



# HINKLE + LANDERS

Certified Public Accountants + Business Consultants

**STATE OF NEW MEXICO  
EASTERN AREA WORKFORCE  
DEVELOPMENT BOARD**

**Financial Statements**

**For The Year Ended June 30, 2015**



**STATE OF NEW MEXICO  
EASTERN AREA WORKFORCE DEVELOPMENT BOARD  
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For The Year Ended June 30, 2015**

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**STATE OF NEW MEXICO**  
**EASTERN AREA WORKFORCE DEVELOPMENT BOARD**  
**OFFICIAL ROSTER**  
**For The Year Ended June 30, 2015**

**DIRECTORS**

Judith Cooper  
Angelita Buurma  
Paul D. Barnes  
Sue Bracksieck  
Tonk Chester  
Terry Christesson  
Todd DeKay  
Marion "Bud" Duryea  
Ruth Giron  
Rene Hatfield  
Charles "Jay" Jaramillo  
Joann Lopez  
Marcos Martinez  
John Mulcahy  
Becky Rowley  
Nash Sisneros  
Paul Stevens  
Mark Vigil  
Theresa Villanueva

**POSITION**

Chairman  
Board Member  
Board Member  
Board Member  
Board Member  
Board Member  
Board Member  
Board Member  
Board Member  
Board Member  
Board Member  
Board Member  
Board Member  
Board Member  
Board Member  
Board Member  
Board Member  
Board Member  
Board Member

**STAFF**

Charles Lehman

**POSITION**

Executive Director

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Eastern Area Workforce Development Board and  
Mr. Tim Keller, State Auditor  
Santa Fe, New Mexico

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the major fund, and the budgetary comparison for the general fund of the Eastern Area Workforce Development Board (EAWDB), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the EAWDB's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 entity's internal control. Accordingly, we express no such opinion.

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

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 major fund of the EAWDB, as of June 30, 2015, and the respective changes in financial position and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Emphasis of Matter**

As discussed in Note 12 to the financial statements, the 2015 beginning balance of net position has been restated. Our opinion is not modified with respect to this matter.

### **Other Matters**

#### **Required Supplementary Information**

Management has omitted the Management and Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

#### **Other Information**

Our audit was conducted for the purpose of forming opinions on the EAWDB's financial statements and the general fund budgetary comparison. The schedule of expenditures of federal awards as required by Office of Management and Budget *Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and the other schedule listed as "other supplementary information (audited)" required by 2.2.2.NMAC are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The *schedule of expenditures of federal awards* and other schedule listed as "other supplementary information (audited), required by 2.2.2 NMAC, are the responsibility of management and were derived from and relate 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 the auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures and other schedule required by 2.2.2 NMAC are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The schedule of vendor information, listed as "other supplemental information (unaudited), 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 our report dated December 14, 2015 on our consideration of EAWDB'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 in considering EAWDB's internal control over financial reporting and compliance.

*Hinkle & Landers, P.C.*

Hinkle + Landers, PC  
Albuquerque, NM  
December 14, 2015

**STATE OF NEW MEXICO  
EASTERN AREA WORKFORCE DEVELOPMENT BOARD  
(GOVERNMENT-WIDE)  
STATEMENT OF NET POSITION  
As of June 30, 2015**

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Current assets	
Cash and cash equivalents	\$ 16,858
Grant receivables	191,289
Other receivables	2,486
Prepaid expenses	7,680
Security deposits	600
Total current assets	<u>218,913</u>
Non-current assets:	
Capital assets	<u>2,454</u>
Total assets	<u>\$ 221,367</u>
<b>LIABILITIES</b>	
Current liabilities	
Accounts payable	\$ 185,935
Due to other governments	-
Unearned revenue	<u>21,798</u>
Total current liabilities	<u>207,733</u>
<b>NET POSITION</b>	
Net investment in capital assets	2,454
Unrestricted	<u>11,180</u>
Total net position	<u>13,634</u>
Total liabilities and net position	<u>\$ 221,367</u>

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



**STATE OF NEW MEXICO  
EASTERN AREA WORKFORCE DEVELOPMENT BOARD  
(GOVERNMENT-WIDE)  
STATEMENT OF ACTIVITIES  
For The Year Ended June 30, 2015**

<b>Functions/Programs</b>	<b><u>Expenses</u></b>	<b><u>Program Operating Grants and Contributions</u></b>	<b><u>Net (Expense) Revenue and Changes in Net Position for Governmental Activities</u></b>
<b>Governmental activities:</b>			
Workforce Investment Act program:			
Adult	\$ 749,677	749,677	-
Dislocated Worker	265,231	265,231	-
Youth	449,652	449,652	-
Administration	152,995	152,995	-
One-Stop offices	150,717	150,717	-
Depreciation	<u>1,280</u>	<u>-</u>	<u>(1,280)</u>
	\$ 1,769,552	1,768,272	(1,280)
General revenues:			
Interest income			<u>-</u>
Change in net position			(1,280)
Net position, beginning of year			3,734
Restatement			11,180
Beginning net position, as restated			<u>14,914</u>
Net position, end of year			<u>\$ 13,634</u>

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The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO  
EASTERN AREA WORKFORCE DEVELOPMENT BOARD  
BALANCE SHEET - GOVERNMENTAL FUNDS  
As of June 30, 2015**

		<b>General Fund Workforce Investment Act</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$	16,858
Grant receivables		191,289
Other receivables		2,486
Prepaid expenses		7,680
Security deposits		600
Total assets	\$	<u>218,913</u>
<b>LIABILITIES</b>		
Accounts payable	\$	185,935
Due to other governments		-
Unearned revenue		21,798
Total liabilities		<u>207,733</u>
<b>FUND BALANCE</b>		
Non-spendable: prepaids		7,680
Non-spendable: security deposit		600
Unassigned		2,900
Total fund balance		<u>11,180</u>
Total liabilities and fund balance	\$	<u>218,913</u>
 <b>Amounts reported for governmental activities in the statement of net position are different because:</b>		
Total fund balances - Governmental Funds	\$	11,180
 <i>Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet</i>		
Net position of governmental activities	\$	<u>2,454</u>
		<u>13,634</u>

See independent auditor's report  
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**STATE OF NEW MEXICO  
EASTERN AREA WORKFORCE DEVELOPMENT BOARD  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUND  
For The Year Ended June 30, 2015**

		<b>General Fund Workforce Investment Act</b>
<b>Revenues:</b>		
Federal grants	\$	1,617,555
One Stop contract		150,717
Total revenues		<u>1,768,272</u>
<b>Expenditures:</b>		
Employment services:		
Formula Program Year funds		
Adult		749,677
Dislocated Worker		265,231
Youth		449,652
Administration		152,995
One Stop offices		150,717
Debt service:		
Principal		-
Total expenditures		<u>1,768,272</u>
Net change in fund balance		-
Beginning fund balance		-
Restatement		11,180
Beginning fund balance, as restated		11,180
Ending fund balance	\$	<u><u>11,180</u></u>
<b>Amounts reported for governmental activities in the statement of activities are different because:</b>		
Net change fund balance in governmental funds	\$	-
<i>Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net position, but they do not require the use of current financial resources. Therefore depreciation expense is not reported as expenditure in governmental funds.</i>		
		(1,280)
Change in net position of governmental activities	\$	<u><u>(1,280)</u></u>

See independent auditor's report  
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**STATE OF NEW MEXICO  
EASTERN AREA WORKFORCE DEVELOPMENT BOARD  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - BUDGET (MODIFIED ACCRUAL BASIS)  
AND ACTUAL (MODIFIED ACCRUAL BASIS)  
For The Year Ended June 30, 2015**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Revenues:</b>				
Grants	\$ 1,951,671	1,951,671	1,617,555	(334,116)
One Stop contract	172,120	172,120	150,717	(21,403)
Total revenues	<u>2,123,791</u>	<u>2,123,791</u>	<u>1,768,272</u>	<u>(355,519)</u>
<b>Expenditures:</b>				
Current:				
Employment services:				
PY 13 and FY 14				
Adult	326,986	326,986	326,986	-
Dislocated Worker	127,777	127,777	127,777	-
Youth	230,009	230,009	230,009	-
Administration	9,870	9,870	9,870	-
PY 14 and FY 15				
Adult	513,144	513,144	422,691	90,453
Dislocated Worker	296,093	296,093	137,454	158,639
Youth	302,783	302,783	219,643	83,140
Administration	145,009	145,009	143,125	1,884
One Stop offices	172,120	172,120	150,717	21,403
Total general governmental	<u>2,123,791</u>	<u>2,123,791</u>	<u>1,768,272</u>	<u>355,519</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Other financing sources (uses)</i>				
Proceeds from debt issuance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

See independent auditor's report  
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**STATE OF NEW MEXICO**  
**EASTERN AREA WORKFORCE DEVELOPMENT BOARD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For The Year Ended June 30, 2015**

**NOTE 1 – 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 the Workforce Investment Act program.

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 Economic Employment Information Center of New Mexico (EEICNM) in Albuquerque, New Mexico.

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.

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

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:

- 1) Advise the state board on issues relating to regional and local workforce development needs;
- 2) 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;
- 3) Designate or certify one-stop program operators in accordance with the federal Workforce Investment Act of 1998;
- 4) Terminate, for cause, the eligibility of the one-stop operator;
- 5) Select and provide grants to youth activity providers in accordance with the Workforce Investment Act of 1998;
- 6) Identify eligible training and intensive service providers in accordance with Workforce Investment Act of 1998;
- 7) Develop a budget subject to approval of the chief elected official;
- 8) Develop and negotiate local performance measurements as described in the Workforce Investment Act of 1998 with the chief elected official and the governor;

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**EASTERN AREA WORKFORCE DEVELOPMENT BOARD**  
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- 9) Assist in development of an employment statistics system;
- 10) Ensure linkages with economic development activities;
- 11) Encourage employer participation and assist employers in meeting hiring needs;
- 12) In partnership with the chief elected officials, 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 to that act, and conduct oversight of the one-stop delivery system in the local area;
- 13) Establish as a subgroup, a youth council, appointed by the local board in cooperation with the chief elected official, and
- 14) Prior to submission of the local plan, provide information regarding the following:
  - a) the local plan
  - b) membership
  - c) designation and certification of one-stop operators and
  - d) the award of grants or contracts to eligible providers of youth activities

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

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

***B. Basic Financial Statements – Government-Wide Statements***

The EAWDB's basic financial statements include both government-wide (based on the EAWDB as a whole) and fund financial statements. Both the government-wide and fund financial statements (Within the basic statement) categorize primary activities as either governmental or business type. The EAWDB is a single purpose government entity and has no business-type activities. The government-wide financial statements, the statement of net position and the statement of activities report information on all non-fiduciary activities of an agency.

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**EASTERN AREA WORKFORCE DEVELOPMENT BOARD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For The Year Ended June 30, 2015**

In the government-wide statement of net position, the governmental activities are presented using the economic resources measurement focus and the accrual basis of accounting, which incorporates long-term assets, receivables, and deferred outflows as well as long-term debt, obligations, and deferred inflows. The EAWDB's net position are reported in three parts –net investment in capital assets; restricted net position; and unrestricted net position.

The government-wide Statement of Activities reflects both the gross and net cost per functional category (employment services) which is otherwise supported by general government revenues. The Statement of Activities reduces gross expense (including depreciation expense on capital assets) by related program revenues, operating and capital grants. Program revenue must be directly associated with the function (public safety). Program revenues include 1) charges to applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment, 2) grants and contributions that are restricted to meeting the operational or capital requirements for a particular function or segment.

When applicable, the effect of interfund activity is removed from the statement of net position and the statement of activities in order to avoid a grossing-up effect on the assets, liabilities, revenues and expenditures.

The net cost by function is normally covered by general revenue. Since the EAWDB only has one program, it does not employ indirect cost allocation. The government-wide focus is more on the sustainability of the EAWDB as an entity and the change in the EAWDB's net position resulting from the current year's activities.

***C. Basic Financial Statements -Fund Financial Statements***

The governmental funds in the fund financial statements are presented on a current financial resources measurement focus and modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. This presentation is deemed more appropriate to demonstrate legal and covenant compliance, to demonstrate the source and use of liquid resources and to demonstrate how the EAWDB's actual experience conforms to the budget or fiscal plan. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements governmental column, a reconciliation is presented with each statement, which briefly explains the adjustment necessary to transform the fund based financial statements into the governmental column of the government-wide presentation.

The financial transactions of the EAWDB are recorded in individual 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 balance, revenues, expenditures or expenses and other financing sources or uses. Government resources are allocated to, and accounted for, in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

This model sets forth the minimum criteria (percentage of the assets, liabilities, revenues or expenditures of either fund category or the governmental and enterprise combines) for the determination of major funds. The non-major funds are combined in a column in

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**EASTERN AREA WORKFORCE DEVELOPMENT BOARD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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the fund financial statements and detailed in the combining section. Currently, all EAWDB sub-funds are reported as a single General Fund.

The following fund type is used by the EAWDB:

*Governmental Funds*

All governmental fund types are accounted for on a spending or financial flow measurement focus. Only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of available spendable resources. Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of available spendable resources during a period. Revenues are available if collected within the current period or soon enough afterwards to pay liabilities of the current period. The EAWDB considers revenues to be available if collected within sixty days of the end of the fiscal year. Due to their spending measurement focus, expenditure recognition for governmental fund types is limited to exclude amounts represented by noncurrent liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures of fund liabilities.

The EAWDB presents the following type of governmental funds.

- *General Fund* – The General Fund is the general operating fund of the EAWDB. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund is comprised of multiple sub-funds associated with separate revenue sources. The General Fund is funded primarily from operating grants from the U.S. EAWDB of Labor passed through the New Mexico EAWDB of Workforce Solutions.

***D. Basis of Accounting***

Basis of accounting refers to the point at which revenues or expenditures are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made, regardless of the measurement focus applied.

The government-wide financial statements are presented on an accrual basis of accounting. Under the accrual method of accounting, revenues are recognized when earned and expenditures are recognized when incurred. Revenues, expenses, gains, losses, assets and liabilities resulting from non-exchange transactions are recognized in accordance with the requirements of GASB Statement No. 33, *Accounting and Financial Reporting for Non-exchange Transactions*, which was adopted by the EAWDB as of July 1, 2000.

All governmental funds utilize the modified accrual basis of accounting. Under this method, revenues and other governmental fund financial resource increments are recognized in the accounting period in which they become susceptible to accrual -that is, when they become both measurable and available to finance expenditures of the current



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fiscal period; available meaning collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

Revenues from grants that are restricted for specific uses are recognized as revenues and as receivables when the related costs are incurred. Contributions and other monies held by other state and local agencies are recorded as a receivable at the time the money is made available to the specific fund. All other revenues are recognized when they are received and are not susceptible to accrual.

Expenditures are recorded as liabilities when incurred. An exception to this general rule is that accumulated unpaid annual, compensatory and certain sick leave are not accrued as current liabilities but as non-current liabilities. Expenditures charged to federal programs are recorded utilizing the cost principles described by the various funding sources.

In applying the "susceptible to accrual" concept to intergovernmental revenues pursuant to GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, the provider should recognize liabilities and expenses and the recipient should recognize receivables and revenues when the applicable eligibility requirements including time requirements, are met. Resources transmitted before the eligibility requirement are met, under most circumstances, should be reported as advances by the provider and unearned revenue by the recipient.

***E. Net Position***

The government-wide financial statements utilize a net position presentation. Net position is categorized as investment in capital assets (net of related debt), restricted, and unrestricted.

*Net Investment in Capital Assets* – is intended to reflect the portion of net position which is associated with non-liquid, capital assets less outstanding capital asset related debt. There was no related debt as of fiscal year-end.

*Restricted Assets* – are liquid assets (generated from revenues and not bond proceeds), with constraints placed on their use by either: 1) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or 2) imposed by law through constitutional provisions or enabling legislation. These are assets which have a legally enforceable third-party (statutory or granting agency) limitation on their use. Legally enforceable means that a government can be compelled by an external party, such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for purposes specified by the legislation. Generally the enforceability of an enabling legislation restriction is determined by professional judgment. If it is determined that the restrictions continue to be legally enforceable, then for the purposes of financial reporting, the restricted net position should not reflect any reduction for resources used for purposes not stipulated by the enabling legislation.

*Unrestricted Assets* – represent unrestricted liquid assets. These are comprised off all net position that is not otherwise classified as restricted or invested in capital assets.

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The EAWDB allocates expenses to restricted or unrestricted resources based on the budgeted source of funds. It is the EAWDB's practice to apply restricted resources prior to unrestricted funds when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

***F. Deferred Outflows/Inflows of Resources***

In addition to assets, the statement of net position and/or the balance sheet for the governmental funds will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position/fund balance that applies to a future period and so will not be recognized as an expense or expenditure until then. The EAWDB has no deferred outflows of resources during fiscal year 2015 on the government-wide or fund financials.

In addition to liabilities, the statement of net position and/or the balance sheet for the governmental funds will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position/fund balance that applied to a future period and so will not be recognized until then. The EAWDB has no deferred inflows of resources during fiscal year 2015 on the government-wide or fund financials.

***G. Fund Balance – Governmental Funds***

GASB Statement No. 54 clarifies the existing governmental fund type definitions and provides clearer fund balance categories and classifications. The new hierarchical fund balance classifications are based primarily upon the extent to which a government is bound to follow constraints on resources in governmental funds. GASB Statement No. 54 was implemented in the current fiscal year. Details of the EAWDB's fund balance classifications and policies follows.

In the governmental fund financial statements, fund balances are classified as nonspendable, restricted, or unrestricted (committed, assigned, or unassigned). The EAWDB's fund balance is classified under the following GASB Statement No. 54 components:

- ***Non-spendable:*** Non-spendable fund balance classification includes amounts that cannot be spent because they are either (1) not in spendable form or (2) legally or contractually required to be maintained intact. The EAWDB had non-spendable fund balance of \$8,280 for the year ended June 30, 2015.
- ***Restricted:*** Restricted fund balance represents amounts constrained to specific purposes that are externally imposed or imposed by law through constitutional provisions or enabling legislation (such as taxpayers, grantors, bondholders, and higher levels of government). The EAWDB does not have any restricted fund balance for the year ended June 30, 2015.
- ***Committed:*** Committed fund balance is constrained to specific purposes by the highest level of decision-making authority (the New Mexico Legislature and Governor). The EAWDB does not have any committed fund balance for the year ended June 30, 2015.

**STATE OF NEW MEXICO**  
**EASTERN AREA WORKFORCE DEVELOPMENT BOARD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For The Year Ended June 30, 2015**

- *Assigned*: Assigned fund balance is constrained by the Legislature and Executive branch's intent to be used by the government for specific purposes or in some cases by legislation. Intent can be expressed by the governing body or an official or body to which the governing body delegates authority. The EAWDB does not have any assigned fund balance for the year ended June 30, 2015.
- *Unassigned*: Unassigned fund balance is the residual classification for the general fund. The EAWDB does not currently have a minimum fund balance policy. The EAWDB unassigned fund balance for the year ended June 30, 2015 consists of amounts stemming from start-up costs for the Clovis and NMWFC-Chavez County one-stop offices.

Spending policy

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the EAWDB considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the EAWDB considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed.

**H. Budgets**

The EAWDB prepares a budget by funding stream based upon the allocation by the State Workforce Development Board to be approved by the EAWDB's Board. The State Workforce Development Board provides the EAWDB with a breakdown of the funds allocated to that region each year for adult, dislocated worker, state set aside, youth and administration activities. Those allocations are based upon the State Workforce Development Board's approved state plan. The EAWDB cannot exceed expenditures by adult, dislocated worker, youth, state set aside, or administration funding streams. Allocated funds not drawn in the first year may be drawn in the next year.

Budgets are prepared on the modified accrual basis of accounting. The EAWDB and the Department of Finance and Administration exercise legal level budget control at the fund level for general government functions. The budgets of all individual funds may not be legally over expended. Any adjustments to the State Board's allocations made by the EAWDB must be first approved by the State Workforce Development Board but are not required to be approved by the Department of Finance and Administration.

Any federal funds that have been used for any purpose not within the purposes of the Workforce Investment Act shall be reimbursed to the State Workforce Investment Board. Also any funds allocated not used within two years of the original allocation date revert back and are not allowed to be drawn down after that period.

**I. 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.

**STATE OF NEW MEXICO**  
**EASTERN AREA WORKFORCE DEVELOPMENT BOARD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For The Year Ended June 30, 2015**

***J. Receivables***

In accordance with Article IV Section 32 of the New Mexico Constitution [Remission of debts due state or municipalities], the EAWDB does not write-off amounts owed to it by any individual, association, company, or other agency. The EAWDB maintains a list of all amounts owed to it to ensure no amounts are erroneously written off.

***K. Federal Grants Receivable (Unearned Revenue)***

All federal grants are on a reimbursement basis. Various reimbursement procedures are used for federal awards received by the EAWDB. Consequently, timing differences between expenditures and program reimbursements can exist at any time during the fiscal year. Receivable balances at fiscal yearend represent an excess of modified accrual basis expenditures over cash reimbursements received to date. Conversely, unearned revenue balances represent an overdraw of cash (advances) in excess of modified accrual basis expenditures. Generally, receivable or unearned revenue balances caused by differences in the timing of cash reimbursements and expenditures will be reversed or returned to the grantor in the remaining grant period.

Determining the amount of expenditures reimbursable by the federal government, in some cases, requires management to estimate allowable costs to be charged to the federal government. As a result of this and other issues, management provides an allowance for potential contractual allowances for federal revenue. Any changes in these estimates are recorded in the period that the estimate is changed.

***L. Allowances***

The EAWDB expects to receive the full amount of grants receivable for funds requested from the Office of Workforce Development and Training and others and, therefore, had not set up any allowance for any uncollectible receivables.

***M. Capital Assets and Depreciation***

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. General capital assets are long-lived assets of the EAWDB as a whole. When purchased, such assets are recorded as expenditures in the governmental funds and are capitalized on the government-wide financial statements. The valuation bases for general capital assets is historical cost, or where historical cost is not available, estimated historical cost based on replacement cost. Sub-grantees purchasing equipment by sub-grant made by the EAWDB to other agencies is accounted for in capital assets. Purchased capital assets are valued at historical cost. Donated capital 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.

**STATE OF NEW MEXICO**  
**EASTERN AREA WORKFORCE DEVELOPMENT BOARD**  
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**For The Year Ended June 30, 2015**

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

<u>Type of Asset</u>	<u>Estimated Useful Life</u>
Leasehold improvements	5 years
Vehicles	5 years
Software	5 years

However, assets over the past years have been purchased by contractors and sub-recipients as budgeted in their contracts and award agreements. These assets have been recorded on the contractors' and sub-recipients' books and depreciation has been recorded on their books accordingly. The contractors and sub-recipients are under the understanding that should the program end or their agreements with the EAWDB end, those assets will need to be returned to the EAWDB's awarding program.

***N. Use of Estimates***

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

**NOTE 2 – DEPOSIT AND INVESTMENTS**

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

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.

**STATE OF NEW MEXICO  
EASTERN AREA WORKFORCE DEVELOPMENT BOARD  
NOTES TO THE FINANCIAL STATEMENTS  
For The Year Ended June 30, 2015**

In accordance with Section 6-10-17, NMSA, 1978 Compilation, deposits of public money are required to be collateralized. Pledged collateral is required to have an aggregate value 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.

Custodial credit risk is risk that in the event of bank failure, the EAWDB's deposits may not be returned to it. The government does not have a deposit policy for custodial risk. As of June 30, 2015, none of the government's bank balance of \$74,472 was exposed to custodial risk.

Deposits as of June 30, 2015 were held in Wells Fargo Bank in the name of the EAWDB. Deposits (cash or cash equivalents) are carried at cost, which approximates market value. As of June 30, 2015, the carrying amount of the EAWDB's deposits was \$16,858.

The following is a listing of deposits of public money held by the EAWDB, by the depositing financial institutions as of June 30, 2015:

<u>Bank/Account Name</u>	<u>Type</u>	<u>Bank Balance</u>	<u>Outstanding Items</u>	<u>Book Balance</u>
Wells Fargo*	Demand Deposit	\$ 74,472	(57,614)	16,858
FDIC insurance		(74,472)		
Amount uninsured		\$ -		

\* denotes interest bearing

There were no remaining uninsured and collateralized deposits exposed to custodial credit risk. As of June 30, 2015, the amount of the EAWDB's bank balance of that was exposed to custodial credit risk was as follows:

Uninsured and collateral held by the pledging Bank's trust dept., not in the EAWDB's name	\$ <u>                    -</u>
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Due to restriction on Workforce Investment Act funds by the granting agency monies deposited into the account of the EAWDB and any program revenue earned by the EAWDB are not allowed to be invested.

**NOTE 3 – CAPITAL ASSETS AND DEPRECIATION**

The following is a summary of changes in capital assets for the year ended June 30, 2015:

	<u>2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>2015</u>
Capital Assets:				
Software	6,401	-	-	6,401
Subtotal depreciable assets	6,401	-	-	6,401
Accumulated Depreciation:				
Software	(2,667)	(1,280)	-	(3,947)
Subtotal accumulated depreciation	(2,667)	(1,280)	-	(3,947)
Total net capital assets	\$ <u>3,734</u>	<u>(1,280)</u>	<u>-</u>	<u>2,454</u>

**STATE OF NEW MEXICO  
EASTERN AREA WORKFORCE DEVELOPMENT BOARD  
NOTES TO THE FINANCIAL STATEMENTS  
For The Year Ended June 30, 2015**

Current year depreciation expense for the year ended June 30, 2015 was \$1,280. All of the EAWDB's equipment have been purchased under government contracts and are restricted as to their use as designated by granting agencies.

**NOTE 4 – RECEIVABLES**

The EAWDB receivables consist of the following at June 30, 2015:

Receivables	2015
<i>Grant receivables</i>	
Grant receivables from DWS	\$ 191,289
 <i>Other receivables</i>	
Region IX	435
ENMU-Ruidoso	1,503
Other	548
Total other receivables	2,486
Total receivables	\$ 193,775

**NOTE 5 – RECONCILIATION BETWEEN BUDGETARY BASIS AND GAAP BASIS**

Because the EAWDB kept its budgets on the modified accrual basis of accounting during the year ending June 30, 2015, there was no need to reconcile the budget financial statements to fund financial statements.

**NOTE 6 – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA) PLAN AND POST EMPLOYMENT BENEFITS**

During the fiscal year ended June 30, 2015, the EAWDB had no employees eligible for retirement benefits and, therefore, had no retirement benefit expenditures during the year.

**NOTE 7 – RISK MANAGEMENT**

The EAWDB 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 the EAWDB carries commercial insurance. Settled claims have not exceeded this commercial coverage in the past year.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. As of June 30, 2015, the EAWDB did not have any probable risk of loss.

**NOTE 8 – RELATED PARTY TRANSACTIONS**

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

**STATE OF NEW MEXICO  
EASTERN AREA WORKFORCE DEVELOPMENT BOARD  
NOTES TO THE FINANCIAL STATEMENTS  
For The Year Ended June 30, 2015**

During the year ended June 30, 2015, purchases for goods and services were made by the EAWDB with companies or organizations with which various board members are associated with as follows:

<u>Board Member</u>	<u>Organization</u>	<u>Association to EAWDB</u>	<u>Amount</u>
Gina Corliss	Region IX Education Collaborative	Youth training provider	\$ 407,773
John Hemphill	Eastern NM University	Adult/DW One Stop provider ITA Training	448,593 87,517
Becky Rowley and Judith Spillane	Clovis Community College Department of Workforce Solutions	ITA Training	27,526
Marcos Martinez	Precheck, Inc.	One Stop partner	4,889
Rene Hatfield		ITA Training	38,265
<u>Reimbursements</u>			
Charles Lehman	EEICNM	Executive Director	2,887
David Douglas	EEICNM	IT	247
Tiffany Roth	EEICNM	Admin	741
Total			\$ <u>1,018,438</u>

**NOTE 9 - OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES**

Generally accepted accounting principles require disclosures of certain information for individual funds including:

- A. No funds maintained a deficit fund balance as of June 30, 2015.
- B. No funds exceeded approved budgetary authority for the year ended June 30, 2015.

**NOTE 10 – COMMITMENTS**

The EAWDB has an equipment lease and associated maintenance agreement which can be terminated with no penalty to the EAWDB if WIA does not appropriate money to the EAWDB. The lease is for a copy machine at the Roswell One Stop office. The lease is accounted for as an operating lease and the future minimum rental payments are as follows:

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Amount</u>
2016	\$ 4,788
2017	4,788
2018	1,995
2019	-
2020	-
Thereafter	-
	\$ <u>11,571</u>

The EAWDB's lease expense for the year ended June 30, 2015 was \$8,546.



**STATE OF NEW MEXICO  
EASTERN AREA WORKFORCE DEVELOPMENT BOARD  
NOTES TO THE FINANCIAL STATEMENTS  
For The Year Ended June 30, 2015**

**NOTE 11 – CONCENTRATION**

The EAWDB depends on financial resources flowing from, or associated with, the Federal Government. Because of this dependency, the EAWDB is subject to changes in specific flows of intergovernmental revenues based on modifications to Federal laws and Federal appropriations.

**NOTE 12 – RESTATEMENT**

The EAWDB restatements for the year ending 2015 are as follows.

<u>Fund</u>	<u>Purpose/Reason</u>	<u>Amount</u>
General Fund - Governmental Activities	Correction of prior year unbilled receivables	\$ <u>11,180</u>

**NOTE 13 – EVALUATION OF SUBSEQUENT EVENTS**

Subsequent events are events or transactions that occur after the balance sheet date but before the financial statements are issued. The EAWDB recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the balance sheet, including the estimates inherent in the process of preparing the financial statements. The EAWDB's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the balance sheet but arose after the balance sheet date and before financial statements are available to be issued. The EAWDB has evaluated subsequent events through December 14, 2015 which is the date the financial statements were available to be issued.

**STATE OF NEW MEXICO  
EASTERN AREA WORKFORCE DEVELOPMENT BOARD  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For The Year Ended June 30, 2015**

<b>Federal Grantor/Program Title</b>	<b>Federal CFDA Number</b>	<b>Pass-through Entity's Identifying Number</b>	<b>Grant Award Expended</b>
U.S. Department of Labor passed through New Mexico Department of Workforce Solutions WIA Program			
WIA Adult Program	17.258	13-002-PY12, FY13, PY 13, FY 14	\$ 749,677
WIA Youth Activities	17.259	13-002-PY12, FY13, PY 13, FY 14	449,652
WIA Dislocated Workers	17.278	13-002-PY12, FY13, PY 13, FY 14	265,231
WIA 10% Administration	17.258, 17.259, 17.278	13-002-PY12, FY13, PY 13, FY 14	152,995
Subtotal WIA program			<u>1,617,555</u>
Total expenditures			<u>\$ 1,617,555</u>

Selected Disclosures

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

2. The Eastern Area Workforce Development Board did not receive any noncash assistance.

3. Payments to subrecipients

<u>Organization</u>	<u>CFDA #</u>	<u>Amount</u>
ENMU - Ruidoso	17.258, 17.278	\$ 446,251
Region IX Education Cooperative	17.259	<u>407,773</u>
Total payments to subrecipients		<u>\$ 854,024</u>

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

**STATE OF NEW MEXICO  
 EASTERN AREA WORKFORCE DEVELOPMENT BOARD  
 SCHEDULE OF JOINT POWERS AGREEMENT AND MEMORANDUM OF UNDERSTANDING  
 For The Year Ended June 30, 2015**

Agreement	Participants	Responsible Party	Description	Beginning and Ending Dates	Total estimated project amount and amount applicable to EAWDB	Revenue Expenditures Reported	Audit Responsibility	Fiscal agent and responsible reporting entity
Resource Sharing Clovis and Roswell	State of NMDWS Dept. ENMU Region IX Education Cooperative Job Corps	EAWDB	Account for resource sharing of building and office expenses for the WIA one-stop offices	Perpetual	Unknown	\$ -	EAWDB	EAWDB

**STATE OF NEW MEXICO**  
**EASTERN AREA WORKFORCE DEVELOPMENT BOARD**  
**SCHEDULE OF VENDOR INFORMATION**  
**For The Year Ended June 30, 2015**

<i>RFB#/RFP#</i>	<i>Type of Procurement</i>	<i>Awarded Vendor</i>	<i>\$ Amount of Awarded Contract</i>	<i>\$ Amount of Amended Contract</i>	<i>Name and Physical Address per the procurement documentation, of ALL Vendor(s) that responded</i>	<i>In-State/ Out-of-State Vendor (Y or N) (Based on Statutory Definition)</i>	<i>Was the vendor in-state and chose Veteran's preference (Y or N) For federal funds answer N/A</i>	<i>Brief Description of the Scope of Work</i>
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None

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

The Board of Directors  
Eastern Area Workforce Development Board  
Clovis, New Mexico and  
Mr. Tim Keller, State Auditor  
Santa Fe, 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 major fund, and the general fund budgetary comparison of the Eastern Area Workforce Development Board (EAWDB), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the EAWDB's basic financial statements, and have issued our report thereon dated December 14, 2015.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the EAWDB'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 EAWDB's internal control. Accordingly, we do not express an opinion on the effectiveness of the EAWDB'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 that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the EAWDB's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2013-002[13-02].

**The EAWDB's Response to the Findings**

The EAWDB's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The EAWDB's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Hinkle + Landers, P.C.  
Albuquerque, NM  
December 14, 2015

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR  
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

The Board of Directors  
Eastern Area Workforce Development Board  
Clovis, New Mexico and  
Mr. Tim Keller, State Auditor  
Santa Fe, New Mexico

**Report on Compliance for Each Major Federal Program**

We have audited the EAWDB's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the EAWDB's major federal programs for the year ended June 30, 2015. The EAWDB'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, and grants applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the EAWDB'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 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 the 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the EAWDB's compliance.

**Opinion on Each Major Federal Program**

In our opinion, the EAWDB, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

**Other Matters**

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 2013-002[13-02]. Our opinion on each major federal program is not modified with respect to these matters.

The EAWDB's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The EAWDB'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 the EAWDB, 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 the EAWDB's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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 the 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. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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 2013-002[13-02] that we consider to be a significant deficiency.

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



December 14, 2015

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
FOR EACH MAJOR PROGRAM AND ON INTERNAL  
CONTROL OVER COMPLIANCE REQUIRED BY OMB  
CIRCULAR A-133, continued**

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The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Hinkle & Landers, P.C.*

Hinkle + Landers, P.C.  
Albuquerque, NM  
December 14, 2015

**STATE OF NEW MEXICO  
EASTERN AREA WORKFORCE DEVELOPMENT BOARD  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For The Year Ended June 30, 2015**

**SECTION I – SUMMARY OF AUDITOR’S RESULTS**

*Financial Statements:*

Type of auditor’s report issued Unmodified

*Internal Control over financial reporting:*

Material weaknesses identified? \_\_yes X no  
 Significant deficiencies identified that are  
 not considered to be material weaknesses? \_\_yes X no  
 Non-compliance material to financial statements noted? \_\_yes X no

*Federal Awards:*

Internal Control

Material weaknesses identified? \_\_yes X no  
 Significant deficiencies identified that are  
 not considered to be material weaknesses? Xyes \_\_no

Type of auditor’s report issued on major programs Unmodified

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

Identification of major program as noted below:

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

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

Auditee qualified as low-risk auditee? Xyes \_\_no

**STATE OF NEW MEXICO  
EASTERN AREA WORKFORCE DEVELOPMENT BOARD  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For The Year Ended June 30, 2015**

**SECTION II & III- FINANCIAL STATEMENTS AND FEDERAL AWARD FINDINGS**

<b>Reference #</b>	<b>Finding</b>	<b>Status of Current and Prior Year Findings</b>	<b>Type of Finding*</b>
<b>Prior year</b>			
2013-002[13-02]	TIMELY SUBMISSION OF MONTHLY STATUS REPORTS	Repeated	C,E,F
2014-001	FOLLOW-UP OF CASE MANAGEMENT FILES	<b>Resolved</b>	C,E,F,G
2014-002	TRACKING AND BILLING OF GRANT ACTIVITY	<b>Resolved</b>	B
<b>Current year</b>			
None			

\* Legend for Type of Findings

- A.** Material Weakness in Internal Control Over Financial Reporting
- B.** Significant Deficiency in Internal Control Over Financial Reporting
- C.** Other Matters Involving Internal Control Over Financial Reporting
- D.** Material Weakness in Internal Control Over Compliance of Federal Awards
- E.** Significant Deficiency in Internal Control Over Compliance of Federal Awards
- F.** Instance of Noncompliance to Federal Awards
- G.** Compliance with State Audit Rule

**STATE OF NEW MEXICO  
EASTERN AREA WORKFORCE DEVELOPMENT BOARD  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For The Year Ended June 30, 2015**

**PRIOR YEAR FINDINGS – REPEATED/MODIFIED**

**2013-002[13-02]—TIMELY SUBMISSION OF MONTHLY STATUS REPORTS - REPEATED**

**Type of Finding: C, E, F**

**Federal Program Information:**

*Funding Agencies:* U.S. Dept. of Labor  
*Titles:* Workforce Investment Act – Cluster  
*CFDA Numbers:* 17.258, 17.259, 17.278  
*Award Period:* 2014

**Statement of Condition**

It was noted that one out of the twelve monthly status reports were submitted late to the NM Department of Workforce Solutions. It should be noted that management, as of December 2014, has implemented new procedures to ensure timely submission of all monthly status reports.

**Criteria**

NM Department of Workforce Solutions requires that the reports be submitted by the 20th calendar day after the month end. Reports should be complete and accurate.

**Effect**

Monthly status reports were not submitted on time and the Department of Workforce Solutions did not have timely information given to them so that they would be able to prepare their reports to the U.S. Department of Labor in a timely manner.

**Cause**

The Board's fiscal contractor was out of the office and management did not identify the due date issue timely.

**Questioned Costs**

None

**Recommendation**

Monthly status report should be prepared on time and reviewed before submission to NM Department of Workforce Solutions.

**Management Response**

This was an October 2014 MFSR due on November 20, 2014. It was submitted to the state on November 22, 2014. In response to this finding in the FY14 audit, we implemented a procedure where the WIA Coordinator monitored submission of MFSRs and notified fiscal personnel five days prior to the due date to ensure timely submission. That process was put into place on December 1, 2014. This exception occurred prior to the implementation of that process. We continue to operate under the added procedure with the Board Operations Manager now providing oversight to ensure compliance.

**STATE OF NEW MEXICO  
EASTERN AREA WORKFORCE DEVELOPMENT BOARD  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For The Year Ended June 30, 2015**

**CURRENT YEAR FINDINGS**

None

**STATE OF NEW MEXICO  
EASTERN AREA WORKFORCE DEVELOPMENT BOARD  
EXIT CONFERENCE  
For The Year Ended June 30, 2015**

An exit conference was held in a closed session on December 14, 2015 and the contents of this report were discussed. Present at the exit conference were:

Representing Eastern Area Workforce Development Board:

Judith Cooper	Board Chair
Erick Robinson	Financial Manager
Tiffany Roth	Operations Manager
Beth Elias	Program Manager

Representing Hinkle + Landers, P.C.:

Farley Vener, CPA, CFE	President
Maclen Enriquez	Audit Manager

**PREPARATION OF FINANCIAL STATEMENTS**

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