



HINKLE + LANDERS

Certified Public Accountants + Business Consultants

**STATE OF NEW MEXICO
SOUTHWESTERN AREA WORKFORCE
DEVELOPMENT BOARD
Financial Statements
For The Year Ended June 30, 2012**

STATE OF NEW MEXICO
SOUTHWESTERN AREA WORKFORCE DEVELOPMENT BOARD
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For The Year Ended June 30, 2012

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STATE OF NEW MEXICO
SOUTHWESTERN AREA WORKFORCE DEVELOPMENT BOARD
OFFICIAL ROSTER
As of June 30, 2012

| Directors | Position |
|-----------------------------|---------------------------|
| Roque Garcia | Chairman |
| Cathy Vickers | Vice-Chairperson |
| Jesus Carrasco | Board Member |
| Alisa Estrada | Board Member |
| Jacqueline Fryar | Board Member |
| David S. Gershenson | Board Member |
| Alonzo Gonzales | Board Member |
| Shirley Gonzalez | Board Member |
| Simon Haynes | Board Member |
| Julio Hernandez | Board Member |
| Marlene Herrerra | Board Member |
| Edward Khanbabian | Board Member |
| Jess Landers | Board Member |
| Leroy Madrid | Board Member |
| David C. Manzano | Board Member |
| Phyllis McNall | Board Member |
| Marcos Martinez | Board Member |
| John Mora | Board Member |
| Susanna Navarette Rodriguez | 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, 2012, which collectively comprise 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 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 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 previously 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, 2012, and the respective changes in financial position thereof and the respective budgetary comparison for the major fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2012 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.

The SAWDB has omitted the Management and Discussion and Analysis that the *Governmental Accounting Standards Board* requires to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by *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.

Our audit was conducted for the purpose of forming opinions on the basic financial statements and the major fund budgetary comparison. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole

Hinkle & Landers, P.C.

November 21, 2012
Hinkle + Landers, PC

**STATE OF NEW MEXICO
SOUTHWESTERN AREA WORKFORCE DEVELOPMENT BOARD
(GOVERNMENT-WIDE)
STATEMENT OF NET ASSETS
As of June 30, 2012**

| | Governmental Activities |
|--------------------------------------|------------------------------|
| ASSETS | |
| Current assets | |
| Cash and cash equivalents | \$ 10,258 |
| Grant receivables | <u>555,919</u> |
| Total current assets | <u>566,177</u> |
| Total assets | <u><u>\$ 566,177</u></u> |
| LIABILITIES | |
| Current liabilities | |
| Accounts payable | \$ 563,534 |
| Deferred revenue | <u>2,643</u> |
| Total current liabilities | <u>566,177</u> |
| NET ASSETS | |
| Investment in capital assets | <u>-</u> |
| Total net assets | <u>-</u> |
| Total liabilities and net assets | <u><u>\$ 566,177</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, 2012**

| Functions/Programs | Expenses | Program Operating Grants and Contributions | Net (Expense) Revenue and Changes in Net Assets for Governmental Activities |
|--|-----------------|---|--|
| Governmental activities: | | | |
| Workforce Investment Act program: | | | |
| Program year 11/fiscal year 12 | \$ 522,696 | 522,696 | - |
| Program year 10/fiscal year 11 | 2,240,854 | 2,240,854 | - |
| National Emergency Grant | 16,605 | 16,605 | - |
| DABCC | 37,032 | 37,032 | - |
| American Recovery and Reinvestment Act | | | |
| SESP | <u>312,783</u> | <u>312,783</u> | - |
| | 3,129,970 | 3,129,970 | - |
| General revenues: | | | - |
| Change in net assets | | | - |
| Net assets, beginning of year | | | - |
| Net assets, end of year | | | <u>\$ -</u> |

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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, 2012

| | | <u>General Fund</u> |
|---|----|-------------------------|
| ASSETS: | | |
| Cash and cash equivalents | \$ | 10,258 |
| Grant receivables | | <u>555,919</u> |
| Total assets | \$ | <u><u>566,177</u></u> |
| LIABILITIES: | | |
| Accounts payable | \$ | 563,534 |
| Deferred revenue | | <u>2,643</u> |
| Total liabilities | | <u>566,177</u> |
| FUND BALANCE: | | |
| Fund balance | | <u>-</u> |
| Total fund balance | | <u>-</u> |
| Total liabilities and fund balance | \$ | <u><u>566,177</u></u> |
| <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 | | <u>-</u> |
| Net assets of governmental activities | \$ | <u><u>-</u></u> |

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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, 2012

| | <u>General Fund</u> |
|--|-------------------------|
| Revenues: | |
| Federal Grants | \$ <u>3,129,970</u> |
| Expenditures: | |
| Current: | |
| Employment services: | |
| PY 10 and FY 11 | |
| Adult | 197,051 |
| Dislocated Worker | 158,171 |
| Youth | 125,755 |
| Administration | 41,719 |
| National Emergency Grant (NEG) | |
| Dislocated Worker | 14,976 |
| Administration | 1,629 |
| PY 11 and FY 12 | |
| Adult | 766,135 |
| Dislocated Worker | 346,879 |
| Youth | 943,622 |
| Administration | 184,218 |
| American Recovery and Reinvestment Act | |
| SESP | |
| Industry Council Support | 170,830 |
| Administration Costs | 7,608 |
| Green Industry Training | 134,165 |
| Supportive Services | 180 |
| Dacc Nursing | 37,032 |
| Total Expenditures | <u>3,129,970</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> |

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

STATE OF NEW MEXICO
SOUTHWESTERN AREA WORKFORCE DEVELOPMENT BOARD
GENERAL 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, 2012

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance Favorable (Unfavorable)</u> |
|--|----------------------------|-------------------------|------------------|---|
| Revenues: | | | | |
| Grants | \$ 3,838,110 | 3,959,623 | 3,129,970 | (829,653) |
| Expenditures: | | | | |
| Current: | | | | |
| Employment services: | | | | |
| PY 10 and FY 11 | | | | |
| Adult | 28,662 | 197,051 | 197,051 | - |
| Dislocated Worker | 325,250 | 158,171 | 158,171 | - |
| Youth | 125,755 | 125,755 | 125,755 | - |
| Administration | 32,752 | 41,719 | 41,719 | - |
| National Emergency Grant (NEG) | | | | - |
| Dislocated Worker | 67,594 | 14,976 | 14,976 | - |
| Administration | 7,406 | 1,629 | 1,629 | - |
| PY 11 and FY 12 | | | | |
| Adult | 849,426 | 939,256 | 766,135 | 173,121 |
| Dislocated Worker | 538,876 | 594,626 | 346,879 | 247,747 |
| Youth | 1,015,632 | 1,015,632 | 943,622 | 72,010 |
| Administration | 267,104 | 283,279 | 184,218 | 99,061 |
| American Recovery and Reinvestment Act | | | | |
| SESP | | | | |
| Industry Council Support | 186,587 | 193,864 | 170,830 | 15,158 |
| Administration Costs | 33,612 | 34,211 | 7,608 | 26,603 |
| Green Industry Training | 250,000 | 262,910 | 134,165 | 128,745 |
| Supportive Services | 13,410 | 500 | 180 | 320 |
| Dacc Nursing | 96,044 | 96,044 | 37,032 | 58,089 |
| Total general governmental | <u>3,838,110</u> | <u>3,959,623</u> | <u>3,129,970</u> | <u>829,653</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, 2012

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, 2012, 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

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,

STATE OF NEW MEXICO
SOUTHWESTERN AREA WORKFORCE DEVELOPMENT BOARD
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2012

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.

When applicable, the effect of interfund activity is removed from the statement of net assets and the statement of activities in order to avoid a grossing-up effect on the assets, liabilities, revenues and expenditures. However, the SAWDB had no interfund activity for the year ended 2012.

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, 2012.

STATE OF NEW MEXICO
SOUTHWESTERN AREA WORKFORCE DEVELOPMENT BOARD
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2012

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, 2012. These revenues are program revenues for the carrying out of program activities of the Workforce Investment Act grant cluster and the State Energy Sector Partnership program.

The net cost by function is normally covered by general revenue. The SAWDB 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 SAWDB as an entity and the change in the SAWDB's net assets resulting from the current year's activities.

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, 2012. See item 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).

STATE OF NEW MEXICO
SOUTHWESTERN AREA WORKFORCE DEVELOPMENT BOARD
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2012

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 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, 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, 2012.

**STATE OF NEW MEXICO
SOUTHWESTERN AREA WORKFORCE DEVELOPMENT BOARD
NOTES TO THE FINANCIAL STATEMENTS
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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 programs included in the General Fund during the fiscal year 2012 include 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.

State Energy Sector Partnership - A key goal of the SESP grant is to establish a statewide, systematic approach to worker training in renewable energy/energy efficiency occupations that is responsive to business and worker needs.

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 |

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 awarding program.

STATE OF NEW MEXICO
SOUTHWESTERN AREA WORKFORCE DEVELOPMENT BOARD
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2012

D. Budgets

The SAWDB prepares a budget of funds 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, SESP, 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, SESP, 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 or SESP program 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.

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.

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, 2012.
- **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

**STATE OF NEW MEXICO
SOUTHWESTERN AREA WORKFORCE DEVELOPMENT BOARD
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2012**

levels of government). The SAWDB does not have any restricted fund balance for the year ended June 30, 2012.

- **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, 2012.
- **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, 2012.
- **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, 2012.

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, 2012 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, 2012, the carrying amount of the SAWDB's deposits was \$10,258.

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, 2012:

| <u>Account Name</u> | <u>Type</u> | <u>Bank Balance</u> | <u>Book Balance</u> |
|---|-----------------|-------------------------|-------------------------|
| Bank of the Southwest | | | |
| Checking Account - non interest bearing | Demand Deposits | \$ 97,336 | <u>10,258</u> |
| Less: FDIC coverage | | <u>(97,336)</u> | |
| Uninsured balance | | - | |
| 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

**STATE OF NEW MEXICO
SOUTHWESTERN AREA WORKFORCE DEVELOPMENT BOARD
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2012**

30, 2012, 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 \$ -

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 | Outstanding Checks | Outstanding Deposits | Book Balance |
|---|-----------------|-----------------------|-------------------------|-----------------|
| Bank of the Southwest Program Checking - non interest bearing | \$ 97,336 | (87,078) | - | 10,258 |

Due to restrictions on WIA and SESP funds by their 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 \$555,919 as of June 30, 2012.

4. DEFERRED REVENUE

During the fiscal year ended June 30, 2012, the SAWDB had \$2,643 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, 2012, there was no need to reconcile the budget financial statements to fund financial statements.

6. CAPITAL ASSETS AND DEPRECIATION

The following is a summary of changes in capital assets for the year ended June 30, 2012:

| | 2011 | Additions | Deletions | 2012 |
|------------------------------------|-----------|-----------|-----------|-----------------|
| Capital Assets: | | | | |
| Furniture, fixtures, and equipment | \$ 21,650 | - | - | 21,650 |
| Accumulated Depreciation | | | | |
| Furniture, fixtures, and equipment | (21,650) | - | - | (21,650) |
| Total net capital assets | \$ - | - | - | - |

Current year depreciation expense for the year ended June 30, 2012 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.

**STATE OF NEW MEXICO
SOUTHWESTERN AREA WORKFORCE DEVELOPMENT BOARD
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2012**

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

During the fiscal year ended June 30, 2012, 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, 2012, 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, 2012, 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:

| <u>Board Member</u> | <u>Organization</u> | <u>Association to SAWDB</u> | <u>Amount</u> |
|--------------------------------|--------------------------------------|----------------------------------|---------------------|
| Marlene Herrera | Alamo Navajo School Board | Youth Training Provider | \$ 76,262 |
| Susanna Navarette | Adult Basic Education Division, NMSU | | |
| Rodriguez | - DACC | Training Provider | 149,055 |
| Robert Smith | Western New Mexico University | Training Provider | 77,889 |
| Marcos Martinez | Department of Workforce Solutions | Service Provider | 662,067 |
| | | | <u>965,273</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 | 76,262 |
| Mayor Arnulfo | | | |
| Castañeda | City of Anthony | OJT Provider | 4,592 |
| | | | <u>80,854</u> |
| | | Total related party transactions | <u>\$ 1,046,127</u> |

**STATE OF NEW MEXICO
SOUTHWESTERN AREA WORKFORCE DEVELOPMENT BOARD
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended June 30, 2012**

| Federal Grantor/Program Title | Federal CFDA Number | Pass-through Entity's Identifying Number | Grant Award Expended |
|--|------------------------------------|---|---------------------------------|
| <i>Indirect</i> | | | |
| U.S. Department of Labor, passed through New Mexico Department of Workforce Solutions Workforce Investment Act | | | |
| *WIA Adult Program PY10/FY11: | 17.258 | 11-004-PY10 | 197,051 |
| *WIA Youth Activities PY10/FY11: | 17.259 | 11-004-PY10 | 125,890 |
| *WIA Dislocated Workers PY10/FY11: | 17.278 | 11-004-PY10 | 158,171 |
| *WIA Administration PY10/FY11 | | 11-004-PY10 | 41,719 |
| *WIA Adult Program PY11/FY12: | 17.258 | 11-004-PY11 | 766,135 |
| *WIA Youth Activities PY11/FY12: | 17.259 | 11-004-PY11 | 943,488 |
| *WIA Dislocated Workers PY11/FY12: | 17.278 | 11-004-PY11 | 346,879 |
| *WIA Administration PY11/FY12 | | 11-004-PY11 | 184,218 |
| *WIA National Emergency Grant (NEG) | 17.278 | EM-20544-10-60-A-35 | 16,605 |
| Total WIA | | | <u>2,780,157</u> |
| American Recovery and Reinvestment Act | | | |
| *State Energy Sector Partnership (SESP) - Program of Competitive Grants for Worker Training and Placement in High Growth and Emerging Industry Sectors: | 17.275 | GJ-20032-10-60-A-35 | <u>312,781</u> |
| DACC Nursing | 17.278 | CB-17348-06-60-A-35 | <u>37,032</u> |
| Total expenditures | | | <u>\$ 3,129,970</u> |

*Major program

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 | \$ 665,120 |
| Alamo Schools | 75,409 |
| Families and Youth, Inc. | 356,456 |
| HELP | <u>512,363</u> |
| Total payments to subrecipients | <u>\$ 1,609,348</u> |

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, 2012, and have issued our report thereon dated November 21, 2012. 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

Management of the SAWDB is responsible for establishing and maintaining effective 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 previously. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying *Schedule of Findings and Responses* that we consider to be a significant deficiency in internal control over financial reporting: 12-01. 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.

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 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*.

The SAWDB's response to the finding identified in our audit is described in the accompanying *Schedule of findings and Responses*. 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.
November 21, 2012



**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 the *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, 2012. The SAWDB's major federal programs are 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 compliance requirements referred to above that that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

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 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 a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

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 21, 2012

**STATE OF NEW MEXICO
SOUTHWESTERN AREA WORKFORCE DEVELOPMENT BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2012**

SECTION I – SUMMARY OF AUDITORS’ RESULTS

Financial Statements:

Type of auditors' report issued Unqualified

Internal Control over financial reporting:

Material weaknesses identified? __yes X no
 Significant deficiencies identified that are
 not considered to be material weaknesses? Xyes __no
 Non-compliance material to financial statements noted? __yes X no

Federal Awards:

Internal Control

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

Type of auditors' report issued on major programs Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? __yes X no

Identification of major program as noted below:

| <u>CFDA Numbers Funding Source</u> | <u>Name of Federal Programs</u> | <u>Funding Source</u> |
|--|--|---|
| | Workforce Investment Act: | |
| 17.258 | Adult | U.S. Dept. of Labor |
| 17.259 | Youth | Passed through the |
| 17.278 | Dislocated Worker | New Mexico Dept. of Workforce Solutions |
| | State Energy Sector Partnership: Program of Competitive Grants for Worker Training and Placement in High Growth and Emerging Industry Sectors. | U.S. Dept. of Labor Passed through the New Mexico Dept. Of Workforce Solutions |
| 17.275 | | |

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, 2012**

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 |
|--------------|--|--|--|---------------------------------------|--------------------------------------|-----------------------------------|------------------------------|
| Prior year | | | | | | | |
| 08-01 | FOLLOW UP OF CASE MANAGEMENT FILES AT SERVICE PROVIDERS | Resolved | no | yes | no | yes | no |
| Current year | | | | | | | |
| 12-01 | BANK RECONCILIATION PROCESS | Current | yes | no | no | yes | no |

12-01 BANK RECONCILIATION PROCESS—SIGNIFICANT DEFICIENCY

Statement of Condition

The original bank reconciliations performed June 2012 no longer tied to the general ledger by the start of fieldwork. It appeared that items were voided or corrected by changing the original transaction instead of by using general journal entries to offset the original transactions.

A detail of the discrepancy is shown in the following table:

| <u>Account</u> | <u>General Ledger Balance</u> | <u>Bank Reconciliation Balance</u> | <u>Difference</u> |
|-----------------------|-----------------------------------|--|-------------------|
| Bank of the Southwest | <u>10,258</u> | <u>1,110</u> | <u>9,148</u> |

Criteria

Section 6-6-3 NMSA, 1978 discusses the need for the SAWDB to keep all the books, records and accounts in their respective office in the form prescribed by the local government division and conform to the rules and regulations adopted by the local government division. Good accounting practices require that bank reconciliations be performed monthly to ensure that cash receipts and cash disbursements are recorded in a correct and timely manner and that differences or errors be followed up and corrected in a timely manner.

Effect

Discrepancies between bank reconciliations and general ledger cash balances can occur when transactions are voided after the year end.

Cause

Items were voided or corrected by changing the original transaction instead of by using general journal entries to offset the original transactions.

Recommendation

Voids or other corrections should be made by using general journal entries to offset the erroneous transactions. Changing the original transaction directly can create variances with existing reconciliations.

Management Response

Management agrees with the finding and has taken corrective action. Checks that need to be voided will be voided timely with the use of general journal entries instead of changing the original transaction as has been done in the past.

STATE OF NEW MEXICO
SOUTHWESTERN AREA WORKFORCE DEVELOPMENT BOARD
EXIT CONFERENCE
For The Year Ended June 30, 2012

An exit conference was held in a closed session on November 21, 2012 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 Chair |
| Mayor Ken Miyagishima | SAWDB CEO Board Chair |
| Katherine Gervasio | SCCOG/WIA Fiscal 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.