

**WORKFORCE SOLUTIONS FOR NORTH
CENTRAL PENNSYLVANIA**

**Financial Statements and Supplemental Schedule
Together with Reports of Independent Public Accountants**

**For the Years Ended June 30, 2018 and For the Period Commencing
February 1, 2017 through June 30, 2017**



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**JUNE 30, 2018 AND THE PERIOD COMMENCING FEBRUARY 1, 2017 THROUGH
JUNE 30, 2017**

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

Board of Directors
Workforce Solutions for North Central Pennsylvania

Report on the Financial Statements

We have audited the accompanying statement of financial position as of June 30, 2018 of the Workforce Solution for North Central Pennsylvania (WFS), and the related statements of activities and change in net assets and cash flows for the year ended June 30, 2018 and period commencing February 1, 2017 through June 30, 2017, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity'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 entity's internal controls. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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



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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of WFS, as of June 30, 2018, and the respective change in its net assets and its cash flows thereof for the year ended June 30, 2018 and period commencing February 1, 2017 through June 30, 2017 in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise WFS' basic financial statements. The Schedule of Expenditures of Federal Awards, as required by the Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 Expenditures of Federal Awards is 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 September __, 2018, on our consideration of WFS' internal controls 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 controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal controls over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering WFS' internal controls over financial reporting and compliance.

Hunt Valley, Maryland
_____, 2018

WORKFORCE SOLUTIONS FOR NORTH CENTRAL PENNSYLVANIA

Statements of Financial Position As of June 30, 2018 and 2017

Assets	2018	2017
Cash and cash equivalents	\$ 18,857	\$ 199,500
Cash and cash equivalents restricted for program purposes	827,833	832,330
Accounts receivable	837,865	643,275
Total Assets	\$ 1,684,555	\$ 1,675,105
Liabilities and Net Assets		
Accounts payable	\$ 466,102	\$ 622,537
Accrued expenses	26,211	13,685
Unearned revenue	827,833	832,330
Total Liabilities	1,320,146	1,468,552
Net Assets		
Without donor restrictions	364,409	206,553
Total Liabilities and Net Assets	\$ 1,684,555	\$ 1,675,105

The accompanying notes are an integral part of this financial statement.

WORKFORCE SOLUTIONS FOR NORTH CENTRAL PENNSYLVANIA

Statements of Activities and Changes in Net Assets

For the Years Ended June 30, 2018 and period commencing February 1, 2017 through June 30, 2017

	Without Donor Restrictions	With Donor Restrictions	Total	2017
Revenue and Other Support				
Grants, contracts, and contributions	\$ -	\$ 4,313,120	\$ 4,313,120	\$ 1,657,910
Interest income	2,809		2,809	310
Total Revenue and Other Support	<u>2,809</u>	<u>4,313,120</u>	<u>4,315,929</u>	<u>1,658,220</u>
Net assets released from restrictions				
Satisfaction of program restrictions	4,313,120	(4,313,120)	-	-
Total operating revenues and gains	<u>4,315,929</u>	<u>-</u>	<u>4,315,929</u>	<u>1,658,220</u>
Expenses				
Salaries, wages and benefits	394,360	-	394,360	142,316
Contracted services	943,858	-	943,858	81,091
Training	59,744	-	59,744	365,449
Space and utilities	385,550	-	385,550	15,296
Travel and meetings	34,292	-	34,292	30,259
Telephone	17,612	-	17,612	4,803
Maintenance and small equipment	30,905	-	30,905	8,957
Office supplies	40,529	-	40,529	27,965
Printing and publications	24,108	-	24,108	12,458
Subcontractor Expenses	2,211,683	-	2,211,683	759,396
Miscellaneous	15,432	-	15,432	3,677
Total Expenses	<u>4,158,073</u>	<u>-</u>	<u>4,158,073</u>	<u>1,451,667</u>
Change in net assets	157,856	-	157,856	206,553
Net Assets, beginning of period	206,553	-	206,553	-
Net Assets, End of Period	<u>\$ 364,409</u>	<u>\$ -</u>	<u>\$ 364,409</u>	<u>\$ 206,553</u>

The accompanying notes are an integral part of this financial statement.

WORKFORCE SOLUTIONS FOR NORTH CENTRAL PENNSYLVANIA

Statements of Activities and Changes in Net Assets

For the Years Ended June 30, 2018 and period commencing February 1, 2017 through June 30, 2017

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Other Support			
Grants, contracts, and contributions	\$ -	\$ 1,657,910	\$ 1,657,910
Interest income	310	-	310
Total Revenue and Other Support	310	1,657,910	1,658,220
Net assets released from restrictions			
Satisfaction of program restrictions	1,657,910	(1,657,910)	-
Total operating revenues and gains	1,658,220	-	1,658,220
Expenses			
Salaries, wages and benefits	142,316	-	142,316
Contracted services	81,091	-	81,091
Training	365,449	-	365,449
Space and utilities	15,296	-	15,296
Travel and meetings	30,259	-	30,259
Telephone	4,803	-	4,803
Maintenance and small equipment	8,957	-	8,957
Office supplies	27,965	-	27,965
Printing and publications	12,458	-	12,458
Subcontractor Expenses	759,396	-	759,396
Miscellaneous	3,677	-	3,677
Total Expenses	1,451,667	-	1,451,667
Change in net assets	206,553	-	206,553
Net Assets, beginning of period	-	-	-
Net Assets, End of Period	\$ 206,553	\$ -	\$ 206,553

The accompanying notes are an integral part of this financial statement.

WORKFORCE SOLUTIONS FOR NORTH CENTRAL PENNSYLVANIA

Statement of Cash Flows

For the Year Ended June 30, 2018 and period commencing February 1, 2017 through June 30, 2017

	<u>2018</u>	<u>2017</u>
Cash Flows from Operating Activities		
Change in net assets	\$ 157,856	\$ 206,553
Effect of changes in non-cash operating assets and liabilities:		
Accounts receivable	(194,590)	(643,275)
Accounts payable	(156,435)	622,537
Accrued expenses	12,526	13,685
Deferred revenue	(4,497)	832,330
Net Cash from Operating Activities	<u>(185,140)</u>	<u>1,031,830</u>
Net increase in cash and cash equivalents	(185,140)	1,031,830
Cash and cash equivalents, beginning of year	<u>1,031,830</u>	-
Cash and Cash Equivalents, End of Year	<u>\$ 846,690</u>	<u>\$ 1,031,830</u>

The accompanying notes are an integral part of this financial statement.

WORKFORCE SOLUTIONS FOR NORTH CENTRAL PENNSYLVANIA

Notes to the Financial Statements

June 30, 2018

1. BACKGROUND ON THE ORGANIZATION

Workforce Solutions for North Central Pennsylvania (WFS) is a 501(c)(3) corporation and is a facilitator of workforce development system that meets the changing human capital needs of our employers and provides resources for our job seekers that maximizes their career potential and focuses on the customers' needs. WFS was created as a stand-alone entity and commenced operations on February 1, 2017. Programs administered by WFS were formerly administered by a separate organization. WFS primarily serves the north central Pennsylvania counties of Cameron, Clearfield, Elk, Jefferson, McKean, and Potter.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The accompanying financial statements are presented in accordance with the accrual basis of accounting, whereby revenue is recognized when earned and expenses are recognized when incurred.

Basis of presentation

The accompanying financial statement presentation is presented in accordance with accounting principles generally accepted in the United States of America as established by the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). As required by the Not-for-Profit Topic of the FASB ASC, WFS is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

Net Assets

Without donor restrictions net assets are assets and contributions that are not restricted by donors or for which restrictions have expired.

With donor restrictions net assets are those whose use by WFS have been restricted by donors primarily for a specific time period or purpose. When a donor restriction is met, with donor restrictions net assets are reclassified to without donor restrictions net assets.

With donor restrictions net assets consists of funds that are restricted by donors to be maintained by WFS in perpetuity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

WORKFORCE SOLUTIONS FOR NORTH CENTRAL PENNSYLVANIA

Notes to the Financial Statements

June 30, 2018

Restricted and Unrestricted Support and Revenue

Contributions received are recorded as without donor restrictions, or with donor restrictions support, depending on the existence and/or nature of any donor imposed restrictions. Donor-restricted support is reported as an increase in with donor restrictions net assets.

Gifts of cash and other assets are reported as with donor restrictions support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when some stipulated time restriction ends or purpose of the restriction is accomplished, with donor restrictions net assets are reclassified to without donor restrictions net assets and reported in the accompanying statements of activities and changes in net assets as net assets released from restrictions.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the reporting date, and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include certain investments in highly liquid debt instruments purchased with an original maturity of three months or less.

Cash and Cash Equivalents for Program Purposes

At times, various grantor agencies require certain grant funds and revolving loan funds to be deposited into segregated accounts and are restricted for revolving grant and loan purposes.

Revenue and Accounts Receivable

WFS records grant revenue when the related expenses are incurred or services are performed. All donor-restricted support is reported as an increase in temporarily restricted revenue. Grant expenses incurred as of year-end in excess of cash received is recorded as grants receivable. Accounts receivable relates primarily to WFS' grant receivables and are reported at net realizable value. Accounts written off when they are determined to be uncollectible based upon management's assessment of individual accounts. Management has determined that all accounts receivable as of June 30, 2018 are collectible, and no allowance for uncollectible accounts was necessary.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

WORKFORCE SOLUTIONS FOR NORTH CENTRAL PENNSYLVANIA

Notes to the Financial Statements

June 30, 2018

Government Grants

Funds designated by governmental funding agencies for particular purposes are deemed to be earned and reported as revenues when WFS has incurred expenses in compliance with the contract.

Deferred Revenue

Deferred revenue includes amounts for grants and other advance payments received prior to the occurrence of qualifying expenses.

WORKFORCE SOLUTIONS FOR NORTH CENTRAL PENNSYLVANIA

Notes to the Financial Statements

June 30, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Taxes

WFS is a not-for-profit organization exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code and is recognized as such by the Internal Revenue Service.

The provisions included in accounting principles generally accepted in the United States of America provide consistent guidance for the accounting for uncertainty in income taxes recognized in an entity's financial statements and prescribe a threshold of "more likely than not" for recognition of tax positions taken or expected to be taken in a tax return. WFS performed an evaluation of uncertain tax positions as of June 30, 2018, and determined that there were no matters that would require recognition in the financial statements or, which may have any effect on its tax-exempt status. As of June 30, 2018, the statute of limitations for fiscal year 2017 (initial period) remains open with the U.S. Federal jurisdiction or the various states and local jurisdictions in which WFS files tax returns. It is WFS's policy to recognize interest and/or penalties related to uncertain tax positions, if any, in income tax expense.

Restricted and Unrestricted Revenue and Support

Contributions received are recorded as unrestricted, temporarily or permanently restricted support, depending on the existence and/or nature of any donor imposed restrictions. Donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction.

Gifts of cash and other assets are reported as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when some stipulated time restriction ends or purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities and change in net assets as net assets released from restrictions.

Fair Value of Financial Instruments

The carrying amounts of financial instruments, including cash and cash equivalents, accounts receivable, accounts payable, accrued liabilities, and unearned revenue approximate fair value because of the short maturity of these instruments. The carrying amount of notes payable approximates fair value because the interest rate on these instruments is based on current rates offered to WFS for debt with similar terms and maturities.

WORKFORCE SOLUTIONS FOR NORTH CENTRAL PENNSYLVANIA

Notes to the Financial Statements

June 30, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Subsequent Events

WFS evaluated the accompanying financial statements for subsequent events and transactions through , 2018, the date these financial statements were available for issue and have determined that no material subsequent events have occurred that would affect the information presented in the accompanying financial statements or require additional disclosure except as disclosed below.

Recent Accounting Pronouncements

In August 2016, the FASB issued Accounting Standards Update 2016-15, *Statement of Cash Flows: Classification of Certain Cash Receipts and Cash Payments* (ASU 2016-15). This ASU addresses diversity in practice in how certain cash receipts and cash payments are presented and classified in the statement of cash flows. The standard provides clarity on the treatment of eight specifically defined types of cash inflows and outflows. The amendments in this ASU are effective for fiscal years beginning after December 15, 2018, with an option for early adoption. WFS does not expect the adoption of ASU 2016-15 to have a significant effect on its financial statements.

In August 2016, the FASB issued Accounting Standards Update 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* (ASU 2016-14). These amendments change presentation and disclosure requirements for not-for-profit entities to provide more relevant information about their resources (and the changes in those resources) to donors, grantors, creditors, and other users. These include qualitative and quantitative requirements in the following areas: Net Asset Classes, Investment Return, Expenses, Liquidity and Availability of Resources, and Presentation of Operating Cash Flows. The amendments in this ASU are effective for fiscal years beginning after December 15, 2017. WFS adopted ASU 2016-14 for the year ended June 30, 2018. Due to the adoption of ASU, WFS reclassified amounts on the financial statements and made changes to certain footnotes.

In August 2014, the FASB issued ASU No. 2014-15, *Presentation of Financial Statements – Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity’s Ability to continue as a Going Concern*. ASU No. 2014-15 requires management to assess an entity’s ability to continue as a going concern. This pronouncement has been implemented during fiscal year 2017. Management has evaluated whether conditions or events, considered in the aggregate, that raised substantial doubt about the entity’s ability to continue as a going concern within one year after the date that the financial statements will be issued and concluded no additional disclosures are required.

3. CASH AND CASH EQUIVALENTS

WORKFORCE SOLUTIONS FOR NORTH CENTRAL PENNSYLVANIA

Notes to the Financial Statements

June 30, 2018

The carrying amount of WFS's deposits was \$846,690 and 1,031,830 as of June 30, 2018 and June 30, 2017, respectively. The bank balance totaled \$931,078 and \$1,039,423 as of June 30, 2018, respectively. The difference represents outstanding checks and other reconciling items.

WFS has deposits in financial institutions in excess of amounts insured by the Federal Deposit Insurance Corporation (FDIC) which are collateralized with additional collateral provided by the individual financial institutions. WFS has experienced no losses in such accounts, and management believes it is not exposed to any significant credit risk in cash.

4. RELATED PARTY TRANSACTIONS

Programs of WFS were formerly programs of North Central Regional Planning Commission (the Commission). Effective February 1, 2017, WFS became fully responsible for the operation of these programs. During the transition of operation of programs, the Commission provided certain management services on behalf of WFS.

5. OPERATING LEASES

WFS has several non-cancelable operating leases, primarily for buildings and equipment that expire at various dates through June 30, 2020. Future minimum lease payments, including payments to related parties, under operating leases that have remaining terms in excess of one year are as follows:

<u>Years Ending June 30,</u>	<u>Amount</u>
2019	\$ 204,073
2020	204,073
Total	\$ 408,146

6. COMMITMENTS AND CONTINGENCIES

General

In the normal course of business, WFS may be subject to pending and threatened lawsuits in which claims for monetary damages could be asserted. In management's opinion, WFS's financial position and results of operations would not be materially affected by the outcome of such potential legal proceedings.

Grants

WFS has several grants from the U.S. Government. Revenue from such grants is recognized only to the extent that actual expenses incurred comply with grant terms. For government grants, revenue received in excess of expenses is shown as a liability, and expenses incurred in excess of funds collected are reflected as grants receivable.

WORKFORCE SOLUTIONS FOR NORTH CENTRAL PENNSYLVANIA

Notes to the Financial Statements

June 30, 2018

Government grants are subject to final determination of allow ability by the government agency. Until such audits have been completed and final settlement reached, there exists a contingency to refund any amount received in excess of allowable costs. Management is of the opinion that no material liability will result from such audits.

7. CONCENTRATIONS

The majority of WFS' accounts receivable represents amounts due from Federal, state, and local governmental agencies for project and grant costs incurred and reimbursable by the grantor agencies. Federal and Commonwealth of Pennsylvania grant revenue represent approximately 99% of total revenue in 2018.

8. FUNCTIONAL EXPENSES

WFS provides program services to individuals within its geographic location. Expenses related to providing these services for the years ended June 30, 2018 and period commencing February 1, 2017 through June 30, 2017 are as follows:

WORKFORCE SOLUTIONS FOR NORTH CENTRAL PENNSYLVANIA

Notes to the Financial Statements

June 30, 2018

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Total</u>	<u>2017 Total</u>
Salaries, wages and benefits	\$ 207,650	\$ 186,710	\$ 394,360	\$ 142,316
Contracted services	919,449	24,409	943,858	81,091
Training	59,744	-	59,744	365,449
Space and utilities	375,623	9,927	385,550	15,296
Travel and meetings	13,048	21,244	34,292	30,259
Telephone	16,091	1,521	17,612	4,803
Maintenance and small equipment	28,731	2,174	30,905	8,957
Office supplies	33,192	7,337	40,529	27,965
Printing and publications	15,421	8,687	24,108	12,458
Subcontractor Expenses	2,211,683	-	2,211,683	759,396
Miscellaneous	2,835	12,597	15,432	3,677
Total Expenses	<u>\$ 3,883,467</u>	<u>\$ 274,606</u>	<u>\$ 4,158,073</u>	<u>\$ 1,451,667</u>

8. LIQUIDITY

Financial assets available within one year of the balance sheet date for general expenditures are as follows:

Cash and cash equivalents	\$ 18,857
Accounts receivable	<u>837,865</u>
	<u>\$ 856,722</u>

As part of WFS liquidity management, WFS has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. WFS does not have a line of credit available to assist with liquidity management.

SUPPLEMENTARY INFORMATION



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**REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS ON INTERNAL CONTROLS
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
Workforce Solutions for North Central Pennsylvania

We have audited, 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, the financial statements of the Workforce Solutions for North Central Pennsylvania (WFS) as of and for the years ended June 30, 2018 and period commencing February 1, 2017 through June 30, 2017, and the related notes to the financial statements, which collectively comprise WFS's basic financial statements, and have issued our report thereon dated [REDACTED], 2018.

Internal Controls over Financial Reporting

In planning and performing our audit of the financial statements, we considered WFS' internal controls over financial reporting (internal controls) 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 WFS's internal controls. Accordingly, we do not express an opinion on the effectiveness of the WFS internal controls.

A *deficiency in internal controls* exists when the design or operation of a controls 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 controls, 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 controls that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal controls over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal controls over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal controls over financial reporting 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 WFS' 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 controls and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal controls 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 controls and compliance. Accordingly, this communication is not suitable for any other purpose.

Hunt Valley, Maryland
[REDACTED], 2018



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**REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS ON COMPLIANCE
FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL
CONTROLS OVER COMPLIANCE IN ACCORDANCE WITH THE
UNIFORM GUIDANCE**

Board of Directors
Workforce Solutions for North Central Pennsylvania

Report on Compliance for Each Major Federal Program

We have audited the Workforce Solution for North Central Pennsylvania (WFS) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of WFS's major Federal programs for the years ended June 30, 2018 and period commencing February 1, 2017 through June 30, 2017. WFS' major Federal programs are identified in the summary of independent public accountants' 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 WFS' 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 (CFR) 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 WFS' 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 WFS' compliance.



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Opinion on Each Major Federal Program

In our opinion, WFS 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, 2018.

Report on Internal Controls over Compliance

Management of WFS is responsible for establishing and maintaining effective internal controls over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered WFS' internal controls over compliance with the types of requirements that could have a direct and material effect on each major Federal program as a basis for designing 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 controls over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal controls over compliance. Accordingly, we do not express an opinion on the effectiveness of WFS' internal controls over compliance.

A deficiency in internal controls over compliance exists when the design or operation of a controls 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 controls over compliance* is a deficiency, or combination of deficiencies in internal controls 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 controls over compliance* is a deficiency, or a combination of deficiencies, in internal controls over compliance with a type of compliance requirement of a Federal program that is less severe than a material weakness in internal controls over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal controls 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 controls over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal controls 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 controls over compliance is solely to describe the scope of our testing of internal controls 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.

Hunt Valley, Maryland
 , 2018

WORKFORCE SOLUTIONS FOR NORTH CENTRAL PENNSYLVANIA

Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2018

Federal Grantor Agency/Program Title	Federal CFDA Number	Grant Amount	Received for the Year	Accrued (Deferred) Revenue July 01,2017	Revenue Recognized	Expenditures	Accrued (Deferred) Revenue June 30, 2018
Department of Labor Employment Training Administration							
Passed through Pennsylvania Department of Labor and Industry							
WIA/WIOA Cluster							
WIA/WIOA Adult Program	17.258	\$ 1,004,264	\$ 627,791	\$ 99,737	\$ 635,244	\$ 635,244	\$ 92,284
WIA/WIOA Youth Activities	17.259	1,178,384	733,504	55,147	696,871	696,871	91,780
WIA/WIOA Dislocated Worker Formula Grants	17.278	2,242,595	1,199,948	74,237	1,045,882	1,045,882	228,303
Total WIA/WIOA Cluster			2,561,243	229,121	2,377,997	2,377,997	412,367
WIA National Emergency Grant	17.277	243,168	121,218	(77,336)	40,354	40,354	3,528
Total Department of Labor Employment Training Administration			2,682,461	151,785	2,418,351	2,418,351	415,895
Appalachian Regional Commission							
ARC Grant	23.002	40,000	40,000	-	40,000	\$40,000	-
Department of Health & Human Services Administration for Children & Families:							
Passed through Pennsylvania Department of Labor and Industry							
Temporary Assistance for Needy Families	93.558	1,194,758	1,118,538	(718,451)	837,029	\$837,029	(436,942)
Total			\$ 3,840,999	\$ (566,666)	\$ 3,295,380	\$ 3,295,380	\$ (21,047)

The accompanying notes are an integral part of this schedule.

WORKFORCE SOLUTIONS FOR NORTH CENTRAL PENNSYLVANIA

Notes to the Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

All Federal grant operations of Workforce Solutions for North Central Pennsylvania (WFS) are included in the scope of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administration Requirement, Cost Principles, and Audit Requirements for Federal Awards* (the Single Audit). The Single Audit was performed in accordance with the provisions of the OMB Compliance Supplement (the Compliance Supplement). Compliance testing of all requirements, as described in the Compliance Supplement, was performed for the grant program noted below. This program represents Federal award programs for fiscal year 2018 cash and non-cash expenditures to ensure coverage of at least 20% of federally granted funds. Actual coverage is 25% of total cash and non-cash Federal award program expenditures.

Expenditures reported on the Schedule of Expenditures of Federal Awards are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, or 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. WFS has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

<u>Major Program</u>	<u>CFDA Numbers</u>	<u>Federal Expenditures</u>
Temporary Assistance for Needy Families	93.558	<u>\$ 837,029</u>

2. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the Federal award activity of Workforce Solutions for North Central Pennsylvania (WFS) under programs of the Federal government for the year ended June 30, 2018. 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*. Because the Schedule presents only a selected portion of the operations of WFS, it is not intended to and does not present the financial position, changes in net assets, or cash flows of WFS.

WORKFORCE SOLUTIONS FOR NORTH CENTRAL PENNSYLVANIA

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2018

Section I- Summary of Independent Public Accountants' Results

Financial Statements

Type of Report of Independent Public Accountants' report issued	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None Reported
Noncompliance material to the financial statements noted?	No

Federal Awards

Type of Report of Independent Public Accountants' report issued on compliance for major programs	Unmodified
Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None Reported
Any audit findings disclosed that are required to be reported in accordance with 2 CFR200.516(a)?	No

Identification of Major Programs:

Major Program	Federal CFDA Number	Federal Expenditures
Temporary Assistance for Needy Families	93.558	\$ 837,029
Dollar threshold used to distinguish between type A and B programs:		\$ 750,000
Did the organization qualify as a low risk auditee?		No

WORKFORCE SOLUTIONS FOR NORTH CENTRAL PENNSYLVANIA

**Schedule of Prior Year Findings and Questioned Costs
For the Period Commencing February 1, 2017 through June 30, 2017**

Section II –Financial Statement Findings

None noted

Section III –Federal Award Findings

None noted

Prior Year Findings

None noted