GEAUGA-ASHTABULA-PORTAGE PARTNERSHIP, INC.

AUDIT REPORT

For the year ended June 30, 2008

Charles E. Harris & Associates, Inc.
Certified Public Accountants and Government Consultants

Mary Taylor, CPA
Auditor of State

Board of Directors
Geauga-Ashtabula-Portage Partnership, Inc.
385 Center Street, Suite 100
Chardon, Ohio 44024

We have reviewed the *Report of Independent Accountants* of the Geauga-Ashtabula-Portage Partnership, Inc., Geauga County, prepared by Charles E. Harris & Associates, Inc., for the audit period July 1, 2007 through June 30, 2008. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

May 21, 2009

This Page is Intentionally Left Blank.

GEAUGA-ASHTABULA-PORTAGE PARTNERSHIP, INC.
TABLE OF CONTENTS
FOR THE YEAR ENDED JUNE 30, 2008

TITLE	PAGE
Report of Independent Accountants	1-2
Management's Discussion and Analysis	3-9
Statement of Net Assets	10
Statement of Activities	11
Balance Sheet – Governmental Fund	12
Statement of Revenues, Expenditures, and Changes in Fund Balances	13
Notes to the Basic Financial Statements	14-23
Schedule of Expenditures of Federal Awards	24
Notes to the Schedule of Expenditures Federal Awards	25
Report on Internal Control Over Financial Reporting and on Compliance and on Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*	26-27
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with *OMB Circular A-133*	28-29
Schedule of Findings and Questioned Costs	30
Schedule of Prior Audit Findings	33

Charles E. Harris & Associates, Inc.
Certified Public Accountants

Rockefeller Building
614 W Superior Ave Ste 1242
Cleveland OH 44113-1306
Office phone - (216) 575-1630
Fax - (216) 436-2411

REPORT OF INDEPENDENT ACCOUNTANTS

Geauga-Ashtabula-Portage Partnership, Inc.
385 Center Street, Suite 100
Chardon, Ohio 44024

To The Board of Directors:

We have audited the financial statements of the governmental activities and the major fund of the Geauga-Ashtabula-Portage Partnership, Inc. (GAPP), as of and for the year ended June 30, 2008, as listed in the table of contents. These financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 Geauga-Ashtabula-Portage Partnership, Inc., as of June 30, 2008, 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.

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, which consisted principally on 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.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 27, 2009, on our consideration of the Geauga-Ashtabula-Portage Partnership, Inc.'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 read in conjunction with this report in considering the results of our audit.

Our audit was made for the purpose of forming an opinion on the financial statements of the Geauga-Ashtabula-Portage Partnership, Inc. taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations,* and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Charles E. Harris & Associates, Inc.
March 27, 2009

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

FINANCIAL HIGHLIGHTS

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

- The assets of GAPP exceeded its liabilities by $56,102.

- GAPP had $3,939,750 in expenses related to governmental activities and $3,932,645, were offset by program revenues.

USING THIS ANNUAL REPORT

This discussion and analysis is intended to serve as an introduction to GAPP, Inc.'s basic financial statements. GAPP's basic financial statements are comprised of 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 GAPP's finances on a full accrual basis of accounting, which is similar to a private-sector business. The statement of net assets presents information on all of GAPP's assets and liabilities, with the difference of 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 GAPP is improving or deteriorating. The statement of activities presents information showing how GAPP's net assets changed during this 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 GAPP that are principally supported by intergovernmental revenues (government activities). The governmental activities of GAPP include administration, adult, dislocated workers, youth and other funding streams as available. There are no business-type activities reported for GAPP.

Fund Financial Statements
The fund financial statements are used to report additional and detailed information about GAPP. These statements focus on the major fund of GAPP. 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. GAPP, Inc., like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The only governmental fund of GAPP is the Workforce Investment Act Fund, which is a Special Revenue Fund.

Governmental Funds
GAPP'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 GAPP's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance GAPP's programs.

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.

GAPP 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.

The financial statements include all organizations, activities and functions for which the GAPP is financially accountable. The accounts of GAPP are organized on the basis of funds each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures.

The individual funds which are used by GAPP, are classified as Governmental Funds: Special Revenue Funds – To account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The only fund GAPP has is the Workforce Investment Act Fund.

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

Table 1

		6/30/2008	6/30/2007
Assets			
Current and Other Assets - General	$	548,433	519,628
Current and Other Assets - One Stop		198,296	268,379
Total Assets	$	746,729	788,007
Liabilities			
Current and Other Liabilities – General	$	537,270	499,994
Current and Other Liabilities – One Stop		153,357	231,453
Total Liabilities	$	690,627	731,447
Net Assets			
Unrestricted	$	56,102	56,560
Total Net Assets	$	56,102	56,560

When compared to last year, GAPP's total net assets decreased from $56,560 to $56,102. This difference is primarily due to Program Expenditures increasing at a higher rate than the increase in Program Revenues. This increase in Expenditures would indicate that more people in GAPP's three county area and the outlying counties are being served with an increase in training dollars being spent on adults and youth in need of training services.

Unaudited

Table 2 – Changes in Net Assets

Revenues	6/30/2008	6/30/2007
Program Revenues:		
Charges for Services	$ 226,286	$ 222,343
Operating Grants and Contributions	3,706,359	3,301,244
General Revenues:		
Other	6,647	0
Total Revenues	$3,939,292	$3,523,587
Program Expenditures		
Administration	236,872	282,694
Adult	1,489,851	1,225,283
Dislocated Worker	898,620	840,562
Youth	1,042,296	836,730
Rapid Response Set-Aside	20,000	28,020
Veterans Short Term Training	314	11,120
Veterans Rapid Response	19,253	18,105
Workforce Service Month	4,684	5,348
Special Projects	0	5,162
WorkKeys	2,940	2,275
One Stop	218,273	248,854
Other	6,647	0
Total Program Expenses	$3,939,750	$3,504,153
Increase (Decrease) in Net Assets	$ (458)	$ 19,434

Expenditures exceeded revenues in the amount of $458 for this program year. Total revenue increased $415,705 with total expenditures increasing $435,597 from the previous program year. This increase in both revenue and expenditures for 2008 was primarily due to an increase in demand for workforce services due to an increase in unemployment and manufacturing and business closings.

The final balance at year-end for net assets is $56,102 which includes the balance of net assets in the beginning of the year in the amount of $56,560.

GAPP receives 95% of its revenue from Workforce Investment Act Grants, which are passed through the Ohio Department of Jobs and Family Services by the United States Department of Labor.

GAPP'S FUNDS

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

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

As of the end of the current fiscal year, GAPP's governmental fund reported an ending fund balance of $56,102. As GAPP only has one governmental fund, the analysis from a fund perspective is the same as the analysis already presented on a government-wide basis, as GAPP has no capital assets.

SPECIAL REVENUE FUND BUDGETARY HIGHLIGHTS

The GAPP's annual budget is primarily a management tool that assists its users in analyzing financial activity for its fiscal year ending June 30, 2008. GAPP's annual budget is not subject to formal budget commission procedures and/or legal requirements. GAPP's primary funding source is federal and state grants, which have grant periods that may or may not coincide with GAPP's fiscal year. Due to the nature of GAPP's dependency on federal and state budgetary decisions, revenue estimates are based upon the best available information as to potential sources of funding.

GAPP's annual budget differs from that of a local government in two respects. First the uncertain nature of grant awards from other entities and second conversion of grant budgets to a fiscal year basis. The resultant annual budget is subject to constant change within the fiscal year due to increases/decreases in actual grant awards from those estimated, changes in grant periods, unanticipated grant awards not included in the budget and expected grant awards which fail to materialize.

GAPP's annual budget for the Special Revenue funds are reviewed and approved 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.

Actual revenues and expenses for fiscal year 2008 were well within budgeted levels and consistent with previous periods. As the fiduciary agent of taxpayer funds, GAPP diligently searches for new and more efficient methods to reduce and/or contain operating expenses. GAPP's goal continues to be to serve the maximum customers with the allocations available.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

Significant economic factors affecting GAPP 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

GAPP's program allocations are calculated by the 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, Portage, Geauga, and Ashtabula counties saw unusually high levels of unemployment as a result of large worker dislocations from company shutdowns and layoffs particularly in the manufacturing sector.

The formula allocations for Area 19 WIA funding streams indicate an increase of 10% for program year 2008.

The FFY 2008 Federal Budget, as enacted by Congress, contained a number of rescissions and prospective funding reductions for Workforce Investment Act (WIA) Adult, Youth and Dislocated Worker programs. The net impact to GAPP was $168,044 in rescission dollars which was paid back to the State of Ohio with Administration funding and not by Adult, Dislocated Worker nor Youth funding allocations.

CONTACTING GAPP'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of GAPP's finances and to show GAPP's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Geauga-Ashtabula-Portage Partnership, Inc., Attention: Dianne R. Jackson, Chief Financial Officer, at 385 Center Street, Suite #100, Chardon, Ohio 44024.

Geauga-Ashtabula-Portage Partnership, Inc.
Statement of Net Assets
June 30, 2008

ASSETS		Governmental Activities
Equity in Pooled Cash and Cash Equivalents - General	$	5,749
Equity in Pooled Cash and Cash Equivalents - One-Stop		152,919
Intergovernmental Receivable		537,270
Accounts Receivable		45,377
Prepaid Items		5,414
TOTAL ASSETS	$	746,729
LIABILITIES		
Accounts Payable	$	537,270
Intergovernmental Payable		153,357
TOTAL LIABILITIES	$	690,627
NET ASSETS		
Unrestricted	$	56,102
TOTAL NET ASSETS	$	56,102

See accompanying notes to the financial statements

Geauga-Ashtabula-Portage Partnership, Inc.
Statement of Activities
For the year ending June 30, 2008

		Program Revenues		Net (Expense) Revenue and Changes in Net Assets
Governmental Activities:	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Administration	$ 236,872	-	$ 226,363	$ (10,509)
Adult	1,489,851	-	1,491,297	1,446
Dislocated Worker	898,620	-	899,212	592
Youth	1,042,296	-	1,042,296	-
Veterans Rapid Response	19,253	-	19,253	-
Veterans Short-term Training	314	-	314	-
One Stop	218,273	$ 226,286	-	8,013
Rapid Response Set-Aside	20,000	-	20,000	-
Workforce Service Month	4,684	-	4,684	-
Refunds	6,647	-	-	(6,647)
WorkKeys	2,940	-	2,940	-
Total Governmental Activities	$ 3,939,750	$ 226,286	$ 3,706,359	(7,105)

General Revenues:	
Other	6,647
Total General Revenues:	6,647
Changes in Net Assets	(458)
Net Assets, Beginning of Year	56,560
Net Assets End of Year	**$ 56,102**

See accompanying notes to the financial statements

Geauga-Ashtabula-Portage Partnership, Inc.
Balance Sheet - Governmental Fund
June 30, 2008

ASSETS		WIA Fund
Equity in Pooled Cash and Cash Equivalents - General	$	5,749
Equity in Pooled Cash and Cash Equivalents - One Stop		152,919
Intergovernmental Receivable		537,270
Accounts Receivable		45,377
Prepaid Items		5,414
Total Assets	**$**	**746,729**
LIABILITIES AND FUND BALANCE		
Accounts Payable	$	537,270
Intergovernmental Payable		153,357
Total Liabilities	**$**	**690,627**
FUND BALANCE		
Unreserved, Undesignated	$	56,102
Total Fund Balance	$	56,102
TOTAL LIABILITIES AND FUND BALANCE	**$**	**746,729**

See accompanying notes to the financial statements

Geauga-Ashtabula-Portage Partnership, Inc.
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Governmental Fund
For the Fiscal Year ended June 30, 2008

		WIA Fund
REVENUES		
Intergovernmental	$	3,706,359
Refunds		6,647
One Stop		226,286
Total Revenue		3,939,292
EXPENDITURES		
Administration		236,872
Adult		1,489,851
Dislocated Workers		898,620
Youth		1,042,296
Veterans Rapid Response		19,253
Veterans Short-Term Training		314
One Stop Costs		218,273
Rapid Response Set-Aside		20,000
Workforce Service Month		4,684
Expenditures of Refunds		6,647
WorkKeys		2,940
Total Expenditures		3,939,750
Net Change in Fund Balance		(458)
Fund Balance at Beginning of Year		56,560
Fund Balance at End of Year	**$**	**56,102**

See accompanying notes to the financial statements

NOTE 1: **DESCRIPTION OF ENTITY**

The Workforce Investment Act (WIA) passed by Congress in August 1998 redesigned federal training programs. WIA made significant changes in how federally funded job-training programs and services are delivered. The passage of WIA gave states and local units of government the power to determine the allocation of WIA dollars in providing training and services to participants. WIA also changed the way federally funded job-training programs are structured, the type of services provided and who is eligible to receive services.

The Geauga-Ashtabula-Portage Partnership (GAPP, Inc), was established in 2004. GAPP, Inc., a public entity incorporated under the laws of the State of Ohio and a designated 501 (C) 3 Organization by the Internal Revenue Service, functions as the administrative and fiscal agent, for Geauga, Ashtabula, and Portage County, of all Title I WIA funds and other relative workforce development activities funding sources and is responsible for complying with all state and federal fiscal reporting requirements.

The Geauga-Ashtabula-Portage Partnership 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 areas; and to provide oversight and evaluation of such efforts. These functions and tasks will be conducted within the framework of a public/private partnership. GAPP's mission is to bring together local business, labor, education and citizens to assess and develop the workforce and training needs of county employers and job seekers in order to improve the economic future and quality of life for residents and businesses and the State of Ohio.

For financial reporting purposes, all departments and operations over which GAPP, Inc. exercises financial accountability are included in the reporting entity.

No governmental units other than GAPP itself are included in the reporting entity. GAPP 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 GAPP 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 Geauga-Ashtabula-Portage Partnership, Inc. (GAPP) 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 the GAPP's accounting policies are described below.

A. **Basis of Presentation**

GAPP'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.

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

Government-wide Financial Statements
The statement of net assets and the statement of activities display information about GAPP as a whole. These statements include the financial activities of the primary government. All activities of GAPP are governmental activities.

The statement of net assets presents the financial condition of the governmental activities of GAPP at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of GAPP'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. Revenues which are not classified as program revenues are presented as general revenue of GAPP, 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 GAPP.

Fund Financial Statements
Fund financial statements report detailed information about GAPP. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. The Geauga-Ashtabula-Portage Partnership, Inc. has one fund, which is considered major.

B. **Fund Accounting**

GAPP 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 Geauga-Ashtabula-Portage Partnership, Inc. functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The only fund of GAPP is a governmental fund.

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. GAPP's major governmental fund is:

> ***Workforce Investment Act (WIA) 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 of 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 GAPP are included on the Statement of Net Assets.

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

C. **Measurement of Focus** (Continued)

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. The Fund financial statements are essentially the same as the government wide statements, therefore no reconciliation is necessary.

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 GAPP, “available” means expected to be received within 60 days of fiscal year end.

Non-exchange transactions, in which GAPP 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 GAPP must provide local resources to be used for a specific purpose, and expenditure requirements, in which the resources are provided to GAPP 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, revenue sources such as grants and investment earnings are considered to be both measurable and available at fiscal year end.

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

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

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.

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, are not recognized in governmental funds.

E. **Capital Assets**

Capital assets include furniture and equipment purchased by Geauga-Ashtabula-Portage Partnership, Inc., for the use of Geauga-Ashtabula-Portage Partnership, Inc. These assets generally result from expenditures in the governmental funds. GAPP's 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. Geauga-Ashtabula-Portage Partnership, Inc. does not have any capital assets.

All capital assets that may have been purchased by GAPP, as fiscal agent for Geauga, Ashtabula, and Portage Counties, with Workforce Investment Act program grant funds, were purchased for the use of said counties. Therefore, each County is responsible for the recording of any capital assets purchased through GAPP, and the computation and recording of depreciation.

F. **Budgetary Process**

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

GAPP's primary funding source is federal and state grants which have grant periods that may or may not coincide with the entity'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.

Due to the nature of GAPP'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

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

F. **Budgetary Process** (Continued)

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 fund 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 GAPP.

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.

I. **Cash and Cash Equivalents**

To improve cash management, all cash received by GAPP 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 GAPP 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. GAPP does not have any investments at this time.

J. **Prepaid Items**

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

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

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. GAPP does not have capital assets, therefore does not have an investments in capital assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by GAPP or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

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

NOTE 3: **EQUITY IN POOLED CASH AND INVESTMENTS**

State statutes classify monies held by GAPP 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 GAPP has identified as not required for use within the current five 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 not 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. Interim monies may be invested in the following obligations provided they mature or are redeemable within five years from the date of settlement.

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

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

1. United States Treasury notes, bills, bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;

NOTE 3: **EQUITY IN POOLED CASH AND INVESTMENTS** (Continued)

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities.

3. Written repurchase agreements for a period not to exceed 30 days in securities listed above that mature within five years from the date of settlement.

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 a 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, 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 GAPP, and must be purchased with the expectation that it will be held until maturity.

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

Deposits

At fiscal year end, the carrying amount of GAPP's deposits was $158,668. Based on criteria described in GASB Statement 40, "Deposits and Investment Risk Disclosures", as of June 30, 2008, $260,067 of the bank balance of $360,067, was exposed to custodial risk as discussed below, while $100,000 was covered by Federal Deposit Insurance Corporation.

Custodial credit risk is the risk that, in the even of bank failure, the District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral 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 specific collateral held at the Federal Reserve Bank in the name of GAPP.

NOTE 3: **EQUITY IN POOLED CASH AND INVESTMENTS** (Continued)

Investments

Interest Rate Risk – The Ohio Revised Code generally limits security purchases to those that mature within five years of the settlement date. It is GAPP's policy to evaluate market conditions, interest rate forecasts, and cash flow requirements to consider the term of an investment, with the goal being to buy where relative value exists along the maturity spectrum.

Credit Risk - GAPP had no investments during fiscal year 2008.

Concentration of Credit Risk – GAPP's investment policy is to be diversified in its holding of investments by avoiding concentrations of specific users. During the year, GAPP had no investments.

NOTE 4: **INTERGOVERNMENTAL RECEIVABLE**

Intergovernmental Receivable represents amounts owed to GAPP from the Ohio Department of Jobs and Family Services for grant funds earned but not received. The balance of Intergovernmental Receivable in the governmental fund is $537,270.

NOTE 5: **DEFINED PENSION PLAN**

As of April 1, 2008, GAPP has full-time employees. Prior to that date, GAPP only had professional services rendered on a contractual basis. GAPP had entered into a Professional Services Agreement with the Geauga County Board of Commissioners to procure the services of a director and a fiscal officer to assist, represent and provide a number of professional services to GAPP relative to the obligations of GAPP under the Federal Workplace Investment Act (WIA) of 1998, and such other matters that may affect or come before GAPP. This Professional Services Agreement ended on March 30, 2008.

All full-time employees of GAPP participate in the Ohio Public Employees Retirement System (OPERS), a cost-sharing multiple-employer public employee retirement system administered by the Public Employees Retirement Board. OPERS provide basic retirement, disability and survivor benefits, based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 145 of the Ohio Revised Code. OPERS issues a publicly available financial report that includes financial statements and required supplementary information for OPERS. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 466-2085 or (800) 222-PERS.

Ohio Public Employees Retirement System administers three separate pension plans as described below:

1. The Traditional Pension Plan – A cost sharing, multiple-employer defined benefit pension plan.

2. The Member-Direct Plan – A define contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Direct Plan, members accumulate retirement assets equal to the value of member and (vested) employer contributions, plus any investments earnings.

NOTE 5: **DEFINED PENSION PLAN** (Continued)

3. The Combined Plan – A cost sharing, multiple-employer defined pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefits similar in nature to the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

   Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations; the percentage of contribution increased from 9.5 percent to 10 percent effective on January 1, 2008. The 2008 employer pension contribution rate for GAPP was 14 percent; effective January 1, 2008. Contributions are authorized by state statue. The contribution rates are determined actuarially. GAPP required contributions to OPERS from April 1, 2008 to fiscal year end June 30, 2008, was in the amount of $6,653. 100 percent has been contributed for 2008.

NOTE 6: **POST-EMPLOYMENT BENEFITS**

The Ohio Public Employees Retirement System of Ohio (OPERS) provides post-employment health care benefits to age and service retirants with ten or more years of qualifying Ohio service credit and to primary survivor recipients of such retirants. Health care coverage for disability recipients is also available. The health care coverage provided by the OPERS is considered an Other Post-employment Benefit (OPEB) as described in GASB Statement No. 12. 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 requiring public employers to fund post-employment health care through their contributions to the OPERS. The portion of the 2008 employer contribution rate (identified above) that was used to fund health care for the year ended June 30, 2008 was 7 percent of covered payroll, which amount to $2,376. The significant actuarial assumptions and calculations relating to post-employment health care benefits were based on the OPERS' latest actuarial review performed as of December 31, 2007. An entry age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability. All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach assets are adjusted annually to reflect 25 percent of unrealized market appreciation or depreciation on investment assets. The investment assumption rate for 2007 was 6.5 percent. An annual increase of 4.0 percent compounded annually is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.0 percent base increase, were assumed to range from .50 percent to 6.3 percent. Health care costs were assumed to increase at a project wage inflation rate plus an additional factor ranging from .5% to 4% for the next 7 years. In subsequent years (8 and beyond), health care costs were assumed to increase at 4% (the project wage inflation rate).

NOTE 6: **POST-EMPLOYMENT BENEFITS** (Continued)

Benefits are advanced-funded on an actuarially determined basis. The number of active contributing participants was 363,503. The actuarial value of the OPERS' net assets available for OPEB at December 31, 2007 was $12.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were $29.8 billion and $17.0 billion, respectively.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007 and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

NOTE 7: **COMPENSATED ABSENCES**

GAPP's employees, whether full-time or part-time, do not earn vacation time nor sick leave. Therefore, GAPP does not have compensated absences as there are no accruals for either vacation or sick time.

NOTE 8: **CONTINGENT LIABILITIES**

There are no pending material lawsuits in which Geauga-Ashtabula-Portage Partnership, Inc. 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.

NOTE 9: **LEASE COMMITMENTS**

GAPP does not have any material lease commitments. Total office rent expense was $7,099 for fiscal year ended June 30, 2008. GAPP leases office space under a certain operating lease for one year at a time.

NOTE 10: **INSURANCE AND RISK MANAGEMENT**

GAPP is exposed to various risks of loss related to torts, thefts of, damages to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. During 2008, GAPP contracted with The Hartford's Trumbull Insurance Company for Officer and Director Liability insurance. The aggregate coverage is $1,000,000 with a deductible of $5,000. GAPP also contracted with Indiana Insurance Company for Business Owners Policy which coverage includes General Liability, Automobile Liability and business personal property. The aggregate coverage is $2,000,000 with a limit of $1,000,000 for each occurrence for general liability and automobile liability. The business personal property coverage limit is $10,200 with a deductible of $250 in any one occurrence.

As GAPP does not have capital assets, no other type of insurance is necessary.

GEAUGA-ASHTABULA-PORTAGE PARTNERSHIP, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Federal Grantor/ Pass Through Grantor/ Program Titles	CFDA Number	Grant Period	Pass-Through Entity Number	Expenditures
United States Department of Labor				
Passed Through Ohio Department of Jobs and Family Services:				
Workforce Investment Act Cluster:				
Adult	17.258	07/01/06-06/30/07	G-67-15-1012	$ 1,489,851
Admin Adult	17.258	07/01/06-06/30/07	G-67-15-1012	90,000
Total CFDA #17.258				1,579,851
Youth	17.259	07/01/06-06/30/07	G-67-15-1012	1,042,296
Admin Youth	17.259	07/01/06-06/30/07	G-67-15-1012	59,916
Total CFDA #17.259				1,102,212
Dislocated Workers	17.260	07/01/06-06/30/07	G-67-15-1012	898,620
Admin Dislocated Workers	17.260	07/01/06-06/30/07	G-67-15-1012	85,000
Total Dislocated Workers				983,620
Veterans Rapid Response	17.260	n/a	G-67-15-1012	19,253
Admin Veterans Rapid Response	17.260	n/a	G-67-15-1012	1,925
Total Veterans Rapid Response				21,178
Rapid Response Set-aside	17.260	n/a	G-67-15-1012	20,000
Workkeys	17.260	n/a	G-67-15-1012	2,940
Total CFDA #17.260				1,027,738
Veterans Short Term Training Program	Note 3	07/01/06-06/30/07	G-67-15-1012	314
Admin VSTP	Note 3	07/01/06-06/30/07	G-67-15-1012	31
Total VSTP				345
Total Workforce Investment Act Cluster				3,710,146
Workforce Service Month	17.207	n/a	G-67-15-1012	4,684
Total United States Department of Labor				3,714,830
Total Expenditures of Federal Awards				$ 3,714,830

See accompanying Notes the Schedule of Expenditures of Federal Awards

GEAUGA-ASHTABULA-PORTAGE PARTNERSHIP, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 1: **GENERAL**

The accompanying Schedule of Expenditures of Federal Awards of GAPP presents the activity of all federal financial assistance programs of Geauga-Ashtabula-Portage Partnership, Inc. GAPP's reporting entity is defined in Note 1 to GAPP's basic financial statements. Federal financial assistance, all of which is passed through the Ohio Department of Jobs and Family Services, 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.

NOTE 3: **CFDA NUMBERS**

The Veterans Short Term Training Program is allocated between CFDA numbers 17.258, 17.259, and 17.260

Rockefeller Building
614 W Superior Ave Ste 1242
Cleveland OH 44113-1306
Charles E. Harris & Associates, Inc.
Office phone - (216) 575-1630
Certified Public Accountants
Fax - (216) 436-2411

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Geauga-Ashtabula-Portage Partnership, Inc.
385 Center Street, Suite 100
Chardon, Ohio 44024

To the Board of Directors:

We have audited the financial statements of the governmental activities and the major fund of the Geauga-Ashtabula-Portage Partnership, Inc. (GAPP) as of and for the year ended June 30, 2008, and have issued our report thereon dated March 27, 2009. 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 Partnership's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on financial statements, but not for the purpose of expressing an opinion on the effectiveness of the GAPP's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of GAPP's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects GAPP's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of GAPP's financial statements that is more than inconsequential will not be prevented or detected by GAPP's internal control. We consider the deficiency described in the accompanying schedule of findings and questioned costs, item 2008-GAPP-01 to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by GAPP's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We believe the significant deficiency described in item 2008-GAPP-01 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether GAPP's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters, 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards,* which is described in the accompanying schedule of findings and questioned costs as item 2008-GAPP-01.

GAPP's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit GAPP's response and, accordingly, we express no opinion on it.

We also noted other matters that we have communicated to management in a separate letter dated March 27, 2009.

This report is intended for the information of the Board, management, federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Charles E. Harris & Associates, Inc.
March 27, 2009

Rockefeller Building
614 W Superior Ave Ste 1242
Cleveland OH 44113-1306
Charles E. Harris & Associates, Inc.
Certified Public Accountants
Office phone - (216) 575-1630
Fax - (216) 436-2411

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

Geauga-Ashtabula-Portage Partnership, Inc.
385 Center Street, Suite 100
Chardon, Ohio 44024

To the Board of Directors:

Compliance

We have audited the compliance of the Geauga-Ashtabula-Portage Partnership, Inc. (GAPP), with the types of compliance requirements described in *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2008. The GAPP's major federal program is 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 its major federal program is the responsibility of the GAPP's management. Our responsibility is to express an opinion on GAPP's compliance based on our audit.

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

In our opinion, GAPP complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2008. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2008-GAPP-01.

Internal Control Over Compliance

The management of GAPP 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 GAPP'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, but not for the purpose of expressing an opinion on the effectiveness of GAPP's internal control over compliance.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects GAPP's ability to administer a federal program such that there is more than a remote likelihood that GAPP's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement. We consider the deficiency described in the accompanying schedule of findings and questioned costs, item 2008-GAPP-01 to be a significant deficiency in internal control over compliance.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that GAPP's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements. We believe the significant deficiency describe in item 2008-GAPP-01 to be a material weakness.

This report is intended for the information of the Board, management and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Charles E. Harris & Associates, Inc.
March 27, 2009

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 SECTION .505

GEAUGA-ASHTABULA-PORTAGE PARTNERSHIP, INC.
June 30, 2008

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	*Type of Financial Statement Opinion*	Unqualified
(d)(1)(ii)	*Were there any material control weaknesses reported at the financial statement level (GAGAS)?*	Yes
(d)(1)(ii)	*Were there any other significant deficiencies reported at the financial statement level (GAGAS)?*	No
(d)(1)(iii)	*Was there any reported material non-compliance at the financial statement level (GAGAS)?*	Yes
(d)(1)(iv)	*Were there any material internal control weaknesses reported for major federal programs?*	Yes
(d)(1)(iv)	*Were there any other significant deficiencies reported for major federal programs?*	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any significant deficiencies under Section .510	Yes
(d)(1)(vii)	Major Programs:	Workforce Investment Act Cluster: Adult CFDA# 17.258 Youth CFDA# 17.259 Dislocated Workers CFDA# 17.260
(d)(1)(viii)	*Dollar Threshold: Type A\B Programs*	Type A: > $300,000 Type B: all others
(d)(1)(ix)	*Low Risk Auditee?*	No

GEAUGA-ASHTABULA-PORTAGE PARTNERSHIP, INC.
June 30, 2008

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

See 3. Findings and Questioned Costs for Federal Awards below.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Finding 2008-GAPP-01

Questioned Cost: $151,069

CFDA Title and Number	Workforce Investment Act – Adult - #17.258 Workforce Investment Act - Youth 17.259 Workforce Investment Act - Dislocated Worker – 17.260
Federal Award Year	2007/2008
Federal Agency	U.S. Department of Labor
Pass-Through Agency	Ohio Department of Jobs & Family Services

Noncompliance Finding and Questioned Cost:
Allowable Costs/Cost Principles

Criteria: The A-102 Common Rule requires certain eligibility determinations to be made in order to disburse Federal awards in compliance with Federal Requirements. These determinations include certain income requirements that are required to be documented to determine if the recipient is eligible for the Workforce Investment Act.

Conditions: The Partnership, specifically the Portage County One-Stop, does not consistantly require documentation of all income be included on the applications. We discovered 18 recipients who received $151,069 in benefits where other sources of income were claimed on the applications, but the amounts were not documented or used in the eligibility determinations.

Effect: Due to the lack of proper eligibility calculations, the amounts intended for low income recipients are not being disbursed according to the Workforce Investment Act requirements. Therefore, these expenditures were deemed not allowable. As stated above, the A-102 Common Rule requires certain eligibility determinations to be made in order for Federal awards to be disbursed. Unnecessary expenditures are specifically prohibited under Circular A-87. For this reason, we are issuing a questioned cost in the amount of $151,069.

Recommendation: We recommend proper and consistant eligibility activities be established and followed throughout the year by all One Stops under the authority of GAPP. Further, we recommend that GAPP review and monitor eligibility of all One-Stops on a more consistent basis.

Management Response: In response to the Workforce Investment Act ("WIA") program audit for the period ended June 30, 2007, with the issuance of Finding 2007-GAPP-02, and more specifically, the audit report for the year ended June 30, 2008 and Finding 2008-GAPP-01, Geauga Ashtabula Portage Partnership, Inc. ("GAPP") took prompt action on April 2, 2008 and suspended the local area WIA program coverage of all four year college tuition. The suspension policy stated:

> Individual Training Accounts and Support Services authorizations for all adult training services involving classes in a four (4) year college or university degree program, including graduate and doctorate programs, are hereby suspended as of February 29, 2008. The suspension is applicable for all service requests and/or applications filed on or after February 29, 2008. Furthermore, all ITAs and Support Service applications filed and authorized prior to February 29, 2008 may be paid by GAPP, Inc. Only upon the written approval of the authorizing county director of Job and Family Services.

Since the issuance of Finding 2007-GAPP-02, GAPP and local Workforce Investment Board members have formed a program policy review committee which has been and continues to review GAPP WIA policy for college tuition. It is the intention of GAPP Inc. to implement policy changes specifically addressing and eliminating the questioned costs referenced as Audit Finding 2008-GAPP-01. Furthermore, GAPP and Workforce Investment Board members are aware of the fact that the Ohio Department of Job and Family Services has issued "Draft" WIA policy changes specifically addressing the issue in Finding 2007-GAPP-02 and 2008-GAPP-01, but they do not prohibit expenditures cited in Findings 2007-GAPP-02 and 2008-GAPP-01.

It is the position of GAPP that current WIA and GAPP regulations do not support the findings referenced above, however, GAPP recognizes the public policy issues outlined in the audit report for the period ending June 30, 2008. As such, GAPP plans to eliminate the areas of audit questioned costs with policy changes which will be implemented in the upcoming months.

GEAUGA-ASHTABULA-PORTAGE PARTNERSHIP, INC.
SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended June 30, 2008

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2007-GAPP-01	WIA Cluster CFDA# 17.258, 17.259, 17.260 – Noncompliance and Material Weakness-Subrecipient Monitoring	Yes	Management now monitors subrecipients
2007-GAPP-02	WIA Cluster CFDA# 17.258, 17.259, 17.260 – Noncompliance and Material Weakness-Eligibility	No	Repeated as 2008-GAPP-01

Mary Taylor, CPA
Auditor of State

GEAUGA-ASHTABULA-PORTAGE PARTNERSHIP, INC.

GEAUGA 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
JUNE 30, 2009

88 E. Broad St. / Fourth Floor / Columbus, OH 43215-3506
Telephone: (614) 466-4514 (800) 282-0370 Fax: (614) 466-4490
www.auditor.state.oh.us