



Dave Yost • Auditor of State

**WORKFORCE INITIATIVE ASSOCIATION
STARK COUNTY**

TABLE OF CONTENTS

| TITLE | PAGE |
|--|-------------|
| Independent Auditor's Report | 1 |
| Management's Discussion and Analysis..... | 5 |
| Basic Financial Statements: | |
| Government-Wide Financial Statements: | |
| Statement of Net Position..... | 11 |
| Statement of Activities..... | 12 |
| Fund Financial Statements: | |
| Balance Sheet | |
| Governmental Funds | 13 |
| Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities..... | 14 |
| Statement of Revenues, Expenditures and Change in Fund Balance Governmental Funds | 15 |
| Reconciliation of the Statement of Revenues, Expenditures, and Change in Fund Balance of Governmental Funds to the Statement of Activities | 16 |
| Notes to the Financial Statements | 17 |
| Federal Awards Expenses Schedule | 33 |
| Notes to the Federal Awards Expenses Schedule | 34 |
| Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> | 35 |
| Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance Required by OMB Circular A-133 | 37 |
| Schedule of Findings..... | 39 |

This page intentionally left blank.



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Workforce Initiative Association
Stark County
822 30th St. N.W.
Canton, OH 44709

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of the Workforce Initiative Association, Stark County, Ohio (WIA), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Association's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about the financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we considered internal control relevant to the Association's preparation and fair presentation of the financial statements in order to design appropriate audit procedures, but not to the extent needed to opine on the effectiveness of the Association's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Workforce Initiative Association, Stark County, Ohio (WIA), as of and for the year ended as of June 30, 2013, and the respective changes in financial position thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, 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 applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Supplementary and Other Information

Our audit was conducted to opine on WIA's basic financial statements taken as a whole.

The Federal Award Expenses Schedule (the Schedule) presents additional analysis as 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 financial statements.

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected the schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling schedule 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 schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 18, 2014, on our consideration of WIA'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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Associate's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

Columbus, Ohio

August 18, 2014

This page intentionally left blank.

**WORKFORCE INITIATIVE ASSOCIATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
Unaudited**

The discussion and analysis of Workforce Initiative Association's (WIA) financial performance provides an overall review of WIA's financial activities for the fiscal year ended June 30, 2013. The intent of this discussion and analysis is to look at WIA's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of WIA's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for the year ended June 30, 2013 are as follows:

- Revenues increased \$1,133,648 as a result of a new U.S. Department of Labor multi-year Workforce Innovation Fund (WIF) grant.
- Expenses increased \$1,078,885 also as a result of the WIF grant.
- Total net position increased \$91,794.

USING THIS ANNUAL FINANCIAL REPORT

This annual report consists of a series of financial statements and notes to those statements. These statements are prepared and organized so the reader can understand WIA as a financial whole or as an entire operating entity. The statements then proceed to provide an increasingly detailed look at WIA's specific financial conditions.

The statement of net position and statement of activities provide information about the activities of WIA, presenting both an aggregate view of its finances and a longer-term view of those assets. The statement of activities shows the net (expense) revenue and changes to net position of WIA. Fund financial statements tell how services were financed in the short-term as well as what dollars remain for future spending.

REPORTING ON THE ENTITY AS A WHOLE

Statement of Net Position and the Statement of Activities

The statement of net position and statement of activities include all assets and liabilities using the accrual basis of accounting similar to the accounting method used by the private sector. The basis for this accounting takes into account all of the current year's revenues and expenses regardless of when the cash was received or paid.

These two statements report WIA's net position and the changes in those positions. The change in net position is important because it tells the reader whether, for WIA as a whole, the financial position of WIA has improved or diminished.

All of WIA's programs and services are reported as governmental activities in the statement of net position and the statement of activities. Governmental activities consist

**WORKFORCE INITIATIVE ASSOCIATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
Unaudited**

of functions that are primarily supported by intergovernmental revenues. Activities include U.S. Department of Labor Workforce Investment Act programs (Adult, Dislocated Worker, Youth, Rapid Response, and Administration), U.S. Department of Labor Workforce Innovation Fund programs, and other funding streams, as available.

REPORTING ON THE MOST SIGNIFICANT FUND

Governmental Fund

The presentation for WIA's only fund, the general fund, focuses on how resources flow into and out of it and the balance that is left at year end and available for spending in future periods. The general fund is reported using modified accrual accounting which measures cash and all other financial assets that are expected to be readily converted to cash. The governmental fund statements provide a detailed short-term view of WIA's general 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 on services provided to users. The relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds is described in reconciliations in the financial statements.

WORKFORCE INITIATIVE ASSOCIATION AS A WHOLE

Recall that the statement of net position looks at WIA as a whole. Table 1 provides a summary of WIA's net position for fiscal year 2013 compared to fiscal year 2012.

Table 1 - Net Position

| | (Restated) | | |
|----------------------------------|--------------------------|--------------------------|--------------------------|
| | <u>6/30/2013</u> | <u>6/30/2012</u> | <u>Change</u> |
| Assets | | | |
| Current and Other Assets | \$ 398,951 | \$ 76,361 | \$ 322,590 |
| Capital Assets, Net | \$ 50,444 | \$ 64,486 | \$ (14,042) |
| Total Assets | <u>\$ 449,395</u> | <u>\$ 140,847</u> | <u>\$ 308,548</u> |
| Liabilities | | | |
| Current Liabilities | \$ 270,159 | \$ 42,247 | \$ 227,912 |
| Non-Current Liabilities | \$ 76,180 | \$ 87,338 | \$ (11,158) |
| Total Liabilities | <u>\$ 346,339</u> | <u>\$ 129,585</u> | <u>\$ 216,754</u> |
| Net Position | | | |
| Net Investment in Capital Assets | \$ 50,444 | \$ 64,486 | \$ (14,042) |
| Restricted | \$ 11,485 | \$ (95,198) | \$ 106,683 |
| Unrestricted | \$ 41,127 | \$ 41,974 | \$ (847) |
| Total Net Position | <u>\$ 103,056</u> | <u>\$ 11,262</u> | <u>\$ 91,794</u> |

**WORKFORCE INITIATIVE ASSOCIATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
Unaudited**

Current assets increased as a result of an increase in intergovernmental receivables at year-end due to the addition of the Workforce Innovation Fund program, new for fiscal year 2013, and an increase in accounts receivable.

Current liabilities increased as a result of an intergovernmental payable at year-end for the Workforce Investment Act formula programs, an increase in year-end accounts payable for accrued expenses, and an increase in accrued wages and benefits.

Table 2 provides a summary of WIA's changes in net position for fiscal year 2013 compared to fiscal year 2012.

| | <u>6/30/2013</u> | <u>6/30/2012</u> | <u>Change</u> |
|--|-------------------------|-------------------------|-------------------------|
| Total Revenues | \$ 5,263,560 | \$ 4,129,912 | \$ 1,133,648 |
| Total Expenses | <u>\$ 5,171,766</u> | <u>\$ 4,092,881</u> | <u>\$ 1,078,885</u> |
| Increase (Decrease) in Net Position | <u>\$ 91,794</u> | <u>\$ 37,031</u> | <u>\$ 54,763</u> |

The addition of the Workforce Innovation Fund program in fiscal year 2013 is primarily responsible for the increase in revenues and expenses over the previous period.

WORKFORCE INITIATIVE ASSOCIATION FUND

WIA uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of WIA's governmental fund is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing WIA's financing requirements. In particular, unassigned 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, WIA's governmental fund reported an ending fund balance of \$128,792. As WIA only has one governmental fund, the analysis from a fund perspective is similar to the analysis already presented on a government-wide basis, exclusive of generally accepted accounting differences between the two sets of statements which are highlighted in the reconciliation statements and notes to the financial statements.

BUDGETING HIGHLIGHTS

WIA's annual budget is primarily a management tool that assists its users in analyzing financial activity for its fiscal year. WIA's annual budget is not subject to formal budget commission procedures and/or legal requirements. WIA's primary funding source is

**WORKFORCE INITIATIVE ASSOCIATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
Unaudited**

federal and state grants, which have grant periods that may or may not coincide with WIA's fiscal year. Due to the nature of WIA's dependency on federal and state budgetary decisions, revenue estimates are based upon the best available information as to potential sources of funding.

WIA'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, the conversion of grant budgets to a fiscal year basis. The resulting 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.

WIA's annual budget for the general fund is reviewed by the Executive Board and used throughout each fiscal period to monitor activity and ensure sound fiscal management. Modifications are made as needed to remain within established spending limits for the year and as additional initiatives are added or as existing projects/programs change.

Actual revenues and expenditures for fiscal year 2013 increased significantly due to the addition of the Workforce Innovation Fund program. As the fiduciary agent of taxpayer funds, WIA diligently searches for new and more efficient methods to reduce and/or contain operating expenditures. WIA's goal continues to be to serve the maximum customers with the allocations available.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2013, WIA had \$50,444 invested in capital assets as reflected in the following table, which represents a net decrease of \$14,042 from the previous period.

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

| | | (Restated) | |
|-----------------------------|------------------|------------------|--------------------|
| | <u>6/30/2013</u> | <u>6/30/2012</u> | <u>Change</u> |
| Equipment and Furniture | \$ 50,444 | \$ 64,486 | \$ (14,042) |
| Total Capital Assets | \$ 50,444 | \$ 64,486 | \$ (14,042) |

See Note 5 for additional information on capital assets.

Debt

WIA has no debt for the year ended June 30, 2013.

**WORKFORCE INITIATIVE ASSOCIATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
Unaudited**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

Significant economic factors affecting WIA are as follows:

- Federal Workforce Investment Act funding through U.S. Department of Labor;
- National, state, and local unemployment rates;
- National, state and local poverty and income levels; and
- Inflationary pressure on training, services, supplies, and other program and operational costs.

WIA program allocations are calculated by the Ohio Department of Job and 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. The fiscal year 2014 Federal Budget, as enacted by Congress, contained a number of rescissions and prospective funding reductions for Workforce Investment Act Adult, Youth, and Dislocated Worker programs.

CONTACTING THE ORGANIZATION'S FINANCIAL MANAGEMENT

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

This page intentionally left blank.

Workforce Initiative Association
STATEMENT OF NET POSITION
June 30, 2013

| ASSETS | |
|--|--------------------------|
| Equity in Pooled Cash and Cash Equivalents | \$ 153,075 |
| Accounts Receivable | 105,376 |
| Intergovernmental Receivable | 140,500 |
| Capital Assets, Net | <u>50,444</u> |
| Total Assets | <u><u>449,395</u></u> |
| LIABILITIES | |
| Current Liabilities: | |
| Accounts Payable | 120,486 |
| Accrued Wages and Benefits | 60,071 |
| Intergovernmental Payable | <u>89,602</u> |
| Total Current Liabilities: | <u>270,159</u> |
| Non-Current Liabilities: | |
| Accrued Compensated Absences | <u>76,180</u> |
| Total Non-Current Liabilities: | <u>76,180</u> |
| Total Liabilities | <u><u>346,339</u></u> |
| NET POSITION | |
| Net Investment in Capital Assets | 50,444 |
| Restricted | 11,485 |
| Unrestricted | <u>41,127</u> |
| Total Net Position | <u><u>\$ 103,056</u></u> |

See accompanying notes to the basic financial statements.

Workforce Initiative Association
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2013

| | | Program Revenue | | Net (Expenses) Revenue and Changes In Net Position |
|---------------------------------------|---------------------|---|--|---|
| | Expenses | Charges for Services and Sales | Operating Grants and Contributions | Governmental Activities |
| Governmental Activities: | | | | |
| Employment and Training Program Costs | \$ <u>5,171,766</u> | \$ <u>210,299</u> | \$ <u>5,053,219</u> | \$ <u>91,752</u> |
| Total Governmental Activities | \$ <u>5,171,766</u> | \$ <u>210,299</u> | \$ <u>5,053,219</u> | <u>91,752</u> |
| | | General Revenues: | | |
| | | | | <u>42</u> |
| | | | Total General Revenues | <u>42</u> |
| | | | | 91,794 |
| | | | | <u>11,262</u> |
| | | | | \$ <u><u>103,056</u></u> |

See accompanying notes to the basic financial statements.

Workforce Initiative Association
BALANCE SHEET - GOVERNMENTAL FUND
June 30, 2013

ASSETS

| | |
|--|---------------------------|
| Equity in Pooled Cash and Cash Equivalents | \$ 153,075 |
| Accounts Receivable | 105,376 |
| Intergovernmental Receivable | <u>140,500</u> |
| Total Assets | <u><u>398,951</u></u> |

LIABILITIES

| | |
|----------------------------|---------------------------|
| Accounts Payable | 120,486 |
| Accrued Wages and Benefits | 60,071 |
| Intergovernmental Payable | <u>89,602</u> |
| Total Liabilities | <u><u>270,159</u></u> |

FUND BALANCE

| | |
|--|------------------------------|
| Restricted | 87,665 |
| Unassigned | <u>41,127</u> |
| Total Fund Balance | <u><u>128,792</u></u> |
| Total Liabilities and Fund Balance | \$ <u><u>398,951</u></u> |

See accompanying notes to the basic financial statements.

Workforce Initiative Association
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
June 30, 2013

| | |
|---|--------------------------|
| Total Governmental Fund Balance | \$ 128,792 |
| Amount reported for governmental activities in the statement of net position are different because: | |
| Long-term leave liabilities do not require current financial resources, and therefore are not reported as expenses in the governmental fund. | (76,180) |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund. | <u>50,444</u> |
| Net Position of Governmental Activities | \$ <u><u>103,056</u></u> |

See accompanying notes to the basic financial statements.

Workforce Initiative Association
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
GOVERNMENTAL FUND
For the Fiscal Year Ended June 30, 2013

REVENUES

| | |
|-----------------------------|----------------------|
| Intergovernmental Revenue | \$ 4,939,860 |
| Charges for Services | 210,299 |
| Contributions and Donations | 113,359 |
| Interest | <u>42</u> |
| Total Revenues | <u>5,263,560</u> |

EXPENDITURES

Human Services:

| | |
|---------------------------------------|------------------------------|
| Employment and Training Program | <u>5,168,882</u> |
| Total Expenditures | <u>5,168,882</u> |
| Net Change in Fund Balance | 94,677 |
| Fund Balance at Beginning of Year | <u>34,114</u> |
| Fund Balance at End of Year | \$ <u><u>128,792</u></u> |

See accompanying notes to the basic financial statements.

Workforce Initiative Association
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGE IN FUND BALANCE OF GOVERNMENTAL FUND TO THE
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2013

| | |
|--|-------------------------|
| Net Change in Fund Balance - Total Governmental Fund | \$ 94,677 |
| Amounts reported for governmental activities in the statement of activities are different because: | |
| Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental fund: | |
| Compensated Absences | 11,159 |
| 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 depreciation exceeded capital outlay in the current period. | <u>(14,042)</u> |
| Change in Net Position of Governmental Activities | \$ <u><u>91,794</u></u> |

See accompanying notes to the basic financial statements.

**WORKFORCE INITIATIVE ASSOCIATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

NOTE 1: DESCRIPTION OF ENTITY

Workforce Initiative Association (WIA) was established in 2000 by the State of Ohio under the Ohio Revised Code. WIA is a regional council of governments, including Stark and Tuscarawas counties and the City of Canton. This regional council of governments is eligible to receive and administer funds granted by the Governor of the State under the Workforce Investment Act of 1998.

WIA carries out the purpose of the Workforce Investment Act by assessing workforce needs; developing strategies, plans, programs, and resources to provide employment, training and education, and related services to the citizens of the local area; and providing oversight and evaluation of such efforts. These functions and tasks are conducted within the framework of a public/private partnership. The purpose of the Workforce Investment Act is to provide workforce investment activities through statewide and local workforce investment systems that increase the employment, retention, and earnings of participants and increase occupational skill attainment by participants and, as a result, improve the quality of the workforce, reduce welfare dependency, and enhance the productivity and competitiveness of the nation.

For financial reporting purposes, all departments and operations over which WIA exercises financial accountability are included in the reporting entity. Oversight responsibility was evaluated based on consideration of financial interdependency, selection of governing authority, designation of management, the ability to significantly influence management and accountability for fiscal matters.

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

**WORKFORCE INITIATIVE ASSOCIATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis of Presentation (Continued)

Government-wide Financial Statements

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

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

Fund Financial Statements

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

B. Fund Accounting

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

Governmental Funds

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

**WORKFORCE INITIATIVE ASSOCIATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Fund Accounting (Continued)

General Fund – The General Fund is used to account for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to WIA for any purpose provided it is expended or transferred according to the general laws of Ohio.

C. Measurement Focus

Government-wide Financial Statements

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

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

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 inflows, 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.

**WORKFORCE INITIATIVE ASSOCIATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting (Continued)

“Measurable” means the amount of the transaction can be determined and “available” means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. For WIA, available means expected to be received within sixty days of fiscal year end.

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

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

Deferred Inflows of Resources and Deferred Outflows of Resources

A deferred inflow of resources is an acquisition of net position by WIA that is applicable to a future reporting period. A deferred outflow of resources is a consumption of net position by WIA that is applicable to a future reporting period.

On governmental fund financial statements, receivables that will not be collected within the available period have been reported as deferred inflows of resources.

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. An allocation of cost, such as depreciation, is not recognized in governmental funds.

**WORKFORCE INITIATIVE ASSOCIATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Capital Assets

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

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

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

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

F. Budgetary Process

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

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

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

The annual budget differs from that of a local government in two respects:

1. The uncertain nature of grant awards from other entities; and
2. Conversion of grant budgets to a fiscal year basis.

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

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

The Executive Board formally approves the annual budget, but greater emphasis is placed on complying with the grant budget and 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.

**WORKFORCE INITIATIVE ASSOCIATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Budgetary Process (Continued)

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

G. 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

For presentation on the financial statements, investments with original maturities of three months or less at the time they are purchased by WIA are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

I. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2013, 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.

J. Fund Balance Designation

Fund balance is divided into five classifications based primarily on the extent to which WIA is bound to observe constraints imposed upon the use of the resources in the governmental fund. The classifications are as follows:

Nonspendable - The nonspendable classification includes amounts that cannot be spent because they are not in spendable form or legally or contractually required to be maintained intact. The “not in spendable form” includes items that are not expected to be converted to cash.

Restricted - Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or are imposed by law through constitutional provisions.

Committed - The committed classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the Board. The committed amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those

**WORKFORCE INITIATIVE ASSOCIATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Fund Balance Designation (Continued)

amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - Amounts in the assigned classification are intended to be used by WIA for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by the Board.

Unassigned - Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

WIA first applies restricted resources when an expenditure is incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications can be used.

K. Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets 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 position is reported as restricted when there are limitations imposed on the use, either through the enabling legislation adopted by the Board or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

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

NOTE 3: CASH AND INVESTMENTS

State statutes classify monies held by WIA into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash, in commercial accounts

**WORKFORCE INITIATIVE ASSOCIATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

NOTE 3: CASH AND INVESTMENTS (Continued)

payable or withdrawal on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that WIA has identified as not required for use within the current two year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit 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 WIA's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Chief Financial Officer 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;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds or other obligations of the State of Ohio;

**WORKFORCE INITIATIVE ASSOCIATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

NOTE 3: CASH AND INVESTMENTS (Continued)

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;
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 from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time;
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purchase of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of WIA, and must be purchased with the expectation that it will be held until maturity.

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 Chief Financial Officer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

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

Deposits

At June 30, 2013, the carrying amount of WIA's deposits was \$153,075 and the bank balance was \$261,988. Based on criteria described in GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, as of June 30, 2013, \$250,000 of WIA's bank balance was covered by the FDIC, while \$11,988 was exposed to custodial risk as discussed below.

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

**WORKFORCE INITIATIVE ASSOCIATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

NOTE 3: CASH AND INVESTMENTS (Continued)

pledged as a pool of collateral against all of the public deposits it holds, or as specified collateral held at a Federal Reserve Bank in the name of WIA.

Investments

WIA did not have investments at June 30, 2013.

NOTE 4: INTERGOVERNMENTAL RECEIVABLE

A part of the year-end process with the Ohio Department of Job and Family Services (ODJFS) is to perform a reconciliation to identify for each grant how much funds were over or under advanced during the fiscal year. The net balance for the year ended June 30, 2013 was a balance due from ODJFS of \$25,152.

NOTE 5: CAPITAL ASSETS

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

| | (Restated) Balance 06/30/12 | Increases | Decreases | Balance 06/30/13 |
|---|---|------------------|------------------|-----------------------------------|
| <u>Governmental Activities</u> | | | | |
| Capital Assets being Depreciated: | | | | |
| Furniture and Equipment | \$225,555 | \$0 | (\$22,455) | \$203,100 |
| <i>Total Capital Assets being Depreciated</i> | 225,555 | 0 | (22,455) | 203,100 |
| Less Accumulated Depreciation: | | | | |
| Furniture and Equipment | (161,069) | (14,042) | 22,455 | (152,656) |
| <i>Total Accumulated Depreciation</i> | (161,069) | (14,042) | 22,455 | (152,656) |
| Total Capital Assets being Depreciated - Net | \$64,486 | (\$14,042) | \$0 | \$50,444 |

All depreciation is charged to administration expense.

NOTE 6: DEFINED BENEFIT PENSION PLAN

WIA participates in the Ohio Public Employees Retirement System (OPERS) which administers three separate pension plans, as follows:

**WORKFORCE INITIATIVE ASSOCIATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

NOTE 6: DEFINED BENEFIT PENSION PLAN (Continued)

1. The Traditional Pension Plan – a cost sharing, multiple-employer defined benefit pension plan.
2. The Member-Directed 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-Directed 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 benefit pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, 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.

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

Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, by writing to OPERS at 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (800) 222-7377.

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2013, member and employer contribution rates were consistent across all three plans. The 2013 member contribution rate was 10.0% of covered payroll and the employer contribution rate was 14.0%.

WIA required employer contributions to OPERS for the years ended June 30, 2013, 2012, and 2011 were \$223,185, \$199,040, and \$241,048, respectively. The full amount was contributed for all three years.

NOTE 7: POST-EMPLOYMENT BENEFITS

A. Plan Description

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

**WORKFORCE INITIATIVE ASSOCIATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

NOTE 7: POST-EMPLOYMENT BENEFITS (Continued)

A. Plan Description (Continued)

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care plan which includes a medical plan, prescription drug program, and Medicare Part B premium reimbursement to qualifying members of both the Traditional Pension and the Combined plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 45.

The Ohio Revised Code permits, but does not mandate, OPERS to provide the OPEB Plan to its eligible members and beneficiaries. Authority to establish and amend the OPEB Plan is provided in Chapter 145 of the Ohio Revised Code.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, by writing to OPERS at 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (800) 222-7377.

B. Funding Policy

The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care coverage through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care coverage.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2013, state and local employers contributed at a rate of 14.00% of covered payroll. This is the maximum employer contribution rate permitted by the Ohio Revised Code. Active members do not make contributions to the OPEB Plan.

OPERS' Post-Employment Health Care plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. The portion of employer contributions allocated to health care was 5.50% of covered payroll for 2011 and 2012. The portion of employer contributions

**WORKFORCE INITIATIVE ASSOCIATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

NOTE 7: POST-EMPLOYMENT BENEFITS (Continued)

B. Funding Policy (Continued)

allocated to health care for members in the Traditional Pension and Combined plans was 1.00% of covered payroll for 2013. Effective January 1, 2014, the portion of employer contributions allocated to health care was raised to 2.00% for both plans, as recommended by the OPERS Actuary. The OPERS Board of Trustees is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care benefits provided. Payment amounts vary depending on the number of covered dependents and the coverage selected.

WIA actual contributions for the years ended June 30, 2013, 2012, and 2011, which were used to fund post-employment benefits, were \$113,824, \$78,194, and \$94,698, respectively.

C. OPERS Board of Trustees Adopt Changes to the Health Care Plan

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4.00% of the employer contributions toward the health care fund after the end of the transition period.

NOTE 8: COMPENSATED ABSENCES

Full time, permanent employees are granted vacation benefits in varying amounts to specified maximums, depending on tenure with WIA. Regular part-time employees receive vacation credit on a pro-rated basis of the hours worked. Vacation days may not be carried over into the next calendar year. Generally, upon termination employees are entitled to be paid all accrued vacation.

The following schedule details earned annual leave based on length of service.

| | |
|-------------------|---------|
| 0-5 years | 10 days |
| 6-10 years | 15 days |
| 11-15 years | 20 days |
| 16-24 years | 25 days |
| 25 years and over | 30 days |

Sick leave accrues to full time, permanent employees. Sick leave may be cumulative without limit. However, sick leave is not vested, and therefore, not payable upon termination and not a liability at year end.

**WORKFORCE INITIATIVE ASSOCIATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

NOTE 8: COMPENSATED ABSENCES (Continued)

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

The estimated current liability for compensated absences is \$76,180.

| | Balance 6/30/12 | Additions | Deletions | Balance 6/30/13 |
|---------------------------------------|--------------------|-------------------|---------------------|--------------------|
| Compensated Leave Liability Amount | \$ 87,338 | \$ 111,177 | \$ (122,335) | \$ 76,180 |
| Total | <u>\$ 87,338</u> | <u>\$ 111,177</u> | <u>\$ (122,335)</u> | <u>\$ 76,180</u> |

NOTE 9: CONTINGENT LIABILITIES

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

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

There are no expenditures recommended for disallowance. 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 used for improper purposes, but that there was insufficient documentary evidence to allow a determination of their eligibility.

**WORKFORCE INITIATIVE ASSOCIATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

NOTE 10: LEASE COMMITMENTS

Operating

WIA has entered into various operating leases for office space and the One-Stop operation, which contain cancellation provisions and are subject to annual appropriations. Rental expense under these operating lease agreements was approximately \$400,578 for the year ended June 30, 2013.

NOTE 11: INSURANCE AND RISK MANAGEMENT

WIA is exposed to various risks of loss related to torts, thefts of, damages to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters.

During 2013, WIA contracted with insurance companies for various types of insurance, as follows:

| <u>INSURANCE</u> | <u>TYPE OF COVERAGE</u> | <u>DEDUCTIBLE</u> |
|------------------|--------------------------------|-------------------|
| Travelers | Commercial Property | \$500 |
| Travelers | General Liability | None |
| Travelers | Auto Collision | \$500 |
| Travelers | Auto Comprehensive | \$500 |
| Travelers | Officer and Director Liability | \$5,000 |

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

WIA continued to carry commercial insurance for other risks of loss, including employee health and life insurance. Settled claims resulting from the above noted risks have not exceeded commercial insurance coverage in any of the past three years, nor has there been any significant reduction in insurance coverage from the prior year.

NOTE 12: PRIOR PERIOD ADJUSTMENT

The beginning net position balance was restated to include changes in capital assets that were not previously reported. The adjustments were as follows:

| | |
|--|---------------------|
| | <u>Net Position</u> |
| Net Position at Beginning of Year | \$6,601 |
| Adjustment in Total Capital Assets | 6,659 |
| Adjustment in Accumulated Depreciation | <u>(1,998)</u> |
| Net Position as of 06/30/2012 | <u>\$11,262</u> |

**WORKFORCE INITIATIVE ASSOCIATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

NOTE 13: CHANGES IN ACCOUNTING POLICIES

For the fiscal year ended June 30, 2013, WIA has implemented Governmental Accounting Standards Board GASB Statement No. 63, *“Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.”*

GASB Statement No. 63 provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. It also amends the net asset reporting requirements in GASB Statement No. 34 by incorporating deferred outflows and inflows into the definitions and renaming the residual measure as net position, rather than net assets.

Workforce Initiative Association
Stark County

FEDERAL AWARDS EXPENSES SCHEDULE
For the Year Ended June 30, 2013

| Federal Grantor/ Pass Through Grantor Program Title | CFDA Number | Pass-Thorough Entity Number | Expenditures |
|---|----------------|--------------------------------|----------------------------|
| U.S. Department of Labor: | | | |
| Direct Program: | | | |
| Workforce Innovation Fund | 17.283 | | \$ 801,733 |
| Total Direct Program | | | <u>801,733</u> |
| Pass-Through Program From: | | | |
| Ohio Department of Job and Family Services | | | |
| Workforce Investment Act (Cluster) | | | |
| WIA Adult Program | 17.258 | (A) | 886,832 |
| WIA Adult Program - Administration | 17.258 | (A) | 107,615 |
| Total WIA Adult Program (17.258) | | | <u>994,446</u> |
| WIA Youth Activities | 17.259 | (A) | 1,007,969 |
| WIA Youth Activities - Administration | 17.259 | (A) | 110,398 |
| Total WIA Youth Activities (17.259) | | | <u>1,118,367</u> |
| WIA Dislocated Worker Formula Grants | 17.278 | (A) | 1,142,957 |
| WIA Dislocated Worker Formula Grants - Administration | 17.278 | (A) | 129,964 |
| Rapid Response | 17.278 | (A) | 86,837 |
| Total WIA Dislocated Worker Formula Grants (17.278) | | | <u>1,359,758</u> |
| Total Workforce Investment Act (Cluster) | | | <u>3,472,571</u> |
| National Emergency Grants | 17.277 | (A) | 16,392 |
| Total Pass-Through From Ohio Department of Job and Family Services | | | <u>3,488,963</u> |
| Total U.S. Department of Labor | | | <u>4,290,696</u> |
| U.S. Department of Health and Human Services: | | | |
| Pass-Through Program From: | | | |
| Stark County Department of Job & Family Services | | | |
| Temporary Assistance for Needy Families | 93.558 | (A) | 5,539 |
| Tuscarawas County Department of Job & Family Services | | | |
| Temporary Assistance for Needy Families | 93.558 | (A) | 142,989 |
| Total U.S. Department of Health and Human Services | | | <u>148,528</u> |
| Total Expenses of Federal Awards | | | <u>\$ 4,439,224</u> |

(A) Pass-Through Entity Number is not known or applicable.

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

**WORKFORCE INITIATIVE ASSOCIATION
STARK COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENSES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2013**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Expenses Schedule (the Schedule) reports the Workforce Initiative Association (the Association's) federal award programs' disbursements. The schedule has been prepared on the accrual basis of accounting.



Dave Yost • Auditor of State

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

Workforce Initiative Association
Stark County
822 30th St. N.W.
Canton, OH 44709

To the Board of Directors:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities and the major fund of Workforce Initiative Association, Stark County, (WIA) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Association's basic financial statements and have issued our report thereon dated August 18, 2014.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered WIA's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Association's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

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 a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of WIA's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2013-001 described in the accompanying schedule of findings to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether WIA'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, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Entity's Response to Findings

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

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Association's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering WIA's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

August 18, 2014



Dave Yost • Auditor of State

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

Workforce Initiative Association
Stark County
822 30th St. N.W.
Canton, OH 44709

To the Board of Directors:

Report on Compliance for Each Major Federal Program

We have audited the Workforce Initiative Association (WIA) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the Association's major federal programs for the year ended June 30, 2013. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies WIA's major federal programs.

Management's Responsibility

WIA Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on WIA's compliance for each of WIA's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for 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*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about WIA's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on WIA's major programs. However, our audit does not provide a legal determination of WIA's compliance.

Opinion on Each Major Federal Program

In our opinion, the Workforce Initiative Association complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

WIA's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered WIA's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of WIA's internal control over compliance.

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's applicable 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. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

August 18, 2014

**WORKFORCE INITIATIVE ASSOCIATION
STARK COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2013**

1. SUMMARY OF AUDITOR'S RESULTS

| | | |
|---------------------|---|--|
| (d)(1)(i) | Type of Financial Statement Opinion | Unmodified |
| (d)(1)(ii) | Were there any material control weaknesses reported at the financial statement level (GAGAS)? | Yes |
| (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)? | No |
| (d)(1)(iv) | Were there any material internal control weaknesses reported for major federal programs? | No |
| (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 | Unmodified |
| (d)(1)(vi) | Are there any reportable findings under § .510(a)? | No |
| (d)(1)(vii) | Major Programs (list): | Workforce Innovation Fund CFDA #17.283; Workforce Investment Act (Cluster) CFDA #17.258, #17.259, #17.278. |
| (d)(1)(viii) | Dollar Threshold: Type A/B Programs | Type A: > \$ 300,000 Type B: all others |
| (d)(1)(ix) | Low Risk Auditee? | Yes |

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

Reconciling Records

| | |
|-----------------------|----------|
| <i>Finding Number</i> | 2013-001 |
|-----------------------|----------|

MATERIAL WEAKNESS

A necessary step in the internal control over financial reporting is to reconcile the bank statement balance(s) to the accounting records' cash balance. Bank reconciliation means accounting for the differences between the bank statement(s) balance and the cash and investment balances according to the entity's records at a specific point in time.

While WIA performed bank to book reconciliations, the initial financial statements provided were not fully reconciled to the book balances. WIA did not fully reconcile its financial statement balances until March 2014 and did not provide all reconciling support until May 30, 2014, since WIA was unable to produce a report reconciling the general ledger expenses to the check register until that time.

Without complete, accurate and timely monthly bank reconciliations, WIA's internal controls are significantly weakened which could hinder management's timely detection of errors or irregularities. WIA should perform complete monthly bank reconciliations in a timely manner. All unreconciled differences should be resolved as quickly as possible so they are not carried forward month-to-month and all reconciling matters should be appropriately documented.

Official's Response:

While all of WIA's accounting records were in order prior to commencing the audit, completion of WIA's financial statements was delayed as a result of hiring a new CFO due to the retirement of the previous fiscal manager. GAAP financial statements were not previously produced in-house, so the new CFO required time to familiarize himself with WIA's accounting systems, processes, and previous statements in order to begin producing the statements in-house.

WIA also needed additional time to work with its accounting system support vendor to satisfy the auditor's request for a report reconciling general ledger expenditures with the check register. A report of this nature had not been requested in the past and WIA's accounting system lacks a standard reporting method for this purpose. A custom report had to be written to match-up data between the system's purchasing/accounts payable tables and its disbursement/check register tables.

With the first audit cycle now complete under the new CFO, WIA is prepared to meet the required timelines for future periods.

| |
|--|
| 3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS |
|--|

None



Dave Yost • Auditor of State

WORKFORCE INITIATIVE ASSOCIATION

STARK COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
SEPTEMBER 23, 2014**