



# HINKLE + LANDERS

Certified Public Accountants + Business Consultants

STATE OF NEW MEXICO  
NORTHERN AREA LOCAL WORKFORCE  
DEVELOPMENT BOARD  
Financial Statements  
For The Year Ended June 30, 2011

**STATE OF NEW MEXICO  
 NORTHERN AREA LOCAL WORKFORCE DEVELOPMENT BOARD  
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 For The Year Ended June 30, 2011**

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**STATE OF NEW MEXICO**  
**NORTHERN AREA LOCAL WORKFORCE DEVELOPMENT BOARD**  
**OFFICIAL ROSTER**  
**As of June 30, 2011**

**DIRECTORS**

Lou Baker  
Sandy Sandoval  
Vincent Howell  
Michael Montoya  
Floyd Archuleta  
Robert Anaya  
Scott Beckman  
Sandra Carson  
Mary Jean Christensen  
Bennie Cohoe  
Veronica DeLeon-Dowd  
Albert Delgado  
Emerson Farley  
Star Gonzales  
Mary Gordy  
Charles Pacheco  
Luis Padilla  
Ralph A. Richards  
Joseph J. Rodman  
Emily Salazar  
Mario Suazo  
Louise Williams  
Jerry Gaussoin

**POSITION**

Chairman  
Vice Chair  
Secretary  
Parliamentarian  
Board Member  
Board Member  
Board Member  
Board Member  
Board Member  
Board Member  
Board Member  
Board Member  
Board Member  
Board Member  
Board Member  
Board Member  
Board Member  
Board Member  
Board Member  
Board Member  
Executive Director



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**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, 2011, 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, 2011, 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.

As described in Note 1 to the financial statements, the NALWDB implemented Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 28, 2011 on our consideration of the NALWDB's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the

scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit. For the year ended June 30, 2011, the 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, PC  
November 28, 2011

**STATE OF NEW MEXICO**  
**NORTHERN AREA LOCAL WORKFORCE DEVELOPMENT BOARD**  
**(GOVERNMENT-WIDE)**  
**STATEMENT OF NET ASSETS**  
**As of June 30, 2011**

<b>ASSETS</b>	Governmental Activities
<b>Current</b>	
Cash and cash equivalents	\$ 18,941
Grant receivables	166,001
Other receivables	-
Security deposits	3,000
Total current assets	187,942
<b>Noncurrent</b>	
Capital assets, net	-
Total assets	\$ 187,942
<b>LIABILITIES</b>	
<b>Current</b>	
Accounts payable	\$ 155,171
Grants payable	1,694
Accrued payroll liabilities	30,639
Accrued compensated absences-due within one year	8,560
Total current liabilities	196,064
<b>Noncurrent</b>	
Compensated absences	25,679
Total liabilities	221,742
<b>NET ASSETS</b>	
Invested in capital assets	-
Unrestricted	(33,800)
Total net assets	(33,800)
Total liabilities and net assets	\$ 187,942

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, 2011**

<b>Functions/Programs</b>	<b><u>Expenses</u></b>	<b><u>Program Operating Grants and Contributions</u></b>	<b><u>Net (Expense) Revenue and Changes in Net Assets for Governmental Activities</u></b>
<b>Governmental activities</b>			
Workforce Investment Act Program:			
Adult	\$ 767,230	767,230	-
Dislocated Worker	482,543	482,543	-
Youth	659,348	653,370	(5,978)
Administration	255,836	251,065	(4,771)
10% state set aside	119,726	119,726	-
SESP	<u>29,803</u>	<u>29,803</u>	<u>-</u>
	\$ <u>2,314,486</u>	<u>2,303,737</u>	<u>(10,749)</u>
Interest income - program income			<u>-</u>
Change in net assets			(10,749)
Net assets, beginning of year			<u>(23,051)</u>
Net assets, end of year		\$	<u><u>(33,800)</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**  
**BALANCE SHEET - GOVERNMENTAL FUND**  
**As of June 30, 2011**

<b>ASSETS</b>	<u>WIA</u>
Cash and cash equivalents	\$ 18,941
Grant receivables	166,001
Other receivables	-
Prepaid expense	<u>3,000</u>
Total assets	<u>\$ 187,942</u>

**LIABILITIES**

Accounts payable	\$ 155,171
Grants payable	1,694
Accrued payroll liabilities	<u>30,639</u>
Total liabilities	<u>187,504</u>

**FUND BALANCE**

Unassigned	<u>438</u>
Total fund balance-governmental funds	<u>438</u>
Total liabilities and fund balance	<u>\$ 187,942</u>

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

Total fund balances - Governmental Fund	\$ 438
Some liabilities are not due and payable in the current period and therefore are not reported in the governmental fund:	
Compensated absences	<u>(34,238)</u>
Net assets (deficit) of governmental activities (Statement of Net Assets)	<u>\$ (33,800)</u>



**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, 2011**

<b>Revenues</b>	<u><b>WIA</b></u>
Intergovernmental - federal	\$ 2,303,737
Interest income - program income	-
Total revenues	<u>2,303,737</u>

**Expenditures**

Current:

Employment services:

American Recovery and Reinvestment Act

Adult	14,610
Dislocated Worker	191,363
Youth	35,302
Administration	32,916
10% state set aside	119,726
SESP	29,803

Formula Program Year funds

Adult	752,620
Dislocated Worker	291,180
Youth	618,068
Administration	218,149
10% state set aside	-

2,303,737

Miscellaneous expense

5,978

Total expenditures

2,309,715

Net change in fund balance

(5,978)

Fund balance, beginning of year

6,416

Fund balance, end of year

\$ 438

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

Net change fund balance in governmental funds	\$ (5,978)
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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	<u>(4,771)</u>
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Change in net assets of governmental activities	\$ <u><u>(10,749)</u></u>
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**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, 2011**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Revenues</b>				
Intergovernmental-Federal	\$ 2,442,528	3,049,489	2,303,737	(745,752)
Interest Income-Program Income	-	-	-	-
Total Revenues	<u>\$ 2,442,528</u>	<u>3,049,489</u>	<u>2,303,737</u>	<u>(745,752)</u>
<b>Expenditures</b>				
Employment Services:				
American Recovery and Reinvestment Act				
Board Operations and Program Mgmt.	89,302	89,302	85,822	3,480
Program Expenses	196,420	803,386	337,897	465,489
Formula Program Year Funds				
Board Operations and Program Mgmt.	449,615	449,615	453,299	(3,684)
Program Expenses	<u>1,661,977</u>	<u>1,661,977</u>	<u>1,426,719</u>	<u>235,258</u>
Miscellaneous Expense	<u>-</u>	<u>-</u>	<u>5,978</u>	<u>(5,978)</u>
Total General Governmental	<u>2,397,314</u>	<u>3,004,280</u>	<u>2,309,715</u>	<u>694,565</u>
Excess (deficiency) of Revenues Over Expenditures	45,214	45,209	(5,978)	(51,187)
Fund Balance, Beginning of Year	<u>6,416</u>	<u>6,416</u>	<u>6,416</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 51,630</u>	<u>51,625</u>	<u>438</u>	<u>(51,187)</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, 2011**

**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. The 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, 2011, the NALWDB contracted with Zlotnick, Laws and Sandoval, P.C. for its fiscal agent services. The 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:
  - 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

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**NOTES TO THE FINANCIAL STATEMENTS**  
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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.

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, 2011.

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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, 2011.

*Program Revenues:*

The 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, 2011. 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 the NALWDB. NALWDB has one major fund and no non-major funds for the year ended June 30, 2011. See Note B-8 for more detail.

**3. GASB Statement #54**

In February 2009, the GASB issued Statement No. 54 Fund Balance Reporting and Governmental Fund Type Definitions. This statement enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The fund balance amounts for governmental funds have been reclassified in accordance with GASB Statement 54.

As a result, in the governmental fund financial statements, fund balances previously reported as reserved and unreserved are now reported as non-spendable, restricted, or unrestricted (committed, assigned or unassigned).

**4. Spending Policy**

When an expenditure/expense is incurred for purposes for which both restricted and unrestricted resources are available, it is the NALWDB's policy to use restricted resources first. When expenditures/expenses are incurred for purposes, for which

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unrestricted (committed, assigned and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the NALWDB's policy to spend committed resources first.

**5. 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.

**6. 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. The NALWDB does not receive any tax revenues. A one-year availability period is used for revenue recognition for all other governmental fund revenues.

The 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). The NALWDB recognizes non-exchange transactions in the financial statements as income unless it is not measurable (reasonably estimated), 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.

**7. 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. The NALWDB did not have any general long-term debt as of June 30, 2011.

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.

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**NOTES TO THE FINANCIAL STATEMENTS**  
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**8. Fund Accounting**

The accounts of the 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 of the NALWDB and it is used to account for all financial resources except those required to be accounted for in another fund. The General Fund is always considered a major fund and there were no other funds.

The key program included in the General Fund during fiscal year 2011 includes the following;

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

**9. 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 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:

	<u>Estimated Useful Life</u>
Furniture, fixtures, software and equipment	3-10 years

However, assets over the past years have been purchased by contractors and sub-recipients

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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 the NALWDB's WIA program, should the program or their agreement with the NALWDB end.

**D. Budgets**

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

**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**

The 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.

**H. Fund Balance**

The NALWDB's fund balance is classified under the following GASB Statement 54 components:

- **Non-spendable:** Non-spendable fund balance classification includes amounts that cannot be spent because they are either (1) not in spendable form or (2) legally or



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contractually required to be maintained intact. The NALWDB does not have any non-spendable fund balance for the year ended June 30, 2011.

- **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 NALWDB does not have any restricted fund balance for the year ended June 30, 2011.
- **Committed:** Committed fund balance is constrained to specific purposes by the highest level of decision-making authority (the New Mexico Legislature and Governor). NALWDB does not have any committed fund balance for the year ended June 30, 2011.
- **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 NALWDB does not have any assigned fund balance for the year ended June 30, 2011.
- **Unassigned:** Unassigned fund balance is the residual classification for the general fund. The NALWDB does not currently have a minimum fund balance policy. The unassigned amount represents compensated absences and miscellaneous expenses in the General Fund.

**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 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.

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, the NALWDB's deposits may not be returned to it. The NALWDB's deposit policy is to collateralize one half of the uninsured public money in each account.

Deposits as of June 30, 2011 were held in The First National Bank of Santa Fe. Deposits (cash or cash equivalents) are carried at cost, which approximates market value. As of June 30, 2011, the carrying amount of the NALWDB's deposits was \$18,941.

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, 2011:

**STATE OF NEW MEXICO**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**For The Year Ended June 30, 2011**

<u>Account Name</u>	<u>Type</u>	<u>Bank Balance</u>	<u>Book Balance</u>
Government Checking Account	Demand Deposit	\$ 53,298	<u>18,941</u>
Less FDIC coverage		<u>(250,000)</u>	
Uninsured balance		<u>\$ -</u>	
50% collateral requirement			

There were no remaining uninsured and collateralized deposits exposed to custodial credit risk. As of June 30, 2011, 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 the NALWDB's name	\$ -
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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 of Sante Fe	\$ <u>53,298</u>	<u>-</u>	<u>(34,357)</u>	<u>18,941</u>

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

**3. RECEIVABLES**

The NALWDB had a receivable from sub recipients in the amount of \$-. The NALWDB had grant receivables from the Department of Workforce Solutions in the amount of \$166,001 as of June 30, 2011.

**4. CAPITAL ASSETS AND DEPRECIATION**

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

	<u>2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>2011</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, 2011, all items were fully depreciated and no additions were purchased. All depreciation for the year has

**STATE OF NEW MEXICO  
NORTHERN AREA LOCAL WORKFORCE DEVELOPMENT BOARD  
NOTES TO THE FINANCIAL STATEMENTS  
For The Year Ended June 30, 2011**

been allocated to the Workforce Investment Act Program-Administration. All of the NALWDB's equipment have been purchased under government contracts and are restricted as to their use as designated by granting agencies.

**5. DEFERRED REVENUE**

During the fiscal year ending June 30, 2011, the NALWDB did not have any deferred revenues.

**6. 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 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, 2011:

	<u>2010</u>	<u>Increase</u>	<u>Decrease</u>	<u>2011</u>	<u>Current Portion</u>
Compensated absences payable	\$ 29,467	35,610	(30,838)	34,239	8,560

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

**7. 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, 2011, there was no need to reconcile the budget financial statements to fund financial statements.

**8. RETIREMENT 401(k) PLAN AND POST EMPLOYMENT BENEFITS**

Employees of the NALWDB are not eligible to participate in the PERA retirement plan. 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. For the year ended June 30, 2011, a contribution to the plan for \$20,848 was accrued and subsequently paid in July of 2011. For fiscal years ending June 30, 2010 and June 30, 2009, the NALWDB made no contributions to the 401(k) retirement plan.

**9. 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 the NALWDB.

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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, 2011, the NALWDB did not have any probable risk of loss.

**STATE OF NEW MEXICO  
NORTHERN AREA LOCAL WORKFORCE DEVELOPMENT BOARD  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For The Year Ended June 30, 2011**

<b>Federal Grantor/Program Title</b>	<b>Federal CFDA Number</b>	<b>Identifying Grant No.</b>	<b>Grant Award Expended</b>
U.S. Department of Labor passed through the New Mexico Department of Workforce Solutions			
<b>Major programs:</b>			
<b>American Recovery and Reinvestment Act</b>			
WIA Adult Program:	17.258	10/11-003-PY09 & PY 10	\$ 14,610
WIA Youth Activities:	17.259	10/11-003-PY09 & PY 10	35,302
WIA Dislocated Workers:	17.260	10/11-003-PY09 & PY 10	191,363
WIA Administration	17.2xx	10/11-003-PY09 & PY 10	32,916
WIA 10% state set-aside	17.2xx	10/11-003-PY09 & PY 10	119,726
ARRA - SESP	17.275	10/11-003-PY09 & PY 10	29,803
			<b>423,720</b>
<b>Formula Program Year Funds</b>			
WIA Adult Program:	17.258	10/11-003-PY09 & PY 10	752,620
WIA Youth Activities:	17.259	10/11-003-PY09 & PY 10	618,068
WIA Dislocated Workers:	17.260	10/11-003-PY09 & PY 10	291,180
WIA Administration	17.2xx	10/11-003-PY09 & PY 10	218,149
			<b>1,880,017</b>
Total expenditures			<b>\$ 2,303,737</b>

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**

<b>Organization</b>	<b>Federal CFDA Number</b>	<b>Identifying Grant No.</b>	<b>Amount</b>
SER Jobs for Progress, Inc. - Formula Funds	17.258,17.260	n/a	\$ 768,750
SER Jobs for Progress, Inc. - ARRA Funds	17.258,17.261	n/a	167,824
SER Jobs for Progress, Inc. - Formula Funds	17.259	n/a	324,470
SER Jobs for Progress, Inc. - ARRA Funds - SESP	17.275	n/a	29,803
HELP NM - Formula Funds	17.259	n/a	219,590
HELP NM - ARRA Funds	17.259	n/a	24,995
Total			<b>\$ 1,535,432</b>

**4. Retirement of CFDA Number 17.260**

We became aware through the National Single Audit Coordinator that CFDA number 17.260 will be retired. Research was done to determine if changes to auditing procedures were required; however, additional procedures were deemed unnecessary. The audit was completed under the guidance of the March 2011 Compliance Supplement provided by the Office of Management and Budget.



**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, 2011, and have issued our report thereon dated November 28, 2011. 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 did not disclose any instances of noncompliance and other matters that are required to be reported under *Government Auditing Standards*.

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.  
November 28, 2011



**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 the NALWDB's major federal program for the year ended June 30, 2011. The 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 the NALWDB's management. Our responsibility is to express an opinion on the 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 the 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, the 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, 2011. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 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.  
November 28, 2011

**STATE OF NEW MEXICO  
NORTHERN AREA LOCAL WORKFORCE DEVELOPMENT BOARD  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For The Year Ended June 30, 2011**

**SECTION I – SUMMARY OF AUDITORS’ RESULTS**

*Financial Statements:*

Type of auditors' report issued Unqualified

*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 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? X yes \_\_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 X no

**STATE OF NEW MEXICO  
NORTHERN AREA LOCAL WORKFORCE DEVELOPMENT BOARD  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For The Year Ended June 30, 2011**

**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:						
o8-01 Follow Up Of Case Management Files	Resolved	no	yes	no	yes	no
o8-03 Performance Measures	Repeated-revised	yes	no	no	no	yes
Current year findings:						
None						

**o8-03 PERFORMANCE MEASURES NOT MET – OTHER MATTERS**

*Federal program information:*

Funding Agency: US Department of Labor passed through the New Mexico Department of Workforce Solutions  
 Title: Workforce Investment Act  
 CFDA: 17.258, 17.259, 17.260  
 Award Number: N/A  
 Award Period: 7/1/10 – 6/30/11

**Statement of Condition**

The NALWDB did not meet 3 of its 6 negotiated performance measures for the year ended June 30, 2011.

**Criteria**

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

**Effect**

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

**Cause**

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

**Recommendation**

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

**Management Response**

The NALWDB concurs with the finding. The NALWDB Performance and Marketing and One-Stop Committees have met with the Adult and Dislocated Worker Service Provider and have formulated a Corrective Action Plan that addresses the performance deficiencies as described. The Corrective Action Plan will be closely monitored by the above-referenced Committees and

**STATE OF NEW MEXICO**  
**NORTHERN AREA LOCAL WORKFORCE DEVELOPMENT BOARD**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For The Year Ended June 30, 2011**

the NALWDB Administrative Entity (AE) to make certain that elements of the plan are fully implemented in order to ensure performance measures are met in Program Year 2011 (PY11).

**STATE OF NEW MEXICO  
NORTHERN AREA LOCAL WORKFORCE DEVELOPMENT BOARD  
EXIT CONFERENCE  
For The Year Ended June 30, 2011**

An exit conference was held in a closed session on November 28, 2011 and the contents of this report were discussed. Present at the exit conference were:

**Representing Northern Area Local Workforce Development Board:**

Floyd Archuleta	Board Member
Ralph Richards	Board Member
Jerry E. Gaussoin	Executive Director
R. Adrian Ortiz	Planning and Program Manager
Greg Klos, CPA	Fiscal Agent Contractor
Sara Jones	Office Manager

**Representing Hinkle + Landers, P.C.:**

Farley Vener, CPA, CFE	Partner
Maclen Enriquez	Audit Manager

**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.