
**COMMONWEALTH OF PUERTO RICO
LOCAL WORKFORCE DEVELOPMENT AREA MUNICIPAL
ALLIANCE FOR ECONOMIC DEVELOPMENT**

**BASIC FINANCIAL STATEMENTS
WITH ADDITIONAL REPORTS AND INFORMATION
REQUIRED BY THE SINGLE AUDIT ACT**

Year Ended June 30, 2017

COMMONWEALTH OF PUERTO RICO
LOCAL WORKFORCE DEVELOPMENT AREA
MUNICIPAL ALLIANCE FOR ECONOMIC DEVELOPMENT
Basic Financial Statements
with additional reports and information
required by the Single Audit Act
Fiscal Year Ended June 30, 2017

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INDEPENDENT AUDITOR'S REPORT

**Board of Chief Elected Officials
Local Area of Workforce Development
Municipal Alliance for Economic Development
Coamo, PR**

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities and each major fund of the **Local Workforce Development Area – Municipal Alliance for Economic Development**, (Local Area), as of and for the fiscal year ended June 30, 2017, 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 presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Local Area, as of June 30, 2017, 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 on pages 4 through 12, and budgetary comparison information on pages 43 and 45 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Local Area's basic financial statements. The Schedule of Expenditures of Federal Awards, is presented for purpose of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Award, and is not a required part of the basic financial statements.

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

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated May 31, 2018, on my consideration of the Local Area's internal control over financial reporting and on my 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 my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Local Area internal control over financial reporting and compliance.



Viviana Vélez Carrasquillo, CPA
License Number 5288

Carolina, Puerto Rico
May 31, 2018

Stamp num. E306786 was attached
to the original of this report



Management's Discussion and Analysis
Fiscal Year Ended June 30, 2017

COMMONWEALTH OF PUERTO RICO
LOCAL WORKFORCE DEVELOPMENT AREA
MUNICIPAL ALLIANCE FOR ECONOMIC DEVELOPMENT
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2017

Management of the Local Workforce Development Area – Municipal Alliance for Economic Development (AMDE by its acronyms in Spanish, and hereinafter the “Local Area”) provides this Management's Discussion and Analysis for the readers of the Local Area's basic financial statements. This narrative overview and analysis of the financial activities of the Local Area is for the fiscal year ended June 30, 2017. We encourage readers to consider this information with the Local Area's basic financial statements that follow.

Besides, this document includes comparative data with prior year as this information was available for the fiscal year ended on June 30, 2017. This MD & A is prepared in order to comply with the Governmental Accounting Standards Board (GASB) Statement No. 34, “*Basic Financial Statements – and Management's Discussion and Analysis-for State and Local Governments.*” and, among other purposes, to provide the financial statements users with the following major information: a broader basis in focusing important issues; acknowledgement of an overview of the Local Area's financial activities; provides for an evaluation of its financial condition as of the end of fiscal year 2016-2017 compared with prior year results; identification of uses of funds in the financing of the Local Area's variety of activities and; asses management's ability to handle budgetary functions.

FINANCIAL HIGHLIGHTS

Government-wide:

- The liabilities of the Local Area exceeded its assets at the end of the fiscal year 2016-2017 by \$192,120.
- The revenues of the Local Area exceeded its expenses at the end of the fiscal year 2016-2017 by \$32,147.

Fund Level:

- Total revenues of the Local Area increased by \$638,181, or 27% compared to prior year.
- Total expenditures of the Local Area increases by \$638,181, or 27% compared to prior year.
- The actual WIOA Program Funds budgetary activities resulted in a favorable balance (budget surplus) of \$1,925,624.

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 and the Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances.

COMMONWEALTH OF PUERTO RICO
LOCAL WORKFORCE DEVELOPMENT AREA
MUNICIPAL ALLIANCE FOR ECONOMIC DEVELOPMENT
Management's Discussion and Analysis (Continued)
Fiscal Year Ended June 30, 2017

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 presents of all the Local Area's assets and liabilities, with the difference between the two reported as "net position". Over time, increases and decreases in net position is an indicator of status of the Local Area's financial position.

The Statement of Activities presents information showing how the Local Area's net position changes during the most recent fiscal year. All the changes in net position 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 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.

The entire Local Area's basic service are reported in the governmental funds, which focus in how money flows into 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 basis 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 and 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 Innovation and Opportunities Act (WIOA) Fund (hereinafter WIOA program fund), which accounts for resources provided under federal grants legally restricted for expenditures for employment and training purposes.

COMMONWEALTH OF PUERTO RICO
LOCAL WORKFORCE DEVELOPMENT AREA
MUNICIPAL ALLIANCE FOR ECONOMIC DEVELOPMENT
Management's Discussion and Analysis (Continued)
Fiscal Year Ended June 30, 2017

All of the Local Area activities are related to the administration of federal programs awarded to the Commonwealth of Puerto Rico under the WIOA.

The basic financial statements are followed by a section of other required supplementary information consisting of budgetary comparison schedule – WIOA programs fund.

FINANCIAL ANALYSIS OF THE GOVERNMENT AS A WHOLE

The Local Area's net position increased by \$32,147 over the course of this year's operations. The Local Area's Net Position includes investment in capital assets (net) for \$73,169 and an unrestricted deficit of \$265,289. The Local Area's total deficit at the end of the fiscal year ended on June 30, 2017 was \$192,120, as detailed on the following Table 1:

Table 1
Statement of Net Position
As of June 30, 2017

Current and non-current assets	\$ 688,721
Capital assets	73,169
Total Assets	761,890
Current liabilities	688,721
Long-term liabilities	265,289
Total Liabilities	954,010
Net Position:	
Investment in capital assets	73,169
Restricted	(265,289)
Total Net Position	\$ (192,120)

As shown on Table 2, total assets and total liabilities increased by \$155 thousand and \$123 thousand, respectively, which results in a decrease to deficit of \$32 thousand during the fiscal year ended June 30, 2017.

TABLE 2
STATEMENT OF NET POSITION COMPARISON

CAPTIONS	JUNE 30, 2017	JUNE 30, 2016 (as restated)	CHANGE
TOTAL ASSETS	762	607	155
TOTAL LIABILITIES	954	831	123
NET POSITION	(192)	(224)	32

COMMONWEALTH OF PUERTO RICO
LOCAL WORKFORCE DEVELOPMENT AREA
MUNICIPAL ALLIANCE FOR ECONOMIC DEVELOPMENT
Management's Discussion and Analysis (Continued)
Fiscal Year Ended June 30, 2017

The following financial information was derived from the government-wide Statement of Activities for fiscal year ended June 30, 2017 and reflects how the Local Area's net position changed during the fiscal year:

Table 2	
Changes in Net Position	
For the Fiscal Year Ending June 20, 2017	
Revenues:	
Operating grants and contributions	\$ 2,994,445
Total revenues	<u>2,994,445</u>
Expenditures	
Administration	339,848
Program	<u>2,622,450</u>
Total expenditures	<u>2,962,298</u>
Changes in net position	32,147
Net position – beginning, as restated	<u>(224,267)</u>
Net position – ending	<u><u>\$ (192,120)</u></u>

Table 4 presents a condense comparison within the current year revenues and expenses and the prior year. Total revenues increased by \$638 thousands compared to the prior year.

TABLE 4			
STATEMENT OF ACTIVITIES COMPARISON (IN THOUSANDS)			
CAPTIONS	JUNE 30, 2017	JUNE 30, 2016 (as restated)	CHANGE
REVENUES	2,994	2,356	638
EXPENSES	2,962	2,376	586
CHANGES IN NET POSITION	(32)	(20)	52

The Local Area is allowed to carry out the following WIOA activities: state administration and program activities. These activities and their related expenditures are incurred by the Local Area as part of its fiscal operations. The Local Area expended \$2,962,298 on theses allowable activities.

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COMMONWEALTH OF PUERTO RICO
LOCAL WORKFORCE DEVELOPMENT AREA
MUNICIPAL ALLIANCE FOR ECONOMIC DEVELOPMENT
Management's Discussion and Analysis (Continued)
Fiscal Year Ended June 30, 2017

FINANCIAL ANALYSIS OF THE LOCAL AREA'S FUNDS

The following is a detail financial analysis of the Local Area's governmental funds:

As shown on Table 5, total assets and liabilities increased by \$128 thousands compared to the prior year.

TABLE 5
BALANCE SHEET – GOVERNMENTAL FUNDS COMPARISON (IN THOUSANDS)

CAPTIONS	JUNE 30, 2017	JUNE 30, 2016	CHANGE
TOTAL ASSETS	689	561	128
TOTAL LIABILITIES	689	561	128
FUND BALANCES	-	-	-

Table 6 presents a condense comparison within the current year revenues and expenditures and the prior year. Total revenues and expenditures increased by \$638 thousands compared to the prior year.

TABLE 6
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
GOVERNMENTA FUNDS COMPARISON (IN THOUSANDS)

CAPTIONS	JUNE 30, 2017	JUNE 30, 2016	CHANGE
REVENUES	2,994	2,356	638
EXPENDITURES	2,994	2,356	638
EXCESS OF REVENUES OVER EXPENDITURES	-	-	-
FUND BALANCE AT BEGINNIG OF YEAR	-	-	-
FUND BALANCE AT END OF YEAR	-	-	-

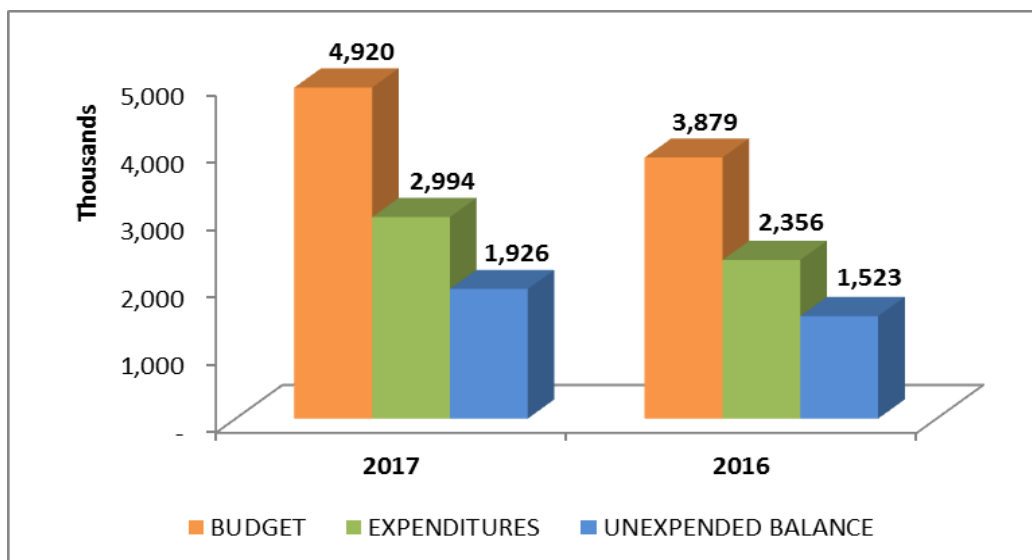
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COMMONWEALTH OF PUERTO RICO
LOCAL WORKFORCE DEVELOPMENT AREA
MUNICIPAL ALLIANCE FOR ECONOMIC DEVELOPMENT
Management's Discussion and Analysis (Continued)
Fiscal Year Ended June 30, 2017

WIOA Programs Fund Budgetary Highlights:

The total budget for the Local Area was \$4,920,069 and actual spending was \$2,994,445. Total expenditures represented 61% of total budget availability for the period. The Local Area's expenditure for the fiscal year 2016-2017 was more when compared to the prior year's performance. Graph 1 summarizes the budget, expenditures and unexpended balance for the fiscal years ended on June 30, 2017 and 2016, as reported in detail in the accompanying budgetary comparison schedule – WIOA programs fund.

GRAPH 1
BUDGET AND EXPENDITURES COMPARISON
(IN THOUSANDS)



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COMMONWEALTH OF PUERTO RICO
LOCAL WORKFORCE DEVELOPMENT AREA
MUNICIPAL ALLIANCE FOR ECONOMIC DEVELOPMENT
Management's Discussion and Analysis (Continued)
Fiscal Year Ended June 30, 2017

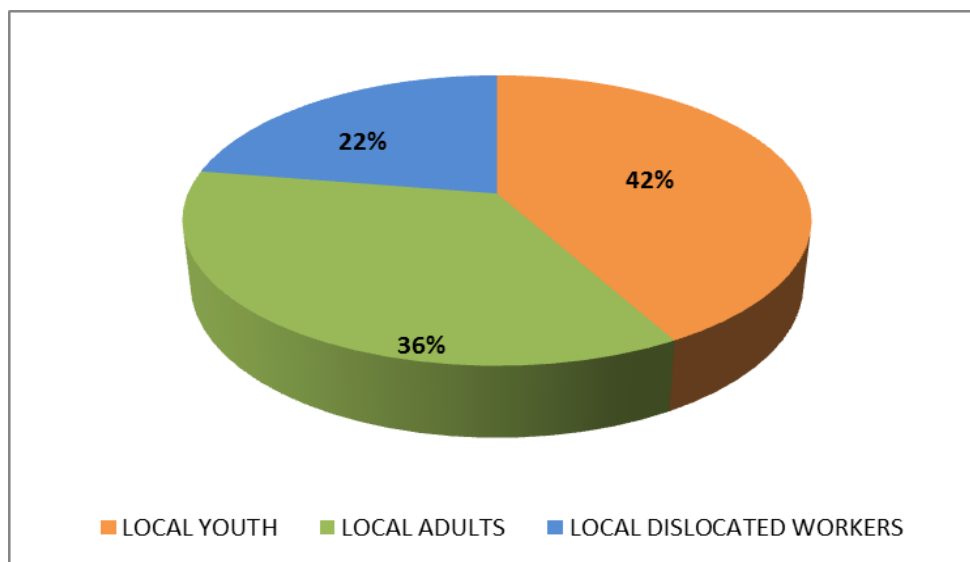
WIOA programs fund – (Workforce Innovation and Opportunities Act Programs)

The WIOA programs fund was the chief operating fund of the Local Area for the fiscal years ended June 30, 2017 and 2016. This fund received a \$4,920,069 budget for the operation of the Adults, Youth and Dislocated Workers Programs during the fiscal year 2016-2017.

Total budget available for WIOA programs fund for fiscal year ended June 30, 2017 was more than the budget available for fiscal year ended June 30, 2016.

The WIOA Program provides funds for activities at the state level and at the local area level. The total funds expended under the WIOA programs fund for the fiscal year totaled \$2,994,445. Graph 2 includes the breakdown of the WIOA programs fund expenditures by Program during the current fiscal year.

GRAPH 2
WIOA PROGRAMS FUND
EXPENDITURES BY PROGRAM



Economic Factors and Next Year's Budgets

For the fiscal year 2017-2018, the Local Area received a budget of \$6,148,211, including a fiscal year 2016-2017 budget surplus carryover of \$1,722,953. for the WIOA Program, distributed as follows: \$2,327,420 million for Youth Program, \$2,132,614 million for Adults and \$1,688,177 thousands for Dislocated Workers.

COMMONWEALTH OF PUERTO RICO
LOCAL WORKFORCE DEVELOPMENT AREA
MUNICIPAL ALLIANCE FOR ECONOMIC DEVELOPMENT
Management's Discussion and Analysis (Continued)
Fiscal Year Ended June 30, 2017

Contacting the Local Area'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 money it receives. If you have any questions about this report or need additional information, contact the Local Area's Finance Department at (787) 471-7369.

**Basic Financial Statements and
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2017**

COMMONWEALTH OF PUERTO RICO
LOCAL WORKFORCE DEVELOPMENT AREA
MUNICIPAL ALLIANCE FOR ECONOMIC DEVELOPMENT
Statement of Net Position
June 30, 2017

	Governmental Activities
<hr/>	
ASSETS	
Cash	\$ 78,618
Cash with fiscal agent	107
Accounts receivable from grantor	604,623
Accounts receivable other	5,373
Capital assets, net of accumulated depreciation	73,169
	<hr/>
Total assets	<u>\$ 761,890</u>
LIABILITIES	
Accounts payable	\$ 453,756
Accounts payable - Grantor	198,991
Accrued expense	35,974
Accrued compensated absences, current portion	148,561
Noncurrent liabilities:	
Accrued compensated absences, long-term portion	116,728
	<hr/>
Total liabilities	<u>954,010</u>
NET POSITION	
Investment in capital assets, net	73,169
Unrestricted	(265,289)
	<hr/>
Total net position	<u>\$ (192,120)</u>

See accompanying notes to financial statements

COMMONWEALTH OF PUERTO RICO
LOCAL WORKFORCE DEVELOPMENT AREA
MUNICIPAL ALLIANCE FOR ECONOMIC DEVELOPMENT
Statement of Activities
Fiscal Year Ended June 30, 2017

<u>Program Activities</u>	<u>Expenses</u>	<u>Program Revenues Operating Grants and Contributions</u>	<u>Net (Expense) Revenues and Changes in Net Position Governmental Activities</u>
Governmental activities			
Administration	\$ 339,848	\$ 299,445	\$ (40,403)
Program	<u>2,622,450</u>	<u>2,695,000</u>	<u>72,550</u>
Total governmental activities	<u>2,962,298</u>	<u>2,994,445</u>	<u>32,147</u>
Change in net position			32,147
Net position at beginning of year, as restated			<u>(224,267)</u>
Net position at end of year			<u><u>\$ (192,120)</u></u>

See accompanying notes to financial statements

COMMONWEALTH OF PUERTO RICO
LOCAL WORKFORCE DEVELOPMENT AREA
MUNICIPAL ALLIANCE FOR ECONOMIC DEVELOPMENT
Balance Sheet – Governmental Funds
June 30, 2017

	WIOA Programs Fund
ASSETS	
Cash	\$ 78,618
Cash with fiscal agent	107
Accounts receivable from grantors	604,623
Accounts receivable other	<u>5,373</u>
Total assets	<u><u>\$ 688,721</u></u>
LIABILITIES AND FUND BALANCES	
LIABILITIES	
Accounts payable	\$ 453,756
Accounts payable – grantor	198,991
Accrued expenses	<u>35,974</u>
Total liabilities	<u>688,721</u>
FUND BALANCES	
Restricted	<u>-</u>
Total fund balances	<u>-</u>
Total liabilities and fund balances	<u><u>\$ 688,721</u></u>

See accompanying notes to financial statements.

COMMONWEALTH OF PUERTO RICO
LOCAL WORKFORCE DEVELOPMENT AREA
MUNICIPAL ALLIANCE FOR ECONOMIC DEVELOPMENT
Reconciliation of the Balance Sheet – Governmental Funds
to the Statement of Net Position
June 30, 2017

Total fund balances - governmental funds	\$ -
--	------

Amounts reported for governmental activities in the statement of net position are different because:

- | | |
|---|------------------|
| • Capital assets, net used in governmental activities are not current financial resources and therefore are not reported in the governmental funds financial statements | 73,169 |
| • Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of compensated absences. | <u>(265,289)</u> |

Net position of governmental activities	<u><u>\$ (192,120)</u></u>
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See accompanying notes to financial statements

COMMONWEALTH OF PUERTO RICO
LOCAL WORKFORCE DEVELOPMENT AREA
MUNICIPAL ALLIANCE FOR ECONOMIC DEVELOPMENT
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds
Fiscal Year Ended June 30, 2017

	WIOA Programs Fund
	<hr/>
REVENUES	
Work Investment Act - Adult	\$ 1,258,408
Work Investment Act - Youth	1,065,133
Work Investment Act - Dislocated	<hr/> 670,904
 Total of revenues	 <hr/> 2,994,445
 EXPENDITURES	
Administration	339,848
Program	<hr/> 2,654,597
 Total of expenditures	 <hr/> 2,994,445
 Excess of revenues over expenditures	 -
 FUND BALANCE AT BEGINNING OF YEAR	 <hr/> -
 FUND BALANCE AT END OF YEAR	 \$ <hr/> <hr/> -

See accompanying notes to financial statements

COMMONWEALTH OF PUERTO RICO
LOCAL WORKFORCE DEVELOPMENT AREA
MUNICIPAL ALLIANCE FOR ECONOMIC DEVELOPMENT
Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances – Governmental Funds to the Statement of Activities
Fiscal Year Ended June 30, 2017

Net change in fund balances - total governmental funds	\$ -
Amounts reported for governmental activities in the statement of activities are different because:	
<ul style="list-style-type: none"> Governmental funds report capital 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 expense. 	46,153
<ul style="list-style-type: none"> Depreciation expense and loss on disposal of capital assets are reported in the statement of activities, but do not require the use of current financial resources. Therefore, depreciation expense and loss on disposal of capital assets are not reported as expenditure in governmental funds. 	(19,044)
<ul style="list-style-type: none"> Change in accrued compensated absence which does not require the use of current financial resources. 	5,038
Changes in net position of governmental activities	<u>\$ 32,147</u>

See accompanying notes to financial statements

COMMONWEALTH OF PUERTO RICO
LOCAL WORKFORCE DEVELOPMENT AREA
MUNICIPAL ALLIANCE FOR ECONOMIC DEVELOPMENT
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2017

1. NATURE OF THE ORGANIZATION

a) Organization

In 1991 the Governor of the Commonwealth of Puerto Rico created the Consorcio Sur-Central, a municipal consortium in accordance with the criteria set forth in Section 101(A)(4)(11) of the Job Training Partnership Act.

The JTPA directive was replaced by the Workforce Investment Act (WIA) of 1998. At the transition of the WIA Act the municipal consortium organization structure and purpose were revised and renamed as the Local Workforce Development Area of South Central, hereinafter the "Local Area".

The Local Area develops and establishes programs to prepare youth and unskilled adults for entry into the labor force under the Workforce Innovation and Opportunity Act of 2014 (WIOA), which supersedes the Workforce Investment Act of 1998 (WIA). WIOA authorizes formula grant programs to States to help job seekers access employment, education, training and support services to succeed in the labor market. Using a variety of methods, States provide employment and training services through a network of American Job Centers (AJC) (formerly known as One-Stop Career Centers or by another name). the WIOA programs provide employment and training programs for adults, dislocated workers, and youth, and Wagner-Peyser employment services administered by the Department of Labor (DOL). The programs also provide adult education and literacy services that complement the Vocational Rehabilitation State grants awarded by the US Department of Education that assist individuals with disabilities in obtaining employment and helps job seekers to achieve gainful employment. Youth employment and educational services are available to eligible out-of-school youth, ages 16 to 24, and low-income in-school youth, ages 14 to 21, that face barriers to employment.

On June 30, 2016, the Governor of the Commonwealth of Puerto Rico designate the Municipal Alliance for Economic Development in accordance with the criteria set forth in Section 106 of the Workforce Innovation and Opportunity Act of 2014 (WIOA). This designation changes the name and organization structure of the Local Workforce Development Area of South Central. Effective in fiscal year 2016-2017 the Local Area was formed by the Municipalities of Salinas, Santa Isabel, Juana Díaz, Coamo and Villalba ("Municipalities") for the purpose of developing human capital for self- sufficiency and self-management through innovative services and partnerships, according to the changes and trends of the global economy.

COMMONWEALTH OF PUERTO RICO
LOCAL WORKFORCE DEVELOPMENT AREA
MUNICIPAL ALLIANCE FOR ECONOMIC DEVELOPMENT
Notes to Basic Financial Statements (Continued)
Fiscal Year Ended June 30, 2017

b) Organizational Structure

The administrative responsibilities of Local Area rest upon its Boards: 1) the Board of Chief Elected Officials comprised of the mayors of the Municipalities. In which, the Mayor of Villalba, serves as the President during the fiscal year 2016-2017, while the Secretary was the Mayor of Coamo. And, in the *Local Workforce Development Board* (hereinafter the LWDB) which members are selected every two years as regulated under Section 117 of the Workforce Investment and the Workforce Innovation and Opportunities Act (WIOA). In compliance with these sections, the LWDB has representatives from:

- local area businesses
- local educational entities
- labor organizations
- community-based organizations
- economic development agencies
- each one of the One-Stop partners

This Board of Chief Elected Officials, has designated an administrative entity, the Local Area, as the local grant recipient of funds, and an Executive Director in charge of the programs administration and operation. This person is directly responsible to the Board of Chief Elected Officials and to the LWDB.

c) Federal Programs Administered

The Local Area administers WIOA program funds granted by the Puerto Rico Labor Development Program (LDP).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Financial Reporting Model

The accompanying basic financial statements present the financial position of the governmental activities and each major governmental fund of the Local Area at June 30, 2017, in conformity with Accounting Principles Generally Accepted in the United States of America (GAAP), as prescribed by the Governmental Accounting Standards Board (GASB). In addition, the accompanying basic financial statements present the changes in the financial position (results of operations) of the governmental activities and each major governmental fund information for the fiscal year ended June 30, 2017 in conformity with GAAP.

According to the financial reporting model established by GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments* (GASB No. 34), the required basic financial statement presentation applicable to the Local Area is composed of the following elements: (1) government-wide financial statements (GWFS), (2) governmental fund financial statements (FFS), (3) notes to basic financial statements, and (4) required supplementary information (RSI).

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RSI consists of a (1) Management's Discussion and Analysis (MD&A) and (2) a budgetary comparison schedule – WIOA programs fund. *RSI* is unaudited supplementary information required by GAAP presented along with, but separate from, the Local Area's basic financial statements.

MD&A is a narrative report that introduces the accompanying basic financial statements and provides an analytical overview of the Local Area's financial activities for the fiscal year ended June 30, 2017, based on the Local Area's knowledge of the transactions, events and conditions reflected in the basic financial statements. The MD&A also highlights certain key fiscal policies that control the Local Area's operations.

The budgetary comparison schedule – WIOA programs fund is a comparison of the actual results (using the budgetary basis of accounting, which differs from GAAP) with the original budget and the final amended budget for the WIOA programs fund. A budget to GAAP reconciliation is presented providing information of differences between the budgetary basis of accounting and GAAP.

b) Financial Reporting Entity

A financial reporting entity consists of a primary government and its component units. Accordingly, for financial reporting purposes, the primary government is the Local Area. In accordance with GASB No. 14 and GASB No. 61, the criteria used to determine whether organizations are to be included as component units within the Local Area's financial reporting entity are as follow:

- The organization is legally separate entity;
- The Local Area appoints a voting majority of the organization's board;
- There is a financial benefit/burden relationship between the Local Area and the organization or the Local Area is able to impose its will on the organization.

Organizations meeting the above criteria are included in the Local Area's financial reporting entity as discretely presented component units. Entities which meet any of the following in addition to the above criteria are considered to be blended component units of the Local Area:

- The organization's governing body is substantively the same as the Local Area's governing body and (1) there is a financial benefit or burden relationship between the Local Area and the organization, or (2) management of the Local Area has operational responsibility for the organization;
- The organization provides services entirely, or almost entirely, to the Local Area, or otherwise exclusively, or almost exclusively, benefits the Local Area even though it does not provide services directly to it;

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- The organization's total debt outstanding, including leases, is expected to be repaid entirely or almost entirely with Local Area resources.

Legally separate organizations that do not otherwise meet the criteria for inclusion as a component unit may be included in the financial reporting entity if it is determined that their exclusion would render the financial statements misleading. This determination is based on the nature and significance of the organization's relationship with the Local Area.

Based on the application of the criteria outlined above, the Local Area's management has concluded that there are no legally separate entities or organizations that should be reported as component units of the Local Area as of and for the fiscal year ended June 30, 2017.

c) Government-Wide Financial Statements

The accompanying GWFS are composed of: (1) the statement of net position and (2) the statement of activities. These financial statements report information of all governmental activities of the Local Area as a whole. These statements are aimed at presenting a broad overview of the Local Area's finances by reporting its financial position and results of operations using methods that are similar to those used by most private businesses.

The focus of GWFS is on the operational accountability of the Local Area as a single economic unit and not on compliance with budgets, regulatory requirements or on the use of available or currently expendable financial resources (referred to as fiscal accountability). Operational accountability is the Local Area's responsibility to report to the extent to which it has met its operating objectives efficiently and effectively, using all resources available for that purpose. It focuses on the Local Area's principal operating objective, which is to developing human capital for self-sufficiency and self-management through innovative services and partnerships.

The accompanying statement of net position provides short-term and long-term information about the Local Area's financial position by presenting all of the Local Area's assets and liabilities, with the difference between these two items reported as "net position". This statement assists management in assessing the level of services that can be provided by the Local Area in the future and its ability to meet its obligations as they become due. In addition, this statement reports the extent to which the Local Area has invested in capital assets and discloses legal and contractual restrictions on resources.

Net position is classified in the accompanying statement of net position within the following three categories:

- **Invested in capital assets, net of related debt** – This net position category consists of capital assets, net of accumulated depreciation and amortization.
- **Restricted net position** – This net position category consists of net resources restricted by external parties (such as grantors, contributors, laws or regulations of other governments, etc.).

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- **Unrestricted net position** – This category consists of the excess of assets over related liabilities that are neither externally nor legally restricted, neither invested in capital assets. However, assets reported within unrestricted net liabilities often are designated to indicate that management does not consider them to be available for general operations. Assets reported within this category often have constraints that are imposed by management but can be removed or modified.

When both restricted and unrestricted resources are available for use, it is the Local Area's policy to generally use restricted resources first, and then unrestricted resources as they are needed.

The accompanying statement of activities presents the Local Area's results of operations by showing, how the Local Area's net position changed during the fiscal year ended June 30, 2017, using a net (expense) revenue format. This statement presents the cost of each function/program as well as the extent to which each of the Local Area's functions, programs or other services either contributes to or draws from the Local Area's general revenues, if any.

A function/program describes a group of activities that are aimed at accomplishing a major service or regulatory responsibility. The functions/program activities reported in the accompanying basic financial statements are: (1) administration, and (2) program.

The statement of activities demonstrates the degree to which program revenues offset direct expenses of a given function/program or segments. Direct expenses are those that are clearly identifiable with a specific function, segment or operational unit. This statement reports revenues in three broad categories: (1) program revenues, (2) general revenues and (3) special items.

Program revenues are generated directly from a program itself or may come from parties outside the Local Area's self-sources of revenues. In the statement of activities, program revenues reduce the costs (expenses) of the function/program to arrive at: (1) the net cost of the function/program that must be financed from the Local Area's general revenues or (2) the net program revenue that contributes to the Local Area's general revenues. The accompanying statement of activities separately reports the following category of program revenues:

- **Program-specific operating grants and contributions** – These revenues consist of transactions that are either mandatory or voluntary non-exchange transactions with other governments, organizations, or individuals that restrict the resources for use in a particular program. Operating grants and contributions consist of resources that are required to be used to finance the costs of operating a specific program or can be used either for operating or capital purposes of a specific program.

General revenues are the default category for revenues. It includes all revenues and gains that do not meet the definition of program revenues.

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Special items consist of revenues arising from significant transactions or other events within the control of management that are either unusual in nature or infrequent in occurrence.

Extraordinary items consist of revenues arising from significant transactions or other events that are both unusual in nature and infrequent in occurrence.

The effects of all inter-fund governmental activities (revenues, expenditures and other financing sources/uses among governmental funds) have been removed from the accompanying statements of net position and activities.

The Local Area classifies the most significant portion of its activities as governmental activities in the accompanying GWFS. These are activities generally financed through intergovernmental revenues and other non-exchange revenues that can be used to support the Local Area's programs or services. These governmental activities are also generally reported in the FFS.

The Local Area has no fiduciary activities, which are those in which the Local Area would be holding or managing net position for specific individuals or other external parties in accordance with trust agreements or other custodial arrangements.

d) Fund Financial Statements

A fund is a fiscal and accounting entity consisting of a self-balancing set of accounts used to record assets, deferred outflow of resources, liabilities, deferred inflow of resources and residual equities, deficits or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with GAAP and/or special regulations, restrictions or limitations.

The accompanying FFS are composed of: (1) the balance sheet – governmental funds, and (2) the statement of revenues, expenditures and changes in fund balances – governmental funds.

These financial statements report the financial position and results operations of the Local Area's governmental funds and fund types by presenting sources, uses and balances of current and non-current financial resources. Some of these financial statements have a budgetary orientation and focus primarily on: (1) the Local Area's major governmental fund and fund types, as defined below, (2) the fiscal accountability and (3) the individual parts of the Local Area. Fiscal accountability represents the Local Area's responsibility to justify that its actions in the current fiscal year have complied with public decisions concerning the raising and spending of public moneys in the short term (generally one fiscal year).

The accompanying FFS segregate governmental funds and fund types according to their intended purpose and are used in demonstrating compliance with legal, financial and contractual provisions. The minimum number of governmental funds and fund types is maintained consistent with legal and self-imposed managerial requirements established by the Local Area. For financial reporting purposes, the Local Area classifies its governmental funds in the following category:

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- ***Special revenue funds*** – The special revenue funds are major and non-major governmental funds, as defined below, used by the Local Area to account for the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service and capital projects. The uses and limitations of each special revenue fund are specified by federal and state statutes.

The focus of the FFS is on major governmental funds and fund types, which generally represent the Local Area's most important funds. Accordingly, the Local Area is required to segregate governmental funds and fund types between major and non-major categories within the FFS. Major individual governmental and fund types are reported individually as separate columns in the FFS, while data from all non-major governmental funds are aggregated into a single column, regardless of fund type.

Any governmental fund is classified as a major governmental fund in the FFS if its total assets, liabilities, revenues or expenditures of that individual governmental fund are at least 10 percent of the corresponding element total (assets, deferred outflow of resources, liabilities, deferred inflow of resources, revenues or expenditures) for all governmental funds. In addition, the same element that meets the 10 percent criterion must be at least 5 percent of the corresponding element total for all governmental and enterprise (proprietary) funds combined. For the purposes of applying the aforementioned major fund criteria, no eliminations of inter-fund balances have been made. Total revenues for these purposes means all revenues, including operating and non-operating revenues (net of allowances for uncollectible accounts), except for other financing sources. Total expenditures\expenses for these purposes mean all expenditures\expenses, including operating and non-operating expenditures\expenses, except for other financing uses.

Based on the aforementioned criteria, the Local Area's major governmental fund reported in the accompanying FFS is the WIOA programs fund.

The WIOA programs fund is the accounting entity in which revenues derived from federal grants, is accounted for. The uses and limitations of WIOA programs fund are specified by federal and state statutes.

The accompanying FFS are accompanied by other statements and schedules required by GAAP: (1) the reconciliation of the balance sheet – governmental funds to the statement of net position, and (2) the reconciliation of the statement of revenues, expenditures and changes in fund balances – governmental funds to the statement of activities.

e) Measurement Focus and Basis of Accounting

Government-wide financial statements – The accompanying GWFS are prepared using the economic resources measurement focus and the accrual basis of accounting. Subject to the additional rules and limitations detailed below, revenues (including interest on deposits and rent) are generally recorded when earned and expenses are generally recorded when a liability is incurred, regardless of the timing of related cash flows.

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All revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are generally recorded when the exchange takes place. In exchange transactions, each party to the transaction receives and gives up essentially equal values. An exchange-like transaction is one in which there is an identifiable exchange and the values exchanged, though related, may not be quite equal. Nevertheless, the exchange characteristics of the exchange-like transaction are strong enough to justify treating it as an exchange for accounting purposes.

All revenues, expenses, gains, losses and assets resulting from non-exchange transactions are recorded using the criteria set forth by GASB Statement No. 33, *Accounting and Financial Reporting for Non-exchange Transactions* (GASB No. 33). GASB No. 33 established accounting and reporting standards for non-exchange transactions involving cash and financial or capital resources (for example, most taxes, grants and private donations). In a non-exchange transaction, the Local Area gives (or receives) value without directly receiving (or giving) equal value in return. This is different from an exchange transaction, in which each party receives and gives up essentially equal values. According to GASB No. 33, the Local Area groups its non-exchange transactions into the following four classes in the accompanying basic financial statements: (a) derived tax revenues, (b) imposed non-exchange revenues, (c) government mandated non-exchange transactions, and (d) voluntary non-exchange transactions.

In the case of derived tax revenue transactions, which result from assessments the Local Area places on exchange transactions, receivables and revenues are recorded when the underlying exchange has occurred.

In the case of imposed non-exchange revenue transactions, which result from assessments made by the Local Area on nongovernmental entities, including individuals, other than assessments on exchange transactions, receivables are generally recorded in the period when an enforceable legal claim has arisen.

Government-mandated non-exchange transactions (such as grants and contributions) result when a government at one level (such as the federal or state government) provides resources to the Local Area and the provider government requires the Local Area to use those resources for a specific purpose or purposes established in the provider's enabling legislation. In these type of transactions, receivables and revenues are generally recorded when all eligibility requirements imposed by the provider have been met. For the majority of grants, the Local Area must expend resources on the specific purpose or project before the provider reimburses any amounts. Revenue is, therefore, generally recognized as qualifying reimbursable expenditures are incurred.

Voluntary non-exchange transactions (such as donations and certain grants and entitlements) result from legislative or contractual agreements, other than exchanges, willingly entered into by two or more parties. In these types of transactions, receivables and revenues are generally accounted for in the same manner as government-mandated non-exchange transactions discussed above. Events that are neither exchange nor non-exchange transactions are recorded when it is probable that a loss has been incurred and the amount of loss is reasonably estimable.

Receipts of any type of revenue sources collected in advance for use in the following fiscal year are recorded as deferred inflow of resources.

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According to GASB No. 34, all general capital assets and the unmatured long-term liabilities are recorded only in the accompanying statement of net position. The measurement focus and the basis of accounting used in the accompanying GWFS differ significantly from the measurement focus and basis of accounting used in the preparation of the accompanying governmental fund financial statements. Therefore, the accompanying governmental fund financial statements include reconciliations, as detailed in the accompanying table of contents, to better identify the relationship between the GWFS and the governmental fund financial statements.

Governmental fund financial statements – The accompanying governmental fund financial statements are reported using the current financial resources measurement focus (flow of current financial resources) and the modified accrual basis of accounting. Accordingly, the accompanying statement of revenues, expenditures and changes in fund balances (deficits) – governmental funds, reports changes in the amount of financial resources available in the near future as a result of transactions and events of the fiscal year reported. Therefore, revenues are generally recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current fiscal year or soon enough thereafter to pay liabilities of the current fiscal year.

For this purpose, the Local Area considers most revenues to be available if collected generally within 60 days after June 30, 2017. Revenue sources not meeting this availability criterion or collected in advance are recorded as unearned revenues or differed inflow of resources at June 30, 2017.

The principal revenue source considered susceptible to accrual includes intergovernmental grants and contributions. This principal revenue source meet both measurability and availability criteria in the accompanying governmental fund financial statements, except for amounts recorded as unearned revenues and/or differed inflow of resources.

In a manner similar to the GWFS, but subject to and limited by the availability criteria discussed previously, all revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are also generally recorded when the exchange takes place.

All revenues, expenses, gains, losses and assets resulting from non-exchange transactions are recorded in a similar manner to the GWFS, using the previously discussed criteria set forth by GASB No. 33 for non-exchange transactions, but subject to and limited by the availability criteria discussed above. Receivables and revenues from federal and state grants and contributions, donations and entitlements are generally recorded when all eligibility requirements imposed by the provider have been met (generally, as qualifying reimbursable expenditures are incurred for expenditure-driven grants).

Pursuant to the provisions of GASB Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements* (GASBI No. 6), in the absence of an explicit requirement (i.e., the absence of an applicable modification, discussed below) the Local Area generally accrues a governmental fund liability and an expenditure (including salaries, professional services, supplies, utilities, etc.) in the period in which the government incurs the liability, to the extent that these liabilities are normally expected to be liquidated with current available financial resources.

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GASBI No. 6 modified the recognition criteria for certain expenditures and liabilities reported under the modified accrual basis of accounting prior to GASB No. 34, and clarified a number of situations in which the Local Area should distinguish between governmental fund liabilities and general long-term liabilities. Therefore, the accompanying balance sheet – governmental funds generally reflects assets that will be converted into cash to satisfy current liabilities. Long-term assets (except for accounts receivables and inter-fund advances) and those assets that will not be converted into cash to satisfy current liabilities are generally not accounted for in the accompanying balance sheet – governmental funds. At the same time, long-term liabilities (generally, those unmatured that will not require the use of current financial resources to pay them) are not accounted for in the accompanying balance sheet – governmental funds.

The measurement focus of the governmental funds financial statements is on decreases of net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related governmental fund liability is incurred. Allocation of costs, such as depreciation and amortization, are recorded in the accompanying statement of activities and the statement of revenues, expenses and changes in fund balances, but are not recorded in the accompanying governmental fund financial statements.

f) Stewardship, Compliance and Accountability

The Local Area prepares annual budgets each fiscal year for the Local Area's WIOA programs fund. Such budget is based on expected expenditures by program and, up to the granted resources total approved by the Puerto Rico Labor Development Program. The annual budget is developed using elements of performance-based program budgeting and zero-based budgeting.

The Local Area's Department of Finance has the responsibility to ensure that budgetary spending control is maintained. For day-to-day management control purposes, expenditures plus encumbrances may not exceed budgeted amounts at the expenditure-type level of each cost center (activity within a program within a fund). The Local Area may transfer unencumbered appropriations within programs within funds, but require the approval of the Puerto Rico Labor Development Program.

The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriation) is at the function/program level (administration, and program) within a fund.

Under the laws and regulations of the Commonwealth, the appropriations made for any fiscal year shall not exceed the total revenue.

The accompanying budgetary comparison schedule – WIOA programs fund, provide information about the WIOA program funds original budget, its amendments, and the actual results of operations of such major governmental fund under the budgetary basis of accounting for the fiscal year ended June 30, 2017. Further details of the Local Area's budgetary control at the legal level may be obtained from the Local Area's Computerized Accounting System Reports for the fiscal year ended June 30, 2017.

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g) Deposits

The Local Area's deposits are composed of: (1) demand deposits in commercial banks and (2) demand deposits in the Government Development Bank for Puerto Rico (fiscal agent)

Cash in commercial banks of the special revenue fund – federal grants, represents the balance of non-interest bearing accounts restricted to finance the operations of certain federal financially assisted programs.

Cash with fiscal agent of the WIOA programs fund represents the balance of non-interest bearing account restricted to finance the operations of certain federal financially assisted programs.

h) Accounts Receivable

Accounts receivable consist of all revenues earned but not collected at June 30, 2017. These accounts receivables are stated net of estimated reserved for doubtful accounts, which are determined based upon past collection experience, historical trends, current economic conditions and the periodic aging of accounts receivable.

i) Capital Assets

Capital assets used in governmental activities include machinery, equipment, furniture and fixtures, licensed vehicles, within others. These assets are capitalized and reported in the accompanying statement of net position.

For financial reporting purposes, the Local Area defines capital assets as assets with an individual cost basis of \$100 or more at the date of acquisition, and with useful lives extending beyond one year. All assets with individual costs under \$100 or with useful lives not exceeding one year, are charged directly to expense in the government-wide statement of activities and the statement of revenues, expenses and changes in fund balances. In the governmental funds, all capital assets are recorded as expenditures in the corresponding function/program identified with the asset.

In the statement of net position, all capital assets are recorded at cost or estimated historical cost if actual cost was unavailable, except for donated capital assets, which are recorded at their estimated fair value at the date of donation. Actual historical costs were used to value the infrastructure acquired or constructed after June 30, 2003 as well as, machinery, equipment, furniture and fixtures, licensed vehicles, within others, acquired prior or after such date.

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Depreciation and amortization expense is recorded only in the government-wide statement of activities. Depreciable capital assets are generally depreciated or amortized over their estimated useful lives under the straight-line method. The estimated useful lives of major capital asset categories are:

	<u>Years</u>
Motor vehicles	5 to 10
Office furniture, equipment, and fixtures	5 to 10
Computer equipment and software	5

Depreciation and amortization expense of capital assets is recorded as a direct expense of the function/program specifically identified with the asset.

j) Deferred Outflow/Inflow of Resources

In addition to assets, the statement of net position and governmental funds balance sheet will sometimes report a separate section for deferred outflow of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period (s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Local Area has no deferred outflows of resources.

In addition to liabilities, the statement of net position and governmental funds balance sheet will sometimes report a separate section for deferred inflow of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balances that applies to a future period (s) and so will not be recognized as an inflow of resources (revenue) until that time. The Local Area has no deferred outflows of resources.

k) Compensated Absences

The liability for compensated absences recorded in the accompanying statement of net position is limited to leave that: (1) is attributable to services already rendered on or before June 30, 2017 and (2) is not contingent on a specific event that is outside the control of the Local Area and the employee (such as illness). Compensated absences that relate to future services or are contingent on a specific event outside the control of the employer or the employee are accounted for in the period when those services are rendered or those events take place.

The liability for compensated absences includes salary-related costs, which are directly and incrementally related to the amount of salary paid to the employee (such as employer's share of social security taxes and medicare taxes).

The vacation policy of the Local Area provides for the accumulation of regular vacations at a rate of 2.5 days per month (30 days per fiscal year) per employee. Employees accumulate regular sick leave at a rate of 1.5 days per month (18 days per fiscal year). Employees accumulate compensatory time at a rate of 1.5 times the overtime worked. All vacation and sick leave days accumulated by employees in excess of 30 days and 90 days, respectively, are paid to employees each fiscal year, if not consumed, as required by law. In the case of compensatory time, the excess of 240 hours is paid to employees each fiscal year, if not consumed.

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Upon termination of employment, an employee receives compensation for all accumulated unpaid regular vacation leave at the current rate. In the case of regular sick leave, if the employee terminates his or her employment before reaching 10 years of services, such regular sick leave is not paid to the employee, if not consumed. In addition, upon termination of employment, an employee does not receive compensation for compensatory time, if not consumed previously. After 10 years of services, any regular sick leave balance is paid to the employee. Accumulated vacation time is fully vested to the employee at any time.

The liability for compensated absences is in the statement of net position. A liability for compensated absences is reported in the governmental fund financial statements only when matured (when payment is due), for example, as a result of employee resignations or retirements.

l) Long-term Debt

The long-term liabilities reported in the accompanying statements of net position include the Local Area's accrued compensated absences.

m) Risk Management

The Local Area carries commercial insurance covering casualty, theft, tort claims and other losses. Insurance policies are negotiated by the Local Area. The Local Area pays the insurance premiums each fiscal year.

The Local Area carries insurance coverage for death and bodily injuries caused by automobile accidents. This insurance is obtained through the Automobile Accidents Compensation Administration (ACAA, by its Spanish acronym), a component unit of the Commonwealth. This insurance is compulsory for all licensed vehicles used on public roads and highways in Puerto Rico. The annual premium applicable at June 30, 2017 is \$35 per licensed motor vehicle, which is paid directly to ACAA.

The Local Area obtains workers' compensation insurance coverage through the State Insurance Fund Corporation (SIFC), a component unit of the Commonwealth. This insurance covers workers against injuries, disability or death because of work or employment-related accidents, or because of illness suffered as a consequence of their employment. Workers' compensation insurance premium is paid directly to SIFC.

The Local Area obtains unemployment compensation, non-occupational disability, and drivers' insurance coverage for its employees through various insurance programs administered by the Commonwealth's Department of Labor and Human Resources (DOL). These insurance programs cover workers against unemployment and provide supplementary insurance coverage for temporary disability, or death because of work or employment-related accidents or because of illness suffered as a consequence of their employment. Unemployment compensation, non-occupational disability and drivers' insurance premiums are paid directly to DOL.

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The Local Area also obtains medical insurance coverage from a health insurance company for its employees. Different health insurance coverage and premium options are negotiated each year by the Local Area. The current insurance policies have not been cancelled or terminated at June 30, 2017. Premiums are paid on a monthly basis directly to the insurance company.

n) Fund Balances

On July 1, 2010, the Local Area adopted the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions No. 54* (GASB No. 54). GASB No. 54, which enhanced the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied. Also, this statement establishes fund balance classifications that comprise a hierarchy upon use of the resources reported in governmental funds.

Pursuant to the provisions of GASB No. 54, the accompanying GFFS report fund balance amounts that are considered restricted, committed, assigned, and unassigned, based on the relative strength of constraints that control how specific amounts can be spent. The Local Area has recorded the following types of fund balance classifications in the governmental funds:

- **Restricted** – Represent resources that can be spent only for the specific purposes stipulated by constitutional provisions, external resource providers (externally imposed by creditor or grantors), or through enabling legislation (that is, legislation that creates a new revenue source and restricts its use). Effectively, restrictions may be changed or lifted only with the consent of resource providers.
- **Committed** – Represent resources used for specific purposes, imposed by a resolution of the Board of Chief Elected Officials and can only be changed by a similar action, no later than the end of fiscal year.
- **Assigned** – Represent resources intended to be used by the Local Area for specific purposes but do not meet the criteria to be classified as restricted or committed. Intent can be expressed by the Board of Chief Elected Officials or by an official or body to which the Board of Chief Elected Officials delegates authority in conformity with the Law No. 81 of August 30, 1991, as amended, known as *Autonomous Municipalities Act of the Commonwealth of Puerto Rico* (Act No. 81). In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed.
- **Unassigned** – Represent the residual classification for the Local Area's general fund and includes all spendable amounts not contained in the other classifications. In other funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

Negative fund balance amounts are assigned amounts reduced to the amount that will raise the fund balance to zero. Consequently, negative residual amounts is restricted, committed and assigned fund balance classifications have been reclassified to unassigned fund balances.

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The Local Area has not entered into any stabilization-like arrangements, nor has set aside material financial resources for emergencies and has not established formal minimum fund balance amounts as of and for the fiscal year ended June 30, 2017.

When expenditure is incurred for purposes for which amounts are available in multiple fund balance classifications, the Local Area uses restricted resources first, and then unrestricted resources. Within unrestricted resources, the Local Area generally spends committed resources first, followed by assigned resources, and then unassigned resources.

o) Use of Estimates

The preparation of the accompanying basic financial statements in conformity with GAAP requires management to make significant estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the basic financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

p) Future Adoption of Accounting Pronouncements

The GASB has issued the following standards that have effective dates after June 30, 2017:

- GASB Statement No. 74 Financial Reporting for Postemployment Benefit Plans other than Pension Plans (Issued 06/15). The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement is effective for financial statements for fiscal years beginning after June 15, 2016. Earlier application is encouraged.
- GASB Statement No. 75 Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (Issued 06/15). The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement is effective for fiscal years beginning after June 15, 2017. Earlier application is encouraged.
- GASB Statement No. 77 Tax Abatement Disclosures (Issued 08/15). The objective of this Statement is to require disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2015. Earlier application is encouraged.

COMMONWEALTH OF PUERTO RICO
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- GASB Statement No. 78 Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans (Issued 12/15). The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, Accounting and Financial Reporting for Pensions. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. The requirements of this Statement are effective for reporting periods beginning after December 15, 2015. Earlier application is encouraged.
- GASB Statement No. 79 Certain External Investment Pools and Pool Participants (Issued 12/15). This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. The requirements of this Statement are effective for reporting periods beginning after June 15, 2015, except for certain provisions on portfolio quality, custodial credit risk, and shadow pricing. Those provisions are effective for reporting periods beginning after December 15, 2015. Earlier application is encouraged.
- GASB Statement No. 80 Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14 (Issued 01/16). The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016. Earlier application is encouraged.
- GASB Statement No. 81, Irrevocable Split-Interest Agreements (Issued 03/16). The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The requirements of this Statement are effective for periods beginning after December 15, 2016. Earlier application is encouraged.
- GASB Statement No. 82, Pension Issues- an Amendment of GASB Statements No 67, No. 68, and No. 73 (Issued 03/16). The objective of this Statement is to addresses certain issues that have been raised with respect to GASB Statements No. 67, No. 68, and No. 73. The requirements of this Statement are effective for periods beginning after June 15, 2016, except for the requirements 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. Earlier application is encouraged.
- GASB Statement No. 83 “Certain Asset Retirement Obligations”. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. This Statement requires that recognition occur when the liability is both incurred and reasonably estimable.

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The determination of when the liability is incurred should be based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities. This Statement requires the measurement of an ARO to be based on the best estimate of the current value of outlays expected to be incurred. The best estimate should include probability weighting of all potential outcomes, when such information is available or can be obtained at reasonable cost. If probability weighting is not feasible at reasonable cost, the most likely amount should be used. This Statement requires that a deferred outflow of resources associated with an ARO be measured at the amount of the corresponding liability upon initial measurement.

This Statement requires the current value of a government's AROs to be adjusted for the effects of general inflation or deflation at least annually. In addition, it requires a government to evaluate all relevant factors at least annually to determine whether the effects of one or more of the factors are expected to significantly change the estimated asset retirement outlays. A government should remeasure an ARO only when the result of the evaluation indicates there is a significant change in the estimated outlays. The deferred outflows of resources should be reduced and recognized as outflows of resources (for example, as an expense) in a systematic and rational manner over the estimated useful life of the tangible capital asset. This Statement also requires disclosure of information about the nature of a government's AROs, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets. If an ARO (or portions thereof) has been incurred by a government but is not yet recognized because it is not reasonably estimable, the government is required to disclose that fact and the reasons therefor. This Statement requires similar disclosures for a government's minority shares of AROs. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018 (fiscal year ended June 30, 2019).

- GASB Statement No. 84 "Fiduciary Activities". The Objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

This Statement establishes criteria for identifying activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. An exception to that requirement is provided for a business-type activity that normally expects to hold custodial assets for three months or less.

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This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust fund, (2) investments trust funds, (3) private - purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria.

This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. Events that compel a government to disburse fiduciary resources occur when a demand for the resources has been made or when no further action, approval, or condition is required to be taken or met by the beneficiary to release the assets. The requirement of this Statement are effective for reporting periods beginning after December 15, 2018.

- GASB No. 86 “Certain Debt Extinguishment Issues”. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources-resources other than the proceeds of refunding debt-are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statement for debt that is defeased in substance.

This Statement establish a requirement for when a government places cash and other monetary assets acquired with only existing resources in an irrevocable trust to extinguish the debt. However, in financial statement using the economic resources measurement focus, governments should recognize any difference between the reacquisition price (the amount required to be placed in the trust) and the net carrying amount of the debt defeased in substance using only existing resources as a separately identified gain or loss in the period of the defeasance. Governments that defease debt using only existing resources should provide a general description of the transaction in the notes to financial statements in the period of the defeasance.

For governments that extinguish debt, whether through a legal extinguishment or through an in-substance defeasance, this Statement requires that any remaining prepaid insurance related to the extinguished debt be included in the net carrying amount of that debt for the purpose of calculating the difference between the reacquisition price and the net carrying amount of the debt. The requirement of this Statement are effective for reporting periods beginning after June 15, 2017.

- GASB No. 87 “Leases”. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments financial statement by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease

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Fiscal Year Ended June 30, 2017

accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments leasing activities.

This Statement will increase the usefulness of government's financial statements by requiring reporting of certain lease liabilities that currently are not reported. It will enhance comparability of financial statements among governments by requiring lessees and lessors to report leases under a single model. This Statement also will enhance the decision-usefulness of the information provided to financial statement users by requiring notes to financial statements related to the timing, significance, and purpose of a government's leasing arrangements. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

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

3. DEPOSITS

Cash in Banks

The Local Area's cash at June 30, 2017 are demand deposits in the Government Development Bank of Puerto Rico (GDB) and in commercial banks, and are recorded at cost, which approximates fair value.

Puerto Rico laws authorize governmental entities to invest in direct obligations or obligations guaranteed by the federal government or the Government. The Local Area is also allowed to invest in bank acceptances, other bank obligations and certificates of deposit in financial institutions authorized to do business under the federal and Government laws.

Under the laws and regulations of the Government, public funds deposited by the Local Area in commercial banks must be fully collateralized for the amounts deposited in excess of the Federal Deposit Insurance Corporation (FDIC) coverage. All securities pledged as collateral are held by agents designated by the Government's Secretary of the Treasury, but not in the Local Area's name.

The Local Area follows the provisions of Codification of Governmental Accounting and Financial Reporting Standard Section C20, related with cash deposit and interest-earning investment contract with financial institutions. Accordingly, the following is essential information about credit risk, interest rate risk, custodial credit risk, and foreign exchange exposure of deposits and investments of the Local Area at June 30, 2017:

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Notes to Basic Financial Statements (Continued)
Fiscal Year Ended June 30, 2017

Credit Risk

This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. At June 30, 2017, the Local Area has deposits of \$78,618 in interest bearing account in commercial banks, which are insured by the FDIC, generally up to a maximum of \$250,000. In addition, the Local Area has balances in the GDB in the amount of \$107. No investments in debt or equity securities were made during the Fiscal Year ended June 30, 2017. Therefore, the Local Area's management has concluded that the credit risk related to any possible loss related to defaults on the Local Area's deposits is considered low at June 30, 2017, for commercial banks and high for GDB.

Custodial Credit Risk

This is the risk that, in the event of the failure of a depository financial institution, Local Area will not be able to recover its cash and investments or will not be able to recover collateral securities that are in the possession of an outside party. Pursuant to the Investment Guidelines for the Commonwealth adopted by GDB, Local Area may invest in obligations of the Commonwealth, obligations of the United States, certificates of deposit, commercial paper, banker's acceptance, or in pools of obligations of the municipalities of Puerto Rico, which are managed by GDB. At June 30, 2017, Local Area has balances deposited in commercial banks amounting to \$78,618 which are insured by the FDIC up to the established limit and the excess are fully collateralized as explained above. Deposits in GDB, amounting to \$107 are uninsured and uncollateralized. However, no losses related to defaults by GDB on deposit transactions have been incurred by Local Area through June 30, 2017. It is management's policy to only maintain deposits in banks affiliated to FDIC to minimize the custodial credit risk, except for GDB. During the past years, the GDB's liquidity and financial condition was adversely affected by, among other factors, a significant increase in credit spread for obligations of the Commonwealth and its public entities, the Commonwealth's limited capital market access, and significant reduction of liquidity in the local Puerto Rico capital market. Accordingly, the GDB's credit rating was downgraded and maintained in "Credit Watch" with negative implications. These factors have resulted in significant fiscal and financial challenges in their ability to generate sufficient funds from taxes, charges, and/or bond issuances.

Interest Rate Risk

This is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The Local Area manages its exposure to declines in fair values by deposit in bank accounts with GDB. Therefore, at June 30, 2017, the interest rate risk associated with the Local Area's cash is considered low.

Foreign Exchange Risk

This is the risk that changes in exchange rates will adversely affect the value of an investment or a deposit. Local Area is prevented from investing in foreign securities or any other types of investments for which foreign exchange risk exposure may be significant. Accordingly, management has concluded that the foreign exchange risk related to the Local Area's deposits is considered low at June 30, 2017.

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Notes to Basic Financial Statements (Continued)
Fiscal Year Ended June 30, 2017

4. ACCOUNTS RECEIVABLE FROM/PAYABLE

As of June 30, 2017, the Local Area had due from and due to Puerto Rico Labor Development Administration, the grantor agency. The balance due from and due to the Local Area consists of the following:

	<u>Amount</u>
<i>Accounts receivable from grantor:</i>	
Entity or Program:	
Puerto Rico Labor Development Program	\$ 604,623
Total accounts receivable from grantor	<u>\$ 604,623</u>
<i>Accounts payable to grantor:</i>	
Entity or Program:	
Puerto Rico Labor Development Program	\$ 198,991
Total accounts payable to grantor	<u>\$ 198,991</u>

Accounts receivable from or payable to grantor represent the pending settlements of the aforementioned intergovernmental transactions.

5. CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2017:

	Cost basis at beginning of fiscal year, as restated	Additions	Reductions	Cost basis at end of fiscal year
<i>Cost basis:</i>				
Capital assets, being depreciated:				
Vehicles, equipment, and furniture	\$ 459,124	\$ 46,153	\$ 16,643	\$ 488,634
Total cost basis of capital assets	<u>459,124</u>	<u>46,153</u>	<u>16,643</u>	<u>488,634</u>
	Accumulated Depreciation at beginning of fiscal year	Additions	Reductions	Accumulated Depreciation at end of fiscal year
Accumulated depreciation:				
Vehicles, equipment, and furniture	413,063	17,747	15,345	415,465
Total accumulated depreciation	<u>413,063</u>	<u>17,747</u>	<u>15,345</u>	<u>415,465</u>
Total capital assets, net	<u>\$ 46,061</u>	<u>\$ 28,406</u>	<u>\$ 1,298</u>	<u>\$ 73,169</u>

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Notes to Basic Financial Statements (Continued)
Fiscal Year Ended June 30, 2017

Depreciation and amortization expense of governmental activities for the fiscal year ended June 30, 2017 was charged to functions/programs in the accompanying statement of activities as follows:

Administration	\$ 1,775
Program	15,972
Total depreciation and amortization expense	<u>\$ 17,747</u>

6. LONG-TERM OBLIGATIONS

The general long-term debt activity for the fiscal year ended June 30, 2017 is as follows:

	Balance at beginning of fiscal year	Borrowings or additions	Payments And Deductions	Balance at end of fiscal year	Balance due within one year
Compensated absences	\$ 270,327	180,710	185,748	\$ 265,289	\$ 148,561
Totals for governmental activities	<u>\$ 270,327</u>	<u>180,710</u>	<u>185,748</u>	<u>\$ 265,289</u>	<u>\$ 148,561</u>

7. -COMMITMENTS, CONTINGENCIES AND UNCERTAINTIES

Commitments

The Local Area has operating leases for equipment which do not give rise to property rights of lease obligations, and therefore, are not reflected in the Local Area's Governmental Funds Types. For the fiscal year ended June 30, 2017, rent expenditure under the operating leases aggregated approximately \$14,058. Management believes that the summary of the future minimum rental commitments under non-cancelable equipment leases with terms exceeding one year is not significant.

Claims and Judgments

The Local Area is defendant in various legal proceedings pertaining to matters incidental to the performance of routine governmental operations. Under Act No. 104 of June 25, 1955, as amended, persons are allowed to sue the Local Area only for causes of actions set forth in said Act to a maximum amount of \$75,000 or \$150,000 if it involves actions for damages to more than one person or where a single injured party is entitled to several causes of action. Under certain circumstances, as provided in Act No. 9 of November 26, 1975, as amended, the Local Area may provide its officers and employees with legal representation, as well as assume the payment of any judgment that may be entered against them. There is no limitation on the payment of such judgment.

The Local Area also is a defendant in a number of lawsuits arising principally from claims against the Local Area for alleged improper actions, and other legal matters that arise in the ordinary course of the Local Area's activities. With respects to pending or threatened litigation, the Local Area has reported no liabilities as of June 30, 2017. Management believes, based on the advice of the legal counsel, that the potential claims against the Local Area not covered by insurance will not materially affect the financial resources for its payment.

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Notes to Basic Financial Statements (Continued)
Fiscal Year Ended June 30, 2017

Federal Financially Assisted Programs

The Local Area receives revenues from assistance under federal grant agreements. The Local Area participates in the WIOA Program. The expenditures financed by grants are subject to program compliance audits by the grantor and passed-through agencies in order to assure compliance with grant requirements. If expenditures are disallowed due to noncompliance with grant program requirements, the Local Area may be required to reimburse the grantor or pass-through agency.

8. NET POSITION RESTATEMENT

The following schedule reconciles the June 30, 2016 Net Position, as previously reported to Beginning Net Position, as restated, July 1, 2016:

Fund	Prior Period Adjustments		Balance at Beginning of Year, as Restated
	Balance at Beginning of Year, as Previously Reported	Adjustments to Capital Assets	
WIOA	\$225,338	\$ (1,071)	\$224,267

9. SUBSEQUENT EVENTS

The Local Area has evaluated subsequent events through May 31, 2018, the date which the financial statements were available to be issued. No additional subsequent events were identified that should be disclosed or adjusted in the financial statements or its notes

End of Notes to Basic Financial statements

**Required Supplementary Information
Budgetary Comparison Schedule
WIOA Programs Fund
Fiscal Year Ended June 30, 2017**

COMMONWEALTH OF PUERTO RICO
LOCAL WORKFORCE DEVELOPMENT AREA
MUNICIPAL ALLIANCE FOR ECONOMIC DEVELOPMENT
 Budgetary Comparison Schedule- WIOA Programs Fund
 Fiscal Year Ended June 30, 2017

	Budgeted Amounts			Variance with Final Budget- Positive (Negative)
	Original	Final	Actual	
REVENUES				
WIA/WIOA - Adult	\$ 1,885,580	\$ 1,885,580	\$ 1,258,408	\$ 627,172
WIA/WIOA - Youth	1,734,931	1,734,931	1,065,133	669,798
WIA/WIOA - Dislocated	1,299,558	1,299,558	670,904	628,654
Total of revenues	4,920,069	4,920,069	2,994,445	1,925,624
EXPENDITURES				
Administration:				
WIA/WIOA - Adult	159,160	159,160	132,671	26,489
WIA/WIOA - Youth	142,638	142,638	135,939	6,699
WIA/WIOA - Dislocated	86,581	86,581	71,238	15,343
Total of administration	388,379	388,379	339,848	48,531
Program:				
WIA/WIOA - Adult	1,726,420	1,726,420	1,125,737	600,683
WIA/WIOA - Youth	1,592,293	1,592,293	929,194	663,099
WIA/WIOA - Dislocated	1,212,977	1,212,977	599,666	613,311
Total of program	4,531,690	4,531,690	2,654,597	1,877,093
Total of expenditures	4,920,069	4,920,069	2,994,445	1,925,624
EXCESS OF REVENUES OVER EXPENDITURES	\$ -	\$ -	\$ -	\$ 1,925,624

See accompanying notes to budgetary comparison schedule- WIOA programs fund

COMMONWEALTH OF PUERTO RICO
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Notes to Budgetary Comparison Schedule- WIOA Programs Fund
Fiscal Year Ended June 30, 2017

A. Budgetary Control

The Local Area's annual budget is prepared in accordance with GAAP, and represents WIOA program funds appropriations recommended by the Local Workforce Development Board (LWDB) and approved by the Puerto Rico Labor Development Program (LDP) prior to the beginning of the fiscal year. Amendments to the original approved budget, including transfers, require the approval of the LDP.

The annual budget as presented in the Budgetary Comparison Schedule WIOA Programs Fund is the original approved budget. There were no supplemental appropriations for the year ended June 30, 2017.

**Schedule of Expenditures of Federal Awards
Fiscal Year Ended June 30, 2017**

COMMONWEALTH OF PUERTO RICO
LOCAL WORKFORCE DEVELOPMENT AREA
MUNICIPAL ALLIANCE FOR ECONOMIC DEVELOPMENT
Schedule of Expenditures of Federal Awards
Fiscal Year Ended June 30, 2017

Federal Grantor/Pass-through Grantor/ Program or Cluster Title	CFDA Number	Entity Identifying Number	Federal Expenditures
U.S. Department of Labor:			
Pass-through the Department of Commerce and Economic Development of the Commonwealth of Puerto Rico:			
Workforce Innovation and Opportunity Act (Cluster)			
WIA/WIOA - Adult Program	17.258	2017-000124	
		2017-000010	
		2016-000039	\$ 1,258,408
WIA/WIOA - Youth Activities	17.259	2017-000009	
		2016-000038	1,065,133
WIA/WIOA - Dislocated Worker Formula Grants	17.278	2017-000010	
		2016-000039	670,904
Total U.S. Department of Labor Programs:			2,994,445
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 2,994,445

COMMONWEALTH OF PUERTO RICO
LOCAL WORKFORCE DEVELOPMENT AREA
MUNICIPAL ALLIANCE FOR ECONOMIC DEVELOPMENT
Notes to Schedule of Expenditures of Federal Awards
Fiscal Year Ended June 30, 2017

1. GENERAL

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Local Workforce Development Area of South Central (Local Area) under programs of the federal government for the fiscal year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, (Uniform Guidance). 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, changes in net position, or cash flows of the Local Area.

2. SUMMARIES 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.

- a. Negative amounts, if any, shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.
- b. Pass-through entity identifying numbers are presented where available.
- c. The Local Area has not elected to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

3. FEDERAL CFDA NUMBER

The CFDA numbers included in this Schedule are determined based on the program name, review of grant contract information and the Office of Management and Budget's Catalogue of Federal Domestic Assistance.

4. RELATIONSHIPS TO FINANCIAL STATEMENTS

Expenditures of federal awards reported in the **Local Area's** Statement of Activities and Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances differed with those reported to federal agency.

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

**Board of Chief Elected Officials
Local Area of Workforce Development
Municipal Alliance for Economic Development
Coamo, PR**

I 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 and each major fund of **Local Area of Workforce Development – Municipal Alliance for Economic Development** (Local Area), as of and for the fiscal year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Local Area's basic financial statements and have issued my report thereon dated May 31, 2018.

Internal Control over Financial Reporting

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

My consideration of the 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. I did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we considered to be material weaknesses. Finding 2017-001.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Local Area's financial statements are free from material misstatement, I 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 my audit, and accordingly, I do not express such an opinion.

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

Compliance and Other Matters (continued)

The results of my tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2017-001.

Local Area's Response to Findings

Local Area's response to findings identified in my audit is described in the accompanying schedule of findings and questioned costs. Local Area's response was not subject to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of my 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.



Viviana Vélez Carrasquillo, CPA
License Number 5288

Carolina, Puerto Rico
May 31, 2018

Stamp num. E306787 was attached
to the original of this report



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE
UNIFORM GUIDANCE**

**Board of Chief Elected Officials
Local Area of Workforce Development
Municipal Alliance for Economic Development
Coamo, PR**

Report on Compliance for Each Major Federal Program

I have audited **Local Area of Workforce Development – Municipal Alliance for Economic Development**, (Local Area) compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each Local Area's major federal programs for the fiscal year ended June 30, 2017. The Local Area's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

My responsibility is to express an opinion on compliance for each of the Local Area's major federal program based on my audit of the types of compliance requirements referred to above. I conducted my 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 the 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 I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Local Area's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

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

Opinion on Each Major Federal Programs

In my opinion, the Local Area, 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 fiscal year ended June 30, 2017.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE
UNIFORM GUIDANCE (CONTINUED)**

Other Matters

The results of my auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2017-002. My opinion on each major federal program is not modified with respect to this matter.

Local Area's response to the noncompliance finding identified in my audit is described in the accompanying Schedule of Findings and Questioned Costs. Local Area's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly I express no opinion on the response.

Report on Internal Control over Compliance

Management of the Local Area is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered Local Area's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the Local Area'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.

My 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses. However, I identified certain deficiency in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as item 2017-002 that I consider to be significant deficiency.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE
UNIFORM GUIDANCE (CONTINUED)**

Report on Internal Control over Compliance (Continued)

Local Area's responses to the internal control over compliance findings identified in my audit are described in the accompanying Schedule of Findings and Questioned Costs. Local Area's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly I express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of my 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.



Viviana Vélez Carrasquillo, CPA
License Number 5288

Carolina, Puerto Rico
May 31, 2018

Stamp num. E306788 was attached
to the original of this report



COMMONWEALTH OF PUERTO RICO
LOCAL WORKFORCE DEVELOPMENT AREA
MUNICIPAL ALLIANCE FOR ECONOMIC DEVELOPMENT
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2017

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued:	Unmodified		
Internal control over financial reporting:			
Material weakness identified?	Yes	X	No
Significant deficiencies identified?	Yes		No X
Noncompliance material to financial statements noted?	Yes	X	No

Federal awards

Internal Control over major programs:			
Material weakness identified?	Yes		No X
Significant deficiencies identified?	Yes	X	No

Type of auditor’s report issued on compliance for major programs: **Unmodified**

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	Yes	X	No
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Identification of major programs

CFDA Number	Name of Federal Program or Cluster
17.258	WIA/WIOA Adult Program (Cluster)
17.259	WIA/WIOA Youth Program (Cluster)
17.278	WIA/WIOA Dislocated Worker Formula Grants (Cluster)
Dollar threshold used to distinguish between Type A and Type B programs	\$750,000
Auditee qualified as low-risk auditee?	Yes No X

COMMONWEALTH OF PUERTO RICO
LOCAL WORKFORCE DEVELOPMENT AREA
MUNICIPAL ALLIANCE FOR ECONOMIC DEVELOPMENT
Schedule of Findings and Questioned Costs (Continued)
Fiscal Year Ended June 30, 2017

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

FINDING NUMBER	2017-001
FEDERAL PROGRAM	WORKFORCE INNOVATION AND OPPORTUNITY ACT (WIOA) (CLUSTER) – WIA/WIOA ADULT PROGRAM (CFDA NO. 17.258) / WIA/WIOA YOUTH ACTIVITIES (CFDA NO. 17.259) / WIA/WIOA DISLOCATED WORKER FORMULA GRANTS (CFDA NO. 17.278) U.S. DEPARTMENT OF LABOR; PASS-THROUGH – PUERTO RICO DEPARTMENT OF COMMERCE AND ECONOMIC DEVELOPMENT
TYPE OF FINDING	MATERIAL WEAKNESS AND NONCOMPLIANCE
CONDITION	The Local Area did not maintain complete and accurate accounting information for the preparation of the financial statements in conformity with generally accepted accounting principles (GAAP).
CONTEXT	<p>During my audit of the accounting records, I noted the following situations:</p> <ul style="list-style-type: none">• Prior year adjustments were posted to the accounting system with effective date during fiscal year 2016-2017 instead of 2015-2016. These adjustments reduce the 2016-2017 expenditures by a net amount of \$2,655. This situation is pending to be corrected in the accounting system.• The individual trial balances by grants for each program year present balance sheet real accounts balances that are not accurate and correct. Also, I observe balance sheet real accounts with atypical balances. This situation is pending to be corrected in the accounting system.• Valid accounts receivables and accounts payables were not recorded in the general ledger at the end of the fiscal year requiring several journal entries to adjust these accounts.
CRITERIA	2 CFR 200.302 (a) establish that the non-Federal entity's financial management systems, including records documenting compliance with Federal statutes, regulations, and the terms and conditions of the Federal award, must be sufficient to permit the preparation of reports required by general and program-specific terms and conditions; and the tracing of funds to a level of expenditures adequate to establish that such funds have been used according to the Federal statutes, regulations, and the terms and conditions of the Federal award.

COMMONWEALTH OF PUERTO RICO
LOCAL WORKFORCE DEVELOPMENT AREA
MUNICIPAL ALLIANCE FOR ECONOMIC DEVELOPMENT
Schedule of Findings and Questioned Costs (Continued)
Fiscal Year Ended June 30, 2017

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

FINDING NUMBER	2017-001 (CONTINUED)
FEDERAL PROGRAM	WORKFORCE INNOVATION AND OPPORTUNITY ACT (WIOA) (CLUSTER) – WIA/WIOA ADULT PROGRAM (CFDA NO. 17.258) / WIA/WIOA YOUTH ACTIVITIES (CFDA NO. 17.259) / WIA/WIOA DISLOCATED WORKER FORMULA GRANTS (CFDA NO. 17.278) U.S. DEPARTMENT OF LABOR; PASS-THROUGH – PUERTO RICO DEPARTMENT OF COMMERCE AND ECONOMIC DEVELOPMENT
TYPE OF FINDING	MATERIAL WEAKNESS AND NONCOMPLIANCE
CAUSE	The Local Area internal control procedures over the accounting transactions were not properly followed by the accounting personnel.
EFFECT	The Local Area is not in compliance with 2 CFR 200.302 (a).
RECOMMENDATION	I recommend management to continue strengthening the internal controls over the recordkeeping of the accounting transactions in order to provide accurate information for preparation of financial statements in accordance with GAAP.
PRIOR YEAR FINDING	Not applicable
MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN	<p>The Finance Department personnel will record transactions based on the modified accrual basis of accounting, in order correct this issues. We will continue improving our accounting system and training our accounting personnel in order to generate and produce accurate accounting information necessary for the preparation of the financial statements.</p> <p>Implementation Date: June 30, 2018 Responsible Person: Mrs. Alba R. López González Finance Director</p>

COMMONWEALTH OF PUERTO RICO
LOCAL WORKFORCE DEVELOPMENT AREA
MUNICIPAL ALLIANCE FOR ECONOMIC DEVELOPMENT
Schedule of Findings and Questioned Costs (Continued)
Fiscal Year Ended June 30, 2017

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

FINDING NUMBER **2017-002**

FEDERAL PROGRAM **WORKFORCE INNOVATION AND OPPORTUNITY ACT (WIOA) (CLUSTER) – WIA/WIOA ADULT PROGRAM (CFDA NO. 17.258) / WIA/WIOA YOUTH ACTIVITIES (CFDA NO. 17.259) / WIA/WIOA DISLOCATED WORKER FORMULA GRANTS (CFDA NO. 17.278) U.S. DEPARTMENT OF LABOR; PASS-THROUGH – PUERTO RICO DEPARTMENT OF COMMERCE AND ECONOMIC DEVELOPMENT**

COMPLIANCE REQUIREMENT **REPORTING**

TYPE OF FINDING **SIGNIFICANT DEFICIENCY IN INTERNAL CONTROL OVER COMPLIANCE**

CONDITION The Local Area did not properly report to the pass-through entity total cash received in the financial reports of the Program.

CONTEXT During the reporting test, I noted the following deficiencies in the closing reports:

Program	Line	Reported Amount	Correct Amount	Difference
WIOA Adults 2015-2016	Cash received as of August 7, 2017	\$ 997,106.04	\$ 946,874.85	\$50,231.19
WIOA Dislocated Workers 2015-2016	Cash received as of August 7, 2017	490,582.70	470,628.68	19,954.02
TOTAL		\$1,487,688.74	\$1,417,503.53	\$70,185.21

CRITERIA 2 CFR 200.303 (a) states that the non-Federal entity must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

CAUSE The Local Area did not deduct the amounts returned to the pass-through entity as part of the closing of fiscal year 2015-2016 from the total amount received for the grants and program-year referred above.

COMMONWEALTH OF PUERTO RICO
LOCAL WORKFORCE DEVELOPMENT AREA
MUNICIPAL ALLIANCE FOR ECONOMIC DEVELOPMENT
Schedule of Findings and Questioned Costs (Continued)
Fiscal Year Ended June 30, 2017

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

FINDING NUMBER	2017-002 (CONTINUED)
FEDERAL PROGRAM	WORKFORCE INNOVATION AND OPPORTUNITY ACT (WIOA) (CLUSTER) – WIA/WIOA ADULT PROGRAM (CFDA NO. 17.258) / WIA/WIOA YOUTH ACTIVITIES (CFDA NO. 17.259) / WIA/WIOA DISLOCATED WORKER FORMULA GRANTS (CFDA NO. 17.278) U.S. DEPARTMENT OF LABOR; PASS-THROUGH – PUERTO RICO DEPARTMENT OF COMMERCE AND ECONOMIC DEVELOPMENT
COMPLIANCE REQUIREMENT	REPORTING
TYPE OF FINDING	SIGNIFICANT DEFICIENCY IN INTERNAL CONTROL OVER COMPLIANCE
EFFECT	The Closing reports lines “Cash received as of August 7, 2017” as referred above were overstated and the total amount requested to the pass-through entity was understated by \$70,185.
RECOMMENDATION	I recommended management to continue strengthening its internal controls to assure that financial reports submitted to the pass-through entity are accurate and correct.
QUESTIONED COSTS	None
PRIOR YEAR FINDING	Not applicable
MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN	<p>The Finance personnel will implement the necessary internal controls to assure that similar situations do not happen again and reports submitted to the pass-through entity are accurate.</p> <p>Implementation Date: June 30, 2018 Responsible Person: Mrs. Alba R. López González Finance Director</p>

COMMONWEALTH OF PUERTO RICO
LOCAL WORKFORCE DEVELOPMENT AREA
MUNICIPAL ALLIANCE FOR ECONOMIC DEVELOPMENT
Summary Schedule of Prior Year Audit Findings
Fiscal Year Ended June 30, 2017

The following schedule contains the original number and title of each of the findings reported under *Government Auditing Standards* and the Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. The following schedule indicates the current status of the prior years' audit findings:

ORIGINAL FINDING NUMBER	CFDA NUMBER	TITLE
2016-001	17.258	Cash Management
	17.259	Finding no longer valid.
	17.278	The Labor Development Program closed the finding.

COMMONWEALTH OF PUERTO RICO
LOCAL WORKFORCE DEVELOPMENT AREA
MUNICIPAL ALLIANCE FOR ECONOMIC DEVELOPMENT
Corrective Action Plan
Single Audit 2016-2017

CORRECTIVE ACTION PLAN

FINDING 2017-001: ACCOUNTING RECORDS AND REPORTING SYSTEM MATERIAL WEAKNESS AND NONCOMPLIANCE		
Corrective Action	Responsible Persons	Implementation Date
The Finance Department personnel will record transactions based on the modified accrual basis of accounting, in order correct this issues. We will continue improving our accounting system and training our accounting personnel in order to generate and produce accurate accounting information necessary for the preparation of the financial statements.	Mrs. Alba R. López González Finance Director	June 30, 2018

FINDING 2017-002: WIOA CLUSTER - WIOA ADULT PROGRAM (CFDA NO. 17.258) / WIOA YOUTH ACTIVITIES (CFDA NO. 17.259) / WIOA DISLOCATED WORKER FORMULA GRANTS (CFDA NO. 17.278) U.S. DEPARTMENT OF LABOR; PASS-THROUGH - PUERTO RICO DEPARTMENT OF COMMERCE AND ECONOMIC DEVELOPMENT INTERNAL CONTROL AND COMPLIANCE SIGNIFICANT DEFICIENCIES AND OTHER MATTER REPORTING		
Corrective Action	Responsible Person	Implementation Date
The Finance personnel will implement the necessary internal controls to assure that similar situations do not happen again and reports submitted to the pass-through entity are accurate.	Mrs. Alba R. López González Finance Director	June 30, 2018



Pablo Asencio Caraballo, Executive Director

May 31, 2018
Date