

**WORKFORCE INVESTMENT COUNCIL OF
CLACKAMAS COUNTY**

FINANCIAL STATEMENTS

**For the Year Ended June 30, 2009
(With Comparative Totals for June 30, 2008)**



WORKFORCE INVESTMENT COUNCIL OF CLACKAMAS COUNTY
FINANCIAL STATEMENTS
For the Year Ended June 30, 2009
(With Comparative Totals for June 30, 2008)

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Workforce Investment Council of Clackamas County
Oregon City, Oregon

We have audited the accompanying statement of financial position of Workforce Investment Council of Clackamas County (a nonprofit organization) as of June 30, 2009, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Organization's June 30, 2008 financial statements and in our report dated December 11, 2008, we expressed an unqualified opinion on those financial statements.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Workforce Investment Council of Clackamas County as of June 30, 2009, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 2, 2009 on our consideration of Workforce Investment Council of Clackamas County'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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of Workforce Investment Council of Clackamas County taken as a whole. The accompanying schedule of expenditures of federal awards and related notes are 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 are 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 stated, in all material respects, in relation to the basic financial statements taken as a whole.

Jones & Roth, P.C.

Jones & Roth, P.C.
Eugene, Oregon
November 2, 2009

FINANCIAL STATEMENTS

WORKFORCE INVESTMENT COUNCIL OF CLACKAMAS COUNTY
STATEMENT OF FINANCIAL POSITION
 June 30, 2009
 (With Comparative Totals for June 30, 2008)

	<u>2009</u>	<u>2008</u>
Assets		
Current assets		
Cash	\$ 15,521	\$ 20,926
Grants receivable	845,392	914,496
Prepaid expenses	<u>1,794</u>	<u>11,291</u>
Total current assets	862,707	946,713
Property and equipment, net of accumulated depreciation	<u>15,361</u>	<u>12,079</u>
Total assets	<u>\$ 878,068</u>	<u>\$ 958,792</u>
Liabilities and Net Assets		
Current liabilities		
Accrued payroll and related expenses	\$ 18,154	\$ 14,041
Accounts payable and accrued liabilities	<u>837,643</u>	<u>925,105</u>
Total current liabilities	855,797	939,146
Net assets		
Unrestricted	<u>22,271</u>	<u>19,646</u>
Total liabilities and net assets	<u>\$ 878,068</u>	<u>\$ 958,792</u>

The accompanying notes are an integral part of these statements.

WORKFORCE INVESTMENT COUNCIL OF CLACKAMAS COUNTY
STATEMENT OF ACTIVITIES
 For the Year Ended June 30, 2009
 (With Comparative Totals for June 30, 2008)

	2009	2008
Changes in unrestricted net assets		
Support and revenues:		
Grants and contracts	\$ 3,644,136	\$ 3,467,417
Donations	-	1,500
Total unrestricted support and revenues	3,644,136	3,468,917
Expenses:		
Program services:		
WIA programs	3,323,850	3,212,230
Support services:		
Administration	317,661	254,592
Total expenses	3,641,511	3,466,822
Change in net assets	2,625	2,095
Net assets, beginning of year	19,646	17,551
Net assets, end of year	\$ 22,271	\$ 19,646

The accompanying notes are an integral part of these statements.

WORKFORCE INVESTMENT COUNCIL OF CLACKAMAS COUNTY
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2009
(With Comparative Totals for June 30, 2008)

	2009			2008
	WIA Programs	Administration	Total	Total
Salaries and wages	\$ 85,154	\$ 168,794	\$ 253,948	\$ 177,608
Retirement contributions	5,196	5,258	10,454	7,214
Payroll taxes	7,221	14,347	21,568	14,848
Other employee benefits	9,134	12,647	21,781	20,359
Travel and mileage	6,915	5,130	12,045	10,507
Board and staff development	4,796	804	5,600	2,768
Professional services	5,825	30,111	35,936	18,286
Other materials and services	557	-	557	5,683
General office supplies	1,269	1,262	2,531	3,418
Postage	145	335	480	272
Expendible equipment	201	13,881	14,082	7,256
Depreciation	4,232	-	4,232	2,895
Meetings	4,467	-	4,467	2,182
Management consultant services	29,243	25,718	54,961	87,946
Telephone	2,299	6,224	8,523	-
Advertising	-	6,032	6,032	3,991
Marketing and outreach	6,805	-	6,805	9,178
Printing and duplication	153	512	665	1,077
Liability insurance	473	3,444	3,917	4,369
Office rental	11,140	22,388	33,528	12,000
Storage facilities rental	-	504	504	471
Dues and memberships	12,070	-	12,070	20,650
Publications and subscriptions	315	-	315	90
Filing fees	-	270	270	373
Program services	3,126,240	-	3,126,240	3,053,381
Total expenses	\$ 3,323,850	\$ 317,661	\$ 3,641,511	\$ 3,466,822

The accompanying notes are an integral part of these statements.

WORKFORCE INVESTMENT COUNCIL OF CLACKAMAS COUNTY
STATEMENT OF CASH FLOWS
 For the Years Ended June 30, 2009
 (With Comparative Totals for June 30, 2008)

	2009	2008
Cash flows from operating activities		
Cash received as revenues and public support	\$ 3,575,032	\$ 3,183,253
Cash paid to employees for wages and benefits	(303,638)	(217,942)
Cash paid for other expenses	(3,269,285)	(2,949,199)
Net cash provided by operating activities	2,109	16,112
Cash flows from investing activities		
Purchases of furniture and equipment	(7,514)	(4,340)
Net increase (decrease) in cash	(5,405)	11,772
Cash, beginning of year	20,926	9,154
Cash, end of year	\$ 15,521	\$ 20,926
Reconciliation of change in nets assets to net cash provided by operating activities		
Change in net assets	\$ 2,625	\$ 2,095
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	4,232	2,895
(Increase) decrease in assets:		
Grants receivable	69,104	(281,453)
Prepaid expenses	9,497	(9,739)
Increase (decrease) in liabilities:		
Accrued payroll and related expenses	4,113	2,087
Accounts payable	(87,462)	300,227
Net cash provided by operating activities	\$ 2,109	\$ 16,112

The accompanying notes are an integral part of these statements.

WORKFORCE INVESTMENT COUNCIL OF CLACKAMAS COUNTY
NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

Organization

Workforce Investment Council of Clackamas County, Inc. (WICCO) serves youth, adults, and dislocated workers through its partnerships with private industry and workforce development providers. WICCO serves as the administrative entity for workforce grant funds in Clackamas County, Oregon. The programs include services to emerging, transitioning, and incumbent workers to decrease barriers to employment or advancement. WICCO also partners with employers to provide specific training programs to improve existing workforce.

Basis of Accounting

The financial statements of WICCO have been prepared on the accrual basis. To enhance the usefulness of the financial statements to the reader, the significant accounting policies are described below.

Prior Year Summarized Information

The financial statements include certain prior year summarized comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles. Accordingly, such information should be read in conjunction with WICCO's financial statements for the year ended June 30, 2008, from which the summarized information is derived.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses, and the disclosure of contingent assets and liabilities. Actual results could differ from the estimates and assumptions used.

Property and Equipment

Property and equipment with a cost of \$500 or more are capitalized at historical cost. Donated equipment is recorded at its fair value at the time of donation. Depreciation is computed using the straight line method over the estimated useful lives of the assets, which range from three to ten years.

Accrued Vacation Pay

Vacation pay is recorded as a liability and an expense when earned rather than when paid. When vacation is taken, amounts disbursed for vacation pay are charged against the liability.

Support and Revenues

The primary source of support for WICCO is derived from federal Workforce Investment Act (WIA) grants passed through the state of Oregon. Revenue for these grants is accounted for under cost reimbursement principles and is recorded when the related program costs are incurred, subject to grant allocation limitations.

WORKFORCE INVESTMENT COUNCIL OF CLACKAMAS COUNTY
NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies, continued

Advertising

Advertising costs are expensed as incurred.

Nonprofit Status

WICCO has been determined to be an exempt organization under Internal Revenue Code Section 501(c)(3) and is not classified as a private foundation.

2. Cash

At June 30, cash consisted of the following:

	2009	2008
Demand deposits with financial institutions	\$ 15,521	\$ 20,926

Deposits did not exceed federal depository insurance coverage at June 30, 2009 and 2008.

3. Property and Equipment

For the years ended June 30, 2009 and 2008, changes in property and equipment are as follows:

	2009	2008
Property and equipment	\$ 34,744	\$ 27,230
Accumulated depreciation	(19,383)	(15,151)
Property and equipment, net	\$ 15,361	\$ 12,079

Depreciation expenses totaled \$4,232 and \$2,895, respectively, for the years ended June 30, 2009 and 2008.

4. Retirement Plan

WICCO makes employer matching contributions under an arrangement described in section 403(b) of the Internal Revenue Code. WICCO contributes up to 8 percent of the employee's salary. Expenses under this plan for the years ended June 30, 2009 and 2008, totaled \$10,454 and \$7,214, respectively.

WORKFORCE INVESTMENT COUNCIL OF CLACKAMAS COUNTY
NOTES TO FINANCIAL STATEMENTS

5. Lease Commitment

During the year ended June 30, 2008, WICCO leased office space from a subcontractor on a month-to-month basis. During the year ended June 30, 2009, WICCO entered into an operating lease that is scheduled to expire during August 2013.

WICCO also leases certain office equipment under an operating lease that will expire during August 2013.

At June 30, 2009, future minimum lease payments under these leases are as follows:

<u>Year Ending June 30,</u>		
2010	\$	37,416
2011		38,496
2012		39,612
2013		40,752
2014		<u>6,792</u>
Total	\$	<u>163,068</u>

Total rent expense was \$35,287 and \$12,000 for the years ended June 30, 2009 and 2008, respectively.

6. Related Party Transactions

WICCO has entered into grant agreements with organizations whose management includes members of the WICCO Board of Directors. Payables to these organizations totaled \$745,180 and \$754,068 at June 30, 2009 and 2008, respectively. Expenses of \$2,866,262 and \$2,786,177 were incurred under grant agreements with these organizations during the years ended June 30, 2009 and 2008, respectively.

7. Contingencies

Reimbursement claims under federal and state program grants are subject to audit and adjustment by grantor agencies. Any disallowed claims might become a liability of the organization.

8. Subsequent Events

The existence of subsequent events has been considered through November 2, 2009.

FEDERAL AWARDS SECTION

WORKFORCE INVESTMENT COUNCIL OF CLACKAMAS COUNTY
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended June 30, 2009

Federal Grantor/Pass-through Grantor/ Program Title	Federal CFDA Number	Program or Award Amount	Expenditures	Passed Through to Subrecipients
U.S. Department of Labor				
Passed through the state of Oregon:				
WIA Title 1B Administration	17.258	\$ 139,936	\$ 81,956	\$ -
WIA Title 1B Administration	17.259	156,425	100,077	-
WIA Title 1B Administration	17.260	197,410	123,137	-
WIA Title 1B Adult	17.258	823,321	798,811	770,601
WIA Title 1B Youth	17.259	844,456	743,534	684,840
WIA Title 1B Dislocated Worker	17.260	1,243,924	1,236,445	1,207,442
Statewide activities - Rapid Response	17.260	52,395	22,814	22,814
Statewide activities - Incentive	17.260	22,655	12,725	12,725
Statewide activities - LWIB	17.259	33,298	32,162	-
Statewide activities - HCEY	17.259	17,816	12,783	12,783
Statewide activities - Imatch	17.259	16,920	16,920	16,920
Employer Workforce Training Fund:				
Administration	17.259	12,199	8,167	-
Administration	17.260	7,999	7,999	-
Rapid Response	17.260	377,040	344,210	339,454
Governor's Strategic Training Fund:				
WRT	17.260	17,213	17,213	16,569
ARRA WIA Youth	ARRA 17.259	805,973	41,602	41,602
ARRA WIA Rapid Response	ARRA 17.260	23,480	490	490
Navigator:				
Administration	17.259	4,914	2,557	-
Program	17.258	49,140	40,534	-
Total federal programs		<u>\$ 4,846,514</u>	<u>\$ 3,644,136</u>	<u>\$ 3,126,240</u>

WORKFORCE INVESTMENT COUNCIL OF CLACKAMAS COUNTY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2009

1. Organization of the Schedule

Grants are organized by federal department or agency and identified by the 2009 Catalog of Federal Domestic Assistance (CFDA) number.

All identified federal awards expended by Workforce Investment Council of Clackamas County are included in the schedule. The information in the schedule is presented in accordance with OMB Circular A-133.

2. Summary of Significant Accounting Policies

Expenditures are reported on the accrual basis.



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

To the Board of Directors
Workforce Investment Council of Clackamas County
Oregon City, Oregon

We have audited the financial statements of Workforce Investment Council of Clackamas County (a nonprofit organization) as of and for the year ended June 30, 2009 and have issued our report thereon dated November 2, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Workforce Investment Council of Clackamas County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Workforce Investment Council of Clackamas County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the organization's internal control over financial reporting.

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

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

Compliance and Other Matters

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

This report is intended solely for the information and use of the Board of Directors, management, and others within the organization, 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.

Jones & Roth, P.C.

Jones & Roth, P.C.
Eugene, Oregon
November 2, 2009



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

To the Board of Directors
Workforce Investment Council of Clackamas County
Oregon City, Oregon

Compliance

We have audited the compliance of Workforce Investment Council of Clackamas County (a nonprofit organization) 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, 2009. Workforce Investment Council of Clackamas County'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 Workforce Investment Council of Clackamas County's management. Our responsibility is to express an opinion on Workforce Investment Council of Clackamas County'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 Workforce Investment Council of Clackamas County'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 of Workforce Investment Council of Clackamas County's compliance with those requirements.

In our opinion, Workforce Investment Council of Clackamas County 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, 2009.

Internal Control over Compliance

The management of Workforce Investment Council of Clackamas County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Workforce Investment Council of Clackamas County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Workforce Investment Council of Clackamas County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Directors, management, and others within the organization, 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.

Jones & Roth, P.C.

Jones & Roth, P.C.
Eugene, Oregon
November 2, 2009

WORKFORCE INVESTMENT COUNCIL OF CLACKAMAS COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2009

Summary of Audit Results

- (i) The auditor's report expresses an unqualified opinion on the financial statements of Workforce Investment Council of Clackamas County.
- (ii) Not applicable.
- (iii) No instances of noncompliance material to the financial statements were disclosed during the audit.
- (iv) Not applicable.
- (v) The auditor's report on compliance for the major federal award program for Workforce Investment Council of Clackamas County expresses an unqualified opinion.
- (vi) The audit did not disclose any audit findings required to be reported.
- (vii) Program tested as a major program was:
CFDA #17.258 - 17.260 Workforce Investment Act cluster
- (viii) The threshold for distinguishing between Type A and Type B programs was \$300,000.
- (ix) Workforce Investment Council of Clackamas County does not qualify as a low risk auditee.

Findings - Financial Statements and Internal Control over Financial Reporting

None.

Findings and Questioned Costs - Federal Awards

None.

Prior Year Findings

Finding 2008-1

Condition: During the year ended June 30, 2008, WICCO issued their financial statements for the year ended June 30, 2007. Revenue was recognized in those financial statements utilizing a principle that is inconsistent with U.S. generally accepted accounting principles. WICCO recognized the entire amount of their available grant allocation as revenue for the period. WICCO should have recognized only those amounts for which the underlying costs had been incurred as of June 30, 2007.

WORKFORCE INVESTMENT COUNCIL OF CLACKAMAS COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2009

Prior Year Findings, continued

Finding 2008-1, continued

Criteria: Per Oregon Department of Community Colleges and Workforce Development (CCWD) Policy Number 589-10.06, procurement contracts and any other transactions between local boards and the state or local governments must be conducted only on a cost reimbursement basis. Due to this provision, realization of revenues from WIA grants passed through CCWD is conditioned upon incurring the underlying cost and should be considered a conditional promise to give. Under Financial Accounting Standards Board Statement Number 116, *Accounting for Contributions Received and Contributions Made*, conditional promises to give are recognized when they become unconditional, that is, when the conditions are substantially met.

Effect: The selection and application of this accounting principle caused net assets to be overstated by \$1,210,008 in the June 30, 2007 financial statements.

Cause of Condition: WICCO lacked the internal expertise to ensure that the selection and application of its revenue recognition principle was consistent with U.S. generally accepted accounting principles.

Recommendation: Management has already modified its revenue recognition principle for the presentation of the June 30, 2008 financial statements. There is no indication that the operation of the federal award program was impacted by the application of this accounting principle and WICCO's underlying accounting appears to be appropriate.

2009 Follow-up: The auditor considers this matter resolved.