OC-DA-123

mar. 17 (Rev.)
OC-17-19

Estado Libre Asociado de Puerto Rico
OFICINA DEL CONTRALOR
San Juan, Puerto Rico

Certificación de Cumplimiento con la *Ley 273-2003*, según enmendada; y de Notificación de Envío de Cartas de Recomendaciones (*Management Letters*), Informes de Auditoría, Estados Financieros Auditados y Otros[1]

Yo, Vanessa Ramos (nombre del funcionario principal) Funcionario Principal de Aréa Local de Desarrollo Laboral Suroeste (nombre de la entidad)

4964 (número de entidad) certifico a la Oficina del Contralor de Puerto Rico (Oficina) que relacionado con el año fiscal terminado al 30 de junio de 2016 :

1. Recibimos fondos públicos por $ 0 .
2. Efectuamos desembolsos de fondos federales por $ 3,295,772 . No aplica ☐.
3. Tenemos la obligación de cumplir con ☒ la *Ley 273-2003, Ley de Normas Contractuales sobre Independencia en las Auditorías Externas de Entidades Gubernamentales*[2], según enmendada, y con ☒ el *Single Audit Act*. En cumplimiento de estos:

   a. El 11 de marzo de 2016 formalizamos el contrato número 2017-000088 para realizar la auditoría de los ☒ Estados Financieros y/o el ☒ *Single Audit Report*.

   b. El 20 de enero de 2017 recibimos el *Informe de Auditoría* del 30 de junio de 2016 de los auditores externos.

   c. El 20 de diciembre de 2016 los auditores externos comparecieron para presentar el informe final y comunicar los hallazgos y las recomendaciones.

[1] La entidad deberá remitir a esta Oficina, en formato PDF y no más tarde del 31 de mayo siguiente al año fiscal auditado, el *Formulario OC-DA-123* firmado por el funcionario principal, con los documentos que se especifican en el Apartado 3-e y f del mismo. Esto, a través de la aplicación *Certificaciones Anuales de la Oficina del Contralor*. La aplicación está disponible en la sección de Contraloría Digital en nuestra página en Internet: www.ocpr.gov.pr.

[2] En el Artículo 1 de la *Ley 273-2003* se establece que, para propósitos de dicha *Ley*, la frase "cualquier entidad de gobierno" incluye todos los organismos, con facultad de contratar, de las ramas Ejecutiva, Legislativa y Judicial tales como: departamentos, dependencias, municipios, corporaciones públicas y sus subsidiarias, afiliadas o cualesquiera entidades gubernamentales que tengan personalidad jurídica propia.

d. Relacionado con las cartas finales de recomendaciones (*Management Letters*):

[x] El 05 de febrero de 2017 recibimos las cartas finales de recomendaciones (*Management Letters*) emitidas por los auditores externos el 20 de diciembre de 2016. El archivo electrónico, en formato **PDF**, de las mismas fue remitido a su Oficina el 22 de mayo de 2017.

[ ] Los auditores externos no emitieron las cartas finales de recomendaciones (*Management Letters*).

e. Se incluye el archivo electrónico, en formato PDF, de los siguientes documentos e informes:

[x] Informes de auditorías emitidos en forma final

[x] Estados financieros auditados

[x] Informes de Control Interno sobre Cumplimiento y la Opinión sobre Cumplimiento

[x] *Single Audit Report*

[x] Copia del *Form SF-SAC, Data Collection Form for Reporting on Audits of States, Local Governments, and Non-Profit Organizations*, y del recibo de envío al *Federal Audit Clearinghouse*.

[ ] Otros (especifique): _____

f. Relacionado con el *Informe Especial Sobre el Cumplimiento de las Recomendaciones Contenidas en los Informes de Auditoría de la Oficina del Contralor de Puerto Rico y la Corrección de las Situaciones Comentadas en sus Informes Previos (Informe Especial)*:

[ ] Se incluye el archivo electrónico, en formato **PDF**, del *Informe Especial* emitido por los auditores externos el ____ de _____ de _____.

[x] No aplica, ya que no tenemos recomendaciones pendientes de cumplimentar relacionadas con los informes publicados al 28 de febrero del año fiscal auditado.

4. [ ] No tenemos la obligación por ley, reglamento o acuerdo financiero, de contratar auditores externos para realizar la auditoría de los estados financieros del año fiscal terminado al ____ de _____ de _____.

En San Germán, Puerto Rico, hoy 22 de mayo de 2017.

Firma del Funcionario Principal

COMMONWEALTH OF PUERTO RICO
LOCAL AREA OF LABOR
DEVELOPMENT SOUTHWEST
FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

(With the additional reports required by the
Governments Auditing Standards and the Uniform Guidance)

COMMONWEALTH OF PUERTO RICO
LOCAL AREA OF LABOR DEVELOPMENT SOUTHWEST
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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COMMONWEALTH OF PUERTO RICO
LOCAL AREA OF LABOR DEVELOPMENT SOUTHWEST
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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Ortiz, Rivera, Rivera & Co.
Certified Public Accountants and Business Advisors

CPA Orlando Luis Ortiz Cabrera
CPA Marco Antonio Rivera Zúñiga
CPA Zoraida Cruz Claudio

Members:
American Institute of Certified Public Accountants (AICPA)
AICPA's Private Companies Practice Section (PCPS)
Puerto Rico Board of Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

To the Board of Mayors
Local Area of Labor Development Southwest
San Germán, Puerto Rico

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Local Area of Labor Development Southwest (Local Area), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Local Area's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider 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 the accounting policies used and the reasonableness of

significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Local Area of Labor Development Southwest, as of June 30, 2016, and the respective changes in financial position thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis and budgetary comparison information* on pages 4 to 10 and 34 to 36 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Local Area of Labor Development Southwest's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirement, Cost Principles, and Audit Requirement for Federal Awards, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and

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reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2016, on our consideration of the Local Area of Labor Development Southwest's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Local Area of Labor Development Southwest's internal control over financial reporting and compliance.

San Juan, Puerto Rico
December 20, 2016

Ortiz, Rivera, Rivera & Co.

The stamp E243109 of the Puerto Rico Society of Certified Public Accountants was affixed to the original of this report.

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MANAGEMENT DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Management of the Local Area of Labor Development Southwest provides this Management's Discussion and Analysis for the readers of the **Local Area** basic financial statements. This narrative overview and analysis of the financial activities of the **Local Area** is for the fiscal year ended June 30, 2016. We encourage readers to consider this information with the **Local Area's** basic financial statements that follow.

FINANCIAL HIGHLIGHTS

Government-wide:

The net assets of the **Local Area** exceeded its liabilities at the close of the fiscal year by $(367,261) reported net assets. The significant changes to net position are explained in page 11.

Fund Level:

As of the close of the fiscal year, the **Local Area** governmental funds reported ending fund balances of $0, which relates to the **Local Area** job programs.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is an introduction to the **Local Area's** basic financial statements, which comprise two components: 1) government-wide financial statements and fund financial statements, and 2) notes to financial statements. This report also contains other supplementary information in addition to the basic financial statements.

This report includes government-wide financial statements as required by GASB Statement 34. The presentation of the financial statements required on a single-page format which includes the Statement of Net Position and Governmental Funds Balance Sheet on pages, 11 and 13 and the Statement of Activities and Governmental Funds Revenues, Expenditures, and Changes in Fund Balances on pages 12 and 15.

Government-wide Statements (Reporting the Local Area as Whole)

The Statement of Net Position and Statement of Activities are two financial statements that report information about the **Local Area,** as a whole, and about its activities similar to a private-sector business. These statements provide both short-term and long-term information about the

Local Area's economic condition at the end of the fiscal year. These statements include all assets and liabilities using the accrual basis of accounting. The current year's revenues and expenses are taken into account regardless of when cash is received or paid. The government-wide financial statements include two statements:

The Statement of Net Position (page 11) presents of all the **Local Area's** assets and liabilities, with the difference between the two reported as "net assets". Over time, increases and decreases in net assets is an indicator of status of the **Local Area's** financial position.

The Statement of Activities (page 12) presents information showing how the **Local Area's** net assets change during the most recent fiscal year. All the changes in net assets are reported as soon as the underlying events giving rise to the change occur, regardless of the timing of related cash flows. Therefore, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Fund Financial Statements (Reporting the Local Area's Major Funds)

The fund financial statements begin on page 13 and provide detailed information about the major individual funds of the **Local Area.** A fund is a fiscal and accounting entity with a self-balancing set of accounts the **Local Area** uses to keep track of specific sources of funding and spending for a particular purpose. The **Local Area's** funds are all included in Governmental Funds.

> Governmental Funds – the entire **Local Area's** basic service are reported in the governmental funds, which focus in how money flows in and out of those funds and the balances left at year-end that are available for future spending. Consequently, the governmental fund financial statements provide a detailed short-term view of the **Local Area** general information, general operation, and the basic service it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the **Local Area's** programs. These funds are reported using modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. Under this method, revenues are recognized when measurable and available. Expenditures are generally recognized when the related fund liability is incurred. This is the manner in which these funds are normally budgeted.
>
> Since the governmental fund statements are presented on a different measurement focus and basis of accounting than governmental-wide statements, additional columns are presented in each statement, which briefly explains the adjustments necessary to reconcile the fund statements with the governmental-wide statements.
>
> Governmental funds include the Workforce Investment (WIA/WIOA) Fund only for resources provided under federal grants legally restricted for expenditures for employment and training purposes.

All of the **Local Area's** activities are related to the administration of federal programs awarded to the Commonwealth of Puerto Rico under the Workforce Investment Act and Workforce Innovation Opportunity Investment Act (WIA/WIOA).

FINANCIAL ANALYSIS OF THE GOVERNMENT AS A WHOLE

The **Local Area's** net position decreased by $.4 thousand over the course of this year's operations. The Net position include investment in Equipment for $165 thousand and over $(532) thousand restricted for future expenses. The **Local Area's** net position at the end of the fiscal year ended on June 30, 2016 were $(367) thousand, as detailed on the following Table 1:

Table 1
Statement of Net Position
As of June 30, 2016

Current and non-current assets	$ 492,143
Capital assets	165,169
Total Assets	657,312
Current liabilities	763,682
Long-term liabilities	260,891
Total Liabilities	$ 1,024,573
Net Position:	
Investment in capital assets	165,169
Unrestricted	(532,430)
Total Net Position	$ (367,261)

As shown on Table 2, total assets increase by $187 thousands and total liabilities increased by $191 thousand, which results in a decrease to net position of $ 4 thousand during the fiscal year, ended June 30, 2016.

Table 2
Statement of Net Position Comparison

CAPTIONS	JUNE 30, 2016	JUNE 30, 2015	CHANGE
Total Assets	**$ 657**	**$ 470**	**$ 187**
Total Liabilities	**1,024**	**833**	**191**
Net Position	**(367)**	**(363)**	**(4)**

The following financial information was derived from the government-wide Statement of Activities for fiscal year ended June 30, 2015 and reflects how the **Local Area's** net position changed during the fiscal year:

Table 3
Changes in Net Position
For Fiscal Year Ended June 30, 2016

Revenues:	
Operating grants and contributions	$ 3,295,772
Total revenues	3,295,772
Expenditures and Operating Transfers:	
Administration	390,682
Program	2,908,192
Total expenditures and Operating Transfers	3,298,874
Loss on disposition of assets	(1,055)
Changes in net position	(4,157)
Net position – beginning	(363,104)
Net position – ending	$ (367,261)

Table 4 presents a condense comparison within the current year revenues and expenses and the prior year. Total revenues increase by $289 thousands compared to the prior year.

Table 4
Statement of Activities Comparison (In Thousands)

CAPTIONS	JUNE 30, 2016	JUNE 30, 2015	CHANGE
Revenues	**$3,295**	**$3,738**	**$(443)**
Expenditures	**3,298**	**3,738**	**(440)**
Loss in Disposition of Assets	**(1)**	**0**	**(1)**
Changes in Net Position	**(4)**	**0**	**(4)**

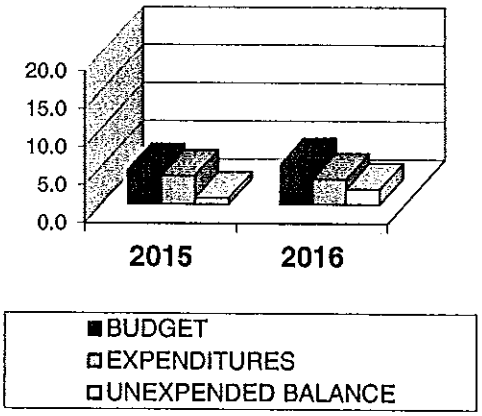
The **Local Area** is allowed to carry out following the WIA/WIOA activities: administration and program activities. The Local Area incurs in these activities and their related expenses as part of its fiscal operations. The total operating expenses were distributed in the following proportion: 10% for Administration, 90% for Program Services.

FINANCIAL ANALYSIS OF THE LOCAL AREA'S FUNDS

General Fund Budgetary Highlights:

The total budget for the **Local Area's** was $5.3 million and actual spending was $3.3 million. Total expenditures represented 62% of total budget availability for the period. The **Local Area's** expenditure rate presents a similar rate when compared to the prior year's performance. Table 5 summarizes the budget, expenditures, and balance for the fiscal years ended on June 30, 2015 and 2016.

TABLE 5
BUDGET AND EXPENDITURES COMPARISION
(IN MILLIONS)

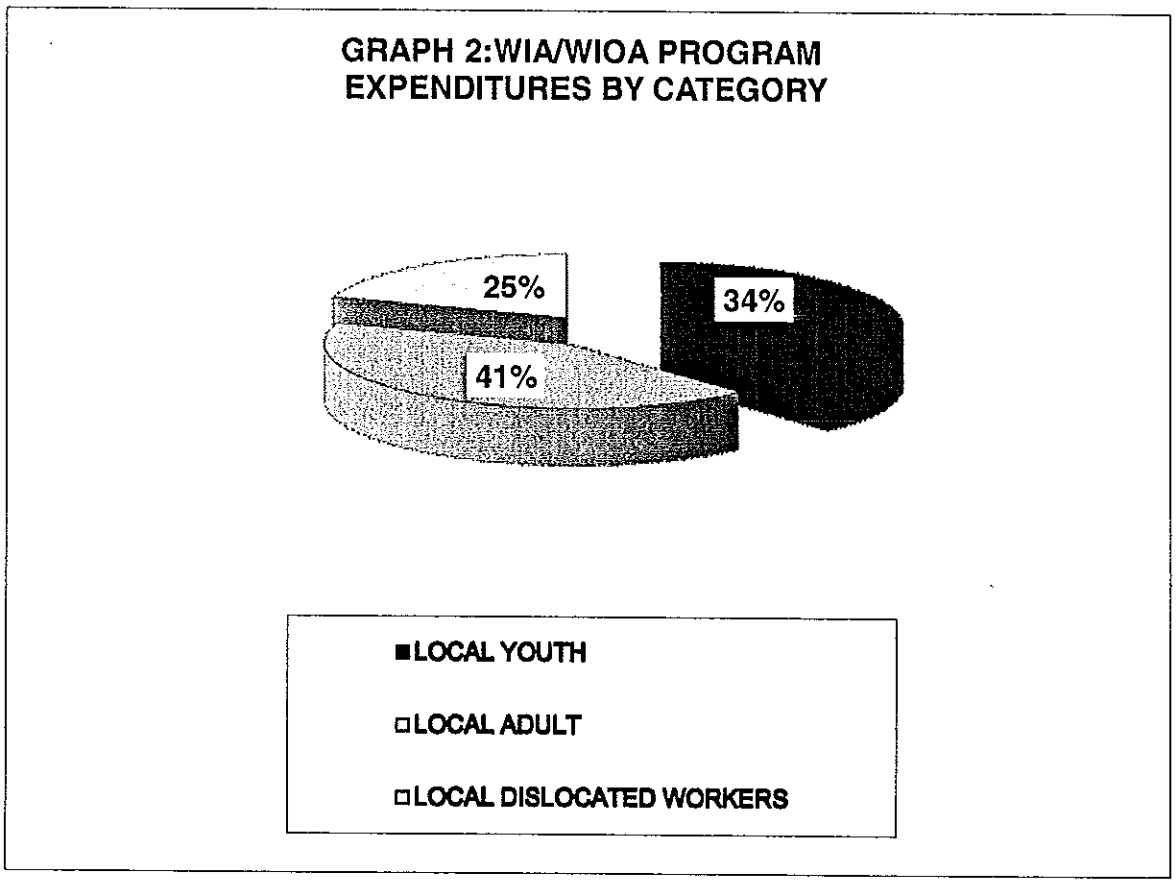


WIA/WIOA FUND – (Workforce Investment Act Programs)

The WIA/WIOA Fund was the chief operating fund of the **Local Area's** for the fiscal years ended June 30, 2015 and 2016. This fund received a $5.3 million budget for the operation of the Adults, Youth and Dislocated Workers Programs during the last fiscal year.

The total budget available for WIA/WIOA Fund increase in the amount of $ 800 thousand.

The WIA/WIOA Program provides funds for activities at the state level and at the local area level. The total funds expended under the WIA/WIOA Fund for the fiscal year totaled $3.3 million. The following graph (Graph 2) includes the breakdown of the WIA/WIOA expenses by category during the current fiscal year.



Economic Factors and Next Year's Budgets

For the fiscal year 2016-17, the **Local Area** received a budget of $5.3 millions for the WIA Program, distributed as follows: $1.8 million for Youth Program, $1.9 million for Adults and $1.6 million for Dislocated Workers.

Contacting the Consortium's Office of Financial Management

This report is designed to provide a general overview of the **Local Area's** finances and to demonstrate the **Local Area's** accountability for the funds it receives. If you have any questions about this report or need additional information, contact the **Local Area's** Finance Department at (787) 892-1000.

COMMONWEALTH OF PUERTO RICO
LOCAL AREA OF LABOR DEVELOPMENT SOUTHWEST
STATEMENT OF NET POSITION
JUNE 30, 2016

ASSETS

	Governmental Activities
Cash with fiscal agent **(Note 3)**	$ 60
Due from pass-through grantor **(Note 4)**	480,072
Prepaid items	12,011
Capital assets, net of accumulated depreciation **(Note 5)**	165,169
Total assets	657,312

LIABILITIES AND NET POSITION

LIABILITIES	
Accounts payable	216,326
Accrued liabilities	40,952
Due to pass-through grantor **(Note 4)**	234,865
Long term liability-compensated absences	
Due within one year **(Note 6)**	271,539
Due in more than one year **(Note 6)**	260,891
Total liabilities	1,024,573
COMMITMENTS AND CONTINGENCIES (Notes 8 and 9)	
NET POSITION	
Net investment in capital assets	165,169
Unrestricted (deficit)	(532,430)
Total net position (deficit)	$ (367,261)

The accompanying notes are an integral part of these financial statements.

COMMONWEALTH OF PUERTO RICO
LOCAL AREA OF LABOR DEVELOPMENT SOUTHWEST
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Functions/Programs	Expenses	Program Revenues Operating Grants and Contributions	Net (Expenses) Revenues and Change in Net Position
Governmental Activities:			
Administration	$ 390,682	$ 387,580	$ (3,102)
Program:			
Program operating costs	993,642	993,642	-
Core services	127	127	-
Intensive services	577,302	577,302	-
Training services	357,813	357,813	-
Youth - in school	359,030	359,030	-
Youth - out of school	620,278	620,278	-
Total	$ 3,298,874	$ 3,295,772	$ (3,102)
		Loss on disposition of assets	(1,055)
		Change in net position	(4,157)
		Net position (deficit) at beginning of year	(363,104)
		Net position (deficit) at end of year	$ (367,261)

The accompanying notes are an integral part of these financial statements.

COMMONWEALTH OF PUERTO RICO
LOCAL AREA OF LABOR DEVELOPMENT SOUTHWEST
BALANCE SHEET - GOVERNMENTAL FUND
JUNE 30, 2016

	WIA/WIOA Fund
ASSETS	
Cash with fiscal agent **(Note 3)**	$ 60
Prepaid items	12,011
Due from pass-through grantor **(Note 4)**	480,072
Total assets	$ 492,143
LIABILITIES AND FUND BALANCE	
LIABILITIES	
Accounts payable	$ 216,326
Accrued liabilities	40,952
Due to pass-through grantor **(Note 4)**	234,865
Total liabilities	492,143
COMMITMENTS AND CONTINGENCIES (Notes 8 and 9)	
FUND BALANCE	
Nonspendable	
Prepaid items	12,011
Spendable	
Unassigned	(12,011)
	-
Total liabilities and fund balance	$ 492,143

The accompanying notes are an integral part of these financial statements.

COMMONWEALTH OF PUERTO RICO
LOCAL AREA OF LABOR DEVELOPMENT SOUTHWEST
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUND TO THE STATEMENT OF NET POSITION (DEFICIT)
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Total governmental fund balance	$ -
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund.	165,169
Long term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:	
Compensated absences	(532,430)
Net position of governmental activities	$ (367,261)

The accompanying notes are an integral part of these financial statements.

COMMONWEALTH OF PUERTO RICO
LOCAL AREA OF LABOR DEVELOPMENT SOUTHWEST
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - GOVERNMENTAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	WIA/WIOA Fund
REVENUES	
WIA/WIOA Adult	$ 1,356,841
WIA/WIOA Youth Activities	1,117,478
WIA/WIOA Dislocated Workers	821,453
Total revenues	3,295,772
EXPENDITURES	
Administration	387,580
Program:	
Program operating costs	993,642
Core services	127
Intensive services	577,302
Training services	357,813
Youth-in school	359,030
Youth-out of school	620,278
Total expenditures	3,295,772
Excess (deficiency) of revenues over (under) expenditures	-
FUND BALANCE AT BEGINNING OF YEAR	-
FUND BALANCE AT END OF YEAR	$ -

The accompanying notes are an integral part of these financial statements.

COMMONWEALTH OF PUERTO RICO
LOCAL AREA OF LABOR DEVELOPMENT SOUTHWEST
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Net change in fund balance-governmental fund	$ -
Amounts reported for governmental activities in the Statement of activities are different because:	
Governmental funds reports capital assets outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation	
Expenditures for capital assets	10,718
Less: current year depreciation	(3,893)
	6,825
In the statements of activities, only the loss on disposition of assets is reported, whereas the governmental funds, the proceeds from sales increase resources. Thus, the change in the net assets book value of the asset sold.	(1,055)
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:	
Compensated absences (net change)	(9,927)
Change in net deficit of governmental activities	$ (4,157)

The accompanying notes are an integral part of these financial statements.

COMMONWEALTH OF PUERTO RICO
LOCAL AREA OF LABOR DEVELOPMENT SOUTHWEST
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

1. ORGANIZATION

The Local Area of Labor Development Southwest ("Local Area") is a service agency designated by the Commonwealth of Puerto Rico to receive and administer funds in accordance with Title I of the Workforce Investment Act of 1998 ("WIA") and Workforce Innovation and Opportunity Act (WIOA). These funds are invested in developing and establishing programs to prepare youth and unskilled adults to enter into the labor force and provide job training to economically disadvantaged individuals and other individuals who face serious barriers to employment and who are in special need of such training to obtain productive employment. These funds are received from the U.S. Department of Labor, passed-through the Puerto Rico Department of Economic Development and Commerce, an executive agency of the Commonwealth, which formalizes annual contract agreements with local areas and delegates funds accordingly.

The Local Area is composed of the Municipalities of: Cabo Rojo, Guánica, Guayanilla, Hormigueros, Lajas, Maricao, Peñuelas, Sabana Grande, San Germán, and Yauco. It is organized as a municipal government partnership through a cooperative agreement approved by the respective Mayors and Municipal Legislatures. The Local Area maintains its administrative offices in the Municipality of San Germán with local offices at some of the locations mentioned before.

As required by WIA/WIOA regulations, the Local Area is governed by a Board of Mayors and a Local Workforce Investment Board ("WIB"). The Board of Mayors is responsible for the administration of the Local Area and appoints an executive director to manage said functions. The WIB is composed of representatives of the private sector, educational, labor and community groups, and economic development agencies and provides strategic planning, policy development and oversight to the program activities as stated in the local annual plan.

The WIA/WIOA program is the primary source of funds of the Local Area. Services are provided to eligible individuals through grant funds expended for administration and youth, adult and dislocated worker services.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Local Area have been prepared in accordance with accounting principles generally accepted in the United States as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. The GASB periodically updates its existing Governmental Accounting and Financial Reporting Standards, which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units.

a. Reporting Entity

The financial reporting entity included in this report consists of the financial statements of the Local Area (the primary government). A primary government is any state government or general purpose local government (a Local Area or a municipality). All funds, organizations, institutions, agencies, departments, and offices that are not legally separate are, for financial reporting purposes, part of a primary government. If an organization is part of a primary government, its financial data should be included with the financial data of the primary government. Component units are legally separate organizations for which the primary government is financially accountable or organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. A component unit may be a governmental organization, a nonprofit corporation or a for-profit corporation.

The following circumstances set forth a primary government's financial accountability for a legally separate organization:

The primary government appoints a voting majority of the entity's governing body, and either:

- a financial benefit/ burden exists between the primary government and the entity or
- the primary government can impose its will on the entity.

The entity is fiscally dependent on the primary government and there is a financial benefit/burden between the primary government and the entity.

In addition, as described above, it would be necessary to include other organizations as a component unit if the exclusion would cause the primary government's financial statements to be misleading or incomplete. Organizations that are legally separate, tax-exempt entities and that meet all of the following criteria should be *discretely* presented as component units.

The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents.

The primary government, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization.

The economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to the primary government.

Professional judgment should be applied in determining whether the relationship between a primary government and other organizations for which the primary government is not financially accountable and that do not meet the above criteria is such that exclusion of the organization would render the financial statements of the reporting entity misleading or incomplete.

There are two methods of presentation of the component unit in the financial statements: (a) *blending* the financial data of the component units' balances and transactions and (b) *discrete* presentation of the component unit's financial data. When a component unit functions as an integral part of the primary government, its data is *blended* with those of the primary government ("*blended component units*"). That is, the component unit's funds are treated just as though they were funds of the primary government with one exception: the general fund. Component units should be reported as *blended* if meets any of the following criteria:

The component unit's governing body is substantively the same as the governing body of the primary government and there is either:

- a financial benefit/ burden exists between the primary government and the entity or
- management of the primary government has operational responsibility for the primary government.

The component unit provides services entirely, or almost entirely, to the primary government or otherwise exclusively, or almost exclusively, benefits the primary government.

The component unit's debt is expected to be paid by the primary government.

Otherwise, the component unit should be presented as *discrete*. Those component units do not function as an integral part of the primary government and its data is presented discretely (separately) from the data of the primary government ("*discretely component units*"). As discussed earlier, other legally separate, tax-exempt organizations that meet the applicable criteria should be included as *discretely component units.*

Based on the above criteria there are no potential component units which should be included as part of the financial statements.

b. Basis of Presentation, Measurement Focus, and Basis of Accounting

The financial report of the Local Area consists of the Management's Discussion and Analysis (MD&A), basic financial statements, notes to the financial statements and required supplementary information other than the MD&A. Following is a summary presentation of each, including the measurement focus and basis of accounting. Measurement focus is a term used to describe *which* transactions are recorded within the various financial statements. Basis of accounting refers to *when* transactions are recorded regardless of the measurement focus:

- Management's Discussion and Analysis

  This consists of a narrative introduction and analytical overview of the Local Area's financial activities. This analysis is similar to the analysis the private sector provides in their annual reports.

- Basic financial statements

  Basic financial statements include both government-wide and fund financial statements. Both levels of statements categorize primary activities as governmental type, which are primarily supported by taxes and intergovernmental revenues.

- Government-wide statements

  The government-wide statements consist of a Statement of Net Position and a Statement of Activities. These statements are prepared using the economic resources measurement focus, which refers to the reporting of all of the net position available to the governmental unit for the purpose of providing goods and services to the public. The statements are reported on the accrual basis of accounting. Revenues are recognized in the period earned and expenses recognized in the period in which the associated liability is incurred. Fiduciary activities, if any, whose resources are not available to finance government programs, are excluded from the government-wide statements. The effect of inter-fund activities is eliminated.

  The Statement of Net Position incorporates all capital (long-lived) assets and receivables as well as long-term debt and obligations. The Statement of Activities reports revenues and expenses in a format that focus on the net cost of each function of the Local Area. Both the gross and net cost of the function, which is otherwise being supported by the general government revenues, is compared to the revenues generated directly by the function. This Statement reduces gross

expenses, including depreciation, by related program revenues, operating grants and contributions. Program revenues must be directly associated with the function.

The types of transactions included as program revenues are charges for services and fees and operating grants which include operating-specific and discretionary (either operating or capital) grants; and capital grants which are capital-specific grants. Internally dedicated resources are reported as general revenues rather than as program revenues. Revenues on operating grants are recognized when all eligibility requirements (which include time requirements) imposed by the provider have been met. For expenditure-driven grants, revenue is recognized after allowable expenditures are incurred. As a policy, indirect expenses in the Statement of Activities are not allocated. The Local Area first uses restricted assets for expenses incurred for which both restricted and unrestricted assets are available.

The Local Area reports a liability for unearned revenues in the government-wide statements. Unearned revenues arise when (1) resources received in advance of an exchange transaction and (2) resources received in advance related to voluntary non-exchange transactions when eligibility requirements other than time requirements have not been met (in case of certain federal expenditure-driven grants if resources are received before allowable expenditures are incurred). In subsequent periods, after related exchange transactions occur or applicable eligibility requirements are met the liability for unearned revenues is removed from the statement of net position and the revenue is recognized.

c. Fund Statements

The financial transactions of the Local Area are recorded in individual funds, each of which are considered an independent fiscal entity. Each fund is accounted for by providing a separate set of self balancing accounts that comprise its assets, deferred outflows, liabilities, deferred inflows, fund equity, revenues and expenditures. Funds are segregated according to their intended purpose which helps management in demonstrating compliance with legal, financial and contractual provisions. Governmental Funds are those through which most governmental functions of the Local Area are financed. The governmental fund statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances with one column for each major fund and one column combining all non-major governmental funds. Major funds are determined based on a minimum criterion, that is, a percentage of the assets and deferred outflows; liabilities and deferred inflows; revenues or expenditures or based on the Local Area's official's criteria if the fund is particularly important to financial statement users.

The Local Area reports the following major governmental fund:

Workforce Investment Act Program and Workforce Innovation and Opportunity Act Fund (WIA/WIOA Fund): The WIA/WIOA fund is the operating fund of the Local Area and is used to account for and report revenues sources for the development of activities and administration of the Workforce Investment Act and Workforce Innovation and Opportunity Act Programs grant funds.

The governmental funds reported in the fund financial statements are accounted for using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method of accounting, revenues are recognized when they are susceptible to accrual (i.e. 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, the Local Area considers revenues to be available if they are collected within 120 days of the end of the current fiscal period.

In applying the susceptible to accrual concept to intergovernmental revenues, revenues are recognized when all eligibility requirements (including time requirements) imposed by the provider have been met and revenue becomes available. There are, however, essentially two types of these revenues. In the first case, on expenditure-driven grants, allowable expenditures must be incurred on the specific project or purpose (eligibility requirement), before any amounts are paid to the Local Area. Revenue is, therefore, recognized as expenditures are incurred to the extent available. In the other cases, monies are virtually unrestricted and are generally revocable only for failure to comply with prescribed compliance requirements. In these cases revenues are recognized as the time of receipt or earlier if the susceptible to accrual criteria is met.

The Local Area reports a liability for unearned revenues in the governmental funds statements. Unearned revenues arise when (1) resources received in advance of an exchange transaction and (2) resources received in advance related to voluntary non-exchange transactions when eligibility requirements other than time requirements have not been met (in case of certain federal expenditure-driven grants if resources are received before allowable expenditures are incurred). In subsequent periods, after related exchange transactions occur or applicable eligibility requirements are met the liability for unearned revenues is removed from the statement of net position and the revenue is recognized.

Expenditures are generally recognized when the related liability is incurred as under accrual basis of accounting. Certain exceptions to this fundamental concept include vested compensated absences, claims and judgments and special termination

benefits which are recorded as expenditures only to the extent that they are expected to be liquidated with expendable financial resources (in the government-wide statements the expense and related accrual liability for long term portions of debt must be included).

Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements, a reconciliation is necessary to explain the adjustments needed to transform the fund financial statements into the government-wide statements. This reconciliation is part of the financial statements.

Notes to Financial Statements

The notes to financial statements provide information that is essential to a user's understanding of the basic financial statements.

Required Supplementary Information

Required supplementary information consists of the Budgetary Comparison Schedule – WIA/WIOA Fund as required by GASB.

d. Deposits

Cash and cash equivalents consist of cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

e. Restricted Assets

Restricted assets are liquid assets which have third-party limitations on their use. The Local Area reports as restricted cash with fiscal agent the undisbursed proceeds of WIA/WIOA grants which are maintained in a cash custodian account by the Government Development Bank of Puerto Rico ("GDB").

f. Receivables

Receivables are stated net of estimated allowances for uncollectible accounts, which are determined upon past collection experience and current economic conditions. Amounts due from pass-through grantor represent amounts owed to the Local Area for the reimbursement of expenditures incurred pursuant to WIA/WIOA programs.

g. Interfund Transactions

The Local Area reports inter-fund loans which represent legally advances that are representative of lending/borrowing arrangements from one fund to other fund to finance payroll, payroll taxes and other expenditures. The current portion of such transactions are referred as to either "due from/to other funds" and the noncurrent portion as "advances to/from other funds". Amounts not expected to be collected within a reasonable period of time are reduced to the estimated realizable value and amounts not expected to be repaid are reported as "transfer-out" from the lender fund and "transfer-in" in the borrower fund.

h. Inventories

The Local Area purchases expendable supplies held for consumption. The cost of those purchases is recorded as expenditure when incurred in the WIA/WIOA fund but the year-end inventory is not recorded in the Statement of Net Position, as management believes is not significant.

i. Capital Assets

Capital assets reported in the governmental activities in the Statements of Net Position (Deficit) include equipment, office furniture and motor vehicles. The Local Area defines capital assets as personal property that have an individual cost of $500 or more. For improvements other than buildings, the capital outlay must be in excess of $10,000; extend the estimated useful life for ten years and be greater than 10% of the original cost of the asset. The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend assets lives are not capitalized.

Capital assets are capitalized at historical cost or estimated historical cost if historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. Capital assets are depreciated using the straight-line method over the following useful lives:

Description	Years
Equipment	5-10
Furniture	5-10
Vehicles	5-10
Computer equipment and software	5

In accordance with current accounting standards capital assets are reviewed for impairment. Impairment occurs when there is a significant decline in asset service utility due to the occurrence of a prominent event or change in circumstances affecting the asset. Current standards provide guidance for accounting and reporting for impairment and for insurance recoveries.

j. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial 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.

In addition to liabilities, the statement of financial position will sometimes 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. The government has only one item, which arises only under a modified accrual basis of accounting that may qualify for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

k. Long-term Obligations

Long-term debts which are reported as liabilities in the governmental activities column in the Statement of Net Assets (Deficit) consist of liabilities for compensated absences.

l. Compensated Absences

The Local Area's employees accumulate vacation and sick leave. Compensated absences are recorded as a liability if (1) are earned on the basis of services already performed by employees, (2) it is probable that will be paid (in the form of paid time off, cash payments at termination or retirement, or some other means) and (3) are not contingent on a specific event (such as illness). The Local Area employees are granted 30 days for vacation leave and 18 days of sick leave up to a maximum of 60 days of vacations and 90 days of sick leave. Upon separation from employment the accumulated vacations are liquidated up to the maximum number of days. Accumulated sick leave, which is accrued based on all vesting amounts for which payment is probable, is liquidated to employees with 10 years or more service up to

the maximum number of days. Pursuant to Law No. 152 of August 20, 1996 effective July 1, 1997 the Local Area is required to pay any excess of vacations and sick leave accumulated over 90 days as of December 31 of each year. Payments should be made on or before March 31 of the following year.

The accrual of compensated absences includes estimated payments that are related to payroll. The entire compensated absence liability is reported on the government-wide financial statements. For governmental fund financial statements, only the matured amount that is normally expected to be paid using expendable available financial resources is reported as liability. The non-current portion of the liability is not reported.

m. Net Position

In the government-wide statements, assets plus deferred outflows of resources less liabilities and deferred inflows of resources equal net position, and should be displayed in three components: net investment in capital assets, restricted, and unrestricted, as follows:

Net investment in capital assets:	Consists of capital assets, net of accumulated depreciation.
Restricted net position:	The restricted component of net position consists of restricted assets (subject to restrictions beyond the Local Area's control) reduced by liabilities and deferred inflows of resources related to those assets. These include restrictions that are externally imposed (by creditors, grantors, contributors, or laws and regulations of other governments) or restrictions imposed by the law through constitutional provisions or enabling legislation.
Unrestricted net position:	Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position. Unrestricted net position is often designated to indicate that management does not consider them to be available for general operations. These types of constraints are internal and management can remove or modify them.

n. Net Position Flow Assumption

Sometimes the Local Area will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Local Area's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

o. Fund Balances

The GASB Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions* ("GASB No. 54") establishes accounting and reporting standards for all governments that report governmental funds. It also establishes criteria for classifying fund balances into specifically defined classifications and clarifies definitions for governmental fund types. These classifications comprise a hierarchy based primarily on the extent to which the Local Area is bound to observe constraints upon the use of the resources reported. The classifications are as follows:

Nonspendable: Amounts that cannot be spent because are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted: Amounts constrained by external parties (creditors, grantors, contributors, or laws and regulations of other governments), imposed by law through constitutional provisions or by enabling legislation.

Committed: Amounts that can be used only for the specific purposes imposed through formal resolutions by the Board of Mayors, the highest level of decision-making authority for the Local Area. Those committed amounts cannot be used for any other purposes unless the highest level of decision-making authority of the Local Area removes or changes the specified use by taking the same type of action (formal resolution) it employed to commit those amounts. Formal action to commits fund balance to a specific purpose should occur prior to the end of the fiscal year, but the amount, if any, which will be subject to the constraint, may be determined in the subsequent period.

Assigned: Amounts that are constrained by the Local Area's intent to be used for specific purposes, but are neither restricted nor committed. In distinction to committed balances, the authority for making an assignment is not required to be the Local Area's highest level of decision-making authority, the Board of Mayors. It is the Local Area's policy that intent can be expressed by the Board of Mayors or the Executive Director (the official to which the Board of Mayors has also delegated the authority to assign amounts) or by any other official or body to which the Board of Mayor delegates. Furthermore, the nature of the actions necessary to remove or modify an assignment is not as prescriptive as it is with committed fund balances. With the exception of the general fund, this is the residual fund balance of the classification of all governmental funds with positive fund balances. Action taken to assign fund balance may be made after year-end.

Unassigned: Is the residual classification and includes all spendable amounts not restricted, committed or assigned. For all other governmental funds the unassigned classification is used only to report a deficit balance resulting for the overspending for specific purposes for which amounts had been restricted, committed or assigned.

p. Fund Balance Flow Assumptions

Sometimes the Local Area will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

q. Risk Financing

The Local Area is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The Local Area, through the P.R. Department of Treasury, has purchased commercial insurance for these claims. The coverage for the Local Area consists of professional,

public responsibility, property and theft, auto and fidelity bond coverage for administration and workforce investment board (WIB) officers and directors. Payment of the Local Area's insurance premiums is financed with WIA/WIOA grant funds. Workers compensation insurance is paid to the State Insurance Fund Corporation. Settled cases have not exceeded insurance coverage for any of the past three years.

r. Use of Estimates

The preparation of the basic financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the basic financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

s. Prepaid Item

Prepaid item represent services for which payments is made in advance. The prepaid item is accounted for using consumption method; therefore, expenditures are recorded at the time the service incurred. Nonspendable governmental fund balance for the prepaid item indicate that a portion of fund balance is not available for future expenditure.

t. Future Adoption of Accounting Pronouncements

The GASB has issued the following statements, which the Local Area has not yet adopted:

1) **GASB Statement No. 73 "Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68."** The provisions of this Statement are effective for fiscal years beginning after June 15, 2015 (fiscal year ended June 30, 2016), except those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68, which are effective for fiscal years beginning after June 15, 2016 (fiscal year ending June 30, 2017).

2) **GASB Statement No. 74 "Financial Reporting for Postemployment Benefit Plans Other Than Pensions."** The provisions of this Statement are effective for fiscal years beginning after June 15, 2016 (fiscal year ending June 30, 2017).

3) **GASB Statement No. 75 "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions."** The provisions of this Statement are effective for fiscal years beginning after June 15, 2017 (fiscal year ending June 30, 2018).

4) **GASB Statement No. 77 "Tax Abatement Disclosures."** The provisions of this Statement are effective for fiscal years beginning after December 15, 2015 (fiscal year ending June 30, 2017).

5) **GASB Statement No. 78 "Pensions Provided Through Certain Multiple Employee Defined Benefit Pension Plan".** The provisions of this Statement are effective for fiscal years beginning December 15, 2016 (fiscal year ending June 30, 2017).

6) **GASB Statement No. 80 "Blending Requirements for Certain Component Units-an amendment of GASB Statement No. 14.** The provisions of this Statement are effective for fiscal year beginning after June 15, 2016 (fiscal year ending June 30, 2017).

7) **GASB Statement No. 81 Irrevocable Split-Interest Agreements".** The Provision of this Statements are effective for fiscal years beginning December 15, 2016 (fiscal year ending June 30, 2018).

8) **GASB Statement No. 82 "Pension Issues-an amendment of GASB Statements No. 67, No.68, and No. 73.** The Provision of this Statement are effective for fiscal years beginning after June 15, 2016, except for the requirement of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017 (fiscal year ending June 30, 2018).

The impact of these statements on the Local Area's financial statements, if any, has not yet been determined.

3. DEPOSITS

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Local Area maintains cash deposits in commercial and governmental banks. Under Commonwealth of Puerto Rico statutes, public funds deposited in commercial banks must be fully collateralized for the amount deposited in excess of federal depository insurance. All securities pledged as collateral are held by the Secretary of Treasury of Puerto Rico.

At year-end, the Local Area's bank balances of deposits in commercial banks amounting to $166,990 are covered by the FDIC. Deposits in governmental banks (all of which are uninsured and uncollateralized) are exposed to custodial credit risk. At year-end the Local Area's bank balance in GDB amounts to $60.

4. DUE FROM (TO) PASS-THROUGH GRANTOR

a. Due From:

Amount due from pass-through grantor represents reimbursement amounts to be received from the pass-through agencies pursuant to allowable incurred program expenditures as follows:

Description	Amount
P. R. Department of Economic Development and Commerce	$ 480,072

b. Due To:

Amount due to pass-through grantor consists of WIA/WIOA Grants received on or before June 30, 2016 and not used or expended. Unused funds totaling $234,865 were subsequently reimbursed to the pass-through agency.

5. CAPITAL ASSETS

Capital assets and depreciation activity as of and for the year ended June 30, 2016 are as follows:

	Beginning Balance June 30, 2015	Increases	Decreases	Ending Balance June 30, 2016
Capital assets:				
Vehicles, equipment, and furniture	$ 1,521,588	$ 10,718	$ 10,552	$ 1,521,754
Total capital assets, being depreciated	1,521,588	10,718	10,552	1,521,754
Less accumulated depreciation for:				
Vehicles, equipment, and furniture	1,362,189	3,893	9,497	1,356,585
Total accumulated depreciation	1,362,189	3,893	9,497	1,356,585
Total capital assets, net	$ 159,399	$ 6,825	$ 1,055	$ 165,169

Depreciation expense in the amount of $3,893 was charged to the expense administrative function.

6. LONG-TERM DEBT

The following summarizes activity in long-term debt for the fiscal year ended June 30, 2016 relating to compensated absences:

Balance July 1, 2015	Increases	Decreases	Balance June 30, 2016	Due in One Year
$ 522,503	$ 220,242	$ 210,315	$ 532,430	$ 271,539

7. REVENUES WIA/WIOA

Revenues for WIA/WIOA Fund are recorded as allowable costs are incurred. A detail of grant revenues follows:

Description	Amount
Youth	$ 1,117,478
Adults	1,356,841

Dislocated workers	$ 821,453
	$ 3,295,772

8. COMMITMENTS – OPERATING LEASES

The Local Area entered into certain operating lease agreements covering the administrative building, local offices and office equipment, which generally have terms of one year or less and are automatically renewed for the same terms based on funds availability. Rental expenses amounted to $178,296. Management believes that the summary of the future minimum rental commitments under non-cancelable equipment leases with terms exceeding one year is not significant.

9. CONTINGENCIES

a. Federal Grants

The Local Area's operating and administrative costs are financed through federal grants, mostly from WIA/WIOA grant program. Expenditures financed with federal awards are subject to program compliance audits by grantor, pass-through grantor and other Commonwealth agencies in order to determine compliance with requirements and conditions of such grants. If expenditures are disallowed due to a non compliance with such requirements, funds may be required to be reimbursed to the applicable grantor agency. Accordingly, the Local Area's compliance with applicable requirements and conditions will be established in a future date. Nevertheless, it is the Local Area's management opinion that no material liabilities for disallowed costs will arise from audits previously performed or to be performed.

b. Litigations

The Local Area is, at present, a defendant in a number of legal matters that arise in the ordinary course of the Local Area's activities. Payments of legal claims and judgments in which the Local Area is involved are assumed in equal shares by each of the Municipality's members of the municipal government partnership. Therefore, it is the Management opinion that such legal actions will not impair the Local Area's financial position.

10. SUBSEQUENT EVENTS

Subsequent events were evaluated through December 20, 2016, the date on which the basic financial statements of the Local Area were available to be issued, in order to determine if any such events should either be recognized or disclosed in the 2016 basic financial statements.

COMMONWEALTH OF PUERTO RICO
LOCAL AREA OF LABOR DEVELOPMENT SOUTHWEST
BUDGETARY COMPARISON SCHEDULE - WIA/WIOA FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Budgeted amounts		Actual Amounts (Budgetary Basis) (See Note A)	Variance with Final Budget Positive (Negative)
	Original	Final		
Resources (inflows)				
WIA/WIOA Grants	$ 4,531,952	$ 5,316,324	$ 3,295,772	$ (2,020,552)
Total resources available for appropiation (inflows)	4,531,952	5,316,324	3,295,772	(2,020,552)
Expenditures:				
Administration:				
Adult	169,202	179,307	144,992	34,315
Dislocated workers	122,265	127,578	104,418	23,160
Youth	154,623	167,143	138,170	28,973
Program:				
Adult	1,593,864	1,832,997	1,211,849	621,148
Dislocated workers	1,100,387	1,396,962	717,035	679,927
Youth	1,391,611	1,612,337	979,308	633,029
Total expenditures	4,531,952	5,316,324	3,295,772	2,020,552
Excess (deficiency) of revenues over expenditures	$ -	$ -	$ -	$ -

The accompanying notes to the Budgetary Comparison Schedule are an integral part of this financial statement.

COMMONWEALTH OF PUERTO RICO
LOCAL AREA OF LABOR DEVELOPMENT SOUTHWEST
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION -
BUDGETARY COMPARISON SCHEDULE – WIA/WIOA
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

1. BUDGET PROCESS AND BUDGETARY BASIS OF ACCOUNTING

The Local Area's annual budget is prepared for the Workforce Investment Act Program Fund following program requirements for administration and program functions. After submission of an annual plan to the Workforce Development Administration ("WDA"), the pass-through grantor agency, federal funds are awarded through a contract grant agreement from WDA. One contract includes current year award for Adult and Dislocated Workers activities and other contract includes funds for Youth activities.

During the awarded year the Local Area is authorized by WDA to perform two modifications to the original budget. Modifications not exceeding 10% of total appropriation for budget expenditures may be done by the Local Area but should be notified to the WDA for final approval. Modifications exceeding 10% required prior approval from the WDA. Funds are authorized to be expended on a two-year budget period. At the end of the first year, the Local Area should perform an interim close-out of funds in order to be authorized by the WDA to incur the remaining surplus of funds on the second year. At the end of the second year a final close-out should be performed and submitted to the WDA.

The budgetary basis of accounting is different from GAAP. Resources (inflows) reported in the actual column are generally recorded when earned and expenditures are generally recorded when the related expenditure is incurred or encumbered. The encumbrances (that is, purchase orders, contracts) are considered expenditures when a commitment is made. On a GAAP basis, encumbrances outstanding at year end are reported in the governmental fund statement as part of the restricted fund balance since they do not constitute expenditures or liabilities while on a budgetary basis encumbrances are recorded as expenditures of the current year. The legal level of budgetary control (the level at which expenditures may not legally exceed appropriations) is at the function level. The presentation of the budgetary data includes only WIA/WIOA program funds, since it is the operating fund of the Local Area.

2. BUDGETED AMOUNTS – ORIGINAL AND FINAL

The accompanying budgetary comparison schedules WIA/WIOA include columns to disclose the original and final authorized budgets. The original budget includes the original WIA/WIOA contract grant agreement for Adult, Dislocated Workers and Youth activities for current fiscal year. The final budget includes the total amount authorized for fiscal year and prior year surpluses after approval of modifications by the WDA.

COMMONWEALTH OF PUERTO RICO
LOCAL AREA OF LABOR DEVELOPMENTSOUTHWEST
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE – WIA/WIOA (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

These amounts are reported as resources (inflows) since represent the total authorized amounts available for appropriation during fiscal year 2015-2016. Related appropriations for expenditures were distributed based on administration and program functions.

COMMONWEALTH OF PUERTO RICO
LOCAL AREA OF LABOR DEVELOPMENT SOUTHWEST
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Federal Grantor/Pass Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Pass-Through Subrecipient Number	Total Federal Expenditures
U.S. Department of Labor				
Passed-through programs from: Puerto Rico Department of Economic Development and Commerce (Workforce Development Program)				
WIA Cluster:				
WIA/WIOA Adult Program	17.258			$ 1,356,841
WIA/WIOA Youth Activities	17.259			1,117,478
WIA/WIOA Dislocated Workers	17.278			821,453
Total Expenditures of Federal Awards				$ 3,295,772

The accompanying notes to the Schedule of Expenditures of Federal Awards are an integral part of this financial statement.

COMMONWEALTH OF PUERTO RICO
LOCAL AREA OF LABOR DEVELOPMENT SOUTHWEST
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

1. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of the Local Area under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this Schedule may differ from the amounts presented in, or used in the preparation of, the basic financial statements. Because the Schedule presents only a selected portion of the operations of the Local Area, it is not intended to and does not present the financial position and changes in net position of the Local Area.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

The Catalog of Federal Domestic Assistance (CFDA) Number is a program identification number. The first two digits identify the federal department or agency that administers the program and the last three numbers are assigned by numerical sequence.

State or local government redistributions of federal awards to the Local Area, known as "pass–through awards", should be treated by the Local Area as though they were received directly from the federal government. The Uniform Guidance requires the schedule to include the name of the pass–through entity and the identifying number assigned by the pass-through entity for the federal awards received as a sub recipient. Numbers identified as N/A are not applicable and numbers identified as N/AV are not available.

3. INDIRECT COST RATE

The Local Area has elected to use the ten percent the minimus indirect cost rate allowed under the Uniform Guidance.

Ortiz, Rivera, Rivera & Co.
Certified Public Accountants and Business Advisors

CPA Orlando Luis Ortiz Cabrera
CPA Marco Antonio Rivera Zúñiga
CPA Zoraida Cruz Claudio

Members:
American Institute of Certified Public Accountants (AICPA)
AICPA's Private Companies Practice Section (PCPS)
Puerto Rico Board of Certified Public Accountants

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 Board of Mayors
Local Area of Labor Development Southwest
San Germán, Puerto Rico

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Local Area of Labor Development, Southwest as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Local Area of Labor Development Southwest's basic financial statements, and have issued our report thereon dated December 20, 2016.

Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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.

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Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Local Area of Labor Development Southwest's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our test 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.

San Juan, Puerto Rico
December 20, 2016

Ortiz, Rivera, Rivera & Co.

The stamp E243110 of the Puerto Rico Society of Certified Public Accountants was affixed to the original of this report.

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Ortiz, Rivera, Rivera & Co.
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CPA Orlando Luis Ortiz Cabrera
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Members:
American Institute of Certified Public Accountants (AICPA)
AICPA's Private Companies Practice Section (PCPS)
Puerto Rico Board of Certified Public Accountants

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

To the Board of Mayors
Local Area of Labor Development Southwest
San Germán, Puerto Rico

Report on Compliance for Each Major Federal Program

We have audited the Local Area of Labor Development Southwest's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Local Area of Labor Development Southwest's major federal programs for the year ended June 30, 2016. Local Area of Labor Development Southwest's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Local Area of Labor Development Southwest's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U. S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Local Area of Labor Development Southwest's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Local Area of Labor Development Southwest's Local Area of Labor Development Southwest's compliance.

Opinion on Each Major Federal Program

In our opinion, the Local Area of Labor Development Southwest complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Report on Internal Control over Compliance

Management of Local Area of Labor Development Southwest is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Local Area of Labor Development Southwest's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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 Local Area of Labor Development Southwest's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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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.

San Juan, Puerto Rico
December 20, 2016

Ortiz, Rivera, Rivera & Co.

The stamp E243111 of the Puerto Rico Society of Certified Public Accountants was affixed to the original of this report.

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COMMONWEALTH OF PUERTO RICO
LOCAL AREA OF LABOR DEVELOPMENT SOUTHWEST
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

1. SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditors' report issued:	Unmodified opinion		
Internal control over financial reporting:			
Material weakness (es) identified?	____ Yes	X No	
Significant deficiency (ies) identified?	____ Yes	X	None reported
Noncompliance material to financial statements noted?	____ Yes	X No	

Federal Awards

Internal control over major programs:			
Material weakness (es) identified?	____ Yes	X No	
Significant deficiency (ies) identified?	____ Yes	X	None reported
Type of auditors' report issued on compliance for major programs:	Unmodified opinion		
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	____ Yes	X	No

Identification of major programs: Workforce Investment Act (WIA) Cluster and Workforce Innovation and Opportunity Act (WIOA) Cluster:

CFDA Numbers	Name of Federal Program or Cluster
CFDA 17.258	WIA/WIOA Adult Program
CFDA 17.259	WIA/WIOA Youth Activities
CFDA 17.278	WIA/WIOA Dislocated Workers

Dollar threshold used to distinguish between Type A and Type B programs:
$750,000

Audited qualified as low-risk auditee? _X_ Yes ____ No

2. FINDINGS - FINANCIAL STATEMENTS AUDIT

None

3. SCHEDULE OF FINDINGS AND QUESTIONED COSTS

None

COMMONWEALTH OF PUERTO RICO
LOCAL AREA OF LABOR DEVELOPMENT SOUTHWEST
SCHEDULE OF STATUS OF PRIOR YEARS
AUDIT FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

There were no significant unresolved findings from previous annual audits.

FORM SF-SAC 06/02/2016 U.S. Dept. of Comm. - Econ and Stat Admin. - U.S. Census Bureau

OMB No. 0348-0057: Approval Expires 06/30/2019 ACTING AS COLLECTING AGENT FOR OFFICE OF MANAGEMENT AND BUDGET

Data Collection Form for Reporting on Audits of States, Local Governments, Indian Tribes, Institutions of Higher Education and Nonprofit

For Fiscal Periods Beginning on or after December 26, 2014

PART I: GENERAL INFORMATION

REPORTID: 714300 VERSION:1

1. Fiscal Period End Date	**2. Type of Uniform Guidance Audit**
6/30/2016	Single Audit
3. Audit Period Covered	
Annual	
4. Auditee Identification Numbers	
a. Auditee Employer Identification Number (EIN)	d. Auditee Data Universal Numbering System (DUNS) Number
66-0514477	
b. Are multiple EINS covered in this report?	e. Are multiple DUNS covered in this report?
No	No
5. Auditee Information	**6. Primary Auditor Information**
a. Auditee name	a. Audit Firm/Organization Name
LOCAL AREA OF LABOR DEVELOPMENT SOUTHWEST	ORTIZ, RIVERA, RIVERA & CO.
b. Auditee address *(Number and street)*	b. Audit Firm/Organization EIN
APARTADO 246	66-0468103
	c. Audit Firm/Organization address *(Number and street)*
	SUITE 152 PO BOX 725
Auditee City	Audit Firm/Organization City
SAN GERMAN	SAN JUAN
Auditee State	Audit Firm/Organization State
PR	PR
Auditee ZIP Code	Audit Firm/Organization ZIP Code
00683	00936-7250
c. Auditee Contact Name	d. Primary Auditor Contact Name
NORMA LOPEZ	CPA MARCO RIVERA
Auditee Contact Title	Primary Auditor Contact Title
FINANCE DIRECTOR	PARTNER
d. Auditee Contact Telephone	e. Primary Auditor Contact Telephone
(787)892-1000	(787)756-8524
e. Auditee Contact E-mail	f. Primary Auditor Contact E-mail
NLOPEZ@CONSORCIOSUROESTE.ONMICROSO	MRIVERA@CPAORR.COM
	7. Was a secondary auditor used?
	No

FORM SF-SAC

REPORTID: 714300 VERSION:1

Part II: FEDERAL AWARDS

1. FEDERAL AWARDS EXPENDED DURING FISCAL YEAR

Part III: INFORMATION

1. MAJOR PROGRAM INFORMATION AND AUDIT FINDINGS

	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)	(o)	(a)	(b)	(c)
	CFDA Number								Loan/Loan Guarantee		Federal Award Source					MAJOR PROGRAM		
Row Number (Auto-Generated)	Federal Awarding Agency Prefix [1]	CFDA Three Digit Extension [2]	Additional Award Identification[3]	Name of Federal Award	Amount Expended ($)	Cluster Name	Federal Program Total [4]	Cluster Total [5]	Loan/Loan Guarantee (Y/N)	If column (i) is "Y", the End of the Audit Period Outstanding Loan Balance [6]	Direct Award (Y/N)	If column (k) is "N", list Name of Pass-through Entity	If column (k) is "N", list identifying number assigned by the Pass-through Entity, if assigned [7]	Federal Award Passed Through to Subrecipients (Y/N)	If column (n) is "Y", Provide Amount Passed Through	Major Program (Y/N)	If column (a) is "Y", type of audit report on Major Program [8]	Number of Audit Findings
1	17	258		WIA ADULT PROGRAM	$1,356,841	WIA CLUST	$1,356,841	$3,295,772	N		N	PR DEPARTMENT OF ECONOMIC DEVELOPMENT AND COMMERCE	1467	N		Y	U	0
2	17	259		WIA YOUTH ACTIVITIES	$1,117,478	WIA CLUST	$1,117,478	$3,295,772	N		N	PR DEPARTMENT OF ECONOMIC AND COMEMERCE	1467	N		Y	U	0
3	17	278		WIA DISLOCATED WOR	$821,453	WIA CLUST	$821,453	$3,295,772	N		N	PR DEPARTMENT OF ECONOMIC AND COMMERCE	1467	N		Y	U	0

Total Federal Awards Expended: - $3,295,772

Part III: INFORMATION FROM THE SCHEDULE OF FINDINGS AND QUESTIONED COSTS - Continued

2. FINANCIAL STATEMENTS

a. Financial Statement Information

i. What were the results of the auditor's determination of whether the financial statements of the auditee were prepared in accordance with generally accepted accounting principles (GAAP):
Select any combination:

Unmodified Opinion

ii. What was the special purpose framework? (Select only one)

N/A

iii. Was the special purpose framework used a basis of accounting required by state law or tribal law?

N/A

iv. What was the auditor's opinion on the special purpose framework? (Select any combination)

N/A

b. Is a "going concern" emphasis-of-matter paragraph included in the auditor's report?
No

c. Is a significant deficiency in internal control disclosed? ☐ Yes ☐ No
No

d. Is a material weakness in internal control disclosed? ☐ Yes ☐ No
No

e. Is a material noncompliance disclosed? ☐ Yes ☐ No
No

3. FEDERAL PROGRAMS

a. Does the auditor's report include a statement that the auditee's financial statements include departments, agencies, or other organizational units expending $750,000 or more in Federal awards that have separate Uniform Guidance audits which are not included in this audit? (AICPA Audit Guide)
☐ Yes ☐ No
No

b. What is the dollar threshold used to distinguish Type A and Type B programs? (Uniform Guidance § 200.518(b)(1)) $ _____
$750,000

c. Did the auditee qualify as a low-risk auditee? (Uniform Guidance § 200.520) ☐ Yes ☐ No
Yes

d. Indicate which Federal Agency(ies) have prior audit findings shown in the Summary Schedule of Prior Audit Findings related to direct funding. *Mark (X) all that apply or None*.

If an agency has been selected (see the full list of agencies in Appendix I of the instructions), it will appear in a list in this section. For example, if 39. General Services Administration, 99. Miscellaneous, 68. National Gallery of Art, and 07. Office of National Drug Control Policy are selected, the list will appear in this section as "39, 99, 68, 07".

00 - None

FORM SF-SAC | REPORTID: 714300 VERSION:1

Part III: INFORMATION FROM THE SCHEDULE OF FINDINGS AND QUESTIONED COSTS - Continued

4. FEDERAL AWARD AUDIT FINDINGS

Schedule of Findings and Questioned Costs

	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)
							Compliance Audit Findings[2]		Internal Control Audit Findings[2]					
Row Number from Part II, Item 1	Federal Awarding Agency Prefix	CFDA Three Digit Extension	Additional Award Identification (Optional)	Name of Federal program	Audit Finding Reference Number (YYYY-###)	Type(s) of Compliance Requirement(s) [1]	Modified Opinion (Y/N)	Other Matters (Y/N)	Material Weakness (Y/N)	Significant Deficiency (Y/N)	Other Audit Findings[2] (Y/N)	Questioned Costs (Y/N)	Repeat Audit Finding from Prior Year (Y/N)	If column (m) is "Y", provide Prior Year Audit Finding Reference Numbers

1.) Enter the letter(s) of all type(s) of compliance requirement(s) that apply to audit findings (i.e., noncompliance, significant deficiency (including material weaknesses,), questioned costs, fraud, and other items reported under §_.510(a)) reported for each Federal program.

2.) There are 9 valid combinations of 'Compliance Findings,' 'Internal Control Findings,' and 'Other Findings' for each Federal program with findings. (See instructions - Item 7)

FORM SF-SAC	REPORTID: 714300 VERSION:1

Part IV: CERTIFICATIONS

1. Auditee Certification Statement	2. Auditor Statement
This is to certify that, to the best of my knowledge and belief the following is true and correct. The auditee has:	The data elements and information included in this form are limited to those prescribed by the Uniform Guidance. The information in Part II of this form is the responsibility of the auditee and is based on information included in the reporting package required by the Uniform Guidance. The information included in Part III of this form, except for Part III Item 2(a)(iii), Item 3(d), and Items 4(a) – (d) (when there are audit findings), was transferred by the auditor from the auditor's report(s) for the period described in Part I, Items 1 and 3, and is not a substitute for such reports. The auditor has not performed any auditing procedures since the date of the auditor's report(s) or any additional auditing procedures in connection with the completion of this form. A copy of the reporting package required by the Uniform Guidance, which includes the complete auditor's report(s), is required to be made available by the FAC on the FAC web site. It is also available in its entirety from the auditee at the address identified in Part I of this form and on the FAC web site.
☑ ensured that the Form SF-SAC and reporting package does not include protected personally identifiable information (Protected PII) (2 CFR 200.79 and 2 CFR 200.82), or if it does, the Federal Audit Clearinghouse is authorized to publicly post all information contained in this Form SF-SAC and the audit report;	
☑ ensured that the Form SF-SAC and reporting package does not include business identifiable information (BII) as defined below*, or if it does, the Federal Audit Clearinghouse is authorized to publicly post all information contained in this Form SF-SAC and the audit report;	
☑ complied with the requirements of 2 CFR Part 200 Subpart F specific to the auditee;	
☑ prepared the data in this form in accordance with 2 CFR Part 200 and the accompanying instructions to this form;	
☑ included all information required to be reported in this form in its entirety and such information is accurate and complete;	
☑ engaged an auditor to perform an audit in accordance with 2 CFR Part 200.500 for the period described in Part I, Items 1 and 3;	
☑ ensured the auditor has completed such audit and issued the signed audit report required by 200.515 which states that the audit has conducted in accordance with the audit requirements of the Uniform Guidance; and	
☑ authorized the FAC to make the Form SF-SAC and reporting package publicly available on a Web site	

*BII consists of information defined in the Freedom of Information Act (FOIA) as "trade secrets and commercial or financial information obtained from a person [that is] privileged or confidential." (5 U.S.C.552(b)(4)). This information is exempt from automatic release under the (b)(4) FOIA exemption. "Commercial" is not confined to records that reveal "basic commercial operations" but includes any records or information in which the submitter has a commercial interest, and can include information submitted by a nonprofit entity.

Auditee Certification	Auditor Signature
3/7/2017	(*Date of Electronic Signature*)
Name of certifying official	
NORMA LOPEZ	ELECTRONICALLY CERTIFIED: 3/7/2017
Title of certifying official	
FINANCE DIRECTOR	

FORM SF-SAC	REPORTID: 714300 VERSION:1
PART I, Item 4c. AUDITEE EIN CONTINUATION SHEET	(FROM PART I, ITEM 4b)
List the multiple Employer Identification Numbers (EINs) covered in this report.	

FORM SF-SAC	REPORT ID: REPORTID: 714300 VERSION:1
PART I, Item 4f. AUDITEE DUNS CONTINUATION SHEET	(FROM PART I, ITEM 4e)
List the multiple DUNS covered in this report.	

FORM SF-SAC

REPORTID: 714300 VERSION:1

Part I, Item 8, SECONDARY AUDITORS' CONTACT INFORMATION

Auditor Firm name (a)	Auditor EIN (b)	Auditor address (Number and street) (c)	City (d)	State (e)	ZIP (f)	Contact Name (g)	Title (h)	Auditor contact telephone (i)	Auditor contact FAX (j)	Auditor contact E-mail (k)