

NEVADAWORKS
REPORTING PACKAGE
JUNE 30, 2016

Nevadaworks
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Independent Auditor's Report

To the Board
Nevadaworks
Reno, Nevada

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Nevadaworks as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Nevadaworks' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Nevadaworks as of June 30, 2016, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5-9, the schedule of Nevadaworks' share of net pension liability on page 33, the schedule of Nevadaworks' contributions on page 33, and the other post-employment benefits schedule of funding progress on page 34, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Nevadaworks' basic financial statements. The schedule of staff and operating costs – special revenue fund shown on page 36 is presented for purposes of additional analysis and is not a required part of the financial statements. The schedule of expenditures of federal awards on page 37 is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated November 30, 2016, on our consideration of Nevadaworks' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 reports is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Nevadaworks' internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Reno, Nevada
November 30, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2016. 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 unmodified opinion on the financial statements, the highest level of assurance that can be attained.
- The liabilities and deferred inflows of resources of Nevadaworks' governmental activities exceeded its assets and deferred outflows of resources at the close of the most recent fiscal year by \$844,028 of which (\$844,664) is comprised of unrestricted net position and \$636 represents net position invested in capital assets. The net position balance reflects a decrease of \$40,045 compared to prior year. The decrease is attributed to the increased net pension liability under GASB 68. 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 \$183,613, a decrease of \$469 compared to the prior year.
- Revenue from all sources totaled \$6,646,498 a decrease of \$1,685,918 (20%) from the prior year.
- Subrecipient expenditures for delivery of direct program services by contracted service providers totaled \$5,584,783 (84%) of total expenses, a decrease of \$1,800,350 (24%) from the prior year. The decrease is a reflection of a reduction in expenses for projects with an equal reduction in revenue.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction and overview of Nevadaworks' annual financial report. 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 Supplementary 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 Position presents information on all of Nevadaworks' assets and liabilities, with the difference between the two reported as net position.

The Statement of Activities presents information showing how Nevadaworks' 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 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.

Governmental activities are supported primarily through the U.S. Department of Labor, through the Workforce Investment Act of 1998, Workforce Innovation and Opportunity Act and the National Emergency Grant 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.

Nevadaworks
MANAGEMENT DISCUSSION AND ANALYSIS
June 30, 2016

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 Act and Workforce Innovation and Opportunity Act Federal Grant Programs and the General Fund.

The Workforce Investment Act and Workforce Innovation and Opportunity Act Federal Grant Programs fund accounts for four (4) separate and distinct federal programs designated as Adult, Dislocated Worker, Youth and National Emergency Grant.

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.

Nevadaworks
MANAGEMENT DISCUSSION AND ANALYSIS
June 30, 2016

Government-Wide Financial Analysis

	<u>June 30, 2015</u>	<u>June 30, 2016</u>
Assets and Deferred Outflows of Resources		
Current and other assets	\$ 930,369	\$ 835,313
Net capital assets	731	636
Total assets	<u>931,100</u>	<u>835,949</u>
Deferred Outflows of Resources	<u>139,561</u>	<u>188,168</u>
Total Assets and Deferred Outflows of Resources	1,070,661	1,024,117
LIABILITIES		
Current liabilities	746,287	651,700
Long-term liabilities	903,117	1,080,981
Total liabilities	<u>1,649,404</u>	<u>1,732,681</u>
Deferred Inflows of Resources	<u>225,240</u>	<u>135,464</u>
Total Liabilities and Deferred Inflows of Resources	1,874,644	1,868,145
NET POSITION		
Invested in capital assets	731	636
Unrestricted	(804,714)	(844,664)
Total Net Position	<u>\$ (803,983)</u>	<u>\$ (844,028)</u>

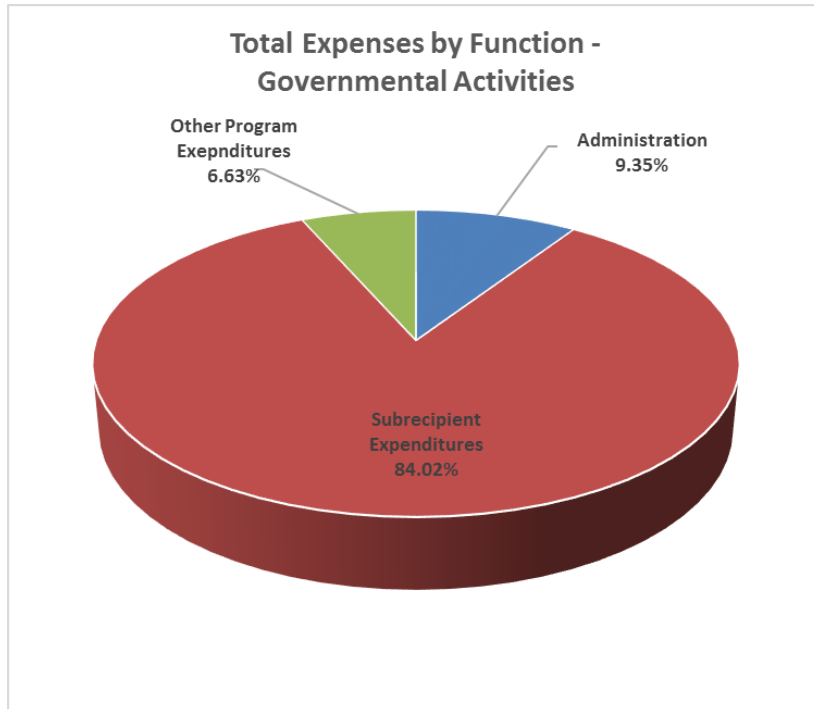
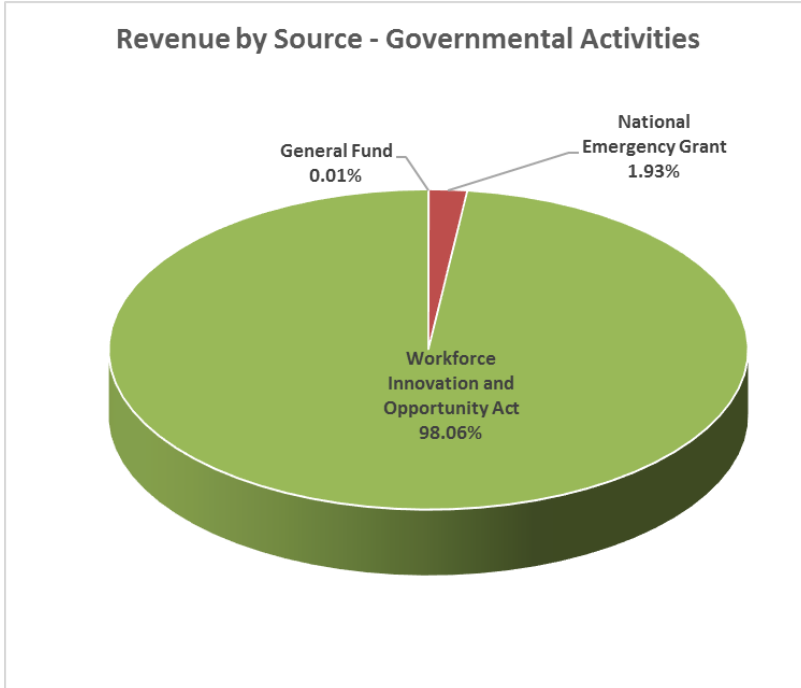
The majority of assets are comprised of cash and investments. Nevadaworks' capital assets consist exclusively of furniture and equipment. Total liabilities consist mainly of accounts payable, accrued liabilities, grants received in advance and noncurrent liabilities. Noncurrent liabilities consist of post employment retirement obligations. Net assets represent unrestricted cash and investment in capital assets.

Government-Wide Financial Analysis. (Continued)

	<u>June 30, 2015</u>	<u>June 30, 2016</u>
PROGRAM REVENUES		
Administration	\$ 565,152	\$ 621,267
Subrecipient	7,385,133	5,584,783
Other	381,541	439,570
Total revenue	<u>8,331,826</u>	<u>6,645,620</u>
EXPENSES		
Administration	555,451	642,190
Subrecipient	7,385,133	5,584,783
Other	379,532	459,570
Total expenses	<u>8,320,116</u>	<u>6,686,543</u>
Total net change	11,710	(40,923)
GENERAL REVENUES	590	878
Change in net assets	<u>\$ 12,300</u>	<u>\$ (40,045)</u>

Governmental Activities

Revenue sources include program revenues comprised of Workforce Investment Act and Workforce Innovation and Opportunity Act pass-through grants for Adult, Dislocated Worker and Youth formula programs, program income for Workforce Investment Act, Workforce Innovation and Opportunity Act and National Emergency Grant. Revenues also include general fund revenues comprised of interest earned on unrestricted cash funds.



Nevadaworks
MANAGEMENT DISCUSSION AND ANALYSIS
June 30, 2016

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

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 and Workforce Innovation and Opportunity 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.

Total combined program and general revenues, as shown in the Statement of Revenues, Expenditures and Changes in Fund Balance, amounted to \$6,646,498 and total expenses amounted to \$6,663,701.

As of the end of the current fiscal year, Nevadaworks' governmental funds reported combined ending fund balances of \$183,613 as assigned fund balances.

KNOWN ECONOMIC FACTORS AND FEDERAL FUNDING

- The Workforce Innovation and Opportunity Act (WIOA) funded Nevada at a higher level in program year 2016 than the previous year, however funding to Nevadaworks was less due in part to the State holding back the maximum allowed under the law for state funded services. Additionally, the indicators included in the formula for the distribution of funds between the southern Nevada Workforce Development Board and Nevadaworks slightly favored the southern board. It is anticipated the funding for program year 2017 will similar to program year 2016.
- Nevada's unemployment levels continue to decline, but still are higher than the national unemployment numbers. This is slightly better in northern Nevada than in southern Nevada. This trend also supports the flat funding levels for program year 2017 while the demand for workforce development services will remain high.

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.

BASIC FINANCIAL STATEMENTS

Nevadaworks
STATEMENT OF NET POSITION
June 30, 2016

	<u>Governmental Activities</u>
Assets	
Current Assets:	
Cash and investments	\$ 304,723
Federal grants receivable	512,844
Other receivables	<u>17,746</u>
Total current assets	835,313
Capital assets, net of accumulated depreciation	<u>636</u>
Total Assets	<u>835,949</u>
Deferred Outflows of Resources	
Deferred outflows related to pensions	<u>188,168</u>
Total Assets and Deferred Outflows of Resources	<u>1,024,117</u>
Liabilities	
Current Liabilities:	
Accounts payable	573,672
Accrued compensated absences and wages	<u>78,028</u>
Total Current Liabilities	651,700
Long-term Liabilities	
Net pension liability	1,046,995
Post employment retirement obligation	<u>33,986</u>
Total Liabilities	<u>1,732,681</u>
Deferred Inflows of Resources	
Deferred inflows related to pensions	<u>135,464</u>
Total Liabilities and Deferred Inflows of Resources	<u>1,868,145</u>
Net Position	
Net Invested in capital assets	636
Unrestricted	<u>(844,664)</u>
Total Net Position	<u>\$ (844,028)</u>

See Accompanying Notes and Independent Auditors' Report

Nevadaworks
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2016

		Program Revenues		Net (Expense) Revenue and Changes in Net Position
	Expenses	Operating Grants, Interest and Contributions	Capital Grants and Contributions	Governmental Activities
Functions/Programs				
Governmental activities:				
Administration costs	\$ 642,190	\$ 621,267	\$ -	\$ (20,923)
Subrecipient expenditures	5,584,783	5,584,783	-	-
Other program expenditures	459,570	439,570	-	(20,000)
Total Governmental Activities	\$ 6,686,543	\$ 6,645,620	\$ -	\$ (40,923)
General Revenues:				
Unrestricted investment earnings				878
Change in Net Position				(40,045)
Net Position, July 1				(803,983)
Net Position, June 30				\$ (844,028)

See Accompanying Notes and Independent Auditors' Report

Nevadaworks
BALANCE SHEET
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2016

	General Fund	Workforce Investment Federal Grant Programs	Total Governmental Funds
Assets			
Cash and investments	\$ 304,723	\$ -	\$ 304,723
Federal grants receivable	-	512,844	512,844
Other receivables	152	17,594	17,746
Due from other funds	-	121,262	121,262
Total Assets	\$ <u>304,875</u>	\$ <u>651,700</u>	\$ <u>956,575</u>
Liabilities			
Accounts payable	\$ -	\$ 573,672	\$ 573,672
Accrued compensated absences and wages	-	78,028	78,028
Due to other funds	121,262	-	121,262
Total Liabilities	<u>121,262</u>	<u>651,700</u>	<u>772,962</u>
Fund Balances			
Assigned			
Designated for subsequent year's expenditures	<u>183,613</u>	<u>-</u>	<u>183,613</u>
Total Fund Balances	<u>183,613</u>	<u>-</u>	<u>183,613</u>
 Total Liabilities and Fund Balances	 \$ <u>304,875</u>	 \$ <u>651,700</u>	 \$ <u>956,575</u>

See Accompanying Notes and Independent Auditors' Report

Nevadaworks
 RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET POSITION
 June 30, 2016

Fund balances - governmental funds	\$	183,613
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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 in the governmental funds.

Governmental capital assets	\$	3,554
Less accumulated depreciation		(2,918)

Current and long-term liabilities which are not due and payable in the current period and, therefore, are not reported in the governmental funds:

Net pension liability		(1,046,995)
Post employment retirement obligation		(33,986)

Deferred outflows and inflows or resources to pensions are applicable to future periods and, therefore, are not reported in the funds.

Deferred outflows of resources related to pensions		188,168
Deferred inflows of resources related to pensions		(135,464)

Total net position for governmental activities	\$	<u>(844,028)</u>
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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, 2016

	<u>General Fund</u>	<u>Workforce Investment Federal Grant Programs</u>	<u>Total Governmental Funds</u>
Revenues			
Federal grants	\$ -	\$ 6,644,351	\$ 6,644,351
Miscellaneous	878	1,269	2,147
Total Revenues	<u>878</u>	<u>6,645,620</u>	<u>6,646,498</u>
Expenditures			
Current:			
Administration costs	16,734	621,267	638,001
Subrecipient expenditures	-	5,584,783	5,584,783
Other program expenditures	1,347	439,570	440,917
Total Expenditures	<u>18,081</u>	<u>6,645,620</u>	<u>6,663,701</u>
 Net Change in Fund Balances	 (17,203)	 -	 (17,203)
 Fund Balances, July 1	 <u>200,816</u>	 <u>-</u>	 <u>200,816</u>
 Fund Balances, June 30	 <u>\$ 183,613</u>	 <u>\$ -</u>	 <u>\$ 183,613</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, 2016

Net change in fund balances for governmental funds	\$	(17,203)
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives.</p>		
Less current year depreciation		(94)
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>		
Less change in post retirement benefit obligation		(4,286)
Change in prepaid compensated absences		16,734
<p>Governmental funds report pension contributions as expenditures. However in the Statement of Activities, the cost of pension benefits earned is reported as pension expense.</p>		
Pension contribution		155,034
Pension expense		<u>(190,230)</u>
Change in net position for governmental activities	\$	<u><u>(40,045)</u></u>

See Accompanying Notes and Independent Auditors' Report

NOTES TO FINANCIAL STATEMENTS

Nevadaworks
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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:

Composition of the Board

The Nevadaworks 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.

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.

Implementation of GASB No. 72

As of July 1, 2015, Nevadaworks adapted GASB Statement No. 72, *Fair Value Measurements and Application*. The implementation of this standard requires governments to measure investments at fair value. The additional disclosures required by this standard are included in Note 2.

Government-Wide and Fund Financial Statements

The government-wide financial statements report information on all non-fiduciary activities of the primary government. 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 a given function or segment is offset by program revenue. Direct expenses are those that are clearly identifiable with specific function or segment. Program revenue includes 1) investment earnings directly allocated to program revenue 2) charges for various programs and 3) operating grants that are restricted to meeting the operational requirements of a particular program. Investment earnings and other items not properly included among program revenue are reported instead as general revenue.

Nevadaworks
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The fund financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements. Nevadaworks has only governmental fund types.

Basis of Presentation

The funds of the financial reporting entity are described below:

Governmental Fund Type

General Fund – The General Fund is the general operating fund of Nevadaworks and accounts for all financial resources except those required to be accounted for in other funds.

Workforce Investment Federal Grant Programs Special Revenue Fund – Accounts for Workforce Investment Act (WIA) and Workforce Innovation and Opportunity Act (WIOA) program awards. These programs include WIA/WIOA Adult Program, WIA/WIOA Dislocated Worker, WIA/WIOA Youth activities and National Emergency Grant activities. The fund also accounts for program income used for grant purposes.

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.

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.

Nevadaworks
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2016.

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/WIOA 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.

Cash and Investments

Nevadaworks has adopted a cash and investment policy in which all cash and investment accounts must be properly safeguarded. They have interpreted this to determine that all cash and investments must be in an interest bearing account or held in a custodial account with Washoe County.

Federal Grants Receivable and Other Receivables

Contract and grant funds which have been expended, but not yet received, are reported as federal grants receivable. Other receivables consist of amounts due from subrecipients.

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

Due To and Due From Other Funds

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. All such balances within the governmental activities are eliminated in the government-wide statements.

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.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Nevadaworks
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is recognized in income for the period.

Pension

For purposes of measuring the net pension liability and pension expense, information about the fiduciary net position of the Public Employees' Retirement System of the State of Nevada (PERS) Base Plan (Base Plan) and additions to/deductions from Base Plan's fiduciary net position have been determined on the same basis as they are reported by the Base Plan. For the purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position/Governmental Funds Balance Sheet may report a separate section for deferred outflows of resources. The separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period (s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Nevadaworks recognizes deferred outflows of resources as it relates to the net pension liability. In addition to liabilities, the Statement of Net Position/Balance Sheet Governmental Funds may report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period (s) and so will not be recognized as an inflow of resources (revenue) until that time. Nevadaworks recognizes deferred inflow of resources as it relates to the net pension liability.

Accrued 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. 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).

The current liability for vacation benefits paid within the first 60 days after the end of the fiscal year is reflected in the fund financial statements. The total estimated liability of vested vacation is reflected in the government-wide financial statements.

Grants Received in Advance

Grants received in advance represents contract revenue which has been received but not yet expended.

Nevadaworks
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Equity Classifications

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

- Net invested in capital assets - 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.
- Restricted net position – consists of net position 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 position – 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 fund 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. 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. Nevadaworks 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. Nevadaworks has no restricted fund balances.

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

Assigned – represents amounts that are intended by Nevadaworks for specific purposes but do not require a formal action by the governing Board. Nevadaworks has amounts designated for subsequent year expenditures included in this category.

Unassigned – represents all amounts not included in spendable classifications.

Nevadaworks
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Staff and Operating Costs

Staff and operating costs for administration and program support services of WIA/WIOA 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.

Subsequent Events

Subsequent events have been evaluated through the report date, which represents the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated.

Concentrations

Nevadaworks receives a substantial portion, 99%, of its revenue and support from the U.S. Department of Labor, which is passed through from the State of Nevada.

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.

NOTE 2 - CASH AND INVESTMENTS

Nevadaworks categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Nevadaworks does not have any investments that are measured using Level 1 or Level 3 inputs.

A summary of cash and investments for Nevadaworks at June 30, 2016, is as follows:

	Carrying Amount	Bank Balance
Represented by:		
Cash in bank, checking	\$ 249,445	\$ <u>431,168</u>
Investments held by Washoe County (Level 2 inputs)	<u>55,278</u>	N/A
Total cash and investments	\$ <u><u>304,723</u></u>	

By provision of statutes, Nevadaworks is authorized to deposit all money in banks or savings and loan associations located in the State of Nevada and must be subject to withdrawal on demand.

Nevadaworks
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

NOTE 2 - CASH AND INVESTMENTS (Continued)

Nevadaworks maintains its checking and savings accounts in one commercial bank and with the Washoe County Investment Pool. The commercial bank accounts are insured up to \$250,000 in the aggregate by the Federal Deposit Insurance Corporation (FDIC). Nevadaworks is part of the Nevada Collateral Pool which reduces risk for government agencies through collateral pool.

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.

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.

NOTE 3 - CAPITAL ASSETS

Capital asset activity consists of the following for the year ended June 30, 2016:

	<u>July 1, 2015</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2016</u>
<u>Capital assets,</u>				
<u>being depreciated</u>				
Furniture and equipment	\$ 3,555	\$ -	\$ -	\$ 3,555
Total capital assets, being depreciated	3,555	-	-	3,555
<u>Less accumulated depreciation</u>				
Furniture and equipment	(2,824)	(94)	-	(2,918)
Total accumulated depreciation	(2,824)	(94)	-	(2,918)
Net capital assets	\$ <u>731</u>	\$ <u>(94)</u>	\$ <u>-</u>	\$ <u>637</u>

NOTE 4 - OPERATING LEASES

Nevadaworks has an agreement to lease office space in Reno, Nevada, commencing July 1, 2009. The lease was extended effective July 1, 2016 through June 30, 2019. The lease agreement 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, 2016 is \$4,554. Rent expense, including janitorial and utilities costs, for the year ended June 30, 2016 totaled \$61,934.

Future minimum lease commitments are as follows for the years ended June 30:

2017	\$54,648
2018	54,648
2019	54,648

Nevadaworks
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

NOTE 5 - LONG-TERM LIABILITIES

The following is a summary of changes in the Nevadaworks' accrued compensated absences:

Beginning of year balances	\$ 24,552
Additions	42,946
Uses	<u>(40,854)</u>
End of year balance	<u>26,644</u>
Less: Current portion	<u>(26,644)</u>
	<u>\$ -</u>

NOTE 6 - POST-EMPLOYMENT RETIREMENT OBLIGATION

From an accrual accounting perspective, the cost of post-employment healthcare benefits, like the cost of pension benefits, generally should be associated with the periods in which the cost occurs, rather than in the future year when it will be paid. In accordance with Governmental Accounting Standards Board Statement No. 45 Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions Nevadaworks recognizes the cost of post-employment healthcare in the year when the employee services are received, reports the accumulated liability from prior years, and provides information useful in assessing potential demands on Nevadaworks future cash flows. The annual funding, if paid on an ongoing basis, is projected to cover normal costs each year and to amortize any unfunded liabilities (or funding excess) over a period not to exceed thirty years.

Plan Description and Eligibility

NRS 287.023 allows retired employees of governmental entities with the State of Nevada to join the States' Public Employee Benefit Program (PEBP), an agent multiple-employer defined benefit OPEB plan administered by a nine member governing board. PEBP provides medical, prescription, vision, life and accident insurance, and dental for retirees. The Plan is not accounted for as a trust fund, as an irrevocable trust has not been established to account for the Plan and no individual financial reports are issued.

Eligibility and subsidy requirements are governed by statutes of the State of Nevada and can only be amended through legislation. The statutes were revised effective of November 30, 2008 to create new participation limitations so that only active members of PEBP can elect coverage after retirement. Based on the statute revision, former employees and retirees must have retired and joined PEBP by September 1, 2008 employees retiring on or after September 1, 2008 will be eligible to participate as a retiree at Nevadaworks' expense.

Funding Policy and Annual OPEB Cost:

Nevadaworks is required to provide a subsidy for its retirees that have elected to join PEBP. The subsidy is paid on the pay-as-you-go basis. Contribution requirements for plan members and participating employers are assessed annually by the PEBP board. Nevadaworks' obligation for subsidies is limited to payment of the statutorily required contribution. For the year ended June 30, 2016, Nevadaworks contributed \$15,059 to the plan. Amounts ranged from \$118 to \$356 per month.

Nevadaworks
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

NOTE 6 - POST-EMPLOYMENT RETIREMENT OBLIGATION (Continued)

Nevadaworks annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation, is as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Employer Contributions</u>	<u>Net OPEB Obligation</u>	<u>Percentage of Annual OPEB Cost Contributed</u>
6/30/2014	\$21,707	\$21,105	\$27,395	97.2%
6/30/2015	19,544	17,238	29,701	88.2%
6/30/2016	19,345	15,059	33,986	77.8%

Annual OPEB Cost and Net OPEB Obligation

The accounting principles allow a small employer, like Nevadaworks, to calculate the post employment retirement obligation using the alternative measurement method. The alternative measurement method is a simplification of certain assumptions as an alternative to actuarial calculations as a means to measure the actuarial accrued liabilities and the annual required contribution (ARC). The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table reflects the components of Nevadaworks' annual OPEB cost for the year, the amount actually contributed to the plan, and the changes in Nevadaworks' net OPEB obligation:

Annual Required Contribution (ARC):	
Normal Cost	\$ -
Amortization of Unfunded	
Accrued Liability (UAL)	18,423
	<u>18,423</u>
Determination of Net OPEB Obligation:	
Annual Required Contribution (ARC)	18,423
Interest on Net OPEB Obligation	921
Annual OPEB Cost	19,344
Contributions Made	15,059
Increase in Net OPEB Obligation	4,285
Net OPEB obligation, 7/1/2015	<u>29,701</u>
Net OPEB obligation, 6/30/2016	<u>\$ 33,986</u>

Funded Status and Funding Progress

As of June 30, 2016, the actuarial accrued liability for benefits was \$33,986, all of which is unfunded. The projection of future benefit payments for this involves estimates of reported amounts and assumptions about the probability of events far into the future. Examples include assumptions about mortality and the health care trend. Since no additional persons can participate in the plan based upon current statutes, no future employment information is considered necessary. Amounts determined regarding the funding status are compared with past expectations and new estimates will be made in the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, provides current year information. Multi-year trend information is provided to show whether the value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Nevadaworks
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

NOTE 6 - POST-EMPLOYMENT RETIREMENT OBLIGATION (Continued)

Methods and Assumptions

The methods and assumptions used include techniques that are designed to reduce the volatility in actual accrued liabilities. The following assumptions were made:

- Mortality – Life expectancies are based on mortality tables from the Social Security Administration.
- Healthcare cost trend rate – The expected increase in healthcare insurance premiums was based on the projections of the Office of the Actuary at the Centers for Medicare & Medicaid Services. A range of 4.1% to 6.5% was used.
- Health insurance premiums – 2016 health insurance subsidies were used as a basis for calculation of the present value of total benefits to be paid.
- Inflation rate – An inflation rate of 5% was used.

NOTE 7 - DEFINED BENEFIT PENSION PLAN

Plan Description

Nevadaworks contributes to the Public Employees' Retirement System of the State of Nevada (PERS). PERS administers a cost-sharing, multiple-employer, defined benefit public employees' retirement system. PERS was established by the Nevada Legislature in 1947, effective July 1, 1948. PERS is administered to provide a reasonable base income to qualified employees who have been employed by a public employer and whose earnings capacities have been removed or substantially impaired by age or disability.

Benefits Provided

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

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

Post-retirement increases are provided by authority of NRS 286.575 - .579.

Vesting

Members are eligible for retirement at age 65 with five years of service, at age 60 with 10 years of service, or at any age with thirty years of service. Members entering PERS on or after January 1, 2010, are eligible for retirement at age 65 with five years of service, or age 62 with 10 years of service, or any age with thirty years of service.

Nevadaworks
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

NOTE 7 - DEFINED BENEFIT PENSION PLAN (Continued)

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

Contributions

The authority for establishing and amending the obligation to make contributions and member contribution rates, is set by statute. New hires, in agencies which did not elect the Employer-Pay Contribution (EPC) plan prior to July 1, 1983, have the option of selecting one of two contribution plans. Contributions are shared equally by employer and employee. Employees can take a reduced salary and have contributions made by the employer (EPC) or can make contributions by a payroll deduction matched by the employer.

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

PERS receives an actuarial valuation on an annual basis indicating the contribution rates required to fund PERS on an actuarial reserve basis. Contributions actually made are in accordance with the required rates established by the Nevada Legislature. These statutory rates are increased/decreased pursuant to NRS 286.421 and 286.450.

The actuary funding method used is the Entry Age Normal Cost Method. It is intended to meet the funding objective and result in a relatively level long-term contributions requirement as a percentage of salary.

For the fiscal year ended June 30, 2015 the Statutory Employer/Employee matching rate was 13.25%. The Employer-pay contribution (EPC) rate was 25.75%. For fiscal year ended June 30, 2016 the Statutory Employer/Employee was 14.5%. The EPC rate was 28%.

Nevadaworks's contributions were \$155,034 year ended June 30, 2016.

PERS Investment Policy

PERS' policies which determine the investment portfolio target asset allocation are established by the PERS Board. The asset allocation is reviewed annually and is designed to meet the future risk and return needs of the System.

The following was the PERS Board adopted policy target asset allocation as of June 30, 2015:

Asset Class	Target Allocation	Long-Term Geometric Expected Real Rate of Return
Domestic Equity	42%	5.50%
International Equity	18%	5.75%
Domestic Fixed Income	30%	0.25%
Private Markets	10%	6.80%

As of June 30, 2015, PERS' long-term inflation assumption was 3.5%.

Nevadaworks
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

NOTE 7 - DEFINED BENEFIT PENSION PLAN (Continued)

Net Pension Liability

At June 30, 2016, Nevadaworks reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. Nevadaworks' proportion of the net pension liability was based on its combined employer and member contributions relative to the total combined employer and member contributions for all employers for the period ended June 30, 2015. At June 30, 2015, Nevadaworks' proportion was 0.00914 percent, which is an increase of .00076 from the proportion measured as of June 30, 2014.

Pension Liability Discount Rate Sensitivity

The following presents the net pension liability of the Nevadaworks as of June 30, 2015, calculated using the discount rate of 8.00%, as well as what Nevadaworks net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.00%) or 1-percentage-point higher (9.00%) than the current discount rate:

	1% Decrease in Discount Rate (7.00%)	Discount Rate (8.00%)	1% Increase in Discount Rate (9.00%)
Net Pension Liability	\$1,595,409	\$1,046,995	\$590,948

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the PERS Comprehensive Annual Financial Report, available on the PERS website.

Actuarial Assumptions

Nevadaworks' net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation Rate	3.50%
Payroll Growth	5.00% including inflation
Investment Rate of Return	8.00%
Productivity Pay Increase	0.75%
Projected Salary Increases	4.60% to 9.75%, depending on service
	Rates include inflation and productivity increases
Consumer Price Index	3.50%
Other Assumptions	Same as those used in the June 30, 2015 funding actuarial valuation

Mortality rates for non-disabled male members were based on the RP-2000 Combined Healthy Mortality Table projected to 2013 with Scale AA. Mortality rates for non-disabled female members were based on the RP-2000 Combined Healthy Mortality Table, projected to 2013 with Scale AA, set back one year. The mortality table used in the actuarial valuation to project mortality rates for all disabled members is the RP-2000 Disabled Retiree Mortality Table projected to 2013 with Scale AA, set forward three years.

Nevadaworks
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

NOTE 7 - DEFINED BENEFIT PENSION PLAN (Continued)

Actuarial assumptions used in the June 30, 2015 valuation were based on the results of the experience review completed in 2013.

The discount rate used to measure the total pension liability was 8.00% as of June 30, 2015. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, the pension plan's fiduciary net position at June 30, 2015, was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2015.

Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

During the year ended June 30, 2016, Nevadaworks recognized pension expense of \$190,230.

At June 30, 2016, Nevadaworks reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 78,765
Changes in assumptions or other inputs	-	-
Net difference between projected and actual earnings on pension plan investments	-	56,699
Changes in the employer's proportion and differences between the employer's contributions and the employer's proportionate contributions	33,134	-
Nevadaworks contributions subsequent to the measurement date	155,034	-
Total	\$ 188,168	\$ 135,464

\$155,034 reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017.

The average of the expected remaining service lives of all employees that are provided with pensions through PERS (active and inactive employees) determined at July 1, 2014 (the beginning of the measurement period ended June 30, 2015) is 6.7 years.

Nevadaworks
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

NOTE 7 - DEFINED BENEFIT PENSION PLAN (Continued)

Other estimated amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2016	\$ (48,263)
2017	(48,263)
2018	(48,263)
2019	1,726
2020	(18,782)
Thereafter	(6,753)

Additional Information

The PERS Comprehensive Annual Financial Report (CAFR) is available on the PERS website at www.nvpers.org under Quick Links – Publications.

NOTE 8 - RISK MANAGEMENT

There were no claims pending or unresolved disputes involving Nevadaworks at June 30, 2016.

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 LP Insurance Services.

NOTE 9 - RELATED PARTIES

Nevadaworks has contracts with organizations in which their board members are associated with. The total amount paid to these organizations for the year ending June 30, 2016 were \$354,896 and had accounts payable balances of \$534 owed to the respective organizations at June 30, 2016. The board members recuse themselves from voting on these contracts and they go through the same competitive bid process as all contracts.

REQUIRED SUPPLEMENTARY INFORMATION

Nevadaworks
Required Supplementary Information

Schedule of Nevadaworks Share of Net Pension Liability
Public Employees' Retirement System of Nevada (PERS)
Last 10 Fiscal Years*

	2015	2014
Nevadaworks' portion of net the pension liability	0.00914%	0.00838%
Nevadaworks' proportionate share of the net pension liability	\$ 1,046,995	\$ 873,416
Nevadaworks' covered-employee payroll	\$ 511,053	\$ 493,041
Nevadaworks' proportional share of the net pension liability as a percentage of its covered-employee payroll	204.87%	177.15%
Plan fiduciary net position as a percentage of the total pension liability	25.10%	76.30%

* GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, Nevadaworks will present information for those use for which information is available.

Schedule of Nevadaworks' Contributions
Public Employees' Retirement System of Nevada (PERS)
Last 10 Fiscal Years*

	2016	2015
Statutorily required contribution	\$ 155,034	\$ 131,705
Contributions in relation to the statutorily required contribution	\$ 155,034	\$ 131,705
Contribution (deficiency) excess	\$ -	\$ -
Employer's covered-employee payroll	\$ 564,031	\$ 511,053
Contributions as a percentage of covered-employee payroll	27.49%	25.77%

* GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, Nevadaworks will present information for those use for which information is available.

Nevadaworks
June 30, 2016
Other Post-Employment Benefits
Schedule of Funding Progress

	(a)	(b)	(b-a)	(a/b)	(c)	[(b-a) / c] UAL as a Percentage of Covered Payroll
<u>Valuation Date</u>	<u>Value of Plan Assets</u>	<u>Accrued Liability (AL)</u>	<u>Unfunded AL (UAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>Covered Payroll</u>
6/30/2016		224,818	224,818	0.0%	N/A	N/A
6/30/2015	-	272,545	272,545	0.0%	N/A	N/A
6/30/2014	-	312,945	312,945	0.0%	N/A	N/A
6/30/2013	-	509,446	509,446	0.0%	N/A	N/A

SUPPLEMENTARY INFORMATION

NEVADAWORKS
SCHEDULE OF STAFF AND OPERATING COSTS
SPECIAL REVENUE FUNDS
For the Year Ended June 30, 2016

Advertising and marketing	\$	1,225
Contract services		38,769
Dues and subscriptions		3,111
Equipment lease		-
Equipment purchase		-
Insurance		7,234
Legal		-
Maintenance and repairs		-
Office supplies and postage		8,521
Other operating expenditures		798
Other personnel expenditures		15,059
Rent		61,934
Staff meeting expenditures		986
Staff pay (includes fringe benefits)		849,812
Staff training and technical support		22,882
Staff travel		20,103
Telephone		<u>6,354</u>
Total Staff and Operating Costs	\$	<u><u>1,036,788</u></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.

Nevadaworks
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2016

Federal Grantor Pass -Through Grantor Program Title	Pass-Through Identifying Number	Grant Period	Federal CFDA Number	Total Federal Expenditures	Payments to Subrecipients
United States (U.S.) Department of Labor					
Passed through from the Nevada Department of Employment, Training and Rehabilitation					
WIA/WIOA Cluster					
Title 1-B, Adult Program	PY14-A-01	07/01/14 - 6/30/16	17.258	\$ 1,455,012	\$ 1,137,555
	PY15-A-01	07/01/15 - 6/30/17	17.258	858,502	858,502
				<u>2,313,514</u>	<u>\$ 1,996,057</u>
Title I-B, Youth Activities Program	PY14-Y-01	07/01/14 - 6/30/16	17.259	1,659,226	1,338,031
	PY15-Y-01	07/01/15 - 6/30/17	17.259	345,354	345,354
				<u>2,004,580</u>	<u>1,683,385</u>
Title I-B, Dislocated Worker Program	PY14-DW-01	07/01/14 - 6/30/16	17.278	1,421,190	1,000,853
	PY15-DW-01	07/01/15 - 6/30/17	17.278	776,670	776,670
				<u>2,197,860</u>	<u>1,777,523</u>
Subtotal - WIA/WIOA Cluster programs - CFDA No.'s 17.258*, 17.259*, 17.278*				6,515,954	5,456,965
Workforce Investment Act (WIA)					
National Emergency Grants	PY13-NEG-01	9/10/13 - 06/30/16	17.277	128,397	127,818
Subtotal - U.S. Department of Labor and total federal expenditures				<u>\$ 6,644,351</u>	<u>\$ 5,584,783</u>

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

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity Nevadaworks and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Uniform Guidance. Nevadaworks received federal awards indirectly through pass-through entities. Federal financial assistance provided to a subrecipient is treated as an expenditure when it is paid to the subrecipient.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Governmental fund types account for Nevadaworks' federal grant activity. Therefore, expenditures in the schedule of expenditures of federal awards are recognized on the modified accrual basis - when they become a demand on current available financial resources. Nevadaworks' summary of significant accounting policies is presented in Note 1 in Nevadaworks' basic financial statements.

NOTE 3 DE MINIMUS COST RATE

Nevadaworks has not elected to use the 10% de minimus cost rate.

REPORTS ON INTERNAL CONTROL AND COMPLIANCE



Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Board
Nevadaworks
Reno, Nevada

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Nevadaworks as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Nevadaworks' basic financial statements, and have issued our report thereon dated November 30, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Nevadaworks' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Nevadaworks' internal control. Accordingly, we do not express an opinion on the effectiveness of Nevadaworks' internal control.

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

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

Purpose of this Report

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

Handwritten signature of Eide Bailly LLP in cursive script.

Reno, Nevada
November 30, 2016

**Independent Auditor's Report on Compliance for Its Major Federal Program;
Report on Internal Control Over Compliance Required by the Uniform Guidance**

To the Board
Nevadaworks
Reno, Nevada

Report on Compliance for Each Major Federal Program

We have audited Nevadaworks' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Nevadaworks' major federal program for the year ended June 30, 2016. Nevadaworks' major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on the compliance for Nevadaworks' major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the 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 considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for its major federal program. However, our audit does not provide a legal determination of Nevadaworks' compliance.

Opinion on Each Major Federal Program

In our opinion, Nevadaworks' complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2016.

Report on Internal Control over Compliance

Management of Nevadaworks is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit of compliance, we considered Nevadaworks' internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Nevadaworks' 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 compliance requirement 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 that might be material weaknesses or significant deficiencies and therefore, material weaknesses and significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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



Reno, Nevada
November 30, 2016

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Nevadaworks
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 For the Year Ended June 30, 2016

Section I - Summary of Auditor's Findings

FINANCIAL STATEMENTS

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None Reported
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major programs:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None Reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516?	No

Identification of major programs:

<u>Name of Federal Program</u>	<u>CFDA Number</u>
WIA CLUSTER	
WIA Adult Program	17.258
WIA Youth Activities	17.259
WIA Dislocated Worker Formula Grants	17.278

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

Nevadaworks
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2016

Section II - Financial Statement Findings

None reported in the current year.

Section III - Federal Award Findings and Questioned Costs

None reported in the current year.

SUMMARY OF SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

Nevadaworks
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended June 30, 2016

Prior Audit Findings

There were no prior year audit findings.