

**STATE OF NEW MEXICO
REGIONAL COALITION OF LANL COMMUNITIES**

**FINANCIAL STATEMENTS AND SCHEDULES
WITH INDEPENDENT AUDITORS'
REPORT THEREON FOR THE
FISCAL YEAR ENDED JUNE 30, 2019**

**STATE OF NEW MEXICO
REGIONAL COALITION OF LANL COMMUNITIES
TABLE OF CONTENTS (continued)
JUNE 30, 2019**

INTRODUCTORY SECTION:

Official Roster iii

FINANCIAL SECTION

Independent Auditors' Report 1 – 3

BASIC FINANCIAL STATEMENTS:

Government-Wide Financial Statements:

Statement of Net Position 4

Statement of Activities 5

Fund Financial Statements:

Balance Sheet – Governmental Funds..... 6

Reconciliation of Governmental Funds Balance Sheet to the
Statement of Net Position..... 7

Statement of Revenues, Expenditures and Changes in Fund Balances –
Governmental Funds 8

Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances – Governmental Funds to the Statement of Activities 9

Statement of Revenues, Expenditures and Changes in Fund Balance –
Budget and Actual (Budgetary Basis) – General Fund..... 10

NOTES TO FINANCIAL STATEMENTS 11 - 18

SUPPLEMENTARY INFORMATION

Schedule of Cash Accounts 20

**STATE OF NEW MEXICO
REGIONAL COALITION OF LANL COMMUNITIES
TABLE OF CONTENTS (continued)
JUNE 30, 2019**

Governmental Auditing Standards Report

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	21 - 22
Schedule of Findings and Responses	23 - 26
EXIT CONFERENCE	27

**STATE OF NEW MEXICO
REGIONAL COALITION OF LANL COMMUNITIES**

OFFICIAL ROSTER

JUNE 30, 2019

Board of Directors

Henry Roybal	Chair
Darien Fernández	Vice-Chair
Peter Ives	Member
David Izraelevitz	Member
Javier E. Sanchez	Member
Tom Blankenhorn	Member
Ron Lovato	Member
Leo Jaramillo	Member

Principal Employee (On Contract)

Eric Vasquez	Executive Director
--------------	--------------------



Independent Auditors' Report

Honorable Brian S. Colón, Esq.
New Mexico State Auditor
and
Board of Directors
Regional Coalition of LANL Communities
Santa Fe, New Mexico

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund and the budgetary comparison for the general fund of the State of New Mexico, Regional Coalition of LANL Communities (RCLC) as of and for the year ended June 30, 2019 and the related notes to the financial statements which collectively comprises RCLC's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund of RCLC as of June 30, 2019, and the respective changes in financial position and the budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information:

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

Other Information:

Our audit was conducted for the purpose of forming opinions on the financial statements and the budgetary comparison. The other schedules required by Section 2.2.2 NMAC listed as other supplemental information in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements.

These other schedules required by Section 2.2.2 NMAC are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements of to the basic financial statements themselves, and other additional procedures in accordance with the auditing standards generally accepted in the United States of America. In our opinion, these other schedules required by Section 2.2.2 NMAC are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 10, 2020 on our consideration of RCLC's internal control over financial reporting and on our tests of its compliance with certain provision 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* in considering RCLC's internal control over financial reporting and compliance.

Kubiak Melton & Associates, LLC

Kubiak Melton & Associates, LLC
Auditors – Business Consultants - CPAs

Albuquerque, New Mexico
February 10, 2020

**STATE OF NEW MEXICO
REGIONAL COALITION OF LANL COMMUNITIES
STATEMENT OF NET POSITION
JUNE 30, 2019**

	<u>Governmental Activities</u>
ASSETS	
Current Assets	
Cash in Bank - Unrestricted	\$ 327,994
Cash - Restricted - Department of Energy	1,480
Member Contributions Receivable	<u>3,500</u>
Total Current Assets	<u>332,974</u>
Total Assets	<u><u>\$ 332,974</u></u>
 LIABILITIES	
Current Liabilities	
Accounts Payable	<u>\$ 30,595</u>
Total Current Liabilities	<u>30,595</u>
Total Liabilities	<u>30,595</u>
 NET POSITION	
Restricted	1,480
Unrestricted	<u>300,899</u>
Total Net Position	<u>302,379</u>
 Total Liabilities and Net Position	 <u><u>\$ 332,974</u></u>

See Independent Auditors' Report and Notes to Financial Statements

**STATE OF NEW MEXICO
REGIONAL COALITION OF LANL COMMUNITIES
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019**

	Governmental Activities
Program Revenues	
Member Contributions	\$ 88,500
Federal Grants	-
Interest Income	139
Total Program Revenues	88,639
 Program Expenses	
Administrative Services	-
Contractual Services	168,274
Other	980
Total Program Expenses	169,254
General Revenues and Transfers	
Other Financing Sources	-
Total General Revenues and Transfers	-
Change in Net Position	(80,615)
Net Position, Beginning of Year	392,994
Restatement	(10,000)
Net Position, as Restated	382,994
Net Position, End of Year	\$ 302,379

See Independent Auditors' Report and Notes to Financial Statements

**STATE OF NEW MEXICO
REGIONAL COALITION OF LANL COMMUNITIES
BALANCE SHEET -
GOVERNMENTAL FUND
JUNE 30, 2019**

	General Fund
ASSETS	
Cash in Bank - Unrestricted	\$ 327,994
Cash - Restricted - Department of Energy	1,480
Member Contributions Receivable	3,500
Total Assets	\$ 332,974
 LIABILITIES AND FUND BALANCES	
LIABILITIES	
Accounts Payable	\$ 30,595
Total Liabilities	30,595
 FUND BALANCES	
Restricted	1,480
Unassigned	300,899
Total Fund Balances	302,379
Total Liabilities and Fund Balances	\$ 332,974

See Independent Auditors' Report and Notes to Financial Statements

**STATE OF NEW MEXICO
REGIONAL COALITION OF LANL COMMUNITIES
RECONCILIATION OF THE GOVERNMENTAL FUND
BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2019**

Total Fund Balances for Governmental Funds	\$ 302,379
---	-------------------

RCLC had no amounts reported for Governmental Activities in the Statement of Net Position that are different from the amounts reported in the Balance Sheet - Governmental Fund.

Net Position of Governmental Activities	<u>\$ 302,379</u>
--	--------------------------

**STATE OF NEW MEXICO
REGIONAL COALITION OF LANL COMMUNITIES
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUND
FOR THE YEAR ENDED JUNE 30, 2019**

	General Fund
REVENUES	
Member Contributions	\$ 88,500
Federal Grants	-
Interest Income	139
Total Expenditures	88,639
 EXPENDITURES	
Personal Services & Benefits	-
Contract Services	168,274
Other Costs	980
Total Expenditures	169,254
Net Change in Fund Balances	(80,615)
Fund Balances, Beginning	392,994
Restatement	(10,000)
Fund Balances, as Restated	382,994
Fund Balances, Ending	\$ 302,379

See Independent Auditors' Report and Notes to Financial Statements

**STATE OF NEW MEXICO
REGIONAL COALITION OF LANL COMMUNITIES
RECONCILIATION OF THE CHANGE IN FUND BALANCE OF THE GOVERNMENTAL
FUND TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019**

Net Change in Fund Balances - Total Governmental Funds \$ (80,615)

RCLC had no amounts reported for Governmental Activities in the Statement of Activities that are different from amounts reported in the Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Fund.

Change in Net Position of Governmental Activities \$ (80,615)

**STATE OF NEW MEXICO
REGIONAL COALITION OF LANL COMMUNITIES
STATEMENT OF REVENUES EXPENDITURES AND CHANGES IN FUND BALANCE –
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Original Budget</u>	<u>Approved Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues				
Member Contributions	\$ 109,500	\$ 109,500	\$ 88,500	\$ (21,000)
Federal Grants	100,000	100,000	-	(100,000)
Interest Income	<u>-</u>	<u>-</u>	<u>139</u>	<u>139</u>
Total Revenues	<u>209,500</u>	<u>209,500</u>	<u>88,639</u>	<u>(120,861)</u>
Expenditures				
General Government				
Personal Services	-	-	-	-
Contractual Services	186,274	186,274	168,274	18,000
Other Costs	<u>11,000</u>	<u>11,000</u>	<u>980</u>	<u>10,020</u>
Total Expenditures	<u>197,274</u>	<u>197,274</u>	<u>169,254</u>	<u>28,020</u>
Excess (deficiency) of Revenues over (under) Expenditures	<u>12,226</u>	<u>12,226</u>	<u>(80,615)</u>	<u>(148,881)</u>
Other Financing Sources (Uses):				
Other Financing Sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	<u>\$ 12,226</u>	<u>\$ 12,226</u>	<u>\$ (80,615)</u>	<u>\$ (148,881)</u>

Budgetary Basis is GAAP Basis.

**STATE OF NEW MEXICO
REGIONAL COALITION OF LANL COMMUNITIES
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Regional Coalition of Los Alamos National Labs (LANL) Communities (RCLC), founded in 2011, works in partnership to create one voice to ensure national decisions incorporate local needs and concerns. RCLC's focus is community and economic development, site employment, environmental remediation, and adequate funding for LANL. RCLC is comprised of nine cities, counties and pueblos surrounding the Department of Energy's Los Alamos National Laboratory (LANL).

The RCLC was formed through a Joint Powers Agreement and all of the participating cities, counties, and pueblos provide funding for the RCLC's operating budget. In addition, the RCLC receives funding from the Department of Energy to further its mission of environmental remediation.

Financial Reporting Entity

In evaluating how to define RCLC, for financial reporting purposes, management has considered all potential component units. The decision to include any potential component units in the financial reporting entity was made by applying the criteria set forth in GASB statements No. 61. Blended component units, although legally separate entities, are in substance part of the government's operations. Each discreetly presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

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 selection 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 benefits the government and/or 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 government is able to exercise oversight responsibilities. Finally, the nature and significance of a potential component unit to the primary government could warrant its inclusion within the reporting entity. Based upon the application of these criteria, RCLC has no component units, and is not a component unit of another governmental agency.

Measurement Focus, Basis of Accounting and Financial Statement Preparation

Government-Wide Financial Statements

The statement of net position and the statement of activities display information about RCLC, the primary government, as a whole, without displaying individual funds or fund types. Generally, these statements distinguish between activities that are governmental and those that are considered business-type activities. RCLC has no business-type activities; therefore, these statements only reflect governmental activities. Government-wide financial statements exclude information about fiduciary funds and component units that are fiduciary in nature.

See Independent Auditors' Report

**STATE OF NEW MEXICO
REGIONAL COALITION OF LANL COMMUNITIES
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting and Financial Statement Preparation (continued)

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting.

Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange-like transactions are recognized when the exchange takes place.

Fund Financial Statements

The governmental fund financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when measurable and available. Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days in order to pay current liabilities. Expenditures (including capital outlay) are recorded when the related fund liability is incurred.

This presentation is deemed appropriate to (a) demonstrate legal compliance, (b) demonstrate the source and use of liquid resources, and (c) demonstrate how RCLC's actual experience conforms to the budget or fiscal plan. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements, reconciliations that briefly explain the adjustments necessary to transform the fund based financial statements into the government-wide statements are presented on the page following each fund statement.

When an expense is incurred for purposes for which both restricted and unrestricted net position is available, RCLC first uses restricted resources then unrestricted resources.

The accounts of RCLC are organized on a fund basis, 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, revenues and expenditures, or expenses as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which spending activities are controlled.

The following funds are used by RCLC:

General Fund – The general fund is the operating fund of RCLC. It is used to account for all financial resources except those required to be accounted for in another fund.

**STATE OF NEW MEXICO
REGIONAL COALITION OF LANL COMMUNITIES
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, Deferred Outflows / Inflows of Resources and Net Position / Fund Balance

Cash & Cash Equivalents

RCLC's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Capital Assets

In the government-wide financial statements, property, plant and equipment is accounted for as capital assets. All capital assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated assets which are recorded at their estimated fair value at the date of donation. Capital assets with a value exceeding \$5,000 are capitalized and depreciated. Any software acquired with a value exceeding \$5,000 is also included in capital assets and depreciated. RCLC had no capital assets or related activity for the year ended June 30, 2019.

New Mexico Laws of 2005, Chapter 237, Section 1 changed the capitalization threshold for movable chattel and equipment items costing more than \$5,000. Under this new law, items in the capital asset inventory that do not meet the new capitalization threshold continue to be depreciated in future periods until they are fully depreciated. Depreciation is shown over the assets' estimated useful lives using the straight-line method of depreciation.

Receivables and Payables

Receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. In the government-wide and governmental fund financial statements.

Deferred Outflows / Inflows of Resources

GASB 63 amended previous guidance on deferred revenue in the government-wide financial statements to include deferred outflows, which is the consumption of net assets by the government which is applicable to a future reporting period and deferred inflow of resources, which is acquisition of net assets by the government which is applicable to a future reporting period. RCLC has no deferred outflow or inflow of resources at June 30, 2019.

**STATE OF NEW MEXICO
REGIONAL COALITION OF LANL COMMUNITIES
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, Deferred Outflows / Inflows of Resources and Net Position / Fund Balance (continued)

Fund Balance Classification: The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which RCLC is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent.

The classifications used in the governmental fund financial statements are as follows:

Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact.

Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of RCLC. These amounts cannot be used for any other purpose unless RCLC removes or changes the specified use by taking the same type of action (resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

Assigned: This classification includes amounts that are constrained by RCLC's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by RCLC. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund.

Unassigned: This classification includes the residual fund balance for the General Fund, or, in other words, all amounts not included in other spendable classifications. RCLC had \$300,889 of unassigned fund balance in the general fund.

RCLC would typically use *restricted* fund balances first, followed by *committed* resources, and then *assigned* resources, as appropriate opportunities arise, but reserves the right to selectively spend *unassigned* resources first to defer the use of these other classified funds.

Net Position Classification: Equity is classified as net position and displayed in three components:

1. *Net investment in capital assets*, consists of capital assets net of accumulated depreciation and reduced by any outstanding debt. RCLC has no capital assets or outstanding debt relating to capital assets at June 30, 2019.

See Independent Auditors' Report

**STATE OF NEW MEXICO
REGIONAL COALITION OF LANL COMMUNITIES
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, Deferred Outflows / Inflows of Resources and Net Position / Fund Balance
(continued)

Net Position Classification (continued):

2. *Restricted net position*, consists of net position with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

3. *Unrestricted net position*, is all other net position that do not meet the definition of restricted or net investment in capital assets.

Interfund Activity

Interfund transactions are treated as transfers and interfund payables and receivables at year end. Transfers between governmental funds are netted as part of the reconciliation to the government-wide financial statements.

Program Revenues

Program revenues consist of various state and/or federal grants. There are no other revenue types included in program revenues.

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.

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

Annual budgets of RCLC are prepared prior to June 1 and must be approved by resolution of the Board of Directors. Once the budget has been formally approved, any amendments must also be approved by the Board of Directors. It is RCLC's policy that line items within the budget may be not be over-expended at the fund level.

The budget is prepared in accordance with accounting principles generally accepted in the United States of America.

**STATE OF NEW MEXICO
REGIONAL COALITION OF LANL COMMUNITIES
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

The budgetary information presented in these financial statements has been properly amended by the RCLC in accordance with the above procedures. These amendments resulted in the following changes:

Formal budgetary integration is employed as a management control device during the year for the General Fund.

RCLC is required to balance its budgets each year. Accordingly, amounts that are excess or deficient are presented as an excess or deficiency of revenues over expenditures.

The accompanying Statements of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Budgetary Basis) presents comparisons of the legally adopted budget with actual data on a budgetary basis.

NOTE 3: CASH AND CASH EQUIVALENTS

State statutes authorize the investment of RCLC funds in a wide variety of instruments including certificates of deposit and other similar obligations, state investment pool, money market accounts, and United States Government obligations. All invested funds of RCLC properly followed State investment requirements as of June 30, 2019.

Deposits of funds may be made in interest or non-interest-bearing checking accounts in one or more banks or savings and loan associations within the geographical boundaries of RCLC. The financial institution must provide pledged collateral for 50% of the deposit amount in excess of the deposit insurance.

The rate of interest in non-demand interest-bearing accounts shall be set by the State Board of Finance, but in no case shall the rate of interest be less than one hundred percent of the asked price on United States treasury bills of the same maturity on the day of deposit.

Excess of funds may be temporarily invested in securities which are issued by the State or by the United States government, or by their departments or agencies, and which are either direct obligations of the State or the United States or are backed by the full faith and credit of those governments. By operation of federal law, beginning January 1, 2013, funds deposited in a noninterest-bearing transaction account (including an Interest on Lawyer Trust Account) no longer will receive unlimited deposit insurance coverage by the FDIC. Beginning January 1, 2013, all of RCLC's accounts at an insured depository institution, including all noninterest-bearing transaction accounts, will be insured by the FDIC up to the Standard Maximum Deposit Insurance Amount of \$250,000.

The types of collateral allowed are limited to direct obligations of the United States Government and all bonds issued by any agency, district or political subdivision of the State of New Mexico.

**STATE OF NEW MEXICO
REGIONAL COALITION OF LANL COMMUNITIES
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 3: CASH AND CASH EQUIVALENTS (CONTINUED)

A reconciliation of cash and temporary investments as of June 30, 2019 is as follows:

Governmental Funds	<u>Bank Balance</u>	<u>Book Balance</u>
Cash	\$ 329,474	\$ 329,474
Total Cash	329,474	<u>\$ 329,474</u>
Less: FDIC Insurance	<u>(329,474)</u>	
Total Uninsured Public Funds	<u>\$ -</u>	

RCLC has both a checking and a savings account at the same financial institution. Each of their accounts contain \$250,000 of FDIC insurance for a total of \$500,000.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, RCLC’s deposits may not be returned to it. RCLC does not have a deposit policy for custodial credit risk, other than following state statutes as put forth in the Public Money Act (Section 6-10-1 to 6-10-63, NMSA 1978). At June 30, 2019, \$329,474, of RCLC’s bank balances of \$329,474 was exposed to custodial credit risk. \$0 was uninsured and required 50% collateral to be held by the pledging bank’s trust department, not in RCLC’s name.

Interest Rate Risk and Credit Rating - RCLC does not have a formal policy limiting investment maturities to manage its exposure to fair value losses from increasing interest rates.

NOTE 4: FEDERAL GRANTS

In the normal course of operations, RCLC receives grant funds from federal agencies. Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as a result of these audits is unknown.

NOTE 5: RISKS OF LOSS

RCLC is exposed to various risk of loss. They carry insurance with various insurance companies. This coverage includes general liability, workers’ compensation, automobile liability insurance, and professional liability insurance.

At June 30, 2019, no unpaid claims have been filed which exceed the policy limits and to the best of management’s knowledge and belief all known and unknown claims will be covered by insurance. No major lawsuits have been filed against RCLC.

See Independent Auditors’ Report

**STATE OF NEW MEXICO
REGIONAL COALITION OF LANL COMMUNITIES
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 6: CONTINGENT LIABILITIES

RCLC is party to various claims and lawsuits arising in the normal course of business. Management and RCLC's attorney are unaware of any material pending or threatened litigation, claims or assessments against RCLC which are not covered by their insurance as described in *Note 5*.

NOTE 7: RETIREMENT PLAN

RCLC does not to participate in the Public Employees Retirement Association or any other retirement plan since it does not have any employees.

NOTE 8: OTHER POST-EMPLOYMENT BENEFITS

RCLC does not to participate in the Retiree Health Care Act of New Mexico's retiree health care program or any other post-employment benefit since it does not have any employees.

NOTE 9: RECONCILIATION OF BUDGET AND ACTUAL (BUDGETARY BASIS) TO GAAP BASIS FINANCIAL STATEMENTS

For RCLC, the budgetary basis is GAAP basis.

NOTE 10: RESTATEMENT

There is a restatement of \$10,000 reported in the government-wide and fund financial statements for expenditures incurred in the prior year.

NOTE 11: NEW ACCOUNTING STANDARDS

RCLC reviewed subsequent pronouncements to June 30, 2019 issued by GASB noting no statements that may have a potential material effect on RCLC's financial statements in subsequent periods.

NOTE 12: TAX ABATEMENTS

RCLC has evaluated GASB 77 with regard to tax abatements and has determined that they are not a party to the any agreements that abate taxes.

NOTE 13: SUBSEQUENT EVENTS REVIEW

A review of subsequent events through February 10, 2020, which is the date the financial statements were available for issuance, revealed no significant subsequent events which require disclosure in the financial statements.

SUPPLEMENTARY INFORMATION

**STATE OF NEW MEXICO
REGIONAL COALITION OF LANL COMMUNITIES
SCHEDULE OF CASH ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Type</u>	<u>Bank Balance</u>	<u>Financial Statement Balance</u>
<u>General Fund</u>			
New Mexico Bank & Trust	Checking	<u>\$ 329,474</u>	<u>\$ 329,474</u>



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

Honorable Brian S. Colón, Esq.
New Mexico State Auditor
and
Board of Directors
Regional Coalition of LANL Communities
Santa Fe, New Mexico

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the major fund and the budgetary comparison of the general fund, of the State of New Mexico, Regional Coalition of LANL Communities (RCLC) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise RCLC's basic financial statements, and have issued our report dated February 10, 2020.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item 2019-001.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether RCLC's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted a certain matter that is required to be reported per sections 12-6-5 NMSA 1978 that we have described in the accompanying schedule of findings and responses as item 2013-003.

RCLC's Response to Findings

RCLC's responses to the findings identified in our audit are described in the accompanying *schedule of findings and responses*. RCLC's responses were not subjected to the auditing procedures applied in the audit of financial statements and, accordingly, we do not express an opinion on them.

Purpose of this Report

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

Kubiak Melton & Associates, LLC

Kubiak Melton & Associates, LLC
Auditors – Business Consultants - CPAs

Albuquerque, New Mexico
February 10, 2020

**STATE OF NEW MEXICO
REGIONAL COALITION OF LANL COMMUNITIES
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2019**

Section I - Summary of Audit Results

Financial Statements:

- | | |
|--|------------|
| 1. Type of Auditors' Report Issued: | Unmodified |
| 2. Internal Control Over Financial Reporting: | |
| a. Material weaknesses identified? | No |
| b. Significant deficiencies identified? | Yes |
| c. Noncompliance material to financial statements noted? | No |

**STATE OF NEW MEXICO
REGIONAL COALITION OF LANL COMMUNITIES
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2019**

Section II – Current Year Findings

2019-001 — Improper Beginning Balance Accruals (Significant Deficiency)

Condition: RCLC improperly accrued one (1) out of one (1) transactions tested. An expenditure in the amount of \$10,000, was improperly recorded as an expenditure during fiscal year 2019 on a cash-basis method of accounting, instead of being accrued as an account payable at the end of fiscal year 2018.

Criteria: Per the 2013 COSO Framework, management is responsible for establishing and maintaining internal controls to ensure accurate financial reporting, which includes controls over RCLC's expenditures.

Cause: Management improperly accrued one item that is an expenditure related to fiscal year 2018.

Effect: A prior period adjustment was proposed to correct expenditure balances at June 30, 2019. Not properly identifying cutoff related to expenditures results in expenditures recorded in the improper period as it relates to the modified accrual basis of accounting.

Auditors' Recommendations: RCLC should thoroughly review disbursements to determine which fiscal year the transactions should be reported in under the modified accrual basis of accounting.

Management's Response: The RCLC is in agreement and aware that we are responsible for following GAAP and government accounting methods including modified accrual and accrual accounting as a governmental entity. The RCLC did not have a fund accounting system in place at the end of fiscal year 2018, and the activities of the RCLC were accounted for as an agency fund by its fiscal agent. We have since put in place independent accounting services that enables proper GAAP accounting and reporting and do not expect a finding of this nature to be repeated going forward. The RCLC has entered into a contractual arrangement for accounting services to ensure that the proper fund and accrual accounting methods are being applied to all account types. The timing difference of the transaction did not impact fund balance when comparing the two years together, however the RCLC is committed to ensuring its accounting methods will properly accrue balances in the correct accounting period going forward.

Management's Timeline to Correct: The RCLC believes this has been corrected and will not be repeated now that we are following GAAP and governmental accounting methods evidenced by the FY2019 accruals recorded in our financial statements.

Responsible Party: The Contract Executive Director of the RCLC

**STATE OF NEW MEXICO
REGIONAL COALITION OF LANL COMMUNITIES
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2019**

Section III – New Mexico State Audit Rule Section 12-6-5 NMSA 1978 Findings

**2013-003 – Late Submission of Report (Other Noncompliance - with NM State Audit Rule)
(Repeated)**

Condition: RCLC did not submit its audited financial statements by the statutorily required deadline of December 15, 2019.

Management's Progress: The conditions are the same as in the previous year. Once this audit is complete, RCLC will be able to comply going forward.

Criteria: Section 2.2.2.9 A. of the New Mexico State Audit Rule outlines the due date as December 15, 2019.

Effect: RCLC is not in compliance with the NM State Auditor's required deadline.

Cause: RCLC requested further procedures from the Independent Public Accountant that delayed the submission of the audit.

Auditors' Recommendation: RCLC should contract with an IPA on a yearly basis to ensure that the required annual report is submitted timely to the Office of the State Auditor.

Management's Response: RCLC concurs with the recommendation and has implemented policies to become current on all previously required reports and to remain current by contracting with an IPA for appropriate attest services on a yearly basis.

Management's Timeline to Correct: RCLC expects this finding to be resolved for fiscal year 2020.

Responsible Party: RCLC Board and Contact Executive Director.

**STATE OF NEW MEXICO
REGIONAL COALITION OF LANL COMMUNITIES
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2019**

Section IV – Status of Prior Year Findings

2013-001 – Contractual Agreements Between RCLC and contract Executive Director does not adequately define allowable reimbursements in the contract (Resolved)

2013-003 – Late Submission of Report (Repeated)

2018-003 – Reimbursement made for purchases of alcohol beverages (Resolved)

2018-006 The RCLC Governing Board not exercising control over finances in accordance with the Joint Powers Agreement Act, § 11-1-5(D), NMSA 1978 (Resolved)

**STATE OF NEW MEXICO
REGIONAL COALITION OF LANL COMMUNITIES
EXIT CONFERENCE
JUNE 30, 2019**

The contents of this report were discussed at an exit conference held February 10, 2020.

The Regional Coalition of LANL Communities, was represented by:

- Henry Roybal, Chair
- David Izraelevitz, Treasurer
- Eric Vasquez, Contract Executive Director
- Helen M. Perraglio, CPA, CFO – Los Alamos County – Fiscal Agent of RCLC

The firm of Kubiak Melton & Associates, LLC was represented by:

- Daniel O. Trujillo, Member – Director of Audit

The audited financial statements of the Regional Coalition of LANL Communities were prepared from the original books and records provided by and with the assistance of the management of RCLC and Kubiak Melton and Associates, LLC.