

Nevadaworks

**AUDITED FINANCIAL STATEMENTS
AND
SUPPLEMENTAL INFORMATION**

June 30, 2011

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Muckel Anderson CPAs

A PROFESSIONAL CORPORATION

INDEPENDENT AUDITORS' REPORT

To the Local Elected Officials Board
and the Nevadaworks Council
Governing Board of Nevadaworks

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Nevadaworks, as of and for the year ended June 30, 2011, which collectively comprise Nevadaworks' basic financial statements as listed in the table of contents. These financial statements are the responsibility of Nevadaworks' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Nevadaworks as of June 30, 2011 and the respective changes in financial position, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2011, on our consideration of Nevadaworks' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing results of our audit.

To the Local Elected Officials Board
and the Nevadaworks Council
Governing Board of Nevadaworks
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Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3A-3G 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Nevadaworks' financial statements as a whole. The schedule of staff and operating costs- special revenue funds is presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The schedule of expenditures of federal awards is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Muckel Anderson CPAs

MUCKEL ANDERSON CPAs
A Professional Corporation

Reno, Nevada
October 24, 2011

Nevadaworks

MANAGEMENT DISCUSSION AND ANALYSIS

June 30, 2011

As management of Nevadaworks, we offer readers of the Nevadaworks' financial statements this narrative overview and analysis of the financial activities of Nevadaworks for the fiscal year ended June 30, 2011. We encourage readers to consider the information presented here in conjunction with additional information furnished in this report.

FINANCIAL HIGHLIGHTS

- The auditors' report offers an unqualified opinion on the financial statements, the highest level of assurance that can be attained.
- The assets of Nevadaworks' governmental activities exceeded its liabilities at the close of the most recent fiscal year by \$340,478, of which \$194,779 is comprised of unrestricted net assets and \$145,699 represents net assets invested in capital assets. Governmental activities include all funds of Nevadaworks.
- As of the close of the current fiscal year, Nevadaworks' governmental funds reported combined ending fund balance of \$194,779, a decrease of \$2,237 compared to the prior year. The total amount of \$194,779 is available for spending at Nevadaworks' discretion.
- Revenue from all sources totaled \$8,968,188, a decrease of \$1,463,590 (14%) from the prior year.
- Subrecipient expenditures (excluding depreciation) for delivery of direct program services by contracted service providers totaled \$7,594,644 (85% of total expenses), a decrease of \$1,792,180 (19%) from the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction and overview of the Nevadaworks' annual financial report. The Nevadaworks' basic financial statements consist of two parts: Management's Discussion and Analysis, and the Financial Statements including Notes to the Financial Statements. This report also contains Supplemental Information in addition to the basic financial statements.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide an overview of Nevadaworks' finances in a manner similar to a private-sector business.

The Statement of Net Assets presents information on all of Nevadaworks' assets and liabilities, with the difference between the two reported as net assets.

The Statement of Activities presents information showing how Nevadaworks' net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the cash flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods.

Nevadaworks

MANAGEMENT DISCUSSION AND ANALYSIS

June 30, 2011

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Government-Wide Financial Statements (Continued)

Governmental activities are supported primarily through the U.S. Department of Labor, through the Workforce Investment Act of 1998 which represent approximately 99% of all revenue. Nevadaworks has no business-type activities, resulting in the financial statements representing only governmental activities.

Fund Financial Statements

A fund is a legal and accounting entity with a self-balancing set of accounts to track specific sources of funding and spending. Nevadaworks, as with other government agencies, uses fund accounting to ensure and demonstrate compliance with grant funding requirements. All funds of Nevadaworks are considered governmental funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Unlike government-wide financial statements, governmental funds focus on the current inflows and outflows of resources.

To provide a better understanding of the relationship between the fund statements and the government-wide statements, both the governmental funds balance sheet and governmental funds statement of revenues, expenditures, and changes in fund balances provide reconciliations between the two statement types.

The focus of the governmental funds statements is on major funds. Nevadaworks has two (2) individual major governmental funds, including the Workforce Investment Federal Grant Programs and the General Fund.

The Workforce Investment Federal Grant Programs fund accounts for three (3) separate and distinct federal programs designated as Adult, Dislocated Worker and Youth grants. American Recovery and Reinvestment Act funds were also included in the Workforce Investment Federal Grant Programs. Additional grants have been received from the State of Nevada statewide Workforce Investment Act discretionary funds for specialized pilot projects and incumbent worker projects which are also included in the Workforce Investment Federal Grant Programs fund. Some of the discretionary funds were from American Recovery and Reinvestment Act.

Nevadaworks

MANAGEMENT DISCUSSION AND ANALYSIS

June 30, 2011

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Notes to Financial Statements

Notes are included to provide information that is crucial to the full and complete understanding of the data provided in the government-wide and fund financial statements.

Supplementary Information

In addition to the basic financial statements, this report also includes a Schedule of Staff and Operating Costs of Nevadaworks that are recorded into the Cost Pool and subsequently allocated to other funds. These items cannot be traced in total to the financial statements due to direct program and cost pool allocations.

Government-Wide Financial Analysis

	June 30, 2010	June 30, 2011
Assets		
Current and other assets	\$ 1,300,685	\$ 951,426
Net capital assets	169,243	145,699
Total Assets	<u>1,469,928</u>	<u>1,097,125</u>
Liabilities		
Current liabilities	1,062,357	710,623
Noncurrent liabilities	41,312	46,024
Total Liabilities	<u>1,103,669</u>	<u>756,647</u>
Net Assets		
Invested in capital assets	169,243	145,699
Unrestricted	197,016	194,779
Total Net Assets	<u>\$ 366,259</u>	<u>\$ 340,478</u>

The majority of assets are comprised of cash and investments. Nevadaworks' capital assets consist exclusively of furniture and equipment. Total liabilities consist mainly of accounts payable, accrued liabilities, deferred revenue and noncurrent liabilities. Noncurrent liabilities were required to be reported until the current year. Net assets represent unrestricted cash and investment in capital assets.

Nevadaworks

MANAGEMENT DISCUSSION AND ANALYSIS

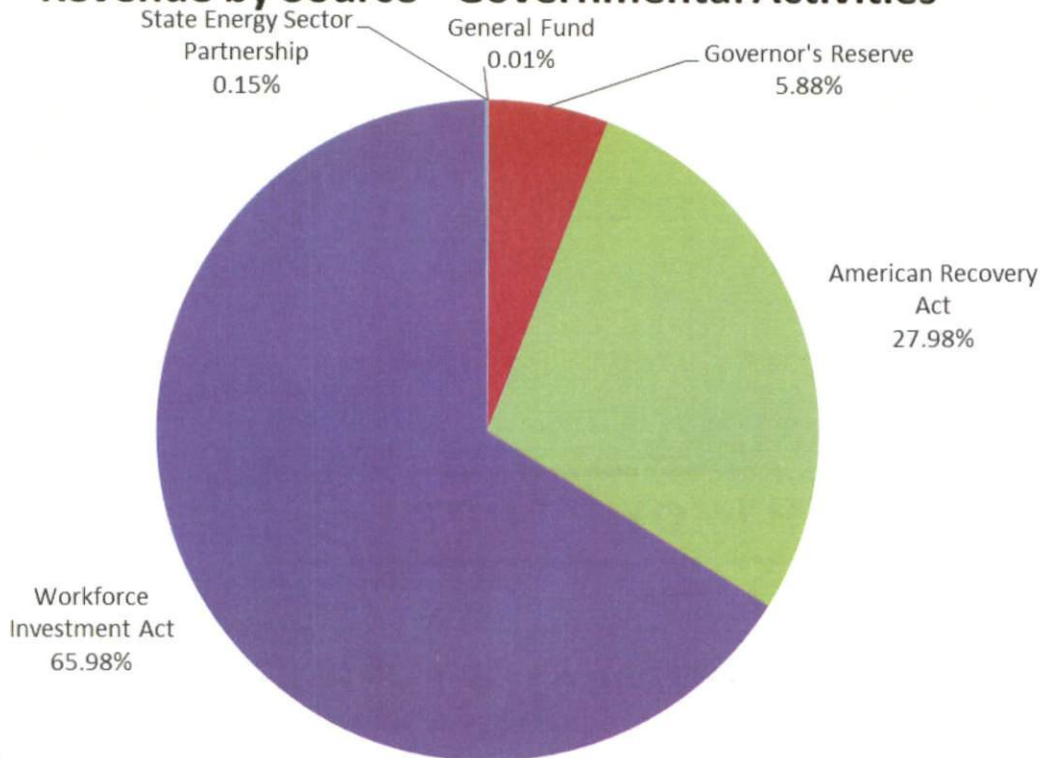
June 30, 2011

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Governmental Activities

Total program revenues and expenses for governmental activities, as shown in the Statement of Activities, amounted to \$8,967,466 and \$8,993,969 respectively, for the June 30, 2011 ending fiscal year. Total general revenues for governmental activities amounted to \$722 for fiscal year ending June 30, 2011. The change in net assets amounted to \$(25,781) for the year ended June 30, 2011, with ending net assets amounting to \$ 340,478. Total combined program and general revenues, as shown in the Statement of Revenues, Expenditures and Changes in Fund Balance, amounted to \$8,968,188 and total expenses amounted to \$8,970,425.

Revenue by Source - Governmental Activities



Nevadaworks

MANAGEMENT DISCUSSION AND ANALYSIS

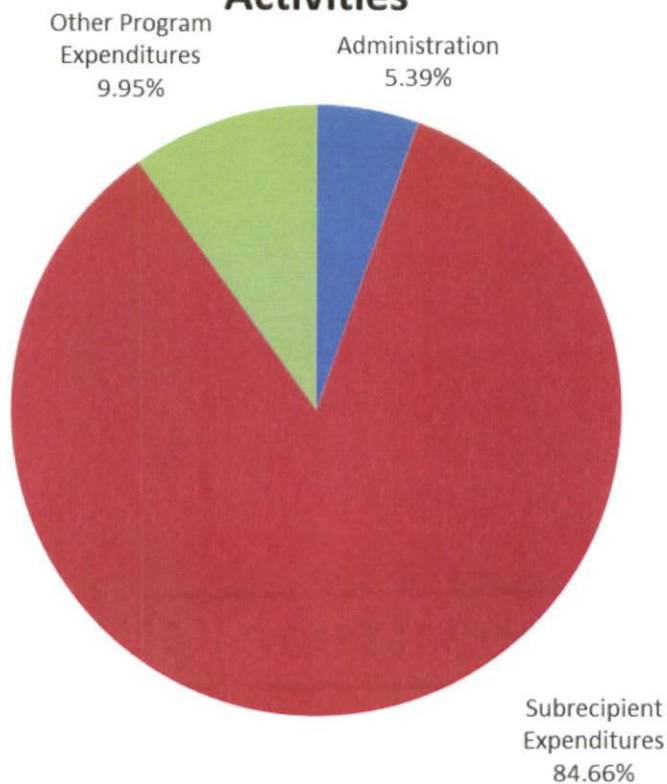
June 30, 2011

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Governmental Activities (Continued)

Revenue sources include program revenues comprised of Workforce Investment Act pass-through grants for Adult, Dislocated Worker and Youth formula programs, Adult, Dislocated Worker and Youth American Recovery and Reinvestment Act programs, program income for Workforce Investment Act and Governor's Discretionary Reserve for pilot projects. Revenues also include general fund revenues comprised of interest earned on unrestricted cash funds.

Total Expenses by Function - Governmental Activities



Subrecipient expenditures represent the majority of expenditures. Subrecipients provided services to individuals in the Nevada JobConnect Centers located in Reno, Sparks and Carson City, Nevada, in rural areas of northern Nevada and targeted services through specialized programs.

Nevadaworks

MANAGEMENT DISCUSSION AND ANALYSIS

June 30, 2011

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Governmental Activities (Continued)

Classification of expenditures incurred directly by Nevadaworks for implementation of Nevadaworks Board initiatives and Nevadaworks' operations is represented in the combined administration cost and other program expenditures line items. Administration costs represent expenditures for defined functions under the administrative cost category definition under the Workforce Investment Act programs and are not representative of total operating expenditures for Nevadaworks.

FINANCIAL ANALYSIS OF NEVADAWORKS' FUNDS

As noted earlier, Nevadaworks uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Governmental Funds

The focus of Nevadaworks' governmental funds is to provide information on current inflows, outflows, and balances of spendable resources. Unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, Nevadaworks' governmental funds reported combined ending fund balances of \$194,779 in unrestricted net assets.

KNOWN ECONOMIC FACTORS

- The Workforce Investment Act continues to not be reauthorized by the U. S. Congress. A continuing resolution was passed within budgets again this fiscal year. It is anticipated that this trend will continue into the foreseeable future.
- Nevadaworks received an 11% decrease in allocated formula funds for the program year 2011 and program year 2010. In addition, Nevadaworks received an allocation of \$1,076,000 in State Energy Sector Program funds.
- Future program funding will be heavily affected by the severe Nevada economic downturn.

Nevadaworks

MANAGEMENT DISCUSSION AND ANALYSIS

June 30, 2011

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the financial activity and condition of Nevadaworks to all having such an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Nevadaworks, 6490 South McCarran Blvd., Building A, Suite 1, Reno, Nevada 89509-6119.

Nevadaworks

STATEMENT OF NET ASSETS

June 30, 2011

	<u>Governmental Activities</u>
Assets	
Cash and investments	\$ 351,379
Federal grants receivable	547,984
Other receivables	32,063
Prepaid items	20,000
Capital assets, net of accumulated depreciation	145,699
Total Assets	<u>1,097,125</u>
Liabilities	
Accounts payable	645,307
Accrued liabilities	30,340
Deferred revenue	34,976
Noncurrent liabilities:	
Accrued compensated absences due in more than one year	<u>46,024</u>
Total Liabilities	<u>756,647</u>
Net Assets	
Investment in capital assets	145,699
Unrestricted	<u>194,779</u>
Total Net Assets	<u>\$ 340,478</u>

See Accompanying Notes and Independent Auditors' Report

Nevadaworks

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2011

		Program Revenues		Net Expense and Changes in Net Assets
	Expenses	Operating Grants, Interest and Contributions	Capital Grants and Contributions	Governmental Activities
Functions/Programs				
Governmental activities:				
Administration costs	\$ 483,608	\$ 483,608	\$ -	\$ -
Subrecipient expenditures	7,615,937	7,594,644	-	(21,293)
Other program expenditures	894,424	889,214	-	(5,210)
Total Governmental Activities	\$ 8,993,969	\$ 8,967,466	\$ -	\$ (26,503)
 General Revenues:				
Unrestricted investment earnings				722
Change in Net Assets				(25,781)
Net Assets, July 1				366,259
Net Assets, June 30				\$ 340,478

See Accompanying Notes and Independent Auditors' Report

Nevadaworks

**BALANCE SHEET
GOVERNMENTAL FUNDS**

For the Year Ended June 30, 2011

	General Fund	Workforce Investment Federal Grant Programs	Total Governmental Funds
Assets			
Cash and investments	\$ 351,379	\$ -	\$ 351,379
Federal grants receivable	-	501,960	501,960
Other receivables	239	31,824	32,063
Prepaid expenditures	-	20,000	20,000
Due from other funds	-	156,547	156,547
	-	156,547	156,547
Total Assets	\$ 351,618	\$ 710,331	\$ 1,061,949
Liabilities			
Accounts payable	\$ 292	\$ 645,015	\$ 645,307
Accrued liabilities	-	30,340	30,340
Due to other funds	156,547	-	156,547
Deferred revenue	-	34,976	34,976
	-	34,976	34,976
Total Liabilities	156,839	710,331	867,170
Fund Balances			
Reserved for:			
Nonspendable	-	20,000	20,000
Unassigned	194,779	(20,000)	174,779
	194,779	(20,000)	174,779
Total Fund Balances	194,779	-	194,779
Total Liabilities and Fund Balances	\$ 351,618	\$ 710,331	\$ 1,061,949

See Accompanying Notes and Independent Auditors' Report

Nevadaworks

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS**

For the Year Ended June 30, 2011

Total Fund Balances for Governmental Funds \$ 194,779

Amounts reported for Governmental Activities in the
Statement of Net Assets are different because:

Capital assets used in Governmental Activities are not
financial resources and, therefore, are not reported
in the funds. These assets consist of:

Furniture and equipment	\$ 360,704	
Accumulated depreciation	<u>(215,005)</u>	<u>145,699</u>

Some long-term assets reported in the Statement of
Net Assets are not available to pay for current period
expenditures and, therefore, are not reported as assets
in governmental funds.

46,024

Long-term liabilities are not due and payable in the
current period and, therefore, are not reported in the
funds. These assets consist of:

Compensated absences	<u>(46,024)</u>
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Total Net Assets for Governmental Activities \$ 340,478

See Accompanying Notes and Independent Auditors' Report

Nevadaworks

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES
GOVERNMENTAL FUNDS**

For the Year Ended June 30, 2011

	<u>General Fund</u>	<u>Workforce Investment Federal Grant Programs</u>	<u>Total Governmental Funds</u>
Revenues			
Federal grants	\$ -	\$ 8,967,466	\$ 8,967,466
Miscellaneous	<u>722</u>	<u>-</u>	<u>722</u>
Total Revenues	<u>722</u>	<u>8,967,466</u>	<u>8,968,188</u>
Expenditures			
Current:			
Administration costs	-	483,608	483,608
Subrecipient expenditures	-	7,594,644	7,594,644
Other program expenditures	<u>2,959</u>	<u>889,214</u>	<u>892,173</u>
Total Expenditures	<u>2,959</u>	<u>8,967,466</u>	<u>8,970,425</u>
Net Change in Fund Balances	(2,237)	-	(2,237)
Fund Balances, July 1	<u>197,016</u>	<u>-</u>	<u>197,016</u>
Fund Balances, June 30	<u>\$ 194,779</u>	<u>\$ -</u>	<u>\$ 194,779</u>

See Accompanying Notes and Independent Auditors' Report

Nevadaworks

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES**

For the Year Ended June 30, 2011

Net Change in Fund Balances for Governmental Funds \$ (2,237)

Amounts reported for Governmental Activities in the
Statement of Net Activities are different because:

Governmental Funds report capital outlays as expenditures.

However, in the Statement of Activities, the cost of those assets is allocated over the estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.

Capital outlay	\$ 5,925	
Depreciation expense	<u>(29,469)</u>	<u>(23,544)</u>

Some revenues reported in the Statement of Activities do not provide current financial resources and, therefore, are not reported as revenues in governmental funds.

46,024

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Net decrease in compensated absences		<u>(46,024)</u>
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Change in Net Assets for Governmental Activities		\$ <u><u>(25,781)</u></u>
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See Accompanying Notes and Independent Auditors' Report

Nevadaworks

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Nevadaworks is a legal and administrative public entity formed under a cooperative agreement, dated June 1999, by and between certain city and county governments in Northern Nevada, pursuant to the Workforce Investment Act of 1998, Public Law 105-220 (WIA) to provide centralized administration of Northern Nevada's workforce programs.

Nevadaworks is governed jointly by the Board of Local Elected Officials (LEO), consisting of the Chairman of each County Commission/Board of Supervisors, and the Local Workforce Investment Board (LWIB), known as Nevadaworks Council, pursuant to a Cooperative Agreement between the two groups. Reference is made herein to the Nevadaworks Board.

Nevadaworks is an independent reporting entity and not a component unit of another government. This conclusion is based on the following criteria:

1. Composition of the Board

The Governing Board as defined above consists of elected officials from thirteen (13) Northern Nevada counties and representatives of the private sector, educational agencies, organized labor, rehabilitation agencies, community-based organizations, economic development agencies and the public employment service agencies. The Board oversees the Nevadaworks Chief Executive Officer who is responsible for staffing and the day-to-day operations.

2. Accounting for Fiscal Matters

Nevadaworks is responsible for reviewing, approving, and revising its own budget. Nevadaworks is solely responsible for financing any deficits that may occur and has sole control of its surplus funds. Nevadaworks enjoys the corporate rights typically associated with separate legal status including the ability to have its own name, the ability to sue or be sued in its own name, and the ability to own property in its own name.

See Independent Auditors' Report

Nevadaworks

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (Statements of Net Assets and the Statement of Activities) report information about the activities of Nevadaworks. For the most part, the effect of interfund activity has been removed from these statements.

The Statement of Activities demonstrates the degree to which the direct expenses of each function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Unrestricted investment earnings and other items not properly included among program revenues are reported instead as general revenues.

The fund financial statements provide information about the governmental activities of Nevadaworks. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, Nevadaworks considers revenues to be available if they are collected within sixty (60) days of the end of the current fiscal period. Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. Expenditures generally are recorded when the related liabilities are incurred, as under accrual accounting. However, expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

See Independent Auditors' Report

Nevadaworks

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Federal and state grants and investment earnings associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Other revenue items are considered to be measurable and available only when cash is received by Nevadaworks.

Nevadaworks reports the following major governmental funds:

General Fund: Operating fund that accounts for all financial resources of Nevadaworks, except those required to be accounted for in another fund.

Workforce Investment Federal Grant Programs Special Revenue Fund: Accounts for Workforce Investment Act (WIA) program awards. These programs include Title I-B Adult Program, Dislocated Worker, and Youth Activities. The fund also accounts for program income used for grant purposes.

D. Budgets and Budgetary Accounting

Nevadaworks prepares an annual plan, which is approved by the Nevadaworks Board. Subsequently, the plan is submitted to the Governor of the State of Nevada. Upon approval of the plan, Nevadaworks has budgetary authority to expend the funds. Budgetary control is at the cost category level with maximum levels set for administrative activities. Nevadaworks' expenditures were within the federally mandated cost category limitations for the year ended June 30, 2011.

Management may request budget modification approval from the Nevadaworks Board at any time throughout the year. Appropriations lapse at the end of the grant period for the WIA program. Working budgets are prepared for other non-federal funds as the funds become available, and are monitored internally. Annual budgets are not legally adopted and, therefore, budgetary comparison schedules for the general fund and each major special revenue fund are not required to be included as supplementary information or as basic financial statements.

E. Staff and Operating Costs

Staff and operating costs for administration and program support services of WIA are allocated to cost categories based primarily on individual Nevadaworks employee functions. The costs are allocated to the individual funds using procedures approved by the State of Nevada.

See Independent Auditors' Report

Nevadaworks

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds."

Management does not expect any material collection losses with respect to the other receivable balances.

G. Capital Assets

Capital assets, which include furniture and equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by Nevadaworks as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Furniture and equipment of Nevadaworks are depreciated using the straight line method over estimated useful lives ranging from five to twenty years.

H. Compensated Absences

For all Nevadaworks employees, vacation leave is earned at rates dependent on length of employment and can be accumulated to a maximum of two hundred (200) hours. Employees are allowed to accumulate sick days; however, only one hundred twenty (120) hours may be carried over to a subsequent year. Unused sick leave will not be compensated upon termination of employment. The government-wide statements accrue compensated absences as it is earned, and sick pay as it is used or accumulated. A liability for these amounts is reported in governmental funds as it comes due for payment (when the time is taken off, or employees terminate).

I. Fund Equity

In the government-wide financial statements, equity is classified as net assets and displayed in three components:

- Invested in capital assets, net of related debt - consists of capital assets, net of accumulated depreciation and reduced by outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

See Independent Auditors' Report

Nevadaworks

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Fund Equity (Continued)

- Restricted net assets – consists of net assets with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; (2) law through constitutional provisions or enabling legislation.
- Unrestricted net assets – all other assets that do not meet the definition of “invested in capital assets, net of related debt” or “restricted”.

Nevadaworks has implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement establishes criteria for classifying governmental funds balances into specifically defined classifications. Classifications are hierarchical and are based primarily on the extent to which Nevadaworks is bound to honor constraints on the specific purposes for which amounts in the funds may be spent. Application of the Statement requires Nevadaworks to classify and report amounts in the appropriate fund balance classification. The Nevadaworks' accounting policies are used to interpret the nature and/or requirements of the funds and their corresponding assignment of restricted, committed, assigned, or unassigned.

Under GASB Statement No. 54 governmental fund balances are required to be reported according to the following classifications:

Nonspendable - represents amounts that are either not in a spendable form or are legally or contractually required to remain intact. The Commission includes fund balances that have been prepaid for expenses and deposits in this category.

Restricted – represents amounts which can be spent only for specific purposes because of state or federal laws, or externally imposed conditions. The Commission has no restricted fund balances.

Committed – represents amounts which can be used only for specific purposes determined by the members of the governing Districts formal action through a resolution or action. The Commission has no committed fund balances.

Assigned - represents amounts that are intended by the District for specific purposes but do not require action by the Governing Board. The Commission has amounts designated for subsequent year expenditures included in this category.

See Independent Auditors' Report

Nevadaworks

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Fund Equity (Continued)

Unassigned – represents all amounts not included in spendable classifications.

The Board's policy is to first apply expenditures against non-spendable fund balances and then unassigned balances. On an annual basis assigned fund balances are determined based upon available resources.

J. Concentrations

Nevadaworks receives a substantial portion of its revenue and support (approximately 99%) from the U.S. Department of Labor.

K. Use of Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

2. CASH AND INVESTMENTS

A summary of cash and investments for Nevadaworks at June 30, 2011, is as follows:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Represented by:		
Cash in bank, checking (insured by SIPC)	\$ 288,473	\$ <u>310,318</u>
Cash and investments held by Washoe County	<u>62,906</u>	N/A
Total Cash and Investments	<u>\$ 351,379</u>	

Nevadaworks is a voluntary participant in Washoe County's external investment pool. The Board of County Commissioners has overall responsibility for investment of County funds in accordance with NRS 355.175. The Investment Committee created by Washoe County Code Section 15.220 has been delegated investment decision authority. Investments are carried at fair value. The fair value of the position in the pool is the same as the value of pool shares. All interest earned on these investments is collected by the Washoe County Treasurer's Office. Nevadaworks receives its portion of the interest income based on average monthly cash balances.

See Independent Auditors' Report

Nevadaworks

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

2. CASH AND INVESTMENTS (CONTINUED)

Cash deposited with the City National Bank is available upon demand is deposited in a non-interest bearing checking account which is entirely insured by SPIC.

Cash deposited with the Washoe County Treasurer is available upon demand. Interest earned on federal funds received in advance is included in miscellaneous revenue in the fund financial statements.

3. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2011 was as follows:

	Balance July 1, 2010	Increase	Decrease	Balance June 30, 2011
Governmental Activities:				
Capital assets, being depreciated:				
Furniture and equipment	\$ 354,779	\$ 5,925	\$ -	\$ 360,704
Total capital assets being depreciated	354,779	5,925	-	360,704
Less accumulated depreciation for:				
Furniture and equipment	(185,536)	(29,469)	-	(215,005)
Total accumulated depreciation	(185,536)	(29,469)	-	(215,005)
Total capital assets, being depreciated, net	169,243	(23,544)	-	145,699
Governmental activities capital assets, net	\$ 169,243	\$ (23,544)	\$ -	\$ 145,699

Depreciation expense totaling \$29,469 was charged to the subrecipient and other program expenditures functions in the amounts of \$27,218 and \$2,251, respectively.

4. OPERATING LEASES

Nevadaworks leases office space in Reno, Nevada. A new lease was entered into on July 1, 2009. The lease contains provisions for cancellation without penalty to Nevadaworks upon the occurrence of certain events such as the discontinuance of the program due to the lack of federal funding. Current monthly base rent commencing June 30, 2011 is \$4,814.

See Independent Auditors' Report

Nevadaworks

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

5. DEFINED BENEFIT PENSION PLAN

Plan Description: Nevadaworks contributes to the Public Employees Retirement System of the State of Nevada (PERS), a cost sharing, multiple employers, defined benefit plan administered by the Public Employee Retirement System of the State of Nevada. PERS provides retirement benefits, disability benefits and death benefits, including annual cost of living adjustments, to plan members and their beneficiaries. Chapter 286 of the Nevada Revised Statutes establishes the benefit provisions provided to the participants of PERS. These benefit provisions may only be amended through legislation. The Public Employees Retirement System of the State of Nevada issues a publicly available financial report that includes financial statements and required supplementary information for PERS. That report may be obtained by writing to the Public Employees Retirement System of the State of Nevada, 693 West Nye Lane, Carson City, Nevada 89703-1599 or by calling (775) 687-4200.

Funding Policy: Benefits for plan members are funded under one of two methods; the employer paid contribution plan or the employer/employee paid contribution plan where Nevadaworks is required to contribute all amounts due under the plan. Chapter 286 of the Nevada Revised Statutes establishes the contribution requirements of Nevadaworks. The funding mechanism may only be amended through legislation. Nevadaworks' contribution rates and amounts contributed (equal to the required contributions for the year) for the last three years are as follows:

<u>Fiscal Year</u>	<u>Contribution Rate Regular Member</u>	<u>Total Contribution</u>
2010 - 2011	21.50%	\$ 117,060
2009 - 2010	21.50%	\$ 106,353
2008 - 2009	20.50%	\$ 69,039

6. RISK MANAGEMENT

Nevadaworks, like all governmental entities, is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. Nevadaworks pays premiums to Washoe County for the administration of life and health insurance benefits through Washoe County's risk management funds. Under the Administrative Services agreement with Washoe County, Nevadaworks is to maintain commercial insurance coverage for industrial liability. General liability and Directors and Officers insurance policies are provided by Wells Fargo Insurance Company.

See Independent Auditors' Report

Nevadaworks

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

7. SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 24, 2011, the date the financial statements were available to be issued.

See Independent Auditors' Report

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SUPPLEMENTAL INFORMATION

Nevadaworks

**SCHEDULE OF STAFF AND OPERATING COSTS
SPECIAL REVENUE FUNDS**

For the Year Ended June 30, 2011

Contract services	\$	38,531
Dues and subscriptions		3,757
Insurance		6,331
Maintenance and repairs		15,985
Office supplies and postage		6,690
Other operating expenditures		1,146
Other personnel expenditures		37,714
Rent		66,454
Staff meeting expenditures		2,234
Staff pay (includes fringe benefits)		788,752
Staff training and technical support		7,675
Staff travel		19,038
Telephone		<u>7,142</u>
Total Staff and Operating Costs	\$	<u>1,001,449</u>

Note: This schedule represents actual expenditures recorded into the cost pool and direct cost allocations recorded in other funds.

All cost pool items are allocated to other funds based upon the cost allocation plan approved by the State of Nevada. These items cannot be traced in total to the financial statements due to direct program and cost pool allocations.

See Independent Auditors' Report

**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**

To the Local Elected Officials Board
and the Nevadaworks Council
Governing Board of Nevadaworks

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund balance of Nevadaworks as of and for the year ended June 30, 2011, which collectively comprise the Nevadaworks' basic financial statements, and have issued our report thereon dated October 24, 2011. 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.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Nevadaworks' internal control over financial reporting as a basis for designing our auditing procedures 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 Nevadaworks' internal control over financial reporting. Accordingly we do not express an opinion on the effectiveness of Nevadaworks' internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

To the Local Elected Officials Board
and the Nevadaworks Council
Governing Board of Nevadaworks
Page 2

This report is intended solely for the information and use of the Governing Board, management, others within the entity, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Muckel Anderson CPAs

MUCKEL ANDERSON CPAs
A Professional Corporation

Reno, Nevada
October 24, 2011

**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**

To the Local Elected Officials Board
and the Nevadaworks Council
Governing Board of Nevadaworks

Compliance

We have audited the compliance of Nevadaworks with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Nevadaworks' major federal programs for the year ended June 30, 2011. Nevadaworks' major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Nevadaworks' management. Our responsibility is to express an opinion on Nevadaworks' compliance based on our audit.

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 Nevadaworks' compliance with those requirements and performing such other procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Nevadaworks' compliance with those requirements.

In our opinion, Nevadaworks complied, in all material respects, with the compliance requirements referred to above could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control over Compliance

The management of the Nevadaworks is responsible for establishing and maintaining effective internal control over compliance requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Nevadaworks' internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance 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 Nevadaworks' internal control over compliance.

To the Local Elected Officials Board
and the Nevadaworks Council
Governing Board of Nevadaworks
Page 2

A deficiency in internal control over compliance 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, 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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Governing Board, management, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

Muckel Anderson CPAs

MUCKEL ANDERSON CPAs
A Professional Corporation

Reno, Nevada
October 24, 2011

Nevadaworks

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2011

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Agency or Pass-Through Number	Total Federal Expenditures
<u>U.S. Department of Labor</u>			
Pass-through from the Nevada Department of Employment Training and Rehabilitation Workforce Investment Cluster:			
Title I-B, Adult Program	17.258	PY09-A-01	\$ 869,415
(Provided to subrecipients \$1,562,491)	17.258	PY10-A-01	931,934
	17.258	PY09-GR(08)-I-01	13,840
	17.258	PY10-GR(09)-I-01	9,092
	17.258	PY08-GR(08)-WACA-01	18,332
	17.258	PY10-GR(09)-CSA-01	1,475
	17.258	PY09-GR(08)-TMCC-01	13,491
Program Income	17.258		3,941
Title I-B, Adult Program - American Recovery & Reinvestment Act	17.258	PY08-A/ARRA-01	729,343
(Provided to subrecipients \$688,512)	17.258	PY10-GR(09)-CSA-01	14,255
	17.258	PY09-GR/ARRA(08)-PLUMB-01	2,404
	17.258	PY09-GR/ARRA(08)-JATC-01	17,299
	17.258	PY09-GR/ARRA(08)-MAP-01	8,813
Program Income	17.258		-
			<u>2,633,634</u>
Title I-B, Dislocated Worker Program	17.260	PY09-DW-01	823,016
(Provided to subrecipients \$489,309)	17.260	PY09-GR(08)-I-01	17,734
	17.260	PY10-GR(09)-I-01	21,080
	17.260	PY08-GR(08)-WACA-01	23,489
	17.260	PY10-GR(09)-CSA-01	2,714
	17.260	PY09-GR(08)-TMCC-01	31,280
Program Income	17.260		4,710
Title I-B, Dislocated Worker Program - American Recovery & Reinvestment Act	17.260	PY08-DW/ARRA-01	1,779,762
(Provided to subrecipients \$1,585,597)	17.260	PY10-GR(09)-CSA-01	60,154
	17.260	PY09-GR/ARRA(08)-PLUMB-01	10,146
	17.260	PY09-GR/ARRA(08)-JATC-01	73,000
	17.260	PY09-GR/ARRA(08)-MAP-01	37,188
Program Income	17.260		177
			<u>2,884,450</u>
Title I-B, Dislocated Worker Program	17.278	PY10-DW-01	1,573,095
(Provided to subrecipients \$1,573,095)			<u>1,573,095</u>

See Independent Auditors' Report

Nevadaworks

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(CONTINUED)**

For the Year Ended June 30, 2011

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Agency or Pass-Through Number	Total Federal Expenditures
Title I-B, Youth Activities Program	17.259	PY09-Y-01	177,778
(Provided to subrecipients \$1,594,815)	17.259	PY10-Y-01	1,575,408
	17.259	PY09-GR(08)-I-01	13,804
	17.259	PY10-GR(09)-I-01	9,069
	17.259	PY08-GR(08)-WACA-01	18,284
	17.259	PY10-GR(09)-CSA-01	1,471
	17.259	PY09-GR(08)-TMCC-01	13,456
Program Income	17.259		3,707
Title I-B, Youth Program - American Recovery & Reinvestment Act	17.259	PY10-GR(09)-CSA-01	31,814
(Provided to subrecipients \$94,727)	17.259	PY09-GR/ARRA(08)-PLUMB-01	5,366
	17.259	PY09-GR/ARRA(08)-JATC-01	38,608
	17.259	PY09-GR/ARRA(08)-MAP-01	19,668
			<u>1,908,433</u>
SESP, Program of Competitive Grants - American Recovery & Reinvestment Act	17.275	PY10-SESP-01	13,878
(Provided to subrecipients \$6,098)			
Total Workforce Investment Act Cluster			9,013,490
Total funding passed through the Nevada Department of Employment, Training and Rehabilitation			<u>9,013,490</u>
Total U.S. Department of Labor			<u>9,013,490</u>
Total Expenditures of Federal Awards			<u>\$ 9,013,490</u>

NOTE: This Schedule of Expenditures of Federal Awards is prepared on the modified accrual basis of accounting.

See Independent Auditors' Report

Nevadaworks

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2011

Summary of Auditors' Results:

- The auditors' report expresses an unqualified opinion on the basic financial statements of Nevadaworks for the year ended June 30, 2011.
- No instances of significant deficiencies or material weaknesses were identified during the audit of the financial statements as reported in the 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*.
- No instances of noncompliance material to the financial statements of Nevadaworks were disclosed during the audit.
- The auditors' report on compliance for the major federal award programs for Nevadaworks expresses an unqualified opinion on all major federal programs.
- No instances of significant deficiencies or material weaknesses over internal control over major programs were identified as reported in the Independent Auditors' Report on Compliance with Requirements that Could Have a Direct and Material Effect on Each Major Program and on Internal Controls over Compliance in Accordance with OMB Circular A-133.
- The audit of Nevadaworks for the year ended June 30, 2011 disclosed no audit findings that are required to be reported under section 510(a) of OMB Circular A-133.
- The programs tested as major programs included:

U.S. Department of Labor:

Workforce Investment Act Cluster:

Title I-B, Adult Program, CFDA 17.258
Title I-B, Youth Activities, CFDA 17.259
Title I-B, Dislocated Workers, CFDA 17.260
Title I-B, Dislocated Worker Program, CFDA 17.278

- The dollar threshold used for distinguishing between Type A and Type B programs for the year ended June 30, 2011 was \$300,000.
- Nevadaworks qualified as a low-risk auditee for the year ended June 30, 2011 under the criteria set forth in section 530 of OMB Circular A-133.

See Independent Auditors' Report

Nevadaworks

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2011

Findings Relating to the Financial Statements Reported in Accordance with Generally Accepted Governmental Auditing Standards (GAGAS):

There were no such findings for the year ended June 30, 2011.

Findings and Questioned Costs for Major Federal Award Programs:

There were no such findings for the year ended June 30, 2011.

See Independent Auditors' Report

Nevadaworks

SUMMARY OF SCHEDULE OF PRIOR AUDIT FINDINGS

For the Year Ended June 30, 2011

Prior year Findings and Questioned Costs for Major Federal Award Programs:

No findings were reported for the year ended June 30, 2010.

See Independent Auditors' Report