

**STATE OF NEW MEXICO
NORTHERN AREA LOCAL
WORKFORCE DEVELOPMENT BOARD**

**FINANCIAL STATEMENTS WITH INDEPENDENT
AUDITORS' REPORT**

For the Year Ended June 30, 2010

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

**STATE OF NEW MEXICO
NORTHERN AREA LOCAL WORKFORCE DEVELOPMENT BOARD
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FOR THE YEAR ENDED JUNE 30, 2010**

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**STATE OF NEW MEXICO
NORTHERN AREA LOCAL WORKFORCE DEVELOPMENT BOARD
OFFICIAL ROSTER
AS OF JUNE 30, 2010**

DIRECTORS

**Lou Baker
Sandy Sandoval
Vincent Howell
Floyd Archuleta
Robert Anaya
Mary Jean Christensen
Bennie Cohoe
Dennis Cruz
Emerson Farley
Star Gonzales
Sondra Match
Michael Montoya
Jolene Nelson
Luis Padilla
Ralph A. Richards
Joseph J. Rodman
Patrick Sullivan
Jerry Guassoin**

POSITION

**Chairman
Vice Chair
Treasurer
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
Executive Director**

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Northern Area Local Workforce Development Board
and
Mr. Hector H. Balderas, State Auditor
Santa Fe, New Mexico

We have audited the accompanying financial statements of the governmental activities, the major fund and the major fund budgetary comparison of the Northern Area Local Workforce Development Board (NALWDB) for the year ended June 30, 2010, which collectively comprises the NALWDB's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the NALWDB's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the NALWDB, as of June 30, 2010, and the respective changes in financial position thereof and the respective budgetary comparison for the major fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued a report dated December 1, 2010 on our consideration of the NALWDB's internal control over financial reporting and 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 testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in assessing the results of our audit.

For the year ended June 30, 2010, NALWDB has not presented the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the NALWDB's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis required by US Office of Management and Budget Circular A-133, *Audit of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. The schedule of expenditures of federal awards has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

Hinkle & Landers, P.C.

December 1, 2010
Hinkle & Landers, PC

**STATE OF NEW MEXICO
NORTHERN AREA LOCAL WORKFORCE DEVELOPMENT BOARD
(GOVERNMENT-WIDE)
STATEMENT OF NET ASSETS
AS OF JUNE 30, 2010**

	<u>Governmental Activities</u>
ASSETS	
Current	
Cash and cash equivalents	\$ 89,583
Grant receivables	119,063
Other receivables	178
Security deposits	3,000
Total current assets	<u>211,824</u>
Noncurrent	
Capital assets, net	-
Total assets	<u>\$ 211,824</u>
LIABILITIES	
Current	
Accounts payable	\$ 194,955
Accrued payroll liabilities	10,453
Accrued compensated absences-due within one year	7,368
Total current liabilities	<u>212,776</u>
Noncurrent	
Compensated absences	<u>22,100</u>
Total liabilities	234,875
NET ASSETS	
Invested in capital assets	-
Unrestricted	<u>(23,051)</u>
Total net assets	<u>(23,051)</u>
Total liabilities and net assets	<u>\$ 211,824</u>

See Independent Auditors' Report
The Accompanying Notes Are An Integral Part Of These Financial Statements.

STATE OF NEW MEXICO
NORTHERN AREA LOCAL WORKFORCE DEVELOPMENT BOARD
(GOVERNMENT-WIDE)
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010

Functions/Programs	<u>Expenses</u>	<u>Program Operating Grants and Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Assets for Governmental Activities</u>
Governmental activities			
Workforce Investment Act Program:			
Adult	\$ 1,022,623	1,022,623	-
Dislocated Worker	650,126	650,126	-
Youth	1,123,467	1,123,467	-
Administration	262,355	253,640	(8,715)
10% state set aside	17,517	17,517	-
	<u>\$ 3,076,088</u>	<u>3,067,373</u>	<u>(8,715)</u>
Interest income - program income			<u>21</u>
Change in net assets			(8,694)
Net assets, beginning of year			<u>(14,357)</u>
Net assets, end of year			<u>\$ (23,051)</u>

See Independent Auditors' Report
The Accompanying Notes Are An Integral Part Of These Financial Statements.

**STATE OF NEW MEXICO
NORTHERN AREA LOCAL WORKFORCE DEVELOPMENT BOARD
BALANCE SHEET - GOVERNMENTAL FUND
AS OF JUNE 30, 2010**

	<u>WIA</u>
ASSETS	
Cash and cash equivalents	\$ 89,583
Grant receivables	119,063
Other receivables	178
Prepaid expense	3,000
Total assets	<u>\$ 211,824</u>
LIABILITIES	
Accounts payable	\$ 194,955
Accrued payroll liabilities	10,453
Total liabilities	<u>205,408</u>
FUND BALANCE	
Unreserved	<u>6,416</u>
Total fund balance-governmental funds	<u>6,416</u>
Total liabilities and fund balance	<u>\$ 211,824</u>

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

Total fund balances - Governmental Fund	\$ 6,416
Some liabilities are not due and payable in the current period and therefore are not reported in the governmental fund:	
Compensated absences	<u>(29,467)</u>
Net assets (deficit) of governmental activities (Statement of Net Assets)	<u>\$ (23,051)</u>

See Independent Auditors' Report
The Accompanying Notes Are An Integral Part Of These Financial Statements.

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

	WIA
Revenues	
Intergovernmental - federal	\$ 3,067,374
Interest income - program income	21
Total revenues	3,067,395
Expenditures	
Current:	
Employment services:	
American Recovery and Reinvestment Act	
Adult	308,746
Dislocated Worker	271,066
Youth	313,864
Administration	63,665
10% state set aside	2,627
Formula Program Year funds	
Adult	713,877
Dislocated Worker	379,060
Youth	809,603
Administration	189,997
10% state set aside	14,890
Total expenditures	3,067,395
Net change in fund balance	-
Fund balance, beginning of year	6,416
Fund balance, end of year	\$ 6,416

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

Net change fund balance in governmental funds	\$ -
Some items reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
These activities consist of:	
(Increase) decrease in compensated absences	(8,694)
Change in net assets of governmental activities	\$ (8,694)

See Independent Auditors' Report
 The Accompanying Notes Are An Integral Part Of These Financial Statements.

STATE OF NEW MEXICO
NORTHERN AREA LOCAL WORKFORCE DEVELOPMENT BOARD
WORKFORCE INVESTMENT ACT FUND - MAJOR FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE-WIA- (GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues				
Intergovernmental-Federal	\$ 3,364,829	3,502,249	3,067,374	(434,875)
Interest Income-Program Income	-	-	21	21
Total Revenues	<u>\$ 3,364,829</u>	<u>3,502,249</u>	<u>3,067,395</u>	<u>(434,854)</u>
Expenditures				
Employment Services:				
American Recovery and Reinvestment Act				
Board Operations and Program Mgmt.	169,644	173,944	109,961	63,983
Program Expenses	1,109,690	1,236,130	1,080,440	155,690
Formula Program Year Funds				
Board Operations and Program Mgmt.	402,356	402,356	391,996	10,360
Program Expenses	1,683,139	1,689,819	1,484,998	204,821
Total General Governmental	<u>3,364,829</u>	<u>3,502,249</u>	<u>3,067,395</u>	<u>434,854</u>
Excess (deficiency) of Revenues Over Expenditures	-	-	-	-
Fund Balance, Beginning of Year	<u>6,416</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance, End of Year	<u><u>\$ 6,416</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

See Independent Auditors' Report
The Accompanying Notes Are An Integral Part Of These Financial Statements.

**STATE OF NEW MEXICO
NORTHERN AREA LOCAL WORKFORCE DEVELOPMENT BOARD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Entity

The Northern Area Local Workforce Development Board (NALWDB) was organized pursuant to Section 117 of Public Law 105-220 (Workforce Investment Act of 1998) and New Mexico State Legislative Law, Chapter 260, dated April 7, 1999, to set policy for the portion of the statewide workforce investment system within the local area serviced by the Board. NALWDB sets policy for Santa Fe, Mora, Colfax, Los Alamos, San Miguel, San Juan, McKinley, and Cibola counties in the State of New Mexico.

During the year ended June 30, 2010, NALWDB contracted with Zlotnick, Laws and Sandoval, P.C. for its fiscal agent services. NALWDB also contracted with the SER Jobs for Progress, Inc. to manage and operate the local area One-Stop Centers. The NALWDB also contracted with various other vendors to provide youth program services.

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

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

STATE OF NEW MEXICO
NORTHERN AREA LOCAL WORKFORCE DEVELOPMENT BOARD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

- i. the local plan
- ii. membership
- iii. designation and certification of one-stop operators and
- iv. the award of grants or contracts to eligible providers of youth activities

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

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

B. Basis of Accounting

1. Government-Wide Financial Statements

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

STATE OF NEW MEXICO
NORTHERN AREA LOCAL WORKFORCE DEVELOPMENT BOARD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

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

Invested in Capital Assets – the component of net assets that reports the difference between capital assets less both the accumulated depreciation and the outstanding balance of debt, excluding unspent proceeds, that is directly attributable to the acquisition, construction or improvement of these capital assets.

Restricted – Net assets should be reported as restricted when constraints placed on net assets' use is either externally imposed by law through constitutional provisions or enabling legislation. The NALWDB had no restricted net assets as of June 30, 2010.

Unrestricted – the difference between the assets and liabilities that is not reported in net assets invested in capital assets or restricted net assets.

In the fund level financial statements, fund balance reserves represent those portions of fund equity not available for appropriation or expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources. Portions of the fund balances may be reserved for subsequent year's expenditures. The reservation represents the amount of cash appropriated in subsequent year's budget. No funds have been reserved for the year ended June 30, 2010.

Program Revenues:

NALWDB received program specific operating grants from the U.S. Department of Labor passed through the New Mexico Department of Workforce Solutions during the year ended June 30, 2010. These revenues are program revenues for the carrying out of program activities of the Workforce Investment Act grant cluster.

GAAP Presentation

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

2. Fund Financial Statements

Fund financial statements report detailed information about NALWDB. NALWDB has one major fund and no non-major funds for the year ended June 30, 2010. See Note 6 for more detail.

**STATE OF NEW MEXICO
NORTHERN AREA LOCAL WORKFORCE DEVELOPMENT BOARD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010**

3. Governmental Funds-Method of Accounting

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

4. Revenue Recognition

The governmental fund types for financial statement purposes follow the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues and other governmental fund financial resources are recognized in the accounting period in which they become susceptible to accrual; then they become both measurable and available to finance expenditures of the fiscal period. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The government considers property taxes and other taxes as available if they are collected within sixty days after year end. NALWDB does not receive any tax revenues. A one-year availability period is used for revenue recognition for all other governmental fund revenues.

NALWDB has implemented GASB Statement No. 33 on any non-exchange transaction. A non-exchange transaction occurs when a government either gives value to another party without directly receiving equal value in exchange or receives value from another party without directly giving equal value in exchange. The NALWDB has two types of non-exchange transactions: government-mandated non-exchange transaction revenues (federal programs that state or local governments are mandated to perform), and voluntary non-exchange transactions (grants, entitlements, and donations by non-governmental entities, including private donations). NALWDB recognizes non-exchange transactions in the financial statements as income unless it is not measurable (reasonably estimate), if any.

Revenues from grants that are restricted for specific uses are recognized as revenues when the related costs are incurred. All other revenues are recognized when they are received and are not susceptible to accrual. Restricted revenues are applied to expenditures first before non-restricted revenues are applied.

5. Expenditure Recognition

The measurement focus of governmental fund accounting is based on decreases in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related fund liability is incurred. However, principal and interest on general long-term debt, which has not matured, are recognized when paid. NALWDB did not have any general long-term debt as of June 30, 2010.

**STATE OF NEW MEXICO
NORTHERN AREA LOCAL WORKFORCE DEVELOPMENT BOARD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010**

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

6. Fund Accounting

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

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

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

The following is the special revenue fund that was created by Federal and State specific contractual authority, active in the fiscal year ended June 30, 2010:

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

7. Compensated Absences

Accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expense and a fund liability of the governmental fund that will pay it. Amounts of accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported as long term liabilities in the Statement of Net Assets. The expenditure is reported for these amounts in the Statement of Activities. In accordance with the provisions of Statement of Financial Accounting Standards No. 43, Accounting for Compensated Absences, no liability is recorded for nonvesting accumulating rights to receive sick pay benefits.

C. Capital Assets and Depreciation

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. General capital assets are long-lived assets of the NALWDB 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

**STATE OF NEW MEXICO
NORTHERN AREA LOCAL WORKFORCE DEVELOPMENT BOARD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010**

equipment by sub-grant made by the NALWDB 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:

	Estimated Useful Life - years
Furniture, fixtures, software and equipment	3-10

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 obligated to return these assets to NALWDB's WIA program, should the program or their agreement with NALWDB end.

D. Budgets

NALWDB prepares a budget by funding stream based upon the allocation by the State Workforce Development Board to be approved by NALWDB's Board. The State Workforce Development Board provides NALWDB 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 NALWDB 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. Any adjustments to the State Board's allocations made by NALWDB must be first approved by the State Workforce Development Board. Any adjustments to NALWDB's budget must be approved by NALWDB's Board.

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.

E. Use of Estimates

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

**STATE OF NEW MEXICO
NORTHERN AREA LOCAL WORKFORCE DEVELOPMENT BOARD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010**

F. Cash and Cash Equivalents

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

G. Allowances

NALWDB expects to receive the full amount of grants receivables 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.

2. DEPOSIT AND INVESTMENTS

In accordance with Section 6-10-17, NMSA, 1978 Compilation, deposits of public money are required to be collateralized. Pledged collateral is required in amounts in an aggregated equal to one half of the amount of public money in each account. Securities, which are obligations of the United States, State of New Mexico, its agencies, institutions, counties, municipalities or other subdivisions are accepted as security at market value. No security is required for the deposit of public money that is insured by the Federal Deposit Insurance Corporation, or the National Credit Union Administration.

The Governmental Accounting Standards Board has issued its Statement #40 which requires information on custodial risk be disclosed. Custodial credit risk is risk that in the event of bank failure, NALWDB's deposits may not be returned to it. NALWDB's deposit policy is to collateralize one half of the uninsured public money in each account.

Deposits as of June 30, 2010 were held in The First National Bank. Deposits (cash or cash equivalents) are carried at cost, which approximates market value. As of June 30, 2010, the carrying amount of the NALWDB's deposits was \$89,583.

The following is a listing of deposits of public money and collateral pledged at values acceptable per state statute, by the depositing financial institutions as of June 30, 2010:

<u>Account Name</u>	<u>Type</u>	<u>Bank Balance</u>	<u>Book Balance</u>
Government Checking Account	Demand Deposit	\$ 106,433	<u>89,583</u>
Less FDIC coverage		<u>(250,000)</u>	
Uninsured balance		\$ <u>-</u>	
50% collateral requirement			

**STATE OF NEW MEXICO
NORTHERN AREA LOCAL WORKFORCE DEVELOPMENT BOARD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010**

There were no remaining uninsured and collateralized deposits exposed to custodial credit risk. As of June 30, 2010, the amount of the NALWDB's bank balance exposed to custodial credit risk was as follows:

Uninsured and collateral held by the pledging
Bank's trust dept. not in NALWDB's name \$ -

The following schedule is presented to comply with the requirements of New Mexico State Statute 12-6-5 NMSA, 1978 as interpreted by the New Mexico State Auditor's Rule 2 NMAC 2.2.

<u>Bank Name</u>	<u>Bank Balance</u>	<u>Deposits In Transit</u>	<u>Out- Standing Checks</u>	<u>Financial Statements</u>
First National Bank	\$ 106,433	-	(16,850)	89,583

Due to restriction on Workforce Investment Act funds by the granting agency monies deposited into the account of NALWDB and any program revenue earned by NALWDB are not allowed to be invested.

3. RECEIVABLES

NALWDB had a receivable from sub recipients in the amount of \$178. The NALWDB had grant receivables from the Department of Workforce Solutions in the amount of \$119,062 as of June 30, 2010.

4. DEFERRED REVENUE

During the fiscal year ending June 30, 2010, the NALWDB did not have any deferred revenues.

5. RECONCILIATION BETWEEN BUDGETARY BASIS AND GAAP BASIS

Because the NALWDB kept its budgets on the modified accrual basis of accounting during the year ending June 30, 2010, there was no need to reconcile the budget financial statements to fund financial statements.

**STATE OF NEW MEXICO
NORTHERN AREA LOCAL WORKFORCE DEVELOPMENT BOARD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010**

6. CAPITAL ASSETS AND DEPRECIATION

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

	<u>2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>2010</u>
Capital Assets:				
Furniture, fixtures and equipment \$	3,048	-	-	3,048
Accumulated Depreciation:				
Furniture, fixtures and equipment	<u>(3,048)</u>	<u>-</u>	<u>-</u>	<u>(3,048)</u>
Total net capital assets	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>

There was no current year depreciation expense for the year ended June 30, 2010, all items were fully depreciated and no additions were purchased. All depreciation for the year has been allocated to the Workforce Investment Act Program-Administration. All of NALWDB's equipment have been purchased under government contracts and are restricted as to their use as designated by granting agencies.

7. RETIREMENT 401K PLAN AND POST EMPLOYMENT BENEFITS

During the fiscal year ended June 30, 2010, the NALWDB had no employees eligible for PERA retirement benefits and, therefore, had no contributions to the PERA. However, in January 2003, the Board started a 401(K) retirement plan to which it can make voluntary contributions. Any employee who has completed one year of service and is at least 21 years of age is entitled to participate in the plan. During the years ended June 30, 2010 and 2009 the NALWDB contributed \$ - and \$30,288 respectively.

8. RISK MANAGEMENT

The NALWDB 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 it carried commercial insurance in the name of NALWDB.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. As of June 30, 2010, the NALWDB did not have any probable risk of loss.

9. COMPENSATED ABSENCES

Qualified employees are entitled to accumulate personal leave at the rate of 4 hours per pay period for annual and sick during the first year of employment. For employees with over one year employment annual leave will be accrued at the rate of 6 hours per pay period and 4 hours per pay period for sick leave. A maximum of 240 hours of such accumulated annual

**STATE OF NEW MEXICO
 NORTHERN AREA LOCAL WORKFORCE DEVELOPMENT BOARD
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2010**

leave may be carried forward into the beginning of the fiscal year and any excess is lost. When employees terminate, they are compensated for accumulated unpaid leave as of the date of termination, up to a maximum of 240 hours.

The following is a summary of changes in long-term debt for the year ended June 30, 2010:

	<u>2009</u>	<u>Increases</u>	<u>Decreases</u>	<u>2010</u>	<u>Current Portion</u>
Compensated absences payable	\$ 20,773	35,433	(26,739)	29,467	7,368

The WIA fund has been used to liquidate accrued compensated absences in the past.

**STATE OF NEW MEXICO
NORTHERN AREA LOCAL WORKFORCE DEVELOPMENT BOARD
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2010**

Federal Grantor/Program Title	Federal CFDA Number	Identifying Grant No.	Grant Award Expended
U.S. Department of Labor passed through the New Mexico Department of Workforce Solutions			
Major programs:			
American Recovery and Reinvestment Act			
WIA Adult Program:	17.258	09/10-003-PY08 & PY 09	\$ 330,741
WIA Youth Activities:	17.259	09/10-003-PY08 & PY 09	290,377
WIA Dislocated Workers:	17.260	09/10-003-PY08 & PY 09	336,224
WIA 10% state set-aside	17.2xx	09/10-003-PY08 & PY 09	2,627
			959,968
Formula Program Year Funds			
WIA Adult Program:	17.258	09/10-003-PY08 & PY 09	785,168
WIA Youth Activities:	17.259	09/10-003-PY08 & PY 09	416,915
WIA Dislocated Workers:	17.260	09/10-003-PY08 & PY 09	890,454
WIA 10% state set-aside	17.2xx	09/10-003-PY08 & PY 09	14,890
			2,107,427
Total expenditures			\$ 3,067,395

Selected Disclosures

1. Basis of Accounting

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Northern Area Local 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. Non-Cash Assistance

The Northern Area Local Workforce Development Board did not receive any noncash assistance.

3. Payments To Sub-recipients

Organization	Federal CFDA Number	Amount
SER Jobs for Progress, Inc. - Formula Funds	17.258,17.260	\$ 913,159
SER Jobs for Progress, Inc. - ARRA Funds	17.258,17.261	521,801
SER Jobs for Progress, Inc. - Formula Funds	17.259	261,589
SER Jobs for Progress, Inc. - ARRA Funds	17.259	272,457
HELP NM - Formula Funds	17.259	208,237
HELP NM - ARRA Funds	17.259	222,060
Total		\$ 2,399,303

See Independent Auditors' Report
The Accompanying Notes Are An Integral Part Of These Financial Statements.

**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
Northern Area Local Workforce Development Board
Santa Fe, New Mexico and
Mr. Hector Balderas, State Auditor
Santa Fe, New Mexico

We have audited the financial statements of the governmental activities, the major fund, and the major fund budgetary comparison of the Northern Area Local Workforce Development Board (NALWDB), as of and for the year ended June 30, 2010, and have issued our report thereon dated December 1, 2010. 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 *Governmental Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the NALWDB's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance and other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned costs as items 08-01 and 08-03.

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

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

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

Hinkle & Landers, P.C.
December 1, 2010

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

The Board of Directors
Northern Area Local Workforce Development Board
Santa Fe, New Mexico and
Mr. Hector Balderas, State Auditor
Santa Fe, New Mexico

Compliance

We have audited the Northern Area Local Workforce Development Board's (NALWDB) compliance with the types of compliance requirements described in "U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement" that could have a direct and material effect on each of NALWDB's major federal program for the year ended June 30, 2010. NALWDB's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grant applicable to its major federal program is the responsibility of NALWDB's management. Our responsibility is to express an opinion on NALWDB's compliance based on our audit.

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

In our opinion, NALWDB complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2010. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 08-01 and 08-03.

Internal Control Over Compliance

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

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

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

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

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

Hinkle & Landers, P.C.

Hinkle & Landers, P.C.
December 1, 2010

**STATE OF NEW MEXICO
NORTHERN AREA LOCAL WORKFORCE DEVELOPMENT BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010**

SECTION I – SUMMARY OF AUDITORS’ RESULTS

Financial Statements:

Type of auditors' report issued Unqualified

Internal Control over financial reporting:

Material weaknesses identified?	__yes	<u>X</u> no
Significant deficiencies identified that are not considered to be material weaknesses?	__yes	<u>X</u> no
Non-compliance material to financial statements noted?	__yes	<u>X</u> no

Federal Awards:

Internal Control

Material weaknesses identified?	__yes	<u>X</u> no
Significant deficiencies identified that are not considered to be material weaknesses?	__yes	<u>X</u> no

Type of auditors' report issued on major programs Unqualified

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

Identification of major program as noted below:

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

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

Auditee qualified as low-risk auditee? __yes Xno

**STATE OF NEW MEXICO
NORTHERN AREA LOCAL WORKFORCE DEVELOPMENT BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010**

SECTION II & III- FINANCIAL STATEMENTS FINDINGS

		Status of Current and Prior Year Findings	Other Matters	Significant Deficiency	Material Weakness	SECTION II Financial Statement Finding	SECTION III Federal Awards Finding
Prior year findings:							
07-02	Board Certification	Resolved	no	no	no	yes	yes
09-01	Recording of program income	Resolved	yes	no	no	yes	no
07-01	Subrecipient Monitoring	Resolved	no	no	no	yes	yes
08-01	Follow up of Case Management Files	Repeated	no	no	no	yes	yes
08-03	Performance Measures	Repeated-revised	no	no	no	yes	yes

Current year findings:

None

08-01 FOLLOW-UP OF CASE MANAGEMENT FILES

Statement of Condition

Out of the 60 adult/dislocated worker and youth participant files tested, 10 adult and 8 youth files had not been followed up with properly. In 4 participant files, at least 90 days had passed with no activity in either case management notes or in the VOSS system, yet participants had not been exited from the program. Also, in 11 exited participant files no documentation was available to support if required quarterly follow-ups had been performed, while in 3 exited files, follow up requirements had not been performed in a timely manner.

Criteria

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

Proper follow-up procedures should be followed and documented in participants' case management files. WIA also requires that participant files should be followed up on and if no contact can be made with the participant within 90 days, that person should be exited from the program. WIA Act also requires that follow-up be performed quarterly after a participant exits from the program.

Effect

Not all files have adequate documentation for the follow-up services provided as required by the WIA program grant. Performance reports concerning the area of job retention could be affected.

Cause

Not all older files had been updated to provide information required by the WIA.

**STATE OF NEW MEXICO
NORTHERN AREA LOCAL WORKFORCE DEVELOPMENT BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010**

Questioned Costs

None

Recommendation

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

Management Response

While the goal of follow-up services is to ensure job retention, wage gains, and career progress for clients who have obtained unsubsidized employment, the USDOL Federal Register, Vol. 65, No. 156, page 49319, indicates that follow-up services for Adults and Dislocated Workers who are placed in unsubsidized employment may be made available, many clients will not need or want such services. Such services need only be made available. To insure that it be made available, the NALWDB has established that Service Provider staff training be implemented and that appropriate notification be made to insure that all Adults and Dislocated Worker clients are aware of the availability of such services. Additionally, the NALWDB will implement a periodic report via the Service Provider authorized VOSS staff, to inform Service Provider staff of those clients requiring appropriate action to insure that clients needing a timely follow-up receive such. Service Provider self-monitoring will be followed by NALWDB monitoring to insure that clients needing Case Management receive such in a timely manner.

08-03 PERFORMANCE MEASURES NOT MET

Statement of Condition

The Board did not meet 2 of its 6 negotiated performance measures for the year ended June 30, 2010. It should be noted that the 2 performance measures not met in 2010 are different from the performance measures not met in 2009. The 2009 performance measures were met in 2010.

Criteria

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

The Board negotiates performance measures with the NM Department of Workforce Solutions that it is required to meet every year.

Effect

The Board is not meeting all of its negotiated performance measures.

**STATE OF NEW MEXICO
NORTHERN AREA LOCAL WORKFORCE DEVELOPMENT BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010**

Cause

The Board is reliant on the performance of the individual entering the program and their success making it difficult to meet all requirements.

Recommendation

The Board should work with the Department of Workforce Solutions to come up with a plan to address the goals that were not met.

Management Response

A review of the Performance Measures for the FY ending June 30, 2010 indicates that the NALWDB did not meet two (2) of the required Common Measures. The two (2) not met were Adult measures. In FY 2009, two (2) Youth Measures were not met; and the NALWDB established a methodology for the Youth Service Providers to follow that insured that the Youth Measures were met in FY10. The NALWDB established Youth Service Provider procedure will be modified to establish a methodology for the Adult and Dislocated Worker Service Provider to follow that will insure that the Adult and Dislocated Worker Performance Measures are met. Unmet Performance Measures are a standard within the Request for Proposal (RFP) that Service Providers are judged for continued funding by the Performance and Marketing Committee; so Service Providers have an incentive to succeed.

**STATE OF NEW MEXICO
NORTHERN AREA LOCAL WORKFORCE DEVELOPMENT BOARD
EXIT CONFERENCE
FOR THE YEAR ENDED JUNE 30 2010**

An exit conference was held in a closed session on December 1, 2010 and the contents of this report were discussed. Present at the exit conference were:

Representing Northern Area Local Workforce Development Board:

Joseph J. Rodman	Board Member, Chair of Youth Council, Budget & Planning Member
Jerry E. Gaussoin	Executive Director
R. Adrian Ortiz	Planning and Program Manager
Richard Sandoval, CPA	Fiscal Agent Contractor
Sara Jones	Office Manager

Representing Hinkle & Landers, P.C.:

Farley Vener, CPA, CFE Partner

PREPARATION OF FINANCIAL STATEMENTS

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