



**GEAUGA-ASHTABULA-PORTAGE PARTNERSHIP, INC.
GEAUGA COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2009



Dave Yost • Auditor of State

**GEAUGA-ASHTABULA-PORTAGE PARTNERSHIP, INC.
GEAUGA COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Directors:

We have audited the accompanying financial statements of the governmental activities and the major fund of the Geauga-Ashtabula-Portage Partnership, Inc., Geauga County, Ohio (GAPP), as of and for the year ended June 30, 2009, which collectively comprise GAPP's basic financial statements as listed in the table of contents. These financial statements are the responsibility of GAPP's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our 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 Geauga-Ashtabula-Portage Partnership, Inc., Geauga County, Ohio, as of June 30, 2009, and the respective changes in financial position for the major fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 11, 2011, on our consideration of GAPP's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis* as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

We conducted our audit to opine on the financial statements that collectively comprise GAPP's basic financial statements taken as a whole. The expenditures of federal awards schedule provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The expenditures of federal awards schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Dave Yost
Auditor of State

February 11, 2011

GEAUGA-ASHTABULA-PORTAGE PARTNERSHIP, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

Unaudited

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, 2009. 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, 2009 are as follows:

- The assets of GAPP exceeded its liabilities by \$111,008.
- GAPP had \$3,846,274 in expenses related to governmental activities and \$3,877,383, 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, audit, dislocated workers, youth and other funding streams as available. There are no business-type activities reported for GAPP.

GEAUGA-ASHTABULA-PORTAGE PARTNERSHIP, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

Unaudited

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.

GEAUGA-ASHTABULA-PORTAGE PARTNERSHIP, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

Unaudited

The individual funds which are used by GAPP, Inc. 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

| | <u>6/30/2009</u> | <u>6/30/2008</u> |
|------------------------------------------|-------------------|------------------|
| Assets | | |
| Current and Other Assets - General | \$ 696,479 | \$ 548,433 |
| Current and Other Assets – One Stop | <u>148,527</u> | <u>198,296</u> |
| Total Assets | <u>845,006</u> | <u>746,729</u> |
| Liabilities | | |
| Current and Other Liabilities - General | 606,225 | 537,270 |
| Current and Other Liabilities – One Stop | <u>127,773</u> | <u>153,357</u> |
| Total Liabilities | <u>733,998</u> | <u>690,627</u> |
| Net Assets | | |
| Unrestricted | <u>111,008</u> | <u>56,102</u> |
| Total Net Assets | <u>\$ 111,008</u> | <u>\$ 56,102</u> |

When compared to last year, GAPP's total net assets increased from \$56,102 to \$111,008. This difference is \$54,906, primarily due to Program Expenditures being decreased at a higher level than Program Revenues, also Program Expenditures increased at a higher rate for the WIA Youth programs with a significant decrease in the WIA Adult program expenditures, the outlying counties are being served with an increase in training dollars being spent on youth in need of training services.

GEAUGA-ASHTABULA-PORTAGE PARTNERSHIP, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

Unaudited

Table 2 – Changes in Net Assets

| <u>Revenues</u> | <u>6/30/2009</u> | <u>6/30/2008</u> |
|------------------------------------|-------------------------|-------------------------|
| Program Revenues: | | |
| Charges for Services | \$ 239,779 | \$ 226,286 |
| Operating Grants and Contributions | 3,637,604 | 3,706,359 |
| General Revenues: | | |
| Other | <u>23,797</u> | <u>6,647</u> |
| Total Revenues | <u>3,901,180</u> | <u>3,939,292</u> |
| <u>Program Expenditures</u> | | |
| Administration | 233,992 | 236,872 |
| Administration ARRA | 1,357 | 0 |
| Adult | 753,012 | 1,489,851 |
| Adult ARRA | 30,985 | 0 |
| Dislocated Worker | 934,881 | 898,620 |
| Dislocated Worker ARRA | 155,302 | 0 |
| Youth | 1,141,032 | 1,042,296 |
| Youth ARRA | 154,017 | 0 |
| Veterans Short Term Training | 4,640 | 314 |
| Veterans Rapid Response | 6,091 | 19,253 |
| Workforce Service Month | 5,023 | 4684 |
| Youth Employment | 122,258 | 20,000 |
| ODOD HB372 IW | 34,650 | 0 |
| WorkKeys | 0 | 2,940 |
| Career Advancement | 2,325 | 0 |
| Other | 23,761 | 6,647 |
| One Stop | <u>242,948</u> | <u>218,273</u> |
| Total Program Expenses | <u>3,846,274</u> | <u>3,939,750</u> |
| Increase (Decrease in Net Assets) | <u>\$ 54,906</u> | <u>\$ (458)</u> |

Revenue exceeded expenditures in the amount of \$54,906 for this program year. Total revenue decreased \$38,112 with total expenditures decreasing \$93,476 from the previous program year. This decrease in both revenue and expenditures for 2009 was primarily due to a decrease in Workforce Investment funding even though the demand for workforce services increased due to an increase in unemployment and an increase in manufacturing and business closings.

The final balance at year-end for net assets is \$111,008 which includes the balance of net assets in the beginning of the year in the amount of \$56,102.

GEAUGA-ASHTABULA-PORTAGE PARTNERSHIP, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

Unaudited

GAPP receives 94% 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 \$111,008. 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.

WIA 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, 2009. 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 WIA 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.

GEAUGA-ASHTABULA-PORTAGE PARTNERSHIP, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

Unaudited

Actual revenues and expenses for fiscal year 2009 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 23% for program year 2009.

The FFY 2009 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.

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: Craig F. Sernik, Executive Director, at 385 Center Street, Suite #100, Chardon, Ohio 44024.

Geauga-Ashtabula-Portage Partnership, Inc.
Statement of Net Assets
June 30, 2009

| <u>ASSETS</u> | <u>Governmental Activities</u> |
|-------------------------------------------------------|------------------------------------|
| Equity in Pooled Cash and Cash Equivalents - General | \$ 67,418 |
| Equity in Pooled Cash and Cash Equivalents - One-Stop | 148,527 |
| Intergovernmental Receivable | 606,225 |
| Accounts Receivable | 21,015 |
| Prepaid Items | 1,821 |
| | <hr/> |
| TOTAL ASSETS | 845,006 |
| | <hr/> |
| <u>LIABILITIES</u> | |
| Accounts Payable | 606,225 |
| Intergovernmental Payable | 127,773 |
| | <hr/> |
| TOTAL LIABILITIES | 733,998 |
| | <hr/> |
| <u>NET ASSETS</u> | |
| Unrestricted | 111,008 |
| | <hr/> |
| TOTAL NET ASSETS | \$ 111,008 |
| | <hr/> <hr/> |

See accompanying notes to the basic financial statements

Geauga-Ashtabula-Portage Partnership, Inc.
Balance Sheet - Governmental Fund
June 30, 2009

| <u>ASSETS</u> | <u>WIA Fund</u> |
|-------------------------------------------------------|--------------------------|
| Equity in Pooled Cash and Cash Equivalents - General | \$ 67,418 |
| Equity in Pooled Cash and Cash Equivalents - One Stop | 148,527 |
| Intergovernmental Receivable | 606,225 |
| Accounts Receivable | 21,015 |
| Prepaid Items | 1,821 |
| Total Assets | <u>\$ 845,006</u> |
| <u>LIABILITIES AND FUND BALANCE</u> | |
| Accounts Payable | \$ 606,225 |
| Intergovernmental Payable | 127,773 |
| Total Liabilities | <u>733,998</u> |
| <u>FUND BALANCE</u> | |
| Unreserved Undesignated | <u>111,008</u> |
| Total Fund Balance | <u>111,008</u> |
| TOTAL LIABILITIES AND FUND BALANCE | <u>\$ 845,006</u> |

See accompanying notes to the basic 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, 2009

| | WIA Fund |
|-----------------------------------------|-------------------|
| REVENUES | |
| Intergovernmental | \$ 3,637,604 |
| Refunds | 23,797 |
| One Stop | 239,779 |
| Total Revenue | 3,901,180 |
| EXPENDITURES | |
| Administration | 233,992 |
| Administration ARRA | 1,357 |
| Adult | 753,012 |
| Adult ARRA | 30,985 |
| Dislocated Workers | 934,881 |
| Dislocated Workers ARRA | 155,302 |
| Youth | 1,141,032 |
| Youth ARRA | 154,017 |
| Youth Employment Program | 122,258 |
| ODOD HB372 Incumbent Worker | 34,650 |
| Veterans Rapid Response | 6,091 |
| Vet Short-Term Training | 4,640 |
| One Stop Costs | 242,948 |
| Workforce Service Month | 5,023 |
| Career Advancement | 2,325 |
| Expenditure of Non-Reimbursable Refunds | 23,761 |
| Total Expenditures | 3,846,274 |
| Net Change in Fund Balance | 54,906 |
| Fund Balance, at Beginning of Year | 56,102 |
| Fund Balance, at End of Year | \$ 111,008 |

See accompanying notes to the basic financial statements

**GEAUGA-ASHTABULA-PORTAGE PARTNERSHIP, INC.
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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) 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 Counties, 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.

GEAUGA-ASHTABULA-PORTAGE PARTNERSHIP, INC.
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)

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 the organization. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. The Geauga-Ashtabula-Portage Partnership, Inc. has only one fund, which is a major fund.

B. Fund Accounting

The financial reporting practices of GAPP conform to accounting principles generally accepted in the United States of America as applicable to local governments.

The accounts of GAPP are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise of assets, liabilities, fund balance, revenues, and expenses.

GAPP's major governmental fund is:

WIA - 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 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.

GEAUGA-ASHTABULA-PORTAGE PARTNERSHIP, INC.
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)

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. In 2009, there were no differences to reconcile between the government-wide statements and the fund statements for governmental funds.

D. **Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting.

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

GEAUGA-ASHTABULA-PORTAGE PARTNERSHIP, INC.
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(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, 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 twenty-four month period, with a fiscal year ending June 30.

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

GEAUGA-ASHTABULA-PORTAGE PARTNERSHIP, INC.
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)

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

F. **Budgetary Process** (Continued)

The resultant 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 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, 2009, 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.

GEAUGA-ASHTABULA-PORTAGE PARTNERSHIP, INC.
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)

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. 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 the Organization 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 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 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.

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;

GEAUGA-ASHTABULA-PORTAGE PARTNERSHIP, INC.
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)

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 (STAR Ohio).
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 \$215,945 and the bank balance was \$455,298. Based on criteria described in GASB Statement 40, "Deposits and Investment Risk Disclosures", as of June 30, 2009, \$205,298, was exposed to custodial risk as discussed below, while \$250,000 was covered by Federal Deposit Insurance Corporation.

Custodial credit risk is the risk that, in the event of bank failure, the organization will not be able to recover the deposits. 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.

GEAUGA-ASHTABULA-PORTAGE PARTNERSHIP, INC.
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)

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 \$606,225.

NOTE 5: DEFINED BENEFIT PENSION PLAN

A. Ohio Public Employees Retirement System

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. The Professional Service Agreement ended on March 31, 2008.

Plan Description – GAPP, Inc. participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member-directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment 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 the traditional and combined plans. Members of the member-directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions. For the year ended June 30, 2009, members in state and local classifications contributed 10 percent of covered payroll.

The GAPP's contribution rate for 2009 was 14 percent. For the period January 1, through March 31, 2009, a portion of the Township's contribution equal to 7 percent of covered payroll was allocated to fund the post employment healthcare plan; for the period April 1 through June 30, 2009 this amount decreased to 5.5 percent. Employer contribution rates are actuarially determined. State statute sets a maximum contribution rate for GAPP of 14 percent, except for public safety and law enforcement, where the maximum employer contribution rate is 18.1 percent.

GEAUGA-ASHTABULA-PORTAGE PARTNERSHIP, INC.
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)

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

A. Ohio Public Employees Retirement System (Continued)

The GAPP's required contributions for pension obligations to the traditional and combined plans for the years ended June 30, 2009, 2008 were \$26,498; and \$6,653 respectively. The full amount has been contributed for 2009 and 2008. The actual contribution and the actuarially required contribution amounts are the same.

NOTE 6: **POST EMPLOYMENT BENEFITS**

A. Ohio Public Employees Retirement System

OPERS maintains a cost-sharing multiple-employer defined benefit post employment healthcare plan for qualifying members of both the traditional and combined pension plans. Members of the member-directed plan do not qualify for ancillary benefits, including post employment healthcare.

The plan includes a medical plan, a prescription drug program and Medicare Part B premium reimbursement.

To qualify for post employment healthcare coverage, age and service retirees under the traditional and combined plans must have ten years or more of qualifying Ohio service credit. Healthcare coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised code permits, but does not require, OPERS to provide healthcare benefits to eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the healthcare plan are provided separately in the OPERS financial report which may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

Funding Policy – The post employment healthcare plan was established under, and is administered in accordance with, Internal Revenue Code 401 (h). State statute requires that public employers fund post employment healthcare through contributions to OPERS. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of post employment healthcare.

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2009, local government employers contributed 14 percent of covered payroll. Each year, The OPERS retirement board determines the portion of the employer contribution that will be set aside for funding post employment healthcare benefits.

The amount of the employer contributions which was allocated to fund post employment healthcare was 0.5000 percent of covered payroll from January 1 through March 31, 2009, and 0.3929 percent from April 1 through June 30, 2009.

The retirement board is also authorized to establish rules for the payment of a portion of the healthcare benefits by the retiree or retiree's surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and selected coverage.

GEAUGA-ASHTABULA-PORTAGE PARTNERSHIP, INC.
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)

NOTE 6: POST EMPLOYMENT BENEFITS (Continued)

A. Ohio Public Employees Retirement System (Continued)

The GAPP's contributions allocated to fund post employment healthcare benefits for the years ended December 31, 2009, and 2008 were \$9,984; and \$2,376 respectively; 100 percent has been contributed for 2009 and 2008.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) which 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 healthcare plan.

NOTE 7: COMPENSATED ABSENCES

GAPP's employees, whether full-time or part-time, do not earn vacation time or 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.

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

There are expenditures listed as questionable in GAPP's previous audit, 2007-2008, in the amount of \$151,069, which the Ohio Department of Jobs and Family Services has reduced to \$89,001. 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 9: LEASE COMMITMENTS

GAPP does not have any material lease commitments. Total office rent expense was \$7,490 for fiscal year ended June 30, 2009. GAPP leases office space under a certain operating lease for one year at a time.

GEAUGA-ASHTABULA-PORTAGE PARTNERSHIP, INC.
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)

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 2007, 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.

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GEAUGA-ASHTABULA-PORTAGE PARTNERSHIP, INC.

**EXPENDITURES OF FEDERAL AWARDS SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2009**

| Federal Grantor Pass Through Grantor Program Title | Federal CFDA Number | Disbursements |
|------------------------------------------------------------------------|---------------------------|---------------------|
| <i>United States Department of Labor</i> | | |
| <i>Passed Through the Ohio Department of Jobs and Family Services:</i> | | |
| Workforce Investment Act Cluster: | | |
| Adult | 17.258 | \$ 753,012 |
| Adult - ARRA | 17.258 | 30,985 |
| Admin Adult | 17.258 | 36,709 |
| Youth Employment Program | 17.258 | 122,258 |
| Total CFDA #17.258 | | <u>942,964</u> |
| | | |
| Youth | 17.259 | 1,141,032 |
| Youth - ARRA | 17.259 | 154,017 |
| Admin Youth | 17.259 | 111,113 |
| Admin Youth - ARRA | 17.259 | 1,357 |
| Total CFDA #17.259 | | <u>1,407,519</u> |
| | | |
| Dislocated Workers | 17.260 | 934,881 |
| Dislocated Workers - ARRA | 17.260 | 155,302 |
| Admin Dislocated Workers | 17.260 | 83,867 |
| | | |
| Veterans Rapid Response | 17.260 | 6,091 |
| Admin Veterans Rapid Response | 17.260 | 609 |
| | | |
| Workkeys | 17.260 | 2,320 |
| Career Advancement | 17.260 | 2,325 |
| ODOD HB 372 IW | 17.260 | 34,650 |
| Total CFDA #17.260 | | <u>1,220,045</u> |
| | | |
| Veterans Short Term Training Program | Note C | 4,640 |
| Admin Veterans Short Term Training Program | Note C | 164 |
| Total Veterans Short Term Training Program | | <u>4,804</u> |
| | | |
| Total Workforce Investment Act Cluster | | <u>3,575,332</u> |
| | | |
| Workforce Service Month | 17.207 | <u>5,023</u> |
| | | |
| Total United States Department of Labor | | <u>3,580,355</u> |
| | | |
| Total Expenditures of Federal Awards | | <u>\$ 3,580,355</u> |

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

**GEAUGA-ASHTABULA-PORTAGE PARTNERSHIP, INC.
GEAUGA COUNTY**

**NOTES TO THE EXPENDITURES OF FEDERAL AWARDS SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2009**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) reports the Geauga-Ashtabula-Portage Partnership, Inc.'s (GAPP's) federal award programs' disbursements. The schedule has been prepared on the cash basis of accounting.

NOTE B - SUBRECIPIENTS

GAPP passes certain federal awards received from the Department of Job and Family Services to other governments or not-for-profit agencies (subrecipients). As Note A describes, GAPP reports expenditures of Federal awards to subrecipients when paid in cash.

As a subrecipient, GAPP has certain compliance responsibilities, such as monitoring its subrecipients to help assure they use these subawards as authorized by laws, regulations, and the provisions of contracts or grant agreements, and that subrecipients achieve the award's performance goals.

NOTE C - CFDA NUMBER

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



Dave Yost • Auditor of State

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

Geauga-Ashtabula-Portage Partnership, Inc.
Geauga County
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., Geauga County, (GAPP) as of and for the year ended June 30, 2009, which collectively comprise GAPP's basic financial statements and have issued our report thereon dated February 11, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered GAPP's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of GAPP's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of GAPP's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the GAPP's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

Compliance and Other Matters

As part of reasonably assuring whether GAPP's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2009-001.

We also noted certain matters not requiring inclusion in this report that we reported to GAPP's management in a separate letter dated February 11, 2011.

GAPP's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit GAPP's responses and, accordingly, we express no opinion on them.

We intend this report solely for the information and use of management, the audit committee, the Board of Directors, federal awarding agencies and pass-through entities, and others within GAPP. We intend it for no one other than these specified parties.

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

Dave Yost
Auditor of State

February 11, 2011



Dave Yost • Auditor of State

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

Geauga-Ashtabula-Portage Partnership, Inc.
Geauga County
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 the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect GAPP's major federal program for the year ended June 30, 2009. The summary of auditor's results section of the accompanying schedule of findings identifies GAPP's major federal program. GAPP's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on 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 included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about GAPP's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on GAPP's compliance with those requirements.

In our opinion, GAPP complied, in all material respects, with the requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2009. However, the results of our auditing procedures disclosed another instance of noncompliance with those requirements that, while not affecting our opinion on compliance, OMB Circular A-133 requires us to report. The accompanying schedule of findings lists this instance as Finding 2009-002.

Internal Control Over Compliance

GAPP's management is responsible for establishing and maintaining effective internal control over compliance with the 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 directly and materially affect a major federal program, to determine our auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of GAPP's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, we cannot assure we have identified all deficiencies, significant deficiencies, or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings as item 2009-002 to be a material weakness.

GAPP's responses to the findings we identified are described in the accompanying schedule of findings. We did not audit GAPP's responses and, accordingly, we express no opinion on them.

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



Dave Yost
Auditor of State

February 11, 2011

**GEAUGA-ASHTABULA-PORTAGE PARTNERSHIP, INC.
 GEAUGA COUNTY
 SCHEDULE OF FINDINGS
 OMB CIRCULAR A-133 § .505
 FOR THE YEAR ENDED JUNE 30, 2009**

| |
|----------------------------------------|
| 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)? | No |
| (d)(1)(ii) | Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)? | No |
| (d)(1)(iii) | Was there any reported material noncompliance 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 significant deficiencies in internal control reported for major federal programs? | No |
| (d)(1)(v) | Type of Major Programs' Compliance Opinion | Unqualified |
| (d)(1)(vi) | Are there any reportable findings under § .510(a)? | Yes |
| (d)(1)(vii) | Major Programs (list): | 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.
GEAUGA COUNTY
SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
FOR THE YEAR ENDED JUNE 30, 2009
(Continued)

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

FINDING NUMBER 2009-001

Material Noncompliance

Annual Financial Reporting

Ohio Revised Code Section 117.38 provides that each public office shall file a financial report for each fiscal year, within one hundred and fifty days for entities reporting on a GAAP basis. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. In part this report shall contain the following:

- Amount of collections and receipts, and accounts due from each source; and
- Amount of expenditures for each purpose.

As of the date of this report, February 11, 2011, Geauga-Ashtabula-Portage Partnership, Inc. (GAPP) has not filed their financial report for fiscal year 2009. By not filing these financial statements within the prescribed timetable, GAPP may be assessed a late filing penalty.

We recommend GAPP organize its financial recordkeeping, develop tickler files as a reminder of filing dates and take all other steps necessary to file its financial statements within the prescribed time period.

Official's Response:

GAPP Inc. is of the understanding that financial statements were filed with your office, but were apparently not filed in a timely manner. GAPP Inc. agrees to develop a docketing system for the reporting of the same, and will undertake efforts in the future to file its financial statements within the prescribed timetable. GAPP Inc. respectfully requests the waiver of any late filing penalty.

**GEAUGA-ASHTABULA-PORTAGE PARTNERSHIP, INC.
 GEAUGA COUNTY
 SCHEDULE OF FINDINGS
 OMB CIRCULAR A-133 § .505
 FOR THE YEAR ENDED JUNE 30, 2009
 (Continued)**

| |
|---------------------------------------|
| 3. FINDINGS FOR FEDERAL AWARDS |
|---------------------------------------|

Subrecipient Monitoring

| | |
|------------------------------|-----------------------------------------------------------------------------------------------------------------|
| Finding Number | 2009-002 |
| CFDA Title and Number | Workforce Investment Act Cluster Adult CFDA #17.258 Youth CFDA #17.259 Dislocated Workers CFDA #17.260 |
| Fiscal Year | 2009 |
| Federal Agency | U.S. Department of Labor |
| Pass-Through Agency | Ohio Department of Jobs and Family Services |

Noncompliance and Material Weakness

The A-102 Common Rule requires a pass-through entity to monitor its subrecipients' activities to provide reasonable assurance the subrecipient administers Federal awards in compliance with Federal Requirements.

GAPP was unable to provide documentation on its monitoring efforts such as policies or procedures in place to perform on-site monitoring and reviews during the awarding activities. Also, GAPP was not conducting regular oversight and monitoring of its WIA activities and those of its subrecipients and contractors in order to determine whether or not there is compliance with provisions of the Act and applicable laws and regulations and provide technical assistance as necessary and appropriate.

A pass-through entity assumes responsibility for complying with federal requirements when it accepts federal awards. When GAPP passes a grant through to a subrecipient, GAPP is ultimately responsible for compliance at the subrecipient level. Ineffective subrecipient monitoring could result in noncompliance with federal requirements by subrecipients.

We recommend monitoring activities be established and normally occur throughout the year which may take various forms, such as:

- Reporting – Reviewing financial and performance reports submitted by the subrecipient.
- Site Visits – Performing site visits at the subrecipient to review financial, programmatic and other required records and observe operations.
- Regular Contact – Regular contact with subrecipients and appropriate inquiries concerning program activities.

Official's Response:

GAPP Inc. will in the future engage in adult and dislocated worker monitoring of those sub-recipients of adult and dislocated worker grant money.

**GEAUGA-ASHTABULA-PORTAGE PARTNERSHIP, INC.
GEAUGA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .315 (b)
FOR THE YEAR ENDED JUNE 30, 2009**

| Finding Number | Finding Summary | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i> |
|----------------|----------------------------------------------------------------------------------------------------------------|------------------|--------------------------------------------------------------------------------------------------------------------------------------------------|
| 2008-001 | WIA Cluster CFDA# 17.258, 17.259, 17.260 – Noncompliance and Questioned Costs – Allowable Cost/Cost Principles | No | Partially corrected, questioned costs have been negotiated with ODJFS from \$151,069, down to \$89,001. (See Note 8 to the Financial Statements) |



Dave Yost • 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
MARCH 15, 2011**