



HINKLE + LANDERS

Certified Public Accountants + Business Consultants

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

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

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

<u>Directors</u>	<u>Position</u>
Roque Garcia	Chairman
Cathy Vickers	Vice-Chairperson
Jesus Carrasco	Board Member
Alisa Estrada	Board Member
Jacqueline S. Fryer	Board Member
David Gershenson	Board Member
Alonzo Gonzales	Board Member
Shirly Gonzales	Board Member
Simon Haynes	Board Member
Julio Hernandez	Board Member
Marlene Herrera	Board Member
Edward Khanbavian	Board Member
Jess Landers	Board Member
Leroy Madrid	Board Member
David Manzano	Board Member
Phyllis McNall	Board Member
Marcos Martinez	Board Member
John Mora	Board Member
Susanna Navarrette Rodriquez	Board Member
Lola Polley	Board Member
Michelle Phillips	Board Member
Marie Richter	Board Member
Leo Rosas	Board Member
Anton Salome	Board Member
Debbie Schoonover	Board Member
Larry Sedillo	Board Member
Robert Smith	Board Member
Virginia Trujillo	Board Member
Jay Armijo	Executive Director, SCCOG



INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Southwestern Area Workforce Development Board
and
Mr. Hector H. Balderas, State Auditor

We have audited the accompanying financial statements of the governmental activities, the major fund and the major fund budgetary comparison of the Southwestern Area Workforce Development Board (SAWDB) as of and for the year ended June 30, 2011, which collectively comprises the SAWDB's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the SAWDB'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 SAWDB, 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 29, 2011 on our consideration of the SAWDB'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 SAWDB 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 SAWDB's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis required by US Office of Management and Budget Circular A-133, *Audit of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. The schedule of expenditures of federal awards has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

Hinkle & Landers, P.C.

November 29, 2011
Hinkle + Landers, PC

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

	<u>Governmental Activities</u>
ASSETS	
Current assets	
Cash and cash equivalents	\$ 609
Grant receivables	<u>485,568</u>
Total current assets	<u>486,177</u>
 Total assets	 <u><u>\$ 486,177</u></u>
LIABILITIES	
Current liabilities	
Accounts payable	\$ 377,638
Payroll liabilities	7,705
Deferred revenue	<u>100,834</u>
Total current liabilities	<u>486,177</u>
NET ASSETS	
Investment in capital assets	<u>-</u>
Total net assets	<u>-</u>
 Total liabilities and net assets	 <u><u>\$ 486,177</u></u>

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

**STATE OF NEW MEXICO
SOUTHWESTERN AREA WORKFORCE DEVELOPMENT BOARD
(GOVERNMENT-WIDE)
STATEMENT OF ACTIVITIES
For The Year Ended June 30, 2011**

Functions/Programs	Expenses	Program Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets for Governmental Activities
Governmental activities:	<hr/>	<hr/>	<hr/>
Workforce Investment Act program:			
Program year 10/fiscal year 11	\$ 1,905,776	1,905,776	-
Program year 09/fiscal year 10	101,729	101,729	-
American Recovery and Reinvestment Act	269,608	269,608	-
SESP	7,876	7,876	-
DABCC	923	923	-
25% Rapid Response	134,634	134,634	-
	<hr/>	<hr/>	<hr/>
	2,420,546	2,420,546	-
General revenues:			<hr/>
			-
Change in net assets			<hr/>
			-
Net assets, beginning of year			<hr/>
			-
Net assets, end of year			<hr/> <hr/>
			\$ -

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

STATE OF NEW MEXICO
SOUTHWESTERN AREA WORKFORCE DEVELOPMENT BOARD
BALANCE SHEET - GOVERNMENTAL FUNDS
As of June 30, 2011

		General Fund Workforce Investment Act
ASSETS:		
Cash and cash equivalents	\$	609
Grant receivables		485,568
		485,568
Total assets	\$	486,177
LIABILITIES:		
Accounts payable	\$	377,638
Payroll liabilities		7,705
Deferred revenue		100,834
		100,834
Total liabilities		486,177
FUND BALANCE:		
Fund balance		-
Total fund balance		-
Total liabilities and fund balance	\$	486,177
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore, are not reported		-
Net assets of governmental activities	\$	-

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STATE OF NEW MEXICO
SOUTHWESTERN AREA WORKFORCE DEVELOPMENT BOARD
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUND
For The Year Ended June 30, 2011

	General Fund Workforce Investment Act
Revenues:	
Federal Grants	\$ <u>2,420,546</u>
Expenditures:	
Current:	
Employment services:	
FY 09	
Rapid Response	
Dislocated Worker	134,634
American Recovery and Reinvestment Act	
Adult	102
Youth	20,139
Dislocated Worker	129,777
Administration	21,741
10% State Set Aside	97,849
PY 09 and FY 10	
Adult	26,933
Dislocated Worker	24,622
Youth	-
Administration	50,174
PY 10 and FY 11	
Adult	783,173
Dislocated Worker	143,731
Youth	774,872
Administration	204,000
SESP	
Industry Council Support	7,277
Administration Costs	599
Green Industry Training	-
Supportive Services	-
DACC- Nursing	923
Capital outlay	-
Total Expenditures	<u>2,420,546</u>
Fund balance, beginning of year	<u>-</u>
Fund balance, end of year	\$ <u><u>-</u></u>
Amounts reported for governmental activities in the statement of activities are different because:	
<i>Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets.</i>	
Depreciation expense	<u>-</u>
Change in net assets of governmental activities	\$ <u><u>-</u></u>

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STATE OF NEW MEXICO
SOUTHWESTERN AREA WORKFORCE DEVELOPMENT BOARD
WORKFORCE INVESTMENT ACT FUND - MAJOR FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET (MODIFIED ACCRUAL BASIS)
AND ACTUAL (MODIFIED ACCRUAL BASIS)
For The Year Ended June 30, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Grants	\$ 3,479,291	3,438,650	2,420,546	(1,018,104)
Expenditures:				
Current:				
Employment services:				
FY 09				
Rapid Response				
Dislocated Worker	134,634	134,634	134,634	-
American Recovery and Reinvestment Act				
Adult	102	102	102	-
Youth	20,139	20,139	20,139	-
Dislocated Worker	129,777	129,777	129,777	-
Administration	21,741	21,741	21,741	-
10% State Set Aside	100,000	100,000	97,849	2,151
PY 09 and FY 10				
Adult	-	26,933	26,933	-
Dislocated Worker	95,843	24,622	24,622	-
Youth	-	-	-	-
Administration	65,823	50,174	50,174	-
PY 10 and FY 11				
Adult	816,038	811,835	783,173	28,662
Dislocated Worker	459,591	468,981	143,731	325,250
Youth	883,380	900,627	774,872	125,755
Administration	239,890	236,752	204,000	32,752
SESP				
Industry Council Support	193,864	193,864	7,277	186,587
Administration Costs	34,211	34,211	599	33,612
Green Industry Training	250,000	250,000	-	250,000
Supportive Services	13,410	13,410	-	13,410
DACC - Nursing	20,848	20,848	923	19,925
Total general governmental	<u>3,479,291</u>	<u>3,438,650</u>	<u>2,420,546</u>	<u>1,018,104</u>
Change in fund balance	-	-	-	-
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, end of year	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>

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

STATE OF NEW MEXICO
SOUTHWESTERN AREA 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 Southwestern Area Workforce Development Board (SAWDB) 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 SAWDB sets policy for Luna, Dona Ana, Sierra, Hidalgo, Grant, Socorro and Catron Counties in the State of New Mexico.

During the year ended June 30, 2011, the SAWDB contracted with South Central Council of Governments, a governmental entity, to provide administrative and fiscal agent services. The SAWDB also contracted with the New Mexico Department of Workforce Solutions to manage and operate the four local area One-Stop Centers. The SAWDB 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:
 1. the local plan
 2. membership
 3. designation and certification of one-stop operators and
 4. the award of grants or contracts to eligible providers of youth activities

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

The local board shall be appointed in accordance with criteria established by the governor. The SAWDB'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 SAWDB 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 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 SAWDB had no restricted net assets as of June 30, 2011.

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

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 have been reserved for subsequent year's expenditures. The reservation represents the amount of cash appropriated in subsequent year's budget.

Program Revenues:

The SAWDB 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 SAWDB are prepared in accordance with Generally Accepted Accounting Principles (GAAP) generally accepted in the United States of America. The SAWDB'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 SAWDB has no proprietary funds or component units.

2. Fund Financial Statements

Fund financial statements report detailed information about the SAWDB. The SAWDB has one major fund and no non-major funds for the year ended June 30, 2011. See item 6 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 SAWDB's policy to use restricted resources

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

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 SAWDB'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 SAWDB does not receive any tax revenues. A one-year availability period is used for revenue recognition for all other governmental fund revenues.

The SAWDB is implementing 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 SAWDB 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 SAWDB recognizes non-exchange transactions in the financial statements as income unless it is not measurable (reasonably estimate), if any.

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

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,

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

principal and interest on general long-term debt, which has not matured, are recognized when paid. The SAWDB 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.

8. Fund Accounting

The accounts of the SAWDB 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 SAWDB 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 the 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.

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 SAWDB 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 SAWDB to other agencies is accounted for in capital assets. Purchased capital assets are valued at historical cost. Donated capital assets are valued at their estimated fair value on the date of donation. The minimum capitalization threshold is any individual item with a total cost greater than \$5,000.

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

<u>Type</u>	<u>Estimated Depreciable Life</u>
Furniture and fixtures	3-10 years
Software	3-10 years
Equipment	3-10 years

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

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 as depreciation has been recorded on their books accordingly. The contractors and sub-recipients are under the understanding that should the program end or their agreements with the SAWDB end, those assets will need to be returned to the SAWDB's WIA program.

D. Budgets

The SAWDB prepares a budget by funding stream based upon the allocation by the State Workforce Development Board to be approved by the SAWDB's Board. The State Workforce Development Board provides the SAWDB 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 SAWDB cannot exceed expenditures by adult, dislocated worker, youth, state set aside, or administration funding streams. Allocated funds not drawn in the first year may be drawn in the next year.

Budgets are prepared on the modified accrual basis of accounting. The 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 SAWDB must be first approved by the State Workforce Development Board but are not required to be approved by the Department of Finance and Administration.

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

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 SAWDB 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.

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

H. Fund Balance

The Board'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 SAWDB does not have any non-spendable fund balance for the year ended June 30, 2011.
- **Restricted:** Restricted fund balance represents includes 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 SAWDB 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). The SAWDB 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 SAWDB 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 SAWDB does not currently have a minimum fund balance policy. The SAWDB does not have any unassigned fund balance for the year ended June 30, 2011.

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 SAWDB's deposits may not be returned to it. The SAWDB'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 Bank of the Southwest in the name of the South Central Council of Governments. Deposits (cash or cash equivalents) are carried at cost, which approximates market value. As of June 30, 2011, the carrying amount of the SAWDB's deposits was \$609.

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

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:

<u>Account Name</u>	<u>Type</u>	<u>Bank Balance</u>	<u>Book Balance</u>
Checking Account - non interest bearing	Demand Deposits	\$ 396,135	<u>609</u>
Less: FDIC coverage		<u>(396,135)</u>	
Uninsured balance		<u>-</u>	
50% collateral requirement		\$ -	

The SAWDB's bank (Bank of the Southwest) is participating in the FDIC's Transaction Account Guarantee Program. Under that program, all noninterest-bearing transaction accounts are fully guaranteed by the FDIC for the entire amount of the account. As of June 30, 2011, the amount of the SAWDB's bank balance of that was exposed to custodial credit risk was as follows:

Uninsured and collateral held by the pledging Bank's trust dept. not in the SAWDB'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>Outstanding Checks</u>	<u>Outstanding Deposits</u>	<u>Book Balance</u>
Bank of the Southwest Program Checking	\$ <u>641,685</u>	<u>(641,076)</u>	<u>-</u>	<u>609</u>

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

3. RECEIVABLES

The SAWDB had grant receivables from the Department of Workforce Solutions in the amount of \$485,568 as of June 30, 2011.

4. DEFERRED REVENUE

During the fiscal year ending June 30, 2011, the SAWDB had \$100,827 in deferred revenues. Deferred revenues consisted entirely of WIA funds received in advance.

5. RECONCILIATION BETWEEN BUDGETARY BASIS AND GAAP BASIS

Because the SAWDB 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.

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

6. CAPITAL ASSETS AND DEPRECIATION

The following is a summary of changes in capital assets for the year ended June 30, 2011:

	<u>2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>2011</u>
Capital Assets:				
Furniture, fixtures, and equipment	\$ 21,650	-	-	21,650
Accumulated Depreciation				
Furniture, fixtures, and equipment	<u>(21,650)</u>	<u>-</u>	<u>-</u>	<u>(21,650)</u>
Total net capital assets	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>

Current year depreciation expense for the year ended June 30, 2011 was \$-. All of the SAWDB's equipment have been purchased under government contracts and are restricted as to their use as designated by granting agencies.

7. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA) PLAN AND POST EMPLOYMENT BENEFITS

During the fiscal year ended June 30, 2011, the SAWDB had no employees eligible for retirement benefits and, therefore, had no retirement benefit expenditures during the year.

8. RISK MANAGEMENT

The SAWDB 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 its fiscal agent SCCOG carried commercial insurance in the name of the SAWDB. Settled claims have not exceeded this commercial coverage in the past year.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. As of June 30, 2011, the SAWDB did not have any probable risk of loss.

9. RELATED PARTY TRANSACTIONS

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

During the year ended June 30, 2011, purchases for goods and services were made by the SAWDB with companies or organizations with which various board members are associated. The following schedule details those purchases by organization/company/association:

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

<u>Board Member</u>	<u>Organization</u>	<u>Association to SAWDB</u>	<u>Amount</u>
Marlene Herrera	Alamo Navajo School Board	Youth Training Provider	\$ 62,236
Jess Landers	Landers Enterprises	OJT Training Provider	2,267
Marcos Martinez	Department of Workforce Solutions	Service Provider	668,692
Susanna Navarette Rodriguez	Adult Basic Education Division, NMSU- DACC	Training Provider	95,105
Robert Smith	Western New Mexico University	Training Provider	150,337
			\$ <u>978,637</u>

<u>Chief Elected Officials</u>	<u>Organization</u>	<u>Association to SAWDB</u>	<u>Amount</u>
Scott Apachito	Alamo Navajo School Board	Youth Training Provider	\$ -
Danny Monett	Socorro County	Training Provider	2,985
Andres Silva	City of Deming	Facility Rent	75
			<u>3,060</u>
		Total related party transactions	\$ <u>981,697</u>

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

Federal Grantor/Program Title	Federal CFDA Number	Pass-through Entity's Identifying Number	Grant Award Expended
U.S. Department of Labor passed through			
New Mexico Department of Workforce Solutions			
Major programs:			
WIA Adult Program:	17.258	08-004-PY08	810,208
WIA Youth Activities:	17.259	08-004-PY08	795,011
WIA Dislocated Workers:	17.260	08-004-PY08	299,053
WIA 25% Rapid Response-DW	17.258	08-004-PY08	134,634
WIA 10% State Set Aside	17.260	08-004-PY08	97,849
WIA Administration - Adult	17.258	11-004-PY10	117,450
WIA Administration - Youth	17.259	11-004-PY10	115,247
WIA Administration - Dislocated Workers	17.260	11-004-PY10	43,218
WIA SESP Program:	17.275	GJ-20032-10-60-A-35	7,876
Total expenditures			\$ 2,420,546

Selected Disclosures

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

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

3. Payments to subrecipients

<u>Organization</u>	<u>Amount</u>
New Mexico Department of Workforce Solutions	\$ 668,692
Alamo Schools	62,236
Families and Youth, Inc.	283,130
HELP	356,066
Western New Mexico University	88,670
Total payments to subrecipients	\$ 1,458,794

4. 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.

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



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

The Board of Directors
Southwestern Area Workforce Development Board
Elephant Butte, 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 budgetary comparison of the Southwestern Area Workforce Development Board (SAWDB), as of and for the year ended June 30, 2011, and have issued our report thereon dated November 29, 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 SAWDB's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the SAWDB's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the SAWDB'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 SAWDB'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

November 29, 2011

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS, continued

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 or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Southwestern Area 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 29, 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
Southwestern Area Workforce Development Board
Elephant Butte, New Mexico and
Mr. Hector Balderas, State Auditor
Santa Fe, New Mexico

Compliance

We have audited the Southwestern Area Workforce Development Board's (SAWDB) 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 SAWDB's major federal program for the year ended June 30, 2011. The SAWDB'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 SAWDB's management. Our responsibility is to express an opinion on the SAWDB'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 SAWDB'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 SAWDB's compliance with those requirements.

In our opinion the SAWDB 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 08-01.

Internal Control Over Compliance

Management of the SAWDB is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants

November 29, 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,
continued**

applicable to federal programs. In planning and performing our audit, we considered the SAWDB's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the SAWDB'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 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 and deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency as described in the accompanying Schedule of Findings and Questioned Costs as item 08-01.

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.

The SAWDB'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 SAWDB's response and, accordingly, we express no opinion on it.

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

Hinkle & Landers, P.C.

Hinkle + Landers, P.C.
November 29, 2011

**STATE OF NEW MEXICO
SOUTHWESTERN AREA 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	<u>X</u> no
Significant deficiencies identified that are not considered to be material weaknesses?	__yes	<u>X</u> no
Non-compliance material to financial statements noted?	__yes	<u>X</u> no

Federal Awards:

Internal Control

Material weaknesses identified?	__yes	<u>X</u> no
Significant deficiencies identified that are not considered to be material weaknesses?	<u>X</u> yes	__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
SOUTHWESTERN AREA WORKFORCE DEVELOPMENT BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2011**

SECTION II & III- FINANCIAL STATEMENTS AND FEDERAL AWARD FINDINGS

		Status of Current and Prior Year Findings	Financial Statement Finding	Federal Awards Finding	State Auditor Finding	Significant Deficiency	Material Weakness
<i>Prior year</i>							
08-01	FOLLOW UP OF CASE MANAGEMENT FILES AT SERVICE PROVIDERS	Repeated	no	yes	no	yes	no
08-03	TIMELY SUBMISSION OF MONTHLY STATUS REPORTS	Resolved	no	yes	no	yes	no
09-01	CASH CONTROLS	Resolved	yes	yes	no	yes	yes
10-01	BANK RECONCILIATION NOT SIGNED OFF ON	Resolved	yes	no	no	yes	no
10-02	VIOLATION OF OPEN MEETINGS ACT	Resolved	yes	no	yes	yes	no
10-03	RFP PROCUREMENT PROCESS NOT PROPERLY FOLLOWED	Resolved	yes	no	yes	yes	no
10-04	TRAVEL VOUCHERS	Resolved	no	yes	no	no	no
10-05	FORMAL SIGN OFF ON SIGNIFICANT DISBURSEMENTS	Resolved	yes	no	no	yes	no
10-06	OUTSTANDING PAYABLES	Resolved	yes	no	no	yes	no
10-07	CONTRACT PAYMENTS MADE IN EXCESS OF APPROVED YOUTH ARRA CONTRACTS	Resolved	no	yes	no	yes	no
10-08	ACCRUAL REPORTING	Resolved	yes	no	no	yes	no
10-09	LATE AUDIT REPORT	Resolved	no	no	yes	no	no

Current year

None

08-01 FOLLOW-UP OF CASE MANAGEMENT FILES AT SERVICE PROVIDERS – REPEATED–SIGNIFICANT DEFICIENCY

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

Out of the 60 adult/dislocated worker and youth participant files tested at the service provider level, 2 youth files had not been followed up with properly. In 1 participant file, at least 90 days had passed with no activity in either case management notes or in the VOSS system, yet participant had not been exited from the program.

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

Criteria

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

Effect

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

Cause

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

Questioned Costs

None

Recommendation

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

Management Response

We concur with the finding and we will provide recurring training specific to the case note and follow up requirements. In addition, the SAWDB Administrative Entity's Monitoring Team will conduct monthly desk reviews, on-site monitoring, and offer technical assistance to service providers to assist in resolving this finding.

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

An exit conference was held in a closed session on November 29, 2011 and the contents of this report were discussed. Present at the exit conference were:

Representing Southwestern Area Workforce Development Board:

Mayor Nora Barraza	SCCOG Board Chairperson
Roque Garcia	SAWDB Board Member
Katherine Gervasio	WIA Administrator
Steve Duran	WIA Administrator
Linda Lanham	SCCOG Deputy Director
Jay Armijo	Executive Director, South Central Council of Governments

Representing Hinkle + Landers, P.C.:

Farley Vener, CPA, CFE	Independent auditor, Hinkle + Landers, P.C.
Maclen Enriquez	Independent auditor, Hinkle + Landers, P.C.

PREPARATION OF FINANCIAL STATEMENTS

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