

Ohio Valley Employment Resource  
Financial Statements  
For the Year Ended June 30, 2004





# Mary Taylor, CPA

Auditor of State

Board of Directors  
Ohio Valley Employment Resource  
212 Cumberland Street  
Caldwell, Ohio 43274

We have reviewed the *Independent Auditors' Report* of the Ohio Valley Employment Resource, Noble County, prepared by Salvatore Consiglio, CPA, Inc., for the audit period July 1, 2003 through June 30, 2004. 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 Ohio Valley Employment Resource is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA  
Auditor of State

April 20, 2007

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OHIO VALLEY EMPLOYMENT RESOURCE  
AUDIT REPORT  
FOR THE YEAR ENDED JUNE 30, 2004

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## **Independent Auditors' Report**

Board of Directors  
Ohio Valley Employment Resource

I have audited the accompanying financial statements of the governmental activities of the Ohio Valley Employment Resource (OVER) as of and for the year ended June 30, 2004, which collectively comprise the OVER's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the OVER's management. My responsibility is to express an opinion on these basic financial statements based on my audit.

I have conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the 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. I believe that my audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of the Ohio Valley Employment Resource as of June 30, 2004, 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.

As described in Note 12, during the year ended June 30, 2004, OVER implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*.

In accordance with *Government Auditing Standards*, I have also issued my report dated October 13, 2006 on my consideration of the Ohio Valley Employment Resource internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

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

My Audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the Ohio Valley Employment Resource basic financial statements. The accompanying Schedule of Expenditure of Federal Awards is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Schedule of Expenditure of Federal Awards has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly presented in all material respect in relation to the basic financial statements taken as a whole.



Salvatore Consiglio, CPA, Inc.

October 13, 2006

Ohio Valley Employment Resource  
MANAGEMENT DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2004

Unaudited

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The discussion and analysis of the Ohio Valley Employment Resource (OVER) financial performance provides an overall review of the agency's financial activities for the fiscal year ended June 30, 2004. The intent of this discussion and analysis is to look at the OVER'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, 2004 are as follows:

- The assets of OVER exceeded its liabilities by \$7,581. This represented a decrease of 32.27% from the prior year excess.
- The total net assets decreased by \$3,612 due to depreciation expense.

### **USING THIS ANNUAL REPORT**

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

Both of the government-wide financial statements distinguish functions of the agency that are principally supported by intergovernmental revenues (governmental activities). The governmental activities of the OVER include the Workforce Investment Act activities for the following funding streams, administration, adult, dislocated workers, rapid response, youth and other funding streams as available. There are no business-type activities reported for the OVER.



Ohio Valley Employment Resource  
MANAGEMENT DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2004

Unaudited

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Fund Financial Statements

The fund financial statements are used to report additional and detailed information about the Resource. These statements focus on the major fund of the Resource. A fund is a grouping of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. OVER, like other state and local governments, use fund accounting to ensure and demonstrate compliance with finance-related legal requirements. OVER only has one governmental fund, special revenue fund.

Governmental Funds

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

Notes to the Financial Statements

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

**THE RESOURCE AS A WHOLE**

Government-Wide Financial Analysis

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

The individual funds and account groups, which are used by OVER, 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 analysis below focuses on the net assets (Table 1) and changes in net assets (Table 2) of the Resource's governmental type activities.

Ohio Valley Employment Resource  
MANAGEMENT DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2004

Unaudited

**Table 1 – Net Assets**

	<u>June 30, 2004</u>	<u>Restated June 30, 2003</u>
<b>Assets</b>		
Current and Other Assets	\$215,459	\$111,525
Capital Assets, Net	7,581	11,193
<b>Total Assets</b>	<b><u>\$223,040</u></b>	<b><u>\$122,718</u></b>
<b>Liabilities</b>		
Current and Other Liabilities	\$215,459	\$111,525
<b>Total Liabilities</b>	<b><u>\$215,459</u></b>	<b><u>\$111,525</u></b>
<b>Net Assets</b>		
Invested in Capital Assets Net of Debt	\$ 7,581	\$11,193
<b>Total Net Assets</b>	<b><u>\$ 7,581</u></b>	<b><u>\$11,193</u></b>

**Table 2 – Changes in Net Assets**

	<u>June 30, 2004</u>	<u>June 30, 2003</u>
Total Revenue	\$473,268	\$641,184
Total Expenses	476,880	629,991
 Increase (Decrease) in Net Assets	 <u>(\$3,612)</u>	 <u>\$11,193</u>

The decrease in net assets is the amount of depreciation expense.

**THE AGENCY FUND**

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

The focus of OVER governmental fund is to provide information on near-term inflows, outflows, and balances of available resources. Such information is useful in assessing OVER's requirements.

As OVER only has one governmental fund, the analysis from a fund perspective is similar to the analysis already presented on a government-wide basis, exclusive of generally accepted accounting differences between the two sets of statements which is the recording of capital assets.

Ohio Valley Employment Resource  
MANAGEMENT DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2004

Unaudited

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**SPECIAL REVENUE FUND BUDGETARY HIGHLIGHTS**

The OVER's annual budget is primarily a management tool that assists its users in analyzing financial activity for its fiscal year ending June 30, 2004. OVER's primary funding source is federal and state grants, which have grant periods that may or may not coincide with the Agency's fiscal year. Due to the nature of OVER's dependency on federal and state budgetary decisions, revenue estimates are based upon the best available information as to potential sources of funding.

OVER'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.

The OVER's annual budget for the Special Revenue funds are reviewed and approved by the Council of Governments.

Actual revenues and expenses for fiscal year 2004 were well within budgeted levels and consistent with previous periods. As the fiduciary agent of taxpayer funds, OVER diligently searches for new and more efficient methods to reduce and/or contain operating expenses. OVER's goal continues to be to serve the maximum customers with the allocations available.

**CAPTIAL ASSET AND DEBT ADMINISTRATION**

Capital Assets

At June 30, 2004, the Resource had \$7,581 invested in capital assets as reflected in the following table, which represents a net decrease of \$3,612 from the previous period.

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

	<u>June 30, 2004</u>	Restated <u>June 30, 2003</u>
Equipment and Furniture, Net	\$ 7,581	\$ 11,193
Total Capital Assets	<u>\$ 7,581</u>	<u>\$ 11,193</u>

See Note 6 for additional information on capital assets.

Debt

The OVER has no debt for the year ended June 30, 2004.

Ohio Valley Employment Resource  
MANAGEMENT DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2004

Unaudited

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**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS**

Significant economic factors affecting the Resource 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.

OVER's program allocations are calculated as a fixed percentage of each of the Area's County allocations, which are calculated by Ohio Department of Job & Family Services (ODJFS) based on a formula specified in the Workforce Investment Act. This formula considers various economic factors including income levels and unemployment rates. During the period of this report, Morgan and Monroe counties saw unusually high levels of unemployment as a result of large worker dislocations from company shutdowns, particularly in traditional coal and manufacturing sectors.

The program allocations for the Area 7/34 WIA funding streams indicate a decrease of 23.69% for fiscal year 2004.

**CONTACTING THE RESOURCE'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customer and creditors with a general overview of the Resource's finances and to show the Resource's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Ohio Valley Employment Resource, Attention: Chief Financial Officer, at 212 Cumberland Street, Caldwell, Ohio 43725.

**OHIO VALLEY EMPLOYMENT RESOURCE**

*Statement of Net Assets*

*June 30, 2004*

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<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$184,414
Intergovernmental Receivable	30,945
Prepaid Expenses and Other Receivables	100
Capital Assets, Net	<u>7,581</u>
<i>Total Assets</i>	<u>\$223,040</u>
<b>Liabilities</b>	
Accounts Payable	\$4,732
Other Accrued Expenses	31,442
Accrued Wages and Benefits	8,378
Deferred Revenue	<u>170,907</u>
<i>Total Liabilities</i>	<u>\$215,459</u>
<b>Net Assets</b>	
Investment in Capital Assets	<u>\$7,581</u>
<i>Total Net Assets</i>	<u><u>\$7,581</u></u>

The accompanying notes to the basic financial statements are an integral part of these statements.

**OHIO VALLEY EMPLOYMENT RESOURCE**

*Statement of Activities*

*For the Year Ended June 30, 2004*

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net Expense and</u>
		<u>Charges for</u>	<u>Operating Grants</u>	<u>Change in Net Assets</u>
Primary Government		<u>Services</u>	<u>and Contributions</u>	<u>Primary Government</u>
Governmental Activities:				<u>Governmental</u>
Employment & Training				<u>Activities</u>
Program Costs	\$476,880	\$156,296	\$316,779	\$(3,805)
		Interest Income		193
		Change in Net Assets		(3,612)
		<i>Net Assets Beginning of Year-Restated</i>		11,193
		<i>Net Assets End of Year</i>		\$7,581

The accompanying notes to the basic financial statements are an integral part of these statements.

**OHIO VALLEY EMPLOYMENT RESOURCE**

*Balance Sheet  
Governmental Fund  
June 30, 2004*

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<b>Assets</b>	
Equity in Cash and Cash Equivalents	\$184,414
Intergovernmental Receivable	30,945
Prepaid Items	<u>100</u>
<i>Total Assets</i>	<u><u>\$215,459</u></u>
<b>Liabilities</b>	
Accounts Payable	\$4,732
Other Accrued Expenses	31,442
Accrued Wages and Benefits	8,378
Deferred Revenue	<u>170,907</u>
<i>Total Liabilities</i>	<u>215,459</u>
<b>Fund Balances</b>	
Unrestricted Fund Balance	<u>0</u>
<i>Total Fund Balances</i>	<u>0</u>
<i>Total Liabilities and Fund Balances</i>	<u><u>\$ 215,459</u></u>

The accompanying notes to the basic financial statements are an integral part of these statements.

**OHIO VALLEY EMPLOYMENT RESOURCE**  
*Reconciliation of Total Governmental Fund Balance to  
Net Assets of Governmental Activities  
June 30, 2004*

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Total Governmental Funds Balances \$0

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

Capital assets used in governmental activities are not financial resources  
and therefore are to reported in the funds 7,581

Net assets of governmental activities \$7,581

The accompanying notes to the basic financial statements are an integral part of these statements.



**OHIO VALLEY EMPLOYMENT RESOURCE**  
*Statement of Revenue, Expenditures and Changes in Fund Balance*  
*Governmental Fund*  
*For the Year Ended June 30, 2004*

	General Fund
<b>Revenues</b>	
Intergovernmental Revenue	\$473,075
Interest Earned	193
Total Revenues	473,268
<b>Expenditures</b>	
Human Services:	
Employment and Training Program	473,075
Program Income Expensed	193
Total Expenditures	473,268
Net Change in Fund Balance	0
Fund Balance Beginning of Year	0
Fund Balance at End of Year	\$0

The accompanying notes to the basic financial statements are an integral part of these statements.

**OHIO VALLEY EMPLOYMENT RESOURCE**  
*Reconciliation of the Statement of Revenue, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activity  
For the Year Ended June 30, 2004*

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**Net Change in Fund Balance - Total Governmental Funds** \$0

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

Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful life as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period. (3,612)

Change in Net Assets of Governmental Activities \$(3,612)

The accompanying notes to the basic financial statements are an integral part of these statements.

## OHIO VALLEY EMPLOYMENT RESOURCE

*Notes to the Financial Statements  
For the Year Ended June 30, 2004*

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### NOTE 1: REPORTING ENTITY

On August 7, 1998, President Clinton signed the Workforce Investment Act of 1998 (WIA), comprehensive reform legislation that superseded the Job Training Partnership Act (JTPA) and amends the Wagner-Peyser Act. WIA reforms Federal job training programs and creates a new, comprehensive workforce investment system. The system is intended to be customer-focused, to help American access the tools they need to manage their careers through information and high quality services, and to help U.S. companies find skilled workers.

The State of Ohio Department of Job and Family Services is the State Agency designated as the State Workforce Investment Board to oversee the state plan in implementing the WIA program. The Governor designated Workforce Investment Area Seven as a single service delivery area to serve economically disadvantaged individuals and individuals facing barriers to employment. Within Workforce Investment Area Seven; Monroe, Morgan, Noble and Washington Counties joined together to form a Workforce Development Area #7/34. The chief elected officials of Monroe, Morgan, Noble and Washington Counties have established the Ohio Valley Employment Resource (OVER) to develop and implement programs under the Workforce Investment Act. Any liabilities incurred by the programs are ultimately the responsibility of the county commissioners.

Ohio Valley Employment Resource is a Regional Council of Governments consisting of Monroe, Morgan, Noble and Washington Counties.

In June 1999, GASB approved Statement No. 34, Basic Financial Statements – Management’s Discussion and Analysis – for State and Local Governments. Certain of the significant changes in the Statements include the following:

- For the first time the financial statements include a Management Discussion and Analysis (MD&A) section providing analysis of the Authority’s overall financial position and results of operation.

These and other changes are reflected in the accompanying financial statements (including notes to the financial statements). OVER has elected to implement GASB 34 in the current fiscal year.

### NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies is presented to assist the reader in understanding and evaluating the financial statements of Ohio Valley Employment Resource (OVER).

#### A. Basis of Presentation

The accompanying financial statements comply with the provision of Governmental Accounting Standards Board (GASB) Statement 14, the Financial Reporting Entity, in that the financial statements include all OVER, activities and functions for which the OVER is financially accountable. This report includes all activities considered by management to be part of the OVER by virtue of Section 2100 of the Codification of Governmental Accounting and Financial Reporting Standards.

## OHIO VALLEY EMPLOYMENT RESOURCE

*Notes to the Financial Statements*

*For the Year Ended June 30, 2004*

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

#### A. Basis of Presentation (Continued)

Section 2100 indicates that the reporting entity consists of a) the primary government, b) organizations for which the primary government is financially accountable, and c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's government body and either it is able to impose its will on those organizations or there is a potential for the organizations to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

A primary government has the ability to impose its will on organizations if it can significantly influence the programs, projects, or activities of, or the level of services performed or provided by, the organizations. A financial benefit or burden relationship exists if the primary government a) is entitled to the organization's resources; b) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organizations; or c) is obligated in some manner for the debt of the organizations.

Management believes the financial statements included in this report represent all of the funds of the agency of which the OVER is financially accountable.

#### B. Government-Wide Financial Statements

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

The statement of net assets presents the financial condition of the governmental activities of the OVER at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the OVER'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 for the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program, and interest earned on grants that is required to be used to support a particular program. Revenues which are not

## OHIO VALLEY EMPLOYMENT RESOURCE

*Notes to the Financial Statements*

*For the Year Ended June 30, 2004*

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

#### B. Government-Wide Financial Statements (Continued)

classified as program revenues are presented as general revenues of the OVER, 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 the OVER.

##### ***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. OVER has only one fund which is major.

##### **Fund Accounting**

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

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

##### **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.

OVER major governmental fund is:

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

#### C. Measurement Focus and Basis of Accounting

##### ***Government-wide Financial Statements***

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

##### ***Fund Financial Statements***

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports on the sources (i.e., revenues and other financing

## OHIO VALLEY EMPLOYMENT RESOURCE

*Notes to the Financial Statements*

*For the Year Ended June 30, 2004*

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

#### C. Measurement Focus and Basis of Accounting (Continued)

sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

#### D. Basis of Accounting

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

#### ***Revenues - 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 the OVER, available means expected to be received within 60 days of fiscal year end.

Non-exchange transactions, in which the OVER 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 the OVER must provide local resources to be used for a specific purpose, and expenditure requirements, in which the resources are provided to the OVER on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

#### ***Deferred Revenue***

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. On governmental fund financial statements, receivables that will not be collected with the available period have also been reported as deferred revenue.

## OHIO VALLEY EMPLOYMENT RESOURCE

*Notes to the Financial Statements  
For the Year Ended June 30, 2004*

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### 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, fixtures, and equipment purchased by OVER. At the time of purchase, such assets are recorded as expenditures in the Governmental Funds.

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

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

The OVER capitalization policy is to depreciate all non-expendable personal property having a useful life of more than one year and purchase price of \$1,000 or more per unit. Depreciation is computed using the straight-line method over the estimated useful life of the assets.

#### F. Budgetary Process

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

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

Due to the nature of OVER's dependency on federal and state budgetary decisions, revenue estimates are based upon the best available information as to potential sources of funding. OVER's 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

## OHIO VALLEY EMPLOYMENT RESOURCE

*Notes to the Financial Statements  
For the Year Ended June 30, 2004*

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### 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:

- ◆ 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.

The Council of Governments 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 Council of Governments Board, it is not a legally adopted budget.

#### G. 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.

#### H. Cash and Cash Equivalents

To improve cash management, all cash received by the OVER 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 the OVER 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.

#### I. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2004 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.



## OHIO VALLEY EMPLOYMENT RESOURCE

*Notes to the Financial Statements  
For the Year Ended June 30, 2004*

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

#### J. 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 OVER or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

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

### NOTE 3: DEPOSITS AND INVESTMENTS

State statutes classify monies held by the OVER 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 the OVER treasury, in commercial accounts payable or withdrawn on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits 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 accounts 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 OVER deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by collateral held by OVER or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

At fiscal year end, the carrying amount of the OVER deposits was \$184,414 (includes \$91 of petty cash) and the bank balance was \$229,626. Based on the criteria described in GASB Statement No. 40, "Deposit and Investment Risk Disclosure," as of June 30, 2006, \$125,783 was exposed to custodial risk as discussed below, while \$103,843 was covered by the federal deposit insurance.

## OHIO VALLEY EMPLOYMENT RESOURCE

*Notes to the Financial Statements*

*For the Year Ended June 30, 2004*

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NOTE 3: DEPOSITS AND INVESTMENTS (Continued)

Custodial credit risk is the risk that in the event of bank failure, the Authority 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 the 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 the Authority.

Investments – OVER had no investments as of June 30, 2004.

NOTE 4: INTERGOVERNMENTAL RECEIVABLE

Intergovernmental Receivable represents amounts owed to OVER from Morgan Department of Jobs and Family Services for grant funds earned but not received of \$15,423 and amounts advanced to member counties for grant operation of \$15,522.

NOTE 5: DEFERRED REVENUE

Deferred revenue of \$170,907 represents revenue received, but not earned in the current period.

NOTE 6: CAPITAL ASSETS

A summary of the changes in capital assets during the year ended June 30, 2004, follows:

	Balance 6/30/03	Additions	Deletions	Balance 6/30/04
<b>Government Activities</b>				
<i>Capital Assets being Depreciated:</i>				
Furniture and Equipment	\$ 50,749	\$ 0	\$ 0	\$ 50,749
<i>Total Capital Assets being Depreciated</i>	<u>50,749</u>	<u>0</u>	<u>0</u>	<u>50,749</u>
 Less Accumulated Depreciation:				
Furniture and Equipment	<u>(39,556)</u>	<u>(3,612)</u>	<u>0</u>	<u>(43,168)</u>
Total Accumulated Depreciation	<u>(39,556)</u>	<u>(3,612)</u>	<u>0</u>	<u>(43,168)</u>
Total Capital Assets being Depreciated	<u>\$ 11,193</u>	<u>\$ (3,612)</u>	<u>\$ 0</u>	<u>\$ 7,581</u>

## OHIO VALLEY EMPLOYMENT RESOURCE

*Notes to the Financial Statements  
For the Year Ended June 30, 2004*

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### NOTE 7: DEFINED BENEFIT PENSION PLAN

Public Employees Retirement System (the PERS of Ohio)

All employees of OVER 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 issue 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 defined 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 investment earnings.
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 8.5 percent of their annual covered salary to fund pension obligations. The 2004 employer pension contribution rate for OVER was 13.55 percent. Contributions are authorized by state statute. The contribution rates are determined actuarially. The OVER required contributions to PERS for the years ended June 30, 2004, 2003, and 2002 were \$11,590, \$15,646, and \$37,663, respectively. 89 percent has been contributed for 2004. All required contributions for the two previous years have been paid.

### NOTE 8: POST-EMPLOYMENT BENEFITS

The 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 2004 employer

**OHIO VALLEY EMPLOYMENT RESOURCE**

*Notes to the Financial Statements  
For the Year Ended June 30, 2004*

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NOTE 8: POST-EMPLOYMENT BENEFITS (Continued)

contribution rate (identified above) that was used to fund health care for the year ended June 30, 2004 was 4.0 percent of covered payroll, which amounted to \$3,422. 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, 2004. 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 2004 was 8.0 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 0.50 percent to 6.3 percent. Health care costs were assumed to increase at a project wage inflation rate plus an additional factor ranging from 1% to 6% for the next 8 years. In subsequent years (9 and beyond), health care costs were assumed to increase at 4% (the projected wage inflation rate).

Benefits are advanced-funded on an actuarially determined basis. The number of active contributing participants was 376,109. The actuarial value of the OPERS' net assets available for OPEB at December 31, 2004 was \$10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$29.5 billion and \$18.7 billion, respectively.

NOTE 9: COMPENSATED ABSENCES

All employees of OVER earn vacation and sick leave at varying rates depending on length of service. Part-time employee leave is pro-rated based on hours worked. All accumulated, unused vacation time is paid upon separation if the employee has at least six months of service with OVER. The following schedule details earned vacation leave based on length of service:

<u>Years of Employment</u>	<u>Vacation Leave</u>
1 – 3 years	10 days
4 – 9 years	15 days
9+ years	20 days

Full-time employees earn 4.62 hours per of sick leave per each completed 80 hours of service. Part-time employee leave is pro-rated based on hours worked. There are no limits set on the amount of sick leave hours that can be accumulated. In accordance with GASB Statement No. 16, *Accounting for Compensated Absences*, vacation and compensatory time are accrued as liabilities when an employee's right to receive compensation is attributable to services already rendered and it is probable that the employee will be compensated through paid time off or some other means, such as cash payments at termination or retirement. Leave time that has been earned but is unavailable for use as paid time off or as some other form of compensation because an employee has not met the minimum service time requirement, is accrued to the extent that it is considered to be probable that the conditions for compensation will be met in the future.

## OHIO VALLEY EMPLOYMENT RESOURCE

*Notes to the Financial Statements*

*For the Year Ended June 30, 2004*

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### NOTE 9: COMPENSATED ABSENCES (Continued)

Sick leave is accrued using the vesting method, whereby the liability is recorded on the basis of leave accumulated by employees who are eligible to receive termination payments as of the balance sheet date, and on leave balances accumulated by other employees who are expected to become eligible in the future to receive such payments.

As of June 30, 2004, the liability for unpaid, compensated absences was \$3,843 for OVER.

### NOTE 10: CONTINGENT LIABILITIES

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 no expenditures listed as questionable. Questionable costs are those involving the lack of or inadequacy of documentary support. Findings containing questionable costs do not necessarily mean that the costs were for improper purposes; but there was insufficient documentary evidence to allow a determination of their eligibility.

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. Management believes disallowances, if any, will be immaterial.

Management is not aware of any pending litigation outstanding against Ohio Valley Employment Resource.

### NOTE 11: INSURANCE AND RISK MANAGEMENT

OVER is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2003, OVER contracted with several companies for various types of insurance as follows:

<u>Company</u>	<u>Type of Coverage</u>	<u>Deductible</u>
Old Republic Surety Company	Bond-Public Employees	\$ 0.00
Motorist Insurance Company	Common Property	\$ 250.00
Cincinnati Insurance Company	Non-Profit Director & Officials	\$ 0.00
	Liability/Errors & Omissions	
	Employment Practices	\$ 100.00

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

## OHIO VALLEY EMPLOYMENT RESOURCE

*Notes to the Financial Statements  
For the Year Ended June 30, 2004*

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### NOTE 11: INSURANCE AND RISK MANAGEMENT (Continued)

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

### NOTE 12: CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCE

For fiscal year ended June 30, 2004 the Ohio Valley Employment Resource implemented Governmental Accounting Standards Board Statement (GASB) No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments"; GASB Statement No. 37, "Basic Financial Statements for State and Local Governments: Omnibus"; GASB Statement No. 38, "Certain Financial Statement Note Disclosures"; GASB Statement No. 41, "Budgetary Comparison Schedules - Perspective Differences"; and GASB Interpretation No. 6, "Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements".

GASB Statement No. 34 creates new basic financial statements for reporting on the OVER's financial activities. The financial statements now include entity-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type.

The entity-wide financial statements reflect only governmental activities. The beginning net asset amount for governmental programs reflects the change in fund balance for governmental funds at June 30, 2003 caused by the conversion to the accrual basis of accounting.

GASB Statement No. 37 clarifies certain provisions of Statement No. 34, including the required content of the MD&A, the classification of program revenues, and the criteria for determining major funds. GASB Statement No. 38 modifies, establishes, and rescinds certain financial statement note disclosures.

GASB Statement No. 41 allows the presentation of budgetary schedules as required supplementary information based on the fund, OVER, or program structure that the government uses for its legally adopted budget when significant budgetary perspective differences result in the OVER not being able to present budgetary comparisons for the general and each major special revenue fund. There was no impact on the current financial statement.

GASB Interpretation No. 6 clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could arise, in interpretation and practice. There was no impact on fund balance at June 30, 2003.

The transition from governmental fund balance to net assets of governmental activities is presented as follows:

**OHIO VALLEY EMPLOYMENT RESOURCE**

*Notes to the Financial Statements*

*For the Year Ended June 30, 2004*

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NOTE 12: CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND  
BALANCE (Continued)

	<u>General Fund</u>
Fund Balance, June 30, 2003	\$50,749
GASB 34 Adjustment:	
Capital Assets	<u>(39,556)</u>
Governmental Activities Net Assets, June 30, 2003	<u><u>\$11,193</u></u>



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

Board of Directors  
Ohio Valley Employment Resource

I have audited the financial statements of the governmental activities of the Ohio Valley Employment Resource, Ohio, as of and for the year ended June 30, 2004, which collectively comprise Ohio Valley Employment Resource basic financial statements and have issued my report thereon dated October 13, 2006. I conducted my 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 my audit, I considered Ohio Valley Employment Resource, Ohio's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal component does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation the financial statements being auditing may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

**Compliance and Other Matters**

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



This report is intended solely for the information and use of the board of directors, 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.

  
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Salvatore Consiglio, CPA, Inc.

October 13, 2006

Ohio Valley Employment Resource  
 Schedule of Prior Audit Findings  
 For the Year Ended June 30, 2004

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Fully Corrected</b>	Not Corrected; Partially Corrected; Significantly Corrective Action Taken; or Finding No Longer Valid; Explain:
2002-61061-001	29 C.F.R. Section 95.22 (b) states that cash advances shall be limited to the minimum amounts needed and be timed to be in accord with the actual, immediate cash requirements of the organization in carrying out the purpose of the program or project.	Yes	Ohio Valley Employment Resource monitored its cash on hand on continues basis. Cash was requested for immediate needs. No errors noted during the audit period.



**Mary Taylor, CPA**  
Auditor of State

**OHIO VALLEY EMPLOYMENT RESOURCE**

**NOBLE COUNTY**

**CLERK'S CERTIFICATION**

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MAY 10, 2007**