WORKFORCE INITIATIVE ASSOCIATION

AUDIT REPORT

FOR THE YEAR ENDED JUNE 30, 2004

Auditor of State
Betty Montgomery

Board of Commissioners
Workforce Initiative Association
822 30th Street NW
Canton, Ohio 44709

We have reviewed the Independent Auditor's Report of the Workforce Initiative Association, Stark County, prepared by James G. Zupka, C.P.A., Inc., for the audit period July 1, 2003 to 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 Workforce Initiative Association is responsible for compliance with these laws and regulations.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

February 16, 2005

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WORKFORCE INITIATIVE ASSOCIATION
AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2004

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

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INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Workforce Initiative Association
Canton, Ohio

We have audited the accompanying basic financial statements of the governmental activities and the major fund of the Workforce Initiative Association as of and for the year ended June 30, 2004, which collectively comprise the Organization's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

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

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Workforce Initiative Association as of June 30, 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 3, during the year ended June 30, 2004, the Organization 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*, we have also issued our report dated December 15, 2004 on our consideration of the Workforce Initiative Association's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management’s Discussion and Analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

James G. Zupka
Certified Public Accountant

December 15, 2004

The discussion and analysis of the Workforce Initiative Association's (WIA) financial performance provides an overall review of the Organization's financial activities for the fiscal year ended June 30, 2004. The intent of this discussion and analysis is to look at the Organization's financial performance as a whole; readers are encouraged to consider the information presented here in conjunction with the additional information contained in the financial statements and the notes thereof.

FINANCIAL HIGHLIGHTS

Key financial highlights for the year ended June 30, 2004 are as follows:

- The assets of the Organization exceeded its liabilities by $1,754, a decrease of 97.7 percent from the prior year.
- The total net assets decreased by $73,678 primarily due to the recognition of compensated absences and depreciation expense on capital assets.
- The unreserved fund balance also decreased by $67,618 as a result of GASB No. 34 accounting changes.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

THE ORGANIZATION AS A WHOLE

Government-Wide Financial Analysis

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

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

Table 1-Net Assets

	June 30, 2004	June 30, 2003
Assets		
Current and Other Assets	$ 1,433,375	$ 1,905,847
Capital Assets, Net	49,569	55,629
Total Assets	$ 1,482,944	$ 1,961,476
Liabilities		
Current and Other Liabilities	$ 1,481,190	$ 1,886,044
Total Liabilities	$ 1,481,190	$ 1,886,044
Net Assets		
Invested in Capital Assets Net of Debt	$ 49,569	$ 55,629
Restricted	(47,815)	19,803
Total Net Assets	$ 1,754	$ 75,432

When compared to last year, WIA's total net assets decreased from $75,432 to $1,754 at the end of the current period. This difference is primarily due to the effects of GASB No. 34 accounting changes in recognition of compensated absences liability and depreciation expense relating to capital assets, also mentioned in the notes to the financial statements and specifically described in the following analysis of changes in net assets.

There were no significant fluctuations in grant funding, but intergovernmental receivable was $544,321 lower in 2004 because most grant funds were received timely.

Deferred revenue decreased by $411,549 because grant fund carryover was lower in fiscal year ending June 30, 2004.

Table 2-Changes in Net Assets

	June 30, 2004
Revenues	
Program Revenues:	
Operating Grants and Contributions	$ 3,786,755
Investment Earnings	4,806
Total Revenues	$ 3,791,561

Table 2-Changes in Net Assets (Continued)

	June30, 2004
Program Expenses	
Administration	$ 267,837
Adult	914,161
Dislocated Workers	434,010
Rapid Response	1,040,755
Youth	1,115,796
Payroll Benefits	63,246
Other	29,434
Total Program Expenses	$3,865,239
Increase (Decrease) in Net Assets	$ (73,678)

Expenses exceeded revenues for the period due to three non-material considerations, which when taken together resulted in the negative change in net assets as shown in the financial statements.

First is the inclusion of payroll benefit expenses as required under GASB No. 34. WIA's vacation leave is credited to employees at the beginning of each calendar year. Organizational policy requires this leave to be used by December 31st and does not permit carry-over into the next year. Furthermore, employees only have the option of cashing out unused vacation in the event employment is terminated. At fiscal year end, the outstanding value of unused vacation leave was $63,246. While GASB No. 34 requires this amount to be shown as an expense for the period, only in the event an employee terminates employment would their portion of these expenses ever materialize as cash expenditures.

Secondly, $6,060 in net depreciation expense was charged against the revenues of the current period. As a non-cash expense, this has a similar accounting effect as the inclusion of the payroll benefits mentioned above in that it gives the false appearance of cash over-expenditures.

Finally, the negative change in net assets was also a result of $9,178 in miscellaneous expenses paid from prior period revenue sources held in miscellaneous holding accounts. Sufficient cash was available in these accounts to cover these particular outlays.

After adjusting for these considerations, governmental program revenues equaled expenses from governmental activities for the period. When combined with investment earnings from general revenues, this would have resulted in a positive change in net assets for the period equivalent to the general revenue investment earnings.

THE ORGANIZATION'S FUNDS

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

The focus of the Workforce Initiative Association's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Workforce Initiative Association's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Organization's governmental fund reported an ending fund balance of $(47,815). 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 is the recording of capital assets.

SPECIAL REVENUE FUND BUDGETARY HIGHLIGHTS

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

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

Actual revenues and expenses for fiscal year 2003 were well within budgeted levels and consistent with previous periods. Health care insurance coverage realized the most significant change in costs for the year. The Organization experienced a 24 percent increase in the cost of health premiums. Of that increase, over 13 percent was attributable to annual premium increases charged by our insurance carrier. The remainder of the increase was the result of two new employee hires during the year. As a result, WIA has been forced to increase employee deductibles and co-payment levels as cost containment measures.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets
At June 30, 2004, the Organization had $49,569 invested in capital assets as reflected in the following table, which represents a net decrease of $6,060 from the previous period.

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

	June 30, 2004	June 30, 2003
Equipment and Furniture	$ 49,569	$ 55,629
Total Capital Assets	$ 49,569	$ 55,629
	==========	==========

See Note 6 for additional information on capital assets.

Debt
The Workforce Initiative Association has no debt for the year ended June 30, 2004.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

Significant economic factors affecting the Organization are as follows:

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

WIA's program allocations are calculated by Ohio Department of Job & Family Services (ODJFS) based on a formula specified in the Workforce Investment Act. This formula considers various economic factors including income levels and unemployment rates. During the period of this report, Stark and Tuscarawas Counties saw unusually high levels of unemployment as a result of large worker dislocations from company shutdowns, particularly in traditional manufacturing sectors. As a result, initial notifications from ODJFS indicate fiscal year 2004 allocations for Adult and Youth funding streams will remain relatively even with the current period. However, dislocated worker allocations will nearly double.

CONTACTING THE ORGANIZATION'S FINANCIAL MANAGEMENT

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

WORKFORCE INITIATIVE ASSOCIATION
STATEMENT OF NET ASSETS
AS OF JUNE 30, 2004

	Governmental Activities
ASSETS	
Equity in Pooled Cash and Cash Equivalents	$ 255,651
Intergovernmental Receivable	1,122,233
Prepaid Expenses	55,491
Depreciable Capital Assets, Net	49,569
TOTAL ASSETS	$ 1,482,944
LIABILITIES	
Accounts Payable	$ 87,692
Accrued Wages and Benefits	53,295
Accrued Compensated Absences	63,246
Deferred Revenue	1,276,957
TOTAL LIABILITIES	1,481,190
NET ASSETS	
Invested in Capital Assets	49,569
Unrestricted	(47,815)
TOTAL NET ASSETS	$ 1,754

See accompanying notes to the basic financial statements.

WORKFORCE INITIATIVE ASSOCIATION
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	Expenses	Program Revenues Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets Governmental Activities
Governmental Activities:			
Administration	$ 267,837	$ 267,439	$ (398)
Adult	914,161	911,875	(2,286)
Dislocated Workers	434,010	433,129	(881)
Rapid Response	1,040,755	1,040,000	(755)
Youth	1,115,796	1,114,056	(1,740)
Payroll Benefits	63,246	0	(63,246)
Other	29,434	20,256	(9,178)
Total Governmental Activities	3,865,239	3,786,755	(78,484)
	General Revenues:		
	Investment Earnings		4,806
	Total General Revenues		4,806
	Changes in Net Assets		(73,678)
	Net Assets, Beginning of Year (Note 3), Restated		75,432
	Net Assets End of Year		$ 1,754

See accompanying notes to the basic financial statements.

WORKFORCE INITIATIVE ASSOCIATION
BALANCE SHEET - GOVERNMENTAL FUND
JUNE 30, 2004

	Special Revenue
ASSETS	
Equity in Pooled Cash and Cash Equivalents	$ 255,651
Intergovernmental Receivable	1,122,233
Prepaid	55,491
TOTAL ASSETS	$ 1,433,375
LIABILITIES AND FUND BALANCE	
Accounts Payable	$ 87,692
Accrued Wages and Benefits	53,295
Accrued Compensated Absences	63,246
Deferred Revenue	1,276,957
Total Liabilities	1,481,190
FUND BALANCE	
Unreserved, Undesignated	(47,815)
Total Fund Balance	(47,815)
TOTAL LIABILITIES AND FUND BALANCE	$ 1,433,375

See accompanying notes to the basic financial statements.

WORKFORCE INITIATIVE ASSOCIATION
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2004

Total Governmental Fund Balances	$ (47,815)
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	49,569
Net Assets of Governmental Activities	$ 1,754

WORKFORCE INITIATIVE ASSOCIATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	Special Revenue
REVENUES	
Intergovernmental	$ 3,786,755
Investment Earnings	4,806
Total Revenues	3,791,561
EXPENDITURES	
Administration	267,439
Adult	911,875
Dislocated Workers	433,129
Rapid Response	1,040,000
Youth	1,114,056
Payroll Benefits	63,246
Other	29,434
Total Expenditures	3,859,179
Net Change in Fund Balance	(67,618)
Fund Balance at Beginning of Year	19,803
Fund Balance at End of Year	$ (47,815)

See accompanying notes to the basic financial statements.

WORKFORCE INITIATIVE ASSOCIATION
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

Net Change in Fund Balances - Total Governmental Funds	$ (67,618)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays and transportation as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.	(6,060)
Change in Net Assets of Governmental Activities	$ (73,678)

NOTE 1: **DESCRIPTION OF ENTITY**

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

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

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

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

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

A. **Basis of Presentation**

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

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

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

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

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

Fund Financial Statements
Fund financial statements report detailed information about the Organization. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. The Workforce Initiative Association has only one fund which is major.

B. **Fund Accounting**

The Organization 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 Workforce Initiative Association functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The only fund of the Organization 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. The Organization's major governmental fund is:

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

C. **Measurement Focus**

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

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

C. **Measurement Focus** (Continued)

Fund Financial Statements
All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. 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 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 Organization, available means expected to be received within 60 days of fiscal year end.

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

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

Non-exchange transactions, in which the Organization 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 Organization must provide local resources to be used for a specific purpose, and expenditure requirements, in which the resources are provided to the Organization 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.

Expenses/Expenditures

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

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

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 funds.

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

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

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

F. **Budgetary Process**

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

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

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

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

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

F. **Budgetary Process** (Continued)

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

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

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

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

G. **Encumbrances**

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

H. **Estimates**

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

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

I. **Cash and Cash Equivalents**

To improve cash management, all cash received by the Organization 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 Organization are considered to be cash equivalents. Investments with an initial maturity of more than three months that are not purchased from the pool are reported as investments.

J. **Prepaid Items**

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

K. **Fund Balance Designation**

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

L. **Net Assets**

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

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

NOTE 3: **CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCE**

A. **Change in Accounting Principles**

For fiscal year ended June 30, 2004 the Workforce Initiative Association 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 Organization'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, organization, or program structure that the government uses for its legally adopted budget when significant budgetary perspective differences result in the Organization 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.

NOTE 3: **CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCE** (Continued)

A. **Change in Accounting Principles** (Continued)

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:

	Special Revenue
Fund Balance, June 30, 2003	$ 19,803
GASB 34 Adjustments:	
Capital Assets	55,629
Governmental Activities Net Assets, June 30, 2003	$ 75,432

NOTE 4: **EQUITY IN POOLED CASH AND INVESTMENTS**

State statutes classify monies held by WIA into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

NOTE 4: **EQUITY IN POOLED CASH AND INVESTMENTS**

Inactive deposits are public deposits that WIA has identified as not required for use within the current two year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit account including, but limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit, or by savings or deposit accounts including passbook accounts.

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

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

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

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

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be directly issuances of federal government agencies or instrumentalities;

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

4. Bonds or other obligations of the State of Ohio;

5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and

6. The State Treasurer's investment pool (STAROhio).

7. Certain banker's acceptance and commercial paper notes for the period not to exceed one hundred eighty days in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,

8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

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

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

The following information classified deposits and investments by categories of risk as defined in GASB Statement No. 3, *Deposits with Financial Institutions, Investments, and Repurchase Agreements.*

Deposits

The Governmental Accounting Standards Board has established risk categories for deposits as follows:

Category 1 - Insured or collateralized with securities held by WIA or its agent in WIA's name.

Category 2 - Collateralized with securities held by the pledging financial institution's trust department or agent in WIA's name.

Category 3 - Uncollateralized. (This included any bank balance that is collateralized with securities held by the pledging institution or its trust department or agent but not in WIA's name).

		Book Balance	Bank Balance
FDIC	Key Bank	$ 100,000	$ 100,000
Uncollateralized	Key Bank	155,651	247,457
Total Deposits		$ 255,651	$ 347,457

All deposits are carried at cost. At year end, the carrying amount of WIA's deposits was $255,651, and the bank balance was $347,457. Of the bank balance, $100,000 was insured and $247,457 was classified as Risk Category 3.

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

Investments
WIA did not have investments at June 30, 2004.

The classification of cash and cash equivalents on the combined financial statements is based on criteria set forth in GASB Statement No. 9. The classification of cash and cash equivalents (deposits) for purposes of this note are based on criteria set forth in GASB Statement No. 3.

The captions on the combined balance sheet related to cash and cash equivalents is as follows:

	GASB Statement No. 9	GASB Statement No. 3
Cash in Checking	$ 255,651	$ 255,651
Total Cash and Cash Equivalents	$ 255,651	$ 255,651

NOTE 5: **INTERGOVERNMENTAL RECEIVABLE**

Intergovernmental Receivable represents amounts owed to WIA from Ohio Department of Jobs and Family Services for grant funds earned but not received and for compensated absences incurred but not requested for reimbursement as of June 30, 2004. The balance of Intergovernmental Receivable in the governmental fund is $1,122,233 as of June 30, 2004.

NOTE 6: **CAPITAL ASSETS**

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

	Balance at 06/30/03	Additions	Deletions	Balance at 06/30/04
Government Activities:				
Capital Assets being Depreciated:				
Furniture and Equipment	$ 95,596	$ 6,605	$ 0	$ 102,201
Total Capital Assets being Depreciated	95,596	6,605	0	102,201
Less Accumulated Depreciation:				
Furniture and Equipment	(39,967)	(12,665)	0	(52,632)
Total Accumulated Depreciation	(39,967)	(12,665)	0	(52,632)
Total General Fixed Assets being Depreciated - Net	$ 55,629	$ (6,060)	$ 0	$ 49,569

NOTE 6: **CAPITAL ASSETS** (Continued)

Workforce Initiative Association adopted a new capitalization policy for fixed assets to conform with the U. S. Department of Labor's Property Management Policy capitalizing assets with a useful life of more than one year and an acquisition cost of $5,000 or more per unit.

NOTE 7: **PENSION PLAN**

A. **Ohio Public Employees Retirement System**

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

- The Traditional Pension Plan (TP) - a cost-sharing multiple-employer defined benefit pension plan;

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

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

OPERS provides retirement, disability, survivor, and death benefits and annual cost of living adjustments to members of both the Traditional and the Combined plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by State statute per Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6705 or 1-800-222-7377.

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

A. **Ohio Public Employees Retirement System** (Continued)
The Ohio Revised Code provides statutory authority for member and employer contributions. For 2004 member and employer contribution rates were consistent across all three plans, (TP, MD, and CO). Plan members are required to contribute 8.5 percent of their annual covered salary to fund pension obligations. The employer pension contribution rate for the Organization was 13.55 percent of covered payroll. In addition, the Organization picks up 4.25 percent of the employee contribution.

The Organization's required contributions for pension obligations to the traditional plan for years ended June 30, 2004, 2003, and 2002 were $214,689, $197,718, and $186,329 respectively; 100 percent has been contributed for 2004 and 100 percent for 2003 and 2002. Contributions to the combined and member-directed plan for 2004 were $0 made by the Organization and $0 made by the plan members.

NOTE 8: **POST-EMPLOYMENT BENEFITS**

A. **Ohio Public Employees Retirement System**

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

In order to qualify for post-retirement health care coverage, age and service retirees must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 12.

A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The 2004 employer contribution rate was 13.55 percent of covered payroll, 5 percent was the portion that was used to fund health care for 2004.

Benefits are advance-funded using the entry age normal actuarial cost method of valuation. The difference between assumed and actual experience (actuarial gains and losses) becomes part of the unfunded actuarial accrued liability. Significant actuarial assumptions, based on OPERS' latest actuarial review performed as of

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

A. **Ohio Public Employees Retirement System** (Continued)

December 31, 2002, include a rate of return on investments of 8 percent, an annual increase in active employee total payroll of 4 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.30 percent based on additional annual pay increases. Health care costs were assumed to increase 4 percent annually.

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

At December 31, 2003, the number of active contributing participants in the Traditional and Combined Plans were 364,881. The Organizations annual contributions for 2004 used to fund postemployment benefits were $60,306. The actual contribution and the actuarially required contribution amounts are the same. OPERS' net assets available for payment of benefits at December 31, 2002 (the latest information available) were $10.0 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were $18.7 billion and $8.7 billion, respectively.

In December 2001, WIA adopted the Health Care "Choices" Plan in its continuing effort to respond to the rise in the cost of health care. The Choices Plan will be offered to all persons newly hired under OPERS after January 1, 2003, with no prior service credit accumulated toward health care coverage. Choices, as the name suggests, will incorporate a cafeteria approach, offering a more broad range of health care options. The Plan uses a graded scale from ten to thirty years to calculate a monthly health care benefit. This is in contrast to the ten-year "cliff" eligibility standard for the present Plan.

The benefit recipient will be free to select the option that best meets their needs. Recipients will fund health care costs in excess of their monthly health care benefit. The Plan will also offer a spending account feature, enabling the benefit recipient to apply their allowance toward specific medical expenses, much like a Medical Spending Account.

In response to the adverse investment returns experienced by OPERS from 2000 to 2002 and the continued staggering rate of health care inflaction, the OPERS Board, during 2003, considered extending "Choices" type cost cutting measures to all active members and benefit recipients. As of this date, the Board has not determined the exact changes that will be made to the health care plan. However, changes to the plan are expected to be approved by the summer of 2004.

NOTE 9: **COMPENSATED ABSENCES**

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

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

1 -5 years	10 days
6-10 years	15 days
11-15 years	20 days
16-24 years	25 days
25 years and over	30 days

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

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

The estimated current liability for compensated absences is $63,246.

NOTE 10: **CONTINGENT LIABILITIES**

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

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

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

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

NOTE 9: **LEASE COMMITMENTS**

Operating: Total rent expense was $394,187 for fiscal year ended June 30, 2004. WIA leases facilities and personal property under certain operating leases in excess of one year.

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

Year Ending June 30	Operating
2005	$ 391,171
2006	389,192
2007	392,094
2008	404,811
2009	407,421
2010-2014	851,498
Total Payments	$2,836,187

NOTE 12: INSURANCE AND RISK MANAGEMENT

WIA is exposed to various risks of loss related to torts, thefts of, damages to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. During 2004, WIA contracted with several companies for various types of insurance as follows:

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

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

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

WORKFORCE INITIATIVE ASSOCIATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

Federal Grantor/ Pass Through Grantor/ Program Titles	CFDA Number	Grant Period	Pass-Through Entity Identifying Number	Expenditures
United States Department of Labor				
Passed Through Ohio Department of Jobs and Family Services				
Workforce Initiative Association Funds				
Adult	17.258	07/01/03-06/30/04	2-1130	$ 911,875
Admin Adult	17.258	07/01/03-06/30/04	2-1100	96,194
Total CFDA #17.258				1,008,069
Youth	17.259	07/01/03-06/30/04	2-1120	1,114,056
Admin - Youth	17.259	07/01/03-06/30/04	2-1100	109,804
Total CFDA #17.259				1,223,860
Dislocated Workers	17.260	07/01/03-06/30/04	2-1140	403,037
Dislocated Workers	17.260	07/01/04-06/30/05	2-1140	30,092
Admin - Dislocated Workers	17.260	07/01/03-06/30/04	2-1100	61,441
Rapid Response	17.260	07/01/03-06/30/04	2-1160	1,040,000
Total CFDA #17.260				1,534,570
Total Workforce Initiative Association Funds				3,766,499
Total United States Department of Labor				3,766,499
Total Expenditures of Federal Awards				$ 3,766,499

WORKFORCE INITIATIVE ASSOCIATION
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 1: **GENERAL**

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

NOTE 2: **BASIS OF ACCOUNTING**

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

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF BASIC FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Commissioners
Workforce Initiative Association
Canton, Ohio

We have audited the basic financial statements of the Workforce Initiative Association as of and for the year ended June 30, 2004, and have issued our report thereon dated December 15, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether WIA's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted an immaterial instance of noncompliance which we have reported to the management of WIA in a separate letter dated December 15, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered WIA's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control 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 control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses.

This report is intended for the information and use of the audit committee, management, others within the organization, the Workforce Investment Board, 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.

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

December 15, 2004

JAMES G. ZUPKA, C.P.A., INC.
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Commissioners
Workforce Initiative Association
Canton, Ohio

Compliance

We have audited the compliance of the Workforce Initiative Association with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2004. WIA's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of WIA's management. Our responsibility is to express an opinion on WIA's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the WIA's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on WIA's compliance with those requirements.

In our opinion, WIA complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004.

Internal Control Over Compliance

The management of WIA is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered WIA's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information and use of the audit committee, management, others within the organization, the Workforce Investment Board, 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.

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

December 15, 2004

WORKFORCE INITIATIVE ASSOCIATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 SECTION .505
JUNE 30, 2004

1. **SUMMARY OF AUDITOR'S RESULTS**

2004(i)	Type of Financial Statement Opinion	Unqualified
2004(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
2004(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
2004(iii)	Was there any reported noncompliance at the financial statement level (GAGAS)?	No
2004(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
2004(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
2004(v)	Type of Major Programs' Compliance Opinion	Unqualified
2004(vi)	Are there any reportable findings under Section 510?	No
2004(vii)	Major Programs (list):	Workforce Investment Act - Adult - CFDA #17.258 Youth - CFDA #17.259 Dislocated Workers - CFDA #17.260 Rapid Response - CFDA #17.260
2004(viii)	Dollar Threshold: Type A/B Programs	Type A: $300,000 Type B: All others less than $300,000
2004(ix)	Low Risk Auditee?	Yes

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

   None.

3. **FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

   None.

WORKFORCE INITIATIVE ASSOCIATION
SCHEDULE OF PRIOR AUDIT FINDINGS AND MANAGEMENT COMMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

There were no audit findings for the period ending June 30, 2004. Management comments were corrected for the period ending June 30, 2003.

Auditor of State
Betty Montgomery

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WORKFORCE INITIATIVE ASSOCIATION

STARK COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MARCH 1, 2005