

**SOUTHCENTRAL WORKFORCE
INVESTMENT BOARD**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

JUNE 30, 2014

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SOUTHCENTRAL WORKFORCE INVESTMENT BOARD

LIST OF REPORT DISTRIBUTION

JUNE 30, 2014

- 1 Report - Federal Audit Clearinghouse
 Bureau of Census
 1201 E. 10th Street
 Jeffersonville, Indiana 47132
 (Submitted Electronically)
- 2 Reports - Commonwealth of Pennsylvania
 Bureau of Audits
 Special Audit Services Division
 Forum Place – 8th Floor
 555 Walnut Street
 Harrisburg, Pennsylvania 17101



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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 Southcentral Workforce Investment Board (SCWIB) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise SCWIB'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 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 SCWIB'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 SCWIB'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.

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

Opinions

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, 2014, and the respective changes in financial position 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 5 - 11 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 historic 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 schedule listed as supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The supplementary schedule 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 schedule of WIA expenditures by program and cost category and the schedule of expenditures of federal awards 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 27, 2015, 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 Southcentral Workforce Investment Board's internal control over financial reporting and compliance.

Rotz & Stonesifer, P.C.

Chambersburg, Pennsylvania
March 27, 2015

SOUTHCENTRAL WORKFORCE INVESTMENT BOARD
MANAGEMENT'S DISCUSSION & ANALYSIS (MD&A)
FOR THE YEAR ENDED JUNE 30, 2014

UNAUDITED

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, 2014. Please read it in conjunction with SCWIB's financial statements that follow this section.

Financial Highlights

- Southcentral Workforce Investment Board's total combined net position was \$263,858 at June 30, 2014. This amount is an increase of \$28,616 from the previous year.
- Total governmental revenues in fiscal year 2014 are \$18,531,271, which is a decrease of \$8,906,678 from fiscal year 2013 revenues of \$27,437,949.
- Total expenditures in fiscal year 2014 are \$18,502,655, which is a decrease of \$8,928,700 from fiscal year 2013 expenditures of \$27,431,355.

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 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 of the current year's 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.

SOUTHCENTRAL WORKFORCE INVESTMENT BOARD
MANAGEMENT'S DISCUSSION & ANALYSIS (MD&A)
FOR THE YEAR ENDED JUNE 30, 2014

UNAUDITED

Financial Analysis of Southcentral Workforce Investment Board as a Whole

Net Position

The combined net position of Southcentral Workforce Investment Board Corporation was \$263,858 at June 30, 2014.

Statement of Net Position
Governmental Activities
As of June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>	<u>Percentage Change</u>
Assets			
Current and Other Assets	\$ 3,788,552	\$ 8,292,707	-54.31%
Capital Assets	196,108	182,025	7.74%
Total Assets	<u>3,984,660</u>	<u>8,474,732</u>	-52.98%
Liabilities			
Current Liabilities	3,654,135	8,172,197	-55.29%
Long-Term Liabilities	66,667	67,293	-0.93%
Total Liabilities	<u>3,720,802</u>	<u>8,239,490</u>	-54.84%
Net Position			
Invested in Capital Assets - Net of Related Debt	196,108	182,025	7.74%
Unrestricted	67,750	53,217	27.31%
Total Net Position	<u>\$ 263,858</u>	<u>\$ 235,242</u>	12.16%

Year Ended June 30, 2014 Compared to the Year Ended June 30, 2013

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 \$3,984,660 as of June 30, 2014 primarily due to grants and accounts receivables of \$2,462,301. Grant and accounts receivables as of June 30, 2013 were \$7,202,019.

Net position for the year ended June 30, 2014 increased \$28,616 from the prior year.

SOUTHCENTRAL WORKFORCE INVESTMENT BOARD
MANAGEMENT'S DISCUSSION & ANALYSIS (MD&A)
FOR THE YEAR ENDED JUNE 30, 2014

UNAUDITED

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, 2014 and 2013

	<u>2014</u>	<u>2013</u>	<u>Percentage Change</u>
Assets			
Current and Other Assets	\$ 3,788,552	\$ 8,292,707	-54.31%
Liabilities			
Current Liabilities	\$ 3,654,135	\$ 8,172,197	-55.29%
Fund Balances			
Nonspendable - Prepaid Expenses	79,750	8,218	870.43%
Unassigned	54,667	112,292	-51.32%
Total Fund Balances	<u>134,417</u>	<u>120,510</u>	11.54%
Total Liabilities and Fund Balances	<u>\$ 3,788,552</u>	<u>\$ 8,292,707</u>	-54.31%

Major Factors Affecting the Balance Sheet

Southcentral Workforce Investment Board's principal source of cash is federal and state grant funds. 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 54.31% and current liabilities decreased 55.29% from the prior fiscal year. Accrued expenditures recorded for subcontractor operations in 2014 amount to \$2,694,509.

Prepaid expenditures of \$79,750 in 2014 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.

SOUTHCENTRAL WORKFORCE INVESTMENT BOARD
MANAGEMENT'S DISCUSSION & ANALYSIS (MD&A)
FOR THE YEAR ENDED JUNE 30, 2014

UNAUDITED

Statement of Activities
For the Years Ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Revenue		
Grants	\$ 16,867,071	\$ 26,142,688
Other Revenue and Interest	1,664,200	1,295,261
Total Revenue	<u>18,531,271</u>	<u>27,437,949</u>
Expenses		
Workforce Investment Act: Employment and Training	8,275,068	8,995,414
TANF: Welfare Employment Training	8,513,853	16,837,983
Wagner Peyser	-	162,330
State Grants and Other Expenses	1,713,734	1,435,628
Total Expenses	<u>18,502,655</u>	<u>27,431,355</u>
Change in Net Position	<u>\$ 28,616</u>	<u>\$ 6,594</u>

Year Ended June 30, 2014 Compared to the Year Ended June 30, 2013

Southcentral Workforce Investment Board's primary sources of revenue are multiple grants awarded through the Workforce Investment Act (WIA) and Temporary Assistance for Needy Families (TANF) Joint Job Initiatives, and the Commonwealth of Pennsylvania Incumbent Worker and Industry Partnership Initiatives. Grant revenues decreased \$9,275,617 due mainly to a decrease in TANF funding.

The Workforce Investment Act allocates federal funds for adult, dislocated worker, and youth services. Southcentral Workforce Investment Board applies these funds to 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 the fiscal agent of WIA funds responsible for the oversight of these funds and for determining local workforce development policies. \$1,664,200 or 8.9% 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.

SOUTHCENTRAL WORKFORCE INVESTMENT BOARD
MANAGEMENT'S DISCUSSION & ANALYSIS (MD&A)
FOR THE YEAR ENDED JUNE 30, 2014

UNAUDITED

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 49% over prior year funding.

Industry Partnership and Incumbent Worker state grant revenues are expended on producing assessment of and connection of employees to employers within industry clusters. Training programs that improve the job skills of current employees are funded by businesses 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, \$12.8 million; participant training, \$1.7 million and operational and staffing expenditures, \$1.3 million. Other revenue was expended on CareerLink pass-through activities of \$1.6 million.

Federal grant revenue recorded was \$16.8 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 \$78,150 due to receipt of State Employment and Training funds.

Program expenditures total \$18.5 million in the 2014 fiscal year and \$27.4 million in the 2013 fiscal year. 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 \$1.7 million in fiscal year 2014 and \$4.0 million in fiscal year 2013. Program expenditures include the reporting of reimbursable operating expenditures from partner agencies and organizations at six One Stop Centers. These outlays amounted to approximately \$1.6 million in fiscal year 2014.

SOUTHCENTRAL WORKFORCE INVESTMENT BOARD
MANAGEMENT'S DISCUSSION & ANALYSIS (MD&A)
FOR THE YEAR ENDED JUNE 30, 2014

UNAUDITED

Statement of Revenues, Expenditures and Change in Fund Balance – Budget to Actual
General Fund
For the Year Ended June 30, 2014

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenue			
Grants	\$ 18,740,194	\$ 16,867,071	\$ (1,873,123)
Other Revenue and Interest	1,664,200	1,664,200	-
Total Revenue	<u>20,404,394</u>	<u>18,531,271</u>	<u>(1,873,123)</u>
 Expenditures			
Workforce Investment Act: Employment and Training	8,282,422	8,282,422	-
TANF: Welfare Employment Training	8,513,853	8,513,853	-
State Grants and Other Expenditures	1,721,089	1,721,089	-
Total Expenditures	<u>18,517,364</u>	<u>18,517,364</u>	<u>-</u>
 Change in Fund Balance	 <u>\$ 1,887,030</u>	 <u>\$ 13,907</u>	 <u>\$ (1,873,123)</u>

General Fund Budgetary Highlights

At the end of fiscal year 2014, available WIA revenue resources of \$6.6 million were unused by \$1.1 million. Unexpended revenues represent funds unexpended after the first year of a two-year funding agreement period. There were not any revisions to the original budget adopted by the Board of Directors.

Capital Assets

	<u>2014</u>	<u>2013</u>
Furniture and Equipment	\$ 529,747	\$ 432,105
Accumulated Depreciation	(333,639)	(250,080)
Net Capital Assets	<u>\$ 196,108</u>	<u>\$ 182,025</u>

SOUTHCENTRAL WORKFORCE INVESTMENT BOARD
MANAGEMENT'S DISCUSSION & ANALYSIS (MD&A)
FOR THE YEAR ENDED JUNE 30, 2014

UNAUDITED

Debt Administration

Southcentral Workforce Investment Board had no outstanding debt at June 30, 2014.

Future Occurrences

A significant impact on the financial reporting and projected revenues in fiscal year 2014 is the attainment of negotiated performance measures. WIA common measure levels were met in each of the nine requirements set for retention, earnings, and placement of adult, dislocated worker, and youth participants. Future Welfare Joint Job Initiatives funding levels depend on the attainment of five standards for job placement, job retention, medical benefit rate, work participation rate, and wage earning levels. Fiscal year 2014 welfare allocations will remain at the value established by the Department of Public Welfare even though job placement and job retention standards were not attained. Levels reached were higher than what was that in previous years for the region and we will continue to strive to improve our performance. Cost per participant and cost per job placement are also measured, and both were met by the organization.

Economic Factors

- The 2013 annual unemployment rate for the region is 6.5% while the state and national rates are 6.9% and 7.3% respectively
- The 2014 annual unemployment rate for the South Central region is 4.9% while the state and national rates are 5.6% and 6.1% respectively. Anticipated unemployment rate for 2015 is 5.9% for Pennsylvania and 6.5% for the nation.

The 2013 annual national consumer price index is 1.6%. The 2014 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% 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 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 Rd, Suite 200, Harrisburg, PA 17112.

SOUTHCENTRAL WORKFORCE INVESTMENT BOARD
STATEMENT OF NET POSITION
JUNE 30, 2014

	<u>Governmental Activities</u>
ASSETS	
Cash	\$ 1,246,501
Accounts Receivable	492,417
Grants Receivable	1,969,884
Prepaid Expenses	79,750
Property and Equipment - Net of Accumulated Depreciation	196,108
TOTAL ASSETS	<u>3,984,660</u>
 LIABILITIES	
Accounts Payable	2,694,509
Accrued Expenses	115,460
Accrued Payroll and Related Liabilities	35,446
Unearned Revenue	808,720
Compensated Absences - Due in more than one year	66,667
TOTAL LIABILITIES	<u>3,720,802</u>
 NET POSITION	
Invested in Capital Assets - Net of Related Debt	196,108
Unrestricted	67,750
TOTAL NET POSITION	<u>\$ 263,858</u>

See accompanying notes to financial statements.

SOUTHCENTRAL WORKFORCE INVESTMENT BOARD
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

<u>Programs</u>	<u>Expenses</u>	<u>Program Operating Grants and Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Position - Governmental Activities</u>
Governmental Activities			
Workforce Investment Act: Employment and Training	\$ 8,275,068	\$ 8,275,068	\$ -
Temporary Assistance for Need Families: Welfare Employment and Training	8,513,853	8,513,853	-
State Grants and Other Expenses	1,713,734	1,742,350	28,616
Total Governmental Activities	<u>\$ 18,502,655</u>	<u>\$ 18,531,271</u>	<u>28,616</u>
 Change in Net Position			 28,616
 Net Position - Beginning			 <u>235,242</u>
 Net Position - Ending			 <u>\$ 263,858</u>

See accompanying notes to financial statements.

SOUTHCENTRAL WORKFORCE INVESTMENT BOARD
BALANCE SHEET – GOVERNMENTAL FUND
 JUNE 30, 2014

	<u>General Fund</u>
ASSETS	
Cash	\$ 1,246,501
Accounts Receivable	492,417
Grants Receivable	1,969,884
Prepaid Expenses	79,750
TOTAL ASSETS	<u><u>\$ 3,788,552</u></u>
 LIABILITIES	
Accounts Payable	\$ 2,694,509
Accrued Expenses	115,460
Accrued Payroll and Related Liabilities	35,446
Unearned Revenue	808,720
TOTAL LIABILITIES	<u><u>3,654,135</u></u>
 FUND BALANCES	
Nonspendable - Prepaid Expenses	79,750
Unassigned	54,667
TOTAL FUND BALANCES	<u><u>134,417</u></u>
 TOTAL LIABILITIES AND FUND BALANCES	 <u><u>\$ 3,788,552</u></u>

See accompanying notes to financial statements.

SOUTHCENTRAL WORKFORCE INVESTMENT BOARD
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2014

Total Fund Balances - Governmental Fund	\$ 134,417
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources, and therefore, they are not reported as assets in the governmental fund. The cost of assets is \$529,747 and the accumulated depreciation is \$333,639.	196,108
Long-term liabilities, consisting of compensated absences, are not due and payable in the current year, and therefore not reported as liabilities in the governmental fund.	<u>(66,667)</u>
Total Net Position - Governmental Activities	<u><u>\$ 263,858</u></u>

See accompanying notes to financial statements.

SOUTHCENTRAL WORKFORCE INVESTMENT BOARD
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN
FUND BALANCE – GOVERNMENTAL FUND
FOR THE YEAR ENDED JUNE 30, 2014

	<u>General Fund</u>
Revenues	
Federal Sources	\$ 16,788,921
State Sources	78,150
Other Income	1,664,200
Total Revenues	<u>18,531,271</u>
Expenditures	
Workforce Investment Act: Employment and Training	8,282,422
Temporary Assistance for Needy Families:	
Welfare Employment and Training	8,513,853
State Grants and Other Expenditures	1,721,089
Total Expenditures	<u>18,517,364</u>
Net Change in Fund Balance	13,907
Fund Balance	
July 1, 2013	120,510
June 30, 2014	<u>\$ 134,417</u>

See accompanying notes to financial statements.

SOUTHCENTRAL WORKFORCE INVESTMENT BOARD
RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF
REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE TO
THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

Net Change in Fund Balance - Governmental Fund \$ 13,907

Amounts reported for governmental activities in the Statement of Activities are different because:

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

	Capital Outlays	\$ 97,642	
	Less Depreciation Expense	<u>(83,559)</u>	14,083

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

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Change in Net Position - Governmental Activities \$ 28,616

SOUTHCENTRAL WORKFORCE INVESTMENT BOARD
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE –
BUDGET AND ACTUAL – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Original and</u> <u>Final Budget</u>	<u>Actual</u>	<u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>
Revenues			
Federal Sources	\$ 18,662,044	\$ 16,788,921	\$ (1,873,123)
State Sources	78,150	78,150	-
Other Income	1,664,200	1,664,200	-
Total Revenues	20,404,394	18,531,271	(1,873,123)
Expenditures			
Workforce Investment Act: Employment and Training	8,282,422	8,282,422	-
Temporary Assistance for Needy Families:			
Welfare Employment and Training	8,513,853	8,513,853	-
State Grants and Other Expenditures	1,721,089	1,721,089	-
Total Expenditures	18,517,364	18,517,364	-
Net Change in Fund Balance	\$ 1,887,030	13,907	\$ (1,873,123)
Fund Balance			
July 1, 2013		120,510	
June 30, 2014		\$ 134,417	

See accompanying notes to financial statements.

SOUTHCENTRAL WORKFORCE INVESTMENT BOARD
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. 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 Investment Act (WIA) 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 publicly 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.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of 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.

SOUTHCENTRAL WORKFORCE INVESTMENT BOARD
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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 charged as an expense against current operations, and accumulated depreciation is reported in the Statement of Net Position.

Governmental 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 measurable and available. Revenues from Federal, state and other grants designated for payment of 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 judgments, are recorded only when payment is due.

When both restricted and unrestricted resources are available for use, it is SCWIB's policy to use restricted resources first, then unrestricted resources as they are needed.

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 fund:

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, 2014.

SOUTHCENTRAL WORKFORCE INVESTMENT BOARD
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

D. Budgets and Budgetary Accounting

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

E. 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.

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 for 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 expensed 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.

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

SOUTHCENTRAL WORKFORCE INVESTMENT BOARD
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

E. Assets, Liabilities and Net Position or Fund Balance - continued

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:

- Nonspendable – 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.
- 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 – includes fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to 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 balance. The Board of Directors, Executive Director and Comptroller have the authority to express intended uses of resources that result in assigned fund balance.

SOUTHCENTRAL WORKFORCE INVESTMENT BOARD
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

E. Assets, Liabilities and Net Position or Fund Balance - continued

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 inflows of resources.

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

Income Taxes: SCWIB is exempt from federal and state income tax as an organization described in Section 501(c)(3) of the Internal Revenue Code.

The income tax returns of the Organization for 2012, 2013, and 2014 are subject to examination by the Internal Revenue Service, generally for three years after filed.

Subsequent Events: In preparing these financial statements, SCWIB has evaluated events and transactions for potential recognition or disclosure through March 27, 2015, the date the financial statements were available to be issued.

SOUTHCENTRAL WORKFORCE INVESTMENT BOARD
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

NOTE 2: DEPOSITS

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 credit risk. As of June 30, 2014, \$947,975 of SCWIB's bank balance of \$1,515,493 was exposed to custodial credit risk as follows:

Uninsured and collateral held by the pledging bank's trust department not in SCWIB's name	<u><u>\$ 947,975</u></u>
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NOTE 3: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2014, and a summary of capital asset balances as of June 30, 2014, is as follows:

	<u>Balances</u> <u>July 1, 2013</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balances</u> <u>June 30, 2014</u>
Governmental Activities				
Capital Assets Being Depreciated				
Furniture and Equipment	\$ 432,105	\$ 97,642	\$ -	\$ 529,747
Accumulated Depreciation	(250,080)	(83,559)	-	(333,639)
Net Capital Assets Being Depreciated	<u><u>\$ 182,025</u></u>	<u><u>\$ 14,083</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 196,108</u></u>

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

	<u>Amount</u>
Governmental Activities	
Workforce Investment Act	\$ 41,780
State Grant Activities	41,779
Total Governmental Activities	<u><u>\$ 83,559</u></u>

NOTE 4: LONG-TERM OBLIGATIONS

During the fiscal year ended June 30, 2014, long-term obligations changed as follows:

	<u>Balances</u> <u>July 1, 2013</u>	<u>Net</u> <u>Increase</u>	<u>Net</u> <u>Decrease</u>	<u>Balances</u> <u>June 30, 2014</u>
Governmental Activities				
Compensated Absences	<u><u>\$ 67,293</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (626)</u></u>	<u><u>\$ 66,667</u></u>

SOUTHCENTRAL WORKFORCE INVESTMENT BOARD
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

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 one year of service. Employer contributions for the year ended June 30, 2014 amounted to \$27,588.

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:

<u>Years Ending June 30</u>	<u>Amount</u>
2015	\$ 350,353
2016	274,518
2017	253,554
2018	260,526
2019	267,691
	<u>\$ 1,406,642</u>

Operating lease expense for the year ended June 30, 2014 amounted to \$340,712.

SOUTHCENTRAL WORKFORCE INVESTMENT BOARD
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

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, 2014, the Organization was not aware of any such disallowances.

NOTE 9: SUBSEQUENT EVENTS

Subsequent to year end, the Organization extended an operating lease for office space for an additional six year term through September 2021. Monthly rent under the lease ranges from \$9,250 per month to \$10,466 per month.

SUPPLEMENTARY INFORMATION

SOUTHCENTRAL WORKFORCE INVESTMENT BOARD
SCHEDULE OF WIA EXPENDITURES BY PROGRAM AND COST CATEGORY
FOR THE YEAR ENDED JUNE 30, 2014

Contract Number <u>Cost Category</u>	<u>Contract Period</u>	Authorized <u>Budget</u>	Previous Years' <u>Actual</u>	Reported Actual For the Year Ended <u>June 30, 2014</u>	Cumulative Claimed <u>Actual</u>	(Over)/Under <u>Budget</u>
WIA Cluster						
Adult Program: 17.258						
180-12-3011 Administration Program	10/1/12-6/30/13	\$ 207,287 1,865,586 <u>2,072,873</u>	\$ 76,387 1,529,946 <u>1,606,333</u>	\$ 130,900 335,640 <u>466,540</u>	\$ 207,287 1,865,586 <u>2,072,873</u>	\$ - - <u>-</u>
180-13-3001 Administration Program	7/1/13-6/30/14	5,908 53,177 <u>59,085</u>	- - <u>-</u>	5,908 53,177 <u>59,085</u>	5,908 53,177 <u>59,085</u>	- - <u>-</u>
180-13-3011 Administration Program	10/1/13-6/30/15	214,062 1,926,559 <u>2,140,621</u>	- - <u>-</u>	110,609 1,801,642 <u>1,912,251</u>	110,609 1,801,642 <u>1,912,251</u>	103,453 124,917 <u>228,370</u>
Totals for WIA-Adult Program: 17.258 Administration Program		427,257 3,845,322 <u>4,272,579</u>	76,387 1,529,946 <u>1,606,333</u>	247,417 2,190,459 <u>2,437,876</u>	323,804 3,720,405 <u>4,044,209</u>	103,453 124,917 <u>228,370</u>

SOUTHCENTRAL WORKFORCE INVESTMENT BOARD
SCHEDULE OF WIA EXPENDITURES BY PROGRAM AND COST CATEGORY
FOR THE YEAR ENDED JUNE 30, 2014

Contract Number <u>Cost Category</u>	<u>Contract Period</u>	Authorized <u>Budget</u>	Previous Years' <u>Actual</u>	Reported Actual For the Year Ended <u>June 30, 2014</u>	Cumulative Claimed <u>Actual</u>	(Over)/Under <u>Budget</u>
WIA Cluster						
Youth Activities: 17.259						
180-12-3301 Administration Program	4/1/12-6/30/14	249,219	57,641	191,578	249,219	-
		2,242,971	1,963,561	279,410	2,242,971	-
		<u>2,492,190</u>	<u>2,021,202</u>	<u>470,988</u>	<u>2,492,190</u>	<u>-</u>
180-13-3301 Administration Program	4/1/13-6/30/15	241,371	-	49,759	49,759	191,612
		2,172,343	-	2,019,343	2,019,343	153,000
		<u>2,413,714</u>	<u>-</u>	<u>2,069,102</u>	<u>2,069,102</u>	<u>344,612</u>
Totals for WIA-Youth Activities: 17.259 Administration Program		490,590	57,641	241,337	298,978	191,612
		4,415,314	1,963,561	2,298,753	4,262,314	153,000
		<u>4,905,904</u>	<u>2,021,202</u>	<u>2,540,090</u>	<u>4,561,292</u>	<u>344,612</u>

SOUTHCENTRAL WORKFORCE INVESTMENT BOARD
SCHEDULE OF WIA EXPENDITURES BY PROGRAM AND COST CATEGORY
FOR THE YEAR ENDED JUNE 30, 2014

Contract Number <u>Cost Category</u>	<u>Contract Period</u>	Authorized <u>Budget</u>	Previous Years' <u>Actual</u>	Reported Actual For the Year Ended <u>June 30, 2014</u>	Cumulative Claimed <u>Actual</u>	(Over)/Under <u>Budget</u>
WIA Cluster						
Dislocated Workers: 17.278						
180-12-4011 Administration Program	10/1/12-6/30/14	154,963 1,394,675 <u>1,549,638</u>	66,354 1,200,109 <u>1,266,463</u>	88,609 194,566 <u>283,175</u>	154,963 1,394,675 <u>1,549,638</u>	- - <u>-</u>
180-13-4001 Administration Program	7/1/13-6/30/14	21,298 191,684 <u>212,982</u>	- - <u>-</u>	21,298 191,684 <u>212,982</u>	21,298 191,684 <u>212,982</u>	- - <u>-</u>
180-13-4011 Administration Program	10/1/13-6/30/15	183,684 1,653,156 <u>1,836,840</u>	- - <u>-</u>	132,038 1,203,454 <u>1,335,492</u>	132,038 1,203,454 <u>1,335,492</u>	51,646 449,702 <u>501,348</u>
180-13-4154 Administration Program	7/1/13-6/30/15	- 82,137 <u>82,137</u>	- - <u>-</u>	- - <u>-</u>	- - <u>-</u>	- 82,137 <u>82,137</u>

SOUTHCENTRAL WORKFORCE INVESTMENT BOARD
SCHEDULE OF WIA EXPENDITURES BY PROGRAM AND COST CATEGORY
FOR THE YEAR ENDED JUNE 30, 2014

Contract Number <u>Cost Category</u>	<u>Contract Period</u>	Authorized <u>Budget</u>	Previous Years' <u>Actual</u>	Reported Actual For the Year Ended <u>June 30, 2014</u>	Cumulative Claimed <u>Actual</u>	(Over)/Under <u>Budget</u>
180-12-4152 Administration Program	10/1/12-6/30/14	-	-	-	-	-
		53,973	-	53,973	53,973	-
		<u>53,973</u>	<u>-</u>	<u>53,973</u>	<u>53,973</u>	<u>-</u>
180-12-4151 Administration Program	10/1/12-6/30/14	-	-	-	-	-
		200,000	110,000	90,000	200,000	-
		<u>200,000</u>	<u>110,000</u>	<u>90,000</u>	<u>200,000</u>	<u>-</u>
Totals for WIA-Dislocated Workers: 17.278 Administration Program		359,945	66,354	241,945	308,299	51,646
		3,575,625	1,310,109	1,733,677	3,043,786	531,839
		<u>3,935,570</u>	<u>1,376,463</u>	<u>1,975,622</u>	<u>3,352,085</u>	<u>583,485</u>
Totals for WIA Expenditures: Administration Program		1,277,792	200,382	730,699	931,081	346,711
		11,836,261	4,803,616	6,222,889	11,026,505	809,756
		<u>\$ 13,114,053</u>	<u>\$ 5,003,998</u>	<u>\$ 6,953,588</u>	<u>\$ 11,957,586</u>	<u>\$ 1,156,467</u>

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Mark T. Hartshorn, MST

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, 2014, and the related notes to the financial statements, which collectively comprise Southcentral Workforce Investment Board's basic financial statements and have issued our report thereon dated March XX, 2015.

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.

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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 SCWIB's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering SCWIB's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Rotz & Stonesifer, P. C.

Chambersburg, Pennsylvania
March 27, 2015

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

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 Circular A-133 Compliance Supplement* that could have direct and material effect on each of Southcentral Workforce Investment Board's major federal programs for the year ended June 30, 2014. 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 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 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Southcentral Workforce Investment Board'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 Southcentral Workforce Investment Board's compliance.

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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, 2014.

Report on Internal Control Over Compliance

Management of 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 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 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Rotz & Stonesifer, P.C.

Chambersburg, Pennsylvania
March 27, 2015

SOUTHCENTRAL WORKFORCE INVESTMENT BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014

Section II -- Financial Statement Findings

None

Section III -- Federal Award Findings and Questioned Costs

None

SOUTHCENTRAL WORKFORCE INVESTMENT BOARD
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014

	Grant Identification <u>Number</u>	CFDA <u>Number</u>	Contract <u>Period</u>	Federal <u>Expenditures</u>
U.S. Department of Labor				
Passed through Pennsylvania Department of Labor and Industry:				
Trade Funds	180-12-1001	17.245	7/1/12-8/15/14	\$ 32,753
Trade Funds	180-13-1001	17.245	10/1/12-1/31/14	4,522
WIA: Adult	180-12-3011	17.258	10/1/12-6/30/14	466,540
WIA: Adult	180-13-3011	17.258	10/1/13-6/30/15	1,912,251
WIA: Adult	180-13-3001	17.258	7/1/13-6/30/14	59,085
WIA: Youth	180-12-3301	17.259	4/1/12-6/30/14	470,988
WIA: Youth	180-13-3301	17.259	4/1/13-6/30/15	2,069,102
WIA: Dislocated Worker	180-12-4011	17.278	10/1/12-6/30/14	283,175
WIA: Dislocated Worker	180-13-4001	17.278	7/1/13-6/30/14	212,982
WIA: Dislocated Worker	180-13-4011	17.278	10/1/13-6/30/15	1,335,492
WIA: Dislocated Worker NEG	180-12-6200	17.278	6/26/13-6/30/15	45,580
WIA: Dislocated Worker - Rapid Response	180-12-4152	17.278	10/1/12-6/30/14	53,973
WIA: Dislocated Worker - Rapid Response	180-12-4151	17.278	10/1/12-6/30/14	90,000
NEG-OJT	180-12-7011	17.277	6/29/12-6/30/14	306,818
Total U.S. Department of Labor				<u>7,343,261</u>

See accompanying notes to Schedule of Expenditures of Federal Awards.

SOUTHCENTRAL WORKFORCE INVESTMENT BOARD
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Grant Identification Number</u>	<u>CFDA Number</u>	<u>Contract Period</u>	<u>Federal Expenditures</u>
U.S. Department of Health and Human Services				
Passed through Pennsylvania Department of Labor and Industry: Welfare: Youth TANF	180-13-3361	93.558	7/1/13-6/30/14	931,807
Passed through Pennsylvania Department of Public Welfare: Welfare: EARN TANF	80000	93.558	7/1/13-6/30/14	2,696,823
Welfare: Special Initiatives Inspiritec	81000	93.558	7/1/12-12/31/14	<u>5,817,030</u>
Total U.S. Department of Health and Human Services				<u>9,445,660</u>
Total Expenditures of Federal Awards				<u>\$ 16,788,921</u>

See accompanying notes to Schedule of Expenditures of Federal Awards.

SOUTHCENTRAL WORKFORCE INVESTMENT BOARD
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014

NOTE 1: BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards is a summary of the activity of SCWIB's federal award programs and presents transactions that would be included in the financial statements of SCWIB presented on the accrual basis of accounting, as contemplated by accounting principles generally accepted in the United States of America.

NOTE 2: MAJOR PROGRAMS

The Workforce Investment Act (WIA) cluster has been audited as a major program in accordance with OMB Circular A-133.

NOTE 3: FEDERAL PROGRAM CLUSTERS

The following summarizes federal programs by cluster and CFDA number:

	<u>Federal Expenditures</u>
WIA Cluster	
17.258 Adult Program	\$ 2,437,876
17.259 Youth Activities	2,540,090
17.278 Dislocated Workers	2,021,202
	6,999,168
93.558 Temporary Assistance for Needy Families	9,445,660
17.245 Trade Funds	37,275
17.277 NEG-OJT	306,818
	306,818
Total Expenditures of Federal Awards	\$ 16,788,921

SOUTHCENTRAL WORKFORCE INVESTMENT BOARD
SUMMARY SCHEDULE OF PRIOR YEAR'S AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2014

There were no findings for the year ended June 30, 2013.