

**WORKFORCE DEVELOPMENT BOARD OF
HERKIMER, MADISON AND ONEIDA
COUNTIES, INC.**

**Financial Statements as of
June 30, 2016 and 2015
Together with
Independent Auditor's Report
and Single Audit Reports**

Bonadio & Co., LLP
Certified Public Accountants

**WORKFORCE DEVELOPMENT BOARD OF HERKIMER, MADISON AND ONEIDA
COUNTIES, INC.**

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INDEPENDENT AUDITOR'S REPORT

February 3, 2017

To the Board of Trustees of

Workforce Development Board of Herkimer, Madison and Oneida Counties, Inc.:

We have audited the accompanying financial statements of Workforce Development Board of Herkimer, Madison and Oneida Counties, Inc. (a New York nonprofit organization formerly known as Workforce Investment Board of Herkimer, Madison and Oneida Counties, Inc.), which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities and cash flows for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Audit 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.

7936 Seneca Turnpike
Clinton, New York 13323
p (315) 797-7781
f (315) 797-0305

www.bonadio.com

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INDEPENDENT AUDITOR'S REPORT

(Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Workforce Development Board of Herkimer, Madison and Oneida Counties, Inc. as of June 30, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedules of functional expenses are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is also 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 February 3, 2017, on our consideration of Workforce Development Board of Herkimer, Madison and Oneida Counties, Inc.'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 the 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 Workforce Development Board of Herkimer, Madison and Oneida Counties, Inc.'s internal control over financial reporting and compliance.

**WORKFORCE DEVELOPMENT BOARD OF HERKIMER, MADISON AND ONEIDA
COUNTIES, INC.**

**STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 373,258	\$ 577,133
Accounts receivable	32,928	118,084
Grants receivable	636,640	237,839
Prepaid expenses	<u>48,745</u>	<u>44,786</u>
Total current assets	1,091,571	977,842
PROPERTY AND EQUIPMENT, net	1,835	4,496
CUSTODIAL FUNDS	<u>203</u>	<u>1,242</u>
	<u>\$ 1,093,609</u>	<u>\$ 983,580</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Grants payable	\$ 157,799	\$ 56,102
Accrued expenses	93,725	150,527
Due to related party	9,715	9,715
Deferred revenue	<u>69,497</u>	<u>61,377</u>
Total current liabilities	330,736	277,721
CUSTODIAL LIABILITIES	203	1,242
NET ASSETS:		
Unrestricted	<u>762,670</u>	<u>704,617</u>
	<u>\$ 1,093,609</u>	<u>\$ 983,580</u>

The accompanying notes are an integral part of these statements.

**WORKFORCE DEVELOPMENT BOARD OF HERKIMER, MADISON & ONEIDA
COUNTIES, INC.**

**STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
OPERATING SUPPORT AND REVENUE:		
Grant revenue	\$ <u>3,176,609</u>	\$ <u>2,739,109</u>
OPERATING EXPENSES:		
Program services:		
Training and employment	2,880,928	2,569,896
Supporting services:		
Management and general	<u>237,628</u>	<u>211,577</u>
Total operating expenses	<u>3,118,556</u>	<u>2,781,473</u>
CHANGE IN NET ASSETS	58,053	(42,364)
NET ASSETS - beginning of year	<u>704,617</u>	<u>746,981</u>
NET ASSETS - end of year	<u>\$ 762,670</u>	<u>\$ 704,617</u>

The accompanying notes are an integral part of these statements.

**WORKFORCE DEVELOPMENT BOARD OF HERKIMER, MADISON AND ONEIDA
COUNTIES, INC.**

**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 58,053	\$ (42,364)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	2,661	4,096
Changes in:		
Accounts receivable	85,156	(11,302)
Custodial funds	1,039	1,495
Grants receivable	(398,801)	122,696
Prepaid expenses	(3,959)	22,252
Grants payable	101,697	(107,557)
Accrued expenses	(56,802)	47,946
Deferred revenue	8,120	(79,587)
Custodial liabilities	<u>(1,039)</u>	<u>(1,495)</u>
Net cash flow from operating activities	<u>(203,875)</u>	<u>(43,820)</u>
CHANGE IN CASH	(203,875)	(43,820)
CASH - beginning of year	<u>577,133</u>	<u>620,953</u>
CASH - end of year	<u><u>\$ 373,258</u></u>	<u><u>\$ 577,133</u></u>

The accompanying notes are an integral part of these statements.

WORKFORCE DEVELOPMENT BOARD OF HERKIMER, MADISON AND ONEIDA COUNTIES, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016 AND 2015

1. NATURE OF ACTIVITIES

Workforce Development Board of Herkimer, Madison and Oneida Counties, Inc. (the "Workforce Development Board") was established in accordance with regulations of the Workforce Investment Act of 1998 (WIA). The Workforce Development Board's purpose is to relieve and reduce unemployment in Herkimer, Madison and Oneida counties, to instruct and train individuals and to improve or develop their capabilities for jobs, to carry on research for determining the future employment needs of the private sector and to increase the involvement of the business community in the planning, development and implementation of employment opportunities in the private sector. The Workforce Development Board has entered into a workforce investment partnership agreement between the New York State Counties of Herkimer, Madison and Oneida, as represented by its chief local elected officials in the tri-county workforce area. The Workforce Development Board has a Board appointed by the chief local elected officials of the Counties of Herkimer, Madison, and Oneida and which has the responsibility in partnership with the chief local elected officials for the overall policy guidance regarding the planning and implementation of programs funded under the Workforce Investment Act.

The Workforce Development Board receives funding from local, state and federal government sources and must comply with the existing regulations of these funding sources.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements were prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). Under those principles the Workforce Development Board 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. None of the Workforce Development Board's net assets are subject to donor-imposed restrictions, therefore, all net assets are unrestricted.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Workforce Development Board considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents. There are no cash equivalents as of June 30, 2016 and 2015.

Accounts Receivable

The Workforce Development Board considers all accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is required. If amounts become uncollectible, they will be charged to bad debt expense when that determination is made. Accounts receivable consist of amounts due for administrative services.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Grants Receivable

Grants receivable represent grants not yet paid but due the Workforce Development Board by various governmental funding sources.

Property and Equipment

Property and equipment acquisitions are recorded at cost. Donated property and equipment are carried at the approximate fair value at the date of donation. Depreciation is provided over the estimated useful life (which ranges from three to five years) of each class of depreciable assets and is computed using the straight-line method. Certain acquisitions of property and equipment in excess of \$5,000 are capitalized. Expenditures for repairs and maintenance not considered to substantially lengthen property lives are charged to expense as incurred.

Grants Payable

Grants payable consist of amounts payable to various individuals, vendors and agencies under grant contracts.

Deferred Revenue

Deferred revenue represents funds received to conduct program services, which will be recognized in subsequent years as the related expenses are incurred.

Income Tax Status

The Workforce Development Board is a nonprofit organization exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, the Workforce Development Board qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(1).

Revenue Recognition

Amounts received from grants (principally governmental) are recognized as income to the extent the related services and/or expenses have been incurred.

Custodial Funds

The Workforce Development Board holds funds on behalf of other organizations. These funds are administered by the Workforce Development Board with the corresponding liability reflected on the statement of financial position.

Contractual Expenses

Contractual expenses consist of funds disbursed to grant subrecipients under contractual arrangements.

Donated Services

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Workforce Development Board. Volunteers provide services throughout the year that are not recognized as contributions in the financial statements since the recognition criteria was not met.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Training Costs

Training costs consist of expenses paid directly to various institutions who provide training to individual workers.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Marketing

Marketing expenses are charged to expense as incurred. For the years ended June 30, 2016 and 2015 marketing expenses were \$30,828 and \$14,874, respectively.

Use of 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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the report period. Actual results could differ from those estimates.

3. PROPERTY AND EQUIPMENT

A summary of property and equipment at June 30, is as follows:

	<u>2016</u>	<u>2015</u>
Computer software and equipment	\$ 78,678	\$ 78,678
Less: Accumulated depreciation	<u>(76,843)</u>	<u>(74,182)</u>
Net; property and equipment	<u>\$ 1,835</u>	<u>\$ 4,496</u>

Depreciation charged to expense was \$2,661 and \$4,096 in 2016 and 2015, respectively.

4. RELATED PARTY TRANSACTIONS

The Workforce Development Board was established by a partnership between the New York State Counties of Herkimer, Madison and Oneida. In addition to County representatives being appointed to the Board, each County plays a role in the operations of the Workforce Development Board.

The County of Herkimer is the designated grant recipient. Among the responsibilities that the designated grant recipient is responsible for include the receipt and disbursement of funds, adherence to fiscal controls and fund accounting, and the allocation of funds among the three counties. During the years ended June 30, 2016 and 2015, \$452,117 and \$176,248 respectively, of revenue passed through the County of Herkimer to the Workforce Development Board. At June 30, 2016 and 2015, \$10,051 and \$104, respectively, of that revenue was still receivable by the Workforce Development Board.

4. RELATED PARTY TRANSACTIONS (Continued)

The County of Oneida reimburses the Workforce Development Board for employees that are hired to perform services on behalf of the county. During the years ended June 30, 2016 and 2015, \$693,400 and \$911,338, respectively, of revenue passed through the County of Oneida to the Workforce Development Board. At June 30, 2016 and 2015, \$32,928 and \$118,084, respectively, of that revenue was still receivable by the Workforce Development Board. Workforce Development Board is also holding funds on behalf of Oneida County. The amount being held at June 30, 2016 and 2015 was \$9,715.

The County of Madison reimburses the Workforce Development Board for employees that are hired to perform services on behalf of the county. During the years ended June 30, 2016 and 2015, \$41,653 and \$47,122, respectively, of revenue passed through the County of Madison to the Workforce Development Board. At June 30, 2016 and 2015, \$8,080 and \$10,126, respectively, of that revenue was still receivable by the Workforce Development Board.

5. PENSION PLAN

The Workforce Development Board sponsors a 401(k) voluntary employee deferred compensation plan. The plan requires an employer match of 100% up to 6% salary reduction. Employees' contributions to the plan are made by salary reduction up to the maximum allowed by the IRS code. The total amount charged to expense was \$34,180 and \$28,069 for 2016 and 2015, respectively.

The Workforce Development Board has a deferred compensation agreement with its current Executive Director. The agreement provides for funding of \$5,000 per annum while employed with the Workforce Development Board. The funds will be held by the Workforce Development Board without guarantees of a positive return nor promises to provide for any losses. Upon termination of employment, the individual is entitled to receive the amount in the individual's account balance at that time. No funds had been deposited into the individual's account as of June 30, 2016.

6. ECONOMIC DEPENDENCY

The Workforce Development Board's primary program funding sources are from grant agreements with government agencies. Decreases in these grants could have a potential impact upon the continuation of program services.

7. COMMITMENTS

The Workforce Development Board leases office space under an operating lease that expires on June 30th of each year. The Workforce Development Board also leases office space under a lease that was renewed through August 31, 2017. The rent expense for these spaces was \$16,200 and \$15,431 for the years ended June 30, 2016 and 2015, respectively.

The Workforce Development Board has an operating lease for a copier, charging the cost to expense as incurred. The amount charged to expense for the years ended June 30, 2016 and 2015, was \$4,744 and \$3,692, respectively.

7. COMMITMENTS (Continued)

The future minimum lease payments under all lease contracts are as follows at June 30:

2017	\$	6,540
2018		4,740
2019		<u>4,345</u>
Total	\$	<u>15,625</u>

8. FINANCIAL INSTRUMENTS WITH CONCENTRATION OF CREDIT RISK

Cash

Funds in non-interest-bearing accounts were insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC). Cash and cash equivalents exceeding federally insured limits total \$162,029 and \$340,712 at June 30, 2016 and 2015, respectively. The Workforce Development Board does not require additional collateral, has not experienced any losses in these accounts and believes it is not exposed to any significant risks with respect to cash and cash equivalents.

Grants and Accounts Receivable

The Workforce Development Board extends credit to various governmental agencies for services with no collateral required. Accounts and grants receivable at June 30, 2016 and 2015 were composed of amounts due from various governmental agencies. Management believes that these amounts will be received.

9. SUBSEQUENT EVENTS

Subsequent events have been evaluated through February 3, 2017, which is the date the financial statements were available to be issued.

**WORKFORCE DEVELOPMENT BOARD OF HERKIMER, MADISON & ONEIDA
COUNTIES, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2016
(With Comparative Totals for 2015)**

	Program Services										Supporting Services		
	Second Chance Female	Apprenticeship	Reentry Enhancement	Workforce Investment Act & Others	Face Forward	C-Path	Workforce Innovation	Alternative to Incarceration	LEAP American Job Centers	Total	Management and General	Total 2016	Total 2015
Salaries	\$ 42,120	\$ 44,484	\$ 63,975	\$ 812,148	\$ 227,954	\$ 58,742	\$ 215,751	\$ 132,251	\$ 136,800	\$ 1,734,225	\$ 135,584	\$ 1,869,809	\$ 1,580,610
Employee benefits/ payroll taxes	12,205	9,849	9,504	228,761	52,929	9,018	41,200	58,498	25,206	447,170	47,538	494,708	448,001
	54,325	54,333	73,479	1,040,909	280,883	67,760	256,951	190,749	162,006	2,181,395	183,122	2,364,517	2,028,611
Contractual expenses	10,685	-	8,750	47,539	111,311	-	109,158	-	1,868	289,311	12,500	301,811	334,326
Supplies	356	7,920	485	59,246	1,000	1,238	6,489	1,409	11,063	89,206	12,001	101,207	54,596
Travel	1,339	4,571	524	39,869	6,537	1,047	8,789	6,686	8,588	77,950	1,677	79,627	61,530
Training costs	7,861	516	-	50,850	2,181	12,375	43	750	-	74,576	-	74,576	129,207
Consumer needs	1,598	-	9,785	388	4,530	14,838	-	1,155	86	32,380	-	32,380	24,897
Marketing	-	4,770	-	2,222	38	-	22,803	-	-	29,833	995	30,828	14,874
Wireless service	965	1,574	-	3,209	1,007	629	2,229	1,525	4,403	15,541	12,339	27,880	30,167
Staff development	250	-	-	18,438	465	-	426	790	-	20,369	2,379	22,748	20,095
Insurance	155	243	250	12,076	2,302	364	1,046	545	695	17,676	926	18,602	16,474
Rent	153	1,815	5,400	-	3,923	-	433	3,884	592	16,200	-	16,200	15,431
Miscellaneous	152	129	498	5,844	1,654	201	730	952	680	10,840	2,620	13,460	13,600
Telephone/postage	388	385	1,198	3,770	2,139	432	821	702	153	9,988	2,333	12,321	10,678
Meeting	300	442	43	5,711	513	-	720	100	423	8,252	39	8,291	7,705
Dues	-	-	-	7,261	-	-	150	-	-	7,411	225	7,636	10,410
Equipment and software	-	-	-	-	-	-	-	-	-	-	3,811	3,811	4,776
Depreciation	-	-	-	-	-	-	-	-	-	-	2,661	2,661	4,096
Total	<u>\$ 78,527</u>	<u>\$ 76,698</u>	<u>\$ 100,412</u>	<u>\$ 1,297,332</u>	<u>\$ 418,483</u>	<u>\$ 98,884</u>	<u>\$ 410,788</u>	<u>\$ 209,247</u>	<u>\$ 190,557</u>	<u>\$ 2,880,928</u>	<u>\$ 237,628</u>	<u>\$ 3,118,556</u>	<u>\$ 2,781,473</u>

The accompanying notes are an integral part of these statements.

**WORKFORCE DEVELOPMENT BOARD OF HERKIMER, MADISON & ONEIDA
COUNTIES, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2015**

	Program Services										Supporting Services	
	Second Chance Female	Youth Build	Reentry Enhancement	Workforce Investment Act & Others	Face Forward	C-Path	Workforce Innovation	Alternative to Incarceration	Community Services Block	Total	Management and General	Total 2015
Salaries	\$ 124,926	\$ 196,664	\$ 69,286	\$ 739,295	\$ 115,176	\$ 23,125	\$ 48,513	\$ 140,390	\$ 15,481	\$ 1,472,856	\$ 107,754	\$ 1,580,610
Employee benefits/ payroll taxes	58,373	45,954	10,069	184,773	32,525	3,570	18,850	45,707	1,800	401,621	46,380	448,001
	183,299	242,618	79,355	924,068	147,701	26,695	67,363	186,097	17,281	1,874,477	154,134	2,028,611
Contractual expenses	134,406	-	15,000	76,468	13,525	-	52,927	850	29,000	322,176	12,150	334,326
Supplies	1,584	204	637	27,495	6,569	555	2,566	3,211	-	42,821	11,775	54,596
Travel	5,415	2,099	679	28,890	5,589	1,228	1,469	13,390	-	58,759	2,771	61,530
Training costs	15,168	54,718	-	51,095	25	5,900	-	1,065	-	127,971	1,236	129,207
Consumer needs	5,995	-	9,610	1,897	1,462	4,189	-	914	830	24,897	-	24,897
Marketing	-	-	-	13,464	825	-	585	-	-	14,874	-	14,874
Wireless service	2,901	292	59	5,955	5,996	685	636	2,298	-	18,822	11,345	30,167
Staff development	175	150	-	16,776	778	25	338	512	-	18,754	1,341	20,095
Insurance	616	4,369	351	8,487	674	219	216	701	73	15,706	768	16,474
Rent	3,553	-	5,400	-	3,460	-	350	2,668	-	15,431	-	15,431
Miscellaneous	1,144	2,406	532	3,203	843	108	99	918	-	9,253	4,347	13,600
Telephone/postage	1,257	30	849	3,844	1,056	265	238	762	-	8,301	2,377	10,678
Meeting	857	-	30	6,326	52	-	23	163	68	7,519	186	7,705
Dues	-	-	-	9,385	-	-	-	750	-	10,135	275	10,410
Equipment and software	-	-	-	-	-	-	-	-	-	-	4,776	4,776
Depreciation	-	-	-	-	-	-	-	-	-	-	4,096	4,096
Total	\$ 356,370	\$ 306,886	\$ 112,502	\$ 1,177,353	\$ 188,555	\$ 39,869	\$ 126,810	\$ 214,299	\$ 47,252	\$ 2,569,896	\$ 211,577	\$ 2,781,473

The accompanying notes are an integral part of these statements.

**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**

February 3, 2017

To the Board of Trustees

Workforce Development Board of Herkimer, Madison and Oneida Counties,
Inc.:

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 Workforce Development Board of Herkimer, Madison and Oneida Counties, Inc., which comprise the statement of financial position as of June 30, 2016, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 3, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Workforce Development Board of Herkimer, Madison and Oneida Counties, Inc.'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 Workforce Development Board of Herkimer, Madison and Oneida Counties, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Workforce Development Board of Herkimer, Madison and Oneida Counties, Inc.'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 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.

7936 Seneca Turnpike
Clinton, New York 13323
p (315) 797-7781
f (315) 797-0305

www.bonadio.com

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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*

(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Workforce Development Board of Herkimer, Madison and Oneida Counties, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

February 3, 2017

To the Board of Trustees of
Workforce Development Board of
Herkimer, Madison and Oneida Counties, Inc.:

Report on Compliance for Each Major Federal Program

We have audited Workforce Development Board of Herkimer, Madison and Oneida Counties, Inc.'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 Workforce Development Board of Herkimer, Madison and Oneida Counties, Inc.'s major federal programs for the year ended June 30, 2016. Workforce Development Board of Herkimer, Madison and Oneida Counties, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Workforce Development Board of Herkimer, Madison and Oneida Counties, Inc.'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 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 Workforce Development Board of Herkimer, Madison and Oneida Counties, Inc.'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 Workforce Development Board of Herkimer, Madison and Oneida Counties, Inc.'s compliance.

7936 Seneca Turnpike
Clinton, New York 13323
p (315) 797-7781
f (315) 797-0305

www.bonadio.com

(Continued)

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

Opinion on Each Major Federal Program

In our opinion, Workforce Development Board of Herkimer, Madison and Oneida Counties, Inc. 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 Workforce Development Board of Herkimer, Madison and Oneida Counties, Inc. 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 Workforce Development Board of Herkimer, Madison and Oneida Counties, Inc.'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 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 Workforce Development Board of Herkimer, Madison and Oneida Counties, Inc.'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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

**WORKFORCE DEVELOPMENT BOARD OF HERKIMER, MADISON AND ONEIDA
COUNTIES, INC.**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass through/ Contract Number	Federal Expenditures	Amounts Provided to Subrecipients
U.S. Department of Labor				
Direct Programs:				
Reintegration of Ex-Offenders Cluster				
Face Forward	17.270	YF-25927-14-60-A-36	\$ 418,483	\$ 111,311
Second Chance Female	17.270	PE-233378-12-60A-36	78,526	10,685
LEAP (American Job Centers)	17.270	N/A	190,557	1,868
Total Reintegration of Ex-Offenders Cluster			687,566	123,864
DW National Reserve Demonstration Grant (Career Pathways for Youth)	17.280	N/A	1,950	-
Workforce Innovation	17.283	IF-26341-14-60-A-36	410,789	-
Apprenticeship	17.268	N/A	76,699	-
Passed through Programs:				
WIA Cluster				
Herkimer County:				
WIA Adult Program	17.258	NOA#PY14, 1&2	144,322	42,982
WIA Youth Activities	17.259	NOA#PY14, 1&2	142,736	-
WIA Dislocated Workers	17.278	NOA#PY14, 1&2	111,871	-
Disability Employment Initiative	17.207	N/A	53,188	-
Oneida County Workforce Development (OCWD):				
WIA Adult Program	17.258	WIA PY14	58,849	-
WIA Youth Activities	17.259	WIA PY14	46,180	-
WIA Dislocated Workers	17.278	WIA PY14	43,873	-
Chenango-Delaware-Otsego Workforce Development Board:				
WIA Adult Program	17.258	CDO-WIB100	8,838	-
WIA Youth Activities	17.259	CDO-WIB100	17,413	-
WIA Dislocated Workers	17.278	CDO-WIB100	10,334	-
Madison County:				
WIA Adult Program	17.258	CM-14-01M	41,258	-
WIA Youth Activities	17.259	CM-14-01M	395	-
Total WIA Cluster			679,257	42,982
Mohawk Valley Community College:				
Youth Build	17.274	CB-20550-10-60A-36	153,193	-
Total U.S. Department of Labor			2,009,454	166,846
U.S. Department of Education				
Direct Program:				
HESC College Access Program	84.378A	N/A	21,292	-
Total U.S. Department of Education			21,292	-
U.S. Department of Health and Human Services:				
Direct Program:				
Career Pathways	93.558	CO20655	250,448	-
Pride in Work	93.558	PIW-12-01-04	135,597	-
Total TANF Cluster			386,045	-
Total U.S. Department of Health and Human Services			386,045	-
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 2,416,791	\$ 166,846

**WORKFORCE DEVELOPMENT BOARD OF HERKIMER, MADISON AND ONEIDA
COUNTIES, INC.**

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016**

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Workforce Development Board of Herkimer, Madison and Oneida Counties, Inc. under programs of the federal government for the year ended June 30, 2016. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Workforce Development Board of Herkimer, Madison and Oneida Counties, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Workforce Development Board of Herkimer, Madison and Oneida Counties, Inc.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting and Cost Principles

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Indirect Costs

Workforce Development Board of Herkimer, Madison and Oneida Counties, Inc. has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

WORKFORCE DEVELOPMENT BOARD OF HERKIMER, MADISON AND ONEIDA COUNTIES, INC.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016**

A. SUMMARY OF AUDITOR'S RESULTS

1. The independent auditor's report expresses an unmodified opinion on whether the financial statements of Workforce Development Board were prepared in accordance with GAAP.
2. No significant deficiencies relating to the audit of the financial statements are reported in the 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*.
3. No instances of noncompliance material to the financial statements of Workforce Development Board, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award program are reported in the Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance.
5. The independent auditor's report on compliance for the major federal award program for the Workforce Development Board expresses an unmodified opinion on the major federal programs.
6. Audit findings that are required to be reported in accordance with 2 CFR section 200.516(a) are reported in this Schedule.
7. The program tested as a major program was: Reintegration of Ex-Offenders Cluster, CFDA #17.270
8. The threshold for distinguishing Types A and B programs was \$750,000.
9. The Workforce Development Board was determined to be a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

None

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

None

D. SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND CORRECTIVE ACTION PLAN

The audit for the year ended June 30, 2015, disclosed no findings that were required to be reported under Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Due to there being no audit findings in the current year or prior year, there is no corrective action plan to report.