

**SOUTHCENTRAL WORKFORCE
INVESTMENT BOARD**

FINANCIAL REPORT

JUNE 30, 2016

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Southcentral Workforce Investment Board
Harrisburg, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, and the major fund of the Southcentral Workforce Investment Board (SCWIB), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Organization's basic financial statements as listed in the table of contents.

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 opinions 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. 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 Organization'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 Organization'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 estimate made by management, as well as evaluating the overall presentation of the financial statements.

We believe 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 respective financial position of the governmental activities and the major fund of Southcentral Workforce Investment Board, as of June 30, 2016, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 4 through 10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Southcentral Workforce Investment Board's basic financial statements. The schedules listed as supplementary information, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary schedules and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison information and schedules, listed in the table of contents as supplementary information, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2017, on our consideration of Southcentral Workforce Investment Board'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 a Southcentral Workforce Investment Board's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Boyer & Litter". The signature is written in black ink and is centered on the page.

Camp Hill, Pennsylvania
March 28, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

The discussion and analysis of Southcentral Workforce Investment Board's financial performance provides an overall review of the Organization's financial activities for the fiscal year ended June 30, 2016. Please read it in conjunction with SCWIB's financial statements that follow this section.

Financial Highlights

- Southcentral Workforce Investment Board's total net position was \$201,588 at June 30 2016. This amount is an increase of \$6,574 from the previous year.
- Total governmental revenues in fiscal year 2016 were \$12,179,717, which is a decrease of \$5,824,837 from fiscal year 2015 revenues of \$18,004,554.
- Total expenditures in fiscal year 2016 were \$12,173,143, which is a decrease of \$5,900,255 from fiscal year 2015 expenditures of \$18,073,398.

Overview of the Financial Statements

This discussion and analysis is an introduction to the basic financial statements of Southcentral Workforce Investment Board and notes to those statements. The notes provide additional information that is essential to a complete understanding of the data provided in the statements.

SCWIB's activities are supported with governmental funds. Because revenues include federal awards, this report also contains other supplementary information in addition to the basic financial statements.

Government-Wide Financial Statements

The *government-wide financial statements* report information about Southcentral Workforce Investment Board as a whole using accounting methods similar to those used by private-sector companies.

The *statement of net position* includes all of SCWIB's assets and liabilities, short-term and long-term, with the difference between the two reported as net position. Over a period of time, increases or decreases in net position may serve as a useful indicator of whether the financial status is improving or deteriorating.

All current year revenues and expenses are accounted for in the Statement of Activities on the accrual basis regardless of when cash is received or paid. Therefore, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods. Expenditures are incurred by Southcentral Workforce Investment Board with federal and state grant awards and thus are classified as governmental activities.

Financial Analysis of Southcentral Workforce Investment Board as a Whole

Net Position

The net position of Southcentral Workforce Investment Board Corporation as \$201,588 at June 30, 2016.

**Statement of Net Position
Governmental Activities
As of June 30, 2016 and 2015**

	2016	2015	Percentage Change
Assets			
Current and Other Assets	\$ 3,112,585	\$ 4,403,137	-29.31%
Capital Assets	166,173	152,039	9.30%
Total Assets	<u>3,278,758</u>	<u>4,555,176</u>	-28.02%
Liabilities			
Current Liabilities	2,976,668	4,283,865	-30.51%
Long-Term Liabilities	100,502	76,297	31.72%
Total Liabilities	<u>3,077,170</u>	<u>4,360,162</u>	-29.43%
Net Position			
Invested in Capital Assets - Net of Related Debt	166,173	152,039	9.30%
Unrestricted	35,415	42,975	-17.59%
Total Net Position	<u>\$ 201,588</u>	<u>\$ 195,014</u>	3.37%

Year Ended June 30, 2016 Compared to the Year Ended June 30, 2015

On July 1, 2006, the Chief Elected Officials of Adams, Cumberland, Dauphin, Franklin, Juniata, Lebanon, Perry, and York Counties, authorized the Southcentral Workforce Investment Board as the fiscal agent. The Organization's role is to distribute and provide oversight of grant funds as awarded and described under the Workforce Investment Act of 1998. As a result of this fiduciary role, total assets were \$3,278,758 as of June 30, 2016, primarily due to cash of \$998,379 and grants and accounts receivables of \$2,074,788. Cash was \$1,624,541 and grant and accounts receivable were \$2,723,032 as of June 30, 2015.

Net position for the year ended June 30, 2016, increased \$6,574 from the prior year.

Balance Sheet

The balance sheet of Southcentral Workforce Investment includes only the current assets and current liabilities of the general fund, which is the only governmental fund of the Organization.

Balance Sheet Governmental Fund As of June 30, 2016 and 2015

	2016	2015	Percentage Change
Assets			
Current and Other Assets	\$ 3,112,585	\$ 4,403,137	-29.31%
Liabilities			
Current Liabilities	\$ 2,976,668	\$ 4,283,865	-30.51%
Fund Balances			
Nonspendable - Prepaid Expenses	39,418	55,564	-29.06%
Unassigned	96,499	63,708	51.47%
Total Fund Balances	135,917	119,272	-29.31%
Total Liabilities and Fund Balances	\$ 3,112,585	\$ 4,403,137	-29.31%

Major Factors Affecting the Balance Sheet

Southcentral Workforce Investment Board's principal source of cash came from federal and state grant funding. There are no long-term debt obligations. In its role as fiscal agent of Workforce Investment Act grant funds, the Organization performs the accounts receivable and accounts payable functions for the operating costs of six Pennsylvania CareerLink Sites or One Stop Centers within the southcentral region.

Current assets decreased 29.31% and current liabilities decreased 30.51% from the prior fiscal year. Accrued expenditures recorded for subcontractor operations in 2016 amounted to \$2,169,169.

Prepaid expenditures of \$39,418 in 2016 primarily consist of office space rental fees and prepaid insurance.

General Fund Budget

During the fiscal year, the Board of Directors did not authorize revisions to the original budget. Therefore, the statement of revenues, expenditures and change in fund balance - budget to actual - general fund reports the original and final budget amounts in a single column

Statement of Activities
For the Years Ended June 30, 2016 and 2015

	2016	2015
Revenue		
Grants	\$ 10,242,615	\$ 16,131,186
Other Revenue and Interest	1,937,102	1,873,368
Total Revenue	12,179,717	18,004,554
Expenses		
Workforce Investment Act: Employment and Training	6,269,014	7,789,727
TANF: Welfare Employment Training	3,973,601	8,263,309
State Grants and Other Expenses	1,930,528	2,020,362
Total Expenses	12,173,143	18,073,398
Change in Net Position	\$ 6,574	\$ (68,844)

Year Ended June 30, 2016 Compared to the Year Ended June 30, 2015

Southcentral Workforce Investment Board Corporation's primary sources of revenue are multiple grants awarded through the Workforce Investment Act (WIA), Temporary Assistance for Needy Families (TANF) Joint Job Initiatives, ETA Aging Worker and the Commonwealth of Pennsylvania Incumbent Worker and Industry Partnership Initiatives. Grant revenues decreased approximately \$5,893,400 due to a decrease in WIA/WIOA funds in state funded awards and the elimination of the DHS Special Initiatives Grant

The Workforce Investment Act allocates federal funds for adult, dislocated worker, and youth services. Southcentral Workforce Investment Board applies these funds by providing services to individuals and employers within the southcentral region of Pennsylvania which includes the counties of Adams, Cumberland, Dauphin, Franklin, Juniata, Lebanon, Perry, and York. In accordance with the Act, SCWIB's operations unit provides core and intensive services aimed at assisting individuals with gaining employment at One Stop Career Centers located in each county. SCWIB also makes available tuition funding through individual training accounts for work skills enhancement. The Workforce Investment Board unit is responsible for the oversight of WIA funds and for determining local workforce development policies. \$1,941,931 or 15.9% of revenue is other revenue collected by Southcentral Workforce Investment Board to reimburse the Organization for CareerLink Center operating costs such as building rent, communications and utility fees, paid on behalf of other organizational entities operating within these sites.

Federal TANF funds combine with state matching grant monies to fund pre-employment and job retention activities for TANF eligible youth and adults. Revenues provide participants with work experience, subsidized wages, skills assessment, adult literacy education, individualized skills training, transportation and other support service subsidies. Program funds for these activities decreased by 66% over prior year budget due to the elimination of the Special Initiatives Grant.

Industry Partnership and Incumbent Worker state grant funds are expended on producing an assessment of, and connection of, employees to employers within industry clusters. Training programs that improve the job skills of current employees are funded by business and state grants. Targeted industry sectors for these workforce development strategies are manufacturing, logistics, building and construction, and health and life sciences.

Grant funds were expended as follows: subcontractor agreements, \$7.5 million; participant training, work experience, and support services, \$.841 million; and operational and staffing expenditures, \$1.7 million. Other revenue was expended on CareerLink pass-through activities of \$1.9 million.

Revenues decreased by \$5,824,837 and expenditures decreased by \$5,856,627 from expenditures reported in 2015.

Federal grant revenue recorded was \$6.2 million due to receipt of WIA, 10% Statewide Employment and Training Activities grants, and Welfare TANF Joint Job Initiatives funds. State grant revenue recorded was \$3.9 million due to receipt of State Employment and Training funds, Industry Partnership Program funds, Incumbent Worker Training grants, and State matching funds for Welfare TANF programs. Other revenue included \$1.7 million obligated from State, business, and education partners located at CareerLinks and \$.2 million in other grants

Program expenditures total \$9.4 million in 2016 and \$18.1 in 2015. Program expenditures represent 89.7 % of total costs in 2016. Direct training expenditures consist of subcontracted training and service provider charges, individual skills tuition fees, on-the-job training reimbursements, literacy and adult basic education training fees, incumbent worker training fees, tuition certification program fees, participant work experience wages and benefits, participant wage subsidies, and pre-employment and job retention support service, transportation , and incentive payments. Direct training activities total \$.841 million in fiscal year 2016 and \$2.1 million in fiscal year 2015. Services to program enrollees accounts for 8% of program expenses in 2016. Program expenditures include the reporting of reimbursable operating expenditures from partner agencies and organizations at six One Stop Centers. These outlays amounted to approximately \$1.5 million in fiscal year 2015.

Statements of Revenues, Expenditures and Change in Fund Balance - Budget to Actual
General Fund
For the Year Ended June 30, 2016

	Budget	Actual	Variance
Revenue			
Grants	\$ 13,034,395	\$ 10,237,786	\$ (2,796,609)
Other Revenue and Interest	2,156,175	1,941,931	(214,244)
Total Revenue	15,190,570	12,179,717	(3,010,853)
Expenditures			
Workforce Investment Act: Employment and Training	9,019,374	6,263,978	(2,755,396)
TANF: Welfare Employment Training	4,015,021	3,973,601	(41,420)
State Grants and Other Expenditures	2,156,175	1,925,493	(230,682)
Total Expenditures	15,190,570	12,163,072	(3,027,498)
Change in Fund Balance	\$ -	\$ 16,645	\$ 16,645

General Fund Budgetary Highlights

At the end of fiscal year 2016, available WIOA/WIA revenue resources of \$9,961,140 were unused by \$2,461,617. Unexpended revenues represent funds unexpended after the first year of a two-year funding agreement period. The program operating grant revenues awarded during fiscal year 2011 that are available for funding employment and training activities in fiscal year 2016 consist of \$2.6 million in Workforce Investment Act formula and Statewide Discretionary funds.

Capital Assets

	2016	2015
Furniture and equipment	\$ 649,620	\$ 572,085
Accumulated depreciation	(483,447)	(420,046)
Net capital assets	166,173	152,039

In fiscal year 2011, Southcentral Workforce Investment Corporation acquired computer hardware and software intended for providing work readiness skills assessment, enhancement, and certification to conduct WorkKeys® Assessments.

Debt Administration

Southcentral Workforce Investment Board had no outstanding debt at June 30, 2016.

Future Occurrences

A significant impact on the financial reporting and projected revenues in fiscal year 2017 is the attainment of negotiated performance measures. WIOA common measure levels were met in each of the nine requirements set for retention, earnings, and placement of Adult, Dislocated Worker, and Youth participants. New focus in WIOA in Title 1 is a defined percentage of training dollars spent per program year and also a 75% Out Of School expenditure rate in Youth. Future Fiscal Year 2017 Welfare allocations will remain at the value established by the Department of Human Services.

Economic Factors

- The 2016 annual unemployment rate for the region for is 4.625% while the state and national rates are 5.6% and 4.7% respectively
- Anticipated unemployment rate for 2017 is 5% for Pennsylvania and 5% for the nation

The 2016 annual national consumer price index is 2.125%. The 2015 annual national consumer price index is 1.6%.

The CPI is the parameter used for budgeting increases in the costs of staff salaries and wages, and Workforce Investment Act participant tuition programs, which together account for 50 percent of all expenditures. We cannot predict at the present time what the outcome of changes in the unemployment and CPI rates will be on meeting performance criteria or the number of participants to whom Southcentral Workforce Investment Board Corp., is able to provide tuition funds.

Financial Contact

This financial report is designed to provide a general overview of Southcentral Workforce Investment Board's finances and to demonstrate its accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the attention of Southcentral Workforce Investment Board Fiscal Agent, 4201 Crums Mill Road, Suite 200, Harrisburg, PA 17112.

SOUTHCENTRAL WORKFORCE INVESTMENT BOARD

STATEMENT OF NET POSITION

June 30, 2016

	Governmental Activities
Assets	
Cash	\$ 998,379
Accounts receivable	249,834
Grants receivable	1,824,954
Prepaid expenses	39,418
Property and equipment - net of accumulated depreciation	166,173
Total assets	<u><u>\$ 3,278,758</u></u>
Liabilities	
Accounts payable	\$ 2,169,169
Accrued expenses	199,021
Accrued payroll and related liabilities	18,218
Unearned revenue	590,260
Compensated absences - Due in more than one year	100,502
Total liabilities	<u><u>\$ 3,077,170</u></u>
Net Position	
Net investment in capital assets - Net of related debt	\$ 166,173
Unrestricted	35,415
Total net position	<u><u>\$ 201,588</u></u>

See Notes to Financial Statements.

SOUTHCENTRAL WORKFORCE INVESTMENT BOARD

**STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2016**

Programs	Expenses	Program Operating Grants and Contributions	Net (Expense) Revenues and Changes in Net Position - Governmental Activities
Governmental Activities:			
Workforce Investment Act: Employment and training	\$ 6,269,014	\$ 6,269,014	\$ -
Temporary Assistance for Needy Families: Welfare employment and training	3,973,601	3,973,601	-
State Grants and Other Expenses	1,930,528	1,937,102	6,574
Total governmental activities	<u>\$ 12,173,143</u>	<u>\$ 12,179,717</u>	<u>\$ 6,574</u>
 Change in net position			 6,574
 Net position - Beginning			 <u>195,014</u>
 Net position - Ending			 <u>\$ 201,588</u>

See Notes to Financial Statements.

SOUTHCENTRAL WORKFORCE INVESTMENT BOARD

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2016

	General Fund
Assets	
Cash	\$ 998,379
Accounts receivable	249,834
Grants receivable	1,824,954
Prepaid expenses	39,418
Total assets	\$ 3,112,585
Liabilities	
Accounts payable	\$ 2,169,169
Accrued expenses	199,021
Accrued payroll and related liabilities	18,218
Unearned revenue	590,260
Total liabilities	2,976,668
Fund Balances	
Nonspendable - prepaid expenses	39,418
Unassigned	96,499
Total fund balances	135,917
Total liabilities and fund balances	\$ 3,112,585

See Notes to Financial Statements.

SOUTHCENTRAL WORKFORCE INVESTMENT BOARD

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS**

For the Year Ended June 30, 2016

	General Fund
<hr/>	
Revenues	
Federal sources	\$ 10,237,786
Other Income	1,941,931
Total revenues	<u>12,179,717</u>
 Expenditures	
Workforce Investment Act: Employment and Training	6,263,978
Temporary Assistance for Needy Families:	
Welfare Employment and Training	3,973,601
State grants and other expenditures	1,925,493
Total expenditures	<u>12,163,072</u>
 Net change in fund balances	 16,645
 Fund Balances:	
July 1, 2015	<u>119,272</u>
June 30, 2016	<u>\$ 135,917</u>

See Notes to Financial Statements.

SOUTHCENTRAL WORKFORCE INVESTMENT BOARD

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE
STATEMENT OF ACTIVITIES**

For the Year Ended June 30, 2016

Net change in fund balances - governmental funds	\$ 16,645
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Amounts reported for governmental activities in the Statement of Activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets are allocated over their useful lives as depreciation expense. This is the amount by which depreciation exceeds capital outlays in the period.

Capital outlays	77,535	
Less: Depreciation expense	<u>(63,401)</u>	14,134

Some expenses reported in the Statement of Activities relating to compensated absences do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Change in accrued compensated absences	<u>(24,205)</u>
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Change in net position of governmental activities	<u><u>\$ 6,574</u></u>
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See Notes to Financial Statements.

SOUTHCENTRAL WORKFORCE INVESTMENT BOARD

**STATEMENT OF REVENUES AND EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended June 30, 2016**

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Federal sources	\$ 13,034,395	\$ 10,237,786	\$ (2,796,609)
Other income	2,156,175	1,941,931	(214,244)
Total revenues	15,190,570	12,179,717	(3,010,853)
Expenditures			
Workforce Investment Act: Employment and Training	9,019,374	6,263,978	(2,755,396)
Temporary Assistance for Needy Families: Welfare Employment and Training	4,015,021	3,973,601	(41,420)
State grants and other expenditures	2,156,175	1,925,493	(230,682)
Total expenditures	15,190,570	12,163,072	(3,027,498)
Net change in fund balance	\$ -	16,645	\$ 16,645
Fund Balances:			
July 1, 2015		119,272	
June 30, 2016		<u>\$ 135,917</u>	

See Notes to Financial Statements.

SOUTHCENTRAL WORKFORCE INVESTMENT BOARD

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

Reporting Entity:

The Southcentral Workforce Investment Board (SCWIB) is a non-profit corporation that is the administrative entity and grant recipient for programs under the Workforce Innovation and Opportunity Act (WIOA) in Adams, Cumberland, Dauphin, Franklin, Juniata, Lebanon, Perry, and York Counties of the Commonwealth of Pennsylvania.

On July 1, 2006, the administrative functions providing support to the Workforce Investment Board, and performing the functions of fiscal agent as appointed by local elected officials in accordance with the Workforce Investment Act, began to operate as a separate and distinct organization called the Southcentral Workforce Investment Board (SCWIB). This organization is designated by the Internal Revenue Service as a publically supported organization. Effective July 1, 2006, SCWIB assumed operations and employed staff to perform functions previously performed by the administrative unit of Southcentral Employment Corporation (SEC). SCWIB retained the Master Agreement terms to function as the recipient and fiscal agent of federal and state grant funds that pass to the agency from the Pennsylvania Department of Labor and Industry and Pennsylvania Department of Public Welfare.

The majority of the assets of SEC were transferred to SCWIB as part of this split.

Consistent with the guidance promulgated by the Governmental Accounting Standards Board (GASB), the criteria used by SCWIB to evaluate the possible inclusion of component units within its reporting entity are financial accountability and the nature and significance of the relationship. SCWIB has no component units.

Government-Wide and Fund Financial Statements:

The government-wide financial (i.e., the Statement of Net Position and the Statement of Activities) report information on all the activities of the primary government. The Statement of Activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include grants and contributions that are restricted to meeting the operational requirements of a particular program. Fund financial statements are provided for the general fund.

Measurement Focus, Basis of Accounting and Financial Statement Presentation:

SCWIB complies with accounting principles generally accepted in the United States of America and applies to relevant Governmental Accounting Standards Board pronouncements.

SOUTHCENTRAL WORKFORCE INVESTMENT BOARD

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued):

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met. Net position (total assets and deferred outflows of resources less total liabilities and deferred inflows of resources) is used as a practical measure of economic resources, and the operating statement includes all transactions and events that increased or decreased net position. Depreciation is charge as an expense against current operations, and accumulated depreciation is reported in the Statement of Net Position.

Government fund financial statements are reported using the current financial resources measurement focus and the modified-accrual basis of accounting. Revenues are recognized as soon as they are both measureable and available. Revenues from Federal, state, and other grants designated for payment for specific expenditures are recognized when the related expenditures are incurred; accordingly, when such funds are received, they are recorded as unearned revenues until earned. Expenditures generally are recorded when liabilities are incurred, as under accrual accounting. However, expenditures related to capital outlays, compensated absences and claims and judgements, are recorded only when payment is due.

Governmental funds are those through which most governmental functions are financed. The acquisition, use and balances of SCWIB's expendable financial resources and related liabilities are accounted for through governmental funds.

SCWIB reports the following major governmental funds:

The General Fund is the operating fund of SCWIB. It is used to account for all financial resources and expenditures.

SCWIB has no non-major governmental funds to report at June 30, 2016.

Budgets and Budgetary Accounting:

SCWIB annually adopts a fiscal year budget for its general fund.

Assets, Liabilities and Net position or Fund Balance:

Capital Assets and Depreciation: Capital Assets are reported in the governmental activities column in the government-wide financial statements. Donated fixed assets are recorded at their fair values as of the date received. Improvements are capitalized, while the costs of normal maintenance and repairs that do not add to the value of the asset or materiality extend an asset's life are expensed.

SOUTHCENTRAL WORKFORCE INVESTMENT BOARD

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

Assets, Liabilities and Net Position or Fund Balance (Continued):

All reported capital assets are depreciated. Depreciation is computed using the straight-line method over the following useful lives:

Furniture and equipment	3-7 years
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Prepaid Expenses: Prepaid expenses represent the cost of goods and services that have been paid in advance of receipt. The consumption method is used to account for prepaid expenses. Under the consumption method, prepaid expenses are recorded as assets and expended as the goods or services are used.

Compensated Absences: Employees of SCWIB are entitled to certain compensated absences, consisting of vacation days, personal days, sick leave, and administrative compensation days. SCWIB accrues a liability for vacation days as they are earned by the employees. That liability is calculated based on the salary rates in effect at the statement of net position date. As established by policy, personnel who terminate their employment will receive full compensation for accumulated annual leave, not to exceed the maximum accrual carryover amount based on the employee's years of service. Annual leave payout will not exceed 45 days.

In addition, employees who voluntarily terminate their employment with SCWIB and have 25 years or more of service shall be paid for a portion of accumulated unused sick leave in accordance with the Commonwealth of Pennsylvania's payout schedule.

Compensated absences are expensed as paid in the governmental fund financial statements.

Fund Balance: In accordance with Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, SCWIB classifies governmental fund balances as follows:

- Nondisposable - includes fund balance amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact.
- Restricted - includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors, grantors, contributors, or laws and regulations of other governments, or amounts constrained by law through constitutional provisions or enabling legislation.
- Committed - includes fund balance amounts that are constrained for specific purposes that are internally imposed by SCWIB through formal action of the highest level of decision making authority and does not lapse at year-end.

SOUTHCENTRAL WORKFORCE INVESTMENT BOARD

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

Assets, Liabilities and Net position or Fund Balance (Continued):

- Assigned - includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance may be assigned by the governing body itself or a body or official to which the governing body has delegated the authority to assign amounts to be used for specific purposes.
- Unassigned - include fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned for specific purposes.

Approval of an official motion at a formal meeting by the Board of Directors is required to establish, modify, or rescind committed fund balances. The Board of Directors, Executive Director and Comptroller have the authority to express intended uses of resources that result in assigned fund balances.

When an expenditure is incurred for purposes for which both restricted and unrestricted resources are available, SCWIB's policy is to spend resources in the following order:

1. Restricted
2. Unrestricted

Unless the Board of Directors specifically approves the use of committed resources, or the Board of Directors or the authorized body or official specifically approves the use of assigned resources, SCWIB's policy is to spend unrestricted resources in the following order:

1. Committed
2. Assigned
3. Unassigned

SCWIB does not have a formal minimum fund balance policy.

Deferred Outflows/Inflows of Resources: In addition to assets, the statement of financial position will sometimes report a separate section for *deferred outflows of resources*. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position or fund balance that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. At this time, SCWIB has no transactions that meet the definition of deferred outflows of resources.

In addition to liabilities, the statement of financial position will sometimes report a separate section for *deferred inflows of resources*. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position or fund balance that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. At this time, SCWIB has no transactions that meet the definition of deferred inflow of resources.

SOUTHCENTRAL WORKFORCE INVESTMENT BOARD

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

Assets, Liabilities and Net position or Fund Balance (Continued):

Use of Estimates: Management uses estimates and assumptions in preparing financial statements. These estimates and assumptions affect the reported amounts of asset and liabilities and the reported revenue, expenditures/expenses and disclosures. Actual results could differ from those estimates.

Income Taxes: The Internal Revenue Service has determined that the Organization is an exempt organization under Section 501 (c)(3) and therefore, is exempt from Federal income tax on all activities related to its exempt purpose. Accordingly, no provision for Federal income tax has been made in the financial statements.

The Organization follows the provisions of ASC 740 which requires an assessment of the Organization's exposure to income taxes at the entity level as a result of uncertain tax positions taken in current and previously-filed tax returns. Examples of tax positions taken at the entity level include continuing qualification as a tax-exempt organization and whether there are any taxable, unrelated business-income activities conducted. Any tax benefits associated with uncertain tax positions that are in excess of a realization threshold must be recorded as a liability for unrecognized tax benefits in the financial statements, along with any associated interest and penalties. Presently, management believes that it is more likely than not that its tax positions will be sustained upon examination, including any appeals and litigation, and therefore, management believes that the Organization has no exposure to income taxes from uncertain tax positions.

Subsequent Events: In preparing these financial statements, SCWIB has evaluated events and transactions for potential recognition or disclosure through March 28, 2017, the date the financial statements were available to be issued.

Note 2. Deposits and Investments

Custodial credit risk is the risk that in the event of bank failure, the Organization's deposits may not be returned. SCWIB does not have a formal written policy for custodial risk. As of June 30, 2016, \$535,134 of SCWIB's bank balance of \$1,081,835 was exposed to custodial credit risk as follows:

	Amount
Uninsured and collateral held by the pledging bank's trust department not in SCWIB's name	\$ 535,134

SOUTHCENTRAL WORKFORCE INVESTMENT BOARD

NOTES TO FINANCIAL STATEMENTS

Note 3. Capital Assets

Capital asset activity for the year ended June 30, 2016, and a summary of capital asset balances as of June 30, 2016, is as follows:

	Balances			Balances	
	July 1, 2015	Increases	Decreases	June 30, 2016	
Governmental Activities					
Capital assets being depreciated					
Furniture and equipment	\$ 572,085	\$ 77,535	\$ -	\$ 649,620	
Accumulated depreciation	(420,046)	(63,401)	-	(483,447)	
Net capital assets being depreciated	\$ 152,039	\$ 14,134	\$ -	\$ 166,173	

Depreciation expense was charged to the functions/programs of SCWIB as follows:

	Amount
Governmental Activities	
Workforce investment act	\$ 31,701
State grants and other activities	31,700
Total governmental activities	\$ 63,401

Note 4. Long-Term Obligations

During the fiscal year ended June 30, 2016, long-term obligations changed as follows:

	Balances			Balances	
	July 1, 2015	Increases	Decreases	June 30, 2016	
Governmental Activities					
Compensated absences	\$ 76,297	\$ 24,205	\$ -	\$ 100,502	

SOUTHCENTRAL WORKFORCE INVESTMENT BOARD

NOTES TO FINANCIAL STATEMENTS

Note 5. Defined Contribution Retirement Plan

Effective July 1, 2006, SCWIB adopted a retirement plan under Internal Revenue Code Section 401(k). Under the plan, the employee becomes eligible to participate beginning after one year or 1,000 hours of service.

Employee participation in the plan is voluntary. SCWIB matches up to 3% of each eligible employee's gross earnings. Employees are fully vested after six months of service. Employer contributions for the year ended June 30, 2016, amounts to \$30,103.

Note 6. Risk Management

SCWIB is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets, and errors or omissions. Significant losses are covered by commercial insurance for all major programs. For insured programs, there have been no significant reductions in settlement coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

Note 7. Operating Leases

SCWIB leases office space under agreements which are classified as operating leases. The minimum obligations for those leases with initial or remaining lease terms in excess of one year are as follows:

Years	Amount
2017	\$ 569,702
2018	632,042
2019	641,102
2020	376,381
2020	379,684
Thereafter	94,966
	<u>\$ 2,693,877</u>

Operating lease expense for the year ended June 30, 2016 amounted to \$372,176.

Note 8. Contingencies

The Organization participates in a number of federal and state grant programs for which it will be contingently liable for any disallowed expenditures. At June 30, 2016, the Organization was not aware of any such disallowances.

SUPPLEMENTARY INFORMATION

SOUTHCENTRAL WORKFORCE INVESTMENT BOARD

**SCHEDULE OF BUDGET TO ACTUAL - GRANTS 4100059533 AND 4100060529
For the Year Ended June 30, 2016**

Contract Number / Cost Category	Contract Period	Authorized Budget	Previous Years' Actual	Reported Actual For the Year Ended June 30, 2016	Cumulative Claimed Actual	(Over) / Under Budget
WIA Cluster						
Adult Program: 17.258						
180--14-3011 Administration Program	10/1/14-6/30/16	\$ 235,276 2,117,477 <u>2,352,753</u>	\$ 169,101 2,108,972 <u>2,278,073</u>	\$ 66,043 8,637 <u>74,680</u>	\$ 235,144 2,117,609 <u>2,352,753</u>	\$ 132 (132) <u>-</u>
180-14-3013 Administration Program	10/1/14-6/30/16	30,000 270,000 <u>300,000</u>	- 42,283 <u>42,283</u>	30,000 227,717 <u>257,717</u>	30,000 270,000 <u>300,000</u>	- - <u>-</u>
180-15-3001 Administration Program	7/1/15-6/30/16	17,350 156,152 <u>173,502</u>	- - <u>-</u>	17,350 156,152 <u>173,502</u>	17,350 156,152 <u>173,502</u>	- - <u>-</u>
180-15-3011 Administration Program	10/1/16-6/30/17	190,253 1,712,276 <u>1,902,529</u>	- - <u>-</u>	172,354 1,092,203 <u>1,264,557</u>	172,354 1,092,203 <u>1,264,557</u>	17,899 620,073 <u>637,972</u>
180-14-3132 Administration Program	7/1/15-6/30/16	- 99,602 <u>99,602</u>	- - <u>-</u>	- 99,602 <u>99,602</u>	- 99,602 <u>99,602</u>	- - <u>-</u>

(Continued)

SOUTHCENTRAL WORKFORCE INVESTMENT BOARD

SCHEDULE OF BUDGET TO ACTUAL - GRANTS 4100059533 AND 4100060529 (Continued)

For the Year Ended June 30, 2016

Contract Number / Cost Category	Contract Period	Authorized Budget	Previous Years' Actual	Reported Actual For the Year Ended June 30, 2016	Cumulative Claimed Actual	(Over) / Under Budget
Totals for WIA-Adult Program 17.258						
Administration		472,879	169,101	285,747	454,848	18,031
Program		4,355,507	2,151,255	1,584,311	3,735,566	619,941
		<u>4,828,386</u>	<u>2,320,356</u>	<u>1,870,058</u>	<u>4,190,414</u>	<u>637,972</u>
WIA Cluster						
Youth Activities: 17.259						
180-14-3301	4/1/14-6/30/16					
Administration		277,464	95,072	182,392	277,464	-
Program		2,497,171	2,288,492	208,679	2,497,171	-
		<u>2,774,635</u>	<u>2,383,564</u>	<u>391,071</u>	<u>2,774,635</u>	<u>-</u>
180-15-3301	4/1/15-6/30/17					
Administration		228,287	-	129,306	129,306	98,981
Program		2,054,581	-	1,982,530	1,982,530	72,051
		<u>2,282,868</u>	<u>-</u>	<u>2,111,836</u>	<u>2,111,836</u>	<u>171,032</u>
Totals for WIA-Youth Program 17.259						
Administration		505,751	95,072	311,698	406,770	98,981
Program		4,551,752	2,288,492	2,191,209	4,479,701	72,051
		<u>5,057,503</u>	<u>2,383,564</u>	<u>2,502,907</u>	<u>4,886,471</u>	<u>171,032</u>

(Continued)

SOUTHCENTRAL WORKFORCE INVESTMENT BOARD

**SCHEDULE OF BUDGET TO ACTUAL - GRANTS 4100059533 AND 4100060529 (Continued)
For the Year Ended June 30, 2016**

Contract Number / Cost Category	Contract Period	Authorized Budget	Previous Years' Actual	Reported Actual For the Year Ended June 30, 2016	Cumulative Claimed Actual	(Over) / Under Budget
WIA Cluster						
Dislocated Workers: 17.278						
180-14-4001 Administration Program	7/1/14-6/30/15	140,056 1,260,506 <u>1,400,562</u>	132,581 794,522 <u>927,103</u>	7,475 465,984 <u>473,459</u>	140,056 1,260,506 <u>1,400,562</u>	- - -
Administration Program		26,687 240,181 <u>266,868</u>	- - -	26,687 240,181 <u>266,868</u>	26,687 240,181 <u>266,868</u>	- - -
180-15-4011 Administration Program	10/1/15-6/30/17	132,083 1,188,749 <u>1,320,832</u>	- - -	130,119 593,549 <u>723,668</u>	130,119 593,549 <u>723,668</u>	1,964 595,200 597,164
180-14-4152 Administration Program	10/1/14-6/30/16	8,975 80,778 <u>89,753</u>	- 34,435 34,435	8,975 46,343 <u>55,318</u>	8,975 80,778 <u>89,753</u>	- - -
180-13-4151 Administration Program	10/1/13-6/30/16	- 400,000 <u>400,000</u>	- 346,094 346,094	- 53,906 53,906	- 400,000 400,000	- - -

(Continued)

SOUTHCENTRAL WORKFORCE INVESTMENT BOARD

SCHEDULE OF BUDGET TO ACTUAL - GRANTS 4100059533 AND 4100060529 (Continued)

For the Year Ended June 30, 2016

Contract Number / Cost Category	Contract Period	Authorized Budget	Previous Years' Actual	Reported Actual For the Year Ended June 30, 2016	Cumulative Claimed Actual	(Over) / Under Budget
180-13-4161 Administration Program	10/1/13-6/30/15	- 23,820 23,820	- - -	- 23,820 23,820	- 23,820 23,820	- - -
Totals for WIA-Dislocated Workers: 17.278						
Administration Program		307,801 3,194,034 3,501,835	132,581 1,175,051 1,307,632	173,256 1,423,783 1,597,039	305,837 2,598,834 2,904,671	1,964 595,200 597,164
Totals for WIA Expenditures						
Administration Program		1,286,431 12,101,293 \$13,387,724	396,754 5,614,798 \$ 6,011,552	770,701 5,199,303 \$ 5,970,004	1,167,455 10,814,101 \$11,981,556	118,976 1,287,192 \$ 1,406,168

SOUTHCENTRAL WORKFORCE INVESTMENT BOARD

**SCHEDULE OF BUDGET TO ACTUAL - GRANTS 4100059533 AND 4100060529
For the Year Ended June 30, 2016**

	Authorized Budget	Actual	(Over)/Under Budget
<u>EARN Program Grant - 4100060529</u>			
Revenue	\$ 2,858,723	\$ 2,790,574	\$ 68,149
Expenses			
Administration			
Personnel	143,300	143,000	\$ 300
Fringe benefits	55,147	53,670	1,477
Equipment and supplies	11,500	9,028	2,472
Operating expenses	75,925	67,473	8,452
Total Administration	<u>285,872</u>	<u>273,171</u>	12,701
Program Expenses			
Cost reimbursement	1,572,298	1,572,298	
Performance reimbursement	1,000,553	945,105	55,448
Total Expenses	<u>\$ 2,858,723</u>	<u>\$ 2,790,574</u>	<u>\$ 68,149</u>

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

Board of Directors
Southcentral Workforce Investment Board
Harrisburg, Pennsylvania

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 the governmental activities, and the major fund of Southcentral Workforce Investment Board, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Southcentral Workforce Investment Board basic financial statements, and have issued our report thereon dated March 28, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Southcentral Workforce Investment Board'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Southcentral Workforce Investment Board's internal control. Accordingly, we do not express an opinion on the effectiveness of Southcentral Workforce Investment Board's internal control.

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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Southcentral Workforce Investment Board'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*.

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Boyer & Ritten". The signature is written in black ink and is centered on the page.

Camp Hill, Pennsylvania
March 28, 2017

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Directors
Southcentral Workforce Investment Board
Harrisburg, Pennsylvania

Report on Compliance for Each Major Federal Program

We have audited Southcentral Workforce Investment Board's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Southcentral Workforce Investment Board's major federal programs for the year ended June 30, 2016. Southcentral Workforce Investment Board's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Southcentral Workforce Investment Board's major federal programs 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 Southcentral Workforce Investment Board's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Southcentral Workforce Investment Board's compliance.

Opinion on Each Major Federal Program

In our opinion, Southcentral Workforce Investment Board 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 June 30, 2016.

Report on Internal Control Over Compliance

Management of is Southcentral Workforce Investment Board 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 Southcentral Workforce Investment Board'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 the Uniform Guidance, 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 Southcentral Workforce Investment Board'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 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.

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Boyer & Fitter". The signature is written in black ink and is positioned in the lower right quadrant of the page.

Camp Hill, Pennsylvania
March 28, 2017

**SOUTHCENTRAL WORKFORCE INVESTMENT BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2016**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ Yes X None Reported

- Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified? _____ Yes X None Reported

Type of auditor's report issued on compliance for the major programs: Unmodified

- Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516(a)3? _____ Yes X No

Identification of the major programs:

CFDA Numbers	Name of Federal Programs or Cluster
93.558	Temporary Assistance for Needy Families (TANF)

Dollar threshold used to distinguish between type A and type B programs \$750,000

Auditee qualified as low-risk auditee? X Yes _____ No

SOUTHCENTRAL WORKFORCE INVESTMENT BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2016

Section II - Financial Statement Findings

A. Internal Control over Financial Reporting

There were no material weaknesses in internal control relating to the financial statement audit required to be reported under *Government Auditing Standards*.

B. Compliance Findings

There were no compliance findings relating to the financial statement audit required to be reported under Government Auditing Standards.

Section III – Federal Award Findings and Questioned Costs

A. Internal Control over Compliance Findings

There were no findings relating to the Federal awards required to be reported in accordance with section 2 CFR 200.516(a) of the Uniform Guidance.

B. Compliance Findings

There were no findings relating to the Federal awards required to be reported in accordance with section 2 CFR 200.516(a) of the Uniform Guidance.

SOUTHCENTRAL WORKFORCE INVESTMENT BOARD

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2016**

Federal Grantor/Pass Through/ Grantor Program Title	Federal CFDA Number	Pass- Through Grantor's Number	Contract Period	Expenditures	Amounts paid to Subrecipients
U.S. Department of Labor					
Passed through Commonwealth of Pennsylvania Department of Labor and Industry					
Trade Funds	17.245	180-14-1001	10/1/14-6/30/16	\$ 17,383	\$ -
WIA: Adult	17.258	180-14-3011	10/1/14-6/30/16	74,680	-
WIA: Adult	17.258	180-14-3132	7/1/15-6/30/16	99,602	-
WIA: Adult	17.258	180-14-3013	10/1/14-6/30/16	257,717	-
WIOA: Adult	17.258	180-15-3001	7/1/15-6/30/16	173,502	-
WIOA: Adult	17.258	180-15-3011	10/1/15-6/30/17	1,264,557	-
WIA: Youth	17.259	180-14-3301	4/14/15-6/30/16	391,071	-
WIOA: Youth	17.259	180-15-3301	4/15/15-6/30/17	2,111,836	-
WIA: Dislocated Worker JD Job Driven	17.277	180-14-7200	7/1/14-6/30/16	276,591	-
WIA: Dislocated Worker	17.278	180-14-4011	10/1/14-6/30/16	473,459	-
WIOA: Dislocated Worker	17.278	180-15-4001	7/1/15-6/30/16	266,868	-
WIOA: Dislocated Worker	17.278	180-15-4011	10/1/15-6/30/17	723,668	-
WIA: Dislocated Worker-Rapid Response	17.278	180-13-4161	10/1/13-3/30/16	23,820	-
WIA: Dislocated Worker-Rapid Response	17.278	180-13-4151	10/1/13-6/30/16	53,906	-
WIA: Dislocated Worker-WIOA Transitional Funds	17.278	180-14-4152	4/1/14-6/30/16	55,318	-
Total U.S. Department of Labor				6,263,978	-

(Continued)

SOUTHCENTRAL WORKFORCE INVESTMENT BOARD

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
For the Year Ended June 30, 2016

Federal Grantor/Pass Through/ Grantor Program Title	Federal CFDA Number	Pass- Through Grantor's Number	Contract Period	Expenditures	Amounts paid to Subrecipients
U.S. Department of Health and Human Services					
Passed through Commonwealth of Pennsylvania Department of Labor and Industry					
Welfare: Youth TANF	93.558	180-14-3362	7/1/15-6/30/16	217,463	-
Welfare: Youth TANF	93.558	180-15-3362	1/1/16-9/30/16	4,448	-
Welfare: Youth TANF	93.558	180-15-3361	4/1/15-6/30/17	901,726	-
Passed through Commonwealth of Pennsylvania Department of Human Services					
Welfare: EARN TANF	93.558	80000	7/1/15-6/30/16	2,849,964	-
Total U.S. Department of Health and Human Services				<u>3,973,601</u>	-
Total Expenditures of Federal Awards				<u>\$ 10,237,579</u>	<u>\$ -</u>

See Notes to Schedule of Expenditures of Federal Awards.

SOUTHCENTRAL WORKFORCE INVESTMENT BOARD

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes the Federal-grant activity of the Southcentral Workforce Investment Board under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Because this Schedule presents only a selected portion of the operations of the Southcentral Workforce Investment Board, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Alliance.

Note 2. Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, the cost principles contained in Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

Note 3. Indirect Cost Rate

Southcentral Workforce Investment Board has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

SOUTHCENTRAL WORKFORCE INVESTMENT BOARD

SUMMARY SCHEDULE OF PRIOR YEAR'S AUDIT FINDINGS
Year Ended June 30, 2016

There were no prior year's audit findings.