



Connecting Employers to a Ready Workforce

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ANNUAL FINANCIAL REPORT

**FOR THE YEAR ENDED
JUNE 30, 2020**

**PREPARED BY
FINANCE DEPARTMENT
JIM KOSTECKI, CHIEF FINANCIAL OFFICER**

Workforce Connections
ANNUAL FINANCIAL REPORT
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FOR THE YEAR ENDED JUNE 30, 2020

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FINANCIAL SECTION



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Independent Auditor's Report

Board of Directors
Workforce Connections
Las Vegas, Nevada

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, and the major fund of Workforce Connections (the "Organization"), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Organization'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 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 opinions 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 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 the major fund of the Organization, as of June 30, 2020, and the respective changes in financial position thereof for the year then ended in accordance 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 management's discussion and analysis, proportionate share of the collective net pension liability information, and the proportionate share of statutorily required pension contribution information on pages 4-11 and 34-36 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 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Organization's basic financial statements. The 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* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The 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 the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards, 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 fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The 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* has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 2, 2021 on our consideration of the Organization'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 Organization'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 the Organization's internal control over financial reporting and compliance.

BDO USA, LLP

March 2, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

WORKFORCE CONNECTIONS

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2020

As management of Workforce Connections (the Organization), we offer readers of the Annual Financial Report this narrative overview and analysis of the financial activities of the Organization as of and for the fiscal year ended June 30, 2020.

The Organization was established in 2000 under the provisions of the Workforce Investment Act of 1998 (the Act). The Organization's mission is "connecting employers to a ready workforce." On July 22, 2014, President Obama signed the Workforce Innovation and Opportunity Act (WIOA) (Pub. L. 113-128), comprehensive legislation that reformed and modernized the public workforce system. WIOA reaffirmed the role of the public workforce system, and brought together and enhanced several key employment, education, and training programs. The Organization is charged with implementing workforce development activities throughout Southern Nevada. Generally, these include increasing occupational skill attainment to improve the quality of the workforce, reducing welfare dependency and enhancing the productivity and competitiveness of the Southern Nevada economy. The Organization's service area is made up of the cities of Las Vegas, North Las Vegas, Henderson and Boulder City and the counties of Clark, Lincoln, Nye and Esmeralda. The Organization receives a significant amount of its funding from federal grants, either directly from the United States Department of Labor, Employment and Training Administration or passed through the State of Nevada, Department of Employment, Training and Rehabilitation.

Financial Highlights

The government-wide liabilities and deferred inflows of resources of the Organization exceeded its assets and deferred outflows of resources at the close of the most recent fiscal year by \$4,848,188 (deficit net position). This deficit is due primarily to the net pension liability and related deferred outflows and inflows (collectively \$5,988,021 as of June 30, 2020). The increase in current assets is due to an increase in accounts receivables of \$511,788. The accounts receivable balance increase is related to the increased program funding received at year-end and the associated reimbursement requests related to expenditures incurred in fulfillment of the related program activity. The increase in current liabilities is due to an increase in accounts payable of \$613,645 related to the increase in expenditures at the end of the year. The decrease in net capital assets primarily relates to asset depreciation exceeding new additions during the year.

As of the close of the current fiscal year, the Organization's general fund (its sole governmental fund) reported an ending fund balance of \$319,022, an increase of \$94,255 in comparison with the prior year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Organization's basic financial statements. The Organization's basic financial statements consist of three components 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Organization's finances in a manner similar to a private-sector business. The government-wide financial statements present information for the Organization's activities, which consist solely of governmental activities.

The statement of net position presents information on all of the Organization's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Organization is improving or deteriorating.

(Continued)

WORKFORCE CONNECTIONS

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2020

The statement of activities presents information showing how the Organization's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows only in future fiscal periods (e.g., earned but unused compensated absences).

The government wide financial statements can be found in the "Basic Financial Statements" section of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain accounting control over resources that have been segregated for specific activities or objectives. The Organization, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Organization does not currently maintain any proprietary or fiduciary funds. The Organization's sole fund, the general fund, is categorized as a governmental fund.

Governmental Funds

Governmental funds are used to account for the same functions, essentially as are reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, fund financial statements focus on near-term inflows and outflows of expendable resources, as well as on balances of expendable resources available at fiscal year-end. Such information may be useful in evaluating the Organization's near-term financing requirements and performance.

Because the focus of fund financial statements is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Organization's near-term financing decisions. Reconciliations are provided for both the balance sheet and the statement of revenues, expenditures and changes in fund balances in the governmental fund financial statements to facilitate this comparison.

The governmental fund financial statements can be found in the "Basic Financial Statements" section of this report.

Notes to Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The notes to the basic financial statements can be found immediately following the "Basic Financial Statements" section of this report.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information related to the Organization's multiple-employer cost-sharing defined benefit pension plan.

The required supplementary information can be found immediately following the notes to the basic financial statements in this report.

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WORKFORCE CONNECTIONS

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2020

Government-wide Financial Analysis

Summary Statement of Net Position

	Governmental Activities	
	2020	2019
Assets		
Current, restricted and other	\$ 3,679,903	\$ 2,895,460
Capital, net of accumulated depreciation	247,198	289,117
Total assets	<u>3,927,101</u>	<u>3,184,577</u>
Deferred outflows of resources	<u>686,566</u>	<u>718,455</u>
Liabilities		
Current	3,225,250	2,560,537
Long-term	4,109,585	5,407,792
Total liabilities	<u>7,334,835</u>	<u>7,968,329</u>
Deferred inflows of resources	<u>2,127,020</u>	<u>1,258,360</u>
Net position		
Net investment in capital assets	203,957	222,180
Restricted	195,284	
Unrestricted	(5,247,429)	(5,545,837)
Total net position	<u>\$ (4,848,188)</u>	<u>\$ (5,323,657)</u>

Historically, the largest portion of the Organization's net position reflected its investment in capital assets (furniture, equipment and software), less any related debt used to acquire these assets, which are used to provide services; consequently, these assets are not available for future spending.

Although the Organization's investments in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

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WORKFORCE CONNECTIONS

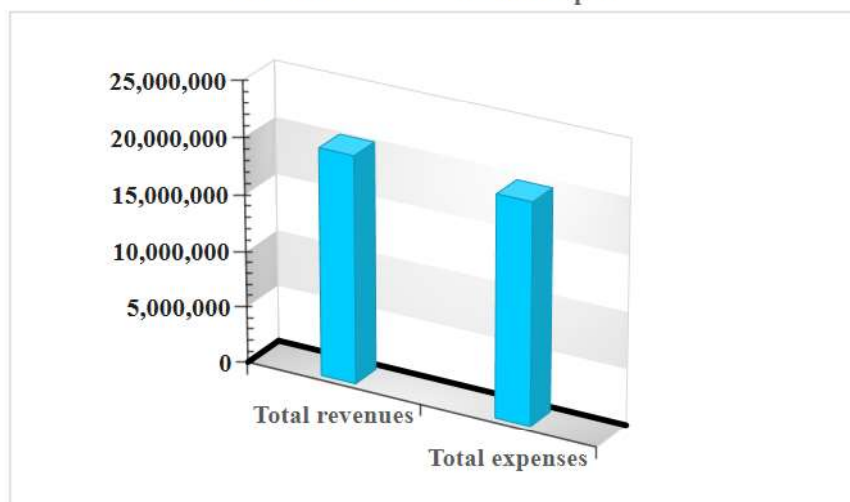
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2020

Summary Statement of Changes in Net Position

	Governmental Activities	
	2020	2019
Revenues		
Program revenues		
Charges for services	\$ 40,430	\$ 76,511
Operating grants and contributions	20,140,934	19,375,395
Gain on disposal of capital assets		<u>4,599</u>
Total revenues	<u>20,181,364</u>	<u>19,456,505</u>
Expenses		
Community support	19,702,079	19,537,922
Interest expense	<u>3,816</u>	<u>3,247</u>
Total expenses	<u>19,705,895</u>	<u>19,541,169</u>
Change in net position	475,469	(84,664)
Net position, beginning of year	<u>(5,323,657)</u>	<u>(5,238,993)</u>
Net position, end of year	<u><u>\$ (4,848,188)</u></u>	<u><u>\$ (5,323,657)</u></u>

**Governmental Activities
Current Year Revenues and Expenses**

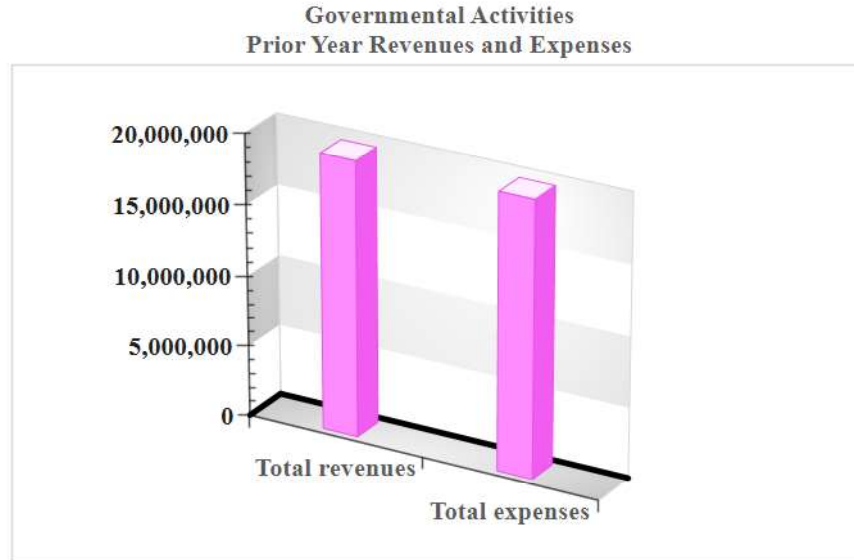


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WORKFORCE CONNECTIONS

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2020



Community support expense increased by approximately \$0.16 million (0.8%). This change pertains to the receipt and expenditure of additional Rapid Response funding from the State during the fiscal year.

Fund Financial Analysis

As previously noted, the Organization uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Organization's governmental fund financial statements provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the Organization's financing requirements. The general fund is the chief operating fund of the Organization.

Governmental Funds

Governmental Funds
Summary Balance Sheet

	2020	2019
Total assets	\$ 3,560,595	\$ 2,785,304
Total liabilities	3,225,250	2,560,537
Total deferred inflows of resources	16,323	
Total fund balance	319,022	224,767

(Continued)

WORKFORCE CONNECTIONS

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2020

Governmental Funds
Summary Statement of Revenues, Expenditures and Changes in Fund Balance

	2020	2019
Total revenues	\$ 20,165,041	\$ 19,506,444
Total expenditures	(20,070,786)	(19,551,825)
Total other financing sources		111,139
Change in fund balance	94,255	65,758
Fund balance, beginning of year	224,767	159,009
Fund balance, end of year	\$ 319,022	\$ 224,767

As of the end of the current fiscal year, the Organization's sole governmental fund (the general fund) reported an ending fund balance of \$319,022 an increase of \$94,255 in comparison with the prior year.

Total revenues increased \$658,597 (3.4%) and total expenditures increased \$518,961 (2.7%) with most of these changes resulting from an increase in WIOA – Rapid Response funding received from the State in fiscal year 2020.

Capital Assets

At the end of the current fiscal year, the Organization's capital assets (furniture, equipment, software and leasehold improvements), net of accumulated depreciation and amortization was \$289,117, compared to \$343,371 in prior year (a decrease of 15.8%).

Capital Assets, Net of Accumulated Depreciation and Amortization

	Governmental Activities	
	2020	2019
Construction in progress	\$ 14,900	\$
Furniture, equipment and software	225,602	289,117
Leasehold improvements	6,696	
	\$ 247,198	\$ 289,117

Major capital asset events during the current fiscal year included, but were not limited to, the following:

Furniture, equipment and software were purchased at a cost of \$48,864.

Disposals of furniture, equipment, and software at cost value totaled \$99,107.

Depreciation and amortization on disposal of capital assets totaled \$102,706.

Additional detailed information regarding capital assets is included in notes 1 and 3 to the basic financial statements.

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WORKFORCE CONNECTIONS

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2020

Summary of Long-term Liabilities Outstanding

	Governmental Activities	
	2020	2019
Compensated absences	\$ 205,343	\$ 157,232
Lease obligations	43,241	66,937
Net pension liability	<u>3,861,001</u>	<u>5,183,623</u>
	<u>\$ 4,109,585</u>	<u>\$ 5,407,792</u>

Long-term liabilities decreased \$1,298,207 from the prior year. This decrease was primarily due to the following items:

Decreases in lease obligations due to scheduled payments.

Decreases in net pension liability due to the change in allocation by PERS from 0.03801% in prior year to 0.02831% in the current year.

Additional detailed information regarding debt is included in Notes 1 and 3 to the basic financial statements.

Economic Factors

The following factors were considered in planning, preparing and budgeting for the 2020 fiscal year.

In late January 2020, the World Health Organization (WHO) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the COVID-19 pandemic) and the risks to the international community as the virus spread globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic based on the rapid increase in exposure globally. In addition, on March 12, 2020, the Governor of Nevada declared a state of emergency to protect and preserve public health and safety effective March 17, 2020.

The full impact of the COVID-19 pandemic continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Organization's financial condition, liquidity, and future results of operations. The Organization's management is actively monitoring the impact of the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce.

At various times during 2020, the administrations of the State of Nevada extended emergency declarations and refined emergency orders to allow for a measured expansion of economic and social activities within the state. Municipal facilities, businesses, recreational, cultural, and civic facilities have reopened with some restrictions and new measures designed to preserve the health of patrons and the public.

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WORKFORCE CONNECTIONS

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2020

The restrictions implemented in response to COVID-19 contributed to an rise in unemployment rates. Unemployment rates for the United States, the State of Nevada, and the counties of Clark, Lincoln, Nye and Esmeralda were as follows:

Unemployment Rates *

	October 2020	October 2019
United States	6.6 %	3.3 %
State of Nevada	12.4 %	3.7 %
Clark County	13.8 %	4.0 %
Lincoln County	4.7 %	3.5 %
Nye County	9.0 %	4.8 %
Esmeralda County	5.4 %	4.5 %

* Source: State of Nevada, Department of Employment, Training and Rehabilitation, Research & Analysis Bureau.

Grant awards received for the fiscal year include WIOA Adult, Youth and Dislocated Workers grants received from the United States Department of Labor, passed through the State of Nevada, Department of Employment, Training and Rehabilitation of \$20,181,364.

Requests for Information

The accompanying financial report is designed to provide a general overview of the Organization's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Organization's Finance Department, 6330 West Charleston Boulevard, Suite 150, Las Vegas Nevada, 89146.

BASIC FINANCIAL STATEMENTS

**GOVERNMENT-WIDE
FINANCIAL STATEMENTS**

WORKFORCE CONNECTIONS

STATEMENT OF NET POSITION

JUNE 30, 2020

	<u>Governmental Activities</u>
ASSETS	
Cash, cash equivalents and investments, unrestricted	\$ 123,738
Cash, cash equivalents and investments, restricted	460,717
Federal grants receivable	2,940,927
Subrecipients receivable	32,219
Other receivable	2,994
Prepaid items	61,860
Refundable deposits	57,448
Capital assets, net of accumulated depreciation and amortization	
Construction in progress	14,900
Furniture, equipment and software	225,602
Leasehold improvements	<u>6,696</u>
Total assets	<u>3,927,101</u>
DEFERRED OUTFLOWS OF RESOURCES	
Unamortized amounts related to pensions	<u>686,566</u>
LIABILITIES	
Accounts payable	3,051,744
Accrued salaries and wages	89,310
Unearned revenue	84,196
Long-term liabilities, due within one year	
Compensated absences	205,343
Capital lease obligations	25,357
Long-term liabilities, due in more than one year	
Net pension liability	3,861,001
Capital lease obligations	<u>17,884</u>
Total liabilities	<u>7,334,835</u>
DEFERRED INFLOWS OF RESOURCES	
Unamortized amounts related to pensions	<u>2,127,020</u>
NET POSITION	
Net investment in capital assets	203,957
Restricted for	
Community support	195,284
Unrestricted	<u>(5,247,429)</u>
Total net position	<u>\$ (4,848,188)</u>

See notes to basic financial statements.

WORKFORCE CONNECTIONS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2020

		Program Revenues			Net (Expenses) Revenues and Change in Net Position
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
FUNCTION/PROGRAM					
Governmental activities					
Community support	\$ 19,702,079	\$ 40,430	\$ 20,140,934	\$	\$ 479,285
Debt service					
Interest expense	<u>3,816</u>				<u>(3,816)</u>
Total governmental activities	<u>\$ 19,705,895</u>	<u>\$ 40,430</u>	<u>\$ 20,140,934</u>	<u>\$</u>	
CHANGE IN NET POSITION					475,469
NET POSITION, BEGINNING OF YEAR					<u>(5,323,657)</u>
NET POSITION, END OF YEAR					<u>\$ (4,848,188)</u>

See notes to basic financial statements.

FUND FINANCIAL STATEMENTS

WORKFORCE CONNECTIONS

GOVERNMENTAL FUNDS BALANCE SHEET JUNE 30, 2020

	<u>General Fund</u>
ASSETS	
Cash, cash equivalents and investments, unrestricted	\$ 123,738
Cash, cash equivalents and investments, restricted	460,717
Receivables	
Federal grants	2,940,927
Subrecipients	32,219
Other	<u>2,994</u>
Total assets	<u>\$ 3,560,595</u>
LIABILITIES	
Accounts payable	\$ 3,051,744
Accrued salaries and wages	89,310
Unearned revenue, current	<u>84,196</u>
Total liabilities	<u>3,225,250</u>
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue, grants	<u>16,323</u>
FUND BALANCE	
Restricted for	
Community support	195,284
Unassigned	<u>123,738</u>
Total fund balance	<u>319,022</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 3,560,595</u>

See notes to basic financial statements.

WORKFORCE CONNECTIONS

RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION - GOVERNMENTAL ACTIVITIES JUNE 30, 2020

FUND BALANCE, GOVERNMENTAL FUNDS		\$	319,022
Amounts reported in the statement of net position are different because:			
Capital assets used in governmental activities are not current financial resources; and therefore, are not reported in governmental funds:			
Capital assets		\$	2,909,335
Less accumulated depreciation			<u>(2,662,137)</u>
			247,198
Prepaid expenses and refundable deposits represent current fund expenditures that benefit future periods; and therefore, are not reported in governmental funds:			
Prepaid items			61,860
Refundable deposits			<u>57,448</u>
			119,308
Long-term liabilities are not due and payable in the current period; and therefore, are not reported in governmental funds:			
Compensated absences payable			(205,343)
Net pension liability			(3,861,001)
Deferred outflows related to pensions			686,566
Deferred inflows related to pensions			(2,127,020)
Capital lease obligations			<u>(43,241)</u>
			(5,550,039)
Unavailable revenue represents amounts that were not available to fund current expenditures; and therefore, are not reported in governmental funds:			
			<u>16,323</u>
NET POSITION, GOVERNMENTAL ACTIVITIES		\$	<u><u>(4,848,188)</u></u>

See notes to basic financial statements.

WORKFORCE CONNECTIONS

GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES FOR THE YEAR ENDED JUNE 30, 2020

	<u>General Fund</u>
REVENUES	
Intergovernmental grants	
Federal	\$ 20,004,611
Other contributions	120,000
Program income	<u>40,430</u>
Total revenues	<u>20,165,041</u>
EXPENDITURES	
Current - community support	
Adult program	10,157,838
Youth activities program	4,877,000
Dislocated workers program	4,020,683
Administration	89,674
Other grants	<u>826,874</u>
Total current - community support	<u>19,972,069</u>
Capital outlay - community support	
Administration	<u>71,204</u>
Debt service	
Principal payments	23,697
Interest expense	<u>3,816</u>
Total debt service	<u>27,513</u>
Total expenditures	<u>20,070,786</u>
CHANGE IN FUND BALANCE	94,255
FUND BALANCE, BEGINNING OF YEAR	<u>224,767</u>
FUND BALANCE, END OF YEAR	<u><u>\$ 319,022</u></u>

See notes to basic financial statements.

WORKFORCE CONNECTIONS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - GOVERNMENTAL ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2020

CHANGE IN FUND BALANCE, GOVERNMENTAL FUNDS	\$	94,255
Amounts reported in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of capital assets is capitalized and depreciated over their estimated useful lives:		
Expenditures for capital assets	\$	71,204
Less current year depreciation		<u>(113,123)</u>
		(41,919)
Revenues in the statement of activities, which do not provide current financial resources are not reported as revenues in governmental funds. Some revenues reported in the governmental funds result from interfund transactions; and therefore, are not reported in the statement of activities:		
		16,323
Debt (capital leases) proceeds provide current financial resources to governmental funds, but issuing debt increases liabilities in the statement of net position. Repayment of debt principal is an expenditure in governmental funds, but the repayment reduces liabilities in the statement of net position. This is the amount by which repayments exceeded debt issued		
		23,697
Some expenses reported in the statement of activities do not require the use of current financial resources; and therefore, are not reported as expenditures in governmental funds:		
Change in net pension liability and related deferred outflows and inflows of resources		422,072
Change in compensated absences payable		<u>(48,111)</u>
		373,961
Some expenditures reported in governmental funds benefit a future period or result from interfund transactions; and therefore, are not reported in the statement of activities:		
Change in prepaid items		10,152
Change in refundable deposits		<u>(1,000)</u>
		<u>9,152</u>
CHANGE IN NET POSITION, GOVERNMENTAL ACTIVITIES	\$	<u><u>475,469</u></u>

**NOTES TO BASIC
FINANCIAL STATEMENTS**

WORKFORCE CONNECTIONS

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

Note 1. Summary of Significant Accounting Policies

Reporting Entity

Workforce Connections (the Organization) was established in 2000, under the provisions of the Workforce Investment Act of 1998 (the Act). This was replaced by the Workforce Innovation and Opportunity Act in 2014. The Organization's mission is "connecting employers to a ready workforce." The Organization is charged with implementing workforce investment activities throughout Southern Nevada. Generally, these include increasing occupational skill attainment to improve the quality of the workforce, reducing welfare dependency and enhancing the productivity and competitiveness of the Southern Nevada economy. The Organization's service area is made up of the cities of Las Vegas, North Las Vegas, Henderson and Boulder City and the counties of Clark, Lincoln, Nye and Esmeralda. The Local Elected Official Consortium, which is comprised of an elected official from each of the above, is responsible for appointing members from the public and private sectors to the Organization's governing body. The Organization's governing body is comprised of 23 members. The Act requires that a majority of governing body members must be representatives from the private sector. Members representing businesses must be individuals who are owners, chief executive officers, chief operating officers or other individuals with optimum policy-making or hiring authority. Private sector members are appointed from among individuals nominated by local business organizations and business trade associations. Public sector members represent the required partners in the One-Stop system. Additionally, two representatives each are appointed from economic development, education, organized labor and community-based organizations. The governing body elects a chair from among the private sector representatives.

Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, as amended by Statement No. 39, *Determining Whether Certain Organizations are Component Units*, Statement No. 61, *The Financial Reporting Entity: Omnibus*, and Statement No. 80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14*, defines the reporting entity as the primary government and those component units for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government is such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Financial accountability is defined as the appointment of a voting majority of the entity's governing body, and either the ability of the primary government to impose its will on the entity or the possibility that the entity will provide a financial benefit to or impose a financial burden on the primary government. In addition to financial accountability, component units can be other entities in which the economic resources received or held by that entity are entirely or almost entirely for the direct benefit of the primary government, the primary government is entitled to or has the ability to otherwise access a majority of the economic resources received or held by that entity and the resources to which the primary government is entitled or has the ability to otherwise access are significant to the primary government.

The Organization examined its position relative to the cities of Las Vegas, North Las Vegas, Henderson and Boulder City and the counties of Clark, Lincoln, Nye and Esmeralda and determined that there are no requirements of GASB Statement No. 14, as amended, that would cause the basic financial statements of the Organization to be included in any of the entities' basic financial statements, and no other entities were determined to be component units of the Organization.

Basic Financial Statements

The government-wide financial statements include a statement of net position and a statement of activities. The government-wide financial statements present information for the Organization's activities, which consist solely of governmental activities that are accounted for in a single governmental fund, the general fund.

(Continued)

WORKFORCE CONNECTIONS

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2020

Included in the statement of net position are capital assets, prepaid items, refundable deposits and long-term liabilities including lease obligations, pension obligations and compensated absences. Net position is classified in three categories 1) net investment in capital assets, 2) restricted, and 3) unrestricted.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions, which are restricted to meeting the operational or capital requirements of a particular function or segment. Other revenues, not restricted for use by a particular function or segment, are reported as general revenues.

Fund financial statements are provided for the Organization's sole governmental fund, the general fund. Fund financial statements include a balance sheet and a statement of revenues, expenditures and changes in fund balance. Schedules are presented to reconcile the fund financial statements to the government-wide financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

Government-Wide Financial Statements

The government-wide financial statements are presented 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 the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental Fund Financial Statements

The fund financial statements are presented using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned and become both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, revenues are considered to be available when they are collected within 60 days of year end. The primary revenue sources, which have been treated as susceptible to accrual by the Organization, are interest, cost reimbursements and intergovernmental revenues (federal grants). All other revenue sources are considered to be measurable and available only when cash is received by the Organization. Expenditures generally are recorded when the liability is incurred, as under accrual accounting. However, expenditures related to long-term debt, compensated absences, pension obligations, and claims and judgments, if any, are recorded only when payment is due.

The Organization classifies and reports the following as a major governmental fund:

General Fund. The general fund is the general operating fund of the Organization. It is used to account for all of the Organization's financial resources.

The Organization has no proprietary or fiduciary fund types.

(Continued)

WORKFORCE CONNECTIONS

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2020

Assets and Liabilities

Cash, Cash Equivalents and Investments

The Organization's cash on deposit with financial institutions is often in excess of federally-insured limits, and the risk of losses related to such concentrations may increase as a result of current economic instability including, but not limited to, weakness in the commercial and investment banking systems. The extent of a future loss to be sustained as a result of uninsured deposits in the event of a future failure of a financial institution, if any, is not subject to estimation at this time.

The Organization's restricted cash must be used on eligible grant expenditures, as set forth in the applicable agreements.

Receivables, Unearned Revenues and Unavailable Revenues

Receivables, primarily from grantors that are not collected within 60 days of year end are treated as unavailable revenue in the fund financial statements rather than current revenue since the asset is not available to satisfy current obligations. Unearned revenues also arise when the Organization receives resources before it has a legal claim to them such as when grant funds are received prior to being earned.

Prepaid Items

Certain payments to vendors reflect costs applicable to future periods and are recorded as prepaid items in both the government-wide and fund financial statements. In the governmental fund financial statements, prepaid items are recorded as expenditures when consumed, rather than when purchased.

Capital Assets

Capital assets are reported only in the government-wide financial statements. These assets include furniture, equipment and software. All purchased capital assets are valued at cost where historical records are available and, if no historical records exist, at estimated cost. Donated capital assets, if any, are valued at their estimated acquisition value on the date received. The Organization had a capitalization threshold of \$5,000 for the current fiscal year.

The cost of normal maintenance and repairs that do not significantly add to the functionality of an asset or materially extend an asset's life are not capitalized.

Capital assets are depreciated or amortized using the straight-line method over estimated useful lives of 5-15 years, which for leasehold improvements are limited to the lease term, excluding contingent renewal option periods (Note 3).

Long-term Liabilities

In the government-wide financial statements, long-term liabilities, including debt obligations, are reported as liabilities in the statement of net position. Long-term liabilities are not due and payable in the current period; and therefore, are not reported as liabilities in the fund financial statements.

(Continued)

WORKFORCE CONNECTIONS

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2020

Compensated Absences

It is the Organization's policy to permit employees to accumulate earned vacation benefits that would be paid to them upon separation from Organization service if not previously taken. Accrued compensated absences are reported in the government-wide financial statements and also in the fund financial statements to the extent that payment is due, for example, as a result of employee resignations and retirements prior to year end. Expenditures for compensated absences are recognized by the general fund, when paid.

Postemployment Benefits Other Than Pensions (OPEB)

The Organization does not have any eligible employees who retired from Organization service prior to September 1, 2008. Furthermore, the Organization does not provide any other postemployment benefits (either directly or indirectly) and currently does not have any plans to offer such benefits in the future.

Multiple-Employer Cost-Sharing Defined Benefit Pension Plan

The Organization uses the same basis used in the Public Employees' Retirement System of Nevada's (PERS) Comprehensive Annual Financial Report, for reporting its proportionate share of the PERS collective net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, including information related to PERS fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized by PERS when due and payable in accordance with the benefit terms. PERS investments are reported at fair value.

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial element represents a consumption of net position that applies to a future period(s) and so, will not be recognized as an outflow of resources (expense/expenditure) until then. The Organization reports deferred outflows of resources related to pensions for 1) the changes in proportion and differences between actual pension contributions and the Organization's proportionate share of pension contributions, 2) changes in assumptions and 3) the difference between projected and actual investment earnings on plan investments. This amount is deferred and amortized over the average expected remaining service life of all employees that are provided with pension benefits. Deferred amounts related to pensions also include pension contributions made by the Organization subsequent to the pension plan's actuarial valuation measurement date, which are deferred for one year.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so, will not be recognized as an inflow of resources (revenue) until that time. Under a modified accrual basis of accounting, the governmental funds report unavailable revenues. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. Under full accrual accounting, the statement of net position also reports deferred inflows related to pensions for 1) the differences between expected and actual experience and 2) changes in proportion and differences between actual contributions and the Organization's proportionate share of contributions, which are deferred and amortized over the average expected remaining service life of all employees that are provided with pension benefits.

Net Position

Government-wide net position is classified and reported as follows:

(Continued)

WORKFORCE CONNECTIONS

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2020

Net investment in capital assets is the value of capital assets, net of related depreciation and amortization, less any outstanding debt used to acquire, construct or improve the capital assets.

Restricted net position has constraints placed upon the use of the resources either by an external party or imposed by law through a constitutional provision or enabling legislation.

Unrestricted net position is the classification for the residual balance that is not reported as net investment in capital assets or restricted.

Fund Balance

Governmental fund balances are classified and reported as follows:

Nonspendable fund balances include items that are not in a spendable form (for example, prepaid items) and amounts that are legally or contractually required to remain intact, such as a permanent fund principal balance.

Restricted fund balances have constraints placed upon the use of the resources either by an external party or imposed by law through a constitutional provision or enabling legislation.

Committed fund balances can be used only for specific purposes pursuant to constraints imposed by a formal action of the Organization's governing body, the Organization's highest level of decision-making authority. These constraints remain binding unless removed or changed in the same manner used to create the constraints.

Assigned fund balances include amounts that are constrained by the Organization's intent to be used for a specific purpose, but are neither restricted nor committed. Such intent is expressed by the Organization's governing body or appropriately authorized officials. Constraints imposed on the use of assigned fund balances can be removed or changed without formal action of the Organization's governing body.

Unassigned fund balance is the classification used by the general fund for the residual balance that is not reported as assigned, committed, restricted or nonspendable.

Prioritization and Use of Available Resources

When both restricted resources and other resources (*i.e.*, committed, assigned and unassigned) can be used for the same purposes, it is the Organization's policy to use restricted resources first. Furthermore, when committed, assigned and unassigned resources can be used for the same purpose, it is the Organization's policy to use committed resources first, assigned second, and unassigned last.

Use of Estimates

Timely preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates that affect certain reported amounts and disclosures, some of which may require revision in future periods. Significant estimates include compensated absences, pension and other postemployment benefits, collectability of receivables, fair value of investments and useful lives of capital assets.

(Continued)

WORKFORCE CONNECTIONS

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2020

Note 2. Stewardship and Accountability

Budgetary Information

The Organization was not required to legally adopt an annual budget, therefore, budgetary comparison schedules are not presented in the required supplementary information section.

New Accounting Pronouncements

In May 2020, the GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, which was effective immediately. The objective of this statement was to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. For the statements below that were impacted by this Statement, the postponed dates are reflected.

In June 2020, the GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans - an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*, effective for reporting periods beginning after June 15, 2021, except requirements in paragraph 4 and paragraph 5, which are effective upon issuance. The objectives of this statement are to increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. Management has not yet completed its assessment of this statement.

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*, effective for reporting periods beginning after June 15, 2022. The objectives of this statement are to define subscription-based information technology arrangements (SBITAs); establish that a SBITA results in a right-to-use subscription asset and a corresponding liability; provide the capitalization criteria for outlays other than subscription payments; and require note disclosures regarding a SBITA. Management has not yet completed its assessment of this statement.

In March 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, effective for reporting periods beginning after June 15, 2022. The objectives of this statement are to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements, and provide guidance for accounting and financial reporting for availability payment arrangements. Management has not yet completed its assessment of this statement.

In March 2020, the GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*, effective for reporting periods beginning after June 15, 2020. Certain requirements of this statement will become effective for reporting periods beginning after December 31, 2021 and June 15, 2021. The objective of this statement is to address the accounting and financial reporting implications that result from the replacement of an interbank offered rate and the removal of the London Interbank Offered Rate as an appropriate benchmark interest rate. Management has not yet completed its assessment of this statement.

(Continued)

WORKFORCE CONNECTIONS

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2020

In January 2020, the GASB issued Statement No. 92, *Omnibus 2020*, effective for reporting periods beginning June 15, 2021, except the requirements related to the effective date of Statement No. 87, *Leases*, Implementation Guide 2019-3, *Leases*, reissuance recoveries, and terminology used to refer to derivative instruments, which are effective upon issuance. The objectives of this statement are to address a variety of topics and includes specific provisions about the following: (1) the effective date of Statement No. 87, and Implementation Guide No. 2019-3 for interim financial reports, (2) reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit plan; (3) the applicability of Statements No. 73 and No. 74, (4) the applicability of certain requirements of Statement No. 84 to postemployment benefit arrangements; (5) measurement of liabilities related to asset impairment obligations in a government acquisition; (6) reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers; (7) reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature; (8) terminology used to refer to derivative instruments. Management has not yet completed its assessment of this statement.

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*, effective for periods beginning after December 15, 2021. This statement addresses the method to be used for reporting conduit debt obligations by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. Management has not yet completed its assessment of this statement.

In August 2018, the GASB issued Statement No. 90, *Major Equity Interests*, effective for reporting periods beginning after December 15, 2019. The objective of this statement is to improve consistency in the measurement and comparability of the financial statement presentation of major equity interests in legally separate organizations and to improve the relevance of financial statement information for certain components units. Management has completed its assessment of this statement and determined that it will not have a material effect on financial position or changes therein.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, effective for reporting periods beginning after December 15, 2020. The objectives of this statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. Management has completed its assessment of this statement and determined that it will not have a material effect on financial position or changes therein.

In June 2017, the GASB issued Statement No. 87, *Leases*, effective for periods beginning after June 15, 2021. The objective of this Statement is to better meet the information needs of financial statement users by requiring recognition, for leases that previously were classified as operating leases, of certain lease assets, liabilities and inflows or outflows of resources based on the payment provisions of the contract. Management has not yet completed its assessment of this statement.

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*, effective for periods beginning after December 15, 2019. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. Management has completed its assessment of this statement and determined that it will not have a material effect on financial position or changes therein.

(Continued)

WORKFORCE CONNECTIONS

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2020

Note 3. Detailed Notes on all Funds

Cash, Cash Equivalents and Investments

The NRS governs the Organization's deposit policies. Organization monies must be deposited in federally insured banks and savings and loan associations. At June 30, 2020, the carrying amount of deposits was \$584,455 and the bank balance was \$883,268. As of the year-end, the Organization's bank balance was either insured by the Federal Depository Insurance Corporation (FDIC) or fully collateralized in accordance with the NRS 356.

GASB Statement No. 72, *Fair Value Measurement and Application*, defines fair value, establishes a framework for measuring fair value and provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The three levels of the fair value hierarchy are as follows:

Level 1. Inputs are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2. Inputs are other observable inputs.

Level 3. Inputs are unobservable.

The fair value measurement level within the hierarchy is based on the lowest level of any input that is deemed significant to the fair value measurement. Valuation techniques used maximize the use of observable inputs and minimize the use of unobservable inputs.

At June 30, 2020, the Organization did not have any cash equivalents or investments measured and reported at fair value.

Capital Assets

For the year ended June 30, 2020, capital asset activity was as follows:

	Balance July 1, 2019	Increases	Decreases	Balance June 30, 2020
Governmental activities				
Capital assets not being depreciated or amortized				
Construction in progress	\$ _____	\$ 14,900	\$ _____	\$ 14,900
Capital assets being depreciated or amortized				
Furniture, equipment and software	1,213,252	48,864	(99,107)	1,163,009
Leasehold improvements	<u>1,727,585</u>	<u>7,440</u>	<u>(3,599)</u>	<u>1,731,426</u>
Total capital assets being depreciated or amortized	<u>2,940,837</u>	<u>56,304</u>	<u>(102,706)</u>	<u>2,894,435</u>
Accumulated depreciation and amortization				
Furniture, equipment and software	(924,135)	(112,379)	99,107	(937,407)
Leasehold improvements	<u>(1,727,585)</u>	<u>(744)</u>	<u>3,599</u>	<u>(1,724,730)</u>
Total accumulated depreciation and amortization	<u>(2,651,720)</u>	<u>(113,123)</u>	<u>102,706</u>	<u>(2,662,137)</u>
Total capital assets being depreciated or amortized, net	<u>289,117</u>	<u>(56,819)</u>	<u>_____</u>	<u>232,298</u>
Total governmental activities	<u>\$ 289,117</u>	<u>\$ (41,919)</u>	<u>\$ _____</u>	<u>\$ 247,198</u>

(Continued)

WORKFORCE CONNECTIONS

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2020

For the year ended June 30, 2020, depreciation, amortization and gain/loss on disposal of assets were charged to governmental activities as follows:

Community support	
Adult program	\$ 63,482
Youth activities program	20,039
Dislocated workers program	17,578
Administration	<u>12,024</u>
Total depreciation expense, governmental activities	<u>\$ 113,123</u>

Long-term Liabilities

Long-term liabilities activity for the year ended June 30, 2020, was as follows:

	Balance July 1, 2019	Increases	Decreases	Balance June 30, 2020	Due Within One Year
Governmental activities					
Capital lease obligations	\$ 66,937	\$	(23,696)	\$ 43,241	\$ 25,357
Compensated absences	157,232	256,163	(208,052)	205,343	205,343
Net pension liability	<u>5,183,623</u>	<u>19,976</u>	<u>(1,342,598)</u>	<u>3,861,001</u>	<u></u>
Total governmental activities	<u>\$ 5,407,792</u>	<u>\$ 276,139</u>	<u>\$ (1,574,346)</u>	<u>\$ 4,109,585</u>	<u>\$ 230,700</u>

Compensated absences, postemployment benefits other than pensions and the net pension liability are liquidated by the general fund.

Capital Leases Obligations - Governmental Activities

In March 2019, the Organization acquired \$74,492 of equipment as a result of entering into four 3-year capital lease agreements with an interest rate of 6.79%. Accumulated amortization was \$31,252 at June 30, 2020 and amortization expense was \$23,697 for the year then ended, for a net capital asset value of \$43,240.

At June 30, 2020, future minimum capital lease payments were as follows:

<u>For the Year Ended June 30,</u>	
2021	\$ 27,513
2022	<u>18,342</u>
Total future minimum capital lease payments	45,855
Less portion of payment representing interest	<u>(2,615)</u>
Present value of total future minimum capital lease payments	<u>\$ 43,240</u>

(Continued)

WORKFORCE CONNECTIONS

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2020

Note 4. Other Information

Operating Lease Commitments

The Organization leases office space, storage facilities and equipment under non-cancelable operating leases, which expire at various times through the fiscal year ending June 30, 2024. In 2018, the Organization extended its office space lease for 5 years to December 31, 2023 with the option to extend an additional 5 years thereafter. On an annual basis, the monthly rent shall increase 2.5% to correspond with the economic value. Rental expense was \$383,009 for the year ended June 30, 2020.

At June 30, 2020, approximate future minimum lease payments were as follows:

<u>For the Year Ended June 30,</u>	
2021	\$ 392,585
2022	402,399
2023	412,459
2024	<u>208,776</u>
	<u>\$ 1,416,219</u>

Other Commitments

The Organization has an agreement with two library districts that allows it to operate programs within designated space at certain libraries throughout southern Nevada. The agreements are on a month-to-month basis and do not require the Organization to provide consideration in exchange for use of the designated space.

Litigation

In the ordinary course of its operations, claims may be filed against the Organization. Although probable losses associated with such claims cannot be estimated, it is the opinion of management that these claims will not have any material adverse effect on the Organization's financial position or changes therein.

The Organization does not accrue for estimated future legal and defense costs, if any, to be incurred in connection with outstanding or threatened litigation and other disputed matters, but rather, records such as period costs when the services are rendered.

Risk Management

The Organization is exposed to various risks of loss related to torts; theft of, or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Organization maintains a risk management program to assess coverage of potential risks of loss. Under this program, the Organization participates in workers' compensation and unemployment programs provided by the State of Nevada. For all other risks, the Organization purchases insurance coverage subject to nominal deductibles. Settled claims have not exceeded insurance coverage for each of the past three fiscal years.

(Continued)

WORKFORCE CONNECTIONS

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2020

Vulnerability from concentrations of risk arise because an entity is exposed to risk of loss greater than it would have been had it mitigated its risk through diversification. The Organization receives substantially all of its funding from federal grants, either directly from the United States Department of Labor, Employment and Training Administration or passed through the State of Nevada, Department of Employment, Training and Rehabilitation, Employment Security Division, Workforce Investment Support Services Unit.

COVID-19 AND CARES Act

In late January 2020, the World Health Organization (WHO) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the COVID-19 pandemic) and the risks to the international community as the virus spread globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic based on the rapid increase in exposure globally. In addition, on March 12, 2020, the Governor of Nevada declared a state of emergency to protect and preserve public health and safety effective March 17, 2020.

The full impact of the COVID-19 pandemic continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Organization's financial condition, liquidity, and future results of operations. The Organization's management is actively monitoring the impact of the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce.

At various times during 2020, the administrations of the State of Nevada extended emergency declarations and refined emergency orders to allow for a measured expansion of economic and social activities within the state. Municipal facilities, businesses, recreational, cultural, and civic facilities have reopened with some restrictions and new measures designed to preserve the health of patrons and the public.

On March 27, 2020, President Trump signed into law the "Coronavirus Aid, Relief, and Economic Security (CARES) Act." The CARES Act, among other things, includes provisions appropriating funds from programs of the United States Department of the Treasury and Department of Education to be used to make payments for specified uses to states and certain local governments. The Organization has not received any funds, nor is there any assurance that the Organization is eligible for these funds or will be able to obtain them in the future. The Organization continues to examine the impact that the CARES Act may have. Currently, the Organization is unable to determine the impact that the CARES Act will have on the Organization's financial condition, results of operations, or cash flows.

Multiple-Employer Cost-Sharing Defined Benefit Pension Plan

The Organization's employees are covered by the Public Employees' Retirement System of Nevada (PERS), which was established by the Nevada Legislature in 1947, effective July 1, 1948, and is governed by the Public Employees Retirement Board (the PERS Board) whose seven members are appointed by the governor. The Organization does not exercise any control over PERS.

PERS is a cost-sharing, multiple-employer, defined benefit public employees' retirement system which includes both regular and police/fire members. PERS is administered to provide a reasonable base income to qualified employees who have been employed by a public employer and whose earnings capacities have been removed or substantially impaired by age or disability.

Benefits, as required by NRS, are determined by the number of years of accredited service at time of retirement and the member's highest average compensation in any 36 consecutive months with special provisions for members entering the system on or after January 1, 2010. Benefit payments to which participants or their beneficiaries may be entitled under the plan include pension benefits, disability benefits, and survivor benefits.

(Continued)

WORKFORCE CONNECTIONS

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2020

Monthly benefit allowances for members are computed as 2.5% of average compensation for each accredited year of service prior to July 1, 2001. For service earned on and after July 1, 2001, this multiplier is 2.67% of average compensation. For members entering the system on or after January 1, 2010, this multiplier is 2.5% for all years of service. Regular members entering PERS on or after July 1, 2015, have a 2.25% multiplier. PERS offers several alternatives to the unmodified service retirement allowance which, in general, allow the retired employee to accept a reduced service retirement allowance payable monthly during his or her lifetime and various optional monthly payments to a named beneficiary after his or her death.

Post-retirement increases are provided by authority of NRS 286.575 - .579, which for members entering the system before January 1, 2010, is equal to the lesser of:

- 1) 2% per year following the third anniversary of the commencement of benefits, 3% per year following the sixth anniversary, 3.5% per year following the ninth anniversary, 4% per year following the twelfth anniversary and 5% per year following the fourteenth anniversary, or
- 2) The average percentage increase in the Consumer Price Index (or other PERS Board approved index) for the three preceding years.

In any event, a member's benefit must be increased by the percentages in paragraph 1, above, if the benefit of a member has not been increased at a rate greater than or equal to the average of the Consumer Price Index (All Items) (or other PERS Board approved index) for the period between retirement and the date of increase.

For members entering the system on or after January 1, 2010 and before July 1, 2015, the post-retirement increases are the same as above, except that the increases do not exceed 4% per year.

For members with an effective date of membership on or after July 1, 2015, the post-retirement increases are 2% per year following the third anniversary of the commencement of benefits, 2.5% per year following the sixth anniversary, the lesser of 3% or the CPI for the preceding calendar year following the ninth anniversary.

Regular members are eligible for retirement at age 65 with five years of service, at age 60 with ten years of service, or at any age with thirty years of service. Regular members entering the System on or after January 1, 2010, are eligible for retirement at age 65 with five years of service, at age 62 with ten years of service, or any age with thirty years of service. Regular members entering the System on or after July 1, 2015, are eligible for retirement at age 65 with five years of service, at age 62 with ten years of service, at age 55 with 30 years of service, or at any age with 33 1/3 years of service.

Police/fire members are eligible for retirement at age 65 with five years of service, at age 55 with ten years of service, at age 50 with twenty years of service, or at any age with twenty-five years of service. Police/fire members entering the system on or after January 1, 2010, are eligible for retirement at age 65 with five years of service, at age 60 with ten years of service, or at age 50 with twenty years of service, or at any age with thirty years of service. Police/fire members entering the system on or after July 1, 2015, are eligible for retirement at age 65 with five years of service, at age 60 with ten years of service, at age 50 with twenty years of service, or at any age with 33 1/3 years of service. Only service performed in a position as a police officer or firefighter may be counted toward the eligibility for retirement as police/fire accredited service.

(Continued)

WORKFORCE CONNECTIONS

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2020

The normal ceiling limitation on the monthly benefit allowances is 75% of average compensation. However, a member who has an effective date of membership before July 1, 1985, is entitled to a benefit of up to 90% of average compensation. Both regular and police/fire members become fully vested as to benefits upon completion of five years of service.

The authority for establishing and amending the obligation to make contributions and member contribution rates rests with NRS. New hires, in agencies which did not elect the Employer Pay Contribution (EPC) plan prior to July 1, 1983, have the option of selecting one of two contribution plans. One plan provides for matching employee and employer contributions, while the other plan provides for employer pay contributions only. Under the matching Employee/Employer Contribution plan a member may, upon termination of service for which contribution is required, withdraw employee contributions which have been credited to their account. All membership rights and active service credit in the System are canceled upon withdrawal of contributions from the member's account. If EPC was elected, the member cannot convert to the Employee/Employer Contribution plan. The Organization did not elect the EPC plan prior to July 1, 1983.

The PERS basic funding policy provides for periodic contributions at a level pattern of cost as a percentage of salary throughout an employee's working lifetime in order to accumulate sufficient assets to pay benefits when due.

PERS receives an actuarial valuation on an annual basis for determining the prospective funding contribution rates required to fund the system on an actuarial reserve basis. Contributions actually made are in accordance with the required rates established by NRS. These statutory rates are increased/decreased pursuant to NRS 286.421 and 286.450. The actuarial funding method used is the entry age normal cost method. It is intended to meet the funding objective and result in a relatively level long-term contributions requirement as a percentage of salary.

For the fiscal year ended June 30, 2019 and 2018, the required employer/employee matching rate was 14.50% for regular and 20.75% for police/fire members. The EPC rate was 28.00% for regular and 40.50% for police/fire members.

Effective July 1, 2019, the required employer/employee match rates increased to 15.25% for regular and 22.00% for police/fire members. The EPC rates also increased to 29.25% for regular and 42.50% for police/fire members.

PERS issues a publicly available Comprehensive Annual Financial Report that includes financial statements and required supplemental information. This report is available at www.nvpers.org, under publications.

PERS collective net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. For this purpose, certain actuarial valuation assumptions are stipulated by GASB and may vary from those used to determine the prospective funding contribution rates.

(Continued)

WORKFORCE CONNECTIONS

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2020

The total PERS pension liability was determined using the following actuarial assumptions (based on the results of an experience review completed in October 2017), applied to all periods included in the measurement:

Actuarial valuation date	June 30, 2019
Inflation rate	2.75%
Payroll growth	5.00%, including inflation
Investment rate of return	7.50%
Discount rate	7.50%
Productivity pay increase	0.50%
Consumer price index	2.75%
Actuarial cost method	Entry age normal and level percentage of payroll
Projected salary increases	Regular: 4.25% to 9.15%, depending on service Police/Fire: 4.55% to 13.90%, depending on service Rates include inflation and productivity increases

At June 30, 2019, assumed healthy retiree mortality rates and projected life expectancies for selected ages were as follows:

<u>Age</u>	<u>Mortality Rates</u>		<u>Expected Years of Life Remaining</u>	
	<u>Males</u>	<u>Females</u>	<u>Males</u>	<u>Females</u>
40	0.20 %	0.14 %	40.4	43.6
50	0.49 %	0.38 %	31.4	34.5
60	0.90 %	0.59 %	23.2	25.9
70	1.81 %	1.26 %	15.6	17.7
80	4.55 %	3.42 %	9.1	10.5

These mortality rates and projected life expectancies are based on the following:

Healthy	Headcount-Weighted RP-2014 Healthy Annuitant Table projected to 2020 with Scale MP-2016, set forward one year for spouses and beneficiaries. For ages less than 50 (the RP-2014 Healthy Annuitant Mortality Tables have rates only for ages 50 and later), mortality rates are based on the Headcount-Weighted RP-2014 Employee Mortality Tables. Those mortality rates are adjusted by the ratio of the mortality rate for healthy annuitants at age 50 to the mortality rate for employees at age 50 to the mortality rate at age 50 from the Employee mortality tables listed above. The mortality rates are then projected to 2020 with Scale MP-2016.
Disabled	Headcount-Weighted RP-2014 Disabled Retiree Table, set forward four years.
Pre-Retirement	Headcount-Weighted RP-2014 Employee Table, projected to 2020 with Scale MP-2016.

The RP-2014 Headcount-Weighted Mortality Tables, set forward one year for spouses and beneficiaries, reasonably reflect the projected mortality experience of the Plan as of the measurement date. The additional projection of 6 years is a provision made for future mortality improvement.

(Continued)

WORKFORCE CONNECTIONS

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2020

The policies of PERS that determine the investment portfolio target asset allocation are established by the PERS Board. The asset allocation is reviewed annually and is designed to meet the future risk and return needs of PERS. The following target asset allocation policy was adopted as of June 30, 2019:

Asset Class	Target Allocation	Long-term Geometric Expected Real Rate of Return *
Domestic equity	42 %	5.50 %
International equity	18 %	5.50 %
Domestic fixed income	28 %	0.75 %
Private markets	12 %	6.65 %

* As of June 30, 2019, the PERS long-term inflation assumption was 2.75%.

The discount rate used to measure the total pension liability was 7.50% as of June 30, 2019. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified by NRS. Based on that assumption, the PERS fiduciary net position at June 30, 2019, was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments (7.50%) was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2019.

The Organization's proportionate share of the net pension liability at June 30, 2019, calculated using the discount rate of 7.50%, as well as what the Organization's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current discount rate was as follows:

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
Net pension liability	\$ 5,978,292	\$ 3,861,001	\$ 2,110,994

Detailed information about PERS fiduciary net position is available in the PERS Comprehensive Annual Financial Report, available on the PERS website, www.nvpers.org under publications. PERS fiduciary net position and additions to/deductions from it have been determined on the same basis used in the PERS Comprehensive Annual Financial Report. PERS financial statements are prepared in accordance with accounting principles generally accepted in the United States of America applicable to governmental accounting for fiduciary funds. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

The Organization's proportionate share (amount) of the collective PERS net pension liability was \$3,861,001 which represents 0.02831% of the collective PERS net pension liability. Contributions for employer pay dates within the fiscal year ending June 30, 2019, were used as the basis for determining each employer's proportionate share. Each employer's proportion of the net pension liability is based on their employer contributions relative to the total employer contributions for all employers for the period ended June 30, 2019.

(Continued)

WORKFORCE CONNECTIONS

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2020

For the period ended June 30, 2020, the Organization's PERS pension expense was \$19,976 and its reported deferred outflows and inflows of resources related to pensions were as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 144,783	\$ 111,366
Changes of assumptions	157,127	
Net difference between projected and actual earnings on investments		192,071
Changes in proportion and differences between actual contributions and proportionate share of contributions	104,995	1,823,583
Contributions made subsequent to the measurement date	279,661	

At June 30, 2019, the average expected remaining service life was 6.18 years.

Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date totaling \$279,661 will be recognized as a reduction of the net pension liability in the year ending June 30, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

For the Year Ended June 30,

2021	\$ (12,251,124)
2022	82,542,114
2023	(22,676,354)
2024	(28,090,617)
2025	(15,964,294)
Thereafter	(1,839,610)

Changes in the Organization's net pension liability were as follows:

Net pension liability, beginning of year	\$ 5,183,623
Pension expense	19,976
Employer contributions	(272,577)
Change in net deferred inflows and outflows of resources	<u>(1,070,021)</u>
Net pension liability, end of year	<u>\$ 3,861,001</u>

At June 30, 2020, \$42,833 is payable to PERS for the June 2020 required contribution and is included in accounts payable.

Subsequent Events

Management performed a search for, and determined there were no events subsequent to June 30, 2020, requiring accounting recognition or disclosure through March 2, 2021, the date the accompanying financial statements were available for issuance.

**REQUIRED SUPPLEMENTARY
INFORMATION**

WORKFORCE CONNECTIONS

MULTIPLE-EMPLOYER COST-SHARING DEFINED BENEFIT PENSION PLAN PROPORTIONATE SHARE OF THE COLLECTIVE NET PENSION LIABILITY INFORMATION FOR THE MEASUREMENT YEAR ENDED JUNE 30, 2019 AND LAST NINE FISCAL YEARS¹

<u>For the Year Ended June 30,</u>	<u>Proportion of the Collective Net Pension Liability</u>	<u>Proportion of the Collective Net Pension Liability</u>	<u>Covered Payroll</u>	<u>Proportion of the Collective Net Pension Liability as a Percentage of Covered Employee Payroll</u>	<u>Pension Plan Fiduciary Net Position as a Percentage of Total Pension Liability</u>
2014	0.04646 %	\$ 4,842,055	\$ 3,061,518	158.15863 %	76.31210 %
2015	0.04984 %	5,711,894	3,271,664	174.58682 %	75.12611 %
2016	0.04380 %	5,894,431	2,936,553	200.72619 %	72.22995 %
2017	0.04049 %	5,385,046	2,566,571	209.81481 %	74.41654 %
2018	0.03801 %	5,183,623	2,490,164	208.16392 %	75.23537 %
2019	0.02831 %	3,861,001	1,925,821	200.48597 %	76.45733 %

1. Information for the multiple-employer cost-sharing defined benefit pension plan is not available for years prior to the year ended June 30, 2014. As becomes available this schedule will ultimately present information for the ten most recent fiscal years.

WORKFORCE CONNECTIONS

MULTIPLE-EMPLOYER COST-SHARING DEFINED BENEFIT PENSION PLAN STATUTORILY REQUIRED CONTRIBUTION INFORMATION FOR THE YEAR ENDED JUNE 30, 2020 AND LAST NINE FISCAL YEARS¹

<u>For the Year Ended June 30,</u>	<u>Statutorily Required Contribution</u>	<u>Contributions in relation to the Statutorily Required Contribution</u>	<u>Contribution (Deficiency) Excess</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Employee Payroll</u>
2015	\$ 769,372	\$ 769,372	\$	\$ 3,271,664	23.51623 %
2016	742,745	742,745		2,936,553	25.29309 %
2017	726,848	726,848		2,566,571	28.31981 %
2018	705,240	705,240		2,490,164	28.32103 %
2019	545,154	545,154		1,925,821	28.30762 %
2020	559,322	559,322		1,899,763	29.44167 %

1. Information for the multiple-employer cost-sharing defined benefit pension plan is not available for years prior to the year ended June 30, 2015. As becomes available this schedule will ultimately present information for the ten most recent fiscal years.

WORKFORCE CONNECTIONS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED JUNE 30, 2020

Note 1. Multiple-Employer Cost-Sharing Defined Benefit Pension Plan

For the year ended June 30, 2020, there were no changes in the pension benefit plan terms to the actuarial methods and assumptions used in the actuarial valuation report dated June 30, 2019.

The actuarial valuation report dated June 30, 2014, was the first valuation of the multiple-employer cost-sharing defined benefit pension plan. As additional actuarial valuations are obtained, these schedules will ultimately present information from the ten most recent valuations.

Additional pension plan information can be found in Notes 1 and 4 to the basic financial statements.



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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*

Board of Directors
Workforce Connections
Las Vegas, Nevada

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 governmental activities and the major fund financial statements of Workforce Connections (the "Organization"), and the related notes to the financial statements, which collectively comprise the Organization's basic financial statements as of June 30, 2020, and have issued our report thereon dated March 2, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing 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 the Organization'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 the Organization'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 financial statements. 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.

BDO USA, LLP

March 2, 2021

SINGLE AUDIT INFORMATION



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Independent Auditor’s Report on Compliance For Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

Board of Directors
Workforce Connections
Las Vegas, Nevada

Report on Compliance for Each Major Federal Program

We have audited Workforce Connections (the “Organization”) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization’s major federal programs for the year ended June 30, 2020. The Organization’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 the Organization’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 the Organization’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 the Organization’s compliance.

Opinion on Each Major Federal Program

In our opinion, the Organization 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, 2020.

Report on Internal Control Over Compliance

Management of the Organization 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 Organization'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 the Organization'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 Organization as of and for the year ended June 30, 2020, and have issued our report thereon dated March 2, 2021, 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 expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

BDO USA, LLP

March 2, 2021

WORKFORCE CONNECTIONS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2020

Federal Grantor/Pass-through Entity/Cluster or Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures Passed- Through to Subrecipients (Cash Basis)	Other Expenditures (Accrual Basis)	Total Federal Expenditures
United States Department of Labor, Employment and Training Administration					
WIOA Cluster *					
Passed-through State of Nevada, Department of Employment, Training and Rehabilitation, Employment Security Division, Workforce Investment Support Services Unit					
WIOA Adult Program	17.258	PY18-A-02-WIOA PY19-A-02-WIOA	\$ 8,400,341	\$ 3,087,250	\$ 11,487,591
WIOA Youth Activities	17.259	PY18-Y-02-WIOA PY19-Y-02-WIOA	4,175,530	991,658	5,167,188
WIOA Dislocated Worker Formula Grants	17.278	PY17-RR-DW-02 PY18-RR-DW-02	1,645,443	717,389	2,362,832
WIOA Governor's Reserve	17.278, 17.258, 17.259	PY17-GR-02	362,433	681,321	1,043,754
Total United States Department of Labor, Employment and Training Administration			<u>14,583,747</u>	<u>5,477,618</u>	<u>20,061,365</u>
Total federal expenditures			<u>\$ 14,583,747</u>	<u>\$ 5,477,618</u>	<u>\$ 20,061,365</u>

* A major program

WORKFORCE CONNECTIONS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2020

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Workforce Connections (the Organization) under programs of the federal government for the year ended June 30, 2020. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to, and does not, present the financial position, changes in net position, or cash flows of the Organization.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the cash and accrual basis of accounting as noted therein. 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. Negative amounts, if any, shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Note 3. Indirect Cost Rate

The Organization has not elected to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

WORKFORCE CONNECTIONS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2020

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued	Unmodified
Internal control over financial reporting	
Material weaknesses identified	No
Significant deficiencies identified that are not considered to be material weaknesses	None reported
Noncompliance material to financial statements	No

Federal Awards

Internal control over major programs	
Material weaknesses identified	No
Significant deficiencies identified that are not considered to be material weaknesses	None reported
Type of auditors' report issued on compliance for major programs	Unmodified
Audit findings required to be reported in accordance with 2 CFR 200.516(a)	No

Identification of major programs

CFDA number	17.258, 17.259, 17.278
Name of federal program or cluster	United States Department of Labor, Employment and Training Administration, WIOA Cluster

Dollar threshold used to distinguish between Type A and Type B programs	\$750,000
Auditee qualified as low-risk auditee	Yes

(Continued)

WORKFORCE CONNECTIONS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2020

Section II – Findings relating to the financial statements, which are required to be reported in accordance with auditing standards generally accepted in the United States and *Government Auditing Standards*

None reported

(Continued)

WORKFORCE CONNECTIONS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2020

Section III – Findings and questioned costs for federal awards, including audit findings required by 2 CFR 200.516(a)

None reported

WORKFORCE CONNECTIONS

SCHEDULE OF PRIOR FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2020

Section II – Findings relating to the financial statements, which are required to be reported in accordance with auditing standards generally accepted in the United States and *Government Auditing Standards*

None reported

(Continued)

WORKFORCE CONNECTIONS

SCHEDULE OF PRIOR FINDINGS AND QUESTIONED COSTS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2020

Section III – Findings and questioned costs for federal awards, including audit findings required by 2 CFR 200.516(a)

None reported

