



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

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

JUNE 30, 2017

INTRODUCTORY SECTION

**STATE OF NEW MEXICO
EASTERN AREA WORKFORCE DEVELOPMENT BOARD
TABLE OF CONTENTS
FOR THE YEAR ENDED JUNE 30, 2017**

	Page
INTRODUCTORY SECTION	
Table of Contents	i
Official Roster	ii
FINANCIAL SECTION	
Independent Auditor's Report	1
Basic Financial Statements	
Government-Wide Financial Statements:	
Statement of Net Position	4
Statement of Activities	5
Fund Financial Statements:	
Balance Sheet - Governmental Funds	6
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position	7
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	8
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	9
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Modified Accrual Basis) General Fund	10
Notes to Financial Statements	11
SUPPLEMENTARY INFORMATION	
Schedule of Expenditures of Federal Awards	24
Notes to Schedule of Expenditures of Federal Awards	25
COMPLIANCE SECTION	
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 <i>Government Auditing Standards</i>	26
FEDERAL FINANCIAL ASSISTANCE	
Independent Auditor's Report on Compliance for each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance	28
Summary Schedule of Prior Audit Findings	30
Schedule of Findings and Questioned Costs	31
Schedule of Section 12-6-5 NMSA 1978 Findings	34
Exit Conference	35

**STATE OF NEW MEXICO
EASTERN AREA WORKFORCE DEVELOPMENT BOARD
OFFICIAL ROSTER
JUNE 30, 2017**

<u>DIRECTORS</u>	<u>POSITION</u>
Judith Cooper	Chair Person
Angelita Buurma	Board Member
Paul D. Barnes	Board Member
Sue Bracksieck	Board Member
Tonk Chester	Board Member
Terry Christesson	Board Member
Todd DeKay	Board Member
Marion "Bud" Duryea	Board Member
Rene Hatfield	Board Member
Charles "Jay" Jaramillo	Board Member
Joann Lopez	Board Member
Marcos Martinez	Board Member
John Mulcahy	Board Member
Becky Rowley	Board Member
Nash Sisneros	Board Member
Paul Stevens	Board Member
Mark Vigil	Board Member
Theresa Villanueva	Board Member
<u>STAFF</u>	
Beth Elias	Program Manager
Tiffany Roth	Operations Manager

FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

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

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, 2017 and the related notes to the financial statements, which collectively comprise the EAWBD's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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, the major fund, and the budgetary comparison for the general fund of EAWBD as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the Management 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

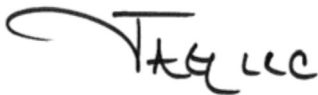
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise EAWDB's basic financial statements. The Schedule of Expenditures of Federal Awards as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements,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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2017 on our consideration of EAWBD'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.

A handwritten signature in black ink, appearing to read "JAG LLC". The signature is stylized with a large, sweeping initial letter.

Jaramillo Accounting Group LLC (JAG)
Albuquerque, New Mexico
November 30, 2017

**STATE OF NEW MEXICO
EASTERN AREA WORKFORCE DEVELOPMENT BOARD
STATEMENT OF NET POSITION
JUNE 30, 2017**

	<u>Governmental Activities</u>
ASSETS	
Current Assets	
Cash and cash equivalents	\$ 62,461
Grant receivables	233,390
Other receivables	47,294
Prepaid expenses	7,744
Security deposits	<u>600</u>
Total current assets	<u>351,489</u>
 LIABILITIES	
Current Liabilities	
Accounts payable	323,770
Accrued liabilities	3,891
Deferred revenue	<u>23,828</u>
Total current liabilities	<u>351,489</u>
 NET POSITION	
Unrestricted	<u>-</u>
Total net position	<u><u>\$ -</u></u>

See Notes to Financial Statements.

**STATE OF NEW MEXICO
EASTERN AREA WORKFORCE DEVELOPMENT BOARD
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017**

Functions/Programs	Expenses	Program Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position for Governmental Activities
Governmental activities:			
WIA/WIOA Cluster			
Adult	\$ (1,115,812)	\$ 1,115,812	\$ -
Dislocated Worker	(232,924)	232,924	-
Youth	(538,504)	538,504	-
One-Stop offices	(132,435)	132,435	-
IT MOU	(60,128)	60,128	-
Depreciation	(1,174)	-	(1,174)
	<u>\$ (2,080,977)</u>	<u>\$ 2,079,803</u>	(1,174)
General revenues:			
Interest income			-
Changes in net position			(1,174)
Net position, beginning of year			<u>1,174</u>
Net position, end of year			<u>\$ -</u>

See Notes to Financial Statements.

**STATE OF NEW MEXICO
EASTERN AREA WORKFORCE DEVELOPMENT BOARD
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2017**

	General Fund WIA/ WIOA
ASSETS	
Cash and cash equivalents	\$ 62,461
Grant receivables	233,390
Other receivables	47,294
Prepaid expenses	7,744
Security deposits	600
Total assets	\$ 351,489
LIABILITIES	
Accounts payable	\$ 323,770
Accrued payroll liabilities	3,891
Deferred revenues	23,828
Total liabilities	351,489
FUND BALANCES	
Nonspendable: prepaids	7,744
Nonspendable: security deposit	600
Unassigned	(8,344)
Total fund balances	-
Total liabilities and fund balances	\$ 351,489

See Notes to Financial Statements.

**STATE OF NEW MEXICO
EASTERN AREA WORKFORCE DEVELOPMENT BOARD
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL
FUNDS TO THE STATEMENT OF NET POSITION
JUNE 30, 2017**

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

Total fund balances - Governmental Funds	\$ -
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet	<u>-</u>
Net position of governmental activities	<u><u>\$ -</u></u>

See Notes to Financial Statements.

**STATE OF NEW MEXICO
EASTERN AREA WORKFORCE DEVELOPMENT BOARD
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>General Fund WIA/WIOA</u>
Revenues	
Federal grants	\$ 1,887,240
One Stop contract	132,435
IT MOU	<u>60,128</u>
Total revenues	<u>2,079,803</u>
 Expenditures	
Current	
Employment services	
Formula Program Year funds	
Adult	1,041,382
Dislocated Worker	198,978
Youth	460,022
Administration	186,858
One-Stop offices	132,435
IT MOU	<u>60,128</u>
Total expenditures	<u>2,079,803</u>
Net changes in fund balances	-
Fund balances - beginning of year	<u>-</u>
Fund balances - end of year	<u><u>\$ -</u></u>

See Notes to Financial Statements.

**STATE OF NEW MEXICO
EASTERN AREA WORKFORCE DEVELOPMENT BOARD
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL
FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017**

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

Net changes in fund balances - governmental funds

\$ -

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.

(1,174)

Changes in net position of governmental activities

\$ (1,174)

See Notes to Financial Statements.

**STATE OF NEW MEXICO
EASTERN AREA WORKFORCE DEVELOPMENT BOARD
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES – BUDGET AND ACTUAL (MODIFIED ACCRUAL BASIS)
FOR THE YEAR ENDED JUNE 30, 2017**

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Grants	\$ 2,685,394	\$ 2,685,394	\$ 1,887,240	\$ (798,154)
One Stop contract	120,492	120,492	132,435	11,943
Other revenue	55,000	55,000	60,128	5,128
Total revenues	<u>2,860,886</u>	<u>2,860,886</u>	<u>2,079,803</u>	<u>(781,083)</u>
Expenditures				
Current				
Employment services				
PY 15 and FY 16				
Adult	308,382	308,382	317,110	(8,728)
Dislocated Worker	132,277	132,277	132,215	62
Youth	99,339	99,339	132,342	(33,003)
Administration	29,000	29,000	39,763	(10,763)
PY 16 and FY 17				
Adult	700,581	700,581	724,272	(23,691)
Dislocated Worker	691,234	691,234	66,763	624,471
Youth	512,935	512,935	327,680	185,255
Administration	211,646	211,646	147,095	64,551
One Stop offices	120,492	120,492	132,435	(11,943)
IT MOU	55,000	55,000	60,128	(5,128)
Total expenditures	<u>2,860,886</u>	<u>2,860,886</u>	<u>2,079,803</u>	<u>781,083</u>
Excess (deficiency) of revenues over expenditures	-	-	-	-
Other financing sources (uses)				
Proceeds from debt issuance	-	-	-	-
Net changes in fund balances	-	-	-	-
Fund balances, beginning of year	-	-	-	-
Fund balances, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See Notes to Financial Statements.

**STATE OF NEW MEXICO
EASTERN AREA WORKFORCE DEVELOPMENT BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

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 (EAWDB). The EAWDB operates the Workforce Investment Act/Workforce Innovation and Opportunity Act (WIA/WIOA) program.

The EAWDB of the State of New Mexico is established in accordance with 29 U.S.C § 2832 of the federal Workforce Investment Act/Workforce Innovation and Opportunity Act of 1998 (WIA/WIOA), 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 EAWDB 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.

It shall be the purpose of the EAWDB 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 EAWDB is to carry out its duties and responsibilities according to the federal WIA/WIOA, 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 WIA/WIOA;
- 3) Designate or certify one-stop program operators in accordance with the federal WIA/WIOA;
- 4) Terminate, for cause, the eligibility of the one-stop operator;
- 5) Select and provide grants to youth activity providers in accordance with the WIA/WIOA;
- 6) Identify eligible training and intensive service providers in accordance with the WIA/WIOA;
- 7) Develop a budget subject to approval of the chief elected official;
- 8) Develop and negotiate local performance measurements as described in the WIA/WIOA with the chief elected official and the governor;
- 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 WIA/WIOA 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:

**STATE OF NEW MEXICO
EASTERN AREA WORKFORCE DEVELOPMENT BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Description of Entity (Continued)

- 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 51% 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 Financial 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 nonfiduciary activities of an agency.

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

**STATE OF NEW MEXICO
EASTERN AREA WORKFORCE DEVELOPMENT BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basic Financial Statements - Government-Wide Financial Statements (Continued)

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 and 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 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 state-

**STATE OF NEW MEXICO
EASTERN AREA WORKFORCE DEVELOPMENT BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basic Financial Statement - Fund Financial Statements (Continued)

ments 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. Department of Labor passed through the New Mexico Department 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 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.

**STATE OF NEW MEXICO
EASTERN AREA WORKFORCE DEVELOPMENT BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Basis of Accounting (Continued)

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.

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.

**STATE OF NEW MEXICO
EASTERN AREA WORKFORCE DEVELOPMENT BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 2017 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 2017 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 hierarchical fund balance classifications are based primarily upon the extent to which a government is bound to follow constraints on resources in governmental funds. 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:

Nonspendable: Nonspendable 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.

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, 2017.

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, 2017.

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, 2017.

**STATE OF NEW MEXICO
EASTERN AREA WORKFORCE DEVELOPMENT BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Fund Balance – Governmental Funds (Continued)

Unassigned: Unassigned fund balance is the residual classification for the general fund. The EAWDB does not currently have a minimum fund balance policy.

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/Workforce Innovation and Opportunity 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.

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.

**STATE OF NEW MEXICO
EASTERN AREA WORKFORCE DEVELOPMENT BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Federal Grants Receivables (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.

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 subrecipients as budgeted in their contracts and award agreements. These assets have been recorded on the contractors' and subrecipients' books

**STATE OF NEW MEXICO
EASTERN AREA WORKFORCE DEVELOPMENT BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Capital Assets and Depreciation (Continued)

and depreciation has been recorded on their books accordingly. The contractors and subrecipients 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. DEPOSITS 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 100% 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.

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.

**STATE OF NEW MEXICO
EASTERN AREA WORKFORCE DEVELOPMENT BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017**

NOTE 2. DEPOSITS AND INVESTMENTS (CONTINUED)

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, 2017, none of the government's bank balance of \$196,741 was exposed to custodial risk.

Deposits as of June 30, 2017 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, 2017, the carrying amount of the EAWDB's deposits was \$62,461.

The following is a listing of deposits of public money held by the EAWDB, by the depositing financial institutions as of June 30, 2017:

Bank/Account Name	Type	Bank Balance	Outstanding Items	Book Balance
Wells Fargo *	Demand Deposit	\$ 196,741	\$ (134,280)	\$ 62,461
FDIC insurance		<u>(196,741)</u>		
Amount uninsured		<u>\$ -</u>		

*Denotes interest bearing

There were no remaining uninsured and collateralized deposits exposed to custodial credit risk. As of June 30, 2017, 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 department not in EAWDB's name	<u>\$ -</u>
--	-------------

Due to restriction on WIA/WIOA 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.

**STATE OF NEW MEXICO
EASTERN AREA WORKFORCE DEVELOPMENT BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017**

NOTE 3. CAPITAL ASSETS AND DEPRECIATION

The following is a summary of changes in capital assets for the year ended June 30, 2017:

	<u>2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>2017</u>
Capital Assets				
Software	\$ 6,401	\$ -	\$ -	\$ 6,401
Subtotal depreciable assets	<u>6,401</u>	<u>-</u>	<u>-</u>	<u>6,401</u>
Accumulated Depreciation				
Software	(5,227)	(1,174)	-	(6,401)
Subtotal accumulated depreciation	<u>(5,227)</u>	<u>(1,174)</u>	<u>-</u>	<u>(6,401)</u>
Total net capital assets	<u>\$ 1,174</u>	<u>\$ (1,174)</u>	<u>\$ -</u>	<u>\$ -</u>

Current year depreciation expense for the year ended June 30, 2017 was \$1,174. All of EAWDB's equipment has 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, 2017:

Grant receivables	
Grant receivables from DWS	\$ <u>233,390</u>
Other receivables	
One Stop	37,787
IT MOU	<u>9,507</u>
Total other receivables	<u>47,294</u>
Total receivables	<u>\$ <u>280,684</u></u>

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, 2017, 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, 2017, the EAWDB had no employees eligible for retirement benefits and, therefore, had no retirement benefit expenditures during the year.

**STATE OF NEW MEXICO
EASTERN AREA WORKFORCE DEVELOPMENT BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017**

NOTE 7. COMPENSATED ABSENCES

Beginning in fiscal year 2016, qualified employees are entitled to accumulate personal leave at the rate of 160 hours per year. A maximum of 24 hours of such accumulated annual leave may be carried forward into the beginning of the fiscal year and any excess is lost. When employees terminate, they are not compensated for accumulated unpaid personal leave.

NOTE 8. 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, 2017, the EAWDB did not have any probable risk of loss.

NOTE 9. 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.

During the year ended June 30, 2017, purchases for goods and services were made by the EAWDB with companies or organizations with which various board members are associated with as follows:

Board Member	Organization	Association to EAWDB	Amount
Becky Rowley	Clovis Community College	ITA Training	\$ 49,732
Todd DeKay	ENMU-Roswell	ITA Training	72,775
Rene Hatfield	Precheck, Inc.	ITA Training	<u>7,600</u>
Total			<u><u>\$ 130,107</u></u>

There were no amounts due to/from these parties and EAWDB as of June 30, 2017.

NOTE 10. 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, 2017.
- B. No funds exceeded approved budgetary authority for the year ended June 30, 2017.

**STATE OF NEW MEXICO
EASTERN AREA WORKFORCE DEVELOPMENT BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017**

NOTE 11. COMMITMENTS

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

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2018	\$ 2,910
2019	-
2020	-
2021	-
2022	-
	<u>\$ 2,910</u>

The EAWDB's lease expense for the year ended June 30, 2017 was \$7,888.

NOTE 12. 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 13. EVALUATION OF SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the Statement of Net Position 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 Statement of Net Position, 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 Statement of Net Position but arose after the Statement of Net Position date and before financial statements are available to be issued. The EAWDB has evaluated subsequent events through November 30, 2017 which is the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

**STATE OF NEW MEXICO
EASTERN AREA WORKFORCE DEVELOPMENT BOARD
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017**

Federal Grantor/Program Title	Federal CFDA Number	Pass-through Entity's Identifying Number	Passed through to Subrecipients	Grant Award Expended
U.S. Department of Labor passed through				
New Mexico Department of Workforce Solutions				
WIA/WIOA Cluster				
WIA/WIOA Adult Program	17.258	15-002-PY15/16-002-PY16	\$ 419,759	\$ 1,115,812
WIA/WIOA Youth Activities	17.259	15-002-PY15/16-002-PY16	419,245	538,504
WIA/WIOA Dislocated Worker Formula Grant	17.278	15-002-PY15/16-002-PY16	<u>139,683</u>	<u>232,924</u>
Total WIA/WIOA cluster			<u>978,687</u>	<u>1,887,240</u>
Total expenditures			<u>\$ 978,687</u>	<u>\$ 1,887,240</u>

**STATE OF NEW MEXICO
EASTERN AREA WORKFORCE DEVELOPMENT BOARD
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 1. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of Eastern Area Workforce Development Board (EAWDB) under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the EAWDB, it is not intended to and does not present the financial position or changes in financial position of the EAWDB.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3. SUBRECIPIENTS

EAWDB had the following subrecipients during the year ended June 30, 2017:

<u>Subrecipient</u>	<u>CFDA</u>	<u>Amount</u>
ENMU - Ruidoso	17.258, 17.278	\$ 559,442
Region IX Education Cooperative	17.259	<u>419,245</u>
		<u>\$ 978,687</u>

NOTE 4. NONCASH FEDERAL ASSISTANCE

None

NOTE 5. INDIRECT COST RATE

The Eastern Area Local Workforce Development Board did not use the 10% de minimis indirect cost rate.

COMPLIANCE SECTION



**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
Albuquerque, New Mexico and
Mr. Tim Keller
New Mexico State Auditor

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 accompanying 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, 2017 and the related notes to the financial statements, which collectively comprise EAWDB's basic financial statements, and have issued our report thereon dated November 30, 2017.

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.

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

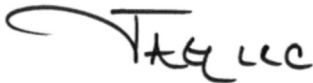
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 matter that are required to be reported under *Government Auditing Standards*.

We noted certain matters that are required to be reported per Section 12-6-5 NMSA 1978 that we have described in the Schedule of Section 12-6-5 NMSA 1978 Findings as item 2017-01. The EAWDB's response was not subjected to the auditing procedures and, accordingly, we express no opinion on the response.

Purpose of this Report

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



Jaramillo Accounting Group LLC (JAG)
Albuquerque, New Mexico
November 30, 2017

FEDERAL FINANCIAL ASSISTANCE



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

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

Report on Compliance for Each Major Federal Program

We have audited Eastern Area Workforce Development Board's (the EAWDB) compliance with the types of compliance requirements described in the *OMB 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, 2017. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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.

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

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, 2017.

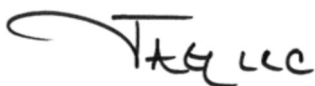
Report on Internal Control Over Compliance

Management of the EAWRB 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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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



Jaramillo Accounting Group LLC (JAG)
Albuquerque, New Mexico
November 30, 2017

**STATE OF NEW MEXICO
EASTERN AREA WORKFORCE DEVELOPMENT BOARD
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2017**

NONE

**STATE OF NEW MEXICO
EASTERN AREA WORKFORCE DEVELOPMENT BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017**

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements:

Type of auditor’s report issued Unmodified

Internal Control over financial reporting:

Material 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?	___yes	_X_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 2 CFR section 200.516(a)? ___yes _X_no

Identification of major program as noted below:

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

Dollar threshold use to distinguish between
A and B programs: \$750,000

Auditee qualified as low-risk auditee? _X_yes ___no

**STATE OF NEW MEXICO
EASTERN AREA WORKFORCE DEVELOPMENT BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2017**

SECTION II – FINANCIAL STATEMENT FINDINGS

NONE

**STATE OF NEW MEXICO
EASTERN AREA WORKFORCE DEVELOPMENT BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2017**

SECTION III – FEDERAL AWARD FINDINGS

NONE

**STATE OF NEW MEXICO
EASTERN AREA WORKFORCE DEVELOPMENT BOARD
SCHEDULE OF SECTION 12-6-5 NMSA 1978 FINDINGS
FOR THE YEAR ENDED JUNE 30, 2017**

2017-001 MEMORANDUM OF UNDERSTANDING – OTHER MATTER

CONDITION

During our review of contracts and other documents, we discovered that the IT Memorandum of Understanding continued to reflect the predecessor entity to Eastern Area Workforce Development Board and the term of the agreement, even with the additional 2-year term renewal, expired in October 2016.

CRITERIA

Contracts are agreements that the law will enforce. Contracts are individual, or private, rights and duties created by oral or written agreement and consent of the parties. Contracts may include obligations imposed by law even if the parties are not aware of those obligations. Chapter 8 of the New Mexico Uniform Jury Instructions provides a useful overview of the basic principles of contract law, see UJI 13-801 through 13-861. For written contracts, the general statute of limitations is six years. NMSA §37-1-3.

EFFECT

By not having binding agreements in the entities correct name could result in unneeded legal consequences. Not addressing the end of an agreement could result in the loss of important locations and potentially disruption of services.

CAUSE

EAWDB has not yet updated the agreement since they are waiting on additional MOU development guidance from the U.S. Department of Labor.

RECOMMENDATION

We recommend that EADWB research all existing agreements to assure that terms have not expired and that the agreements are in the current name of EAWDB.

MANAGEMENT RESPONSE

Corrective Action: The EAWDB is waiting on additional MOU development guidance from the U.S. Department of Labor. Once received, the EAWDB will be incorporating the current IT MOU terms into the new Infrastructure Funding Agreement mandated under the WIOA. This will require development and negotiation of the new MOU and then agreement by the One Stop Partners of the MOU and the Infrastructure Funding Agreement. Board staff anticipate presenting to the EAWDB for approval in June 2018.

Responsible Person: Operations Manager

Due Date of Completion: June 30, 2018

**STATE OF NEW MEXICO
EASTERN AREA WORKFORCE DEVELOPMENT BOARD
EXIT CONFERENCE
FOR THE YEAR ENDED JUNE 30, 2017**

An exit conference was held in a closed session on November 30, 2017 and the contents of this report were discussed. The following individuals were in attendance:

Eastern Area Workforce Development Board

Judith Cooper, Chair Person
Beth Elias, Program Manager*
Erick Robinson, Contract Financial Manager*
Tiffany Roth, Operations Manager

Jaramillo Accounting Group (JAG)

Audrey J. Jaramillo, CPA, CFE, Managing Partner
Scott A. Eliason, CPA, Partner
Steve Holliday, CPA, Senior

*via telephone

The EAWDB prepared these financial statements. JAG assisted in the preparation of the financial statements presented in this report. The EAWDB's management has reviewed and approved the financial statements and related notes and supplementary and other information and believe that their records adequately support them.