

**STATE OF NEW MEXICO
WORKFORCE CONNECTION
OF CENTRAL NEW MEXICO**

**FINANCIAL STATEMENTS WITH INDEPENDENT
AUDITORS' REPORT**

For the Fiscal Year Ended June 30, 2009

**HINKLE & LANDERS, P.C.
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS**

**STATE OF NEW MEXICO
WORKFORCE CONNECTION OF CENTRAL NEW MEXICO
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FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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**STATE OF NEW MEXICO
WORKFORCE CONNECTION OF CENTRAL NEW MEXICO
BOARD OF DIRECTORS
AS OF JUNE 30, 2009**

DIRECTORS	POSITION
Robert Davey	Chairman
Ken Carson	Vice Chairman of the Board
Jeff Armijo	Treasurer
Yoshiro Akutagawa	Board Member
William Alberti	Board Member
M. Steve Anaya	Board Member
Maria Bourassa	Board Member
Doug Calderwood	Board Member
Elva Castillo	Board Member
Patricia Chavez	Board Member
Keith Franklin	Board Member
Chuck Gara	Board Member
Stephanie Hanosh	Board Member
Rolando Klein	Board Member
Paul Kress	Board Member
Kyle Lee	Board Member
Judy LeJeune	Board Member
Rita Logan	Board Member
Dawn Matson	Board Member
Barbara McAneny	Board Member
Susan Murphy	Board Member
Virginia Murphy	Board Member
Anna Ortiz	Board Member
Norman Ration	Board Member
Claudett Riley	Board Member
Joseph Rodman	Board Member
Emily Salazar	Board Member
Mike Swisher	Board Member

**STATE OF NEW MEXICO
WORKFORCE CONNECTION OF CENTRAL NEW MEXICO
BOARD OF DIRECTORS
AS OF JUNE 30, 2009**

Randy Sanchez
John Sapien
Jim Summers
Sherry TenClay
Lawrence Rael

Board Member
Board Member
Board Member
Board Member
Executive Director

Chief Elected Officials

Mayor Martin Chavez
Mayor Larry Abraham
Chairman Alan Armijo
Mayor Ronnie Torres
Chairman Orlando Lucero
Mayor Patricia Chavez
Governor Joe Lujan
Governor Bruce Sanchez
Mayor Anthony DaSilva
Governor Joseph Pecos
Mayor Philip Gasteyer
Mayor Rick Valarde
Mayor Robert Stearley
Mayor Bryan Olguin
Mayor John Philips
Commissioner Jim Frost
Mayor Theodore Barela
Governor Robert Benavidez
Governor David Toledo
Mayor John Garcia
Commissioner Pedro Rael
Mayor Robert Vialpondo
Mayor Adan Encinias
Mayor Velta Gilley
Mayor Wayne Ake
Mayor Thomas Swisstack
Governor Anthony Ortiz
Mayor Steve Lucero
Governor Everett Chavez
Mayor Gloria Chavez
Mayor Robert Chavez
Governor Ivan Pino

Representing

City of Albuquerque
Village of Los Ranchos de Albuquerque
Bernalillo County
City of Belen
Sandoval County
Town of Bernalillo
Sandia Pueblo
Santa Ana Pueblo
Village of Cochiti Lake
Cochiti Pueblo
Village of Corrales
Village of Cuba
Town of Edgewood
Town of Peralta
Village of Encino
Torrance County
Town of Estancia
Pueblo of Isleta
Jemez Pueblo
Village of Jemez Springs
Valencia County
Village of Los Lunas
City of Moriarty
Town of Mountainair
Village of Bosque Farms
City of Rio Rancho
San Felipe Pueblo
Village of San Ysidro
Santo Domingo Pueblo
Village of Tijeras
Village of Willard
Zia Pueblo

Hinkle & Landers, P.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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Albuquerque, NM 87102
Tel (505) 883-8788
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Workforce Connection of Central New Mexico
Albuquerque, NM
and
Mr. Hector H. Balderas, State Auditor

We have audited the accompanying financial statements of the governmental activities, the major fund and the major fund budgetary comparison for the Workforce Connection of Central New Mexico (WCCNM) for the year ended June 30, 2009, which collectively comprises the WCCNM's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the WCCNM's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the WCCNM, as of June 30, 2009, and the respective changes in financial position, thereof and the respective budgetary comparison for the major fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 10, 2009 on our consideration of the WCCNM's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 5 through 8, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information, However we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the basic financial statements and budgetary comparison. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of State, Local Governments and Non-Profit Organizations* and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Hinkle & Landers, P.C.

Hinkle & Landers, PC
November 10, 2009

**WORKFORCE CONNECTION OF CENTRAL NEW MEXICO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

This *Management's Discussion & Analysis (MD&A)* is provided pursuant to the requirements of Statement 34 of the *Government Accounting Standards Board (GASB-34)*. The MD&A provides an overview of the WCCNM's mission and function, recent program opportunities, and an overview of the organization's financial activities.

WCCNM'S Mission and Function

The Workforce Connection of Central New Mexico (WCCNM) is the local Workforce Development Board in the four-county region of central New Mexico (including Bernalillo, Sandoval, Torrance and Valencia Counties). WCCNM was established July 1, 2000, under the authority of the New Mexico Workforce Development Act [Chapter 50, Article 14 NMSA 1978] and the federal Workforce Investment Act of 1998. The local Workforce Development Boards in New Mexico are governmental entities, and therefore are placed under greater scrutiny than non-governmental workforce boards in other states.

WCCNM coordinates regional training efforts under the Workforce Investment Act (WIA) to assure the availability of high quality training opportunities that will assist workers with developing marketable skills and provide employers with well-trained workers. Training opportunities are offered at postsecondary and other educational institutions. The WCCNM also partners with local businesses to provide On-the-Job training and Customized Training opportunities.

The major goal of WCCNM is to establish an integrated employment and training system meeting employer and job seeker needs in central New Mexico. This is accomplished by maintaining a Business and Career Center system to guide customers to employment and training opportunities; supporting a Youth Council to oversee a provider system that assists young people in the region in completing their education and achieving initial work experience competencies; and devising means to better meet the workforce needs of area employers.

The vision of the WCCNM is an integrated employment and training system that increases employment, job retention, occupational skills and earnings of the area workforce; reduces welfare dependency; enhances productivity and competitiveness of area business and industry; and encourages lifelong learning for worker preparation and development. The WCCNM Board has adopted a new service strategy, which is to develop and implement strategies for Board-selected priority industries and businesses, and following through with service requests from and service delivery for priority industries and businesses in priority industries.

The WCCNM is working to provide business-driven, integrated workforce services to implement the new service strategy. A Business and Career Center is located in each of the WCCNM's four counties. For each Business and Career Center location, the WCCNM has developed and maintains a Business Plan that provides a strategy for that location.

WCCNM's role and responsibilities include developing the five-year local Workforce Development Plan; selecting the Administrative Entity/Fiscal Agent, Adult/Dislocated Worker Service Provider, and Youth Services Provider; overseeing program monitoring; and developing the budget for implementing the WIA program within the central region of New Mexico.

**WORKFORCE CONNECTION OF CENTRAL NEW MEXICO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

Recent Program Opportunities

Workforce Investment Act: The WCCNM is the local board responsible for administering the federal Workforce Investment Act (WIA) program in central New Mexico. WIA funding provided to the WCCNM during PY08/FY09 included Adult, Dislocated Worker, Youth, Administrative, and American Reinvestment and Recovery Act (ARRA) funds. During the past year, the WCCNM contracted with SER Jobs for Progress to serve as the Adult/Dislocated Worker Services Provider and Youth Development Inc. (YDI) to serve as the Youth Services Provider.

Financial Highlights

The WCCNM's allocation of PY08 WIA Adult, Dislocated Worker, Youth, and Administrative funds increased by \$403,164 compared to the PY07 allocation. Specifically, Adult funds increased by \$178,086, Dislocated Worker funds decreased by \$59,006, Youth funds increased by \$243,768, and Administrative funds increased by \$40,316. Additionally, \$75,000 was transferred from the Dislocated Worker funding stream to the Adult funding stream.

In addition to the initial allocation, the WCCNM received \$2,591,642 of American Recovery and Reinvestment Act (ARRA) funds as follows: Adult \$459,661; Dislocated Worker \$712,120; Youth \$1,160,697 and Administrative \$259,164.

The WCCNM's total WIA expenditures decreased by \$997,244 compared to the previous year.

The WCCNM began PY08 with funds totaling \$422,351 carrying in from the previous year, and ended PY08 with funds totaling \$562,838 carrying over to the next year and \$2,278,212 carrying in from ARRA.

Financial Statements

This annual report consists of a series of financial statements. The *Statement of Net Assets* and the *Statement of Activities* (on pages 9 and 10) provide information about the activities of the WCCNM as a whole and present a longer-term view of the WCCNM's finances. The fund financial statements start on page 11. These statements tell how these services were financed in the short term as well as what remains for future spending. The fund financial statements also report WCCNM's operations in more detail than the government-wide statements by providing information about the WCCNM's most significant funds.

**WORKFORCE CONNECTION OF CENTRAL NEW MEXICO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

Governmental Activities

Table 1 presents the changes in the WCCNM's employment services activities compared to last year.

Table 1
Changes in the WCCNM's WIA Activities

	WIA Activities 6/30/08	WIA Activities 6/30/09
Core Services	\$ 1,623,311	\$ 1,547,101
Intensive Services	77,592	9,480
Training Services	1,178,108	427,606
Youth Services	399,560	507,944
Supportive Services	145,398	55,549
Administration	364,114	343,555
Total Expenditures	<u>\$ 3,788,083</u>	<u>\$ 2,891,235</u>

Core services expenses were slightly lower because the additional partners located in the Business and Career Centers shared in the operational costs of the centers through the Resource Sharing Plans. Intensive services and training services decreased due to the decreased funding compared to the previous year. Youth services expenses were similar to the previous year, while supportive services decreased significantly.

Budgetary Highlights

The WCCNM's initial budget and all budgetary revisions are approved by the WCCNM Executive Committee and the WCCNM Full Board. In addition, WCCNM Board Policy WFCP-14-04 gives the Administrative Entity/Fiscal Agent the authority to move up to 25 percent of funds between program categories within funding streams.

The PY08 approved operating budget for the WIA fund increased by \$1,463,652 compared to PY07. The increase was due primarily to the American Reinvestment and Recovery Act funding allocation of \$2,591,642. Also there was \$1,437,332 less carry-in funds in the PY08 budget but \$403,164 more funding provided in the initial allocation.

The WCCNM's PY08 WIA Operating Budget was spent at approximately 48.4% of budget. The difference between Budget and actual expenses was primarily a result of:

- The American Reinvestment and Recovery Act funds were allocated late in the fiscal year;
- Expenditures on Adult/Dislocated Worker Client Services (ITAs, On-the-Job Training, and Intensive Services) were less than anticipated;
- The terms of several On-the-Job training contracts extended into the following program year and thus were not fully expended; and
- Youth participant services funding (youth elements) was not fully expended.

**WORKFORCE CONNECTION OF CENTRAL NEW MEXICO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

Net Assets

The WCCNM's change in net assets for PY08/FY09 was a decrease of \$55,478. The decrease was due to the depreciation expense (\$37,999) and expenditures of prepaid assets (\$17,479).

Fund Balance

The WCCNM's governmental funds balance was the same as the previous year. The fund balance is \$300,000, which is from the sale of a lease in June 2007.

Capital Assets

The WCCNM's investment in capital assets for the WIA program as of June 30, 2009 amounted to \$209,122 (net book value). The capital assets consist mainly of office equipment (computers, telephone systems and copiers). Depreciation expense of \$37,999 was recorded in the current year. No additional capital assets were purchased during the year ended June 30, 2009.

Debt

The WCCNM had no debt at June 30, 2009, or during the year.

Request for Information

This financial report is designed to provide a general overview of the WCCNM's finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to Executive Director, WCCNM/MRCOG, 809 Copper Ave. NW, Albuquerque, NM 87102.

**STATE OF NEW MEXICO
WORKFORCE CONNECTION OF CENTRAL NEW MEXICO
(GOVERNMENT-WIDE)
STATEMENT OF NET ASSETS
AS OF JUNE 30, 2009**

	<u>Governmental Activities</u>
ASSETS	
<i>Current</i>	
Cash and cash equivalents	\$ 421,684
Grant receivables	<u>280,578</u>
Total current assets	<u>702,262</u>
 <i>Non current</i>	
Capital assets, net	<u>209,122</u>
Total assets	<u><u>\$ 911,384</u></u>
 LIABILITIES:	
<i>Current</i>	
Accounts payable	\$ 284,629
Accrued work experience wages payable	<u>117,633</u>
Total current liabilities	<u>402,262</u>
 NET ASSETS:	
Investment in capital assets	209,122
Unrestricted	<u>300,000</u>
	<u>509,122</u>
 Total liabilities and net assets	 <u><u>\$ 911,384</u></u>

See independent auditors' report
The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO
WORKFORCE CONNECTION OF CENTRAL NEW MEXICO
(GOVERNMENT-WIDE)
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

Functions/Programs	<u>Expenses</u>	<u>Program Operating Grants and Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Assets for Governmental Activities</u>
Governmental activities:			
Workforce Investment Act program:			
Program year 07/Fiscal year 08	\$ 380,563	380,563	\$ -
American Recovery and Reinvestment Act Funds	313,430	313,430	-
Program year 08/Fiscal year 09	<u>2,252,720</u>	<u>2,197,242</u>	<u>(55,478)</u>
	2,946,713	2,891,235	
 Change in net assets			 (55,478)
 Net assets, beginning of year			 <u>564,600</u>
 Net assets, end of year			 \$ <u><u>509,122</u></u>

See independent auditors' report
The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO
 WORKFORCE CONNECTION OF CENTRAL NEW MEXICO
 BALANCE SHEET - GOVERNMENTAL FUND
 AS OF JUNE 30, 2009**

	<u>WIA</u>
ASSETS:	
Cash and cash equivalents	\$ 421,684
Grant receivables	<u>280,577.58</u>
Total assets	<u><u>\$ 702,262</u></u>
 LIABILITIES:	
Accounts payable	\$ 284,629
Accrued work experience wages payable	<u>117,633</u>
Total liabilities	<u><u>402,262</u></u>
 FUND BALANCE:	
Unreserved	<u>300,000</u>
Total fund balance-governmental funds	<u>300,000</u>
Total liabilities and fund balance	<u><u>\$ 702,262</u></u>

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

Capital assets (net) used in governmental activities are not financial resources and therefore, are not reported	<u>209,122</u>
Net assets of governmental activities	<u><u>\$ 509,122</u></u>

See independent auditors' report
 The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
WORKFORCE CONNECTION OF CENTRAL NEW MEXICO
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

WIA

Revenues:

Intergovernmental - federal		\$	2,891,235
			2,891,235

Expenditures:

Current:

American Recovery and Reinvestment Act Funds			
Adult			28,755
Dislocated Worker			23,057
Youth			234,149
Administration			27,469
Program year 07/Fiscal year 08			
Adult			114,251
Dislocated Worker			135,811
Youth			44,799
Administration			85,702
Program year 08/Fiscal year 09			
Adult			702,673
Dislocated Worker			524,378
Youth			759,352
Administration			228,319
			2,908,715

Net change in fund balance			(17,480)
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Fund balance, beginning of year			317,480
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Fund balance, end of year		\$	300,000
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. These assets consist of:

Depreciation expensed during the year			(37,999)
Rounding			1
Total			(37,998)

Change in net assets of governmental activities		\$	(55,478)
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See independent auditors' report
The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
WORKFORCE CONNECTION OF CENTRAL NEW MEXICO
WORKFORCE INVESTMENT ACT FUND - MAJOR FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE-WIA- BUDGET (GAAP BASIS) AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Intergovernmental-federal	\$ 3,486,431	6,078,073	2,891,235	3,186,838
Total Revenues	\$ 3,486,431	6,078,073	2,891,235	3,186,838
Expenditures:				
Employment services:				
American Recovery and Reinvestment Act Funds				
Adult	-	459,661	28,755	430,906
Dislocated Worker	-	712,120	23,057	689,063
Youth	-	1,160,697	234,149	926,548
Administration	-	259,164	27,469	231,695
Program year 07/Fiscal year 08				
Adult	114,251	114,251	114,251	-
Dislocated Worker	135,811	135,811	135,811	-
Youth	44,799	44,799	44,799	-
Administration	127,490	127,490	85,702	41,788
Program year 08/Fiscal year 09				
Adult	813,954	888,954	702,673	186,281
Dislocated Worker	747,184	672,184	524,378	147,806
Youth	922,935	922,935	759,352	163,583
Administration	276,007	276,007	228,319	47,688
10% state set aside	-	-	-	-
Other funding	304,000	304,000	-	304,000
Total general governmental	3,486,431	6,078,073	2,908,715	3,169,358
Excess (deficiency) of revenues over expenditures	-	-	(17,480)	17,480
Fund balance, beginning of year	-	-	317,480	317,480
Fund balance, end of year	\$ -	-	300,000	300,000

See independent auditors' report
The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
WORKFORCE CONNECTION OF CENTRAL NEW MEXICO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Entity

The Workforce Connection of Central New Mexico (WCCNM) was organized pursuant to Section 117 of Public Law 105-220 (Workforce Investment Act of 1998) and New Mexico State Legislative Law, Chapter 260, dated April 7, 1999, to set policy for the portion of the statewide workforce investment system within the local area serviced by the Board. WCCNM sets policy for Bernalillo, Sandoval, Tarrant and Valencia Counties in the State of New Mexico.

During the year ended June 30, 2009, WCCNM contracted with Mid Region Council of Governments, a governmental entity to provide administrative and fiscal agent services. WCCNM also contracted with SER Jobs for Progress, Inc. to manage and operate the four local area Business and Career Centers. WCCNM contracted with Youth Development Inc. to provide youth services in those area Business and Career centers.

The basic activities authorized by the State of New Mexico (50-14-5, NMSA, 1978) to be carried out by the local board are as follows:

- a. Advise the state board on issues relating to regional and local workforce development needs;
- b. Develop and submit to the state board and governor a local five-year workforce plan that shall be updated and revised annually in accordance with the requirements of the federal Workforce Investment Act of 1998;
- c. Designate or certify one-stop program operators in accordance with the federal Workforce Investment Act of 1998;
- d. Terminate, for cause, the eligibility of the one-stop operator;
- e. Select and provide grants to youth activity providers in accordance with the Workforce Investment Act of 1998;
- f. Identify eligible training and intensive service providers in accordance with Workforce Investment Act of 1998;
- g. Develop a budget subject to approval of the chief elected official;
- h. Develop and negotiate local performance measurements as described in the Workforce Investment Act of 1998 with the chief elected official and the governor;
- i. Assist in development of an employment statistics system;
- j. Ensure linkages with economic development activities;
- k. Encourage employer participation and assist employers in meeting hiring needs;
- l. In partnership with the chief elected official, conduct oversight of local programs of youth activities authorized pursuant to the federal Workforce Investment Act of 1998 and employment and training activities authorized pursuant that act, and the one-stop delivery system in the local area;
- m. Establish as a subgroup, a youth council, appointed by the local board in cooperation with the chief elected official, and

STATE OF NEW MEXICO
WORKFORCE CONNECTION OF CENTRAL NEW MEXICO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

- n. Prior to submission of the local plan, provide information regarding the following:
- i. the local plan
 - ii. membership
 - iii. designation and certification of one-stop operators and
 - iv. the award of grants or contracts to eligible providers of youth activities

The local board shall be appointed in accordance with criteria established by the governor. The WCCNM's board is required to be made up of at least fifty-one percent of its members coming from the private sector and shall include representation of education, labor, government, economic development and community-based organizations and others as appropriate and shall be appointed or ratified by the local chief public official.

In evaluating how to define the Board, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic, but not the only criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the election of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity is conducted within the geographic boundaries of the WCCNM and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the Board is able to exercise oversight responsibility. Based on the application of these criteria, there are no component units included in the reporting entity.

B. Basis of Accounting

1. Government-Wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in preparation of proprietary fund financial statements, but differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds. The government-wide financial statements do not include any fiduciary funds or component units the entity may have.

Net assets on the Statement of Net Assets include the following:

Invested in Capital Assets – the component of net assets that reports the

STATE OF NEW MEXICO
WORKFORCE CONNECTION OF CENTRAL NEW MEXICO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

difference between capital assets less both the accumulated depreciation and the outstanding balance of debt, excluding unspent proceeds, that is directly attributable to the acquisition, construction or improvement of these capital assets.

Restricted – Net assets should be reported as restricted when constraints placed on net assets' use is either externally imposed by law through constitutional provisions or enabling legislation. The NALWDB had no restricted net assets as of June 30, 2009.

Unrestricted – the difference between the assets and liabilities that is not reported in net assets invested in capital assets or restricted net assets. WCCNM has \$300,000 of non program income that it received from the release of a lease agreement for the one-stop offices.

In the fund level financial statements, fund balance reserves represent those portions of fund equity not available for appropriation or expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources. Portions of the fund balances have been reserved for subsequent year's expenditures. The reservation represents the amount of cash appropriated in subsequent year's budget.

Program Revenues:

WCCNM received program specific operating grants from the U.S. Department of Labor passed through the New Mexico Department of Workforce Solutions during the year ended June 30, 2009. These revenues are program revenues for the carrying out of program activities of the Workforce Investment Act grant cluster.

GAAP Presentation

The financial statements of the NALWDB are prepared in accordance with Generally Accepted Accounting Principles (GAAP) generally accepted in the United States of America. The NALWDB's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. Proprietary funds and similar component units apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. The NALWDB has no proprietary funds or component units.

2. Fund Financial Statements

Fund financial statements report detailed information about WCCNM. WCCNM has one major fund and no non-major funds for the year ended June 30, 2009.

STATE OF NEW MEXICO
WORKFORCE CONNECTION OF CENTRAL NEW MEXICO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

3. Governmental Funds-Method of Accounting

All governmental funds are accounted for using modified accrual basis of accounting and the current financial resources measurement focus. Under this basis, revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.

4. Revenue Recognition

The governmental fund types for financial statement purposes follow the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues and other governmental fund financial resources are recognized in the accounting period in which they become susceptible to accrual; then they become both measurable and available to finance expenditures of the fiscal period. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The government considers property taxes and other taxes as available if they are collected within sixty (60) days after year end. However, WCCNM did not receive any type of tax revenue during the year ended June 30, 2009. WCCNM primarily received grant revenue during the year.

WCCNM is implementing GASB Statement No. 33 on any non-exchange transaction. A non-exchange transaction occurs when a government either gives value to another party without directly receiving equal value in exchange or receives value from another party without directly giving equal value in exchange. There are four types of non-exchange transactions: derived tax revenues (income and motor fuel taxes)' imposed non-exchange revenues (property tax, fines and penalties, and property forfeitures)' government-mandated non-exchange transaction revenues (federal programs that state or local governments are mandated to perform), and voluntary non-exchange transactions (grants, entitlements, and donations by non-governmental entities, including private donations). WCCNM recognizes non-exchange transactions in the financial statements as income unless it is not measurable (reasonably estimate), if any.

Revenues from grants that are restricted for specific uses are recognized as revenues when the related costs are incurred and all eligibility requirements imposed by the grantor are met. Other miscellaneous revenues are recognized when received since they generally are not measurable until received in cash. It is WCCNM's policy to utilize restricted resource first when applying resources to expenses before using unrestricted funds.

5. Expenditure Recognition

The measurement focus of governmental fund accounting is based on decreases in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related fund liability is incurred. However,

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FOR THE FISCAL YEAR ENDED JUNE 30, 2009

principal and interest on general long-term debt, which has not matured, are recognized when paid. WCCNM did not have any general long-term debt as of June 30, 2009.

Expenditures, other than vacation and sick pay, are recorded when the related fund liability is incurred. Expenditures charged to federal programs are recorded utilizing the cost principles prescribed or permitted by the various funding sources.

6. Fund Accounting

The accounts of WCCNM are organized on a basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenue and expenditures. The funds are governmental fund types and are grouped as General Fund and Special Revenue Funds.

The General Fund is the general operating fund, however the WCCNM has no General Fund. It is used to account for all financial resources except those required to be accounted for in another fund.

The Special Revenues Fund is used to account for the proceeds of specific revenues sources that are legally restricted to expenditures for specified purposes. The Board of Directors authorizes the establishment of Special Revenue Funds.

The following are the special revenue funds created by Federal and State contractually specific authority, active in the fiscal year ended June 30, 2009,

Workforce Investment Act Fund – Provides employment services at three levels, which are core, intensive and training services, to adults, dislocated workers and youth.

C. Capital Assets and Depreciation

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. General capital assets are long-lived assets of the WCCNM as a whole. When purchased, such assets are recorded as expenditures in the governmental funds and are capitalized on the government-wide financial statements. The valuation bases for general capital assets is historical cost, or where historical cost is not available, estimated historical cost based on replacement cost. Sub-grantees purchasing equipment by sub-grant made by the WCCNM to other agencies is accounted for in capital assets. Purchased fixed assets are valued at historical cost. Donated fixed assets are valued at their estimated fair value on the date of donation. The minimum capitalization threshold is any individual item with a total cost greater than \$5,000.

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FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows:

	<u>Estimated Useful Life - years</u>
Furniture, fixtures, software and equipment	3-10

D. Budgets

The State Workforce Development Board provides WCCNM with a breakdown of the funds allocated for adult, dislocated worker, youth and state set aside to that region each year. Those allocations are based upon the State Workforce Development Board's approved state plan. WCCNM prepares a budget based upon the allocation by the State Workforce Development Board to be approved by WCCNM's Board. Any adjustments to the State Board's allocations made by WCCNM must be first approved by the State Workforce Development Board. Any adjustments to WCCNM's budget must be approved by WCCNM's Board. Budgets are figured on the modified accrual basis of accounting.

Any federal funds that have been used for any purpose not within the purposes of the Workforce Investment Act, shall be reimbursed to the State Workforce Investment Board.

E. Use of Estimates

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

F. Cash and Cash Equivalents

Cash and cash equivalents consist of short-term highly liquid investments, which are readily convertible into cash within ninety (90) days of purchase.

G. Allowances

WCCNM expects to receive the full amount of receivables for funds requested from the Office of Workforce Training and Development and therefore, has not set up any allowance for any uncollectible receivables.

2. DEPOSIT AND INVESTMENTS

Due to restriction on Workforce Investment Act funds by the granting agency monies deposited into the account of WCCNM and any program revenue earned by WCCNM are not allowed to be invested. In accordance with Section 6-10-17, NMSA, 1978 Compilation, deposits of public money are required to be collateralized. Pledged collateral is required in amounts in an aggregated equal to one half of the amount of public money in each account. Securities, which are obligations of the United States, State of New Mexico, its agencies, institutions, counties, municipalities or other subdivisions are accepted as security at market

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

value. No security is required for the deposit of public money that is insured by the Federal Deposit Insurance Corporation, or the National Credit Union Administration.

Deposits at June 30, 2009 were held in First Community Bank. Deposits (cash or cash equivalents) are carried at cost, which approximates market value. At June 30, 2009 the carrying amount of the WCCNM's deposits was \$421,684. Custodial credit risk that in the event of a bank failure, WCCNM's deposits may not be returned to it. WCCNM's deposit policy is to collateralize one half of the uninsured public money in each account. At June 30, 2009 all of WCCNM's bank deposits were collateralized as follows:

Uninsured and uncollateralized	\$ -
Uninsured and collateral held by pledging bank's trust department, not in WCCNM's name	\$ 366,313

WCCNM's remaining uninsured collateralized deposits of \$366,313 are exposed to custodial credit risk. The following is a listing of deposits of public money and collateral pledged at values acceptable per state statute, by the depositing financial institutions as of June 30, 2009:

Account Name	Type	Bank Balance	Book Balance
Government Checking Account	Demand Deposits	\$ 616,313	<u>421,684</u>
Less: FDIC coverage		<u>(250,000)</u>	
Uninsured balance		<u>366,313</u>	
50% collateral requirement		183,157	
Pledged collateral:	Rate, Matures		
FHR 2623 AC Cusip #31393RM64	2.7%, 11/15/2014	158,476	(market value)
MBS FHLMC Gold15 Yr Cusip 3128M1BF5	4.5%, 3/1/2021	<u>221,291</u>	(market value)
Total Held by First Community Bank		<u>379,767</u>	
Over collateralized		<u>\$ 196,611</u>	

Deposits held at First Community Bank accounts were 100% collateralized at June 30, 2009. First Community Bank covers this account with FDIC insurance at \$250,000.

The following schedule is presented to comply with the requirements of New Mexico State Statute 12-6-5 NMSA, 1978 as interpreted by the New Mexico State Auditor's Rule, State of NM Administrative Code 2.2.2.10 N(3):

**STATE OF NEW MEXICO
 WORKFORCE CONNECTION OF CENTRAL NEW MEXICO
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<u>Bank Name</u>	<u>Bank Balance</u>	<u>Outstanding Checks</u>	<u>Outstanding Deposits</u>	<u>Book Balance</u>
First Community Bank:				
Checking WIA	\$ 616,313	(194,629)	-	421,684

3. RECEIVABLES

Receivable in the special revenue fund in the amount of \$280,578 represents grant receivable from the NM Department of Workforce Solutions, fiscal/administrative agent for the State Workforce Development Board, for costs incurred for the WIA program as of June 30, 2009, respectively. All receivables are deemed to be fully collectible,

4. RECONCILIATION BETWEEN BUDGETARY BASIS AND GAAP BASIS

Because the WCCNM kept their budgets on the modified accrual basis of accounting during the year ending June 30, 2009, there was no need to reconcile the budget financial statements to fund financial statements.

5. OPERATING LEASES AND PREPAID EXPENSE

WCCNM has entered into various leasing agreements for office space. All of the agreements are renewable on an annual basis. Management anticipates that future rental commitments will be equal to, or greater than the amount paid in the years ended June 30, 2009, which were \$106,113.

WCCNM leased offices during the year from its related party, NM Department of Workforce Solutions, of which one of WCCNM's board members is employed and is a mandated by law to be a member of the workforce board. Total payments made for year ended June 30, 2009 were \$14,400, which is included in the total payments made as discussed in the note for related parties.

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**STATE OF NEW MEXICO
 WORKFORCE CONNECTION OF CENTRAL NEW MEXICO
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

6. CAPITAL ASSETS AND DEPRECIATION

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2009:

	<u>2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>2009</u>
Furniture, fixtures and equipment-WIA	\$ 612,952	-	-	612,952
<i>Accumulated Depreciation:</i>				
Furniture, fixtures and equipment-WIA	<u>(365,831)</u>	<u>(37,999)</u>	<u>-</u>	<u>(403,830)</u>
Total net capital assets	<u>\$ 247,120</u>	<u>(37,999)</u>	<u>-</u>	<u>209,122</u>

Current year depreciation expense is as follows:

Employment services-WIA \$37,999

All of WCCNM's property and equipment have been purchased under government contracts and are restricted as to their use as designated by granting agencies.

7. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA) PLAN

During the fiscal year ended June 30, 2009, the WCCNM had no employees eligible for retirement benefits and therefore had no retirement benefit expenditures during the year.

8. RISK MANAGEMENT

The WCCNM is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions and natural disasters for which its fiscal agent MRCOG carried commercial insurance in the name of WCCNM. Settled claims have not exceeded this commercial coverage in the past year.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. As of June 30, 2009, the WCCNM did not have any probable risk of loss.

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**STATE OF NEW MEXICO
WORKFORCE CONNECTION OF CENTRAL NEW MEXICO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

9. RELATED PARTY TRANSACTIONS

WCCNM board members include community leaders who are involved in and concerned with providing opportunities for employment in the areas services by WCCNM. The area partners, one stop providers, and training providers are required to have representation on the WCCNM Board of directors in accordance with New Mexico State Statutes, 1978, 15-14-4 D. These contracts were consummated at arm's length for each of the activities.

During the year ended June 30, 2009, purchases for goods and services were made by WCCNM with companies or organizations in which various board members are associated with. The following schedule details purchases by organization/company/association:

<u>Board Member</u>	<u>Organization</u>	<u>Association to WCCNM</u>	<u>Amount</u>
Maria Bourassa	Goodwill of NM	Resource Sharing	\$ 1,205
Judy Lajeune	Department of Vocational Rehab	Resource Sharing	14,093
Emily Salazar	Albuquerque Job Corps	Resource Sharing	2,761
Kenneth Carsen	First Community Bank	Bank interest	5,380
Anna Ortiz	PNM	Electric Services	48,653
Anna Ortiz	PNM	Electric Services	6,209
Rita Logan	UNM - Valencia	Training provider	7,057
Sherry TenClay	UNM - Cont Ed	Training provider	39,654
Susan Murphy	CNM	Training provider-classes	37,065
Susan Murphy	CNM	Training provider-books	34,847
			\$ 196,924

**STATE OF NEW MEXICO
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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

Federal Grantor/Program Title	Federal CFDA Number	Identifying Grant No.	Grant Award Expended
U.S. Department of Labor passed through the New Mexico Department of Workforce Solutions			
Major programs:			
WIA American Recovery and Reinvestment Act Funds			
Adult	17.258	09-001-PY08	28,755
Dislocated Worker	17.260	09-001-PY08	23,057
Youth	17.259	09-001-PY08	234,149
Admin			27,469
WIA Adult Program:			
Program year 2007/Fiscal year 2008	17.258	08-001-PY07	114,251
Program year 2008/Fiscal year 2009		09-001-PY08	702,673
WIA Youth Activities:			
Program year 2007/Fiscal year 2008	17.259	08-001-PY07	44,799
Program year 2008/Fiscal year 2009		09-001-PY08	759,352
WIA Dislocated Workers:			
Program year 2007/Fiscal year 2008	17.260	08-001-PY07	135,811
Program year 2008/Fiscal year 2009		09-001-PY08	524,378
WIA Administration			
Program year 2007/Fiscal year 2008		08-001-PY07	
Adult	17.258		30,690
Dislocated worker	17.260		30,210
Youth	17.259		24,802
Program year 2008/Fiscal year 2009		09-001-PY08	85,702
Adult	17.258		81,761
Dislocated worker	17.260		80,483
Youth	17.259		66,075
Total expenditures			\$ <u>2,908,715</u>

Selected Disclosures

1. The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Workforce Connection of Central New Mexico, and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

2. The Workforce Connection of Central New Mexico did not receive any noncash assistance.

3. Payments to subrecipients

<u>Organization</u>		<u>Amount</u>
Youth Development Incorporated	17.259	\$ 426,585
SER Jobs for Progress, Inc.	17.258,17.260	\$ 653,270
Total		<u>\$ 1,079,855</u>

See independent auditors' report
The accompanying notes are an integral part of these financial statements.

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

The Board of Directors
Workforce Connection of Central New Mexico
Albuquerque, New Mexico and
Mr. Hector H. Balderas, State Auditor
Santa Fe, New Mexico

We have audited the accompanying financial statements of the governmental activities, the major fund and the major fund budgetary comparison of the Workforce Connection of Central New Mexico (WCCNM), as of and for the year ended June 30, 2009, and have issued our report thereon dated November 10, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the WCCNM's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the WCCNM's financial statements that is more than inconsequential will not be prevented or detected by the WCCNM's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the WCCNM's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the WCCNM's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned costs as 02-04 and 09-01.

We noted certain matters that are required to be reported under *Government Auditing Standards* paragraph 5.14 and 5.16, and Section 12-6-5 NMSA 1978, which are described in the accompanying schedule of findings and questioned costs as findings 09-01 through 09-04.

WCCNM's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the WCCNM's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of Workforce Connection of Central New Mexico's Board of Directors, the NM Department of Finance and Administration, the NM Legislature, management, others within the organization, federal awarding agencies and pass-through entities and the Office of the New Mexico State Auditor and is not intended to be and should not be used by anyone other than these specified parties.

The image shows a handwritten signature in black ink that reads "Hinkle & Landers, P.C." in a cursive, flowing script.

Hinkle & Landers, P.C.
November 10, 2009

Hinkle & Landers, P.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

2500 9th Street NW
Albuquerque, New Mexico 87102
Tel (505) 883-8788
Fax (505) 883-8797

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

The Board of Directors
Workforce Connection of Central New Mexico
Albuquerque, New Mexico and
Mr. Hector H. Balderas, State Auditor
Santa Fe, New Mexico

Compliance

We have audited the compliance of Workforce Connection of Central New Mexico (WCCNM) with the types of compliance requirements described in *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2009. WCCNM's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of WCCNM's management. Our responsibility is to express an opinion on WCCNM's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audit of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance 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 WCCNM's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the WCCNM's compliance with those requirements.

In our opinion, WCCNM, complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2009. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 02-04 09-01 and 09-04.

Internal Control Over Compliance

The management of the WCCNM, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the WCCNM's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the WCCNM's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We did not consider any of the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

We noted certain matters that are required to be reported in accordance with OMB Circular A-133 Section 510(a) and Section 12-6-5 NMSA 1978, which are described in the accompanying schedule of findings and questioned costs as findings 09-01 through 09-04.

The WCCNM's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the WCCNM's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of Workforce Connection of Central New Mexico's Board of Directors, the NM Department of Finance and Administration, the NM Legislature, management, other within the organization, federal awarding agencies and pass-through entities and the Office of the New Mexico State Auditor and is not intended to be and should not be used by anyone other than these specified parties.

Hinkle & Landers, P.C.

Hinkle & Landers, P.C.
November 10, 2009

**STATE OF NEW MEXICO
 WORKFORCE CONNECTION OF CENTRAL NEW MEXICO
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

SECTION I – SUMMARY OF AUDITORS’ RESULTS

Financial Statements

Type of auditors' report issued Unqualified

Internal Control over financial reporting:

Material weaknesses identified? __yes Xno

Significant deficiencies identified that are not considered to be material weaknesses? __yes Xno

Non-compliance material to financial statements noted? __yes Xno

Federal Awards

Internal Control

Material weaknesses identified? __yes Xno

Significant deficiencies identified that are not considered to be material weaknesses? __yes Xno

Type of auditors' report issued on major programs Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? Xyes __no

Identification of major program as noted below:

CFDA Numbers Funding Source	Name of Federal Programs	Funding Source
	Workforce Investment Act:	
17.258	Adult	U.S. Dept. of Labor
17.259	Youth	Passed through the
17.260	Dislocated Worker	New Mexico Dept. Of Workforce Solutions

Dollar threshold use to distinguish between
 A and B programs: \$300,000

Auditee qualified as low-risk auditee? __Yes Xno

**STATE OF NEW MEXICO
 WORKFORCE CONNECTION OF CENTRAL NEW MEXICO
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

SECTION II & SECTION III- FINANCIAL STATEMENTS FINDINGS and FEDERAL AWARD FINDINGS

	Status of Prior Year Findings	Other Matters	Significant Deficiency	Material Weakness	<u>SECTION II</u> Financial Statement Finding	<u>SECTION III</u> Federal Awards Finding
Prior Years Findings:						
02-04 PARTICIPANT FILE DOCUMENTATION	Repeated-revised	n/a	n/a	no	no	yes
Current Year Findings:						
09-01 BOARD CERTIFICATION		n/a	n/a	no	no	yes
<i>Other minor matters noted by U.S. Department of Labor Review required to be disclosed</i>						
09-02 REPORTING OF PROGRAM INCOME		yes	no	no	yes	yes
09-03 STAFF TIME ALLOCATIONS		yes	no	no	yes	yes
09-04 WRITTEN POLICY CONCERNING CLOSE- OUT PROCEDURES FOR SUB-RECIPIENTS		yes	no	no	yes	yes

**STATE OF NEW MEXICO
WORKFORCE CONNECTION OF CENTRAL NEW MEXICO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

02-04 PARTICIPANT FILE DOCUMENTATION

Statement of Condition

We noted some problems during our testing of the participant files. Out of 30 adult/dislocated worker and 30 youth participants tested, the deficiencies in the files were as follows:

1. Follow-up: Of the files tested, 2 out of 30 Youth files had not been followed up for more than 90 days. Case managers had let contact lapse more than 90 days before attempt to contact the participant was made before the files were audited

Criteria

Reference: CFDA # 17.258 WIA Adult, 17.259 WIA Youth, 17.260 WIA Dislocated Worker.
Federal Grantor: US Department of Labor passed through the New Mexico Department of Workforce Solutions

Proper follow-up procedures should be followed and documented in the participant's file. WIA also requires that participant files should be followed up on and if no contact can be made with the participant within 90 days, that person should be exited from the program. Worksite supervisors should not be signing the participant's name to the timesheets, only the participants should be signing.

Effect

Not all files have adequate documentation for the follow-up services provided as required by the WIA program grant.

Cause

Not all older files had been updated to provide information required by the WIA grant after transitioning from the previous business and career provider to the new business and career provider

Recommendation

More training in the case notes, exiting and follow up areas should be provided to the contractors. Perhaps there should be a more standardized operating timeline that should be implemented. For example a day each month could be set aside where appointments would not be taken to allow case managers to update and review files of participants not heard from in a while.

Management Response (provided by MRCOG)

Program Year 2008 had a significant amount of youth staff turnover, new staff has been hired. They have been trained in all required WIA activity elements. Follow up calls were made to staff to address the lack of documented follow up activity. Staff understands the importance of the youth follow up element and will receive additional training with case notes, exit and follow up activity within 45 days. The training will be provided to both contractors of youth and adult/dislocated worker services.

**STATE OF NEW MEXICO
WORKFORCE CONNECTION OF CENTRAL NEW MEXICO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

09-01 BOARD CERTIFICATION

Statement of Condition

The Board was not certified for the years 2007 and 2008. However Certification was received from NMDWS in April of 2009 leaving 9 months not certified.

Criteria

Reference: CFDA # 17.258 WIA Adult, 17.259 WIA Youth, 17.260 WIA Dislocated Worker.
Federal Grantor: US Department of Labor passed through the New Mexico Department of Workforce Solutions.

The Board is not certified per 20 CFR section 661.300. A local workforce investment board must be certified every two years, in accordance with the WIA Section 117(c)(2). The Board was last certified for the two year period ended June 30, 2006.

Effect

The Board is not in compliance with the Workforce Investment Act and that fact could lead to a decrease in funding or the reappointment and certification of another local board to perform the Board's current functions.

Cause

The State of NM Department of Workforce Solutions did not respond in time to the Board's request for certification in a timely manner.

Questioned Costs

None.

Recommendation

Recertification requests should be made at an early date to allow the Board to respond to potential questions by the State of NM and follow up on their requests timely.

Management Response

The Board is currently in compliance receiving certification in April of 2009.

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09-02 REPORTING OF PROGRAM INCOME

Statement of Condition

WCCNM had not reported to NMDWS that the interest earned of \$8,220.91 of interest earned on its checking account was to be recorded as program income on a monthly basis. The income earned was used to offset program expenses during the year but had not been reported to its grantor in such a manner monthly. The U. S. Department of Labor wants to see that income reported to the NMDWS on a monthly basis.

Criteria

The U.S. Department is requiring that interest income earned each month should be reported to the grantor as program income in the period it was earned rather than at the year end.

Effect

WCCNM reports submitted to NM DWS had minor discrepancies.

Questioned Costs

None

Cause

The WCCNM is aware that interest earned is program income, and has been using all interest earned to defray WIA costs at the end of each fiscal year, it just had not reported on its monthly reports in the manner requested by U.S. Department of Labor.

Recommendation

Follow the compliance reporting requirements provided by the U.S. Department of Labor.

Management Response (provided by MRCOG)

The WCCNM is aware that interest earned is program income, and has been using all interest earned to defray WIA costs at the end of each fiscal year. In response to this audit, WCCNM is now recording all interest earned as program income on a monthly basis on the Request for Reimbursement/Financial Status Report Forms. In addition, the WCCNM is expending program income on a monthly basis using the addition method and reporting the program income as expended on the Financial Status Reports.

09-03 STAFF TIME ALLOCATION

Statement of Condition

It was noted in the comments received from the U.S. Department of Labor review, WCCNM's Administrative Entity, MRCOG, had one employee that charged all of their time to the Adult and Dislocated worker that had been helping with some of the youth program and administration functions during the fiscal year. In interviewing this employee it was noted that this person would sometimes help with other program functions. The amount estimated that should have

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been allocated to the youth program from the adult program was approximately \$5,000, which was considered immaterial, however should be allocated in the future.

Criteria

The contract with the WCCNM requires that employees allocate their time based on the activities they are working on, adult, dislocated worker and youth.

Effect

Expenses in adult for salaries are slightly higher than they should be.

Questioned Costs:

None

Cause

The time spent tracking time for the small amount of time spent helping other programs was considered immaterial and therefore was seen to be cost beneficial to track such amounts.

Recommendation

Begin tracking employee time for each project that the person is working on as requested by U.S. Department of Labor.

Management Response (provided by MRCOG)

WCCNM staff will complete their timesheets every day, so that their time is charged when activities performed are fresh in their minds. The WCCNM has made an adjusting entry to correct active grants.

09-04 WRITTEN POLICY CONCERNING CLOSE-OUT PROCEDURES FOR SUB-RECIPIENTS

Statement of Condition

It was noted in the comments received from the U.S. Department of Labor review that the WCCNM does not have a written policy concerning closing out of contracts for sub-recipients.

Criteria

U.S. Department of Labor requests that grantees have adequate written policies in order to ensure consistency when closing out sub-recipient files.

Effect

Although no problems were noted, there could potentially be inconsistencies in the close-out process.

Questioned Costs:

None

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Cause

WCCNM had procedures that it follows to close-out files at the end of the year, however, they were not written.

Recommendation

Develop a written policy for future use.

Management Response (provided by MRCOG)

The WCCNM had developed a written policy and procedure for closeout of sub-recipients See Attachment A.

**STATE OF NEW MEXICO
WORKFORCE CONNECTION OF CENTRAL NEW MEXICO
EXIT CONFERENCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

An exit conference was held on November 10, 2009, in a closed session. The contents of this report were discussed. Present at the exit conference were:

Representing WCCNM:

Jeff Armijo	WCCNM Board Treasurer
Dewey Cave	MRCOG Director of Planning and General Services
Pat Newman	WCCNM Program Administrator
Ramona Chavez	WCCNM Program Manager
Jan Borchardt	MRCOG Fiscal Manager
Jesse Turley	WCCNM Accountant

Representing Hinkle & Landers, P.C.:

Odessa Hamilton	Audit Manager
Farley Vener, CPA, CFE	Partner

PREPARATION OF FINANCIAL STATEMENTS

The accompanying financial statements of the WCCNM have been prepared by Hinkle & Landers, P.C., the organization's independent public auditors, however, the financial statements are the responsibility of management.

Attachment - A

Workforce Connection of Central New Mexico



**WORKFORCE CONNECTION
of Central New Mexico**

Workforce Investment Act (WIA)

PY09 Subrecipient Closeout Package

Workforce Connection of Central NM
809 Copper Ave. NW
Albuquerque, New Mexico 87102

**Workforce Connection of Central New Mexico
Workforce Investment Act**

Instructions for Submission of Closeout

OVERVIEW

All Workforce Connection of Central New Mexico (WCCNM) subrecipients are required to submit the completed Closeout Package within 30 days of the end of the expiration of the contract. The program year ends June 30 of each year, making the submission due date August 30, 2010.

The Closeout Package will cover contracts for PY09/FY10 Workforce Investment Act (WIA) funding for which the authorized expenditure period was July 1, 2009 through June 30, 2010.

The completed Closeout Package should be sent to:

Workforce Connection of Central New Mexico
Attn: WIA Accounting Manager
809 Copper Ave. NW
Albuquerque, New Mexico 87102

**Workforce Connection of Central New Mexico
Workforce Investment Act**

Subrecipient Name: _____

Subrecipient Address: _____

A. Total Contract Amount (Including All Amendments) \$ _____

B. Total Expenditures to Date Within the Current Contract Period
07 / 01 / 09 to 06 / 30 / 10 \$ _____

C. Total Cash Requested to Date For the Current Contract \$ _____

D. Unexpended Balance of Contract \$ _____

CERTIFICATION: I hereby certify that the information provided is true and correct, that no willful misrepresentation has been made, and that all expenditures were made in accordance with the terms of the Contract.

Name of Contractor Representative

Signature

Date

Attach Final June 30, 2010 Financial Report

PROPERTY INVENTORY FORM

PY09/FY10

**Workforce Connection of Central New Mexico
Workforce Investment Act**

Subrecipient Name: _____

Contract Period: 07/01/2009 to 06/30/2009

A complete listing of all items with an acquisition cost of \$5,000 or more and a useful life of one year or longer must be included with the close-out package. The list must include all items purchased (totally or partially) with funds from the Workforce Investment Act grant. Attach additional page(s) to if necessary to record inventory.

Item Description	Serial Number	Invent. Number	Purchase Date	Physical Location

I hereby certify that the information contained on this form is true and correct and that the form includes all items of non-expendable property with an acquisition cost of \$5,000 and that a physical inventory of all non-expendable property has been conducted, on _____ (date) by _____ (subrecipient or agent). (Use additional pages as necessary to list all equipment purchased with WIA funds.

Name of Contractor Representative

Signature

Date

**CERTIFICATION OF USE AND DISPOSITION
OF NON-EXPENDABLE PROPERTY**

PY09/FY10

**Workforce Connection of Central New Mexico
Workforce Investment Act**

Subrecipient Name: _____

I hereby certify that all non-expendable personal property with a unit acquisition cost of \$5,000 or more purchased with Workforce Investment Act funds, transferred from programs under the Workforce Investment Act program, or purchased with program income is being used and will continue to be used solely for Workforce Investment Act purposes.

If any of non-expendable personal property as described above is to be used for purposes other than Workforce Investment Act, I certify that a Shared-Used Plan has been developed and meets the requirements of laws, rules, and regulations governing the Workforce Investment Act Program.

If such property has been disposed of either through sale or retained for use in non-Workforce Investment Act activities, I further certify that the Workforce Investment Act Program have been credited for the fair market value of that property.

Name of Contractor Representative

Signature

Date