

STATE OF NEW MEXICO

NORTHERN AREA

LOCAL WORKFORCE DEVELOPMENT BOARD

FINANCIAL STATEMENTS

FOR THE YEAR-ENDED JUNE 30, 2018



INTRODUCTORY SECTION

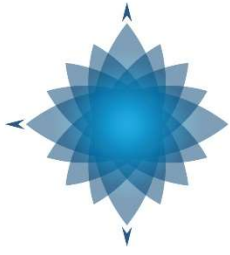
**STATE OF NEW MEXICO
NORTHERN AREA LOCAL WORKFORCE DEVELOPMENT BOARD
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FOR THE YEAR ENDED JUNE 30, 2018**

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**STATE OF NEW MEXICO
NORTHERN AREA LOCAL WORKFORCE DEVELOPMENT BOARD
OFFICIAL ROSTER
FOR THE YEAR ENDED JUNE 30, 2018**

<u>Directors</u>	<u>Title</u>
Floyd Archuleta	Chairman
Sandy Sandoval	Chair Elect
Scott Beckman	Secretary
Robert Anaya	Board Member
Krutik Bhakta	Board Member
Gabriel Baca	Board Member
Vincent Howell	Board Member
Chris Madrid	Board Member
Marcos Martinez	Board Member
Jason Moore	Board Member
Jolene Nelson	Board Member
Ralph Richards	Board Member
Nani Rivera	Board Member
Lucinda Garcia	Board Member
Jon Paul Romero	Board Member
Mario Suazo	Board Member
Carole Rutten	Board Member
Shantel Cooper	Board Member
Thomasinia Ortiz-Gallegos	Board Member
Eileen Yarborough	Board Member
Jeff Barela	Executive Director

FINANCIAL SECTION



Independent Auditor's Report

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

Report of the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund, and the budgetary comparison of the general fund of the Northern Area Local Workforce Development Board (NALWDB) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the NALWDB's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and the major fund of the Northern Area Local Workforce Development Board as of June 30, 2018, and the respective changes in financial position and the respective budgetary comparisons for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the Management Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the NALWDB's financial statements, and the budgetary comparisons. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 30, 2018, 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 internal control over

financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering NALWDB's internal control over financial reporting and compliance.

Integrity Accounting & Consulting, LLC

Integrity Accounting & Consulting, LLC
Albuquerque, NM
November 30, 2018

STATE OF NEW MEXICO
NORTHERN AREA LOCAL WORKFORCE DEVELOPMENT BOARD
STATEMENT OF NET POSITION
GOVERNMENT-WIDE
As of June 30, 2018

	Governmental Activities
Assets:	
Current assets	
Cash and cash equivalents	\$ 120,520
Receivables	180
Grant receivables	277,960
Total current assets	398,660
Non-current assets:	
Capital assets, net	-
Prepaid expenses	5,475
Total Noncurrent Assets	5,475
Total assets	\$ 404,135
Liabilities:	
Current liabilities	
Accounts payable	\$ 396,517
Accrued payroll liabilities	1,050
Compensated absences - current portion	11,945
Total current liabilities	409,512
Noncurrent liabilities	
Compensated absences payable	2,986
Total liabilities	412,498
Net position:	
Net investment in capital assets	-
Unrestricted	(8,363)
Total net position	(8,363)
Total liabilities and Net Position	\$ 404,135

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 ACTIVITIES
GOVERNMENT-WIDE
For The Year Ended June 30, 2018**

	<u>Expenses</u>	<u>Program Operating Grants and Contributions</u>	<u>Net Revenue (Expense) and Changes in Net Position for Governmental Activities</u>
Governmental activities			
WIOA Cluster			
Adult	\$ 1,831,642	1,831,446	(196)
Dislocated Worker	566,765	566,765	-
Youth	806,891	806,891	-
Other training	<u>78</u>	<u>78</u>	<u>-</u>
Total program expenses	\$ 3,205,376	3,205,180	(196)
General revenues and (expenses):			
Miscellaneous revenue			\$ 59
Miscellaneous expense			<u>(59)</u>
Total general revenues and expenses			<u>-</u>
Change in net position			(196)
Beginning net position			<u>(8,167)</u>
Ending net position			<u><u>\$ (8,363)</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 FUNDS
As of June 30, 2018

	General Fund
Assets	
Cash and cash equivalents	\$ 120,520
Accounts receivable	180
Grants receivable	277,960
Prepaid expenses	5,475
Total assets	\$ 404,135
Liabilities:	
Accounts payable	\$ 396,517
Accrued payroll liabilities	1,050
Total liabilities	397,567
Fund balance:	
Nonspendable	5,475
Unassigned	1,093
Total fund balance-governmental funds	6,568
Total liabilities and Fund Balance	\$ 404,135

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
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
GOVERNMENT-WIDE STATEMENT OF NET POSITION
As of June 30, 2018

Total fund balance - Governmental funds	\$	6,568
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Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds.		-
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Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. Long-term liabilities at year end consists of:

Current compensated absences	\$	(11,945)	
Noncurrent compensated absences	\$	<u>(2,986)</u>	
			<u>(14,931)</u>

Net position for governmental activities	\$	<u><u>(8,363)</u></u>
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STATE OF NEW MEXICO
 NORTHERN AREA LOCAL WORKFORCE DEVELOPMENT BOARD
 NON-MAJOR GOVERNMENTAL FUNDS
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 For The Year Ended June 30, 2018

	Major Funds
	General Fund
Revenues:	
Intergovernmental - Federal	\$ 3,205,102
Intergovernmental - Local	78
Other grants	-
Miscellaneous revenue	59
Total revenues	3,205,239
Expenditures:	
Employment Services	
Current:	
WIOA Cluster	
Adult	1,684,696
Dislocated Worker	742,237
Youth	521,351
Administration	256,818
Other	78
Miscellaneous Expenditures	59
Total expenditures	3,205,239
Excess (deficiency) of revenue over expenditures	-
Net change in fund balance	-
Beginning fund balance	6,568
Ending fund balance	\$ 6,568

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
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For The Year Ended June 30, 2018

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

Net change in fund balances (deficit) - total governmental funds	\$	-
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds		
(Increase)/decrease in compensated absences		<u>(196)</u>
Change in net position of governmental activities	\$	<u><u>(196)</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
GENERAL FUND- MAJOR FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE-WIA-(GAAP BUDGETARY BASIS) AND ACTUAL
For The Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Intergovernmental-federal	\$ 4,245,687	5,820,026	3,205,102	(2,614,924)
Intergovernmental - local	-	-	78	78
Miscellaneous revenue	-	-	59	59
Total revenues	\$ 4,245,687	5,820,026	3,205,239	(2,614,787)
Expenditures:				
Employment Services				
WIOA Cluster				
Adult	1,128,874	1,790,742	1,684,696	106,046
Dislocated Worker	814,169	851,072	742,237	108,835
Youth	651,410	846,028	521,351	324,677
Administration	261,510	301,870	256,818	45,052
Other	-	-	78	(78)
Miscellaneous Expenditures	-	-	59	(59)
Total General governmental	2,855,963	3,789,712	3,205,239	584,473
Excess (deficiency) of revenues over expenditures	1,389,724	2,030,314	-	(2,030,314)

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, 2018**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Description of Entity

The Northern Area Local Workforce Development Board was organized pursuant to Section 117 of Public Law 105-220 (Workforce Innovation and Opportunity Act [WIOA]) 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, Taos, Rio Arriba, and Cibola counties in the State of New Mexico.

During the year ended June 30, 2018, the NALWDB contracted with a local CPA firm 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 HELP NM 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:

1. Advise the State Board on issues relating to regional and local workforce development needs;
2. Develop and submit to the State Board and Governor a local five-year workforce plan that shall be updated and revised annually in accordance with the requirements of the federal WIOA;
3. Designate or certify one-stop program operators in accordance with the federal WIOA;
4. Terminate, for cause, the eligibility of the one-stop operator;
5. Select and provide grants to youth activity providers in accordance with the WIOA;
6. Identify eligible training providers in accordance with WIOA;
7. Develop a budget subject to approval of the Chief Elected Official;
8. Develop and negotiate local performance measurements as described in the WIOA with the Chief Elected Official and the Governor;
9. Assist in development of an employment statistics system;
10. Ensure linkages with economic development activities;
11. Encourage employer participation and assist employers in meeting hiring needs;

STATE OF NEW MEXICO
NORTHERN AREA LOCAL WORKFORCE DEVELOPMENT BOARD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

12. In partnership with the Chief Elected Officials, conduct oversight of local programs of youth activities authorized pursuant to the federal WIOA and employment and training activities authorized pursuant to that act, and conduct oversight of the one-stop delivery system in the local area;
13. Establish as a subgroup, a youth council, appointed by the local board in cooperation with the Chief Elected Official, and
14. Prior to submission of the local plan, provide information regarding the following:
 - a. the local plan
 - b. membership
 - c. designation and certification of one-stop operators and
 - d. the award of grants or contracts to eligible providers of youth activities

The local board shall be appointed in accordance with criteria established by the governor. The 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 Position and the Statement of Activities) are prepared using the economic resources measurement focus and

STATE OF NEW MEXICO
NORTHERN AREA LOCAL WORKFORCE DEVELOPMENT BOARD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

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.

When applicable, the effect of inter-fund activity is removed from the statement of net position and the statement of activities in order to avoid a grossing-up effect on the assets, liabilities, revenues and expenditures. However, the NALWDB had no inter-fund activity for the year ended 2018.

Net position is the difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources. Net position on the Statement of Net Position includes the following:

Investment in Capital Assets – the component of net position 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 position should be reported as restricted when constraints placed on net position's use is either externally imposed by law through constitutional provisions or enabling legislation. The NALWDB had no restricted net position as of June 30, 2018.

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

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, 2018.

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, 2018. These revenues are program revenues for the carrying out of program activities of the grant cluster.

The net cost by function is normally covered by general revenue. The NALWDB allocates its indirect costs to each of its programs based on an indirect cost allocation plan. The government-wide focus is more on the sustainability of the NALWDB as an entity and the

STATE OF NEW MEXICO
NORTHERN AREA LOCAL WORKFORCE DEVELOPMENT BOARD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

change in the NALWDB's net position resulting from the current year's activities.

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 30,2018. 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 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

STATE OF NEW MEXICO
NORTHERN AREA LOCAL WORKFORCE DEVELOPMENT BOARD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

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, 2018.

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.

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, deferred outflows of resources, deferred inflows of resources, fund equity, revenue and expenditures. The funds are governmental fund types and are grouped as the General Fund.

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.

**STATE OF NEW MEXICO
NORTHERN AREA LOCAL WORKFORCE DEVELOPMENT BOARD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

The key program included in the General Fund during fiscal year 2018 includes the following;

Workforce Innovation and Opportunity 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 Position. 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 non-vesting 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:

Asset Type	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 the NALWDB's respective awarding program, should the program or their agreement with the NALWDB end.

STATE OF NEW MEXICO
NORTHERN AREA LOCAL WORKFORCE DEVELOPMENT BOARD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

d. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and/or the balance sheet for the governmental funds will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, Deferred Outflows of Resources, represents a consumption of net position/fund balance that applies to a future period and so will not be recognized as an expense or expenditure until then. The NALWDB has no deferred outflows of resources during fiscal year 2018 on the government wide or fund financials. In addition to liabilities, the statement of net position and/or the balance sheet for the governmental funds will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, Deferred Inflows of Resources, represents an acquisition of net position/fund balance that applied to a future period and so will not be recognized until then. The NALWDB has no deferred inflows of resources during fiscal year 2018 on the government wide or fund financials.

e. 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, youth, and administration activities. Those allocations are based upon the State Workforce Development Board's approved state plan. The NALWDB cannot exceed expenditures allocated by adult, dislocated worker, youth, or administration funding streams. Allocated funds not drawn in the first year may be drawn in the next year.

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

The Board approves the budget at the operating fund level and not at the funding stream level. Therefore, the over-expenditure in miscellaneous expenditures does not constitute a violation of budget rules since the Board maintained sufficient funds in this funding stream overall and the budget in total was not over-expended.

Any federal funds that have been used for any purpose not within the purposes of the WIOA shall be reimbursed to the State Workforce Development 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.

STATE OF NEW MEXICO
NORTHERN AREA LOCAL WORKFORCE DEVELOPMENT BOARD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

f. Use of Estimates

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

g. 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.

h. Allowances

The NALWDB expects to receive the full amount of grants receivables for funds requested from the New Mexico Department of Workforce Solutions and others and, therefore, had not set up any allowance for any uncollectible receivables.

i. 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 contractually required to be maintained intact. The NALWDB has non-spendable fund balance of \$3000 for the year ended June 30, 2018.
- **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, 2018.
- **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, 2018.
- **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, 2018.
- **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 the balance from miscellaneous expenses and revenue in the current and prior

**STATE OF NEW MEXICO
NORTHERN AREA LOCAL WORKFORCE DEVELOPMENT BOARD
NOTES TO THE FINANCIAL STATEMENTS
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years as well as the unspent portion of a current year grant.

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, 2018 were held in Sunflower Bank of Santa Fe. Deposits (cash or cash equivalents) are carried at cost, which approximates market value. As of June 30, 2018, the carrying amount of the NALWDB's deposits was \$120,520.

Account	Type	Bank Balance	Book Balance
Government Checking Account	Demand Deposit	\$ 123,265	<u>120,520</u>
Less FDIC coverage		<u>(250,000)</u>	
Uninsured balance		<u>\$ -</u>	

There were no remaining uninsured and collateralized deposits exposed to custodial credit risk. As of June 30, 2018, 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 \$ -

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.

Bank Name	Bank Balance	Deposits In transit	Outstanding checks	Financial Statements
Sunflower Bank - non interest bearing	\$ <u>123,265</u>	<u> </u>	<u>(2,745)</u>	<u>120,520</u>

Due to restriction on WIOA 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.

**STATE OF NEW MEXICO
NORTHERN AREA LOCAL WORKFORCE DEVELOPMENT BOARD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

3. RECEIVABLES

The NALWDB had grant receivables from the Department of Workforce Solutions in the amount of \$277,960 as of June 30, 2018.

4. CAPITAL ASSETS AND DEPRECIATION

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

<u>Capital Assets</u>	<u>Balance 06/30/17</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 06/30/18</u>
Capital assets being depreciated:				
Furniture, fixtures and equipment	449	-	-	449
Less accumulated depreciation for:				
Furniture, fixtures and equipment	<u>(449)</u>	<u>-</u>	<u>-</u>	<u>(449)</u>
Total capital assets, net of depreciation	\$ <u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

There was no current year depreciation expense for the year ended June 30, 2018, all items were fully depreciated and no additions were purchased. 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. UNEARNED REVENUE

During the fiscal year ending June 30, 2018, the NALWDB did not have any unearned 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, 2018:

	<u>2017</u>	<u>Increase</u>	<u>Decrease</u>	<u>2018</u>	<u>Current Portion</u>
Compensated absences payable	\$ <u>14,735</u>	<u>14,638</u>	<u>(14,442)</u>	<u>14,931</u>	<u>2,986</u>

7. RECONCILIATION BETWEEN BUDGETARY BASIS AND GAAP BASIS

Because the NALWDB kept its budgets on the modified accrual basis of accounting during the year

**STATE OF NEW MEXICO
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ending June 30, 2018, 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 NALWDB started a 401(k) defined contribution 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. The NALWDB can also make discretionary contributions to the plan. For fiscal years ending June 30, 2018 and June 30, 2017, the NALWDB made discretionary contributions of \$26,113 and \$14,169, respectively to the 401(k) retirement plan. Employees made no voluntary contributions for these periods.

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. 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, 2018, the NALWDB did not have any probable risk of loss.

10. OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES

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

- A. No funds that maintained a deficit fund balance as of June 30, 2018
- B. No funds exceeded approved budgetary authority for the year ended June 30, 2018.

11. COMMITMENTS

The following is a schedule of future minimum lease payments required under current non-cancelable operating leases:

Fiscal Year		
Ending June 30,	Amount	
2019	\$ 19,467	
2020	7,092	
2021	7,092	
2022	-	
2023	-	
Total	\$ <u>33,651</u>	

12. USE OF FACILITIES

An agreement between the NALWDB and Colfax County was signed on June 11, 2013. The

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

agreement provides the NALWDB with use of the building located at 230 North Third Street, Raton, NM, owned by the County. In lieu of payment, the NALWDB has agreed to provide business-driven, customer-oriented workforce development services for Colfax County, and participating municipalities, citizens.

In addition, on April 1, 2014, the NALWDB entered into an agreement with the Regents of the University of New Mexico to use and occupy 910 square feet of office space. In lieu of payment, the NALWDB has agreed to provide vocational training and employment services to promote local economic development.

13. CONTINGENCY

WIOA designates the CEOs (the local chief elected officials in the Northern Area Workforce Development Area) as the grant recipient for WIOA federal funds and that the CEOs are liable for misuse of grant funds allocated to the Local Area. The Northern Area Local Workforce Development Board shall function as the grant recipient and shall receive and administer all WIOA Title I funds on behalf of the CEOs.

In August 2018, the Board's WIOA program was reviewed by the US Department of Labor as part of its ongoing monitoring of grant recipients. As a result of this monitoring, certain deficiencies in the administration of the WIOA grant were identified. In addition, questioned costs totaling \$69,050 were identified by the federal program reviewers which the NALWDB could ultimately be required to repay to the granting agency. Of this amount, \$3,050 was related to activity occurring during or prior to the fiscal year ended June 30, 2018. The Board is currently reviewing the findings of the monitoring visit and are still discussing the matter with US DOL. As a result, no amounts are recorded as a contingent liability in the accompanying financial statements until it has been determined that Board is more likely than not to have to repay the funds.

14. CONCENTRATION

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

15. SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the balance sheet date but before the financial statements are issued. The NALWDB recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the balance sheet, including the estimates inherent in the process of preparing the financial statements. The NALWDB's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the balance sheet but arose after the balance sheet date and before financial statements are available to be issued. The NALWDB has evaluated subsequent events through November 30, 2018, which is the date the financial statements were

**STATE OF NEW MEXICO
NORTHERN AREA LOCAL WORKFORCE DEVELOPMENT BOARD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

available to be issued.

SUPPLEMENTAL INFORMATION

STATE OF NEW MEXICO
NORTHERN AREA LOCAL WORKFORCE DEVELOPMENT BOARD
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended June 30, 2018

Federal Grantor/Pass-Through Program Title	Federal CFDA Number	Identifying Grant No.	Passed-through to Subrecipients	Grant Award Expended
U.S. Department of Labor passed through the New Mexico Department of Workforce Solutions				
WIA Cluster				
WIOA Adult program	17.258	17-003-PY16/18-003-PY17	\$ 1,570,195	\$ 1,831,446
WIOA Youth Activities	17.259	17-003-PY16/18-003-PY17	441,905	566,765
WIOA Dislocated Workers	17.278	17-003-PY16/18-003-PY17	639,009	806,891
Total WIA Cluster expenditures			<u>2,651,109</u>	<u>3,205,102</u>
Total Department of Labor			<u>\$ 2,651,109</u>	<u>\$ 3,205,102</u>

Note 1. Basis for Presentation

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of Northern Area Local Workforce Development Board (NALWDB) under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the NALWDB, it is not intended to and does not present the financial position or changes in financial position of the NALWDB.

Note 2. Summary of Significant Accounting Policies

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

Note 3. Non-Cash Assistance

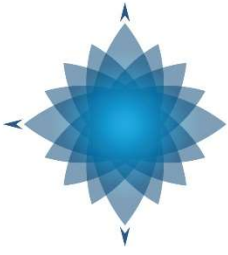
The Northern Area Local Workforce Development Board did not receive any noncash assistance.

Note 4. Payments to Sub-recipients

Organization	Federal CFDA Number	Identifying Grant No.	Amount
SER Jobs for Progress, Inc. - Formula Funds	17.258, 17.259, 17.278	17-003-PY16/18-003-PY17	2,651,109

Note 5. Cost Rate

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



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

Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the major fund, and the budgetary comparisons of the general fund of the Northern Area Local Workforce Development Board (NALWDB), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the NALWDB's basic financial statements and related budgetary comparisons of the NALWDB, presented as supplementary information, and have issued our report thereon dated November 30, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the NALWDB's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the NALWDB's internal control. Accordingly, we do not express an opinion on the effectiveness of the NALWDB's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material

weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies: 2018-001.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the NALWDB's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or 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: 2018-002, 2018-003.

NALWDB's Response to Findings

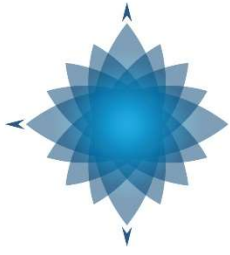
NALWDB's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. NALWDB's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Integrity Accounting & Consulting, LLC

Integrity Accounting & Consulting, LLC
Albuquerque, NM
November 30, 2018



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

Independent Auditor’s Report

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

Report on Compliance for Each Major Federal Program

We have audited the Northern Area Local Workforce Development Board’s (NALWDB) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of NALWDB’s major federal programs for the year ended June 30, 2018. The NALWDB’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for each of the NALWDB’s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the NALWDB's compliance.

Opinion on Each Major Federal Program

In our opinion, the NALWDB's, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2018-002 and 2018-003. Our opinion on each major federal program is not modified with respect to these matters.

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

Report on Internal Control Over Compliance

Management of the NALWDB, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the NALWDB's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the 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. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over

compliance that might be material weaknesses or significant deficiencies. We identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2018-001, that we consider to be significant deficiencies.

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

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

Integrity Accounting & Consulting, LLC

Integrity Accounting & Consulting, LLC
Albuquerque, NM
November 30, 2018

**STATE OF NEW MEXICO
NORTHERN AREA LOCAL WORKFORCE DEVELOPMENT BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018**

SECTION I – SUMMARY OF AUDIT RESULTS

Financial Statements:

- | | |
|--|------------|
| 1. Type of auditors’ report issued | Unmodified |
| 2. Internal control over financial reporting: | |
| a. Material weakness identified? | No |
| b. Significant deficiencies identified not considered to be material weaknesses? | Yes |
| c. Noncompliance material to the financial statements noted? | No |

Federal Awards:

- | | |
|---|--|
| 1. Internal control over major programs: | |
| a. Material weaknesses identified? | No |
| b. Significant deficiencies identified not considered to be material weaknesses? | Yes |
| 2. Type of auditors’ report issued on compliance for major programs | Unmodified |
| 3. Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance? | Yes |
| 4. Identification of major programs: | |
| CFDA
<u>Number</u>
17.258 | <u>Federal Program</u>
WIOA Adult Program |
| 17.259 | WIOA Youth Activities |
| 17.278 | WIOA Dislocated Worker Formula Grants |
| 5. Dollar threshold used to distinguish between type A and type B programs: | \$750,000 |
| 6. Auditee qualified as low-risk auditee? | Yes |

**STATE OF NEW MEXICO
NORTHERN AREA LOCAL WORKFORCE DEVELOPMENT BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018**

<u>Finding</u>	<u>Status of Current and Prior Year Findings</u>	<u>Financial Statement Finding</u>	<u>Federal Awards Finding</u>
FINANCIAL STATEMENT FINDINGS			
<u>Prior Year Findings</u>			
None			
<u>Current Year Findings</u>			
None			
FEDERAL AWARD FINDINGS			
<u>Prior Year Findings</u>			
None			
<u>Current Year Findings</u>			
2018-001 - Subrecipient Monitoring	Current	No	Yes
2018-002 - WIOA Policies and Procedures	Current	No	Yes
2018-003 - Segregation of Duties	Current	No	Yes

SECTION II – FINANCIAL STATEMENT FINDINGS

PRIOR YEAR FINDINGS – Repeated/Modified

None

CURRENT YEAR FINDINGS

None

SECTION III – FEDERAL AWARD FINDINGS

PRIOR YEAR FINDINGS – Repeated/Modified

None

CURRENT YEAR FINDINGS

2018-001 – SUBRECIPIENT MONITORING (Significant Deficiency, Non-compliance)

Federal programs: CFDA Number: 17.258, 17.259, and 17.278 – WIOA Cluster

Federal Agency: US Department of Labor

Federal Award Number/Year: 17-003-PY16/18-003-PY17

**STATE OF NEW MEXICO
NORTHERN AREA LOCAL WORKFORCE DEVELOPMENT BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018**

Questioned Costs: \$1,986.24

Statement of Condition

During FY18, the NALWDB lacked proper subrecipient monitoring procedures. As part of our audit we obtained copies of the sub-recipient monitoring performed during the year by the Board. It was observed that, while sub-recipient monitoring was performed, it did not include the fiscal monitoring component as required.

Additionally, the NALWDB hired a temporary staff person for 30 days to conduct fiscal monitoring and paid \$1,986.24 for his services. However, there is no evidence that monitoring was completed or that a report was issued. This amount is considered questioned costs, due to the lack of documentation supporting that fiscal monitoring was completed.

Criteria

2 CFR §200.328 (a) provides, the non-Federal entity is responsible for oversight of the operations of the Federal award supported activities. The non-Federal entity must monitor its activities under Federal awards to assure compliance with applicable Federal requirements and performance expectations are being achieved. Monitoring by the non-Federal entity must cover each program, function or activity.

2 CFR §200.430 (i) provides, in part, that charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed and must be supported by a system of internal control which provides reasonable assurance that the charges are accurate.

2 CFR §200.403 provides, in part, that costs must meet the following general criteria in order to be allowable under Federal awards:

- (a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles
- (g) Be adequately documented

Cause

The Board believed that the monitoring provided was adequate under the terms of the grant.

Effect

Without complete and accurate monitoring of sub-recipients expenditures of federal funds, NALWDB cannot ensure the costs of goods and services charged to federal awards are allowable and charged in accordance with the applicable regulations.

Recommendation

NALWDB should ensure it properly monitors sub-recipients according to the requirements as required by the terms of the WIOA grant agreements.

Management Response

Questioned costs have been refunded from Northern Area Local Workforce Development Board's (NALWDB) unrestricted funds. The NALWDB has re-allocated the questioned costs of \$1,986.24 from unrestricted funds to the WIOA administration funding stream. The attached Weekly Drawdown report for November 14, 2018 reflects the credited funds to the WIOA Administration funding category and a

**STATE OF NEW MEXICO
NORTHERN AREA LOCAL WORKFORCE DEVELOPMENT BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018**

charge to the Board's unrestricted funds category for the same amount. This transaction reflects the credited funds listed as questioned costs in this report and considered refunded to the WIOA grant.

Additionally, moving forward the NALWDB will procure a third-party entity to conduct the fiscal monitoring for PY17 and PY18 to ensure that fiscal operations are within CFR guideline requirements. Fiscal monitoring expected to be completed by February 2019. Compliance will be monitored by the Executive Director.

2018-002 – WIOA POLICIES AND PROCEDURES (Other Non-compliance)

Federal programs: CFDA Number: 17.258, 17.259, and 17.278 – WIOA Cluster

Federal Agency: US Department of Labor

Federal Award Number/Year: 17-003-PY16/18-003-PY17

Questioned Costs: None

Statement of Condition

It was observed that the Board did not have certain policies and procedures required by WIOA and the Uniform Guidance. In many cases, the Board was relying on subrecipients to have the policies in place. These included policies related to:

- Grievance and Complaint procedures: 20 CFR §683.600(a), (b), and (c)
- Definition of "requires additional assistance" for out of school youth per 20 CFR §681.300
- Definition of "requires additional assistance" for ISY per 20 CFR §681.310(a)
- Level of needs-related payments per 20 CFR §680.970(a) and State Technical Assistance Guide, dated July 2015
- Supportive services per 20 CFR §680.900
- Allowable Costs: 2 CFR §200.302 (7)
- Financial Management: 2 CFR §200.302
- Payments: 2 CFR §§200.302(6), and 305
- Internal Controls: 2 CFR §200.303
- Program Income: 2 CFR §200.307
- Equipment: 2 CFR §200.313
- Procurement: 2 CFR § §200 .317 and 318
- Competition: 2 CFR §200.319
- Methods of Procurement to be followed: 2 CFR §200.320
- Requirements for pass-through entities: 2 CFR §200.331
- Cost Principles: 2 CFR §200.400-475

**STATE OF NEW MEXICO
NORTHERN AREA LOCAL WORKFORCE DEVELOPMENT BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018**

Criteria

2 CFR §200.303 (a) requires the non-Federal entity to establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and related terms and conditions.

TEGL No. 15-14, Section 5, Implementation of the Uniform Guidance, requires grantees to review and update all financial and administrative policies and procedures.

Cause

The Board believed that as long as the grant subrecipient had all necessary policies in place it was adequate.

Effect

Without complete and accurate policies and procedures in place, the NALWDB was unable to ensure compliance with the WIOA grant.

Recommendation

NALWDB should implement all policies and procedures as required by the WIOA grant and Uniform Guidance.

Management Response

The policies noted in the audit report are currently in development and will be presented to the Board for final approval in their meeting on December 14, 2018. Drafts of several of those policies are attached. Approved policies will be submitted to the New Mexico Department of Workforce Solutions by December 17, 2018. Compliance will be monitored by the Executive Director.

2018-003– SEGREGATION OF DUTIES (Finding that does not rise to the level of a significant deficiency)

Federal programs: CFDA Number: 17.258, 17.259, and 17.278 – WIOA Cluster

Federal Agency: US Department of Labor

Federal Award Number/Year: 17-003-PY16/18-003-PY17

Questioned Costs: None

Statement of Condition

While performing testwork related to expenditures, it was observed that in 2 out of 50 random disbursements tested, the Executive Director approved his own travel reimbursement. Further examination revealed that no process was in place for a higher-level approval to be obtained on these types of disbursements.

**STATE OF NEW MEXICO
NORTHERN AREA LOCAL WORKFORCE DEVELOPMENT BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018**

Criteria

2 CFR §200.303 (a) requires the non-Federal entity to establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and related terms and conditions.

Cause

The Board did not consider the lack of a higher-approval on the executive director's travel to be necessary.

Effect

The Board was subject to loss and non-compliance with the grant in the event that the executive director's travel was deemed to be unallowable.

Recommendation

NALWDB should ensure that a higher-level approval is obtained for all purchases to provide for adequate review of allowability and reasonableness under the terms of the grant.

Management Response

Since the fiscal audit, the NALWDB has implemented procedures for review and approval of all timesheets and travel vouchers indicating separation of duties has been implemented. The Board's Fiscal Agent and Finance Committee will monitor for compliance.

**STATE OF NEW MEXICO
NORTHERN AREA LOCAL DEVELOPMENT BOARD
OTHER DISCLOSURES
FOR THE YEAR ENDED JUNE 30, 2018**

A. AUDITOR PREPARED FINANCIAL STATEMENTS

Presentation: The accompanying financial statements are the responsibility of the NALWDB and are based on information from the NALWDB's financial records. Assistance was provided by Integrity Accounting & Consulting to the NALWDB in preparing the financial statements.

B. EXIT CONFERENCE

The contents of the report for the Northern Area Local Development Board were discussed on November 30, 2018. The following individuals were in attendance.

Northern Area Local Workforce Development Board:

Floyd Archuleta	Chairman
Jeff Barela	Executive Director
Rick Sandoval	Fiscal Agent
Barney Trujillo	One-Stop Operator

Integrity Accounting & Consulting, LLC

Erick Robinson, CPA, CFE	Partner
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