

WORKFORCE ALLIANCE OF THE NORTH BAY

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2017

CliftonLarsonAllen LLP



WEALTH ADVISORY | OUTSOURCING | AUDIT, TAX, AND CONSULTING



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INDEPENDENT AUDITORS' REPORT

Board of Directors
Workforce Alliance of the North Bay
San Rafael, California

We have audited the accompanying financial statements of the governmental activities and each major fund of Workforce Alliance of the North Bay as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Workforce Alliance of the North Bay's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the 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.

Auditors' 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 of material misstatement.

An audit includes 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 Alliance'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 Alliance'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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Workforce Alliance of the North Bay as of June 30, 2017, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison for the General fund, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB), who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 28, 2018, on our consideration of the Workforce Alliance of the North Bay'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 solely 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 effectiveness of the Workforce Alliance of the North Bay's 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 Alliance of the North Bay's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

Roseville, California
March 28, 2018

**WORKFORCE ALLIANCE OF THE NORTH BAY
STATEMENT OF NET POSITION
JUNE 30, 2017**

Assets

Cash and investments in County Treasury	\$ 139,010
Due from other government agencies	<u>686,003</u>

Total Assets	<u>825,013</u>
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Liabilities

Accounts payable	<u>825,013</u>
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Total Liabilities	<u>825,013</u>
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Net Position

Unrestricted	<u>-</u>
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Total Net Position	<u><u>\$ -</u></u>
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See accompanying Notes to Basic Financial Statements.

**WORKFORCE ALLIANCE OF THE NORTH BAY
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2017**

Expenses	
Program services	\$ 2,794,068
Support services - general and administrative	<u>795,558</u>
Total Program Expenses	<u><u>3,589,626</u></u>
Program Revenues	
Operating grants and contributions	<u>3,589,626</u>
Total Program Revenues	<u><u>3,589,626</u></u>
Net Program Expense	<u>-</u>
Change in Net Position	-
Net position - Beginning of year	<u>-</u>
Net position - End of year	<u><u>\$ -</u></u>

See accompanying Notes to Basic Financial Statements.

**WORKFORCE ALLIANCE OF THE NORTH BAY
GOVERNMENTAL FUNDS BALANCE SHEET
JUNE 30, 2017**

Assets	
Cash and investments in County Treasury	\$ 139,010
Due from other government agencies	<u>686,003</u>
Total Assets	<u><u>\$ 825,013</u></u>
Liabilities	
Accounts Payable	<u>825,013</u>
Total Liabilities	825,013
Fund Balance	
Unassigned	<u>-</u>
Total Fund Balance	<u>-</u>
Total Liabilities and Fund Balance	<u><u>\$ 825,013</u></u>

See accompanying Notes to Basic Financial Statements.

**WORKFORCE ALLIANCE OF THE NORTH BAY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
YEAR ENDED JUNE 30, 2017**

	<u>General Fund</u>
Revenues	
Intergovernmental revenue	\$ 3,589,626
Total Revenues	<u>3,589,626</u>
Expenditures	
Program services	2,679,928
Support services - general and administrative:	
Professional services	852,706
Insurance	11,974
Office expense	11,545
Equipment rents/leases	5,623
Minor equipment	7,618
Training	1,447
Transportation and travel	18,785
Total Expenditures	<u>3,589,626</u>
Net Change in Fund Balance	-
Fund Balance - Beginning of year	<u>-</u>
Fund Balance - End of year	<u><u>\$ -</u></u>

See accompanying Notes to Basic Financial Statements.

WORKFORCE ALLIANCE OF THE NORTH BAY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Workforce Alliance of the North Bay (the Alliance) was formed in May 2016 as a Joint Powers Agency representing the region of Marin, Napa and Lake Counties. The Governing Board of the Alliance is comprised of two members of the Board of Supervisors from each member county, for a current total of six members. Although the Alliance is independent from the Marin County's Board of Supervisors, its financial activities are still processed through the Marin County Department of Finance.

The accounting policies of the Alliance conform to accounting principles generally accepted in the United States of America as applicable to governments.

B. Basis of Accounting

Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Nonexchange transactions, in which the Alliance gives (or receives) value without directly receiving (or giving) equal value in exchange include grants and entitlements are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when they are both measurable and available. Measurable means the amount of the transaction can be determined and available means collectible in the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt, as well as compensated absences and claims and judgments are recorded only when payment is due. General capital acquisitions are reported as expenditures in governmental funds.

C. Basis of Presentation

Government-Wide Financial Statements

The statement of net position and statement of activities display information about the primary government (the Alliance). These statements include the financial activities of the overall government.

The statement of activities demonstrates the degree to which the program expenses of a given function are offset by program revenues. Program expenses include direct expenses, which are clearly identifiable with a specific function. Program revenues include grants and contributions that are restricted to meeting the operational requirements of a particular program. Revenues that are not classified as program revenues are presented instead as general revenues.

WORKFORCE ALLIANCE OF THE NORTH BAY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Presentation (Continued)

Fund Financial Statements

The fund financial statements provide information about the Alliance's funds. The emphasis of fund financial statements is on major governmental funds, each displayed in separate columns. All remaining governmental funds (if any) are separately aggregated and reported as nonmajor funds.

The Alliance reports the following major governmental funds:

General Fund – This fund accounts for all the financial resources not required to be accounted for in another fund. This fund consists primarily of public assistance type activities.

D. Equity Classifications

In the fund financial statements, in accordance with GASB Statement No. 54, “*Fund Balance Reporting and Governmental Fund Type Definitions*,” governmental funds report balances as nonspendable, restricted, committed assigned or unassigned based primarily on the extent the Alliance is bound to honor constraints on how specific amounts can be spent.

- *Nonspendable Fund Balance* – consists of amounts that are not in a spendable form or are required to be maintained intact.
- *Restricted Fund Balance* – consists of amounts that can be spent only for the specific purposes stipulated by external resource providers, constitutionally, or through enabling legislation.
- *Committed Fund Balance* – consists of amounts that can be used only for the specific purposes determined by a formal action (resolution) of the Alliance's highest level of decision-making authority (the board of directors) and do not lapse at year-end.
- *Assigned Fund Balance* – consists of amounts intended for a specific purpose by the board of directors or by a Alliance official that has been delegated authority to adding amounts.
- *Unassigned Fund Balance* – consists of any remaining fund balance that has not been reported in any other classification.

Per the Alliance's Policy, when an expenditure occurs that can be funded by more than one classification of fund balance the Alliance considers fund balance to be spent in the following order: first restricted, then committed, then assigned, and finally unassigned.

**WORKFORCE ALLIANCE OF THE NORTH BAY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Equity Classifications

The Alliance classifies its net position into three components: net investment in capital assets, restricted net position, and unrestricted net position.

- *Net Investment in Capital Assets* consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of these assets.
- *Restricted net position* are financial resources generated for a specific purpose such as construction of improvements and financing of debt obligations. These amounts are restricted, as their use is limited by applicable bond covenants or other external requirements.
- *Unrestricted* are all other net assets that do not meet the definition of "net investment in capital assets" or "restricted."

E. 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 expenditures/expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 CASH AND INVESTMENTS

Cash and investments at June 30, 2017 consisted of the following:

Cash and Investments in the County Treasury	\$ 139,010
Total Cash and Investments	\$ 139,010

A. Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of and investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. Information about the sensitivity of the fair values of the Alliance's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the Alliance's investment maturity:

Investment Type	Total	Remaining Maturity (in Months)	
		12 Months or Less	13-48 Months
County of Marin	\$ 139,010	\$ 139,010	\$ -
	\$ 139,010	\$ 139,010	\$ -

WORKFORCE ALLIANCE OF THE NORTH BAY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

B. Concentrations of Credit Risk

The Alliance's cash and investments are held with the County of Marin. Refer to the County of Marin financial statements for the required disclosure information for the concentrations of credit risk.

C. Custodial Credit Risk

The Alliance's cash and investments are held with the County of Marin. Refer to the County of Marin financial statements for the required disclosure information for the custodial credit risk.

D. Investment in Government Pool

Investments are accounted for in accordance with the provisions of GASB Statement 31, which requires governmental entities to report certain investments at fair value in the balance sheet and recognize the corresponding change in fair value of investments in the year in which the change occurred. The Alliance reports its investment in the County of Marin investment pool at fair value based on quoted market information obtained from fiscal agents or other sources if the change is material to the financial statements.

NOTE 3 PENSION

The employees who work for the Alliance are employees of the member Counties of Napa, Marin and Lake. These employees are covered under the retirement plan of their respective County. Required disclosure information regarding employees' retirement plan can be found in the County's audited financial statements.

NOTE 4 CONTINGENT LIABILITIES

Grants are subject to audit to determine compliance with their requirements. Alliance officials believe that if any refunds are required, they would not have a significant effect on the financial condition or liquidity of the Alliance.

The Alliance is unaware of any pending litigation or other contingencies which would have a material effect on the financial condition or liquidity of the Alliance. In the normal course of business, the Alliance is a subject to various lawsuits. In the opinion of the General Counsel to the Alliance, payment of claims by the Alliance for amounts not covered by insurance, in the aggregate, are not expected to have a material adverse effect on their financial position.

**WORKFORCE ALLIANCE OF THE NORTH BAY
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2017**

	Budgeted Amounts		Actual	Variance
	Original	Final		
REVENUES				
Intergovernmental Revenues				
Federal - Other	\$ 847,806	\$ 847,806	\$ 913,226	\$ 65,420
Federal - Displaced Worker	1,135,651	1,135,651	931,458	(204,193)
Federal - Youth Programs	980,938	980,938	706,262	(274,676)
Federal - Rapid Response	488,342	488,342	231,058	(257,284)
Miscellaneous Revenue	802,800	802,800	807,622	4,822
Total Revenues	<u>4,255,537</u>	<u>4,255,537</u>	<u>3,589,626</u>	<u>(665,911)</u>
EXPENDITURES				
Professional services	1,269,585	1,269,585	852,706	416,879
Services and Supplies	152,195	152,195	24,786	127,409
Insurance	15,000	15,000	11,974	3,026
Training and Travel	70,000	70,000	20,232	49,768
Support and Care of Clients	<u>2,748,757</u>	<u>2,748,757</u>	<u>2,679,928</u>	<u>68,829</u>
Total Expenditures	<u>4,255,537</u>	<u>4,255,537</u>	<u>3,589,626</u>	<u>665,911</u>
NET CHANGE IN FUND BALANCES	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	-	<u><u>\$ -</u></u>
Fund Balance - July 1, 2016			-	
FUND BALANCE - JUNE 30, 2017			<u><u>\$ -</u></u>	

See accompanying Notes to Required Supplementary Information.

WORKFORCE ALLIANCE OF THE NORTH BAY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2017

NOTE 1 BUDGETS AND BUDGETARY ACCOUNTING

As required by State law the Alliance prepares and legally adopts a final operating budget. Public hearings were conducted on the proposed and final budget to review all appropriations and the sources of financing.

The budget for the general fund is adopted on the modified accrual basis of accounting. At the object level, actual expenditures cannot exceed budgeted appropriations. Management can transfer budgeted amounts between expenditure accounts within an object without the approval of the board of directors. Significant amendments and appropriation transfers between objects or funds must be approved by the board of directors. Appropriations lapse at fiscal year-end.

The budgetary data presented in the accompanying financial statements includes all revisions approved by the board of directors.

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Directors
Workforce Alliance of the North Bay
San Rafael, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Workforce Alliance of the North Bay (Alliance) as of and for the fiscal year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Alliance's basic financial statements and have issued our report thereon dated March 28, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Alliance's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Alliance's internal control. Accordingly we do not express an opinion on the effectiveness of the Alliance'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 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs (2017-001), that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Alliance’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 the 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*.

Workforce Alliance of the North Bay’s Response to Findings

The Alliance's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Alliance’s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 Alliance'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 Alliance's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CliftonLarsonAllen LLP

Roseville, California
March 28, 2018



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

Board of Directors
Workforce Alliance of the North Bay
San Rafael, California

Report on Compliance for Major Federal Program

We have audited Workforce Alliance of the North Bay's (the Alliance) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Compliance Supplement that could have a direct and material effect on the Alliance's major federal program for the year ended June 30, 2017. The Alliance'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.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance of the Alliance's major federal program 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 the Alliance'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 of the major federal program. However, our audit does not provide a legal determination of the Alliance's compliance.

Opinion on Major Federal Program

In our opinion, the Alliance complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2017.

Report on Internal Control Over Compliance

Management of the Alliance 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 the Alliance's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance of the 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 the Alliance'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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, and each major fund, of the Alliance, as of and for the year ended June 30, 2017, and have issued our report thereon dated March 28, 2018, which contained an unmodified opinion on those financial statements. 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 is presented for purposes of additional analysis as required by the Uniform Guidance 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 schedule of expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

CliftonLarsonAllen LLP

Roseville, California
March 28, 2018

**WORKFORCE ALLIANCE OF THE NORTH BAY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2017**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Disbursements/ Expenditures	Expenditures to Subrecipients
U.S. Department of Labor				
Passed through State Employment and Training Administration:				
WIOA - Adult Programs	17.258	K6103539	23,520	23,520
WIOA - Adult Programs	17.258	K7103540	889,706	889,706
WIOA - Youth Activities	17.259	K6103539	350,016	350,016
WIOA - Youth Activities	17.259	K7103540	356,246	356,246
WIOA - Dislocated Worker Formula Grant	17.278	K6103539	219,266	219,266
WIOA - Dislocated Worker Formula Grant	17.278	K7103540	712,192	712,192
WIOA - Rapid Response Layoff Aversion	17.278	K6103539	5,625	5,625
WIOA - Rapid Response Layoff Aversion	17.278	K7103540	225,433	225,433
WIOA - WAF 3.0 New Accelerator	17.258	K6103539	147,041	147,041
WIOA - Develop and Implement Regional Decisions Project	17.278	K6103539	209,377	209,377
Subtotal WIOA Cluster			3,138,422	3,138,422
WIOA - National Emergency Grant	17.277	K7103540	42,110	42,110
Total U.S. Department of Housing and Urban Development			3,180,532	3,180,532
Total Expenditures of Federal Awards			\$ 3,180,532	\$ 3,180,532

See accompanying Notes to Schedule of Expenditures of Federal Awards.

**WORKFORCE ALLIANCE OF THE NORTH BAY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2017**

NOTE 1 REPORTING ENTITY

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards programs of the Workforce Alliance of the North Bay (the Alliance). The Alliance's reporting entity is defined in Note 1 to the basic financial statements. All federal awards received directly from federal agencies as well as federal awards passed through other government agencies are included in the schedule.

NOTE 2 BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards is prepared on the modified 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 to reimbursement.

NOTE 3 RELATIONSHIP TO FINANCIAL STATEMENTS

The amounts reported in the accompanying Schedule of Expenditures of Federal Awards agree, in all material respects, to amounts reported within the Alliance's financial statements.

NOTE 4 INDIRECT COST RATE

The Alliance elected not to use the 10% de minimis indirect cost rate as covered in 2 CFR §200.414.

NOTE 5 CATALOG OF FEDERAL DOMESTIC (CFDA) NUMBERS

The program titles and CFDA numbers were obtained from the federal or pass-through grantor or the 2017 *Catalog of Federal Domestic Assistance*. When no CFDA number had been assigned to a program, the two-digit federal agency identifier and the federal contract number were used. When there was no federal contract number, the two-digit federal agency identifier and the word "unknown" were used.

NOTE 6 PASS-THROUGH ENTITIES' IDENTIFYING NUMBER

When federal awards were received from a pass-through entity, the schedule of expenditures of federal awards shows, if available, the identifying number assigned by the pass-through entity. When no identifying number is shown, the Alliance determined that no identifying number is assigned for the program or the Alliance was unable to obtain an identifying number from the pass-through entity.

**WORKFORCE ALLIANCE OF THE NORTH BAY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017**

Section I - Summary of Auditors' Results

Financial Statements

1. Type of Auditors' Report Issued: Unmodified
2. Internal Control over Financial Reporting:
- Material Weakness(es) Identified X Yes No
 - Significant Deficiency(ies) Identified Yes None Reported
Not Considered to be Material Weakness(es)
3. Noncompliance Material to Financial Statements Noted Yes X No

Federal Awards

1. Internal Control over Major Programs:
- Material Weakness(es) Identified Yes X No
 - Significant Deficiency(ies) Identified Yes None Reported
Not Considered to be Material Weakness(es)
2. Type of Auditors' Report Issued on Compliance for the Major Program: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance: Yes X No
4. Identification of major programs:
- | <u>CFDA Number</u> | <u>Name of Federal Program</u> |
|------------------------|--|
| 17.258, 17.259, 17.278 | Workforce Innovation and Opportunity Act |
5. Dollar threshold used to distinguish between type A and type B programs: \$ 750,000
6. Auditee qualified as low-risk auditee? Yes X No

**WORKFORCE ALLIANCE OF THE NORTH BAY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017**

Section II – Financial Statement Findings

2017-001 – Year-end Closing Process

Type of Finding:

- Material Weakness in Internal Control over Financial Reporting

Condition: During our audit, we noted two invoices for services performed prior to June 30, 2017 totaling \$ 400 thousand that were not accrued by the Alliance. Since the Alliance is reimbursed by other agencies for all expenditures incurred, unrecorded expenditures also resulted in unrecorded accounts receivable. An additional \$200 thousand of revenues for reimbursable expenditures were not accrued.

Criteria: Generally accepted accounting principles (GAAP) requires that expenditures for goods and services be recorded to the correct period regardless of when the payment is made. In addition, GAAP requires that governmental funds recognize revenue as soon as it becomes measurable and available.

Context: This was the first year of operations for the Alliance and management was not able to develop financial reporting policies and procedures to ensure that all activities of the Alliance were reported in the correct period. In addition, the Alliance's Schedule of Expenditures of Federal Awards (SEFA) had not been prepared prior to the start of our audit.

Effect: The fund financial statements for the General Fund understated expenditures by \$400 thousand and revenues by \$600 thousand

Cause: The Alliance relies on contract staff at the County of Marin to maintain its accounting records. The Alliance and the County's program staff did not identify the two invoices for services provided prior to June 30, 2017 and therefore, the expenditures and liabilities were not recorded in the proper period.

Recommendation: We recommend that the Alliance develop year-end closing procedures that include analyzing invoices received after year-end to determine proper period reporting. In addition, the Alliance should review its revenue and reimbursement requests to ensure that revenues and receivables are complete and information from this review can be used to ensure that the Alliance's Schedule of Expenditures of Federal Awards is also complete.

Management Response: We have sought out assistance from a contractor to overlook the daily accounting functions of the Alliance to ensure proper accounting is done timely and accurately.