

# **Annual Financial Report**

## **Workforce Connections**

**July 1, 2013 - June 30, 2014**

**Las Vegas, Nevada**

6330 West Charleston Boulevard, Suite 150  
Las Vegas, Nevada 89146

Ardell Galbreth, Executive Director

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**Workforce Connections**

**Annual Financial Report**  
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**For the Fiscal Year Ended June 30, 2014**

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P B T K

PIERCY BOWLER  
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Certified Public Accountants  
Business Advisors

## INDEPENDENT AUDITORS' REPORT ON FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

Board of Directors  
Workforce Connections  
Las Vegas, Nevada

We have audited the accompanying financial statements of the Workforce Connections (the Organization) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Organization's basic financial statements as listed in the table of contents.

An audit performed in accordance with applicable professional standards is a process designed to obtain reasonable assurance about whether the Organization's basic financial statements are free from material misstatement. This process involves performing procedures to obtain audit evidence about the amounts and disclosures in the basic financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the basic financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the basic financial statements to enable the design of audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of significant accounting estimates made by management, as well as the overall presentation of the basic financial statements.

**Management's Responsibility for the Financial Statements.** Management is responsible for the preparation and fair presentation of the basic 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 basic financial statements that are free from material misstatement, whether due to fraud or error.

**Auditors' Responsibility.** Our responsibility is to express an opinion on the basic 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 basic financial statements are free from material misstatement.

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

**Opinion.** In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of and for the year ended June 30, 2014, and the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters.** Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-10 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 Reporting Required by *Government Auditing Standards*.** In accordance with *Government Auditing Standards*, we have also issued our report dated January 21, 2015, 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

A handwritten signature in blue ink, appearing to read "Ping Paul Taylor & Kim".

Las Vegas, Nevada  
January 21, 2015

# **Management's Discussion and Analysis**

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## Workforce Connections

### Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2014

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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, 2014.

The Organization was established in 2000, under the provisions of the Workforce Investment Act of 1998 (the Act). The Organization's mission is "to establish dynamic partnerships with employers and the community to connect employment opportunities, education and job training." 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 nation's 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 assets of the Organization exceeded its liabilities at the close of the most recent fiscal year by \$1,984,904 (net position), a decrease of (\$370,843) from the prior year. The change is primarily due to an increase of \$105,283 in unrestricted cash, the use of restricted cash remaining at the prior year end related to the construction of the new facility in the amount of (\$928,246), a decrease in capital assets net of depreciation related to the disposal of fully depreciated equipment of (\$261,417) and a net decrease in accrued expenses in the amount of (\$727,994).
- As of the close of the current fiscal year, the Organization's sole governmental fund (the general fund) reported an ending fund balance of \$120,439, a fund balance decrease of (\$183,400) in comparison with the prior year. The decrease is primarily due to the use of restricted cash remaining at the prior year end related to the construction of the new facility in the amount of (\$928,246) net of the decrease of the accrued expenses of (\$727,994) related to the same construction.
- During the year ended June 30, 2014, operating grants and contributions decreased (\$650,974) primarily due the State Energy Sector Partnership (SESP) grant ending the prior year and related expenses increased \$1,147,767 primarily due to the opening and operation of the One-Stop Career Center and System.
- With the launching of Workforce Connections' newly established One-Stop Career Center the latter part of program year 2013, increased transactions and expenditures were realized with the on-set of an additional new budget for One-Stop Career Center and System operations. Establishing a physical Comprehensive One-Stop Career Center in the Southern Nevada Workforce Investment Area brings Workforce Connections in full compliance with the Workforce Investment Act requirements.

#### 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 financial statements.



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## Workforce Connections

### Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2014

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**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 Organization does not currently maintain any business or fiduciary type funds.

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.

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 vacation leave).

The government-wide financial statements can be found on pages 11-12 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. Accordingly, 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. Both the balance sheet and the statement of revenues, expenditures and changes in fund balances in the governmental fund financial statements provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The fund financial statements can be found on pages 13-16 of this report.

**Notes to 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 financial statements can be found on pages 17-27 of this report.

## Government-wide Financial Analysis

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## Workforce Connections

### Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2014

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As noted earlier, net position may serve as a useful indicator of a government's financial position. In the case of the Organization, assets exceeded liabilities by \$1,984,904 at the close of the most recent fiscal year.

#### Workforce Connections Net Position

	June 30	
	2014	2013
Capital assets, net	\$ 2,374,799	\$ 2,636,216
Other assets	<u>2,602,341</u>	<u>3,857,981</u>
	<u>4,977,140</u>	<u>6,494,197</u>
Liabilities, due in more than one year	441,288	605,006
Other liabilities	<u>2,550,948</u>	<u>3,533,444</u>
	<u>2,992,236</u>	<u>4,138,450</u>
Net position:		
Invested in capital assets, net of related debt	1,805,844	1,974,719
Restricted for construction		928,246
Unrestricted	<u>179,060</u>	<u>(547,218)</u>
	<u>\$ 1,984,904</u>	<u>\$ 2,355,747</u>

By far, the largest portion of the Organization's net position (\$1,805,844) reflects 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.

The Organization's investment in its capital assets was not acquired using debt, except for capital leases for printers/copiers and a lease incentive obligation in the amount of \$568,955. It should be noted that the resources needed to repay the Organization's non-capital liabilities 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 For the Fiscal Year Ended June 30, 2014

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#### Workforce Connections Changes in Net Position

	Year Ended June 30	
	2014	2013
Revenues:		
Operating grants and contributions	\$ 22,553,538	\$ 23,204,512
Other	<u>115,540</u>	<u>4,394</u>
	22,669,078	23,208,906
Expenses:		
Community support	<u>23,039,921</u>	<u>21,892,154</u>
Change in net position	(370,843)	1,316,752
Net position, beginning of year	<u>2,355,747</u>	<u>1,038,995</u>
Net position, end of year	<u>\$ 1,984,904</u>	<u>\$ 2,355,747</u>

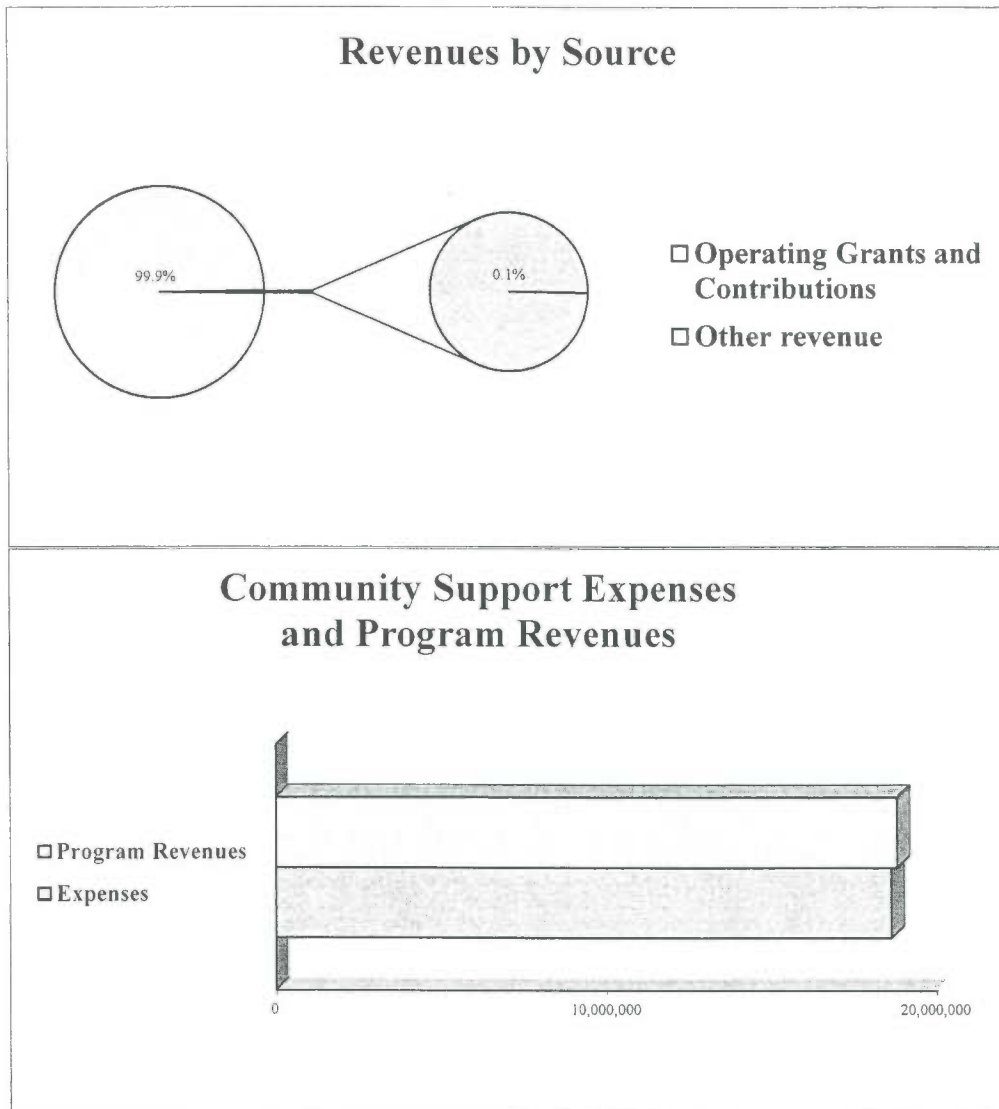
- Operating grants decreased by (\$650,974) (3%). The decrease can be primarily attributed to the following:
  - The sun-setting of the State Energy Sector Partnership (SESP) grant funding of (\$1,127,507) at the end of June 2013
  - The increase of new National Emergency Grant funds during the year of \$163,329.
- Community support expenses increased \$1,147,767 (5%). This increase can be primarily attributed to:
  - The operations of the One-Stop Career Center and System in the amount of \$1,592,497.
  - An increase in program and administration support, occupancy costs and communications systems and other professional services of \$546,577.
  - The aforementioned increase was offset by the following:
    - Decreases in ARRA grant expenditures of (\$1,127,507).

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## Workforce Connections

### Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2014

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### Fund Financial Analysis

As noted above, the Organization uses fund accounting to help ensure and demonstrate compliance with finance-related legal requirements. The focus of the Organization's governmental fund financial statements is to 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 and receives substantially all of its funding from federal grants.

## Workforce Connections

### Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2014

#### Workforce Connections Fund Balance, General Fund

	June 30	
	2014	2013
Federal grants receivable	\$ 2,078,596	\$ 2,283,897
Other assets	<u>417,970</u>	<u>1,460,127</u>
	<u>2,496,566</u>	<u>3,744,024</u>
Accounts payable and accrued expenses	1,984,244	2,976,137
Unearned revenue	<u>391,883</u>	<u>464,048</u>
	<u>2,376,127</u>	<u>3,440,185</u>
Fund balance, unassigned	<u>\$ 120,439</u>	<u>\$ 303,839</u>

#### Workforce Connections Changes in Fund Balance, General Fund

	Year Ended June 30	
	2014	2013
Revenues:		
Federal grants	\$ 22,544,416	\$ 23,118,015
Other	<u>115,540</u>	<u>4,394</u>
	<u>22,659,956</u>	<u>23,122,409</u>
Expenditures:		
Federal grants	22,750,813	23,504,305
Other financing sources-debt issuance		
Lease incentive obligation	<u>(92,543)</u>	<u>610,400</u>
Change in fund balance	(183,400)	228,504
Fund balance, beginning of year	<u>303,839</u>	<u>75,335</u>
Fund balance, end of year	<u>\$ 120,439</u>	<u>\$ 303,839</u>

- As of the end of the current fiscal year, the Organization's sole governmental fund (the general fund) reported an ending fund balance of \$120,439, a fund balance decrease of (\$183,400) in comparison with the prior year. As previously discussed, this decrease is primarily due to the use of restricted cash remaining at the prior year end related to the construction of the new facility in the amount of (\$928,246) net of the decrease of the accrued expenses of \$727,994 related to the same construction.
- Total revenues decreased (\$462,453) (2%) with most of this increase attributable to the decrease in federal grant revenues of (\$573,599) (2%). This decrease is primarily due to decreased funding of (\$1,127,501) from the State Energy Sector Partnership (SESP) grant ending in the prior year.
- Total expenditures decreased (\$753,492) (3%). This decrease is primarily due to a decrease in capital outlay of (\$1,424,634) net of an increase in depreciation of \$421,614.

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## Workforce Connections

### Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2014

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#### Capital Assets

At the end of the current fiscal year, the Organization's investment in capital assets (furniture, equipment and software), net of accumulated depreciation and amortization was \$2,374,799, a decrease of (\$261,417) (10%) from the prior year.

Major capital asset events during the current fiscal year included the following:

- Computers were purchased at a cost of \$51,545.
- Furniture, equipment and software were purchased at a cost of \$118,653.
- Leasehold improvements were purchased at a cost of \$292,499.
- Depreciation, amortization and gain/loss on disposal of capital assets totaled \$724,114.
- Capital assets with a cost of \$227,109 were disposed of during the fiscal year.

#### Workforce Connections Capital Assets

	June 30	
	2014	2013
Computers	\$ 545,445	\$ 532,230
Furniture and other equipment	827,806	721,243
Software	568,057	619,675
Construction in progress	-	876,168
Leasehold improvements	<u>1,727,585</u>	<u>683,989</u>
	3,668,893	3,433,305
Less accumulated depreciation and amortization	<u>(1,294,094)</u>	<u>(797,089)</u>
	<u>\$ 2,374,799</u>	<u>\$ 2,636,216</u>

Additional information on the Organization's capital assets can be found on pages 20 and 23 of this report.

#### Economic Factors

The following factors were considered in planning, preparing and budgeting for the 2014 fiscal year.

- Unemployment rates for the United States, the State of Nevada, and the counties of Clark, Lincoln, Nye and Esmeralda.

Unemployment Rates<sup>1</sup>

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<sup>1</sup> Source: State of Nevada, Department of Employment, Training and Rehabilitation, Research & Analysis Bureau.

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## Workforce Connections

### Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2014

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	October 2014	June 2013
United States	5.8%	7.5%
State of Nevada	6.6%	10.3%
Clark County	6.8%	10.4%
Lincoln County	7.8%	12.5%
Nye County	7.7%	12.3%
Esmeralda County	3.2%	3.9%

- Grant awards received for the fiscal 2015 year include:
  - WIA 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 \$19,396,143.

#### 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.



## **Financial Section**

# **Basic Financial Statements**

**Government-Wide  
Financial Statements**

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**Workforce Connections**

**Statement of Net Position  
June 30, 2014**

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	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and cash equivalents, unrestricted	\$ 280,777
Receivables:	
Grants:	
Federal grants	2,078,596
Other grants	7,532
Subrecipients	129,661
Prepaid expenses	51,959
Refundable deposits	53,816
Capital assets, net of accumulated depreciation and amortization	<u>2,374,799</u>
Total assets	<u>4,977,140</u>
<b>LIABILITIES</b>	
Accounts payable	1,913,315
Accrued expenses	70,929
Unearned revenue	283,723
Long-term liabilities, due within one year:	
Capital lease obligation	9,577
Compensated absences	155,314
Lease incentive obligation	118,090
Long-term liabilities, due in more than one year:	
Capital lease obligation	27,974
Lease incentive obligation	<u>413,314</u>
Total liabilities	<u>2,992,236</u>
<b>NET POSITION</b>	
Net investment in capital assets	1,805,844
Unrestricted	<u>179,060</u>
Total net position	<u>\$ 1,984,904</u>

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**Workforce Connections**

**Statement of Activities  
For the Fiscal Year Ended June 30, 2014**

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	<u>Governmental Activities</u>				<u>Net (Expenses) Revenues and Change in Net Assets</u>
	<u>Expenses</u>	<u>Program Revenues</u>			
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
<b>Function/program:</b>					
Community support	\$ 23,030,239	\$ -	\$ 22,553,538	\$ -	\$ (476,701)
Interest expense and fiscal charges	9,682				(9,682)
Total function/program	<u>\$ 23,039,921</u>	<u>\$ -</u>	<u>\$ 22,553,538</u>	<u>\$ -</u>	
<b>General revenues:</b>					
Program income					<u>115,540</u>
<b>Change in net position</b>					(370,843)
<b>Net position, beginning of year</b>					<u>2,355,747</u>
<b>Net position, end of year</b>					<u>\$ 1,984,904</u>



**Fund Financial Statements**

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**Workforce Connections**

**Balance Sheet  
June 30, 2014**

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	<u>General Fund</u>
<b>ASSETS</b>	
Cash and cash equivalents, unrestricted	\$ 280,777
Receivables:	
Grants:	
Federal grants	2,078,596
Other grants	7,532
Subrecipients	<u>129,661</u>
	<u>\$ 2,496,566</u>
Accounts payable	\$ 1,913,315
Accrued expenses	70,929
Unearned revenue	<u>391,883</u>
Total liabilities	<u>2,376,127</u>
<b>FUND BALANCE</b>	
Unassigned	<u>120,439</u>
Total liabilities and fund balance	<u><u>\$ 2,496,566</u></u>

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**Workforce Connections**

**Reconciliation of the Balance Sheet  
to the Statement of Net Position  
June 30, 2014**

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<b>Fund balance</b>		\$ 120,439
Amounts reported in the statement of net assets are different because:		
Capital assets used in governmental activities are not current financial resources; and therefore, are not reported in governmental funds:		
Capital assets	\$ 3,668,893	
Less accumulated depreciation and amortization	<u>(1,294,094)</u>	
		2,374,799
Long-term liabilities, including debt obligations, are not due and payable in the current period; and therefore, are not reported in governmental funds:		
Capital lease payable	(37,551)	
Compensated absences	(155,314)	
Lease incentive obligation	<u>(531,404)</u>	
		(724,269)
Unearned revenue amounts that are not available to fund current expenditures are not reported in governmental funds.		
		108,160
Prepaid expenses and refundable deposits represent current fund expenditures that benefit future periods; and therefore, are not reported in governmental funds.		
Prepaid expenses	51,959	
Refundable Deposits	<u>53,816</u>	
		<u>105,775</u>
<b>Net position</b>		<u><u>\$ 1,984,904</u></u>

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**Workforce Connections**

**Statement of Revenues, Expenditures  
and Changes in Fund Balance  
For the Fiscal Year Ended June 30, 2014**

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	<u>General Fund</u>
<b>Revenues</b>	
Intergovernmental:	
Grants:	
Federal grants:	\$ 22,544,416
Program income	115,540
Total revenues	<u>22,659,956</u>
<b>Expenditures</b>	
Federal grants:	
Adult program	9,992,507
Youth activities program	6,479,829
Dislocated workers program	4,984,162
Administration	831,619
Capital outlay	<u>462,696</u>
Total expenditures	<u>22,750,813</u>
<b>Other financing sources-debt issuance</b>	
Lease incentive obligation	<u>(92,543)</u>
<b>Change in fund balance</b>	(183,400)
Fund balance, beginning of year	<u>303,839</u>
<b>Fund balance, end of year</b>	<u><u>\$ 120,439</u></u>

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**Workforce Connections**

**Reconciliation of the Statement of Revenues,  
Expenditures and Changes in Fund Balance  
to the Statement of Activities  
For the Fiscal Year Ended June 30, 2014**

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<b>Change in fund balance</b>		\$ (183,400)
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	\$ 462,694	
Less depreciation, amortization and gain/loss on disposal of capital assets	<u>(724,117)</u>	
		(261,423)
Revenues in the statement of activities, which do not provide current financial resources are not reported as revenues in governmental funds:		
Change in unearned revenue		9,122
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases liabilities in the statement of net assets. Repayment of debt principal is an expenditure in governmental funds, but the repayment reduces liabilities in the statement of net assets. This is the amount by which repayments exceeded debt issued:		
Repayment of debt principal	99,324	
Lease incentive obligation	<u>(6,781)</u>	
		92,543
Some expenditures reported in governmental funds benefit future periods; and therefore, are not reported in the statement of activities:		
Change in prepaid expenses	4,824	
Change in refundable deposits	<u>(13,000)</u>	
		(8,176)
Some expenditures 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 long-term compensated absences		<u>(19,509)</u>
<b>Change in net position</b>		<u><u>\$ (370,843)</u></u>



**Notes to Basic  
Financial Statements**

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## Workforce Connections

### Notes to Basic Financial Statements For the Fiscal Year Ended June 30, 2014

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#### Note 1. Summary of Significant Accounting Policies

##### The Reporting Entity

Workforce Connections (the Organization) was established in 2000, under the provisions of the Workforce Investment Act of 1998 (the Act). The Organization's mission is "to develop a world class workforce through innovative market driven strategies that are relevant to Southern Nevada's employers and job seekers." 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 nation's 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 32 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*, and Statement No. 61, *The Financial Reporting Entity: Omnibus*, 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 by Statement No. 39 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.

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## Workforce Connections

### Notes to Basic Financial Statements (continued) For the Fiscal Year Ended June 30, 2014

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#### 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 and are accounted for in a governmental fund, the general fund. The Organization does not currently maintain any business or fiduciary type funds.

Included in the statement of net position are capital assets, refundable deposits and long-term liabilities (compensated absences). Net position is classified as 1) net investment in capital assets 2) restricted net position, or 3) unrestricted net position.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is 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 fund balance presented in the fund financial statements to net position presented in 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.

##### **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. The primary revenue sources, which have been treated as susceptible to accrual by the Organization, are interest, cost reimbursements and

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## Workforce Connections

### Notes to Basic Financial Statements (continued) For the Fiscal Year Ended June 30, 2014

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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 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 financial resources except those required to be accounted for in another fund.

The Organization has no nongovernmental fund types.

#### Assets, Liabilities, and Net Position or Fund Balance

##### Deposits and Investments

The Organization's demand deposits are considered to be cash equivalents.

The Organization's cash and cash equivalents on deposit with financial institutions are 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.

##### Receivables

Receivables, comprised primarily of receivables from grantors that are not expected to be collected within 60 days of year end are treated as unearned 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 as when grant funds are received prior to being earned.

##### Prepaid Expenses

Certain payments to vendors reflect costs applicable to future periods and are recorded as expenditures in the fund financial statements and as prepaid expenses in the government-wide financial statements. Payment of debt (both principal and interest) prior to the related due date is reported as a prepaid item in the fund financial statements and as a reduction of liabilities and interest expense in the government-wide financial statements. In the fund financial statements, prepaid items are recorded as expenditures when purchased rather than when consumed.

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## Workforce Connections

### Notes to Basic Financial Statements (continued) For the Fiscal Year Ended June 30, 2014

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#### 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 fair 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, comprised of furniture, equipment and software, 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).

#### 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 vacation obligations are reported in the government-wide financial statements. A liability for compensated absences is reported in the fund financial statements only 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.

#### Long-term Obligations

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.

#### Net Position

In the government-wide and fund financial statements, net position is classified as net investment in capital assets, restricted or unrestricted

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.



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## Workforce Connections

### Notes to Basic Financial Statements (continued) For the Fiscal Year Ended June 30, 2014

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Unrestricted net position is the classification used by the general fund for the residual balance that is not net investment in capital assets or restricted.

#### Fund Balance

Effective July 1, 2010, the Organization implemented the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. As a result, governmental fund balances previously reported as reserved and unreserved are now reported as non-spendable, restricted, committed, assigned or unassigned.

Non-spendable fund balances include items that are not in a spendable form (for example, prepaid expenses) 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 should be 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 assigned, committed, restricted or non-spendable.

#### 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.

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## Workforce Connections

### Notes to Basic Financial Statements (continued) For the Fiscal Year Ended June 30, 2014

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#### Note 2. Stewardship, Compliance and Accountability

##### New Accounting Pronouncements

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions - An Amendment of GASB Statement No. 27*, effective for periods beginning after June 15, 2014. The objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria. Management has not yet completed its assessment of this statement.

In January 2013, the GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations*, effective for fiscal years beginning after December 15, 2013. The Statement establishes accounting and financial reporting guidance in regards to a government merger, government acquisition, transfer of operations and disposals of government operations that are covered by the scope of this Statement. The primary objective of this Statement is to provide specific accounting and financial reporting guidance for combinations in the governmental environment, which include the Organization. It also improves the decision usefulness of financial reporting by requiring that disclosures be made by governments about combination arrangements in which they engage and for disposals of government operations. Management has not yet completed its assessment of this statement.

In April 2013, the GASB issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, effective for periods beginning after June 15, 2013. The objective of this statement is to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees and to enhance comparability of financial statements among such governments by requiring consistent reporting by those governments. This statement also will enhance the information disclosed about a government's obligations and risk exposure from extending nonexchange financial guarantees. This statement also will augment the ability of financial statement users to assess the probability that governments will repay obligation holders by requiring disclosures about obligations that are issued with this type of financial guarantee. Management has not yet completed its assessment of this statement.

In November 2013, the GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date- an amendment of GASB Statement No. 68*, to be applied simultaneously with the provisions of GASB Statement No. 68. The objective of this Statement is to address an issue regarding application of the transition provisions of GASB Statement No. 68. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. Management is currently awaiting

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**Workforce Connections**

**Notes to Basic Financial Statements (continued)  
For the Fiscal Year Ended June 30, 2014**

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the completed evaluation from the Public Employees Retirement System to complete its evaluation and determine the effect on the Organization's basic financial statements.

**Note 3. Detailed Notes on all Funds**

**Deposits and Investments**

At June 30, 2014, the carrying amount of deposits was \$280,777 and the bank balance was \$335,927. The Federal Depository Insurance Corporation (FDIC) at year end covered \$250,000 of the bank balance.

**Capital Assets**

Changes in capital assets for the year ended June 30, 2014, are as follows:

	Balance <u>July 1, 2013</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>June 30, 2014</u>
Capital assets not being depreciated or amortized:				
Construction in progress	\$ 876,168		\$ (876,168)	
Capital assets being depreciated or amortized:				
Furniture, equipment and software	1,873,148	\$ 295,269	(227,109)	\$ 1,941,308
Leasehold improvements	683,989	1,043,596		1,727,585
Less accumulated depreciation and amortization for:				
Furniture, equipment and software	785,690	353,258	(184,511)	954,437
Leasehold improvements	<u>11,399</u>	<u>328,258</u>		<u>339,657</u>
Total capital assets being depreciated or amortized, net	<u>1,760,048</u>	<u>657,349</u>	<u>(42,598)</u>	<u>2,374,799</u>
Total capital assets, net	<u>\$ 2,636,216</u>	<u>\$ 657,349</u>	<u>\$ (918,766)</u>	<u>\$ 2,374,799</u>

Depreciation, amortization and gain/loss on disposal of assets were charged to governmental fund activities as follows:

Adult program	\$ 188,873
Youth activities	143,191
Dislocated workers	178,092
Administration	<u>171,360</u>
	<u>\$ 681,516</u>

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## Workforce Connections

### Notes to Basic Financial Statements (continued) For the Fiscal Year Ended June 30, 2014

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#### Long-term Liabilities

Long-term liabilities for the year ended June 30, 2014, were as follows:

	<u>Balance</u> <u>July 1, 2013</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2014</u>	<u>Due within</u> <u>one year</u>
Capital lease obligation	\$ 45,207		\$ (7,656)	\$ 37,551	\$ 9,577
Compensated absences	135,805	\$ 357,486	(337,977)	155,314	155,314
Lease incentive obligation	<u>616,290</u>	<u>6,781</u>	<u>(91,667)</u>	<u>531,404</u>	<u>118,090</u>
	<u>\$ 797,302</u>	<u>\$ 364,267</u>	<u>\$ (437,300)</u>	<u>\$ 724,269</u>	<u>\$ 282,981</u>

Compensated absences are liquidated by the general fund.

#### Operating and Capital Lease Commitments

During the year ended June 30, 2014, the Organization leased office space, storage facilities and equipment under non-cancelable operating leases, which expire at various times through the fiscal year ended June 30, 2019. Rental expense was \$306,885 for the year ended June 30, 2014.

As of June 30, 2014, approximate future minimum lease payments, including payments required under the leases entered into subsequent to year end, are as follows:

<u>Years ending June 30,</u>	
2015	\$307,299
2016	306,018
2017	291,927
2018	291,927
2019	145,963

In June 2012, the Organization acquired \$51,097 of equipment (Note 3) as a result of entering into three 5-year capital lease agreements with interest rates ranging from 21% to 31%. Accumulated amortization was \$20,439 and amortization expense was \$10,219 as of June 30, 2014 and for the year then ended, for a net value of \$30,658.

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## Workforce Connections

### Notes to Basic Financial Statements (continued) For the Fiscal Year Ended June 30, 2014

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As of June 30, 2014, approximate future minimum capital lease payments, including payments required under the leases entered into subsequent to year end, are as follows:

<u>Years ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 9,577	\$ 7,762
2016	12,017	5,322
2017	15,130	2,209
2018	827	18
	<u>\$ 37,551</u>	<u>\$ 15,311</u>

#### Note 4. Other Information

##### 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.

The United States is recovering from a widespread recession, which was accompanied by declines in residential real estate sales, mortgage lending and related construction activity, higher energy costs and other inflationary trends, high unemployment and weakness in the commercial and investment banking systems, all of which are likely to continue to have far-reaching effects on the economic activity in the country for an indeterminate period. The near- and long-term impact of these factors on the Nevada economy and the Organization's operations cannot be predicted at this time but may be substantial.

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.



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## Workforce Connections

### Notes to Basic Financial Statements (continued) For the Fiscal Year Ended June 30, 2014

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#### Contingent liabilities

In the ordinary course of its operations, claims are filed against the Organization. Although the minimum 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 basic financial statements.

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 services are rendered.

As of June 30, 2014, the Nevada Department of Employment, Training and Rehabilitation Workforce Investment Support Services (DETR-WISS) communicated a monitoring finding alleging that two contracts sole sourced by the Organization utilizing Work Force Investment Act Title I Funds in the amount of approximately \$346,000 were in violation of Nevada State Compliance Policy 3.9, IV, C, 3-A (the State Policy). The State Policy states that a local workforce investment board shall give reasonable notice of all requests for proposals (RFPs) for the proposed purchases of good and services when utilizing Work Force Investment Act Title I Funds. DETR-WISS requested reimbursement of the amount alleging that the expenses incurred under the two contracts were disallowed costs. The Organization refuted the finding indicating that the application of sole source funding was appropriate in this matter and DETR-WISS forwarded the finding to the United States Department of Labor (DOL) for a ruling on the matter. The DOL has not issued a ruling as of the date of these financials. The Organization believes that its position and use of funds are within compliance and intends to exercise its right of appeals in the event of an adverse resolution. While the outcome of this matter cannot be predicted with certainty, the Organization does not believe, when resolved, that this dispute will have a material effect on its financial statements. However, an unexpected adverse resolution could have a material effect on the financial statements. No adjustments have been made as a result of the DETR-WISS finding.

#### Retirement Plan

The Organization's employees are covered by the State of Nevada's Public Employees' Retirement System (PERS). PERS was established on July 1, 1949, by the Nevada State Legislature and is governed by the Public Employees Retirement Organization whose seven members are appointed by the Governor. All public employees who meet certain eligibility requirements participate in PERS, which is a cost sharing, multiple-employer, defined benefit retirement plan.

The Organization does not exercise any control over PERS. Nevada Revised Statutes (NRS) 286.110 states, "Respective participating public employers are not liable for any obligation of the system."

As required by NRS, benefits are determined by the number of years of accredited service at the time of retirement and the participant's compensation. Benefit payments to which participants in PERS may be entitled include pension, disability, and death benefits. PERS issues a publicly available financial report that includes financial statements and required supplemental information. This report may be obtained by writing PERS at 693 West Nye Lane, Carson City, Nevada 89703-1599, or by calling (775) 687-4200.

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## Workforce Connections

### Notes to Basic Financial Statements (continued) For the Fiscal Year Ended June 30, 2014

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Contribution rates are established by the NRS, are tied to the increase in taxable sales within the State of Nevada each year and provide for yearly increases of up to 1% until such time as the actuarially determined unfunded liability of PERS is reduced to zero. The Organization is obligated to contribute all amounts due under PERS.

The Organization's contributions (equal to the required contributions) to PERS are as follows:

<u>Years ended June 30,</u>	<u>Rate</u>	<u>Amount</u>
2012	23.75 %	\$934,437
2013	23.75 %	630,917
2014	25.75 %	699,888

At June 30, 2014, the unfunded contributions, included in accounts payable, were \$55,376.

#### Postemployment Benefits Other Than Pensions (OPEB)

Effective July 1, 2008, the Organization implemented the provisions of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. In accordance with the transition rules of the statement, the Organization elected to apply its measurement and recognition requirements on a prospective basis and set its beginning net OPEB obligation at zero for the year ended June 30, 2009.

In accordance with NRS, the Organization provides other postemployment benefits to retirees by participating in the State of Nevada's Public Employee Benefit Plan (PEBP), an agent, multiple-employer, defined benefit plan administered by a nine member governing Organization. PEBP provides medical, prescription, dental and vision benefits to eligible retirees. Eligibility and subsidy requirements are governed by the NRS and can only be amended through legislation. In 2008, the Nevada State Legislature amended the eligibility and subsidy requirements. As a result of this amendment, the number of retirees for whom the Organization is obligated to provide postemployment benefits is limited to eligible employees who retired from Organization service prior to September 1, 2008.

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.

P B T K

PIERCY BOWLER  
TAYLOR & KERN

Certified Public Accountants  
Business Advisors

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

Board of Directors  
Workforce 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 financial statements of the Workforce Connections (the Organization) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Organization's basic financial statements as listed in the table of contents, and have issued our report thereon dated January 21, 2015.

**Internal Control over Financial Reporting.** In planning and performing our audit of the basic financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the basic 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 Organization's basic 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 basic financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of basic financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Organization in a separate letter dated January 21, 2015.



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



Las Vegas, Nevada  
January 21, 2015

**Single Audit  
and  
Accompanying Information**

P B T K

PIERCY BOWLER  
TAYLOR & KERN

Certified Public Accountants  
Business Advisors

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH  
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL  
EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133  
AND SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

Board of Directors  
Workforce Connections  
Las Vegas, Nevada

We have audited the compliance of the Workforce Connections (the Organization) with the types of compliance requirements described in the Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on the Organization's major federal program for the year ended June 30, 2014. The Organization's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility.** The Organization's management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditors' Responsibility.** Our responsibility is to express an opinion on compliance for the Organization's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 the major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

**Opinion on 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 the Organization's major federal program for the year ended June 30, 2014.

**Other Matters.** The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2014 - 001 and 2014 - 002. Our opinion on the major federal program is not modified with respect to these matters.

The Organization's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Organization's responses were not subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

**Report on Internal Control Over Compliance.** The Organization's management is responsible for establishing and maintaining effective internal control over compliance with the types of compliance

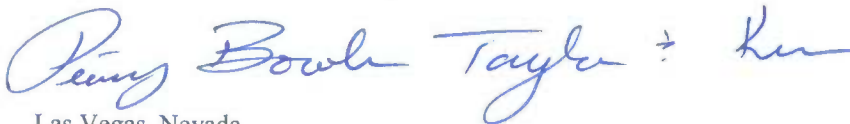
requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

**Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133.** We have audited the financial statements of the Organization as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Organization's basic financial statements. We issued our report thereon dated January 21, 2015, which contained an unmodified opinion on those basic financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic 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 basic financial statements. The 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 is fairly stated in all material respects in relation to the basic financial statements as a whole.



Las Vegas, Nevada  
January 21, 2015

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**Workforce Connections**

**Schedule of Expenditures of Federal Awards  
For the Fiscal Year Ended June 30, 2014**

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<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity Identifying Number(s)</u>	<u>Expenditures</u>
Expenditures passed through to subrecipients (reported on the cash basis)			
United States Department of Labor, Employment and Training Administration			
YouthBuild	17.274	YB-21884-11-60-A-32, YB-24714-13-60-A-32	\$ 62,074
Passed through State of Nevada, Department of Employment, Training and Rehabilitation, Employment Security Division, Workforce Investment Support Services Unit			
WIA Cluster	*		
WIA Adult Program	17.258	PY12-A-02, PY13-A-02	7,644,778
WIA Youth Activities	17.259	PY12-Y-02, PY13-Y-02	4,945,636
WIA Dislocated Workers	17.278	PY12-DW-02, PY13-DW-02, PY11-DW-RR-02, PY12-DW-RR-02a	3,180,922
			15,771,336
WIA National Emergency Grants	17.277	PY13-NEG-02	163,329
Total United States Department of Labor, Employment and Training Administration (cash basis)			15,996,739

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\* A "major" program

(Continued)

**Workforce Connections**

**Schedule of Expenditures of Federal Awards  
For the Fiscal Year Ended June 30, 2014  
(Continued)**

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity Identifying Number(s)</u>	<u>Expenditures</u>
All other expenditures (reported on the accrual basis)			
United States Department of Labor, Employment and Training Administration			
YouthBuild	17.274	YB-21884-11-60-A-32, YB-24714-13-60-A-32	521,871
Passed through State of Nevada, Department of Employment, Training and Rehabilitation, Employment Security Division, Workforce Investment Support Services Unit			
WIA Cluster (continued)	*		
WIA Adult Program	17.258	PY12-A-02, PY13-A-02	2,720,179
WIA Youth Activities	17.259	PY12-Y-02, PY13-Y-02	1,325,238
WIA Dislocated Workers	17.278	PY12-DW-02, PY13-DW-02, PY11-DW-RR-02, PY12-DW-RR-02a	2,046,483
Total United States Department of Labor, Employment and Training Administration (accrual basis)			<u>6,613,771</u>
Corporation for National and Community Service			
Americorps	94.006	10NDHMA0030096, 13NDHMA0010033	18,533
Total Expenditures			<u>\$ 22,629,043</u>

\* A "major" program



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## Workforce Connections

### Notes to Schedule of Expenditures of Federal Awards For the Fiscal Year Ended June 30, 2014

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#### Note 1. Reporting Entity

The accompanying supplementary schedule of expenditures of federal awards presents the activity of all federal financial assistance programs of Workforce Connections (the Organization). The reporting entity is defined in Note 1 to the basic financial statements. The schedule includes all expended federal financial assistance received directly from federal agencies as well as passed through other government agencies.

#### Note 2. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Organization. Expenditures passed through to sub-recipients are presented on the cash basis of accounting and all other expenditures are presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

#### Note 3. Sub-recipients

During the year ended June 30, 2014, the following awards (including amendments) were given to sub-recipients:

<u>Sub-recipient</u>	<u>Award</u>
<b>Workforce Investment Act, Title 1 (CFDA Numbers 17.258, 17.259, 17.278)</b>	
Academy of Human Development	\$ 150,000
Bridge Counseling Associates	600,000
Easter Seals of Nevada	100,000
Foundation for an Independent Tomorrow	1,550,000
GNJ Family Life Center	1,670,000
Goodwill Industries of Southern Nevada	750,000
HELP of Southern Nevada	1,410,000
Las Vegas Urban League	970,000
Latin Chamber of Commerce Community Foundation	950,000
Nevada Hospital Association	750,000
Nevada Partners, Inc.	1,530,000
Nye Communities Coalition	305,000
Southern Nevada Regional Housing Authority	750,000
Youth Advocate Programs	<u>300,000</u>
	<u>\$ 11,785,000</u>

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## Workforce Connections

### Schedule of Findings and Questioned Costs For the Fiscal Year Ended June 30, 2014

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#### Section I - Summary of Auditors' Results:

##### Financial Statements:

Type of auditors' report issued:	Unqualified
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?	No
Type of auditors' report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	Yes

##### 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:  WIA cluster: WIA Adult Program, WIA Youth Activities, WIA Dislocated Workers
Dollar threshold used to distinguish between Type A and Type B programs:	\$678,871
Auditee qualified as low-risk auditee?	No



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**Workforce Connections**

**Schedule of Findings and Questioned Costs (Continued)  
For the Fiscal Year Ended June 30, 2014**

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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.

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## Workforce Connections

### Schedule of Findings and Questioned Costs (Continued) For the Fiscal Year Ended June 30, 2014

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Section III – Findings and questioned costs for federal awards, including audit findings as defined in Circular A-133  
Section .510(a)

2014-001

Program: United States Department of Labor, Employment and Training Administration:  
WIA cluster: WIA Adult Program, WIA Youth Activities, WIA Dislocated Workers, CFDA # 17.258, 17.259, 17.278.

Specific requirements: Governmental subrecipients of States will use the same State policies and procedures used for procurements from non-Federal funds. They also must ensure that every purchase order or other contract includes any clauses required by Federal statutes and executive orders and their implementing regulations.

Condition and context: The two sole source contracts were executed with the Academy of Human Development and Las Vegas Clark County Urban League to provide basic computer training after they were reviewed internally by management. These contracts were noted as findings by Nevada Department of Training and Rehabilitation Workplace Investment Support Services (DETR-WISS) department as part of their annual review. DETR-WISS alleges that Workforce did not follow the proper Request for Proposal (RFP) process in awarding these contracts.

Questioned costs: \$345,745

Effect: DETR-WISS stated that all expenditures incurred under these contracts be disallowed costs. Workforce is disputing this finding and it is currently being reviewed by the Department of Labor.

Cause: Workforce entered into sole source contracts with two providers rather than undergoing than standard RFP process for contracted services.

Recommendation: We recommend Workforce use their standard RFP process for contracts of this nature or obtain DETR-WISS approval on sole source contracts to alleviate any future findings regarding sole source contracts.

Management's response: Management informed us that their method of sole source procurement was allowable under 20 CFR 663.430(a)(3) and (b) and in accordance with the compliance requirements of DETR-WISS. Further, management intends to exercise formal appeals to the Department of Labor (DOL) in the event of unfavorable decision in this matter.

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## Workforce Connections

### Schedule of Findings and Questioned Costs (Continued) For the Fiscal Year Ended June 30, 2014

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**Section III – Findings and questioned costs for federal awards, including audit findings as defined in Circular A-133  
Section .510(a) (continued):**

2014-002

Program:	United States Department of Labor, Employment and Training Administration: WIA cluster: WIA Adult Program, WIA Youth Activities, WIA Dislocated Workers, CFDA # 17.258, 17.259, 17.278.
Specific requirements:	Property records shall contain a description (including serial number or other identification number), source, who holds title, acquisition date and cost, percentage of Federal participation in the cost, location, condition, and disposition data.
Condition and context:	<p>Policies and procedures shall be in place for responsibilities of record keeping and authorities for disposition.</p> <p>Per review of the fixed asset listing the property records do not contain the following information: source, who holds title, and percentage of Federal participation in the cost.</p> <p>During our physical inventory of capital assets, we noted that, of the 84 items we observed, 10 could not be found at the location indicated on the capital asset listing with no documentation to indicate a transfer of the asset to a new location.</p>
Questioned costs:	None noted.
Effect:	Reasonable assurance that capital asset records are complete and accurate cannot readily be attained.
Cause:	Failure to adopt, effectively implement and monitor compliance with policies and procedures designed to provide reasonable assurance that capital asset records are accurately maintained.
Recommendation:	We recommend that management implement and monitor compliance with policies designed to provide reasonable assurance that capital asset records are accurately maintained and include all required compliance requirements.
Management's response:	Management informed us that they will implement and monitor compliance with policies designed to provide reasonable assurance that capital asset records are accurately maintained and include all required compliance requirements.

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## Workforce Connections

### Schedule of Prior Findings and Questioned Costs For the Fiscal Year Ended June 30, 2013

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#### Section III – Findings and questioned costs for federal awards, including audit findings as defined in Circular A-133 Section .510(a):

##### 2013-001

Criteria:	Controls are designed and performed to provide effective oversight and monitoring of policies and procedures to provide reasonable assurance that lease contracts are reviewed for tenant improvement allowances and appropriate interperiod allocation of rent expenses.
Condition:	During the year, the Organization entered into a long-term building lease agreement. Management's initial review of a long term building lease entered into during the year did not identify and account for the cash lease incentives received by the landlord for tenant improvements, the reconciliation of the related escrowed cash account, the accrual of construction costs, and the interperiod allocation of rents in accordance with generally accepted accounting principles.
Effect:	Reasonable assurance that lease transactions are accurately recognized and financial statements are free of material errors cannot be readily attained. As a result, two significant audit adjustments were necessary to record restricted cash held in escrow and the effects of inappropriate interperiod allocation of rent expense.
Cause:	Ineffective oversight and monitoring of policies and procedures designed to provide reasonable assurance that the transactions are appropriately recognized and financial statements, free of material errors.
Current status:	No significant exceptions were noted in the current year's audit procedures, and therefore, this finding appears to have been corrected.

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**Workforce Connections**

**Schedule of Prior Findings and Questioned Costs (Continued)  
For the Fiscal Year Ended June 30, 2013**

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Section III – Findings and questioned costs for federal awards, including audit findings as defined in Circular A-133  
Section .510(a) (continued):

2013-002

Criteria:	Controls shall be designed and performed to provide reasonable assurance that cutoff procedures are documented and used to ensure that transactions and accruals of subrecipient cash advances are recorded properly at year end.
Condition:	Proper evaluation was not performed by the finance department to determine that accrual of subrecipient cash advances were complete and accurate.
Effect:	Reasonable assurance that year-end accruals of subrecipient cash advances are appropriately recognized and financial statements are free of material errors cannot be readily attained. As a result, significant audit adjustments were necessary to record year-end accruals of subrecipient cash advances.
Cause:	Management should effectively monitor compliance with those policies and procedures designed to ensure that year-end accruals of subrecipient cash advances are appropriately recognized and financial statements are free of material errors.
Current status:	No significant exceptions were noted in the current year's audit procedures, and therefore, this finding appears to have been corrected.

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## Workforce Connections

### Schedule of Prior Findings and Questioned Costs (Continued) For the Fiscal Year Ended June 30, 2013

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Section III – Findings and questioned costs for federal awards, including audit findings as defined in Circular A-133  
Section .510(a) (continued):

2013-003

Program:	U.S. Department of Labor, Employment and Training Administration: WIA cluster: WIA Adult Program, WIA Youth Activities, WIA Dislocated Workers. CFDA # 17.258, 17.259, 17.260.
Specific requirements:	Property records shall contain a description (including serial number or other identification number), source, who holds title, acquisition date and cost, percentage of Federal participation in the cost, location, condition, and disposition data.  Policies and procedures shall be in place for responsibilities of record keeping and authorities for disposition.
Condition and context:	During our physical inventory of capital assets, we noted that, of the 89 items we observed, 20 could not be found at the location indicated on the capital asset listing and one item had the incorrect quantity of software licenses.
Questioned costs:	None noted.
Effect:	Reasonable assurance that capital asset records are complete and accurate cannot readily be attained.
Cause:	Failure to adopt, effectively implement and monitor compliance with policies and procedures designed to provide reasonable assurance that capital asset records are accurately maintained.
Current status:	This condition still exists with regard to property records and is reported in the current year's schedule of findings and questioned costs as finding number 2014-002.

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## Workforce Connections

### Schedule of Prior Findings and Questioned Costs (Continued) For the Fiscal Year Ended June 30, 2013

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Section III – Findings and questioned costs for federal awards, including audit findings as defined in Circular A-133 Section .510(a) (continued):

2013-004

Program:	U.S. Department of Labor, Employment and Training Administration: WIA cluster: WIA Adult Program, WIA Youth Activities, WIA Dislocated Workers. CFDA # 17.258, 17.259, 17.260.
Specific requirements:	OMB Circular A-87, Attachment B, Paragraph 8h: (5) Personnel activity reports or equivalent documentation must meet the following standards: (a) They must reflect an after-the-fact distribution of the actual activity of each employee.
Condition and context:	Of the four monthly payroll cost allocation worksheets examined, we noted one worksheet for June 2013 which reallocated hours from one federal award to another without sufficient documentation to support the allocation. As a result, an audit adjustment was necessary to record the effects of management's original reallocation of hours.
Questioned costs:	None noted.
Effect:	Reasonable assurance that payroll cost allocations are complete and accurate cannot readily be attained.
Cause:	Ineffective oversight and monitoring of policies and procedures designed to provide reasonable assurance that payroll cost allocations are complete and accurate.
Current status:	No significant exceptions were noted in the current year's audit procedures, and therefore, this finding appears to have been corrected.



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## Workforce Connections

### Schedule of Prior Findings and Questioned Costs (Continued) For the Fiscal Year Ended June 30, 2013

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Section III – Findings and questioned costs for federal awards, including audit findings as defined in Circular A-133  
Section .510(a) (continued):

2013-005

Program:	U.S. Department of Labor, Employment and Training Administration: WIA cluster: WIA Adult Program, WIA Youth Activities, WIA Dislocated Workers. CFDA # 17.258, 17.259, 17.260.
Specific requirements:	Automated participant system used in calculating income based eligibility determinations shall be accurate.
Condition and context:	For those who did not meet the low-income threshold, of the three youth participant files examined, the income determinations for two were not properly documented in the system.
Questioned costs:	None noted.
Effect:	Reasonable assurance that the low-income determination for youth participants cannot readily be attained.
Cause:	Failure to adopt, effectively implement and monitor compliance with policies and procedures designed to provide reasonable assurance that required participant income determination is documented in the automated participant system is complete and accurate.
Current status:	No significant exceptions were noted in the current year's audit procedures, and therefore, this finding appears to have been corrected.