

**EASTERN AREA WORKFORCE
DEVELOPMENT BOARD**

**AUDITED FINANCIAL STATEMENTS
AND OTHER FINANCIAL INFORMATION
JUNE 30, 2010**

**WOODARD, COWEN & CO.
CERTIFIED PUBLIC ACCOUNTANTS**

STATE OF NEW MEXICO
 EASTERN AREA WORKFORCE DEVELOPMENT BOARD
 JUNE 30, 2010

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OFFICIAL ROSTER

Board Members

Jimmie Shearer	Chair
Slade Morgan	Vice Chair
Richard Aguilar	Board Member
Danny Armigo II	Board Member
Paul D Barnes	Board Member
Dora Batista	Board Member
Ray Battaglini	Board Member
Sue Bracksieck	Board Member
Angelita Buurma	Board Member
Tonk Chester	Board Member
Judith Cooper	Board Member
Gina Corliss	Board Member
Terri Douglass	Board Member
Marion Duryea	Board Member
Elbert A Garcia	Board Member
Ruth Giron	Board Member
Clint Harden	Board Member
Juan Haro	Board Member
Rene Hatfield	Board Member
John Hemphill	Board Member
Chris Herbert	Board Member
Van Horner	Board Member
Jackie Ingle	Board Member
Mark Lake	Board Member
Linda Lewis	Board Member
Gail Melpolder	Board Member
John Merchant	Board Member
Jean Morrow	Board Member
Alfredo Pacheco	Board Member
Daniel Power	Board Member
Steve Reshetar	Board Member
Warren Robinson	Board Member
Becky Rowley	Board Member
Twila Rutter	Board Member
Larry Smith	Board Member
Allen Sparks	Board Member
Richard Spragins	Board Member
Patricia Tupper	Board Member

Officials

Sandy Chancey	Interim Executive Director
Ruby Witt	Workforce Coordinator
Glennis Erramouspe	Chief Financial Officer

Woodard, Cowen & Co.

Certified Public Accountants

Mr. Hector Balderas, State Auditor
The Board of Directors
Eastern Area Workforce Development Board
Clovis, New Mexico

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, and each major fund of Eastern Area Workforce Development Board, as of and the year ended June 30, 2010, as listed in the table of contents. These financial statements are the responsibility of Eastern Area Workforce Development Board'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 a 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 each major fund of Eastern Area Workforce Development Board, as of June 30, 2010, and the respective changes in financial position thereof 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 our report dated December 14, 2011, on our consideration of Eastern Area Workforce Development Board's internal control over financial reporting and 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.

Eastern Area Workforce Development Board has not presented the management's discussion and analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming an opinion on the financial statements Eastern Area Workforce Development Board. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. The additional schedule listed as "supplemental information" in the table of contents is presented for purposes of additional analysis 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 financial statements taken as a whole.

Woodard, Cowen & Co.

December 14, 2011
Portales, New Mexico

STATE OF NEW MEXICO
 EASTERN AREA WORKFORCE DEVELOPMENT BOARD
 (GOVERNMENT-WIDE)
 STATEMENT OF NET ASSETS

AS OF JUNE 30, 2010

ASSETS	<u>Governmental Activities</u>
Current Assets:	
Cash and Cash Equivalents	\$ 11,058
Due from other governments	314,419
Non-Current Assets	-
Capital Assets - Net	<u>172,871</u>
Total Current Assets	<u>\$ 498,348</u>
LIABILITIES	
Current Liabilities:	
Accounts Payable	501,917
Cash Overdraft	<u>\$ 168,865</u>
Total Current Liabilities	670,782
Net Assets	
Investment in Capital Assets	172,871
Restricted	<u>(345,305)</u>
Total Net Assets	<u>(172,434)</u>
Total Liabilities and Net Assets	<u>\$ 498,348</u>

STATE OF NEW MEXICO
 EASTERN AREA WORKFORCE DEVELOPMENT BOARD
 (GOVERNMENT-WIDE)
 STATEMENT OF ACTIVITIES

AS OF JUNE 30, 2010

	<u>Expenses</u>	<u>Program Operating Grants & Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Assets for Governmental Activities</u>
Total Governmental Activities:			
Workforce Investment Act program:			
Adult	\$ 647,061	\$ 592,619	\$ (54,442)
Dislocated Worker	207,298	182,133	(25,165)
Youth	572,718	564,577	(8,141)
Administration	179,871	156,672	(23,199)
American Recovery and Reinvestment Act			
Adult	197,254	197,254	-
Dislocated Worker	56,713	56,713	-
Youth	562,395	562,395	-
Administration	118,742	118,742	-
TANF	2,062,206	1,698,434	(363,772)
Non-Participant	-	-	-
Clovis One Stop	-	-	-
Depreciation	82,439	-	(82,439)
	<u>\$ 4,686,697</u>	<u>\$ 4,129,539</u>	<u>\$ (557,158)</u>
General Revenues:			
Interest Income			1,048
Other Income			286
			<u>(555,824)</u>
Change in Net Assets			(555,824)
Net assets, beginning of year			369,826
Restatement of Net Assets			13,564
			<u>383,390</u>
Net assets, end of year			<u>\$ (172,434)</u>

STATE OF NEW MEXICO
 EASTERN AREA WORKFORCE DEVELOPMENT BOARD
 BALANCE SHEET - GOVERNMENTAL FUNDS

AS OF JUNE 30, 2010

	Major - Special Revenue - Workforce Investment Act	Major - Special Revenue - TANF	Major - Special Revenue - ARRA	Total
ASSETS				
Cash and Cash Equivalents	\$ -	\$ -	\$ 11,058	\$ 11,058
Due from other funds	4,000	-	-	4,000
Due from other governments	291,282	-	23,137	314,419
Total Assets	<u>295,282</u>	<u>-</u>	<u>34,195</u>	<u>329,477</u>
LIABILITIES				
Accounts Payable	275,849	195,934	30,134	501,917
Due to other funds	-	-	4,000	4,000
Overdrawn Cash Accounts	21,955	146,910	-	168,865
Total Liabilities	297,804	342,844	34,134	674,782
FUND BALANCE				
Unreserved	<u>(2,522)</u>	<u>(342,844)</u>	<u>61</u>	<u>(345,305)</u>
Total Fund Balance	<u>(2,522)</u>	<u>(342,844)</u>	<u>61</u>	<u>(345,305)</u>
Total Liabilities and Fund Balance	<u>\$ 295,282</u>	<u>\$ -</u>	<u>\$ 34,195</u>	<u>\$ 329,477</u>

STATE OF NEW MEXICO
EASTERN AREA WORKFORCE DEVELOPMENT BOARD - WIA PROGRAM
RECONCILIATION OF THE BALANCE SHEET ALL
GOVERNMENT FUNDS TO THE STATEMENT OF
NET ASSETS

AS OF JUNE 30, 2010

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

Fund Balance - total governmental funds	\$ (345,305)
Capital assets used in governmental activities are not financial resources and therefore not reported in the funds.	<u>172,871</u>
Net assets of governmental activities	\$ <u>(172,434)</u>

STATE OF NEW MEXICO
 EASTERN AREA WORKFORCE DEVELOPMENT BOARD
 STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Major-Special Revenue Workforce Investment Act	Major-Special Revenue TANF	Major-Special Revenue ARRA	Total
REVENUES				
Federal Grants	\$ 1,496,001	\$ 1,698,434	\$ 935,104	\$ 4,129,539
Interest Income	491	496	61	1,048
Other Income	286	-	-	286
Total Revenues	1,496,778	1,698,930	935,165	4,130,873
EXPENDITURES				
Current:				
Employment Services	1,606,948	2,060,953	912,289	4,580,190
Capital Outlay	-	1,253	22,815	24,068
Total Expenditures	1,606,948	2,062,206	935,104	4,604,258
Net Change in Fund Balance	(110,170)	(363,276)	61	(473,385)
Fund Balance, beginning of year	98,095	16,421	-	114,516
Restatement	9,553	4,011	-	13,564
Restated Fund Balance	107,648	20,432	-	128,080
Fund Balance, end of year	\$ (2,522)	\$ (342,844)	\$ 61	\$ (345,305)

STATE OF NEW MEXICO
EASTERN AREA WORKFORCE DEVELOPMENT BOARD - WIA PROGRAM
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE -
GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES

Year Ended June 30, 2010

Amounts reported for governmental activities in the state of activities are different because:

Net change in fund balance - governmental fund \$ (473,385)

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current year. (82,439)

Change in Net Assets \$ (555,824)

STATE OF NEW MEXICO
EASTERN AREA WORKFORCE DEVELOPMENT BOARD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

I. Summary of Significant Accounting Policies

A. Description of Entity

The purpose of these financial statements is to present the financial position and the changes in financial position of the Eastern Area Workforce Development Board. The Eastern Area Workforce Development Board operates three programs, WIA, TANF and the American Recovery and Reinvestment Act.

The Eastern Area Workforce Development Board (EAWDB) of the State of New Mexico is established in accordance with 29 U.S.C § 2832 of the federal Workforce Investment Act of 1998 (WIA), 29 U.S.C. § 2801 et seq., and Section 50-14-5, NMSA 1978 Compilation of the New Mexico Workforce Development Act (WDA), Section 50-14-1 et seq., NMSA 1978 Compilation.

The Eastern Area Workforce Development Board of the State of New Mexico was created on April 5, 2000, by the Chief Elected Officials of the Local Governments of the Eastern Plains Council of Governments and the Southeastern New Mexico Economic Development District/Council of Governments.

The day to day operations and fiscal management of the activities of EAWDB are managed by the Eastern Plains Council of Governments (EPCOG) in Clovis, New Mexico. As such, the financial information of EAWDB is reported as an agency fund on the in the financial statements of EPCOG.

It shall be the purpose of the Eastern Area Board to set policy for and provide operational oversight of the local workforce investment system geographically comprised of the counties of Union, Harding, Quay, Guadalupe, Curry, De Baca, Roosevelt, Chaves, Lincoln, Otero, Eddy, and Lea, of the State of New Mexico.

During the prior fiscal years 2004-2009, EAWDB reported its funds in program specific audits for WIA and TANF. For the fiscal year ended June 30, 2010, EAWDB is reporting entity wide financial statements. Also during the fiscal year ended June 30, 2010, EAWDB received ARRA funds to supplement its employment services programs.

The objective of the Eastern Area Board is to carry out its duties and responsibilities according to the federal WIA, the TANF program, the New Mexico WDA, and all federal and New Mexico regulations duly promulgated under those acts.

Specifically, as set forth in the WDA, the Eastern Area Board shall:

1. Advise the New Mexico State Workforce Development Board (hereinafter referred to as the "State Board") on issues relating to regional and local workforce development needs;
2. Develop and submit to the State Board and the Governor an Eastern Area five-year workforce plan that shall be updated and revised annually in accordance with the WIA;
3. Designate or certify one-stop program operators in accordance with the WIA;
4. Terminate, for cause, the eligibility of one-stop operators;
5. Select and award grants to youth activity providers in accordance with the WIA;
6. Identify eligible training and intensive service providers in accordance with the WIA;
7. Develop a budget subject to the approval of the chief elected officials of the Eastern Area;
8. Develop and negotiate local performance measurements as describe in the WIA with the chief elected officials of the Eastern Area and the Governor;
9. Ensure linkages with economic development activities;
10. Encourage employer participation and assist employers in meeting hiring needs;

STATE OF NEW MEXICO
EASTERN AREA WORKFORCE DEVELOPMENT BOARD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

I. Summary of Significant Accounting Policies (continued)

A. Description of Entity (continued)

11. In partnership with the chief elected officials of the Eastern Area, conduct oversight of local programs of youth activities authorized pursuant to the WIA and employment and training activities pursuant to the WIA, and the one-stop delivery system in the Eastern Area;
12. Establish as a subgroup a youth council, appointed by the Eastern Area Board in cooperation with the chief elected officials of the Eastern Area;
13. Prior to submission of the Eastern Area plan, provide information regarding the following:
 - a. The Eastern Area plan;
 - b. Membership;
 - c. Designation and certification of one-stop operators; and the award of grants or contracts to eligible providers of youth activities.

Specifically, as set forth in the HSD, the Eastern Area Board shall:

1. EAWDB – TANF Program must approve all sub-contractors
 - A. Must ensure that Work Program Services are being delivered as provided in the scope of work.
 - B. Provide timely plans, reports and billing invoices.
 - C. Meet specific FSP, E&T, and TANF/NMW outcomes.
 - D. Meet specific TANF/NMW performance measures.
2. EAWDB – TANF Program must ensure range of services intended to assist persons receiving assistance under Temporary Assistance to Needy Families (TANF), New Mexico Works program (NMW) and the Food Stamp Program (FSP), and the Employment and Training program (E&T) to become more employable as well as become employed.
3. EAWDB – TANF Program must ensure integrated participant services are comprehensive and business driven. The services must comply with Federal and State regulations and plans for the TANF, FSP, and the E&T programs as indicated in the Personal Responsibility Work Opportunity Reconciliation Act (PRWORA), NMW Act, TANF State Plan, Food Stamp Act, FSP/E&T State Plan, the New Mexico Administrative Code (NMAC), and the Work Verification Plan (WVP).
4. EAWDB – TANF Program designates a contract manager for the TANF program. The EAWDB may appoint another agency, contract representative, or successor to perform this function.
5. Encourage employer participation and assist employers in meeting hiring needs.
6. EAWDB – TANF Program in partnership with the chief elected officials (CEO's) of the eastern area, conduct oversight of local programs.

Pursuant to Section 117 of the WIA, the Eastern Area membership shall include those persons appointed by the chief elected officials of the Eastern Area, based on criteria established by the Governor and the State Board. The composition of the Eastern Area Board shall be in compliance with Section 117(b)(2)(A) and (B) of the WIA. Pursuant to Section 50-14-5D, NMSA 1978 Compilation, the Eastern Area Board shall contain "a minimum of fifty-one percent of its members coming from the private sector and shall include representatives of education, labor, government, economic development and community-based organizations and others as appropriate."

The summary of significant accounting policies of EAWDB is presented to assist in the understanding of the EAWDB financial statements. The financial statements and notes are the representation of EAWDB's management who is responsible for their integrity and objectivity. The financial statements of the EAWDB conform to generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for

STATE OF NEW MEXICO
EASTERN AREA WORKFORCE DEVELOPMENT BOARD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

Summary of Significant Accounting Policies (continued)

A. Description of Entity (continued)

Establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

There were no component units.

3. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the EAWDB. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues. Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Fund financial statements report detailed information about the EAWDB. Similar to private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. The government has elected not to follow subsequent private-sector guidance. As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

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

STATE OF NEW MEXICO
 EASTERN AREA WORKFORCE DEVELOPMENT BOARD
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2010

D. Assets, liabilities, and net assets or equity

1. Deposits and investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments.

D. Assets, liabilities, and net assets or equity – continued

1. Deposits and investments – continued

State statutes authorize the investment of the EAWDB funds in a wide variety of instruments including certificates of deposit and other similar obligations, state investment pool, and money market accounts. The EAWDB is also allowed to invest in United States Government obligations. All funds of the EAWDB must follow the above investment policies.

Deposits of funds may be made in interest or non-interest bearing checking accounts in one or more banks or savings and loan associations within the geographical boundaries of the EAWDB. Deposits may be made to the extent that they are insured by an agency of the United States or by collateral deposited as security or by bond given by the financial institution.

The rate of interest in non-demand interest-bearing accounts shall be set by the State Board of Finance, but in no case shall the rate of interest be less than one hundred percent of the asked price on United States treasury bills of the same maturity on the day of deposit.

Excess of funds may be temporarily invested in securities which are issued by the State or by the United States government, or by their departments or agencies, and which are either direct obligations of the State or the United States or are backed by the full faith and credit of those governments.

2. Receivables and payables

EAWDB's receivables are the result of services rendered and amount due to be drawn down from the program. The amount of the receivable is expected to be fully received with in the subsequent fiscal year.

3. Inventories

EAWDB had no inventories at June 30, 2010.

4. Capital Assets

	<u>Beginning Balance</u>		<u>Increases</u>		<u>Decreases</u>		<u>Ending Balance</u>
Leasehold Improvement	\$ 412,194	\$	-	\$	-	\$	412,194
Less Accumulated Depreciation	<u>156,884</u>		<u>82,439</u>		-		<u>239,323</u>
Net Capital Assets	<u>\$ 255,310</u>	\$	<u>(82,439)</u>	\$	<u>-</u>	\$	<u>172,871</u>

The EAWDB's sole capital asset consists of leasehold improvements to the Clovis One Stop. The leasehold improvement will depreciate over five years the term of the lease.

STATE OF NEW MEXICO
EASTERN AREA WORKFORCE DEVELOPMENT BOARD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

D. Assets, liabilities, and net assets or equity (continued)

5. Long-term obligations

The EAWDB had no long-term debt at June 30, 2010.

6. Fund equity

For the government-wide financial statements, net assets are reported as restricted when constraints are placed on net asset use are either 1) externally imposed by creditors (such as debt covenants), grantors, contributors, or laws and regulations of other governments; 2) Imposed by law through constitutional provisions or enabling legislation.

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

7. Estimates

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

8. Revenues

EAWDB received program specific operating grants from the U.S. Department of Labor passed through the Office of Workforce Development and Training during the year ended June 30, 2010. These revenues are program revenues for the carrying out of program activities of the Workforce Investment Act grant cluster.

II. Stewardship, compliance, and accountability

A. Budgetary Information

EAWDB – WIA Program is not required to submit a budget to the Office of Workforce Development and Training as fund is made on a direct allocation therefore no budgets have been prepared. If the total funds allocated are not spent in the program year, EAWDB – WIA Program can use those funds in the subsequent year.

Though EAWDB – WIA Program is not required to submit a budget, the sub recipients must submit budgets to EAWDB and their respective state agency for oversight. Any budget adjustments must be approved by the EAWDB and the respective state agency.

EAWDB – TANF Program is not required to submit a budget to the New Mexico Human Services Department as funding is made on a direct allocation therefore no budgets have been prepared.

Though EAWDB – TANF Program is not required to submit a budget, the sub recipients must submit budgets to EAWDB and their respective state agency for oversight. Any budget adjustments must be approved by the EAWDB and the respective state agency.

STATE OF NEW MEXICO
EASTERN AREA WORKFORCE DEVELOPMENT BOARD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

II. Stewardship, compliance, and accountability

B. Deficit fund equity

The WIA fund and TANF fund had deficit fund equity of (\$2,522) and (\$342,844) respectively. The negative fund equities are a result of related revenue not recognized for availability for expenditures for the fiscal year ended June 30, 2010. A related finding has been recorded in the single audit section of this report.

III. Detailed notes on all funds

A. Cash and temporary investments

At June 30, 2010, the carrying amount of the EAWDB deposits was \$3,448 and the bank balance was \$119,551. Of this balance (\$157,807) was covered by federal depository insurance and the balance was covered by pledged collateral in EPCOG's name, the fiscal agent.

NM State Statutes require collateral pledged for deposits in excess of the federal deposit insurance to be delivered, or a joint safekeeping receipt be issued, to the EAWDB for at least one half of the amount on deposit with the institution.

The types of collateral allowed are limited to direct obligations of the United States Government and all bonds issued by any agency, district or political subdivision of the State of New Mexico.

According to the Federal Deposit Insurance Authority, public unit deposits are funds owned by the EAWDB. Time deposits, savings deposits and interest bearing NOW accounts of a public unit in an institution in the same state will be insured up to \$250,000 in aggregate and separate from the \$250,000 coverage for public unit demand deposits at the same institution.

Custodial Credit Risk – Deposits

Custodial Credit Risk is the risk that in the event of bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial risk. As of June 30, 2010, none of the government's bank balance of \$119,551 was exposed to custodial risk.

B. Receivables

Receivables as of year end for the government's individual major fund include the following:

Due from other governments:	\$ 314,419
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C. Deferred Revenue

During the fiscal year ended June 30, 2010 EAWDB did not request nor did it receive any advance or unearned revenue. Therefore no deferred revenue is reported.

D. Restricted Net Assets

As of the fiscal year ended June 30, 2010, EAWDB had restricted net assets of (\$345,305). This represents expenditures in excess of revenues recognized during the fiscal year ended June 30, 2010.

STATE OF NEW MEXICO
 EASTERN AREA WORKFORCE DEVELOPMENT BOARD
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2010

IV. Other Information

A. Risk Management

The EAWDB is exposed to various risk of loss related to torts, thefts of, damage to and destructions of assets, errors and omissions and natural disasters for which its fiscal agent carried commercial insurance.

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, 2010, EAWDB did not have any probable risk of loss.

B. Related Party Transactions

Four members of the EAWDB Board of Directors are employed in management positions of entities that were sub recipients of federal awards administered by the EAWDB programs. These board members are as follows:

Jean Morrow	Director of Extended Learning & Occupational Technology	Clovis Community College
Becky Rowley	Executive Vice President	Clovis Community College
John Hemphill	ABE Director	ENMU – Roswell
Gina Corliss	Youth Council	Region IX Education Cooperative

At June 30, 2010, EAWDB expenditures paid to Clovis Community College, ENMU – Roswell and Region IX Education Cooperative were \$477,616, \$476,367 and \$291,036 respectively.

C. Restatement of Beginning Net Assets for Governmental Activities

	Governmental Activities
Net Assets – Governmental Activities at June 30, 2009	\$369,826
Add: Effect of prior year payable adjusted down and paid at a lesser amount.	13,564
Restated Balances at July 1, 2009	<u>\$383,390</u>

D. Restatement of Beginning Fund Balance

	Governmental Activities
Fund Balance – Major Special Revenue at June 30, 2009	\$114,516
Add: Effect of prior year payable adjusted down and paid at a lesser amount.	13,564
Restated Balances at July 1, 2009	<u>\$128,080</u>

STATE OF NEW MEXICO
 EASTERN AREA WORKFORCE DEVELOPMENT BOARD
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Federal Grantor/Program Title	FEDERAL CFDA NUMBER	PASS THROUGH GRANTOR NUMBER	PROGRAM EXPENDITURES
U.S. Department of Labor passed through New Mexico Department of Labor			
Major Programs			
WIA Adult Program	17.258	PY 09-10	\$ 647,061
WIA Youth Activities	17.259	PY 09-10	\$ 572,718
WIA Dislocated Workers	17.260	PY 09-10	\$ 207,298
WIA 10% Administration	17.258, 17.259, 17.260	PY 09-10	\$ 179,871
TANF	93.558	PY 09-10	\$ 2,062,206
ARRA Adult Program	17.258	PY 09-10	\$ 197,254
ARRA Youth Activities	17.259	PY 09-10	\$ 562,395
ARRA Dislocated Workers	17.260	PY 09-10	\$ 56,713
ARRA 10% Administration	17.258, 17.259, 17.260	PY 09-10	\$ 118,742

Payments to sub recipients

Organization	Program		
	WIA	TANF	ARRA
Clovis Community College	\$ 130,873	\$ 343,545	\$ 3,198
ENMU - Portales	10,993	-	2,773
ENMU - Roswell	277,010	825,020	-
ENMU - Ruidoso	132,431	343,936	-
HELP Chavez	52,483	74,848	-
HELP Guadalupe, Quay, and Union	127,633	32,566	-
HELP Eddy	38,295	36,340	-
HELP Lea	59,550	91,074	-
NMSU - Alamogordo	69,644	190,006	43,385
NMSU - Carlsbad	43,229	132,329	15,144
Region IX Education Cooperative	116,414	-	174,622
Roosevelt County Community Development Corp	-	-	-
Total Payments to Sub recipients	\$ 1,058,555	\$ 2,069,664	\$ 239,122

Note 1 This schedule is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations.

STATE OF NEW MEXICO
 EASTERN AREA WORKFORCE DEVELOPMENT BOARD
 BANK RECONCILIATION

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

BANK	Account Type	Program	Bank Balance	Deposits In Transit	Outstanding Checks	Net Cash Balance
The Citizens Bank of Clovis	CHK	WIA	\$ 47,299	\$ 349	\$ 69,603	\$ (21,955)
The Citizens Bank of Clovis	CHK	TANF	39,072	-	185,982	(146,910)
The Citizens Bank of Clovis	CHK	ARRA	33,180	-	22,122	11,058
Total Deposits			<u>\$ 119,551</u>	<u>\$ 349</u>	<u>\$ 277,707</u>	<u>\$ (157,807)</u>

STATE OF NEW MEXICO
EASTERN AREA WORKFORCE DEVELOPMENT BOARD

SCHEDULE OF PLEDGED COLLATERAL

JUNE 30, 2010

	TOTAL DEPOSITS	FDIC INSURANCE	UNINSURED DEPOSITS	COLLATERAL REQUIRED	COLLATERAL PLEGDED	UNINSURED & UNCOLLATERALIZED DEPOSITS	PLEGDED COLLATERAL DEFICIT
CITIZENS BANK OF CLOVIS	<u>\$ 119,551</u>	<u>\$ 250,000</u>	<u>\$ (130,449)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See Independent Auditor's Report

Woodard, Cowen & Co.

Certified Public Accountants

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

Mr. Hector H Balderas, State Auditor
The Board of Directors
Eastern Area Workforce Development Board
Clovis, New Mexico

We have audited the accompanying financial statements of the governmental activities and each major fund of Eastern Area Workforce Development Board (EAWDB), as of and for the year ended June 30, 2010, which collectively comprise the EAWDB basic financial statements as listed in the table of contents and have issued our report thereon dated December 14, 2011. We conducted our audit in accordance with auditing 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 EAWDB'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 EAWDB's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of EAWDB's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

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 combination of control deficiencies, that adversely affects the entity'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 entity's financial statements that is more than inconsequential will not be prevented or detected by the agency's internal control. We consider the described in the accompanying schedule of findings and questioned cost to be significant deficiencies in internal control over financial reporting. 10-1, 10-2, 10-3 and 10-4.

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 agency'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 the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether EAWDB'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 that are required to be reported under Government Auditing Standards.

We noted certain matters that are to be reported under Government Auditing Standards January 2007 Revision paragraphs 5.14 and 5.16, and Section 12-6-5, NMSA 1978, which are described in the accompanying Schedule of Findings and Question Cost as findings 05-3 and 05-4.

The EAWDB'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 EAWDB's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board, management, the office of the New Mexico State Auditor, the New Mexico Legislature, the New Mexico Department of Finance and Administration, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Portales, New Mexico
December 14, 2010

Woodard, Laven & Co.

Woodard, Cowen & Co.

Certified Public Accountants

REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Hector Balderas, State Auditor
The Board of Directors,
Eastern Area Workforce Development Board
Clovis, New Mexico

Compliance

We have audited Eastern Area Workforce Development Board's (EAWDB) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that that could have a direct and material effect on each of EADWB's major federal programs of the year ended June 30, 2010. EAWDB's major federal programs are 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 each of its major federal programs is the responsibility of EAWDB's management. Our responsibility is to express an opinion on EAWDB'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, *Audits 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 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 EAWDB'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 EAWDB's compliance with those requirements.

In our opinion, EAWDB complied, in all material respects with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. 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 Cost as item 10-3.

Internal Control Over Compliance

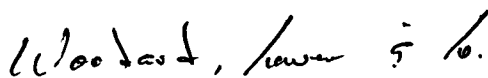
The management of EAWDB is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered EAWDB's internal control over compliance 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 opinions on compliance to test and report on internal control over compliance with OMB Circular A-133, 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 EAWDB's internal control over compliance.

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

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as item 10-3. 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.

This report is intended solely for the information and use of the EAWDB, Management, the Office of the New Mexico State Auditor, the New Mexico Legislature, the New Mexico Department of Finance and Administration, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Portales, New Mexico
December 14, 2011



STATE OF NEW MEXICO
EASTERN AREA WORKFORCE DEVELOPMENT BOARD

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

June 30, 2010

PRIOR YEAR AUDIT FINDINGS – EASTERN AREA WORKFORCE DEVELOPMENT BOARD

LATE SUBMISSION OF THE DATA COLLECTION FORM – 05-3

Statement of Condition: The data collection form and reporting package was not submitted to the federal clearinghouse or to federal agencies within nine months of the fiscal year end.

Recommendation: Auditors should be hired and fieldwork performed with enough time to complete the audit and submit all reports in a timely fashion.

Current Status: Repeated and Revised

LATE REPORT – 05-4

Statement of Condition: The audit report for EAWDB – WIA Program's fiscal year ended June 30, 2008 was not submitted by the December 1, 2008 due date. The audit report was submitted September 29, 2009.

Recommendation: An auditor should be hired and engaged in time to complete the planning, fieldwork, and report writing so that the report may be submitted before the state auditor's due date.

Current Status: Repeated and Revised

ENTRIES MADE TO FUND BALANCE ACCOUNTS – 09-01

Statement of Condition: EAWDB staff with the help of an outside accountant made journal entries to fund balance accounts to correct a prior year error in accounts receivable. The EAWDB staff did not fully understand the purpose for the entry or the consequences of such an entry.

Recommendation: No journal entries should be made to the fund balance without board notification and approval. No journal entries should be made by outside sources without the complete understanding of the Chief Financial Officer.

Current Status: Resolved.

STATE OF NEW MEXICO
 EASTERN AREA WORKFORCE DEVELOPMENT BOARD

SCHEDULE OF FINDINGS AND QUESTIONED COST
 June 30, 2010

I. SUMMARY OF AUDITORS RESULTS:

Report on Financial Statements	Unqualified
Significant Deficiencies on GAGAS	5-04 and 09-01
Material Weakness involving Significant Deficiency	none
Material Noncompliance	None
Questioned Cost	None
Type A & Type B dollar threshold	\$300,000
Entity Risk	Low Risk
Major Federal Program	Workforce Investment Act CFDA# 17.258 Workforce Investment Act CFDA# 17.259 Workforce Investment Act CFDA# 17.260
Significant Deficiencies on Internal Control over Major Programs	10-1, 10-2, and 10-3
Report on Compliance with Major Programs	Unqualified

II. FEDERAL PROGRAM FINDINGS:

10-3

III. FINANCIAL STATEMENT FINDINGS:

LATE SUBMISSION OF THE DATA COLLECTION FORM – 05-3 Repeated

Statement of Condition:	The data collection form and reporting package will not be submitted to the federal clearinghouse or to federal agencies within nine months of the fiscal year end.
Criteria:	OMB Circular A-133.320 requires the data collections form and reporting package to be submitted to the federal clearinghouse and federal agencies nine months after the entity's year end for entities receiving federal funding.
Cause:	EPCOG, the fiscal agent responsible for filing the data collection report for the fiscal year ended June 30, 2010, did not obtain an auditor in time to complete the audit in time for the data collections form within the nine month period.
Effect:	The data collection form and reporting package will not be submitted by the nine month deadline. Therefore the Depart of Labor and Department of Human Services will not have the data available to evaluate subsequent years' needs or to evaluate performance of the program.
Recommendation:	Auditors should be hired and fieldwork performed with enough time to complete the audit and submit all reports in a timely fashion.
Response:	Management concurs with recommendation.

STATE OF NEW MEXICO
EASTERN AREA WORKFORCE DEVELOPMENT BOARD

SCHEDULE OF FINDINGS AND QUESTIONED COST (continued)
June 30, 2010

III. FINANCIAL STATEMENT FINDINGS (continued):

LATE REPORT – 05-4 Repeated

Statement of Condition: The audit report for EAWDB's fiscal year ended June 30, 2010 was not submitted by the December 1, 2010 due date. The audit report was submitted December 23, 2011.

Criteria: SAO Rule 2.2.2.10.I.(4) establishes a due date of December 1, 2010 for submission of this audit report to the Office of the State Auditor.

Cause: As stated in finds 10-1 and 10-2 cash and other balance sheet accounts were not reconciled, therefore the records were not ready for audit.

Effect: The report was not submitted as required. Without the audit report being delivered on time, funding and regulatory agencies as well as legislative committees do not have the financial data available to make funding decisions.

Recommendation: An auditor should be hired and engaged in time to complete the planning, fieldwork, and report writing so that the report may be submitted before the state auditor's due date.

Response: Management concurs with recommendation.

NO RECONCILIATION OF THE TANF BANK ACCOUNT – 10-1

Statement of Condition: The bank account for the TANF program was not reconciled to the EAWDB's books. In fact, the bank statements for the two preceding year-end and the three months following year end could not be located when requested by the auditor.

Criteria: Public monies are required to have bank reconciliations and that they be presented at fiscal year-end. In addition, prudent business practice is to perform a bank reconciliation each and every month to ensure that all cash transactions are accounted for.

Cause: A new staff member was not properly supervised or trained to complete the reconciliations on a timely manner. Therefore, the reconciliations simply were not done.

Effect: The agency did not have a reliable cash balance.

Recommendation: Every bank account should be reconciled each and every month as soon as the bank statement is received.

Response: The staff member referred to above has been reassigned and a new staff member has taken over those duties and the reconciliations were caught up as of exit conference date.

BALANCE SHEET ACCOUNTS NOT RECONCILED – 10-2

Statement of Condition: No reconciliation of accounts receivable and accounts payable is being performed.

Criteria: Prudent accounting practice is to maintain and reconcile balance sheet account especially accounts as significant as accounts receivable and accounts payable.

Cause: EPCOG staff simply was not maintaining ledger balances for account receivable and accounts payable.

Effect: The agency did not have substantiation for its receivables and payables. The completion of the audit had to wait for the records to be compiled and the appropriate adjustments made.

Recommendation: EPCOG staff should monitor and reconcile the balances in accounts receivable and payable.

Response: EPCOG staffing has changed and the new staff members are making changes to procedures as of the exit conference. Management agrees and will encourage and enforce the reconciliations.

STATE OF NEW MEXICO
EASTERN AREA WORKFORCE DEVELOPMENT BOARD

SCHEDULE OF FINDINGS AND QUESTIONED COST (continued)
June 30, 2010

III. FINANCIAL STATEMENT FINDINGS (continued):

CASH BALANCE IN ARRA ACCOUNT – 10-3

Statement of Condition: The cash account for the ARRA program had a cash balance of \$11,058 at year end.

Criteria: As the ARRA program was a reimbursement program and EAWDB did not receive an advance. The balance of the cash should have been zero. Under the compliance supplement for this program, cash is to be disbursed within three days of receipt.

Cause: The financial officer held back the administration portion of the ARRA reimbursement as a cash balance cushion. While this may have been considered a good idea, this practice is still in violation of the compliance for the program.

Effect: The cash balance gave the appearance of material noncompliance. That is on it appeared that either providers were not receiving timely payments.

Recommendation: First EPCOG staff should maintain the reimbursement request so that reimbursements are matched with provider and administrative billings and paid out immediately upon receipt of payment. Second, EPCOG staff should issue payments to all providers and to themselves as the administrator within the three day requirement.

Response: The situation was corrected and reimbursement practice has been changed.

DEFICIT FUND BALANCES – 10-4

Statement of Condition: The WIA program had a deficit balance of \$2,522 and the TANF program had a deficit balance of \$342,844.

Criteria: Under the programs, deficit fund balances are not allowed. Both programs are reimbursement based. The equity for these programs should be zero as revenues should equal expenditures.

Cause: EPCOG staff were not processing both expenditures or reimbursement request in a timely manner.

Effect: First there is an appearance that EAWDB has spent more than has been received or more than allowed. Second, EAWDB is not paying its providers in a timely manner.

Recommendation: EPCOG staff should complete the reimbursement request to the State agency as the request comes in from providers. Also the reimbursements should be matched to the disbursements to ensure that adequate funds are available.

Response: Management concurs with the recommendation. As of the exit conference the deficit balances have been corrected.

STATE OF NEW MEXICO
EASTERN AREA WORKFORCE DEVELOPMENT BOARD

OTHER DISCLOSURES

June 30, 2010

AUDITOR PREPARED FINANCIAL STATEMENTS

We prepared the draft financial statements based on management's chart of accounts and trial balances and any adjusting, correcting, and closing entries have been approved by management. We also have prepared the draft footnotes based on the information determined and approved by management. These services are allowable under SAS 112.

EXIT CONFERENCE

An exit conference, to discuss the contents of this report, was held on December 14, 2011. In attendance were Jimmie Shearer, Board Chair; Ray Battaglini, Executive Committee Member; Sandy Chancey, Executive Director, Odessa Hamilton, Accountant; and David Thompson, Chief Financial Officer. John McKinley, CPA represented our firm.