

WASHINGTON COUNTY ECONOMIC
OPPORTUNITY COUNCIL, INC.

Financial Statements
and Supplementary Information

March 31, 2014

(With Independent Auditors' Report Thereon)

WASHINGTON COUNTY ECONOMIC OPPORTUNITY COUNCIL, INC.

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Washington County Economic Opportunity Council, Inc.:

Report on the Financial Statements

We have audited the accompanying financial statements of Washington County Economic Opportunity Council, Inc. (the Council), which comprise the statement of financial position as of March 31, 2014, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Council's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Washington County Economic Opportunity Council, Inc. as of March 31, 2014, and the changes in its net assets and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in note 13 to financial statements, net assets at April 1, 2013 have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with the Government Auditing Standards, we have also issued our report dated December 19, 2014, on our consideration of Washington County Economic Opportunity Council, Inc.'s internal control over financial reporting and on 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Washington County Economic Opportunity Council, Inc.'s internal control over financial reporting and compliance.

Toski & Co., CPAs, P.C.

Williamsville, New York
December 19, 2014

WASHINGTON COUNTY ECONOMIC OPPORTUNITY COUNCIL, INC.
Statement of Financial Position
March 31, 2014

<u>Assets</u>	
Current assets:	
Cash and equivalents	\$ 431,312
Receivables (note 3)	191,634
Prepaid expenses	<u>71,860</u>
Total current assets	<u>694,806</u>
Investments, at fair value (note 4)	<u>118,555</u>
Property and equipment, at cost	3,964,858
Less accumulated depreciation	<u>(2,365,944)</u>
Net property and equipment (note 5)	<u>1,598,914</u>
Total assets	<u><u>\$ 2,412,275</u></u>
<u>Liabilities and Net Assets</u>	
Current liabilities:	
Accounts payable	117,829
Accrued expenses	215,846
Deferred revenue (note 8)	<u>19,812</u>
Total current liabilities	353,487
Defined benefit pension plan obligation (note 9)	<u>1,469,337</u>
Total liabilities	1,822,824
Unrestricted net assets	589,451
Contingency (note 12)	<u> </u>
Total liabilities and net assets	<u><u>\$ 2,412,275</u></u>

See accompanying notes to financial statements.

WASHINGTON COUNTY ECONOMIC OPPORTUNITY COUNCIL, INC.
Statement of Activities
Year ended March 31, 2014

Support and revenue:	
Fees and grants from governmental agencies	\$ 5,201,381
In-kind support	1,011,532
Program revenue	136,152
Contributions	25,952
Investment loss	(2,028)
Miscellaneous	<u>51,208</u>
Total support and revenue	<u>6,424,197</u>
Expenses:	
Program services	6,360,280
Management and general	<u>318,961</u>
Total expenses	<u>6,679,241</u>
Decrease in net assets	<u>(255,044)</u>
Net assets at beginning of year, as previously stated	2,240,973
Prior period adjustment (note 13)	<u>(1,396,478)</u>
Net assets at beginning of year, as restated	<u>844,495</u>
Net assets at end of year	<u><u>\$ 589,451</u></u>

See accompanying notes to financial statements.

WASHINGTON COUNTY ECONOMIC OPPORTUNITY COUNCIL, INC.
Statement of Functional Expenses
Year ended March 31, 2014

	<u>Program Services</u>					<u>Management and General</u>	<u>Total</u>
	<u>Energy Services</u>	<u>Employment Services</u>	<u>Family Development</u>	<u>Home and Family Services</u>	<u>Total</u>		
Personnel	\$ 162,726	178,232	2,028,727	109,772	2,479,457	214,512	2,693,969
Payroll taxes and fringe benefits	45,384	93,991	747,856	31,264	918,495	57,674	976,169
Client beneficiary payments	-	399,242	2,589	21,221	423,052	-	423,052
Program materials and supplies	146,766	9,712	328,218	19,414	504,110	17,480	521,590
In-kind expenses	-	-	919,407	88,374	1,007,781	3,751	1,011,532
Occupancy	8,412	2,023	326,265	657	337,357	1,782	339,139
Insurance	9,470	4,324	91,378	7,299	112,471	4,376	116,847
Transportation	11,974	565	115,962	10,712	139,213	-	139,213
Contractual	-	218	-	714	932	3,659	4,591
Training and travel	8,310	3,171	73,092	4,661	89,234	8,770	98,004
Professional fees	6,577	3,014	10,300	5,553	25,444	6,957	32,401
Depreciation	4,788	1,580	129,120	2,298	137,786	-	137,786
Miscellaneous	3	-	-	3,752	3,755	-	3,755
Loss on disposal of property and equipment	7,625	4,500	166,118	2,950	181,193	-	181,193
Total expenses	<u>\$ 412,035</u>	<u>700,572</u>	<u>4,939,032</u>	<u>308,641</u>	<u>6,360,280</u>	<u>318,961</u>	<u>6,679,241</u>

See accompanying notes to financial statements.

WASHINGTON COUNTY ECONOMIC OPPORTUNITY COUNCIL, INC.

Statement of Cash Flows
Year ended March 31, 2014

Cash flows from operating activities:	
Decrease in net assets	\$ (255,044)
Adjustments to reconcile decrease in net assets to net cash provided by operating activities:	
Net unrealized depreciation of investments	2,190
Depreciation	137,786
Loss on disposal of property and equipment	181,193
Donated property and equipment	(8,116)
Change in defined benefit plan obligation	72,859
Changes in:	
Receivables	(84,096)
Prepaid expenses	(36,613)
Accounts payable	39,526
Accrued expenses	76,640
Deferred revenue	<u>19,812</u>
Net cash provided by operating activities	<u>146,137</u>
Cash flows from investing activities:	
Additions to property and equipment	(66,766)
Proceeds from disposal of property and equipment	<u>29,525</u>
Net cash used in investing activities	<u>(37,241)</u>
Cash flows from financing activities - repayment of note payable	<u>(3,462)</u>
Net increase in cash and equivalents	105,434
Cash and equivalents at beginning of year	<u>325,878</u>
Cash and equivalents at end of year	<u><u>\$ 431,312</u></u>
Supplemental schedule of cash flow information:	
In-kind support	<u>\$ 1,011,532</u>
In-kind expenses	<u><u>\$ 1,011,532</u></u>

See accompanying notes to financial statements.

WASHINGTON COUNTY ECONOMIC OPPORTUNITY COUNCIL, INC.

Notes to Financial Statements

March 31, 2014

(1) Summary of Significant Accounting Policies

(a) Nature of Activities

Washington County Economic Opportunity Council, Inc. (the Council) is a private, non-profit, anti-poverty agency in Washington County. The Agency has been in existence since 1965 and administers a variety of federally and locally sponsored programs, which are directed towards reducing or eliminating the primary causes of poverty throughout the county. Head Start Program was initiated in 1967 and has functioned continuously since that time. It operates a home-based program in addition to five centers, located in Hudson Falls, Granville, Whitehall and Cambridge, New York. Currently, the program services approximately 420 children of whom at least 10% are handicapped. The Employment and Training Programs cover the grant agreements between Saratoga County and Washington County. Pursuant to those agreements, the sub recipient, Employment and Training of Washington County, has undertaken, within the eligible geographic area, programs funded under the Workforce Investment Act.

(b) Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

(c) Basis of Presentation

The Council reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. The Council only had unrestricted net assets in 2014.

(d) Estimates

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

(e) Cash and Equivalents

For purposes of the statement of cash flows, the Council considers all highly liquid debt instruments purchased with a maturity of three months or less, including overnight repurchase agreements, to be cash equivalents.

(f) Receivables

Receivables are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to receivables. Changes in the valuation allowance have not been material to the financial statements.

WASHINGTON COUNTY ECONOMIC OPPORTUNITY COUNCIL, INC.

Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(g) Capitalization and Depreciation

Property and equipment are recorded at cost or fair market value at the date of the gift in the case of donated property and equipment. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives using the straight-line method. Improvements are capitalized, while expenditures for maintenance and repairs are charged to expense as incurred. Upon disposal of depreciable property, the appropriate property accounts are reduced by the related costs and accumulated depreciation. The resulting gains and losses are reflected in the statement of activities.

(h) Long-Lived Assets

The Council reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. In determining whether there is an impairment of long-lived assets, the Council compares the sum of the expected future net cash flows (undiscounted and without interest charges) to the carrying amounts of the assets. At March 31, 2014, no impairments in value have been recognized.

(i) Deferred Revenue and Revenue Recognition

Grant awards accounted for as exchange transactions are recorded as revenue when expenditures have been incurred in compliance with the grant restrictions. Amounts unspent are recorded in the statement of financial position as deferred revenue.

(j) In-Kind Materials, Food, Supplies and Personal Services

The Council receives unrestricted in-kind donations from outside parties. The in-kind donations include, but are not limited to, equipment, clothing, services and food. All in-kind donations are unrestricted and are used to support and further the Council's objectives. The in-kind donations are reflected in the accompanying statements at their estimated fair market value at the date of receipt. In addition, many individuals have contributed significant amounts of time to the activities of the Council without compensation. Contributed services are recognized as in-kind support and expenses by the Council when certain provisions are met. In-kind contributions of \$1,011,532 for the year ended March 31, 2014 has been recognized as in-kind support and expenses by the Council.

(k) Promises to Give

Contributions are recognized when the donor makes an unconditional promise to give to the Council. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

WASHINGTON COUNTY ECONOMIC OPPORTUNITY COUNCIL, INC.

Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(l) Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

(m) Subsequent Events

The Council has evaluated subsequent events through the date of the report which is the date the financial statements were available to be issued.

(n) Income Taxes

The Council is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (Code); therefore, no provision for income taxes is reflected in the financial statements. The Council has been classified as a publicly supported organization that is not a private foundation under Section 509(a) of the Code. The Council presently discloses or recognizes income tax positions based on management's estimate of whether it is reasonably possible or probable that a liability has been incurred for unrecognized income taxes. Management has concluded that the Council has taken no uncertain tax positions that require adjustment in its financial statements. U.S. Forms 990 filed by the Council are subject to examination by taxing authorities. The Council is no longer subject to tax examination for the years ended March 31, 2010, and prior.

(2) Concentrations of Credit Risk

Financial instruments that potentially subject the Council to concentrations of credit risk consist principally of cash and equivalent accounts in financial institutions. Although the accounts exceed the federally insured deposit amount, management does not anticipate nonperformance by the financial institution.

(3) Receivables

Receivables amounted to \$191,634 as of March 31, 2014. This amount represents the amount the Council was due from funding sources for expenditures incurred or services rendered in excess of payments received. The following details the receivables as of March 31, 2014:

U.S. Department of Energy	\$ 76,195
U.S. Department of Labor	51,949
U.S. Department of Health and Human Services	47,831
U.S. Department of Agriculture	<u>15,659</u>
	\$ <u>191,634</u>

WASHINGTON COUNTY ECONOMIC OPPORTUNITY COUNCIL, INC.

Notes to Financial Statements, Continued

(4) Investments

Financial Investments

The cost and fair value of investments at March 31, 2014 are summarized as follows:

	<u>Cost</u>	<u>Fair value</u>
Money market funds	\$ 23,247	23,247
U.S. government fund	<u>46,915</u>	<u>95,308</u>
	\$ <u>70,162</u>	<u>118,555</u>

Investments are stated at fair value. The fair value of investments is based on quotations obtained from national securities exchanges. In accordance with the policy of carrying investments at fair value, the change in net unrealized depreciation is included in investment loss in the accompanying statement of activities. A summary of investment income (loss) for the year ended March 31, 2014 is as follows:

Interest and dividends	\$ 162
Net unrealized depreciation in fair value of investments	<u>(2,190)</u>
	\$ <u>(2,028)</u>

Fair Value Measurements

A framework has been established for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Council has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability; and
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

WASHINGTON COUNTY ECONOMIC OPPORTUNITY COUNCIL, INC.

Notes to Financial Statements, Continued

(4) Investments, Continued

Fair Value Measurements, Continued

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Council believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. Investments held by the Council are classified as level 1 in the fair value hierarchy.

(5) Property and Equipment

Property and equipment at March 31, 2014 is summarized as follows:

Land and buildings	\$ 2,736,376
Vehicles	983,518
Equipment	<u>244,964</u>
	3,964,858
Less accumulated depreciation	<u>(2,365,944)</u>
Net property and equipment	\$ <u>1,598,914</u>

(6) Line of Credit

The Council has a secured line of credit available with a bank, which provides that it may borrow up to \$30,000 at the bank's prime rate (3.25% at March 31, 2014). The line of credit is secured by a certificate of deposit. There was no outstanding balance on the line of credit as of March 31, 2014.

(7) Compensated Absences

Included in accrued expenses is the Council's liability for future payments of accrued vested vacation wages which amounted to \$50,027 at March 31, 2014. Under the terms of the existing personnel manual, the Council's employees receive annual vacation leave. The number of days allowed is dependent upon the employees' years of service. Upon an employee's termination, all accumulated vacation time will be forfeited. Upon an employee's resignation, accumulated vacation will be paid under the terms of the existing personnel manual.

WASHINGTON COUNTY ECONOMIC OPPORTUNITY COUNCIL, INC.

Notes to Financial Statements, Continued

(8) Deferred Revenue

Deferred revenue amounted to \$19,812 at March 31, 2014. This amount represents cash provided to the Council in advance of the period to be benefited in order to provide working capital for the operation of the various programs of the Council.

(9) Defined Benefit Pension Plan

The Council has a non-contributory defined benefit pension plan (the Plan) covering substantially all Head Start employees. Benefits are based upon a retirement benefit formula and years of service. The Council's policy is to fund the recommended contributions as calculated by a consulting actuary in accordance with ERISA standards.

Measurement dates

The measurement date for the year end benefit obligations and assets for the Plan year ended March 31, 2014 was March 31, 2013.

Plan curtailment

On October 4, 2012, the Plan was amended to freeze the plan benefits effective January 1, 2013.

The Council has recognized the funded status of the benefit plan, which is measured as the difference between the Plan's assets at fair value of \$3,639,467 and the projected benefit obligation of \$5,108,804; the difference is a non-current liability of \$1,469,337 which is required to be recorded in the accompanying statement of financial position.

Obligations and funded status

The Plan's obligations and funded status are as follows:

Fair value of Plan assets	\$ 3,639,467
Projected benefit obligation	<u>5,108,804</u>
Funded status at end of year	\$ <u>(1,469,337)</u>
Accumulated benefit obligation	\$ <u>5,108,804</u>
Employer contributions	\$ <u>178,617</u>
Benefits paid	\$ <u>119,285</u>
Liability recognized in the accompanying statement of financial position	\$ <u>(1,469,337)</u>

The Council recorded expenses relating to the Plan amounting to \$178,617 for the year ended March 31, 2014.

WASHINGTON COUNTY ECONOMIC OPPORTUNITY COUNCIL, INC.

Notes to Financial Statements, Continued

(9) Defined Benefit Pension Plan, Continued

Actuarial assumptions

The weighted-average assumptions used were as follows:

Discount rate for expense determination	1.54% to 5.32%
Discount rate for funded status determination	.97% to 5.11%
Expected long-term rate of return on plan assets	7.0%
Projected rate of increase in compensation levels	N/A

The expected long-term rate of return on Plan assets assumption was developed with consideration to the current level of expected return on investments, the historical level of the risk premium associated with the other asset classes in which the portfolio is invested and the expectations for future returns of each asset class. The expected return for each asset class was then weighted based on the target asset allocation to develop the expected long-term rate of return on Plan assets assumption.

In 2014, the actuarial assumptions regarding mortality rates were based on the 1971 Group Annuity Mortality Table for males and females.

Plan assets

The fair value hierarchy, as described in note 4, has three levels of classifications used to categorize investments. All investments in the Plan are Level 1. The weighted-average asset allocations by asset category for the Plan's investments were as follows:

Short-term investments	1.3%
Mutual funds - fixed	37.5%
Mutual funds - equity	<u>61.2%</u>
	<u>100.0%</u>

The Plan's 2014 investment policy states the following:

- Approximately 50 - 65% of the assets shall be invested in stocks (equity).
- Approximately 30 - 50% of the assets shall be invested in bonds (fixed).
- Approximately 0 - 15% of the assets shall be invested in money market (short-term investments).

Cash flows

Due to the projected benefit obligation exceeding the plan assets of the Plan, the Council is expected to make a contribution to the Plan during 2014.

WASHINGTON COUNTY ECONOMIC OPPORTUNITY COUNCIL, INC.

Notes to Financial Statements, Continued

(9) Defined Benefit Pension Plan, Continued

The Plan's estimated future benefit payments as of March 31, 2014 are as follows:

2015	\$ 398,430
2016	182,868
2017	242,523
2018	206,585
2019	416,429
2020 - 2024	<u>1,266,032</u>
	\$ <u>2,712,867</u>

(10) Defined Contribution Retirement Plans

(a) 401(k) Plan

The Council provides a 401(k) plan to all eligible employees as defined in the plan document. Effective April 1, 2014, the Council may also make a discretionary profit sharing contribution, allocated among participants eligible to share in the contribution for the plan year based on their classification. There were no employer contributions for the year ended March 31, 2014.

(b) 401 Money Purchase Plan

The Council provides a 401 money purchase plan covering Employment and Training Programs employees meeting the plan's eligibility requirements as defined in the plan document. The Council is obligated to contribute 20% of an eligible participant's compensation. The Council recorded expense relating to the plan amounting to \$30,571 for the year ended March 31, 2014.

(11) Related Party Transactions

The Council leases office and classroom space that is provided as in-kind support from Washington County. Several individuals that serve on the Council's Board of Directors are either employees or elected officials of Washington County.

(12) Contingency

Under the terms of various grants, periodic audits are required and certain costs may be questioned as not being appropriate expenditures under the terms of the grants. Such questioned costs could lead to reimbursement to the grantor agencies. Management believes that it would be able to provide support acceptable to the grantor and that any disallowances would not be material.

WASHINGTON COUNTY ECONOMIC OPPORTUNITY COUNCIL, INC.
Notes to Financial Statements, Continued

(13) Restatement

A restatement to the March 31, 2013 financial statements was necessary in connection with recording the unfunded portion of the defined benefit pension plan which was previously unrecorded by the Council. Beginning of year net assets was reduced by \$1,396,478 and the year end defined benefit pension plan obligation of \$1,396,478 was recorded. A summary of the restatement is as follows:

	As previously <u>stated</u>	<u>Restatement</u>	Restated <u>amounts</u>
Net assets	\$ <u>2,240,973</u>	(1,396,478)	<u>844,495</u>
Defined benefit pension plan obligation	\$ <u> -</u>	<u>1,396,478</u>	<u>1,396,478</u>

WASHINGTON COUNTY ECONOMIC OPPORTUNITY COUNCIL, INC.
Schedule of Expenditures of Federal Awards
For the year ended March 31, 2014

<u>Federal Grantor Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Number</u>	<u>Federal Expenditures</u>
U.S. Department of Agriculture - passed through the New York State Department of Health - Child and Adult Care Food Program	10.558	2157	\$ <u>157,231</u>
U.S. Department of Labor:			
Trade Adjustment Assistance	17.245	N/A	131,210
Workforce Innovation Fund	17.283	N/A	60,671
Passed through the Washington County WIA Cluster:			
WIA Adult Program	17.258	N/A	137,819
WIA Youth Activities	17.259	N/A	123,140
WIA Dislocated Workers	17.260	N/A	<u>132,648</u>
Total WIA Cluster			<u>393,607</u>
Total U.S. Department of Labor			<u>585,488</u>
U.S. Department of Energy - passed through the New York State Division of Housing and Community Renewal - Weatherization Assistance for Low-Income Persons	81.042	C091073-13	<u>31,583</u>
U.S. Department of Health and Human Services:			
Passed through Washington County:			
Temporary Assistance to Needy Families - Summer Youth Employment Program	93.558	N/A	62,452
Passed through the New York State Division of Housing and Community Renewal:			
Low-Income Home Energy Assistance	93.568	C091073-13	238,842
Passed through the New York State Department of State:			
Community Services Block Grant	93.569	C1000327-1	70,637
Community Services Block Grant	93.569	C001347-3.3A	126,297
Head Start	93.600	02CH1195/48	<u>3,680,178</u>
Total U.S. Department of Health and Human Services			<u>4,178,406</u>
Total Federal Expenditures			<u>\$ 4,952,708</u>

Basis of Presentation

The schedule of expenditures of federal awards includes the federal grant activity of Washington County Economic Opportunity Council, Inc. and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

INDEPENDENT AUDITORS' 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

The Board of Directors
Washington County Economic Opportunity Council, Inc.:

We have audited, in accordance with the 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, the financial statements of Washington County Economic Opportunity Council, Inc. (the Council), which comprise the statement of financial position as of March 31, 2014 and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to financial statements, and have issued our report thereon dated December 19, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Council's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control. Accordingly, we do not express an opinion on the effectiveness of the Council's internal control.

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

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 and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Council's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2014-01 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Council's financial statements are free from 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.

Council's Response to Finding

The Council's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Council's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Council's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Council's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Toski & Co., CPAs, P.C.

Williamsville, New York
December 19, 2014

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

The Board of Directors
Washington County Economic Opportunity Council, Inc.:

Report on Compliance for Each Major Federal Program

We have audited Washington County Economic Opportunity Council, Inc.'s (the Council) compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of the Council's major federal programs for the year ended March 31, 2014. The Council's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the each of Council's major federal program based on our audit of the types of compliance requirements referred to above. 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 (OMB Circular A-133). 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 Council'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 on compliance for each major federal program. However, our audit does not provide a legal determination of the Council's compliance.

Opinion on Each Major Federal Program

In our opinion, Washington County Economic Opportunity Council, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended March 31, 2014.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2014-2. Our opinion on each major federal program is not modified with respect to this matter.

The Council's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Council's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the Council is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Council's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 the Council's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will be not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Toski & Co., CPAs, P.C.

Williamsville, New York
December 19, 2014

WASHINGTON COUNTY ECONOMIC OPPORTUNITY COUNCIL, INC.
 Schedule of Findings and Questioned Costs
 Year ended March 31, 2014

Part I - SUMMARY OF AUDITORS' RESULTS

Financial Statements:

- | | |
|---|--|
| Type of auditors' report issued? | Unmodified |
| Internal control over financial reporting? | |
| 1. Material weakness(es) identified? | <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No |
| 2. Significant deficiency(ies) identified not considered to be material weakness(es)? | <input type="checkbox"/> Yes <input checked="" type="checkbox"/> None reported |
| 3. Noncompliance material to financial statements noted? | <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No |

Federal Awards:

Internal control over major programs:

- | | |
|---|--|
| 4. Material weakness(es) identified? | <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No |
| 5. Significant deficiency(ies) identified not considered to be material weakness(es)? | <input type="checkbox"/> Yes <input checked="" type="checkbox"/> None reported |

Type of auditors' report issued on compliance for major programs:

- | | |
|---|---|
| | Unmodified |
| 6. Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133 (section .510(a))? | <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No |

7. The Council's major programs audited were:

<u>Name of Federal Programs</u>	<u>CFDA Number</u>
WIA Adult Program	17.258
WIA Youth Activities	17.259
WIA Dislocated Workers	17.260
Head Start	93.600

- | | |
|---|---|
| 8. Dollar threshold used to distinguish between Type A and Type B programs? | \$300,000 |
| 9. Auditee qualified as low-risk auditee? | <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No |

Part II - FINDINGS - FINANCIAL STATEMENTS AUDIT

See finding 2014-01.

Part III - FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

See finding 2014-02.

WASHINGTON COUNTY ECONOMIC OPPORTUNITY COUNCIL, INC.
Schedule of Findings and Questioned Costs, Continued

(2014-01) Accuracy of Accounting Records

Criteria - Accounting records should be prepared to provide management with accurate internal financial statements and to make appropriate financial decisions.

Condition - As part of our audit of the financial statements of the Council, we recorded 13 adjusting journal entries amounting to \$9,252,544. Significant adjustments were made to the following accounts: net assets, cash, prepaid expenses, accrued expenses, property and equipment, accumulated depreciation and various revenue and expense accounts.

Effect - Inaccurate internal financial reporting throughout the fiscal year.

Recommendation - We recommend that the accounting department analyze significant general ledger accounts on a monthly or quarterly basis. Any differences should be investigated promptly and appropriate journal entries recorded.

Management's Response - Many of the adjustments noted were to record and correct beginning entries to the general ledger system as the result of a general ledger consolidation process implemented by the Council's previous Chief Financial Officer. A significant portion of the adjustments were the result of recording beginning property and equipment along with subsequent disposals. In addition, approximately \$1.4 million of these changes are presented as a prior period adjustment as explained in note 13 to financial statements. Having noted the above, the Council expects to: 1) conduct accounting consistent with accounting principles generally accepted in the United States of America, and 2) to carefully analyze all year-end entries to assure removal of the identified deficiency.

WASHINGTON COUNTY ECONOMIC OPPORTUNITY COUNCIL, INC.
Schedule of Findings and Questioned Costs, Continued

(2014-02) Financial and Program Management - Property and Equipment

Head Start Program, CFDA No. 93.600, Grant No. 02CH1195/48, Grant Period April 1, 2013 to March 31, 2014

Criteria - Property and equipment records are required to be maintained in accordance with Part 74 - Financial and Program Management, 74.34 Equipment as outlined in 74.34(f)(1)(iii-vi) and 75.34(f)(3) (Federal guidelines).

Condition - Property and equipment records were not maintained accurately and did not include information as required by Federal guidelines. Missing information included the source of the equipment, award number, funding agency, ultimate disposition data, acquisition date and the Federal agency's share of the property and equipment. In addition, the Council failed to conduct a physical inventory of property and equipment at least once every two years.

Effect - Inability to provide documentation to support and verify the existence of property and equipment owned and recorded to the general ledger of the Council.

Recommendation - We recommend that the Council conduct a physical inventory of all property and equipment and reconcile the results of the inventory to its books and records, removing any obsolete or disposed of items. In addition, we recommend that the Council also update its property and equipment records to include all specific information as required by Federal guidelines.

Management's Response - Subsequent to year end, a physical inventory was conducted of all property and equipment owned by the Council and reconciled to its general ledger, removing all obsolete and disposed of items, and includes detailed information for each individual item as required by Federal guidelines. In addition, the Council implemented a fixed asset policy and procedures manual to guide the Council in its record keeping efforts to remain in compliance.

WASHINGTON COUNTY ECONOMIC OPPORTUNITY COUNCIL, INC.
Status of Prior Year Audit Findings
March 31, 2014

There were no audit findings with regard to the prior year financial statements (March 31, 2013).