

EAST CASCADES WORKFORCE INVESTMENT BOARD

**FINANCIAL STATEMENTS AND
SINGLE AUDIT INFORMATION**

For the Year Ended June 30, 2016



EAST CASCADES WORKFORCE INVESTMENT BOARD
FINANCIAL STATEMENTS AND SINGLE AUDIT INFORMATION
For the Year Ended June 30, 2016

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EAST CASCADES WORKFORCE INVESTMENT BOARD

June 30, 2016

EXECUTIVE DIRECTOR

Heather Ficht

BOARD OF DIRECTORS

Chip Massie	Chair
Keith Eager	Vice-Chair
Wally Corwin	Treasurer/Secretary
Alan Anderson	Board Member
Ellyn Biedscheid	Board Member
Trygve Bolken	Board Member
David Burger	Board Member
Pat Davis	Board Member
Duane Francis	Board Member
Amy Gibbs	Board Member
Roberto Gutierrez	Board Member
Debbie Hagan	Board Member
Amanda Hoey	Board Member
Brenda Jones	Board Member
Molly Joubert	Board Member
Kelly McGarva	Board Member
Brad Porterfield	Board Member
Mark Warne	Board Member
Ken Whiteman	Board Member
Alan Unger	Chief Local Elected Official
Steve Kramer	Alternate Chief Local Elected Official

REGISTERED ADDRESS

404 SW Columbia St., Suite 200
Bend, OR 97702

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
East Cascades Workforce Investment Board
Bend, Oregon

Report on the Financial Statements

We have audited the accompanying financial statements of East Cascades Workforce Investment Board, which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, cash flows, and functional expenses for the year then ended, 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 control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of East Cascades Workforce Investment Board as of June 30, 2016, and the respective changes in its net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 19, 2017, on our consideration of East Cascades 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 East Cascades Workforce Investment Board's internal control over financial reporting and compliance.



Jones & Roth, P.C.
Eugene, Oregon
January 19, 2017

FINANCIAL STATEMENTS

EAST CASCADES WORKFORCE INVESTMENT BOARD
STATEMENT OF FINANCIAL POSITION
June 30, 2016

Assets

Assets

Cash	\$ 37,694
Grants receivable	321,383
Prepaid expenses	4,290
Deposits	3,200
Other	<u>20</u>
Total assets	<u>\$ 366,587</u>

Liabilities and Net Assets

Liabilities

Accounts payable	\$ 306,640
Accrued payroll and related benefits	18,127
Unearned revenue	11,109
Accrued compensated absences	<u>9,692</u>
 Total liabilities	 345,568
 Net assets	
Unrestricted	<u>21,019</u>
Total liabilities and net assets	<u>\$ 366,587</u>

The accompanying notes are an integral part of these statements.

EAST CASCADES WORKFORCE INVESTMENT BOARD
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2016

	<u>Unrestricted</u>
Revenues	
Government grants	\$ 3,187,034
Program income	58
Total revenues	3,187,092
Expenses	
Program activity:	
Employment and training	2,819,684
Supporting services:	
Management and general	346,389
Total expenses	3,166,073
Change in net assets	21,019
Net assets, beginning of year	-
Net assets, end of year	\$ 21,019

The accompanying notes are an integral part of these statements.

EAST CASCADES WORKFORCE INVESTMENT BOARD
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2016

	<u>Unrestricted</u>
Cash flows from operating activities	
Change in net assets	\$ 21,019
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
(Increase) decrease in operating assets:	
Grants receivable	(321,383)
Prepaid expenses	(4,290)
Deposits	(3,200)
Other	(20)
Increase (decrease) in operating liabilities:	
Accounts payable	306,640
Accrued payroll and related benefits	18,127
Unearned revenue	11,109
Accrued compensated absences	9,692
Net cash provided by operating activities	37,694
Net increase in cash	37,694
Cash, beginning of year	-
Cash, end of year	\$ 37,694

The accompanying notes are an integral part of these statements.

EAST CASCADES WORKFORCE INVESTMENT BOARD
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2016

	<u>Program Activity</u>	<u>Supporting Services</u>	
	<u>Employment and Training</u>	<u>Management and General</u>	<u>Total</u>
Personnel costs	\$ 61,237	\$ 183,710	\$ 244,947
Legal	-	278	278
Professional services	-	45,130	45,130
Office expense	13,090	39,270	52,360
Occupancy	12,212	36,636	48,848
Travel	6,198	18,595	24,793
Conferences, conventions, meetings	443	1,331	1,774
Insurance	-	5,140	5,140
Other expenses:			
Payments to grant subrecipient providers	2,679,958	-	2,679,958
Fees/taxes	-	3,286	3,286
Memberships	3,444	10,330	13,774
Printing	269	806	1,075
Community outreach	1,525	-	1,525
Staff training	1,097	275	1,372
Board support	534	1,602	2,136
Itrac database	39,677	-	39,677
	<u>39,677</u>	<u>-</u>	<u>39,677</u>
 Total functional expenses	 <u>\$ 2,819,684</u>	 <u>\$ 346,389</u>	 <u>\$ 3,166,073</u>

The accompanying notes are an integral part of these statements.

EAST CASCADES WORKFORCE INVESTMENT BOARD
NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

Reporting Entity

East Cascades Workforce Investment Board (ECWIB or the Organization) was formed on July 1, 2015, as a 501(c)(3) nonprofit corporation organized in the state of Oregon. The Organization services a ten county area in Oregon, including Crook, Deschutes, Gilliam, Hood River, Jefferson, Klamath, Lake, Sherman, Wasco and Wheeler Counties.

ECWIB is a workforce development organization dedicated to assisting employers in recruiting and retaining employees, and helping individuals find employment and progress in their careers. Specifically, the Organization is charged with strategic planning, oversight, and administrative responsibility for the public workforce system including, but not limited to, those funded under the Workforce Innovation and Opportunity Act of 2014 (WIOA). The WIOA requires that each workforce area designated by the Governor form a Local Workforce Development Board. The Board of Directors of ECWIB was designated to meet this requirement for the geographic area of the counties in Oregon noted above.

Budget Policy

The administrative and fiscal staff in consultation with the Treasurer prepare a draft budget for modification and approval by the Executive Committee. Once approved by the Executive Committee, it is then submitted to the Central Oregon Workforce Consortium (COWC) for adoption. The COWC consists of one County Commissioner or Judge from each county serviced by ECWIB and is charged with annual budget adoption.

There is no legal requirement that expenditures do not exceed appropriations; however, it is Board practice to limit expenditures to the amount appropriated.

Basis of Presentation

The financial statements have been prepared on the accrual basis of accounting wherein revenues are reported when earned and expenses are reported when incurred. Grants and similar items are recognized as revenue as soon as all the eligibility requirements imposed by the provider have been met. Expenditure-driven grants are recorded as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

Functional Allocation of Expenses

The costs of providing the program have been summarized on a functional basis in the accompanying statement of activities. Accordingly, certain costs have been allocated among program and supporting services benefited. ECWIB's sole program is Employment and Training Services. This program is charged with planning, oversight and administrative responsibility for local job training programs for at risk populations in the area.

EAST CASCADES WORKFORCE INVESTMENT BOARD
NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies, continued

Assets, Liabilities, and Net Assets

Cash

Cash consists of cash on hand and demand deposits deposited in a U.S. bank account.

Receivables

Receivables are recorded in accordance with the policies enumerated above. Management of ECWIB considers all amounts included in accounts and grants receivable to be collectible; therefore, no provision for uncollectible accounts has been made.

ECWIB receives federal funds from the U.S. Department of Labor passed through the state of Oregon, as well as several other nonfederal grants. The amount receivable represents contract billings and cash requests, relating to expenditures incurred through the end of the program year, which had not been received at June 30, 2016.

Capital assets

Capital assets are defined by ECWIB as assets with an initial individual cost of \$5,000 or greater and an estimated useful life in excess of one year. Such assets are recorded at historical cost. Donated capital assets are recorded at their fair value at the date of donation.

Depreciation is provided using the straight-line method based on the estimated useful lives of the related assets.

State and federal grantor agencies retain a reversionary interest in all capital assets that are purchased with state and federal funding.

ECWIB had no capital assets as of June 30, 2016.

Compensated absences payable

It is ECWIB's policy to permit employees to accumulate earned but unused vacation time. No liability for unpaid accumulated sick leave is recorded because ECWIB does not pay sick leave when employees separate from service with the Organization. Accrued compensated absences totaled \$9,692 as of June 30, 2016.

Net assets

ECWIB reports net assets as changes in unrestricted, temporarily restricted or permanently restricted net assets.

- Unrestricted – Unrestricted net assets consist of resources that are available for use in carrying out the mission of ECWIB and include those expendable resources that have been designated for special use by the Board.
- Temporarily restricted – Temporarily restricted net assets represent those amounts that are donor restricted with respect to purpose or time. When a donor restriction ends or the purpose of a restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

EAST CASCADES WORKFORCE INVESTMENT BOARD
NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies, continued

Assets, Liabilities, and Net Assets, continued

Net assets, continued

- Permanently restricted – Permanently restricted net assets result from contributions with donor restrictions that mandate the original principal be invested in perpetuity. Permanently restricted net assets include, for example, permanent endowments and beneficial interests in perpetual trusts held by third parties. The majority of the earnings from permanently restricted net assets are available for the general use of ECWIB.

ECWIB reduces permanently restricted amounts, if any, first when expenditures are incurred for purposes for which restricted and unrestricted amounts are available. ECWIB next reduces temporarily restricted amounts, followed by unrestricted amounts when expenditures are incurred for purposes which amounts in any of those restricted classifications could be used.

Income Taxes

ECWIB is exempt from income tax under Internal Revenue Code Section (IRC) 501(c)(3) and is only subject to tax on income unrelated to its exempt purposes, unless that income is otherwise excluded by the IRC. The Organization's federal Return of Organization Exempt from Income Tax return (Form 990) and state of Oregon Form CT-12 for the year ended June 30, 2016, are subject to examination by the Internal Revenue Service and Oregon Department of Revenue, respectively, generally for three years after filed.

Management evaluated ECWIB's tax positions, including unrelated business income, if any, and concluded that ECWIB had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance.

Concentration of Credit Risk

ECWIB maintains its cash and bank deposit accounts in certain financial institutions. Interest and noninterest bearing accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000.

All deposits not covered by FDIC insurance are covered by the Public Funds Collateralization Program (PFCP) of the state of Oregon. Deposits in excess of FDIC coverage with institutions participating in the Oregon PFCP are collateralized with securities held by the Federal Home Loan Bank of Seattle in the name of the institution. The PFCP is a shared liability structure for participating bank depositories, better protecting public funds though still not guaranteeing that all funds are 100 percent protected.

ECWIB has not experienced any loss in such accounts.

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 reporting amounts of certain assets, liabilities, revenues and expenses. Actual results may differ from such estimates.

EAST CASCADES WORKFORCE INVESTMENT BOARD
NOTES TO FINANCIAL STATEMENTS

2. Commitments and Contingencies

ECWIB leases an office suite under a non-cancelable operating lease expiring on May 31, 2018. Base rent payments were \$2,215 per month from July 1, 2015 through May 31, 2016, and \$2,256 per month beginning June 1, 2016. Total rent includes base rent plus a portion of maintenance, repair, and overhead on the building and common areas. Rent expense, including common area charges, totaled \$37,125 for the year ended June 30, 2016. The lease includes annual rent escalation clauses based on calculated CPI increases and one 3-year renewal option.

ECWIB subleases two office spaces within its office suite to the Oregon Employment Department. This operating lease expires on June 30, 2020, but may be canceled at any time with a 90-day written notice. For the year ended June 30, 2016, monthly payments were \$692 per month (\$8,310 per year), which has been included in income. The lease includes two 2-year renewal options.

Future minimum lease payments for these leases are as follows:

<u>For the Year Ended June 30,</u>	
2017	\$ 27,073
2018	11,280
2019	-
2020	-
2021	-
Thereafter	-
	<u>\$ 38,353</u>

Beginning in the 2016-2017 year, it is anticipated that ECWIB will assume real property operating leases for its service providers. This is to maintain consistency in location of and seamless transition in services provided in the event there is a change in service providers.

3. Risk Management

ECWIB is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. ECWIB maintains coverage through commercial insurance companies for risk of loss. During its first year of operations, there were no insurance settlements exceeding insurance coverage.

ECWIB contracted with two sub-recipient organizations to provide training and employment services during the year ended June 30, 2016. While federal and state requirements and compliance for provisions of services are defined and rather strict, there are other local organizations capable of providing the necessary services in the event either of the two contracted service providers ceases to perform or operate per the terms of their contracts. Combined, the two organizations were paid \$2,679,958 during the year ended June 30, 2016.

EAST CASCADES WORKFORCE INVESTMENT BOARD
NOTES TO FINANCIAL STATEMENTS

4. Related Party Transactions

ECWIB has entered into contracts with organizations whose Boards of Directors include members of the COWC. The COWC member is precluded from voting on budget and contract approval where a conflict is present.

The following contracts were in effect during the year ended June 30, 2016:

<u>Agency</u>	<u>Funding Title</u>	<u>Expense</u>	<u>Payable (Receivable)</u>
Central Oregon Intergovernmental Council	WIOA Title 1B	\$ 2,027,355	\$ 150,930
Central Oregon Intergovernmental Council	NEG	254,746	35,481
Central Oregon Intergovernmental Council	WIA Rethinking Job Search	9,021	9,021
Central Oregon Intergovernmental Council	DHS Independent Living Services	5,467	5,467
Central Oregon Intergovernmental Council	Back to Work Oregon	30,971	30,972
Mid-Columbia Council of Governments	WIOA Title 1B	321,909	45,745
Mid-Columbia Council of Governments	NEG	19,525	2,656
Mid-Columbia Council of Governments	Back to Work Oregon	10,633	10,633

Additionally, ECWIB paid Oregon Workforce Partnership (OWP) \$12,000 during the year ended June 30, 2016. An employee of ECWIB is on the Board of Directors of OWP. The annual membership fee covers expenses for monthly meetings, as well as the costs for partnership development with other workforce boards in Oregon, the Oregon Employment Department and the Governor's office.

5. Subsequent Events

Management has evaluated subsequent events through the date of the independent auditor's report, the date on which the financial statements were available to be issued. Management is not aware of any subsequent events that require recognition or disclosure in the financial statements.

SINGLE AUDIT INFORMATION

**EAST CASCADES WORKFORCE INVESTMENT BOARD
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2016**

Federal Grantor/ Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Expenditures	Amounts Paid to Subrecipients
US Department of Labor				
Passed through State of Oregon, Department of Community Colleges and Workforce Development (CCWD): <i>Title 1B Workforce Investment Opportunity Act Cluster:</i>				
WIOA - Local Administration	17.258		\$ 43,734	\$ -
WIOA - Adult	17.258		732,476	691,225
WIOA - Transitional Costs - 2% Adult	17.258		553	-
WIOA - Admin Chief Financial Officer - 5% Adult	17.258	GGA 16-102	29,571	-
WIOA - Local Administration	17.259		17,096	-
WIOA - Youth	17.259		787,631	743,473
WIOA - Youth - 10% High Concentration of Eligible Youth	17.259		175	175
WIA - Youth 2014	17.259	16-133	1,911	1,911
WIOA - Local Administration	17.278		83,975	-
WIOA - Dislocated Worker	17.278		933,513	909,304
WIOA Supplemental Board Support - 5% Dislocated Worker	17.278	GRNT1143	15,000	-
WIOA Rapid Response Transition Funds - 25% Dislocated Worker	17.278	GGA 16-103	15,000	-
WIOA Rapid Response Haggen Food & Pharmacy - 25% Dislocated Worker	17.278		3,175	3,175
WIOA Board Support - 5% Dislocated Worker	17.278	GGA 16-006	9,806	-
WIOA Transitional Costs - 2% Dislocated Worker	17.278		926	-
Total Workforce Investment Opportunity Act Cluster			<u>2,674,543</u>	<u>2,349,264</u>
<i>National Emergency Grant:</i>				
Woodgrain OR-62 - Program & Administration	17.277	GGA0021	170,702	142,785
Dislocated Worker Training OR-57 - Program	17.277	GGA 16-080	68,380	68,380
Job-Driven OR-61 - Program & Administration	17.277	GGA 16-125	77,721	63,105
Total National Emergency Grant			<u>316,803</u>	<u>274,271</u>
Total Passed through State of Oregon, CCWD			2,991,346	2,623,535
Passed through Incite Inc.:				
<i>Workforce Innovation Fund:</i>				
Rethinking Job Search	17.283	019-16	9,021	9,021
Total expenditures of federal awards			<u>\$ 3,000,367</u>	<u>\$ 2,632,556</u>

EAST CASCADES WORKFORCE INVESTMENT BOARD
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

1. Purpose of the Schedule

The accompanying schedule of expenditures of federal awards is a supplementary schedule to East Cascades Workforce Investment Board's (ECWIB's) financial statements and is presented for purposes of additional analysis. Because the schedule presents only a selected portion of the activities of the Organization, it does not present the financial position, changes in financial position, or the revenues and expenditures of ECWIB.

2. Significant Accounting Policies

Reporting Entity

The reporting entity is fully described in Note 1 to ECWIB's financial statements. The schedule includes all federal programs administered by ECWIB for the fiscal year ended June 30, 2016.

Basis of Presentation

The information in the schedule is presented in accordance with Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards 2CFR200 (Uniform Guidance).

Federal Financial Assistance

Pursuant to the Uniform Guidance, federal financial assistance is defined as assistance provided by a federal agency, either directly or indirectly, in the form of grants, contracts, cooperative agreements, loans, loan guarantees, property, interest subsidies, insurance, or direct appropriations. Accordingly, nonmonetary federal assistance, including federal surplus property, is included in federal financial assistance and is reported on the schedule (if applicable). Federal financial assistance does not include direct federal cash assistance to individuals. Solicited contracts between ECWIB and the federal government for which the federal government procures tangible goods or services are not considered to be federal financial assistance.

Major Programs

The Uniform Guidance establishes criteria to be used in defining major programs. Major programs are those programs selected for testing using a risk-assessment model, as well as certain minimum expenditure requirements, as outlined in the Uniform Guidance Subpart F 200.518. Programs with similar requirements may be grouped into a cluster for testing purposes.

Basis of Accounting

Receipts and expenditures are accounted for using the accrual basis of accounting. Revenues are recorded when earned or, in the case of grants where expenditures are the prime factor for determining eligibility, when the expenditure is made. Expenditures are recorded when a liability is incurred.

3. Indirect Cost Rate

ECWIB did not elect to use the ten percent (10%) de minimis indirect cost rate of modified total direct costs.

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

To the Board of Directors
East Cascades Workforce Investment Board
Bend, Oregon

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 East Cascades Workforce Investment Board (a nonprofit organization), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, cash flows and functional expenses for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 19, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered East Cascades 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of East Cascades Workforce Investment Board's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 East Cascades 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 East Cascades Workforce Investment Board's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering East Cascades Workforce Investment Board's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Jones & Roth, P.C." is enclosed within a thin black rectangular border.

Jones & Roth, P.C.
Eugene, Oregon
January 19, 2017

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

To the Board of Directors
East Cascades Workforce Investment Board
Bend, Oregon

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of East Cascades Workforce Investment Board's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations (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 East Cascades 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 East Cascades Workforce Investment Board's compliance.

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Opinion on Each Major Federal Program

In our opinion, East Cascades Workforce Investment Board complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Report on Internal Control over Compliance

Management of East Cascades 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 East Cascades Workforce Investment Board's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of East Cascades 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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



Jones & Roth, P.C.
Eugene, Oregon
January 19, 2017

EAST CASCADES WORKFORCE INVESTMENT BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2016

Summary of Auditor's Results

- 1) The independent auditor's report expresses an unmodified opinion on the financial statements of East Cascades Workforce Investment Board.
- 2) No material weaknesses or significant deficiencies in internal control were disclosed by the audit of the financial statements.
- 3) No instances of noncompliance material to the financial statements were disclosed during the audit.
- 4) No material weaknesses or significant deficiencies in internal control were disclosed by the audit of the major federal award program.
- 5) The independent auditor's report on compliance for the major federal award program for East Cascades Workforce Investment Board expresses an unmodified opinion.
- 6) The audit disclosed no audit findings required to be reported.
- 7) The program tested as a major program was:

WIA/WIOA Cluster:	
WIA/WIOA Adult Program	CFDA# 17.258
WIA/WIOA Youth Activities	CFDA# 17.259
WIA/WIOA Dislocated Worker Formula Grants	CFDA# 17.278
- 8) The threshold for distinguishing between Type A and Type B programs was \$750,000.
- 9) East Cascades Workforce Investment Board does not qualify as a low-risk auditee.

Findings - Financial Statement Audit

None.

Findings and Questioned Costs - Major Federal Award Programs Audit

None.