

EAST CASCADES WORKFORCE INVESTMENT BOARD

**FINANCIAL STATEMENTS AND
SINGLE AUDIT INFORMATION**

For the Year Ended June 30, 2017



EAST CASCADES WORKFORCE INVESTMENT BOARD
FINANCIAL STATEMENTS AND SINGLE AUDIT INFORMATION
For the Year Ended June 30, 2017

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EAST CASCADES WORKFORCE INVESTMENT BOARD

June 30, 2017

EXECUTIVE DIRECTOR

Heather Ficht

BOARD OF DIRECTORS

Chip Massie	Chair
Wally Corwin	Treasurer/Secretary
Ellyn Craven	Board Member
David Burger	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
Robbie Smith	Board Member
Mark Warne	Board Member
Steve Kramer	Chief Local Elected Official - Chair
Derrick DeGroot	Local Elected Official - Co-Vice Chair
Wayne Fording	Local Elected Official - Co-Vice Chair

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 (a nonprofit organization), which comprise the statement of financial position as of June 30, 2017, 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.

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, 2017, and the 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

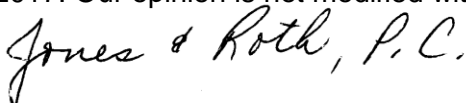
Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements 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 December 18, 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.

Effect of Adopting New Accounting Standard

As discussed in Note 1, the Financial Accounting Standards Board recently issued ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, which supersedes accounting standards that currently exist under GAAP and makes improvements to address identified issues about current financial reporting for not-for-profit entities. Under the new standard, not-for-profits are required to present amounts for two classes of net assets rather than the currently required three classes. ASU No. 2016-14 also requires not-for-profit entities to disclose additional information, including qualitative information about how it manages its liquid resources, the availability of financial assets to meet cash needs and expenses by both natural and functional classification. ASU 2016-14 is effective for annual financial statements issued for fiscal years beginning after December 15, 2017, and interim reporting periods within fiscal years beginning after December 15, 2018. The Organization has early adopted the requirements of the standard in its financial statements for the year ended June 30, 2017. Our opinion is not modified with respect to that matter.



Jones & Roth, P.C.
Eugene, Oregon
December 18, 2017

FINANCIAL STATEMENTS

EAST CASCADES WORKFORCE INVESTMENT BOARD
STATEMENT OF FINANCIAL POSITION
June 30, 2017

Assets

Current assets

Cash	\$ 98,173
Grants receivable	230,424
Prepaid expenses	<u>12,455</u>

Total current assets 341,052

Deposits

3,200

Total assets

\$ 344,252

Liabilities and Net Assets

Current liabilities

Accounts payable	\$ 282,103
Accrued payroll and related benefits	25,851
Unearned revenue	<u>15,298</u>

Total current liabilities 323,252

Net assets

Net assets without donor restrictions 21,000

Total liabilities and net assets

\$ 344,252

The accompanying notes are an integral part of these statements.

EAST CASCADES WORKFORCE INVESTMENT BOARD
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2017

	<u>Net Assets Without Donor Restrictions</u>
Revenues	
Government grants	\$ 3,699,627
Program income	133,313
Miscellaneous revenue	775
Interest	<u>206</u>
Total revenues	<u>3,833,921</u>
Expenses	
Program activity:	
Employment and training	3,402,734
Supporting services:	
Management and general	<u>431,206</u>
Total expenses	<u>3,833,940</u>
Change in net assets	(19)
Net assets, beginning of year	<u>21,019</u>
Net assets, end of year	<u>\$ 21,000</u>

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, 2017

	<u>Net Assets Without Donor Restrictions</u>
Cash flows from operating activities	
Change in net assets	\$ (19)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
(Increase) decrease in operating assets:	
Grants receivable	90,959
Prepaid expenses	(8,165)
Other	20
Increase (decrease) in operating liabilities:	
Accounts payable	(24,537)
Accrued payroll and related benefits	7,724
Unearned revenue	4,189
Accrued compensated absences	<u>(9,692)</u>
Net cash provided by operating activities	<u>60,479</u>
Net increase in cash	60,479
Cash, beginning of year	<u>37,694</u>
Cash, end of year	<u><u>\$ 98,173</u></u>

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, 2017

	<u>Program Activity</u>	<u>Supporting Services</u>	
	<u>Employment and Training</u>	<u>Management and General</u>	<u>Total</u>
Personnel costs	\$ 212,236	\$ 341,726	\$ 553,962
Legal	-	2,481	2,481
Professional services	5,215	27,240	32,455
Office expense	3,645	5,441	9,086
Occupancy	26,339	26,166	52,505
Travel	18,607	7,567	26,174
Conferences, conventions, and meetings	3,227	889	4,116
Insurance	-	4,935	4,935
Other expenses:			
Payments to grant subrecipient providers	2,909,967	-	2,909,967
WorkSource Oregon center expenses	86,510	-	86,510
Sector program projects	84,619	-	84,619
Fees/taxes	2,106	4,151	6,257
Memberships	8,512	7,818	16,330
Printing	1,981	1,391	3,372
Community outreach	1,000	-	1,000
Staff training	7,243	921	8,164
Board support	-	480	480
Itrac database	<u>31,527</u>	<u>-</u>	<u>31,527</u>
 Total functional expenses	 <u>\$ 3,402,734</u>	 <u>\$ 431,206</u>	 <u>\$ 3,833,940</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 and businesses.

EAST CASCADES WORKFORCE INVESTMENT BOARD
NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies, continued

Accounting Standards Update

ECWIB early adopted the requirements of ASU 2016-14, *Not-for-Profit Entities, Presentation of Financial Statements of Not-for-Profit Entities*, during the year ended June 30, 2017. This update supersedes accounting standards that exist under current GAAP and makes improvements to address identified issues about current financial reporting for not-for-profit entities. Under the new standard, not-for-profits are required to present amounts for two classes of net assets rather than the currently required three classes. Among the added disclosures required under ASU 2016-14, not-for-profit entities are to disclose information about liquid resources, the availability of financial assets to meet cash needs, and expenses by both natural and functional classification. As a result of ECWIB's adoption of the standard, ending unrestricted net assets as of June 30, 2016 was renamed to net assets without donor restrictions as of July 1, 2016.

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 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, 2017.

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, 2017.

Compensated absences payable

ECWIB revised the time off policy during the year ended June 30, 2017, to include a provision for unlimited paid time off, subject to Executive Director approval. As such, no liability for unpaid time off has been accrued as of June 30, 2017.

EAST CASCADES WORKFORCE INVESTMENT BOARD
NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies, continued

Assets, Liabilities, and Net Assets, continued

Net assets

During the year ended June 30, 2017, ECWIB implemented ASU 2016-14, *Not-for-Profit Entities and Health Care Entities, Presentation of Financial Statements of Not-for-Profit Entities*. ECWIB reports net assets as changes in net assets with donor restrictions and net assets without donor restrictions.

- Net Assets with Donor Restrictions – The part of net assets of a not-for-profit entity that is subject to donor-imposed restrictions (donors include other types of contributors, including makers of certain grants).
- Net Assets without Donor Restrictions – The part of net assets of a not-for-profit entity that is not subject to donor-imposed restrictions, including Board-designated net assets (self-imposed limits by action of the governing board) that may be earmarked for future programs, investment, contingencies, purchase or construction of fixed assets, or other uses.

ECWIB reduces net assets with donor restriction amounts, if any, first when expenditures are incurred for purposes for which restricted and unrestricted amounts are available.

Income Taxes

ECWIB is exempt from income tax under Internal Revenue Code (IRC) Section 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, 2017, 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.

EAST CASCADES WORKFORCE INVESTMENT BOARD
NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies, continued

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.

2. Commitments and Contingencies

ECWIB leases an office suite under a non-cancelable operating lease expiring on May 31, 2018. Base rent payments were \$2,256 per month from July 1, 2016 through May 31, 2017, and \$2,320 per month beginning June 1, 2017. 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 \$38,116 for the year ended June 30, 2017. 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, 2017, monthly payments were \$741 per month (\$8,892 per year), which has been included in income. The lease includes two 2-year renewal options.

Beginning in the 2016-2017 year, ECWIB assumed two real property operating leases for the WorkSource Oregon centers located in the ECWIB region. This is to maintain consistency in location of and seamless transition in services provided in the event there is a change in service providers. It is anticipated that ECWIB will assume several additional leases in the 2017-2018 fiscal year.

Beginning on August 1, 2016, ECWIB leases office spaces for the WorkSource Oregon center located in the Hood River, Oregon area. This operating lease expired on June 30, 2017, and includes a one-year renewal option. For the year ended June 30, 2017, monthly payments were \$362 per month, and \$3,982 has been included in expense for the year. Monthly payments are set to increase by 3 percent (\$373 per month) if the renewal option was exercised. Prior to year-end, ECWIB exercised the renewal option.

Beginning on August 1, 2016, ECWIB leases office spaces for the WorkSource Oregon center located in The Dalles, Oregon area. This operating lease expires on June 30, 2018, and includes monthly payments totaling \$926 from August 1 through December 31, 2016, and \$940 for January 1, 2017 through June 30, 2018. For the year ended June 30, 2017, \$10,266 has been included in expense.

EAST CASCADES WORKFORCE INVESTMENT BOARD
NOTES TO FINANCIAL STATEMENTS

2. Commitments and Contingencies, continued

Future minimum lease payments for these leases are as follows:

<u>For the Year Ending June 30,</u>	
2018	\$ 41,276
2019	-
2020	-
2021	-
2022	-
Thereafter	-
	<u>\$ 41,276</u>

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. There were no insurance settlements exceeding insurance coverage during the year ended June 30, 2017.

ECWIB contracted with several subrecipient organizations to provide training and employment services during the year ended June 30, 2017. 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 primary contracted service providers cease to perform or operate per the terms of their contracts. Combined, the two organizations were paid \$2,904,025 during the year ended June 30, 2017.

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.

EAST CASCADES WORKFORCE INVESTMENT BOARD
NOTES TO FINANCIAL STATEMENTS

4. Related Party Transactions, continued

The following contracts were in effect during the year ended June 30, 2017:

<u>Agency</u>	<u>Funding Title</u>	<u>Expense</u>	<u>Payable</u>
Central Oregon Intergovernmental Council	WIOA Title 1B	\$ 2,180,058	\$ 183,698
Central Oregon Intergovernmental Council	NEG	188,472	16,319
Central Oregon Intergovernmental Council	WIA Rethinking Job Search	11,732	1,547
Central Oregon Intergovernmental Council	DHS 2017 Summer Jobs Program	20,550	-
Central Oregon Intergovernmental Council	DHS 2017 TANF Summer Youth Employment Program	420	420
Central Oregon Intergovernmental Council	Back to Work Oregon	76,928	7,704
Central Oregon Intergovernmental Council	State of Oregon GED Wraparound	134,789	15,893
Mid-Columbia Council of Governments	WIOA Title 1B	271,543	13,271
Mid-Columbia Council of Governments	NEG	13,538	243
Mid-Columbia Council of Governments	Back to Work Oregon	5,995	1,000

Additionally, ECWIB paid Oregon Workforce Partnership (OWP) \$12,000 during the year ended June 30, 2017. 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, 2017

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		\$ 82,295	\$ -
WIOA - Adult	17.258		225,537	204,986
WIOA - Adult	17.258	GGA 16-304	545,312	495,622
WIOA - Admin Chief Financial Officer - 5% Adult	17.258	GGA 16-102	115,429	-
WIOA - Local Administration	17.259		81,798	-
WIOA - Youth	17.259		135,609	119,486
WIOA - Youth	17.259	GGA 16-304	918,830	809,585
WIOA - Youth - 10% High Concentration of Eligible Youth	17.259		15,005	15,005
WIA - Youth 2014	17.259	16-133	5,439	5,439
WIOA - Local Administration	17.278		99,240	54,951
WIOA - Dislocated Worker	17.278		326,619	323,263
WIOA - Dislocated Worker	17.278	GGA 16-304	427,658	423,264
WIOA - PY14 Rapid Response Transition Funds - 25% CoLocation	17.278	GGA 16-266	75,000	-
WIOA - FY15 Rapid Response - 25% Transition Training Funds	17.278	GGA 16-306	<u>15,000</u>	<u>-</u>
Total Title 1B Workforce Investment Opportunity Act Cluster			<u>3,068,771</u>	<u>2,451,601</u>
<i>National Emergency Grant:</i>				
Woodgrain OR-62 - Program & Administration	17.277	GGA0021	46,887	38,570
Job-Driven OR-61 - Program & Administration	17.277	GGA 16-125	<u>176,784</u>	<u>163,440</u>
Total National Emergency Grant			<u>223,671</u>	<u>202,010</u>
Total Passed through State of Oregon, CCWD			3,292,442	2,653,611
Passed through Incite Inc.:				
<i>Workforce Innovation Fund:</i>				
Rethinking Job Search	17.283	019-16	<u>13,858</u>	<u>11,731</u>
Total expenditures of federal awards			<u>\$ 3,306,300</u>	<u>\$ 2,665,342</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, 2017.

Basis of Presentation

The information in the schedule is presented in accordance with OMB *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 elected to use the ten percent (10%) de minimis indirect cost rate of modified total direct costs. A definition of modified total direct costs can be found in the Uniform Guidance Subpart A 200.68.

**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 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, 2017, 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 December 18, 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.

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.



Jones & Roth, P.C.
Eugene, Oregon
December 18, 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, 2017. 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* 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.

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, 2017.

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
December 18, 2017

EAST CASCADES WORKFORCE INVESTMENT BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2017

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:

WIOA Adult Program	CFDA# 17.258
WIA/WIOA Youth Activities	CFDA# 17.259
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.

Prior Period Findings and Questioned Costs

None.