

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

FINANCIAL STATEMENTS

JUNE 30, 2016

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

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

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INTRODUCTORY SECTION

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

Official Roster

June 30, 2016

Directors	Position
Odes Armijo-Caster	Chair
Correen Bales	Board Member
Doug Calderwood	Board Member
Reyes Gonzales	Board Member
Marni Goodrich	Board Member
Sionna Grassbaugh	Board Member
Victoria Hernandez	Board Member
Michelle Jones	Board Member
Samuel Kolapo	Board Member
Paul Kress	Board Member
Diane M. Lacen	Board Member
Patricia Lincoln	Board Member
Rita Gallegos Logan	Board Member
Ralph L. Mims	Board Member
Virginia Murphy	Board Member
Debbie Ortiz	Board Member
Alex O. Romero	Board Member
Waldy Salazar	Board Member
Leslie Sanchez	Board Member
Paul Sanchez	Board Member
Randy Sanchez	Board Member
Mike Swisher	Board Member
Honorable Jack Torres	Board Member
Juanita Trad	Board Member
Carolyn VanderGiesen	Board Member
Bob Walton	Board Member
Isaac Zamora	Board Member

FINANCIAL SECTION

Independent Auditor's Report

6200 Uptown Blvd NE
Suite 400
Albuquerque, NM 87110
505.338.0800

Mr. Timothy Keller, State Auditor and
The Board of Directors
Workforce Connection of Central New Mexico

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the general fund, and the general fund budgetary comparison for the State of New Mexico Workforce Connection of Central New Mexico (WCCNM) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise WCCNM'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 misstatements, whether due to fraud or error.

Auditor's Responsibility

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

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

Mr. Timothy Keller, State Auditor and
To the Board of Directors
Workforce Connection of Central New Mexico

appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 to 11 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplemental Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the WCCNM's basic financial statements. The schedule of expenditures of federal awards as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) is presented for purposes of additional analysis and is not a required part of the basic financial statements.

Mr. Timothy Keller, State Auditor and
To the Board of Directors
Workforce Connection of Central New Mexico

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

Other Information

The introductory section and schedule of vendor information required by the New Mexico State Audit Rule are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued a report dated November 28, 2016, 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 in considering WCCNM's internal control over financial reporting and compliance.

Ricci & Company, LLC

Albuquerque, New Mexico
November 28, 2016

**STATE OF NEW MEXICO
WORKFORCE CONNECTION OF CENTRAL NEW MEXICO
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2016**

Workforce Connection of Central New Mexico (WCCNM) management's discussion and analysis provides an overview of the WCCNM's mission and function, recent program opportunities, and a brief discussion of the basic financial statements and the significant differences in information they provide. As presented throughout the financial statements, there are references to both PY and FY. The references to PY mean the Program Year, which is the State fiscal year with a June 30th year-end. The references to FY indicate the Federal year from October through June 30th.

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 (which includes 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 and now the 2014 reauthorized Workforce Innovation Opportunity Act WIOA. 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 renamed Workforce Innovation & Opportunity Act (WIOA), formerly mentioned the Workforce Investment Act (WIA), to assure the availability of high quality training opportunities that will assist qualifying 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 a business driven 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 qualifying customers to employment and training opportunities; supporting a Youth Standing Committee, previously 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 continues with its service strategy, which is to develop and implement strategies for Board-selected priority industries at different tier levels of the select businesses, and following through with service requests from and service delivery for priority industries and businesses in priority industries.

**STATE OF NEW MEXICO
WORKFORCE CONNECTION OF CENTRAL NEW MEXICO
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2016**

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 strategy for each location.

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

Recent Program Opportunities

Workforce Innovation & Opportunity Act: The WCCNM is the local board responsible for administering the federal WIOA program in central New Mexico. WIOA funding provided to the WCCNM during PY15/FY16 included Adult, Dislocated Worker, Youth and Administrative funds. In PY15, 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 PY15 allocation of \$5,713,966 of Adult, Dislocated Worker, Youth, and Administrative funds was \$451,313 (8.58%) higher compared to the PY14 allocation of \$5,262,653. Specifically, Adult funds increased by \$30,980, Dislocated Worker funds increased by \$411,844 (Including awarded State Withholdings), Youth funds **decreased** by \$36,641, and Administrative funds increased by \$45,130. Additionally, WCCNM elected to transfer an allowable 50% \$1,048,530 from the Dislocated Worker funding stream to the Adult funding stream to meet service needs.

Formula grants have a two-year life. Carry-in funds are unspent/unforfeited funds brought in from the previous year. The WCCNM began PY15 with Formula carry-in funds totaling \$1,217,795 added to the PY15 allocation of \$5,713,966 and Non-Federal Ticket to Work Revenue available \$13,141 made a total final budget of \$6,944,902.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the WCCNM's basic financial statements. The WCCNM's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**STATE OF NEW MEXICO
WORKFORCE CONNECTION OF CENTRAL NEW MEXICO
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2016**

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the WCCNM's finances, in a manner similar to a private-sector business. The statement of net position presents information on all of the WCCNM's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the WCCNM is improving or deteriorating. The statement of activities presents information showing how the WCCNM's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods, such as depreciation expense. All of WCCNM's activities are reported under governmental-type activities and there are no component units. The government-wide financial statements can be found on pages 12-13 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The WCCNM, like other state and local governments, used fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The WCCNM's general fund is a governmental fund. Governmental fund financial statements focus on near-term inflow and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Governmental Activities

Program revenues for the year ending June 30, 2016 (PY15) with the exception of ticket to work, were entirely federal revenues that were reimbursements to the WCCNM for administering the Workforce Innovative Opportunity Act program. Revenues received during PY15 were \$5,931,063 compared to revenues of the previous PY14 year of \$4,922,624 a \$1,008,439 increase in activities or 20.5%.

**STATE OF NEW MEXICO
 WORKFORCE CONNECTION OF CENTRAL NEW MEXICO
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 Year Ended June 30, 2016**

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

**Table 1
 Changes in the WCCNM's
 WIOA Activities**

	6/30/16	6/30/15
Core Services	\$ 1,915,897	\$ 1,703,445
Intensive Services	43,621	30,620
Training Services	2,283,090	1,998,393
Youth Services	1,106,568	614,291
Supportive Services	51,494	44,012
Administration	<u>545,784</u>	<u>530,198</u>
Total Expenditures	\$ <u>5,946,454</u>	\$ <u>4,920,959</u>

**STATE OF NEW MEXICO
WORKFORCE CONNECTION OF CENTRAL NEW MEXICO
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2016**

Overall the reason for increased expenses is the back year PY14's carry-in of \$1,217,795 into PY15 and a renewed focus by service contractor SER Jobs for progress staff to serve more clients than in PY14 and carefully monitoring the client services budget line.

Core service expenses were higher than the previous year mainly due to more individuals being serviced in our centers than in the prior year, 3% minimal increases to contracted service providers and general increases in facilities operational costs overall. Intensive services are higher due to more focused attention to their unique value, especially with skill deficiencies help for participants also being served under OJT Trainings. Training services are up, which is due to the normal fluctuation that occurs from year to year, the participant budget available this year and a highly motivated group of service staff members. The major increase in youth services in PY15 was mostly due to youths that used our year-round Work Experience training program and a focused attention to serving more youth on a ramped-up Summer Work Experience program; increased occupational training services also contributed to the youth increase. Administration flows accordingly and WCCNM used \$77,713 of the \$513,922 administrative money on adult incumbent customized training which is not required.

Budgetary Highlights

The WCCNM's initial budget and all budgetary revisions are approved by 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, with the additional allowability to transfer up to 50% between Adult and Dislocated Worker funds based on a waiver from USDOL and NMDWS.

The PY15 approved *total* operating budget of \$6,944,902 increased by \$897,726 or 14.8% compared to PY14's \$6,047,176.

The WCCNM's PY15 operating budget was expended at approximately 85% of total budget; whereas in the previous year, PY14 was spent at approximately 80% of budget. Unspent & unforfeited monies, or carry-in, are required to sustain an even flow of availability while traversing program years. Uncertain variables exist associated with the particular types of customers who come in to be serviced between July 1, beginning of PY and October 1, when Federal dollars are accessible. The PY15 difference between budget and actual expenses was \$1,025,263, which includes the carry-in for PY16 of \$1,019,455.

**STATE OF NEW MEXICO
WORKFORCE CONNECTION OF CENTRAL NEW MEXICO
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2016**

Main reasons for PY15 carryover funds into PY16:

- A planned Youth Summer Work Experience ramp up with reserved funds had a less than optimal start date in which payroll expenses hit more in PY16 more than PY15, creating a Youth carry-in of \$275,704.
- Unspent Administrative monies totaled \$127,075 because the WCCNM Board did not utilize the carved-out Admin funds set aside for any desired Contracted Services. Further, Legal Expenses were minimal along with planned Board Expenses.
- The Adult/ Dislocated Worker carry-in of \$616,676 was due to late year contracting of OJT trainings in which a large portion of the typical six-month contract cross the program years and hit the next year, PY16 rather than by PY15's year end of 6-30-16.
- MRCOG staff monitor the grant balances by customer types to ensure leaving enough funding to cover the transition period from July 1 to October 1, the new federal fiscal year. It is prudent for the WCCNM to ensure that carryover monies are available to ensure businesses and job seekers will still continually be served in the first quarter of the program year. Once 80% of funds are expended, the requirement is that we serve Priority of Service customers.
- Central New Mexico allocation (WCCNM's formula allocation) is based on the State's demographics of our counties, business needs, prior year utilization of grant monies and other State determined factors. This formula allocation also means that large amounts of dislocated worker funds may be available for transfer into the adult fund or for carryover into the new program year.

Total Assets

The WCCNM's total assets as of June 30, 2016 amounted to \$873,486. These total assets consisted of cash (\$427,975), receivables (\$403,800) and net capital assets (\$41,711). The WCCNM's change in assets for PY15/FY16 was a 6.5% increase of \$53,031. The increase was mainly due to the receivables being up by \$163,777. Changes in cash and accounts receivable were simply the result of the timing of receiving June's draw requests. In PY15/FY16, more cash requests were owed WCCNM than in the previous year.

Net Position

Ending net position as of June 30, 2015 the prior year PY14 totaled \$381,666. During PY15 it decreased \$15,391 due to the net of a \$26,815 decrease in net capital assets combined with \$11,424 additional unrestricted cash collected for Ticket to Work, making the new balance June 30, 2016 of \$366,275.

Fund Balance

The WCCNM's prior year PY14 unassigned governmental funds balance at June 30, 2015 was \$313,140. The Current year increase of the fund balance in the amount of \$11,424 is the Social Security's Ticket to Work net cash received in PY15, ending the PY15 year June 30, 2016 with \$324,564. The WCCNM had no restricted funds at any time during the year.

**STATE OF NEW MEXICO
WORKFORCE CONNECTION OF CENTRAL NEW MEXICO
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2016**

Capital Assets

The capital assets consist mainly of office equipment (Furniture, Servers, software licenses, telephone & copiers). Depreciation expense of \$26,815 was recorded in the current year. No capital assets (\$5,000 +) were purchased in PY15.

Total Liabilities

The WCCNM's total liabilities as of June 30, 2016 amounted to \$507,211 and consisted of accounts payable (\$379,787) and accrued wages (\$127,424). The WCCNM had no debt, either current or long-term, at June 30, 2016, or at any time during the year.

Currently Known Facts, Conditions and Decisions

The following are currently known facts, conditions and decisions:

- PY16 fund levels are \$5,898,799 vs PY15's aforementioned \$5,713,966 formula funded levels. Actual Carry-in of PY15 unspent/unforfeited monies into PY16 was \$1,019,455, not the preliminary estimate of \$1,053,000 reported in the initial PY16 budget. This discrepancy was due to late PY15 training obligations entered during the last months of PY15.
- Innovate Educate, DVR, Mission Graduate are newly added partners in our Bernalillo County Business Career Center, effective PY16, July 1, 2016. This reduces all other co-located Partners remaining costs. Resource sharing partners at the four Business & Career Centers shared more of the operator staff costs in PY15 over prior years. This provided additional reimbursements to WCCNM, thus lowering their overall facilities costs.
- The Employment and Training Administration (ETA), U.S. Department of Labor, released approximately \$100,000,000 in grant funds for the H1B TechHire Partnership Grant initiative. The initiative was committed to making sure that Americans who are most in need receive training, support and employment opportunities in the ever growing IT field. This grant funding provides access to new, innovative training opportunities for individuals to gain employment in and advance to new positions in H-1B occupations and industries. In March 2016 the Workforce Connection of Central NM submitted a proposal for the grant, and in July 2016 the WCCNM was awarded \$4 million over four years for the grant initiative.

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 Avenue NW, Albuquerque, NM 87102.

BASIC FINANCIAL STATEMENTS

**STATE OF NEW MEXICO WORKFORCE CONNECTION OF CENTRAL NEW MEXICO
STATEMENT OF NET POSITION - GOVERNMENTAL ACTIVITIES
GOVERNMENT-WIDE
June 30,2016**

ASSETS

Current

Cash and cash equivalents	\$	427,975
Accounts receivable		23,906
Grants receivable		379,894

Total current assets		<u>831,775</u>
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Noncurrent

Capital assets, net		<u>41,711</u>
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Total assets	\$	<u><u>873,486</u></u>
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LIABILITIES AND NET POSITION

LIABILITIES

Current

Accounts payable	\$	379,787
Accrued work experience wages payable		<u>127,424</u>

Total current liabilities		<u>507,211</u>
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NET POSITION

Net investment in capital assets		41,711
Unrestricted		<u>324,564</u>
Total net position		366,275

Total liabilities and net position	\$	<u><u>873,486</u></u>
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See Notes to Financial Statements.

STATE OF NEW MEXICO WORKFORCE CONNECTION OF CENTRAL NEW MEXICO
 STATEMENT OF ACTIVITIES - GOVERNMENTAL ACTIVITIES
 GOVERNMENT-WIDE
 Year Ended June 30, 2016

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Operating Grants and Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Position for Governmental Activities</u>
Employment services			
Workforce Investments Act program	\$ 5,941,407	\$ 5,914,592	\$ (26,815)
Other	<u>5,047</u>	<u>16,471</u>	<u>11,424</u>
Total governmental activities	<u><u>\$ 5,946,454</u></u>	<u><u>\$ 5,931,063</u></u>	<u>(15,391)</u>
Change in net position			(15,391)
Net position, beginning of year			<u>381,666</u>
Net position, end of year			<u><u>\$ 366,275</u></u>

See Notes to Financial Statements.

**STATE OF NEW MEXICO WORKFORCE CONNECTION OF CENTRAL NEW MEXICO
BALANCE SHEET
GOVERNMENTAL FUND
June 30, 2016**

ASSETS

Cash and cash equivalents	\$ 427,975
Accounts receivable	23,906
Grant receivable	<u>379,894</u>
Total assets	<u>831,775</u>

LIABILITIES

Accounts payable	379,787
Accrued work experience wages payable	<u>127,424</u>
Total liabilities	<u>507,211</u>

FUND BALANCE

Unassigned	<u>324,564</u>
Total liabilities and fund balance	<u><u>\$ 324,564</u></u>

RECONCILIATION

Fund balance	\$ 324,564
Amount reported for governmental activities in the statement of net position is different because:	
Net capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental fund	<u>41,711</u>
Net position of governmental activities	<u><u>\$ 366,275</u></u>

See Notes to Financial Statements.

**STATE OF NEW MEXICO WORKFORCE CONNECTION OF CENTRAL NEW MEXICO
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
GOVERNMENTAL FUND
Year Ended June 30, 2016**

REVENUES

Intergovernmental - federal	\$ 5,914,592
Other	<u>16,471</u>
Total	5,931,063

EXPENDITURES

Current - Employment Services	
Workforce Investment Act Program	
Adult	2,490,354
Dislocated Worker	986,456
Youth	1,923,860
Administration	513,922
Other	<u>5,047</u>
Total	<u>5,919,639</u>

Change in fund balance 11,424

Fund balance, beginning of year 313,140

Fund balance, end of year \$ 324,564

RECONCILIATION

Change in fund balance	\$ 11,424
Amount reported for governmental activities in the statement of activities are different because:	
Deprecation expensed in the statement of activities	<u>(26,815)</u>
Change in net position of governmental activities	<u><u>\$ (15,391)</u></u>

See Notes to Financial Statements.

STATE OF NEW MEXICO WORKFORCE CONNECTION OF CENTRAL NEW MEXICO
 WORKFORCE INVESTMENT ACT
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL
 GOVERNMENTAL FUND
 Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Intergovernmental - federal	\$ 7,013,966	\$ 6,931,761	\$ 5,914,592	\$ (1,017,169)
Other	-	13,141	16,471	3,330
Total	7,013,966	6,944,902	5,931,063	(1,013,839)
EXPENDITURES				
Current - Employment Services				
Workforce Investment Act Program				
Adult	2,302,099	2,805,842	2,490,354	315,488
Dislocated Worker	1,872,061	1,287,644	986,456	301,188
Youth	2,218,410	2,197,279	1,923,860	273,419
Administration	621,396	640,996	513,922	127,074
Other	-	13,141	5,047	8,094
Total	7,013,966	6,944,902	5,919,639	1,025,263
Excess (deficiency) of revenues over expenditures	-	-	11,424	11,424
Fund balance, beginning of year	300,000	300,000	313,140	13,140
Fund balance, end of year	\$ 300,000	\$ 300,000	\$ 324,564	\$ 24,564

See Notes to Financial Statements.

**STATE OF NEW MEXICO
WORKFORCE CONNECTION OF CENTRAL NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2016**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 or WIA) 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, Torrance and Valencia Counties in the State of New Mexico.

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
- 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.

**STATE OF NEW MEXICO
WORKFORCE CONNECTION OF CENTRAL NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2016**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The local board is appointed in conformity with criteria established by the governor. The WCCNM's board is required to be made up of at least 51% of its members coming from the private sector and includes representation of education, labor, government, economic development and community-based organizations and others as appropriate and is appointed by the local chief elected official.

In evaluating how to define the government, for financial reporting purposes, management has considered all potential component units. The decision to include potential component units in the reporting entity is 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, management determined there are no component units included in the reporting entity.

Basis of Accounting

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities are prepared using the economic resources measurement focus and the accrual basis of accounting, which incorporates long-term assets. WCCNM does not have long-term liabilities. 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. Internal activities are eliminated, and the government-wide financial statements do not include any fiduciary funds or component units the entity may have. Since WCCNM administers the WIA program only, WCCNM does not employ indirect cost allocation. Direct expenses are those that are specifically associated with the program and, therefore, identifiable to a particular function.

**STATE OF NEW MEXICO
WORKFORCE CONNECTION OF CENTRAL NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2016**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net position includes the following:

Net Investment in Capital Assets - The component of net position that reports the 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 capital assets.

Restricted – Net Position reported as restricted when constraints placed on net position use is either externally imposed by law through constitutional provisions or enabling legislation. WCCNM has no restricted net position as of June 30, 2016.

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

Fund Financial Statements

Fund balance classifications are based primarily on the extent to which WCCNM is bound to honor constraints on the use of the resources reported in each governmental fund as well as establishes additional note disclosures regarding fund balance classification policies and procedures.

Fund Balance. 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. WCCNM classifies governmental fund balances as follows:

- Non-spendable - Fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- Restricted - Fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as grantors or amounts constrained due to enabling legislation.
- Committed - Fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority (WCCNM's Board of Directors) and does not lapse at year-end.
- Assigned – Fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance may be assigned by the management.
- Unassigned – Positive fund balances within the General Fund which have not been classified within the above mentioned categories and negative fund balances in other governmental funds.

**STATE OF NEW MEXICO
WORKFORCE CONNECTION OF CENTRAL NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2016**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The WCCNM requires restricted amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring matching spending. WCCNM does not currently have a minimum fund balance policy.

Program Revenues. WCCNM has received program-specific operating grants from the U.S. Department of Labor passed through the New Mexico Department of Workforce Solutions. These revenues are program revenues for the carrying out of program activities of the Workforce Investment Act (WIA) grant cluster.

GAAP Presentation. The financial statements of the WCCNM are prepared in accordance with generally accepted accounting principles generally accepted in the United States of America. The WCCNM's reporting entity applies all relevant Governmental Accounting Standards Board pronouncements. The WCCNM has no proprietary funds or component units.

Fund Financial Statements. Fund financial statements report detailed information about WCCNM. WCCNM has only one fund for the year ended June 30, 2016.

Governmental Funds-Method of Accounting. All government 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.

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.

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 days after year end. WCCNM did not receive any type of tax revenue during the year ended June 30, 2016.

**STATE OF NEW MEXICO
WORKFORCE CONNECTION OF CENTRAL NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2016**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Non-exchange transactions occur 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 nongovernmental entities, including private donations). WCCNM recognizes non-exchange transactions in the financial statement as income unless it is not measurable (reasonable 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 resources first when applying resources to expenses before using unrestricted funds.

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, principal and interest on long-term debt, which has not matured, are recognized when paid. WCCNM did not have any long-term debt as of June 30, 2016.

Expenditures 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.

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. WCCNM only has a general fund.

**STATE OF NEW MEXICO
WORKFORCE CONNECTION OF CENTRAL NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2016**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 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-grants made by WCCNM to other agencies are 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 per Section 12-6-10 NMSA 1978.

Depreciation of capital assets is computed and recorded by the straight-line method. A half-year's depreciation is taken on additions in the first year of acquisition and followed by a full year's going forward. Depreciable capital assets consist of furniture, software and equipment with estimated useful service lives of 3-10 years.

Budgets. The New Mexico Department of Workforce Solutions 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 New Mexico Department of Workforce Solutions Board's approved state plan. WCCNM prepares a budget based upon the Federal Rules of Government Distributions 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 New Mexico Department of Workforce Solutions Board. Any adjustments to WCCNM's budget must be approved by WCCNM's Board. Budgets are figured on the modified accrual basis of accounting. The legal level of budgetary control is at the total fund level. Any federal funds that have been used for any purpose not within the purposes of the WIA program, shall be reimbursed to the State Workforce Investment Board.

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.

Subsequent Events. Management has evaluated subsequent events through November 28, 2016, the date the financial statements were available to be issued.

**STATE OF NEW MEXICO
 WORKFORCE CONNECTION OF CENTRAL NEW MEXICO
 NOTES TO FINANCIAL STATEMENTS
 Year Ended June 30, 2016**

NOTE 2. DEPOSIT AND INVESTMENTS

Due to restriction on WIA funds by the granting agency, monies deposited into the account of WCCNM and any program revenues earned by WCCNM, funds 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 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 as of June 30, 2016 were held at a commercial bank (U.S. Bank). Cash and cash equivalents are carried at cost, which approximates market value. At June 30, 2016, WCCNM's deposit bank balance was \$640,848. Custodial credit risk is the 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. None of WCCNM's bank deposits were exposed to custodial credit risk as of June 30, 2016. At June 30, 2016, WCCNM's bank deposits were collateralized as follows:

Uninsured and collateral held by pledging
 bank's trust department not in WCCNM's name \$ 390,848

The following is a listing of deposits of public money and collateral pledged at values acceptable per state statute, by the depositing financial institution as of June 30, 2016.

<u>Account Name</u>	<u>Type</u>	<u>Bank Balance</u>	<u>Book Balance</u>
U.S. Bank checking account	Demand deposits	\$ 640,848	<u>\$ 427,975</u>
Less: FDIC coverage		<u>250,000</u>	
Uninsured balance		<u>\$ 390,848</u>	
50% collateral requirement		<u>\$ 195,424</u>	
Pledged collateral in the bank's name held			
FHLMC G01554, Cusip #31283HWP6			
maturing 5/1/2033, market value to be used		\$ 268,808	
FNMA Pool 890193, Cusip #31410K7E8			
maturing 8/1/2025, market value to be used		433,841	
FNMA Pool AE9229, Cusip #31419LKM4			
maturing 11/1/2025, market value to be used		<u>414,923</u>	
Total collateral		<u>\$ 1,117,572</u>	
(Under) Over collateralized		<u>\$ 922,148</u>	

**STATE OF NEW MEXICO
 WORKFORCE CONNECTION OF CENTRAL NEW MEXICO
 NOTES TO FINANCIAL STATEMENTS
 Year Ended June 30, 2016**

NOTE 2. DEPOSIT AND INVESTMENTS (CONTINUED)

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):

<u>Bank</u>	<u>Bank Balance</u>	<u>Outstanding Checks</u>	<u>Outstanding Deposits</u>	<u>Book Balance</u>
U.S. Bank:				
Checking	\$ 640,848	\$ (212,873)	\$ -	\$ 427,975

NOTE 3. RECEIVABLES

Grants receivable represent amounts due from the New Mexico Department of Workforce Solutions, fiscal/administrative agent for the State Workforce Development Board, for costs incurred for the WIA program at year end. Accounts receivable represent reimbursements for resource sharing agreements. All receivables are deemed to be fully collectible and therefore no allowance for doubtful accounts has been provided.

NOTE 4. OPERATING LEASES

WCCNM has entered into various leasing agreements for office space with lease terms expiring through June 2018. During the year ended June 30, 2016, lease expense totaled \$83,393.

As of June 30, 2016, remaining obligations on the outstanding leases are as follows:

2017	\$ 57,177
2018	<u>53,930</u>
	<u>\$ 111,107</u>

**STATE OF NEW MEXICO
WORKFORCE CONNECTION OF CENTRAL NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2016**

NOTE 5. CAPITAL ASSETS AND DEPRECIATION

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2016.

	June 30 <u>2015</u>	<u>Additions</u>	<u>Deletions</u>	June 30 <u>2016</u>
Furniture and equipment	\$ 126,754	-	-	126,754
Accumulated depreciation	<u>(58,228)</u>	<u>(26,815)</u>	-	<u>(85,043)</u>
	<u>\$ 68,526</u>	<u>(26,815)</u>	-	<u>41,711</u>

Current year depreciation expense totaled \$26,815 and was allocated in the statement of activities. 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.

NOTE 6. 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.

NOTE 7. RELATED ENTITY TRANSACTIONS

Members of WCCNM's Board of Directors 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 in accordance with New Mexico State Statutes, 1978, 15-14-4 D.

WCCNM and Mid Region Council of Governments of New Mexico (MRCOG), a related governmental entity, have entered into a Professional Services Agreement contract, for up to \$780,000 per year, through which MRCOG provides personnel, insurance, documentation, administration, monitoring, oversight and other fiscal services. WCCNM does not have employees and relies on MRCOG's financial system and control structure. WCCNM also contracts with SER Jobs for Progress, Inc. to manage and operate the four local area business and career centers. WCCNM contracts with a local non-profit, Youth Development, Inc., to provide youth services in those area business and career centers.

**STATE OF NEW MEXICO
 WORKFORCE CONNECTION OF CENTRAL NEW MEXICO
 NOTES TO FINANCIAL STATEMENTS
 Year Ended June 30, 2016**

NOTE 7. RELATED ENTITY TRANSACTIONS (CONTINUED)

During 2016, purchases for goods and services were made by WCCNM with companies or organizations in which various board members are associated with. The following schedule summarizes purchases from related organizations and associations:

<u>Board Member</u>	<u>Relationship</u>	<u>Purpose</u>	<u>Amount</u>
Sanchez, Paul	PNM	Electric service	\$ 47,403
Goodrich, Marni	Yearout Mechanical	OJT training	18,881
Romero, Alex	Albuquerque Hispano CC	OJT training	16,044
Logan, Rita	UNM – Valencia	OJT training	4,918
Zamora, Isaac	Zamora Business Accounting PC	CT training	1,012
Grassbaugh, Sionna	CNM Cashiers	Tuition	46,223
Grassbaugh, Sionna	CNM Bookstore	Books	73,561
N/A	MRCOG	Admin services	733,878

In addition, during 2016, WCCNM received funds form organizations in which board members are associated with. The following schedule summarizes the receipts from related organizations:

<u>Board Member</u>	<u>Relationship</u>	<u>Purpose</u>	<u>Amount</u>
Salazar, Waldy	NM Department of Workforce Solutions	Grant funding	\$ 5,914,592
Salazar, Waldy	NM Department of Workforce Solutions	Resource sharing	290,716
Hernandez, Victoria	SL Start	Resource sharing	3,393
Kulapo, Samuel	Albuquerque Job Corps	Resource sharing	3,393

OTHER INFORMATION

COMPLIANCE

STATE OF NEW MEXICO WORKFORCE CONNECTION OF CENTRAL NEW MEXICO
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 Year Ended June 30, 2016

<u>Federal Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Identifying Grant No.</u>	<u>Passed through to Subrecipients</u>	<u>Grant Award Expended</u>
U.S. Department of Labor passed through the New Mexico Department of Workforce Solution				
WIA/WIOA Cluster:				
WIA/WIOA Adult Program:				
Program Year 2014/Fiscal Year 2015	17.258	14-001-PY14	\$ 98,945	\$ 330,214
Program Year 2015/Fiscal Year 2016	17.258	15-001-PY15	393,278	2,160,140
WIA/WIOA Dislocation Worker Program				
Program Year 2014/Fiscal Year 2015	17.278	14-001-PY14	100,899	239,112
Program Year 2015/Fiscal Year 2016	17.278	15-001-PY15	222,725	747,344
WIA/WIOA Youth Program				
Program Year 2014/Fiscal Year 2015	17.259	14-001-PY14	93,243	578,868
Program Year 2015/Fiscal Year 2016	17.259	15-001-PY15	556,757	1,344,992
WIA/WIOA Administration				
Program Year 2014/Fiscal Year 2015				
Adult	17.258	14-001-PY14	\$ 20,017	
Dislocated Worker	17.278	14-001-PY14	14,494	
Youth	17.259	14-001-PY14	35,090	69,601
Program Year 2015/Fiscal Year 2016				
Adult	17.258	15-001-PY15	225,824	
Dislocated Worker	17.278	15-001-PY15	78,129	
Youth	17.259	15-001-PY15	140,368	444,321
WIA Cluster Total			\$ 1,465,847	5,914,592
Total expenditures of federal awards			\$ 1,465,847	\$ 5,914,592
Subrecipients payments				
Youth Development Incorporated			\$ 650,000	
SER Jobs for Progress, Inc.			815,847	
Total			\$ 1,465,847	

See Notes to Schedule of Expenditures of Federal Awards.

**STATE OF NEW MEXICO
 WORKFORCE CONNECTION OF CENTRAL NEW MEXICO
 NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 Year Ended June 30, 2016**

NOTE 1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the WCCNM under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the WCCNM, it is not intended to and does not present the financial position, changes in net position or cash flows of the WCCNM.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule of expenditures of federal awards are reported on the 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. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

NOTE 3. OUTSTANDING LOANS AND SUBRECIPIENTS

The WCCNM does not receive non-cash assistance or have outstanding loans. Payments to subrecipients are as follows:

<u>Organization</u>	<u>Amount</u>
Youth Development Incorporated	\$ 650,000
SER Jobs for Progress, Inc.	815,847
	<u>\$ 1,465,847</u>

Ricci & Company LLC

CERTIFIED PUBLIC ACCOUNTANTS
6200 UPTOWN BLVD. NE - SUITE 400
ALBUQUERQUE, NM 87110

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Governmental Auditing Standards*

Independent Auditor's Report

Mr. Timothy Keller, State Auditor and
To the Board of Directors
Workforce Connection of Central New Mexico

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the general fund, and the general fund budgetary comparison of the State of New Mexico Workforce Connection of Central New Mexico (WCCNM) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise WCCNM's basic financial statements, and have issued our report thereon dated November 28, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit, of the financial statements, we considered the WCCNM's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the WCCNM's internal control. Accordingly, we do not express an opinion on the effectiveness of the WCCNM'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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control 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 that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we

Mr. Timothy Keller, State Auditor and
To the Board of Directors
Workforce Connection of Central New Mexico

did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weakness may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the WCNNM'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 no instances of noncompliance or other matters which are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result 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.

Ricci & Company, LLC

Albuquerque, New Mexico
November 28, 2016

Ricci & Company LLC

CERTIFIED PUBLIC ACCOUNTANTS
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ALBUQUERQUE, NM 87110

Report on Independent Auditors on Compliance For Each Major Federal Program and Report on Internal Control Over Compliance As Required by Uniform Guidance

Mr. Timothy Keller, State Auditor and
The Board of Directors
Workforce Connection of Central New Mexico

Report on Compliance for each Major Federal Program

We have audited the State of New Mexico Workforce Connection of Central New Mexico's (WCCNM), compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of WCCNM's major federal programs for the year ended June 30, 2016. WCCNM'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 the requirements of laws, regulations, contracts, grants, and the terms and conditions of the federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of WCCNM's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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 on compliance for each major federal program. However, our audit does not provide a legal determination on WCCNM's compliance.

Mr. Timothy Keller, State Auditor and
The Board of Directors
Workforce Connection of Central New Mexico

Opinion on Each Major Federal Program

In our opinion, WCCNM 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 program for the year ended June 30, 2016.

Other Matters

The results of our auditing procedures disclosed 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 2016-001. Our opinion on each major federal program is not modified with respect to these matters.

WCCNM's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. WCCNM's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response

Report on Internal Control Over Compliance

Management of WCCNM is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered WCCNM'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 our 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, we do not express an opinion on the effectiveness of WCCNM'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 a 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.

Mr. Timothy Keller, State Auditor and
To the Board of Directors
Workforce Connection of Central New Mexico

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2016-001 that we consider to be a significant deficiency.

WCCNM's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. WCCNM's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response

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

Ricci & Company, LLC

Albuquerque, New Mexico
November 28, 2016

**STATE OF NEW MEXICO
WORKFORCE CONNECTION OF CENTRAL NEW MEXICO
SUMMARY OF PRIOR AUDIT FINDINGS
June 30, 2015**

A. PRIOR YEAR AUDIT FINDINGS

No prior year audit findings noted.

**STATE OF NEW MEXICO
 WORKFORCE CONNECTION OF CENTRAL NEW MEXICO
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 June 30, 2016**

A. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued Unmodified

Internal control over financial reporting:

- Material weakness (es) identified? Yes No
- Significant deficiency (ies) identified? Yes None Reported

Non-compliance material to financial statements noted? Yes No

Major Federal Awards

Internal control over financial reporting:

- Material weakness (es) identified? Yes No
- Significant deficiency (ies) identified? Yes No

Type of auditor's report issued on compliance for major federal programs: Unmodified

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

Identification of Major Federal Programs:

<u>CFDA Number</u>	<u>Name of Major Federal Program or Cluster</u>
WIA/WIOA Cluster:	
17.258	WIA/WIOA Adult Program
17.259	WIA/WIOA Youth Activities
17.278	WIA/WIOA Dislocated Worker Formula Grant

Dollar threshold used to distinguish between type A and type B programs \$ 300,000

Auditee qualified as low-risk auditee? Yes No

STATE OF NEW MEXICO
WORKFORCE CONNECTION OF CENTRAL NEW MEXICO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
June 30, 2016

B. FINDINGS – FINANCIAL STATEMENT AUDIT

NONE

C. FINDINGS – MAJOR FEDERAL AWARD AUDIT

2016-001 NOTIFICATION TO SUBRECIPIENTS (Significant Deficiency In Internal Control and Compliance)

Federal agency: U.S Department of Labor
Program: Workforce Investment Act
CFDA number: WIA/WIOA Cluster:
17.258 WIA/WIOA Adult Program
17.259 WIA/WIOA Youth Activities
17.278 WIA/WIOA Dislocated Worker Formula Grant
Award numbers: 14-001-PY14 and 15-001-PY15
Award years: PY14 and PY15
Compliance Requirement: Subrecipient Monitoring

CONDITION

During our testing of internal controls and compliance we noted that the two sub-recipients were not notified of information required under the Uniform Guidance, including the CFDA number and the federal award identification number.

CRITERIA

Per 2 CFR 200.331, All pass-through entities must:

(a) Ensure that every subaward is clearly identified to the subrecipient as a subaward and includes the following information at the time of the subaward and if any of these data elements change, include the changes in subsequent subaward modification. When some of this information is not available, the pass-through entity must provide the best information available to describe the Federal award and subaward. Required information includes:

(1) Federal Award Identification.

(i) Subrecipient name (which must match registered name in DUNS);

(ii) Subrecipient's DUNS number (see §200.32 Data Universal Numbering System (DUNS) number);

(iii) Federal Award Identification Number (FAIN); VerDate Mar2010 14:08 Mar 14, 2014 Jkt 232005 PO 00000 Frm 00134 Fmt 8010 Sfmt 8010 Y:\SGML\232005.XXX 232005 wreier-aviles on DSK5TPTVN1PROD with CFR 125 OMB Guidance § 200.331

(iv) Federal Award Date (see §200.39 Federal award date);

(v) Subaward Period of Performance Start and End Date;

**STATE OF NEW MEXICO
WORKFORCE CONNECTION OF CENTRAL NEW MEXICO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
June 30, 2016**

- (vi) Amount of Federal Funds Obligated by this action;
- (vii) Total Amount of Federal Funds Obligated to the subrecipient;
- (viii) Total Amount of the Federal Award;
- (ix) Federal award project description, as required to be responsive to the Federal Funding Accountability and Transparency Act (FFATA);
- (x) Name of Federal awarding agency, pass-through entity, and contact information for awarding official,
- (xi) CFDA Number and Name; the pass-through entity must identify the dollar amount made available under each Federal award and the CFDA number at time of disbursement;
- (xii) Identification of whether the award is R&D; and
- (xiii) Indirect cost rate for the Federal award (including if the de minimis rate is charged per §200.414 Indirect (F&A) costs).

QUESTIONED COSTS

None

EFFECT

Subrecipients may not have the information they need to comply with the Uniform Guidance requirements and thus there is increased risk of noncompliance with federal award requirements by the subrecipients.

CAUSE

WCCNM staff were not familiar with all of the requirements of 2 CFR 200.331 and therefore did not include the required information in the initial subaward documentation.

RECOMMENDATION

We recommend that WCCNM communicate the information required by 2 CFR 200.331 to the subrecipients and update the subaward template to include this information for future subawards.

MANAGEMENT RESPONSE

The WCCNM agrees and accepts that the two sub-recipients of the WCCNM, Youth Development Inc. (YDI) and SER- Jobs for Progress (SER) were not notified of the information required under the Uniform Guidance. This lack of notification was not done knowingly or purposely, the non-action was purely an oversight of the staff developing the PY15 contract amendments. As soon as this error was brought to the WCCNM's attention, an addendum to the PY15 contract amendment(s) was drafted, provided to the two sub-recipients and are located within the contracts binder. Workforce Administrator and Procurement Officer will ensure that all requirements under the Uniform Guidance will be strictly followed moving forward with any future sub-recipient contracts.

**STATE OF NEW MEXICO
WORKFORCE CONNECTION OF CENTRAL NEW MEXICO
EXIT CONFERENCE
June 30, 2016**

EXIT CONFERENCE

An exit conference was held on November 28, 2016, to discuss the annual financial report. Attending were the following:

Representing Workforce Connection of Central New Mexico:

Dewey Cave	Executive Director
Honorable Jack Torres	Board Member
Jerilynn Sans	Workforce Administrator
Amy Myer, CPA	MRCOG Senior Finance Manager
Jesse D. Turley	Accounting Manager

Representing Ricci & Company, LLC:

Wayne Brown
Larry Carmony
Lee Baldwin

A. PREPARATION OF FINANCIAL STATEMENTS

The financial statements were prepared with the assistance of Ricci & Company, LLC from the books and records of the WCCNM. The financial statements and related footnotes remain the responsibility of management.