furthermore, employees only have the option of cashing out unused vacation in the event employment is terminated. At fiscal year-end, the outstanding value of unused vacation leave was \$70,814. While GASB Statement No. 34 requires this amount to be shown as a liability for this period, only in the event an employee terminates employment would their portion of these expenses ever materialize as cash expenditures. The unreserved fund balance without the inclusion of payroll benefits would show a year-end balance of \$24,311.

Adult, Dislocated Worker, and Youth allocations increased from \$2,704,925 in program year 2003 to \$3,360,942 in program year 2004, a difference of approximately \$656,000. This accounts for the increase in administrative funds which are 10 percent of the Adult, Dislocated Worker, and Youth allocations. Also, additional grants were received (as detailed below) during the current program year and the ratified agreement for the One-Stop operations became effective.

Specifically, Adult funds remained constant. There was a significant increase in Dislocated Worker funds of approximately \$583,000. This accounts for the difference in Dislocated Worker program expenses between the 2 years. Youth funding in total remained constant. The expenditures for Youth had a significant decrease in the current year due to the following factors: there were 9 contracts with agency subcontractors in program year 2003 versus 5 contracts in program year 2004, participant levels in the contracts dropped from 245 to 190, budgeted subcontract staff costs dropped from \$462,144 to \$255,798, and budgeted participant wages/stipends decreased from \$329,677 to \$220,988. Finally, less staff charges were incurred due to the reduction of contracts.

Rapid Response funding decreased from \$1,040,000 to \$500,000. This was due to the increase in Dislocated Workers funding. Additional Rapid Response funds were not requested due to the significant increase in Dislocated Workers funding.

The Reed Act, Technical Assistance Grant, Business Service Grant, and Third Frontier Internship Grant were special grants that were received during the current program year.

**WORKFORCE INITIATIVE ASSOCIATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
Unaudited**

The One-Stop funds became effective per the Organization's Memorandum of Understanding agreement between the One-Stop partners effective July 1st of 2004. The difference for In-Kind program expense was again a result of the start of the One-Stop operations.

Payroll vacation expense decreased from \$63,246 to \$7,568. This was due to the first year implementation of GASB Statement No. 34 in which the total accrued compensated balance for payroll remaining to be paid from July 1 2004 through December 31, 2004 had to be recognized in the initial year ending June 30, 2004. The current year vacation compensated balance for the period July 1, 2005 through December 31, 2005 was \$70,814. Only \$7,568 may be recognized since \$63,246 was recognized in the initial year.

Other expense was higher in the previous year due to the Pilot Program expense of \$20,256, which was incurred for the initial conversion of WIA files from the Quik-Link system to the state driven SCOTI system.

THE ORGANIZATION'S FUNDS

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

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

As of the end of the current fiscal year, the Organization's governmental fund reported an ending fund balance of \$(46,503). As WIA only has one governmental fund, the analysis from a fund perspective is similar to the analysis already presented on a government-wide basis, exclusive of generally accepted accounting differences between the two sets of statements which are highlighted in the reconciliation statements and notes to the financial statements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

SPECIAL REVENUE FUND BUDGETARY HIGHLIGHTS

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

**WORKFORCE INITIATIVE ASSOCIATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
Unaudited**

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

Actual revenues and expenses for program year 2004 were within budgeted levels. Revenue and expense levels showed an increase mainly due to the additional funds received for Dislocated Worker and the following new grants: the Reed Act, Technical Assistance Grant, Business Service Grant, and Third Frontier Internship Grant, which were special grants that were received during the current program year. Health care insurance coverage remained fairly constant due to the measures the Organization implemented the previous year eliminating co-insurance and deductible reimbursements to staff employees. The Organization again experienced an increase in the cost of health premiums, but this was offset due to employee terminations.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2005, the Organization had \$111,078 invested in capital assets as reflected in the following table, which represents a net increase of \$61,509 from the previous period.

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

	June 30, 2005	June 30, 2004
Equipment and Furniture	\$ 111,078	\$ 49,569
Total Capital Assets	<u>\$ 111,078</u>	<u>\$ 49,569</u>

See Note 6 for additional information on capital assets.

Debt

The Workforce Initiative Association has no debt for the year ended June 30, 2005.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

Significant economic factors affecting the Organization are as follows:

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

**WORKFORCE INITIATIVE ASSOCIATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
Unaudited**

WIA's program allocations are calculated by Ohio Department of Job & Family Services (ODJFS) based on a formula specified in the Workforce Investment Act. This formula considers various economic factors including income levels and unemployment rates. During the period of this report, Stark and Tuscarawas Counties saw unusually high levels of unemployment as a result of large worker dislocations from company shutdowns, particularly in traditional manufacturing sectors. Funding allocations for fiscal year 2006 for Adult, Youth, and Dislocated Worker have increased an average of \$220,000.

CONTACTING THE ORGANIZATION'S FINANCIAL MANAGEMENT

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

**WORKFORCE INITIATIVE ASSOCIATION
STATEMENT OF NET ASSETS
AS OF JUNE 30, 2005**

<u>ASSETS</u>	Governmental <u>Activities</u>
Equity in Pooled Cash and Cash Equivalents	\$ 180,701
Accounts Receivable	2,798
Intergovernmental Receivable	1,743,812
Prepaid Expenses	15,963
Depreciable Capital Assets, Net	<u>111,078</u>
TOTAL ASSETS	<u>\$ 2,054,352</u>
<u>LIABILITIES</u>	
Accounts Payable	\$ 38,623
Accrued Wages and Benefits	61,388
Accrued Compensated Absences	70,814
Deferred Revenue	<u>1,818,952</u>
TOTAL LIABILITIES	<u>1,989,777</u>
<u>NET ASSETS</u>	
Invested in Capital Assets	111,078
Unrestricted	<u>(46,503)</u>
TOTAL NET ASSETS	<u>\$ 64,575</u>

See accompanying notes to the basic financial statements.

**WORKFORCE INITIATIVE ASSOCIATION
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	Expenses	Program Revenues Operating Grants and Contributions	Net (Expense) Revenue and Changes In Net Assets Governmental Activities
<u>Governmental Activities</u>			
Administration	\$ 346,581	\$ 350,625	\$ 4,044
Adult	879,417	902,616	23,199
Dislocated Workers	917,022	925,961	8,939
Rapid Response	492,338	500,000	7,662
Youth	673,986	691,651	17,665
RAG Reed	225,571	225,571	0
TAG	10,000	10,000	0
One Stop	361,542	361,542	0
Third Frontier	157,443	157,443	0
Business Services	416,660	416,660	0
Payroll Benefits	7,568	0	(7,568)
In-Kind	86,612	86,612	0
Other	8,380	3,947	(4,433)
Total Governmental Activities	<u>\$ 4,583,120</u>	<u>\$ 4,632,628</u>	<u>49,508</u>
<u>General Revenues</u>			
Investment Earnings			242
Other			<u>13,071</u>
Total General Revenues			<u>13,313</u>
Changes in Net Assets			62,821
Net Assets, Beginning of Year			<u>1,754</u>
Net Assets End of Year			<u>\$ 64,575</u>

See accompanying notes to the basic financial statements.

**WORKFORCE INITIATIVE ASSOCIATION
BALANCE SHEET - GOVERNMENTAL FUND
JUNE 30, 2005**

	<u>Special Revenue</u>
<u>ASSETS</u>	
Equity in Pooled Cash and Cash Equivalents	\$ 180,701
Accounts Receivable	2,798
Intergovernmental Receivable	1,743,812
Prepaid Expenses	<u>15,963</u>
TOTAL ASSETS	<u>\$ 1,943,274</u>
<u>LIABILITIES AND FUND BALANCE</u>	
<u>Liabilities</u>	
Accounts Payable	\$ 38,623
Accrued Wages and Benefits	61,388
Accrued Compensated Absences	70,814
Deferred Revenue	<u>1,818,952</u>
Total Liabilities	<u>1,989,777</u>
<u>Fund Balance</u>	
Unreserved, Undesignated	<u>(46,503)</u>
Total Fund Balance	<u>(46,503)</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 1,943,274</u>

See accompanying notes to the basic financial statements.

**WORKFORCE INITIATIVE ASSOCIATION
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2005**

Total Governmental Fund Balances \$ (46,503)

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

Capital assets used in governmental activities are not financial
resources and therefore are not reported in the funds. 111,078

Net Assets of Governmental Activities \$ 64,575

WORKFORCE INITIATIVE ASSOCIATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	<u>Special Revenue</u>
<u>Revenues</u>	
Intergovernmental	\$ 4,632,628
Investment Earnings	242
Other	<u>13,071</u>
Total Revenues	<u>4,645,941</u>
 <u>Expenditures</u>	
Administration	350,625
Adult	902,616
Dislocated Workers	925,961
Rapid Response	500,000
Youth	691,651
RAG Reed	225,571
TAG	10,000
One Stop	361,542
Third Frontier	157,443
Business Services	416,660
Payroll Benefits	7,568
In-Kind	86,612
Other	<u>8,380</u>
Total Expenditures	<u>4,644,629</u>
Net Change in Fund Balance	1,312
 Fund Balance at Beginning of Year	 <u>(47,815)</u>
 Fund Balance at End of Year	 <u>\$ (46,503)</u>

See accompanying notes to the basic financial statements.

**WORKFORCE INITIATIVE ASSOCIATION
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUND TO THE
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

Net Change in Fund Balances - Total Governmental Funds \$ 1,312

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

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

61,509

Change in Net Assets of Governmental Activities \$ 62,821

**WORKFORCE INITIATIVE ASSOCIATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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 financial accountability are included in the reporting entity. Oversight responsibility was evaluated based on consideration of financial interdependency, selection of governing authority, designation of management, the ability to significantly influence management and accountability for fiscal matters.

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

**WORKFORCE INITIATIVE ASSOCIATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(CONTINUED)**

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

A. Basis of Presentation

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

Government-wide Financial Statements

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

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

Fund Financial Statements

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

B. Fund Accounting

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

**WORKFORCE INITIATIVE ASSOCIATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(CONTINUED)**

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

B. **Fund Accounting** (Continued)

Governmental Funds

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

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

C. **Measurement Focus**

Government-wide Financial Statements

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

Fund Financial Statements

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

**WORKFORCE INITIATIVE ASSOCIATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(CONTINUED)**

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

D. Basis of Accounting

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

Revenues - Exchange and Non-exchange Transactions

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

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

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

Deferred Revenue

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

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

**WORKFORCE INITIATIVE ASSOCIATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(CONTINUED)**

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

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

Expenses/Expenditures

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

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

E. **Capital Assets**

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

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

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

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

F. **Budgetary Process**

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

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

**WORKFORCE INITIATIVE ASSOCIATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(CONTINUED)**

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

F. **Budgetary Process** (Continued)

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

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

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

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

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

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

G. **Encumbrances**

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

H. **Estimates**

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

**WORKFORCE INITIATIVE ASSOCIATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(CONTINUED)**

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

I. Cash and Cash Equivalents

To improve cash management, all cash received by WIA is pooled in a central bank account. Monies for all funds are maintained in the account or temporarily used to purchase short term investments. Interest in the pool is presented as “Equity in Pooled Cash and Cash Equivalents” on the financial statements.

For presentation on the financial statements, investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by WIA are considered to be cash equivalents. Investments with an initial maturity of more than three months that are not purchased from the pool are reported as investments.

J. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2005 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year which services are consumed.

K. Fund Balance Designation

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

L. Net Assets

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

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

**WORKFORCE INITIATIVE ASSOCIATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(CONTINUED)**

NOTE 3: CHANGE IN ACCOUNTING PRINCIPLE

For fiscal year 2005, WIA implemented GASB No. 40, *Deposit and Investment Risk Disclosure*. GASB Statement No. 40 establishes and modified disclosure requirements related to investment risks: credit risk (including custodial risk and concentrations of credit risk) and interest rate risk. This statement also establishes and modified disclosure requirements for custodial credit risk on deposits.

The implementation of GASB Statement No. 40 did not have an effect on the financial statements of WIA; however, additional note disclosure can be found in Note 4.

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.

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:

WORKFORCE INITIATIVE ASSOCIATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(CONTINUED)

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

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).
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.

WORKFORCE INITIATIVE ASSOCIATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(CONTINUED)

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

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

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

Deposits

At June 30, 2005, the carrying amount of WIA's deposits was \$180,701. Based on criteria described in GASB Statement No. 40, *Deposits and Investments Risk Disclosures*, as of June 30, 2005, \$100,000 of WIA's bank balance was covered by Federal Depository Insurance and \$235,504 was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in WIA's name. Although the securities were held by the pledging institution's trust department and all statutory requirements for the investments of money had been followed, noncompliance with Federal requirements could potentially subject WIA to a successful claim by the FDIC.

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

Investments

WIA did not have investments at June 30, 2005.

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

	June 30, 2005
Cash in Checking	<u>\$ 180,701</u>
Total Cash and Cash Equivalents	<u>\$ 180,701</u>

**WORKFORCE INITIATIVE ASSOCIATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(CONTINUED)**

NOTE 5: INTERGOVERNMENTAL RECEIVABLE

Intergovernmental receivable represents amounts owed to WIA from Ohio Department of Jobs and Family Services for grant funds earned but not received and for compensated absences incurred but not requested for reimbursement as of June 30, 2005. The balance of intergovernmental receivable in the governmental fund is \$1,743,812 as of June 30, 2005.

NOTE 6: CAPITAL ASSETS

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

	<u>Balance at 06/30/04</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at 06/30/05</u>
<u>Government Activities</u>				
<i>Capital Assets being Depreciated:</i>				
Furniture and Equipment	\$ 102,201	\$ 95,425	\$ 0	\$ 197,626
<i>Total Capital Assets being Depreciated</i>	<u>102,201</u>	<u>95,425</u>	<u>0</u>	<u>197,626</u>
Less Accumulated Depreciation:				
Furniture and Equipment	<u>(52,632)</u>	<u>(33,916)</u>	<u>0</u>	<u>(86,548)</u>
Total Accumulated Depreciation	<u>(52,632)</u>	<u>(33,916)</u>	<u>0</u>	<u>(86,548)</u>
Total Capital Assets being Depreciated - Net	<u>\$ 49,569</u>	<u>\$ 61,509</u>	<u>\$ 0</u>	<u>\$ 111,078</u>

NOTE 7: PENSION PLAN

Ohio Public Employees Retirement System

All full-time employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans, as described below:

- The Traditional Pension Plan (TP) - a cost-sharing multiple-employer defined benefit pension plan;
- The Member-Directed Plan (MD) - a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings thereon;

**WORKFORCE INITIATIVE ASSOCIATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(CONTINUED)**

NOTE 7: **PENSION PLAN** (Continued)

Ohio Public Employees Retirement System (Continued)

- The Combined Plan (CO) - a cost-sharing multiple-employer defined benefit pension plan. Under the Combined Plan employer contributions are invested by the retirement system to provide a formula retirement benefit similar in nature to the Traditional Plan benefit. Member contributions, the investment of which is self-directed by the member, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provides retirement, disability, survivor, and death benefits and annual cost of living adjustments to members of both the Traditional and the Combined plans. Members of the Member-Directed Plan do not qualify for ancillary benefits.

Authority to establish and amend benefits is provided by State statute per Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6705 or 1-800-222-7377.

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2005 member and employer contribution rates were consistent across all three plans, (TP, MD, and CO).

Plan members are required to contribute 8.5 percent of their annual covered salary to fund pension obligations. The employer pension contribution rate for WIA was 13.55 percent of covered payroll. In addition, WIA picks up 4.25 percent of the employee contribution.

WIA's required contributions for pension obligations to the traditional plan for years ended June 30, 2005, 2004, and 2003 were \$228,368, \$214,689, and \$197,718, respectively; 100 percent has been contributed for 2005 and 100 percent for 2004 and 2003. Contributions to the combined and member-directed plan for 2005 were \$0 made by WIA and \$0 made by the plan members.

**WORKFORCE INITIATIVE ASSOCIATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(CONTINUED)**

NOTE 8: POST-EMPLOYMENT BENEFITS

Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the Traditional Plan (TP) - a cost-sharing multiple-employer defined benefit pension plan; the Member-Directed Plan (MD) - a defined contribution plan; and the Combined Plan (CO) - a cost-sharing multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS provides retirement, disability, survivor, and post-retirement health care benefits to qualifying members of both the Traditional and the Combined Plans; however, health care benefits are not statutorily guaranteed. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

OPERS provides post-retirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 12, *Disclosure of Information on Post-Employment Benefits Other Than Pension Benefits by State and Local Governmental Employers*. A portion of each employer's contribution to the OPERS is set aside for the funding of post-retirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The 2005 employer contribution rate was 13.55 percent of covered payroll; 4.0 percent was the portion that was used to fund health care for the year 2004. WIA's actual contributions for 2005 which were used to fund post-employment benefits were \$54,526.

The assumptions and calculations below were based on OPERS' latest actuarial review performed as of December 31, 2003, include a rate of return on investments of 8 percent, an annual increase in active employee total payroll of 4 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll over and above the 4 percent base increase of between .50 percent and 6.3 percent based on additional annual pay increases. Health care costs were assumed to increase at the projected wage inflation rate plus an additional factor ranging from 1.0 percent to 6.0 percent for the next eight years. In subsequent years (nine and beyond) health care costs were assumed to increase at 4.0 percent (the projected wage inflation rate).

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 the unfunded actuarial accrued liability.

**WORKFORCE INITIATIVE ASSOCIATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(CONTINUED)**

NOTE 8: **POST-EMPLOYMENT BENEFITS** (Continued)

Ohio Public Employees Retirement System (Continued)

All investments are carried at market value. For actuarial valuations purposes, a smoothed market approach is used. Assets are adjusted annually to reflect 25 percent of unrealized market appreciation or depreciation on investment assets.

OPEB's are advance-funded on an actuarially determined basis.

At year end 2004, the number of active contributing participants was 369,885. The actuarially required contribution amounts are the same. OPERS' net assets available for payment of benefits at December 31, 2003 (the latest information available) were \$10.5 billion. The actuarially accrued liability and the unfunded actuarially accrued liability, based on the actuarial cost method used, were \$26.9 billion and \$16.4 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to skyrocketing health care costs.

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

NOTE 9: **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.

**WORKFORCE INITIATIVE ASSOCIATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(CONTINUED)**

NOTE 9: **COMPENSATED ABSENCES** (Continued)

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 and not a liability at year end.

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

The estimated current liability for compensated absences is \$70,814.

NOTE 10: **CONTINGENT LIABILITIES**

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

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

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

**WORKFORCE INITIATIVE ASSOCIATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(CONTINUED)**

NOTE 10: **CONTINGENT LIABILITIES** (Continued)

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 11: **LEASE COMMITMENTS**

Operating

Total lease expense was \$389,334 for fiscal year ended June 30, 2005. WIA leases facilities and personal property under certain operating leases in excess of one year.

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

<u>Year Ending June 30</u>	<u>Operating</u>
2006	\$ 380,859
2007	391,753
2008	404,811
2009	407,421
2010	387,846
2011-2015	<u>441,902</u>
Total Payments	<u>\$2,414,592</u>

NOTE 12: **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 2005, WIA contracted with several companies for various types of insurance as follows:

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

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

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

**WORKFORCE INITIATIVE ASSOCIATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

Federal Grantor/ Pass Through Grantor/ Program Titles	CFDA Number	Grant Period	Pass-Through Entity Identifying Number	Expenditures
United States Department of Labor				
<u>Direct Payment</u>				
Business Services Grant	17.261	07/01/04-06/30/05		\$ 416,660
Total Direct Payment				<u>416,660</u>
<u>Passed Through Ohio Department of Jobs and Family Services</u>				
<i>Workforce Initiative Association Funds - Cluster Funds</i>				
Adult	17.258	07/01/04-06/30/05	2-1130	902,616
Admin Adult	17.258	07/01/04-06/30/05	2-1100	<u>126,225</u>
Total CFDA #17.258				<u>1,028,841</u>
Youth	17.259	07/01/04-06/30/05	2-1120	691,651
Admin - Youth	17.259	07/01/04-06/30/05	2-1100	<u>94,669</u>
Total CFDA #17.259				<u>786,320</u>
Dislocated Workers	17.260	07/01/04-06/30/05	2-1140	925,961
Admin - Dislocated Workers	17.260	07/01/04-06/30/05	2-1100	129,731
Rapid Response	17.260	07/01/04-06/30/05	2-1160	<u>500,000</u>
Total CFDA #17.260				<u>1,555,692</u>
Veteran Short-Term Training Program	Not Available	07/01/04-06/30/05		3,947
RAG Reed	Not Available	07/01/04-06/30/05		225,571
TAG	Not Available	07/01/04-06/30/05		<u>10,000</u>
<i>Total</i>				<u>239,518</u>
Total Funds Passed Through Ohio Department of Jobs and Family Services				<u>3,610,371</u>
Total United States Department of Labor				<u>4,027,031</u>
United States Department of Development				
<u>Direct Payment</u>				
Third Frontier Grant	17.255	07/01/04-12/31/04		<u>157,443</u>
Total United States Department of Development				<u>157,443</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS				<u>\$ 4,184,474</u>

WORKFORCE INITIATIVE ASSOCIATION
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 1: **GENERAL**

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

NOTE 2: **BASIS OF ACCOUNTING**

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

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Member American Institute of Certified Public Accountants

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

To the Board of Commissioners
Workforce Initiative Association
Canton, Ohio

We have audited the financial statements of the governmental activities and the major fund of the Workforce Initiative Association, Canton, Ohio, as of and for the year ended June 30, 2005, which collectively comprise the Workforce Initiative Association, Canton, Ohio's basic financial statements and have issued our report thereon dated January 11, 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Workforce Initiative Association, Canton, Ohio's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion 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 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 that would be material in relation to the 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 operation that we consider to be material weaknesses.

Compliance and Other Matters

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

However, we noted certain matters that we reported to the management of the Workforce Initiative Association, Canton, Ohio, in a separate letter dated January 11, 2006.

This report is intended solely for the information and use of management, the Board of Directors, the Auditor of State, and Federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

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

January 11, 2006

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

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

To the Board of Commissioners
Workforce Initiative Association
Canton, Ohio

Compliance

We have audited the compliance of the Workforce Initiative Association, Canton, Ohio, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2005. The Workforce Initiative Association, Canton, Ohio's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants, applicable to each of its major federal programs is the responsibility of the Workforce Initiative Association, Canton, Ohio's management. Our responsibility is to express an opinion on the Workforce Initiative Association, Canton, Ohio's compliance based on our audit.

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

In our opinion, the Workforce Initiative Association, Canton, Ohio complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

Internal Control Over Compliance

The management of the Workforce Initiative Association, Canton, Ohio, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Workforce Initiative Association, Canton, Ohio'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 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 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.

However, we noted certain matters that we reported to the management of the Workforce Initiative Association, Canton, Ohio, in a separate letter dated January 11, 2006.

This report is intended solely for the information and use of the Board of Directors, management, Auditor of State, and Federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

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

January 11, 2006

**WORKFORCE INITIATIVE ASSOCIATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 SECTION .505
JUNE 30, 2005**

1. SUMMARY OF AUDITOR'S RESULTS

2005(i)	Type of Financial Statement Opinion	Unqualified
2005(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
2005(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
2005(iii)	Was there any reported noncompliance at the financial statement level (GAGAS)?	No
2005(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
2005(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
2005(v)	Type of Major Programs' Compliance Opinion	Unqualified
2005(vi)	Are there any reportable findings under Section 510?	No
2005(vii)	Major Programs (list): Workforce Investment Act - Adult - CFDA #17.258 Youth - CFDA #17.259 Dislocated Workers - CFDA #17.260 Rapid Response - CFDA #17.260 Business Services - CFDA #17.261	
2005(viii)	Dollar Threshold: Type A/B Programs	Type A: \$300,000 Type B: All others less than \$300,000
2005(ix)	Low Risk Auditee?	Yes

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

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

**WORKFORCE INITIATIVE ASSOCIATION
SCHEDULE OF PRIOR AUDIT FINDINGS AND MANAGEMENT COMMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

The prior audit report, as of June 30, 2004, included no audit findings. Management letter comments have been corrected, repeated, or procedures instituted to prevent occurrences in this audit period.



**Auditor of State
Betty Montgomery**

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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
MAY 11, 2006**