

NEW MEXICO  
DEPARTMENT OF  
WORKFORCE SOLUTIONS  
Financial Statements  
for the Year Ended  
June 30, 2010,  
and Independent  
Auditors' Report

NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS

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NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS

Official Roster

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Year Ended June 30, 2010

Name	Title
Ken Ortiz	Secretary
Neil Meoni	Deputy Secretary
Teresa Casados	Deputy Secretary
Donna Trujillo	Chief Financial Officer
John Salazar	Chief Information Officer
Terry Othick	Director, Workforce Technology Services Division

## INDEPENDENT AUDITORS' REPORT

Mr. Ken Ortiz, Cabinet Secretary  
New Mexico Department of Workforce Solutions and  
Mr. Hector Balderas  
New Mexico State Auditor

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, the budgetary comparisons for the general fund and the major special revenue fund of New Mexico Department of Workforce Solutions (the Department) as of and for the year ended June 30, 2010, which collectively comprise the Department's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the Department's non-major governmental and fiduciary funds, and respective budgetary comparisons for the non-major governmental and the major enterprise funds presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2010, as listed in the table of contents. These financial statements are the responsibility of the Department'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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control over financial reporting. Accordingly, we express no such opinion. 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 a reasonable basis for our opinions.

As discussed in Note 1 to the financial statements, the financial statements of the Department are intended to present the *respective financial position of the* governmental activities, business-type activities, each major fund, the budgetary comparisons for the general fund and other major special revenue funds and the aggregate remaining fund information of the Department as of June 30, 2010, and the changes in financial position and cash flows, where applicable, of those activities and



Mr. Ken Ortiz, Cabinet Secretary  
New Mexico Department of Workforce Solutions and  
Mr. Hector Balderas  
New Mexico State Auditor

funds. They do not purport to, and do not, present fairly the financial position of the entire State of New Mexico as of June 30, 2010, or the respective changes in the financial position and cash flows, where applicable, thereof, in accordance with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Department as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof, and the respective budgetary comparisons for the general fund and major special revenue funds for the year then ended, in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each non-major governmental and fiduciary fund of the Department as of June 30, 2010, and the respective changes in financial position thereof, and the respective budgetary comparisons for all non-major governmental and the major enterprise funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 20 to the financial statements, the Department is projected to experience shortage of cash in the State's Unemployment Fund (UTF) by the end of fiscal year 2011. Management's plans regarding this issue are described in Note 20. We do not express an opinion or provide any assurance on the information provided in that note, because the limited procedures do not provide us with sufficient evidence to express an opinion or provide assurance.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2010, on our consideration of the Department's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 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 Management's Discussion and Analysis on pages 5 through 15 are not a required part of the basic financial statements but are supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required

Mr. Ken Ortiz, Cabinet Secretary  
New Mexico Department of Workforce Solutions and  
Mr. Hector Balderas  
New Mexico State Auditor

supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the basic financial statements and the combining and individual fund financial statements and budgetary comparisons. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the 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. The schedules listed as other supplementary information in the table of contents (Schedules 1 through 5) are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and in our opinion is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Meyers + Company, LLC*

November 29, 2010

**NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS**

**Management's Discussion and Analysis  
Year Ended June 30, 2010**

The Management's Discussion and Analysis of the New Mexico Department of Workforce Solutions (the Department) is designed to assist the reader in focusing on significant financial issues, provide an overview of the Department's financial activity, identify changes in the Department's financial position (ability to address future year challenges), identify any material deviations from the financial plan, and identify any fund issues of concern.

The Management's Discussion and Analysis (MD&A) is designed to focus on the past year's activities, resulting changes and currently known facts; please read it in conjunction with the Department's financial statements and notes which follow this section.

The Department's annual report consists of a series of financial exhibits and accompanying notes. The Statement of Net Assets (Exhibit 1) and the Statement of Activities (Exhibit 2) provide information on the activities of the Department in the aggregate and present a longer-term view of the Department's finances. For governmental activities, these statements describe how services were financed in the short-term and what remains for future spending by the Department. Fund financial statements also report the Department's operations in more detail than the government-wide financial statements by providing additional information about the Department's major funds. A description of the Department's major funds is contained in Note 1 to the financial statements. The remaining statements provide financial information about activities for which the Department acts as an agent, primarily in the collection of funds related to wage claim assignments on employers that the Department's Labor Relations Division makes on behalf of employees and laborers.

**Financial Highlights**

**Table A-1  
Comparative Statement of Total Net Assets**

	<u>FY 2010</u>	<u>FY2009</u>	<u>Amount Change</u>	<u>Total % Change</u>
<b>Assets:</b>				
Current and other assets	\$ 248,028,854	452,831,489	(204,802,635)	-45%
Capital and non-current assets	<u>6,280,011</u>	<u>478,969</u>	<u>5,801,042</u>	1211%
<b>Total Assets</b>	<b>254,308,865</b>	453,310,458	(199,001,593)	44%
<b>Liabilities:</b>				
Current liabilities	<b>73,012,407</b>	51,648,697	21,363,710	41%
Long-term obligations	<u>-</u>	<u>-</u>	<u>-</u>	0%
<b>Total Liabilities</b>	<b>73,012,407</b>	51,648,697	21,363,710	41%



NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS

Management's Discussion and Analysis  
Year Ended June 30, 2010 - continued

**Financial Highlights - continued**

**Table A-1 - continued**  
**Comparative Statement of Total Net Assets**

	<u>FY 2010</u>	<u>FY2009</u>	<u>Amount Change</u>	<u>Total % Change</u>
<b>Net Assets:</b>				
Invested in capital assets	\$ 6,280,011	478,969	5,801,042	1211%
Restricted:				
Unemployment insurance trust	167,856,070	388,957,929	(221,101,859)	-57%
Unrestricted	<u>7,160,377</u>	<u>12,224,863</u>	<u>(5,064,486)</u>	-41%
<b>Total Net Assets</b>	\$ <u>181,296,458</u>	<u>401,661,761</u>	<u>(220,365,303)</u>	-55%

**Table A-2**  
**Comparative Statement of Activities**

	<u>FY 2010</u>	<u>FY2009</u>	<u>Amount Change</u>	<u>Total % Change</u>
<b>Revenue:</b>				
<u>Program Revenues by Major Sources</u>				
Governmental Activities:				
Employment Services:				
Charges for Services	\$ 4,746,483	5,447,050	(700,367)	-13%
Operating Grants	<u>51,087,952</u>	<u>42,930,771</u>	<u>8,157,181</u>	19%
Total Gov. Activities Revenue	55,834,435	48,377,821	7,456,814	15%
Business-type Activities:				
Unemployment Activities:				
Charges for Services	188,465,204	142,508,241	45,956,963	32%
Operating Grants	<u>400,426,059</u>	<u>90,768,740</u>	<u>309,657,319</u>	341%
Total Bus.-type Activities Revenue	<u>588,891,263</u>	<u>233,276,981</u>	<u>355,614,282</u>	152%
Total Program Revenues by Major Sources	644,725,698	281,654,802	363,070,896	129%

**NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS**

**Management's Discussion and Analysis  
Year Ended June 30, 2010 - continued**

**Financial Highlights - continued**

**Table A-2 - continued  
Comparative Statement of Activities**

	<u>FY 2010</u>	<u>FY2009</u>	<u>Amount Change</u>	<u>Total % Change</u>
<b>Revenue - continued:</b>				
<u>General Revenues by Major Sources</u>				
Governmental Activities:				
State Appropriations	\$ 7,317,900	8,175,700	(857,800)	-10%
Investment Earnings	686	1,955	(1,269)	-65%
Transfers In - Other	944,925	1,250,819	(305,894)	-24%
Transfers Out – Other	<b>(1,500,000)</b>	-	(1,500,000)	100%
Reversions to State General Fund	<u>(489,600)</u>	<u>(519,532)</u>	<u>29,932</u>	-6%
Total Gov. Activities Revenue	<b>6,273,911</b>	8,908,942	(2,635,031)	-30%
Business-type Activities:				
Other Revenue:				
Transfers Out - Other	<b>(40,926,221)</b>	(43,961,037)	3,034,816	-7%
Investment earnings	<u>12,426,676</u>	<u>23,166,075</u>	<u>(10,739,399)</u>	-46%
Total Bus.-type Activities Revenue	<b>(28,499,545)</b>	<u>(20,794,962)</u>	<u>(7,704,583)</u>	37%
Total General Revenues by Major Sources	<u>(22,225,634)</u>	<u>(11,886,020)</u>	<u>(10,339,814)</u>	87%
Total Revenues by Major Sources	<b>622,500,064</b>	269,768,782	352,731,262	131%
<b>Expenses:</b>				
<u>Program Expenses by Major Sources</u>				
Governmental Activities:				
Governmental	<u>61,371,790</u>	<u>55,502,999</u>	<u>5,868,791</u>	10%
Total Gov. Activities Expenses	<b>61,371,790</b>	55,502,999	5,868,791	10%
Business-type Activities:				
Unemployment Services	<u>781,493,577</u>	<u>379,412,845</u>	<u>402,080,732</u>	106%
Total Bus.-type Activities Expenses	<b>781,493,577</b>	<u>379,412,845</u>	<u>402,080,732</u>	106%
Total Program Expenses by Major Sources	<b>842,865,367</b>	434,915,844	407,949,523	94%

**NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS**

**Management's Discussion and Analysis  
Year Ended June 30, 2010 - continued**

**Financial Highlights - continued**

**Table A-2 - continued  
Comparative Statement of Activities**

	<u>FY 2010</u>	<u>FY2009</u>	<u>Amount Change</u>	<u>Total % Change</u>
<b>Change in Net Assets:</b>				
Governmental Activities:				
Net Assets, Beginning	\$ 12,703,832	10,920,068	1,783,764	16%
Change in Net Assets	<u>736,556</u>	<u>1,783,764</u>	<u>1,047,208</u>	-59%
Net Assets, Ending	<b>13,440,388</b>	12,703,832	736,556	6%
Business-type Activities:				
Net Assets, Beginning	<b>388,957,929</b>	555,888,755	(166,930,826)	-30%
Change in Net Assets	<u>(221,101,859)</u>	<u>(166,930,826)</u>	<u>(54,171,033)</u>	32%
Net Assets, Ending	<u><b>167,856,070</b></u>	<u>388,957,929</u>	<u>(221,101,859)</u>	-57%
Total Net Assets, Ending	\$ <u><b>181,296,458</b></u>	<u>401,661,761</u>	<u>(220,365,303)</u>	-55%

**Statement of Net Assets**

Total Net Assets

The total net assets of the Department decreased by \$220,365,303. Net assets attributable to government activities increased by \$736,556, for a 6% increase over the fiscal year. Net assets attributable to business-type activities decreased by \$221,101,859, for a 57% decrease over the prior year.

Change in total Net Assets:

FY10	\$ 181,296,458
FY09	<u>401,661,761</u>
Net decrease	\$ <u>(220,365,303)</u>

Business-type Activities

The \$221,101,859 decrease in net assets from business-type activities is the result of an increase in expenditures for unemployment services, \$402,080,732, and revenue earned, \$352,731,282, and a decrease in other revenue of \$7,704,583. The decrease in other revenue is due to an increase in transfers out to the State Investment Council of \$3,034,816 and a decrease in investment earnings of \$10,739,399.

NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS

Management's Discussion and Analysis  
Year Ended June 30, 2010 - continued

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**Financial Highlights - continued**

**Statement of Activities**

The cost of business-type activities related to unemployment services increased by \$402,080,732, or 106%. The cause of this was primarily an increase in the amount of state unemployment benefits paid to claimants in FY 2010 compared to FY 2009.

Change in the total cost of business-type activities related to unemployment services reflected in the Statement of Activities:

FY10	\$	781,493,577
FY09		<u>379,412,845</u>
Net increase	\$	<u>402,080,732</u>

The cost of the Department's governmental and business-type activities reflected in the Statement of Activities increased by \$407,949,523, or 94%, over the prior year.

Change in total cost reflected in the Statement of Activities:

FY10	\$	842,865,367
FY09		<u>434,915,844</u>
Net increase	\$	<u>407,949,523</u>

This reflects a significant increase in unemployment insurance benefits paid out to claimants, as well as an increase in the overall cost of operations of the Department.

NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS

Management's Discussion and Analysis  
Year Ended June 30, 2010 - continued

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**Financial Highlights - continued**

**General Fund**

The Department received increased appropriation from the General Fund in FY 2010 for operations and to offset declining federal revenues.

General Fund Appropriations

Workforce Transition Services Division	\$	3,459,700
Labor Relations Division		1,400,300
Workforce Technology Services Division		1,365,600
Business Services Division		308,400
Program Support		<u>783,900</u>
Total	\$	<u>7,317,900</u>

**General Fund Budgetary Highlights**

The Department's overall General Fund Appropriations decreased by \$858,000 in FY 2010 from FY 2009.

In FY 2010, like FY 2009, the Department received a transfer from the Workers Compensation Fund totaling \$691,500 for the Labor Relations Division. This amount is included in Other Transfers In for FY 2010.

**NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS**

**Management's Discussion and Analysis  
Year Ended June 30, 2010 - continued**

**Financial Highlights - continued**

**Capital Assets**

Capital Asset Additions: Investment in office equipment increased by \$5,801,042 in fiscal year 2010. These additions were primarily for computer hardware to support employment services related programs administered by the Department and the UI Tax System project.

Capital Asset Disposals: Disposals for fiscal year 2010 increased significantly and were due to a combination of factors.

	<b>Capital Asset Additions</b>			
	<u>June 30,</u> <u>2009</u>	<u>FY10</u> <u>Additions</u>	<u>FY10</u> <u>Disposals</u>	<u>June 30,</u> <u>2010</u>
Computer equipment	\$ 541,578	1,002,082	-	1,543,660
Office equipment	2,353,705	-	(144,952)	2,208,753
Furniture and Fixtures	338,635	9,209	-	347,844
Office improvements	335,684	842,179	-	1,177,863
Work-in-Process	<u>-</u>	<u>4,154,709</u>	<u>-</u>	<u>4,154,709</u>
 Total acquired value	 3,569,602	 6,008,179	 (144,952)	 9,432,829
 Accumulated depreciation:				
Computer equipment	(385,703)	(79,780)	-	(465,483)
Office equipment	(2,038,023)	(81,720)	120,756	(1,998,987)
Furniture and Fixtures	(346,287)	(8,924)	-	(355,211)
Office improvements	<u>(320,620)</u>	<u>(12,517)</u>	<u>-</u>	<u>(333,137)</u>
 Total accumulated depreciation	 <u>(3,090,633)</u>	 <u>(182,941)</u>	 <u>120,756</u>	 <u>(3,152,818)</u>
 Net total	 \$ <u>478,969</u>	 <u>(1,661,319)</u>	 <u>(24,196)</u>	 <u>6,280,011</u>

**Debt**

The Department has no long-term debt.

## NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS

Management's Discussion and Analysis  
Year Ended June 30, 2010 - continued

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### Department Highlights

#### **Changes in Federal Funding**

The Department's federal revenues increased in FY 2010 due to supplemental funding the Department received for the implementation of extended benefits to eligible claimants, as well as contingency funding to offset the costs of increased demand for unemployment insurance benefits. Also, the Department received funding for the implementation of the American Recovery and Reinvestment Act. However, other Department federal revenues continue to experience declines in funding from its federal grant awards. The Department experienced an overall decline in federal awards for employment services and unemployment insurance administration from the United States Department of Labor. The declines in these awards in fiscal year 2010 as compared to fiscal year 2009 were as follows:

#### **Reed Act Funding**

The Department continued to supplant funding from contracts and federal grants with appropriations from the March 14, 2002 distribution of Reed Act funds it received from the federal government in its operating budget. Distributions of Reed Act funds are infrequent in occurrence, but are made periodically by the federal government based on certain national economic indicators. These funds may be used for the payment of unemployment compensation benefits, the administration of the State's unemployment compensation law, or for the operation of public employment service offices. In fiscal year 2010, the Department expended \$5,123,919. These funds were budgeted throughout the Department for various operational needs.

### Contracts with Local Workforce Investment Act Boards

#### **Contract with the Southwest Area Workforce Development Board**

The Department also contracted with the Southwest Area Workforce Development Board (SAWDB) to assist out-of-work adults and individuals losing their jobs to layoffs and plant closings in finding training in new fields in demand by employers so that they may become employable again. These services are also funded through the Workforce Investment Act grant, which the SAWDB receives to provide job training opportunities to eligible individuals in the southwest quadrant of the State. The Department also contracted with the SAWDB to provide these services in FY2010.

## NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS

Management's Discussion and Analysis  
Year Ended June 30, 2010 - continued

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### Other Operating Highlights

#### **Unemployment Insurance Compensation Fund**

The Department has projected a cash shortfall in the Unemployment Trust Fund held with the U.S. Treasury. Unemployment Compensation (UC) is a joint federal-state program financed by federal taxes under the Federal Unemployment Tax Act (FUTA) and by state payroll taxes under the State Unemployment Tax Acts (SUTA). Federal laws and regulations provide broad guidelines on state unemployment taxes. States levy their own payroll taxes on employers to fund regular UC benefits and the state share of the Extended Benefit (EB) program.

The U.S. Department of Labor (DOL) suggests that, to be minimally solvent, a state's reserve balance should provide for one year's projected benefit payment needs on the basis of the highest levels of benefit payments experienced by the state over the last twenty years. Using these guidelines, the Department has determined that a cash shortage in the fund will be realized in the first quarter of the 2012 fiscal year assuming current conditions. With adequate action by the legislature however, solvency may be maintained into the subsequent two fiscal years.

UC benefits are an entitlement, although the program is financed by a dedicated tax imposed on employers, and not by general revenues. Even in a recession, if a given state and as a result that state's trust account is depleted, the state remains legally required to continue paying benefits which it does by obtaining loans through the federal program or with other financing options.

House Bill 144, passed by the 50<sup>th</sup> Legislative First Session of 2010, contains changes to the unemployment insurance program, which are intended to mitigate the projected decline in reserves of the UTF. Among its provisions are the following:

- Discontinuing the temporary increase in the weekly benefit amount paid to claimants. Effective July 1, 2010, the Weekly Benefit Amount will be reduced from 60% to 53.5% of the average weekly wages claimants.
- Implementing unemployment insurance schedule 1, which would increase contributions by employers into the fund. The temporary schedule will be effective from July 1, 2010 through December 31, 2011.
- Abolishing the SUTF and transferring the balance of funds in it to the UTF for the purpose of paying benefits to claimants. Effective July 1, 2010, the SUTF will be discontinued and the fund's balance will be transferred to the UTF.
- With the abolishment of the SUTF effective July 1, 2010, all unemployment tax contributions from employers will go directly to the UTF.

By taking these actions, the Department may avoid having to obtain an advance from the federal government to pay unemployment benefits, which it would have to pay back with interest.



## NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS

Management's Discussion and Analysis  
Year Ended June 30, 2010 - continued

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### Other Operating Highlights – continued

#### **American Recovery and Reinvestment Act**

The Department was awarded \$39M in American Recovery and Reinvestment Act funding for the Workforce Investment Act Program, Re-employment Services, Unemployment Insurance Modernization and Unemployment Insurance Administration. In FY 2010, \$14.0M in WIA funds was allocated to the four local boards and the state administrative entity and \$12.0M of UI Modernization was appropriated to DWS for UI system improvements and facility upgrades. Approximately \$4.2M will be requested to be appropriated in future fiscal years for UI Modernization. The balance for UI Administration and Re-employment Services does not require appropriation, but only that the plans be approved by the New Mexico Office of Recovery and Reinvestment (NMORR), the Governor's Office and the U.S. Department of Labor.

#### **Economic Outlook**

New Mexico's economy continues to outperform the national economy. The state's seasonally adjusted unemployment rate was 8.2 percent in September 2010, down from 8.3 percent in August and 7.8 percent a year ago. In September, the national unemployment rate remained at 9.6 percent.

For New Mexico, the rate of over-the-year job growth, comparing September 2010 with September 2009, was negative 0.3 percent, representing an over-the-year loss of 2,400 jobs. With the weakest job growth in decades, New Mexico ranked thirty-eighth highest in September for job growth. Eighteen states reported declining year-over-year employment.

The job situation includes eight declining and four expanding industries. Government employment was unchanged from last year. New Mexico is now several months into a slow recovery, and the extent of the losses is far less than earlier in the year. If the current trend continues, the state could expect to be reporting a net gain in jobs before the end of the year.

The educational & health services industry added the most jobs, up 3,300 since this time last year. The leisure & hospitality industry also added a significant number of jobs, up 2,400 over the year. Also adding jobs was the manufacturing industry group, which reported an increase of 1,700 from this time last year. New Mexico gained in the mining industry, following 18 months of losses ending in August. Earlier losses had been as high as 5,000 jobs.

Government reported mixed employment results, with the net total matching the year-ago level. State government declined by 1,400 jobs. Local government still showed weakness, reporting numbers that were up by only 400 jobs from last year for this very large employment segment. Federal government employment gains continued to diminish from peaks reached earlier this year, now that most temporary census workers have ended their employment. Still, gains of 1,000 jobs in federal government are notable in this slow economy.

## NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS

Management's Discussion and Analysis  
Year Ended June 30, 2010 - continued

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### Other Operating Highlights – continued

#### **Economic Outlook - continued**

The remaining eight industries each posted declining employment. Construction was down 2,200 jobs over the year, an improvement from the 10,400 jobs lost during the preceding 12 months ending in September 2009. Retail trade reported losses totaling 3,300 jobs, while the much smaller wholesale trade industry shed 1,000. The professional and business services industry, often considered a barometer for the rest of the economy, reported employment that was down by 1,200 jobs from last year. The transportation, warehousing and utilities industry lost 1,500 jobs, down 6.8 percent.

The miscellaneous other services category reported 300 fewer jobs, while the financial activities industry declined by 100. The information industry reported numbers that were 1,000 jobs lower than year-ago levels, likely from fluctuations within the state's film industry.

#### Contacting the Agency's Financial Management

This financial report is designed to provide citizens, taxpayers, customers, legislators and investors and creditors with a general overview of the Department's finances and to demonstrate the Department's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact:

Neil Meoni, Deputy Secretary  
New Mexico Department of Workforce Solutions  
Administrative Services Division  
P.O. Box 1928  
Albuquerque, New Mexico 87103

**FINANCIAL STATEMENTS**

**NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS**

**Statement of Net Assets**

**AS OF JUNE 30, 2010**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>ASSETS:</b>			
Cash and cash equivalents	\$ -	1,281,722	1,281,722
Cash held with U.S. Treasury	-	183,594,636	183,594,636
Investment in State General Fund Investment Pool	6,349,683	-	6,349,683
Due from other state agencies	722,017	-	722,017
Due from federal government	3,665,797	-	3,665,797
Due from governmental funds	-	365,293	365,293
Due from enterprise funds	5,123,919	-	5,123,919
Accounts receivable, net of allowance for uncollectibles	-	46,925,787	46,925,787
Capital assets, net	<u>6,280,011</u>	-	<u>6,280,011</u>
<b>TOTAL ASSETS</b>	\$ <u>22,141,427</u>	<u>232,167,438</u>	<u>254,308,865</u>
<b>LIABILITIES:</b>			
Cash overdraft	\$ -	4,819,398	4,819,398
Accounts payable	3,456,571	71,127	3,527,698
Accrued payroll and benefits	2,051,549	-	2,051,549
Benefits payable	-	2,656,070	2,656,070
Due to other state agencies	-	687,313	687,313
Due to State General Fund	1,555,189	-	1,555,189
Due to federal government	-	453,709	453,709
Due to governmental funds	-	5,123,919	5,123,919
Due to enterprise funds	365,293	-	365,293
Deferred revenue	-	50,499,832	50,499,832
Compensated absences, due within one year	<u>1,272,437</u>	-	<u>1,272,437</u>
<b>TOTAL LIABILITIES</b>	8,701,039	64,311,368	73,012,407
<b>NET ASSETS:</b>			
Invested in capital assets	6,280,011	-	6,280,011
Restricted for:			
Unemployment insurance trust	-	167,856,070	167,856,070
Unrestricted	<u>7,160,377</u>	-	<u>7,160,377</u>
<b>TOTAL NET ASSETS</b>	<u>13,440,388</u>	<u>167,856,070</u>	<u>181,296,458</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	\$ <u>22,141,427</u>	<u>232,167,438</u>	<u>254,308,865</u>

NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS

Statement of Activities

YEAR ENDED JUNE 30, 2010

Functions/Programs	Expenses	Program Revenue		Net (Expenses) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants	Governmental Activities	Business-type Activities	Total
<b>GOVERNMENTAL ACTIVITIES:</b>						
Workforce transition services	\$ 21,193,872	-	17,642,495	(3,551,377)	-	(3,551,377)
Labor relations	3,666,857	-	3,052,416	(614,441)	-	(614,441)
Workforce technology	4,831,267	-	4,021,710	(809,557)	-	(809,557)
Business services	5,544,196	-	4,615,176	(929,020)	-	(929,020)
Program support	17,359,891	-	14,450,960	(2,908,931)	-	(2,908,931)
Other workforce initiatives	<u>8,775,707</u>	<u>4,746,483</u>	<u>7,305,195</u>	<u>3,275,971</u>	<u>-</u>	<u>3,275,971</u>
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	61,371,790	4,746,483	51,087,952	(5,537,355)	-	(5,537,355)
<b>BUSINESS-TYPE ACTIVITIES:</b>						
Unemployment services	<u>781,493,577</u>	<u>188,465,204</u>	<u>400,426,059</u>	<u>-</u>	<u>(192,602,314)</u>	<u>(192,602,314)</u>
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>	<u>781,493,577</u>	<u>188,465,204</u>	<u>400,426,059</u>	<u>-</u>	<u>(192,602,314)</u>	<u>(192,602,314)</u>
<b>TOTAL ACTIVITIES</b>	842,865,367	193,211,687	451,514,011	(5,537,355)	(192,602,314)	(198,139,669)
<b>GENERAL REVENUES (EXPENSES):</b>						
Investment earnings				686	12,426,676	12,427,362
Transfers in - State General Fund appropriations				7,317,900	-	7,317,900
Transfers in - other				944,925	-	944,925
Transfers out - other				(1,500,000)	(40,926,221)	(42,426,221)
Transfers out - Reversions to State General Fund FY '10				(489,600)	-	(489,600)
<b>TOTAL ALL REVENUES AND TRANSFERS</b>				<u>6,273,911</u>	<u>(28,499,545)</u>	<u>(22,225,634)</u>
<b>CHANGE IN NET ASSETS</b>				736,556	(221,101,859)	(220,365,303)
<b>NET ASSETS, BEGINNING</b>				<u>12,703,832</u>	<u>388,957,929</u>	<u>401,661,761</u>
<b>NET ASSETS, ENDING</b>				\$ <u>13,440,388</u>	<u>167,856,070</u>	<u>181,296,458</u>

**NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS**

**Balance Sheet - Governmental Funds**

**AS OF JUNE 30, 2010**

	32900	89000	Other	Total
	<u>General</u>	<u>ARRA</u>	<u>Governmental</u>	<u>Governmental</u>
	<u>Fund</u>		<u>Funds</u>	
<b>ASSETS:</b>				
Investment in State General Fund Investment Pool	\$ 2,070,432	-	4,279,251	6,349,683
Due from other funds	723,881	-	675,748	1,399,629
Due from enterprise funds	5,123,919	-	-	5,123,919
Due from other state agencies	721,934	-	83	722,017
Due from federal government	<u>1,881,266</u>	<u>1,193,156</u>	<u>591,375</u>	<u>3,665,797</u>
<b>TOTAL ASSETS</b>	\$ <u>10,521,432</u>	<u>1,193,156</u>	<u>5,546,457</u>	<u>17,261,045</u>
<b>LIABILITIES:</b>				
Accounts payable	\$ 3,010,324	446,247	-	3,456,571
Accrued payroll and benefits	1,900,342	151,207	-	2,051,549
Due to other funds	675,748	595,702	128,179	1,399,629
Due to enterprise funds	365,293	-	-	365,293
Due to State General Fund	<u>1,555,189</u>	<u>-</u>	<u>-</u>	<u>1,555,189</u>
<b>TOTAL LIABILITIES</b>	7,506,896	1,193,156	128,179	8,828,231
<b>FUND BALANCES:</b>				
Reserved for Public Works Apprenticeship & Training	-	-	1,990,909	1,990,909
Unreserved - Designated for subsequent years' expenditures	<u>3,014,536</u>	<u>-</u>	<u>3,427,369</u>	<u>6,441,905</u>
<b>TOTAL FUND BALANCES</b>	<u>3,014,536</u>	<u>-</u>	<u>5,418,278</u>	<u>8,432,814</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	\$ <u>10,521,432</u>	<u>1,193,156</u>	<u>5,546,457</u>	<u>17,261,045</u>

NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS

Reconciliation of the Balance Sheet - Governmental Funds  
to the Statement of Net Assets

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AS OF JUNE 30, 2010

**Total Fund Balance - Governmental Funds**  
**(Governmental Fund Balance Sheet)** \$ 8,432,814

Amounts reported for governmental activities in the Statement of  
Net Assets are different because:

Capital assets used in governmental activities are not financial  
resources and, therefore, are not reported in the funds.

Capital assets total acquisition value	9,432,829
Total accumulated depreciation	<u>(3,152,818)</u>
Total capital assets, net	6,280,011

Long-term and other liabilities at year end consist of:

Compensated absences payable	<u>(1,272,437)</u>
Total long-term and other liabilities	<u>(1,272,437)</u>

**Net assets of governmental activities (Statement of Net Assets)** \$ 13,440,388

**NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS**

**Statement of Revenues, Expenditures and Changes  
in Fund Balances - Governmental Funds**

**YEAR ENDED JUNE 30, 2010**

	32900	89000	Other	Total
	General		Governmental	Governmental
	Fund	ARRA	Funds	
<b>REVENUES:</b>				
Interest on deposit/investments	\$ -	-	686	686
Licenses and permits	-	-	474,324	474,324
Federal grant revenue	39,503,251	11,584,701	-	51,087,952
Penalties and interest	-	-	1,905,555	1,905,555
Public Works Apprenticeship and Training	-	-	1,098,491	1,098,491
Miscellaneous revenue	<u>676,738</u>	<u>-</u>	<u>591,375</u>	<u>1,268,113</u>
<b>TOTAL REVENUES</b>	<u>40,179,989</u>	<u>11,584,701</u>	<u>4,070,431</u>	<u>55,835,121</u>
<b>EXPENDITURES:</b>				
Current:				
Workforce transition services	18,956,026	3,590,331	-	22,546,357
Labor relations	3,279,676	621,181	-	3,900,857
Workforce technology	4,321,137	818,437	-	5,139,574
Business services	4,958,788	939,210	-	5,897,998
Program support	15,526,873	2,940,839	-	18,467,712
Other workforce initiatives	7,849,086	1,486,642	-	9,335,728
Capital outlay	<u>665,409</u>	<u>1,188,061</u>	<u>-</u>	<u>1,853,470</u>
<b>TOTAL EXPENDITURES</b>	<u>55,556,995</u>	<u>11,584,701</u>	<u>-</u>	<u>67,141,696</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	(15,377,006)	-	4,070,431	(11,306,575)
<b>OTHER FINANCING SOURCES (USES):</b>				
State General Fund appropriation	7,317,900	-	-	7,317,900
Reversions to State General Fund, FY 2010	(489,600)	-	-	(489,600)
Transfers in:				
Interfund	3,014,779	-	-	3,014,779
Other	944,925	-	-	944,925
Transfers out:				
Interfund	-	-	(3,014,780)	(3,014,780)
Other	<u>-</u>	<u>-</u>	<u>(1,500,000)</u>	<u>(1,500,000)</u>
<b>NET OTHER FINANCING SOURCES (USES)</b>	<u>10,788,004</u>	<u>-</u>	<u>(4,514,780)</u>	<u>6,273,224</u>
<b>NET CHANGE IN FUND BALANCES</b>	(4,589,002)	-	(444,349)	(5,033,351)
<b>BEGINNING FUND BALANCES</b>	<u>7,603,538</u>	<u>-</u>	<u>5,862,627</u>	<u>13,466,165</u>
<b>ENDING FUND BALANCES</b>	\$ <u>3,014,536</u>	<u>-</u>	<u>5,418,278</u>	<u>8,432,814</u>



NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS

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

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YEAR ENDED JUNE 30, 2010

**Net Changes in Fund Balances - Total Governmental Funds**  
**(Statement of Revenues, Expenditures, and Changes in Fund Balances)** \$ (5,033,351)

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

Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. In the current period, these amounts were:

Capital outlay	1,853,470
Work-in-process (expended as part of Contractual Services - see Note 3)	4,154,709
Depreciation expense	(182,941)
Loss on disposal	(24,196)
Change in compensated absence balance not recorded in governmental funds	<u>(31,135)</u>
<b>Change in net assets of governmental activities</b> <b>(Statement of Activities)</b>	\$ <u><u>736,556</u></u>

NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS

Statement of Revenues and Expenditures -  
Major Governmental Funds -  
Budget and Actual (Modified Accrual Basis)

YEAR ENDED JUNE 30, 2010

<b>GENERAL FUND - TOTAL</b>				
	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance From Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>P-775 WORKFORCE TRANSITION SERVICES</b>				
<b>REVENUES:</b>				
Federal funds	\$ 13,580,800	16,706,241	14,986,373	(1,719,868)
General funds	3,459,700	3,459,700	3,459,700	-
Other State funds	-	-	-	-
Inter-agency transfers	1,704,700	1,704,700	771,095	(933,605)
Budgeted fund Balance	<u>-</u>	<u>45,021</u>	<u>-</u>	<u>(45,021)</u>
<b>TOTAL REVENUES</b>	<b>\$ <u>18,745,200</u></b>	<b><u>21,915,662</u></b>	<b><u>19,217,168</u></b>	<b><u>(2,698,494)</u></b>
<b>P-775 WORKFORCE TRANSITION SERVICES</b>				
<b>EXPENDITURES:</b>				
Personal services and benefits	\$ 15,288,600	16,099,913	14,833,306	1,266,607
Contractual services	502,600	1,544,082	1,012,520	531,562
Other costs	2,954,000	4,271,667	3,168,538	1,103,129
Other financing uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL EXPENDITURES</b>	<b>\$ <u>18,745,200</u></b>	<b><u>21,915,662</u></b>	<b><u>19,014,364</u></b>	<b><u>2,901,298</u></b>
<b>P-776 LABOR RELATIONS</b>				
<b>REVENUES:</b>				
Federal funds	\$ 250,000	284,000	-	(284,000)
General funds	1,400,300	1,400,300	1,400,300	-
Other State funds	-	-	591,774	591,774
Inter-agency transfers	1,442,300	1,907,852	1,312,676	(595,176)
Budgeted fund Balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL REVENUES</b>	<b>\$ <u>3,092,600</u></b>	<b><u>3,592,152</u></b>	<b><u>3,304,750</u></b>	<b><u>(287,402)</u></b>
<b>P-776 LABOR RELATIONS</b>				
<b>EXPENDITURES:</b>				
Personal services and benefits	\$ 2,108,700	2,293,973	2,087,996	205,977
Contractual services	11,500	11,500	9,553	1,947
Other costs	972,400	1,286,679	1,221,884	64,795
Other financing uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL EXPENDITURES</b>	<b>\$ <u>3,092,600</u></b>	<b><u>3,592,152</u></b>	<b><u>3,319,433</u></b>	<b><u>272,719</u></b>

**NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS**

**Statement of Revenues and Expenditures -  
Major Governmental Funds -  
Budget and Actual (Modified Accrual Basis) - continued**

**YEAR ENDED JUNE 30, 2010**

**GENERAL FUND - TOTAL - continued**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance From Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>P-777 WORKFORCE TECHNOLOGY</b>				
<b>REVENUES:</b>				
Federal funds	\$ 3,208,700	5,267,076	2,977,966	(2,289,110)
General funds	1,365,600	1,365,600	1,365,600	-
Other State funds	-	-	55,088	(105,893)
Inter-agency transfers	226,600	226,600	120,707	9,452
Budgeted fund Balance	-	45,636	-	(45,636)
<b>TOTAL REVENUES</b>	<b>\$ 4,800,900</b>	<b>6,904,912</b>	<b>4,519,361</b>	<b>(2,431,187)</b>
<b>P-777 WORKFORCE TECHNOLOGY</b>				
<b>EXPENDITURES:</b>				
Personal services and benefits	\$ 3,032,900	3,224,561	2,681,861	542,700
Contractual services	760,200	1,538,181	934,553	603,628
Other costs	1,007,800	2,142,170	757,105	1,385,065
Other financing uses	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>\$ 4,800,900</b>	<b>6,904,912</b>	<b>4,373,519</b>	<b>2,531,393</b>
<b>P-778 BUSINESS SERVICES</b>				
<b>REVENUES:</b>				
Federal funds	\$ 2,811,300	5,391,459	4,743,021	(648,438)
General funds	308,400	308,400	308,400	-
Other State funds	-	-	-	-
Inter-agency transfers	-	-	-	-
Budgeted fund Balance	-	1,003,199	-	1,003,199
<b>TOTAL REVENUES</b>	<b>\$ 3,119,700</b>	<b>6,703,058</b>	<b>5,051,421</b>	<b>354,761</b>
<b>P-778 BUSINESS SERVICES</b>				
<b>EXPENDITURES:</b>				
Personal services and benefits	\$ 2,010,200	1,975,554	1,732,087	243,467
Contractual services	283,100	376,506	214,899	161,607
Other costs	826,400	4,350,998	3,071,914	1,279,084
Other financing uses	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>\$ 3,119,700</b>	<b>6,703,058</b>	<b>5,018,900</b>	<b>1,684,158</b>

**NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS**

Statement of Revenues and Expenditures -  
Major Governmental Funds -  
Budget and Actual (Modified Accrual Basis) - continued

YEAR ENDED JUNE 30, 2010

	GENERAL FUND - TOTAL - continued			
	Budgeted Amounts		Actual Amounts	Variance From Final Budget Positive (Negative)
	Original	Final		
<b>P-779 PROGRAM SUPPORT</b>				
<b>REVENUES:</b>				
Federal funds	\$ 15,245,100	15,325,790	13,990,831	(1,334,959)
General funds	783,900	783,900	783,900	-
Other State funds	-	-	29,876	(2,403,324)
Inter-agency transfers	2,344,200	2,433,200	1,755,226	(464,369)
Budgeted fund Balance	-	2,219,595	-	(2,219,595)
<b>TOTAL REVENUES</b>	<b>\$ 18,373,200</b>	<b>20,762,485</b>	<b>16,559,833</b>	<b>(6,422,247)</b>
<b>P-779 PROGRAM SUPPORT</b>				
<b>EXPENDITURES:</b>				
Personal services and benefits	\$ 5,616,700	6,227,104	4,838,706	1,388,398
Contractual services	1,243,900	1,494,826	1,481,389	13,437
Other costs	11,601,600	13,040,555	9,328,337	3,712,218
Other financing uses	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>\$ 18,462,200</b>	<b>20,762,485</b>	<b>15,648,432</b>	<b>5,114,053</b>
<b>OTHER WORKFORCE INITIATIVES</b>				
<b>REVENUES:</b>				
Federal funds	\$ 14,530,895	14,895,720	2,805,060	(12,090,660)
General funds	-	-	-	-
Other State funds	-	-	-	-
Inter-agency transfers	-	-	-	-
Budgeted fund Balance	-	-	-	-
<b>TOTAL REVENUES</b>	<b>\$ 14,530,895</b>	<b>14,895,720</b>	<b>2,805,060</b>	<b>(12,090,660)</b>
<b>OTHER WORKFORCE INITIATIVES</b>				
<b>EXPENDITURES:</b>				
Personal services and benefits	\$ 1,109,950	1,075,133	174,627	900,506
Contractual services	9,523,695	6,743,817	4,498,270	2,245,547
Other costs	3,897,250	7,076,770	3,271,338	3,805,432
Other financing uses	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>\$ 14,530,895</b>	<b>14,895,720</b>	<b>7,944,235</b>	<b>6,951,485</b>

NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS

Statement of Revenues and Expenditures -  
Major Governmental Funds -  
Budget and Actual (Modified Accrual Basis) - continued

YEAR ENDED JUNE 30, 2010

GENERAL FUND - TOTAL - continued

EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES), EXCLUDING REVERSIONS	\$	(3,861,290)	
REQUEST TO PAY PRIOR YEAR BILL WITH CURRENT FUNDS		(238,112)	
REVERSIONS TO STATE GENERAL FUND (NOT BUDGETED)		<u>(489,600)</u>	
NET CHANGE IN FUND BALANCE	\$	<u>(4,589,002)</u>	(1)

(1) Fund Balance available at year end is \$3,041,536

**NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS**

**Statement of Revenues and Expenditures -  
Major Governmental Funds -  
Budget and Actual (Modified Accrual Basis) - continued**

**YEAR ENDED JUNE 30, 2010**

**89000 - ARRA**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance From Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
	<b>REVENUES:</b>			
Federal funds	\$ 32,022,600	47,827,484	11,584,701	36,242,783
General funds	-	-	-	-
Other State funds	-	-	-	-
Inter-agency transfers	-	-	-	-
Budgeted fund Balance	-	-	-	-
<b>TOTAL REVENUES</b>	<b>\$ <u>32,022,600</u></b>	<b><u>47,827,484</u></b>	<b>11,584,701</b>	<b><u>36,242,783</u></b>
<b>EXPENDITURES:</b>				
Personal services and benefits	\$ 244,000	4,919,799	1,910,327	3,009,472
Contractual services	22,389,000	25,933,938	1,174,789	24,759,149
Other costs	9,389,600	16,973,747	8,452,177	8,521,570
Other financing uses	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>\$ <u>32,022,600</u></b>	<b><u>47,827,484</u></b>	<b><u>11,537,293</u></b>	<b><u>36,290,191</u></b>
<b>EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES</b>			47,408	
<b>REQUEST TO PAY PRIOR YEAR BILL WITH CURRENT FUNDS</b>			<u>(47,408)</u>	
<b>NET CHANGE IN FUND BALANCE</b>			<b>\$ <u>-</u></b>	

**NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS**

**Statement of Net Assets - Proprietary Funds**

**AS OF JUNE 30, 2010**

	20020	20060	
	<b>Unemployment Insurance Trust Enterprise Fund</b>	<b>State Unemployment Insurance Trust Enterprise Fund</b>	<b>Total</b>
<b>CURRENT ASSETS:</b>			
Cash and cash equivalents	\$ 755,365	526,357	1,281,722
Cash held with U.S. Treasury	183,594,636	-	183,594,636
Due from governmental funds	365,293	-	365,293
Accounts receivable, net of allowance for uncollectibles	<u>46,925,787</u>	<u>-</u>	<u>46,925,787</u>
<b>TOTAL CURRENT ASSETS</b>	\$ <u>231,641,081</u>	<u>526,357</u>	<u>232,167,438</u>
<b>CURRENT LIABILITIES:</b>			
Cash overdraft	\$ 4,819,398	-	4,819,398
Accounts payable	71,127	-	71,127
Benefits payable	2,656,070	-	2,656,070
Due to federal government	453,709	-	453,709
Due to governmental funds	5,123,919	-	5,123,919
Due to other state agencies	171,556	515,757	687,313
Deferred revenue	<u>50,499,832</u>	<u>-</u>	<u>50,499,832</u>
<b>TOTAL CURRENT LIABILITIES</b>	63,795,611	515,757	64,311,368
<b>NET ASSETS:</b>			
Restricted for:			
Unemployment insurance trust	<u>167,845,470</u>	<u>10,600</u>	<u>167,856,070</u>
<b>TOTAL NET ASSETS</b>	<u>167,845,470</u>	<u>10,600</u>	<u>167,856,070</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	\$ <u>231,641,081</u>	<u>526,357</u>	<u>232,167,438</u>

**NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS**

**Statement of Revenues, Expenses and Changes  
in Net Assets - Proprietary Funds**

<b>YEAR ENDED JUNE 30, 2010</b>	<b>20020</b>	<b>20060</b>	
	<b>Unemployment Insurance Trust Enterprise Fund</b>	<b>State Unemployment Insurance Trust Enterprise Fund</b>	<b>Total</b>
<b>OPERATING REVENUES:</b>			
Interest on investments	\$ 12,426,676	-	12,426,676
Employers taxes and reimbursements	140,338,988	40,926,122	181,265,110
CWC reimbursements	<u>7,200,094</u>	<u>-</u>	<u>7,200,094</u>
<b>TOTAL OPERATING REVENUES</b>	159,965,758	40,926,122	200,891,880
<b>OPERATING EXPENSES:</b>			
Unemployment benefits distributed to beneficiaries	<u>781,493,577</u>	<u>-</u>	<u>781,493,577</u>
<b>TOTAL OPERATING EXPENSES</b>	<u>781,493,577</u>	<u>-</u>	<u>781,493,577</u>
<b>OPERATING (LOSS) INCOME</b>	(621,527,819)	40,926,122	(580,601,697)
<b>NON-OPERATING REVENUES:</b>			
Grants, contracts and federal reimbursements	<u>400,426,059</u>	<u>-</u>	<u>400,426,059</u>
<b>TOTAL NON-OPERATING REVENUES</b>	400,426,059	-	400,426,059
<b>NON-OPERATING EXPENSES:</b>			
Other financing uses	<u>-</u>	<u>(40,926,221)</u>	<u>(40,926,221)</u>
<b>TOTAL NON-OPERATING EXPENSES</b>	<u>-</u>	<u>(40,926,221)</u>	<u>(40,926,221)</u>
<b>INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS</b>	(221,101,760)	(99)	(221,101,859)
<b>TOTAL NET ASSETS, BEGINNING</b>	<u>388,947,230</u>	<u>10,699</u>	<u>388,957,929</u>
<b>TOTAL NET ASSETS, ENDING</b>	\$ <u>167,845,470</u>	<u>10,600</u>	<u>167,856,070</u>



NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS

Statement of Cash Flows - Proprietary Funds

YEAR ENDED JUNE 30, 2010	20020	20060	Total
	Unemployment Insurance Trust Enterprise Fund	State Unemployment Insurance Trust Enterprise Fund	
<b>CASH FLOWS PROVIDED BY (USED IN)</b>			
<b>OPERATING ACTIVITIES:</b>			
Cash received from employers and CWC reimbursements	\$ 127,687,811	47,074,261	174,762,072
Cash received from federal government	401,819,916	-	401,819,916
Cash received from interest in investments (trust fund earnings)	12,426,676	-	12,426,676
Cash transferred to NM State Investment Council	-	(46,777,168)	(46,777,168)
Cash paid for unemployment benefits	(754,009,676)	-	(754,009,676)
<b>CASH FLOWS (USED IN) PROVIDED BY</b>			
<b>OPERATING ACTIVITIES:</b>	(212,075,273)	297,093	(211,778,180)
<b>NET (DECREASE) INCREASE IN</b>			
<b>CASH AND CASH EQUIVALENTS</b>	(212,075,273)	297,093	(211,778,180)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	396,425,274	229,264	396,654,538
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	\$ 184,350,001	526,357	184,876,358
<b>RECONCILIATION OF NET OPERATING LOSS</b>			
<b>TO CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Changes in net assets	\$ (221,101,760)	(99)	(221,101,859)
Increase (Decrease) in receivables	(18,457,414)	6,148,139	(12,309,275)
Decrease in cash overdraft	(4,749,133)	-	(4,749,133)
Increase (Decrease) in payables	32,185,898	(5,850,947)	26,334,951
Increase in deferred revenue	47,136	-	47,136
<b>CASH FLOWS (USED IN) PROVIDED BY</b>			
<b>OPERATING ACTIVITIES:</b>	\$ (212,075,273)	297,093	(211,778,180)
<b>RECONCILIATION OF CASH:</b>			
Cash on deposit			\$ 1,281,722
Cash held with U.S. Treasury			183,594,636
<b>TOTAL CASH</b>			\$ 184,876,358

NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS

Statement of Fiduciary Fund Assets and Liabilities - Agency Fund

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AS OF JUNE 30, 2010

	<u>Agency Fund</u>
<b>ASSETS:</b>	
Cash on deposit	\$ <u>260,409</u>
<b>TOTAL ASSETS</b>	\$ <u><u>260,409</u></u>
<b>LIABILITIES:</b>	
Amounts held for others	\$ 117,856
Accounts payable	<u>142,553</u>
<b>TOTAL LIABILITIES</b>	\$ <u><u>260,409</u></u>

# NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS

## Notes to Financial Statements

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### NATURE OF ORGANIZATION

#### Organization

The State of New Mexico, Department of Labor (the Department) was established by the New Mexico Laws of 1987, Chapter 342, to administer all laws and exercise all functions formerly administered and exercised by the Employment Security Department (ESD), the Workmen's Compensation Administration, the Labor Commissioner and the Office of Human Rights Commission. These same laws abolished the ESD, the Workmen's Compensation Administration and the Labor Commissioner. All appropriations, equipment, supplies, records, personnel and money of the ESD, the Workmen's Compensation Administration, the Labor Commissioner and the office and staff of the Human Rights Commission were transferred to the Department effective July 1, 1987.

The Human Rights Commission and the Labor and Industrial Commission are administratively attached to the Department in accordance with the New Mexico Laws of 1987, Chapter 342, Section 8.

Effective January 1, 1991, pursuant to the Laws of 1990, Ch. 2 Sec. 146, all appropriations, equipment, supplies, records, personnel, appointees, contracts and money of the Worker's Compensation Division of the Labor Department were transferred to the Worker's Compensation Administration. Until June 30, 1993, the Worker's Compensation Administration remained administratively attached in that payroll and voucher payments were processed through the Department of Labor. Effective July 1, 1993, all processing of payments and reporting requirements for the Worker's Compensation Administration were transferred to the Department of Finance and Administration.

The Department is operated under the legislative authority of numerous New Mexico and Federal statutes, including the Wagner-Peyser Act of 1933, the Federal Unemployment Tax Act, Titles III, IX and XII of the Social Security Act, Title IV of the Social Security Act as amended by the Balanced Budget Act of 1997, Public Law 97-300, Job Training Partnership Act, and the New Mexico "Unemployment Compensation Law", Chapter 51, NMSA, 1978 Compilation, Public Law 105-220, and Accountability in Government Act (Sections 6-3A-1 through 6-3A-8, NMSA 1978).

Effective January 22, 2004, Executive Order 2004-004 established the Office of Workforce Training and Development (OWTD) and vested responsibility in it for the receipt, administration and oversight of expenditure of funds from all grants pursuant to the federal Workforce Investment Act of 1998. The Department was responsible for those grants up to the effective date of executive order 2004-004. However, the financial activity associated with the administration of those grants was recorded and tracked in the Department's internal accounting system through June 30, 2004, and were included in the Department's annual report for state fiscal year 2004. However, the separation of the operations of the OWTD from that of the Department was completed starting on July 1, 2005, when the OWTD established its own operating budget and chart of accounts on the Central Accounting System for vouchering, budgetary tracking and reporting purposes. The OWTD also acquired and implemented its own internal

## NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS

### Notes to Financial Statements - continued

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#### NATURE OF ORGANIZATION - continued

##### Organization - continued

tracking system for recording and reporting financial activity associated with the administration of the WIA program.

During the 47<sup>th</sup> Legislative Session, House Bill 1280 was passed and signed by Governor Richardson. The bill created the Department of Workforce Solutions in order to establish a single, unified department to administer all laws and exercise all functions administered by the New Mexico Department of Labor and the Governor's Office of Workforce Training and Development. This consolidation was effective July 1, 2007 (FY 2008).

In FY 2010, the Department was comprised of the following:

**Office of the Secretary** - The Secretary of the Department is responsible for all operations of the Department and administers and enforces the laws with which the Department is charged.

**Administrative Services Division** - This Division is responsible for finance, budget, internal audit, procurement, grants monitoring, and general services.

**Workforce Transition Services** – To administer an array of demand driven workforce development services to prepare New Mexicans to meet the needs of business. This program includes Work Services and Unemployment Insurance.

**Business Services** – To provide standardized business solution strategies and labor market information through the New Mexico public workforce system that is responsive to the needs of New Mexico businesses. This program includes business development and outreach along with labor market information.

**Labor Relations** – To provide employment rights information and other work-site based assistance to employers and employees. This program is comprised of Labor and Industrial and Human Rights.

**Workforce Technology** – To provide and maintain effective and innovative information technology services for the agency and its service providers that enable management and utilization of the Department's operating systems and information technology architecture.

The Department received revenue mainly from the following sources:

- Federal, state and local governments:

**NATURE OF ORGANIZATION - continued**

**Organization – continued**

- Grants and contracts for administration of unemployment insurance, employment service and workforce training and development activities
- Reimbursements of benefits paid to federal claimants and for other special benefits applicable to other claimants
- Miscellaneous contracts and matching funds
- State General Fund appropriations
- Transfers from other state funds
- Employers of New Mexico
- Investment Income

The Department expended the money for the following purposes:

- Payments to claimants for unemployment insurance benefits
- Operating and administrative costs including capital expenditures
- Payments to employers for apprenticeship training
- Workforce Investment Act activities, programs and administration

**Reporting Entity**

The accompanying financial statements of the Department include all funds and activities over which the Department has oversight responsibility. Even though the Governor appoints the Department Secretary, the Secretary has decision-making authority, the power to designate management, the responsibility to significantly influence operations, and is primarily accountable for fiscal matters. The Department is part of the primary government of the State of New Mexico and its financial statement should be included with the financial statements of the State. However, the State of New Mexico does not currently issue an audited Comprehensive Annual Financial Report inclusive of all agencies of the primary government. The Department's financial statements contain no component units.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements for the Department have been prepared in conformity with generally accepted accounting principles (GAAP), as applied to governmental units as prescribed by the Governmental Accounting Standards Board (GASB), which is the accepted standard-setting body for establishing governmental accounting and financial reporting standards. GASB Statement 34, Statement 37 and Statement 38 establish financial reporting requirements for state and local governments throughout the United States. Pronouncements of the Financial Accounting Standards Board (FASB) issued after November 30, 1989, are not applied in the preparation of the financial statements of the proprietary fund type in accordance with GASB No. 20.

The Department is responsible for the fair presentation of the accompanying financial statements in conformity with generally accepted accounting principles. The Department has prepared required supplementary information in the titled Management's Discussion and Analysis (MD&A), which precedes the basic financial statements. The Department's significant accounting policies are described below.

In June 1999, the GASB unanimously approved GASB No. 34, Basic Financial Statements and Management Discussion and Analysis for State and Local Governments. This statement provides for the most significant change in financial reporting in over 20 years.

The Department has implemented the provisions of GASB No. 34. As a part of this statement, there is a reporting requirement regarding the local government's infrastructure (road, bridges, etc.) The Department does not own any infrastructure assets and, therefore, is unaffected by this requirement.

• **Financial Reporting Entity**

The basic financial statements include both government-wide (based on the Department as a whole) and fund financial statements. The new reporting model's focus is on either the Department as a whole or major individual funds (within the fund financial statements). Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as governmental activities. In the government-wide Statement of Net Assets, the governmental activities column is presented on a consolidated basis by column, and is reflected on a full accrual, economic resources basis, which incorporates long-term assets and receivables as well as long-term debt and obligations.

The government-wide Statement of Activities reflects both the gross and net cost per functional category, which are otherwise being supported by general government revenues. The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. The program revenues must be directly associated with the function. The Department includes only one function (general government).

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued****• Financial Reporting Entity - continued**

The net cost (by function) is normally covered by general revenues (intergovernmental revenues, interest income, etc). Historically, the previous model did not summarize or present net cost by function or activity. The Department does not currently employ indirect cost allocation systems.

This government-wide focus is more on the sustainability of the Department as an entity and the change in aggregate financial position resulting from the activities of the fiscal period.

The fund financial statements are similar to the financial statements presented in the previous accounting model. Emphasis here is on the major fund in the governmental category.

The governmental fund statements are presented on a current financial resource and modified accrual basis of accounting. This presentation is deemed appropriate to (a) demonstrate legal compliance, (b) demonstrate the source and use of liquid resources, and (c) demonstrate how the Department 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' governmental column, a reconciliation is presented on the page following each statement, which briefly explains the adjustment necessary to transform the fund based financial statements into the governmental column on the government-wide presentation.

The Department's fiduciary fund (agency fund) is presented in the fund financial statements. Since by definition these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the government, these funds are not incorporated in the government-wide statements.

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the Department first uses restricted resources, then unrestricted resources.

**• Basis of Presentation - Fund Accounting**

The accounts of the Department are organized on the 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 balance, revenues and expenditures. The various funds are summarized by type in the accompanying financial statements. The following fund types are used by the Department:

**Governmental Funds** - All governmental fund types are accounted for on a spending or financial flow measurement focus. Only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of available spendable resources. Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in

# NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS

## Notes to Financial Statements - continued

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

- **Basis of Presentation - Fund Accounting - continued**

**Governmental Funds - continued**

net current assets. Accordingly, they are said to present a summary of sources and uses of available spendable resources during a period.

Due to their spending measurement focus, expenditure recognition for governmental fund types is limited to exclude amounts represented by noncurrent liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities.

All funds were presented as major in the prior year's financial statements (SHARE Funds 32900, 61300, 61400, 71100, 20410, 20430 and 89000). In fiscal year 2010, management chose to follow the monetary basis to determine major funds. In FY 2010, the General fund (SHARE fund 32900) and ARRA (SHARE Fund 89000) special revenue fund were presented as major. The ARRA fund was presented as major for transparency purposes. The remaining special revenue funds (SHARE funds 61300, 61400, 71100, 20410 and 20430) are presented as non-major on the Department's financial statements.

**General Fund (SHARE Fund 32900)** - The Department's General Fund is the operating fund of the Department. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund combines activities for all of the programs of the Department. The Department's General Fund is funded from appropriations from the State of New Mexico General Fund, special appropriations, Federal grants and other revenue. Prior to FY 09, the Department used various other funds to account for activities for the various programs of the Department. During FY 09, the Department began using the General Fund for all of these programs. These additional funds consist of the following: SHARE 33000, 33100, 33200, 33300, 24000, 24100, 24400 and 20420. These funds do not have legally adopted budgets; thus, they do not have budgetary comparisons. During FY10, activity was not recorded in these funds and any remaining balances in the accounts were included in SHARE Fund 32900 in these financial statements. The fund is reverting and is considered a major fund.

**Special Revenue Funds** - Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. The fund below is considered a major fund.

ARRA Fund (SHARE Fund 89000). The American Recovery and Reinvestment Act (ARRA) Fund is used to track all ARRA program and administration expenditures separately from all other funding sources. Funding includes UI Modernization, UI Administration, Employment and Re-employment Services and WIA ARRA activities. This fund was established in 2009 and is a non-reverting fund. The fund was established



**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

- **Basis of Presentation - Fund Accounting - continued**

**Governmental Funds - continued****Special Revenue Funds - continued**

for the Department by New Mexico Department of Finance and Administration and New Mexico Office of Recovery and Reinvestment in FY 09.

**Special Revenue Non-Major Funds**

Employment Security Department Fund (Penalty and Interest Fund, SHARE Fund 61300).

This fund was created by Section 51-1-34, New Mexico Statutes Annotated 1978

Compilation, to account for the receipt and disbursement of penalties and interest imposed in the collection of unemployment insurance taxes. All money paid into this fund may be expended only pursuant to an appropriation by the Legislature or specific provision of law. The fund is non-reverting.

Public Works Apprenticeship and Training Fund (PWAT, SHARE Fund 61400). This fund was created by Section 13-4D-2, New Mexico Statutes Annotated 1978, effective May 20, 1992. Employer "contributions" are to be used to establish an apprenticeship program by the Bureau of Apprenticeship and Training of the U.S. Department of Labor and the NM Apprenticeship Council, per Section 13-4D-5A, NMSA 1978. The fund is non-reverting.

Labor Enforcement Fund (LEF, SHARE Fund 71100). This fund was created by Section 13-4-14.1, New Mexico Statutes Annotated 1978, effective May 19, 2004, to account for registration fees from contractors and subcontractors collected by the Labor and Industrial Division of the Department. All money in the fund is appropriated for the administration and enforcement of the Public Works Minimum Wage Act. The money in this fund does not revert to the General Fund at the end of a fiscal year. The fund was created by House Bill 1280 which merged the Office of Training and Development with the Department in FY 08.

Local WIA Board Fund (SHARE Fund 20410). This special revenue fund is used to account for federal flow-through funds from the United States Department of Labor to local area workforce development boards in accordance with the provisions of the Workforce Investment Act of 1998. This fund is non-reverting.

Family Opportunity Fund (SHARE Fund 20430). This fund was created by Section 58-30-1 NMSA 1978. This special revenue fund is used to account for the appropriations from the State General Fund in accordance with the provisions of the Family Opportunity Act. The fund is non-reverting.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued****• Basis of Presentation - Fund Accounting - continued**

**Proprietary Funds** - The proprietary fund is used to account for the transactions of the unemployment insurance fund, as required by GASB Statement No. 34. These funds are considered major.

Unemployment Insurance Trust Enterprise Fund (SHARE Fund 20020). This fund is used to account for the unemployment insurance services (UI) of the Department. As the unemployment insurance fund of the State of New Mexico, it is required by GASB Statement No. 34 to be classified as an enterprise fund. This is a non-reverting fund.

State Unemployment Trust Fund (SHARE Fund 20060). Distributions to this fund will be from the unemployment insurance taxes collected from employers in the State. These distributions will be invested by the State Investment Officer in investments similar to the types that land grant permanent funds are invested in. The earnings from these investments are to remain in the State Unemployment Trust Fund. These earnings may be appropriated to the Department by the New Mexico Legislature for the administration of unemployment insurance or employment security programs. This fund is non-reverting.

Effective July 1, 2010, House Bill 144 abolishes the SUTF and transfers the balance of funds into the UTF (20020) for the purpose of paying benefits to claimants.

**Fiduciary Funds (SHARE Fund 17800)** - Fiduciary funds are used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within the Department. Agency funds are custodial in nature and do not involve measurement of results of operations. The Wage Claim Fund is an agency fund which is a holding account for wage claim assignments collected by the Department's Labor Relations Division (LRD) from employers, pending the final outcome of wage disputes filed by employees or employer(s). Upon resolution, amounts deposited into the Wage Claim Fund are disbursed to either the employee or employer as determined by the LRD Director. Only one fiduciary fund existed during the fiscal year.

**• Basis of Accounting**

The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the Department gives (or receives) value without directly receiving (or giving) equal value in exchange, include gross receipts taxes, grants and appropriations. On an accrual basis, revenue from gross receipts taxes is recognized in the fiscal year for which the taxes

# NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS

## Notes to Financial Statements - continued

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

- **Basis of Accounting - continued**

are collected. Revenue from grants and appropriations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Amounts reported as program revenues include: 1) charges to customers or applicants for goods, services or privileges provided; 2) operating grants and contributions; and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than program revenues. Likewise, general revenues include all taxes.

Governmental fund types follow the modified accrual basis of accounting for financial statement purposes. Under the modified accrual basis of accounting, revenues and other governmental fund financial resource increments are recognized in the accounting period in which they become susceptible to accrual - that is, when they become both measurable and available to finance expenditures of the fiscal period (available meaning collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period, typically 60 days).

Revenues from grants that are restricted for specific uses are recognized as revenues and as receivables when the related costs are incurred. Interest earned is accrued currently by the appropriate funds. Contributions, gross receipts tax and other monies held by other state and local agencies are recorded as a receivable at the time the money is made available to the specific fund. All other revenues are recognized when they are received and are not susceptible to accrual.

Expenditures, other than vacation, compensatory and sick pay, are recorded when they are incurred. Expenditures charged to federal programs are recorded utilizing the cost principles prescribed or permitted by the various funding sources. Interest expense is recognized when paid. There was no interest expense incurred during the year ended June 30, 2010.

The proprietary fund is accounted for using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. The proprietary fund follows accounting principles promulgated by GASB as well as those promulgated by the Financial Accounting Standards Board prior to November 30, 1989, unless they conflict with GASB pronouncements. Interest on investments, employee taxes and reimbursements are considered operating revenues. All other services of revenue, such as grants, contracts and transfers, are considered non-operating revenues.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued****• Budgets and Budgetary Accounting**

The Department follows these procedures in establishing the budgetary data reflected in the financial statements for the agency:

Per the General Appropriation Act, Laws of 2007, Chapter 28, Section 3, item N, "For the purpose of administering the General Appropriation Act of 2007 and approving operating budgets, the State of New Mexico shall follow the modified accrual basis of accounting for governmental funds in accordance with the manual of model accounting practices issued by the Department of Finance and Administration." The budget is adopted on the modified accrual basis of accounting except for accounts payable accrued at the end of the fiscal year that do not get paid by the statutory deadline per Section 6-10-4 NMSA 1978. Those accounts payable that do not get paid timely must be paid out of the next year's budget. Encumbrances related to single year appropriations lapse at year end. Appropriation periods are sometimes for periods in excess of twelve months (multiple-year appropriations). When multiple-year appropriation periods lapse, the authority for the budget also lapses and encumbrances can no longer be charged to that budget. The legal level of budgetary control should be disclosed in the notes to the financial statements. Legal budgetary control for expenditures and encumbrances is by category of the appropriation unit.

The Department's unemployment insurance trust fund (SHARE Fund 20020) does not have a legally adopted budget.

**• Encumbrances**

The Department uses encumbrances for certain balances that may be carried forward based on the appropriation language from Legislation. Encumbered funds that do not revert at the end of the appropriation period are re-budgeted in the new fiscal year. If the applicable appropriation extends beyond the end of the fiscal year, then the Department is permitted to carry forward the encumbrance into the new fiscal year. Fund balance is designated as either reserved or unreserved in these financial statements in accordance with this criterion. For the fiscal year ended 2010, the Department did not have any encumbrances presented in the financial statements.

**• Reservations of Fund Balance**

Reservations of fund balances on the Governmental Funds are created to either (1) satisfy legal covenants that require that a portion of the fund balance be segregated, or (2) identify the portion of the fund balance that is not appropriated for future expenditures.

At June 30, 2010, the general fund had \$3,014,536 in unreserved fund balance. The full amount is designated for special projects' subsequent year's expenditures funded through special appropriation in FY 2010. The Department is projected to complete the project in FY 2011.

NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS

Notes to Financial Statements - continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

• **Reservations of Fund Balance - continued**

Unreserved fund balances in Penalty and Interest (SHARE Fund 61300) of \$2,805,352, Labor Enforcement (SHARE Fund 71100) of \$575,077, Local WIA Board (SHARE Fund 20410) of \$46,862 and Family Opportunity (SHARE Fund 20430) of \$78 were designated the future expenditures of the programs of these funds.

Fund balance of Public Works Apprenticeship and Training of \$1,990,909 was reserved for the use of apprenticeship program as prescribed by Section 13-4D-5A, NMSA 1978.

• **Cash and Investments**

Cash includes amounts in the demand deposits.

Investments with the State Treasurer in the State General Fund Investment Pool are stated at quoted market prices. Investments with the U.S. Treasury represent the Department's portion of the U.S. Treasury Department Unemployment Trust Fund Investment Pool (U.S. Treasury Pool).

For the purpose of the proprietary fund statement of cash flows, cash equivalents are defined as investments with the U.S. Treasury Pool.

• **Short-term Interfund Receivables/Payables**

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as due from other funds or due to other funds on the balance sheets of the fund financial statements. Internal activity is eliminated at the government-wide statement of activities.

• **Capital Assets**

Capital assets consist of tangible personal property having a value equal to or greater than \$5,000 and an estimated useful life greater than one year. Capital assets are recorded at historical cost. Capital assets are depreciated over their estimated useful life using the straight-line mid-month convention. Salvage value is not included in the depreciation calculation.

Estimated useful life is management's estimate of how long the asset is expected to meet service demands. Straight-line depreciation is used based on the following estimated useful lives in years:

Computer equipment	3
Office equipment	5
Furniture and fixtures	10
Office renovations	20

# NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS

## Notes to Financial Statements - continued

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

- **Capital Assets - continued**

The Department capitalizes computer software, whether purchased or developed internally, in accordance with guidelines provided by the GSD Rule NMAC Chapter 20, Part 1, Sections 2.20.1.9C(5) and 2.20.1.10C and FASB 86 accounting principles.

- **Fund Balances and Net Assets**

Net assets on the Statement of Net Assets including 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 and improvement of these capital assets. Currently, the Department has no outstanding capital-related debt.

Restricted - the component of net assets that reports the difference between assets and liabilities of the Department that consists of assets with constraints placed on their use by legislation or federal law. A portion of the net assets of governmental activities are restricted for Reed Act appropriations. These funds can only be used for the payment of benefits and administration of UI.

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 appropriable for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources.

- **Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### 2. CASH DEPOSIT ACCOUNTS AND INVESTMENTS

The Department has deposits, as defined in the Schedule of Individual Deposit Accounts on page 68, in the Bank of America (BA) of \$954,249 and in Wells Fargo Bank (WF) of \$964,358. These deposits represent cash balances associated with agency vouchering activities. FDIC coverage of \$500,000 is available for these deposits; collateral for the balance is provided by collateral pledged to the New Mexico State Treasurer to secure state deposits in accordance with 6-10-17 NMSA 1978. The

**NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS**

**Notes to Financial Statements - continued**

**2. CASH DEPOSIT ACCOUNTS AND INVESTMENTS - continued**

Department also has deposits, as defined in the Schedule of Individual Deposit Accounts, of \$31,000,392 with the State Treasurer in the State General Fund Investment Pool.

Detail of pledged collateral specific to this agency is unavailable because the bank commingles pledged collateral for all state funds it holds. However, the State Treasurer's Office Collateral Bureau monitors pledged collateral for all state funds held by state agencies in such "authorized" bank accounts. Refer to the Schedule of Pledged Collateral (Schedule 2).

For a detailed listing of all agency bank accounts and State Treasurer SHARE accounts, refer to the Schedule of Individual Deposit Accounts (Schedule 1).

The amounts reported as investments with the U.S. Treasury are invested in an investment pool which is not subject to categorization. The differences between the bank balance and SHARE balance are the result of timing differences with posting and processing cash transactions.

**3. CAPITAL ASSETS**

A summary of changes in capital assets follows:

	<u>June 30,</u> <u>2009</u>	<u>FY10</u> <u>Additions</u>	<u>FY10</u> <u>Disposals</u>	<u>June 30,</u> <u>2010</u>
Office improvements	\$ 541,578	1,002,082	-	1,543,660
Office equipment	2,353,705	-	(144,952)	2,208,753
Furniture and fixtures	338,635	9,209	-	347,844
Computer equipment	<u>335,684</u>	<u>842,179</u>	<u>-</u>	<u>1,177,863</u>
	3,569,602	1,853,470	(144,952)	5,278,120
Work-in-Process	<u>-</u>	<u>4,154,709</u>	<u>-</u>	<u>4,154,709</u>
Total acquired value	3,569,602	6,008,179	(144,952)	9,432,829
Accumulated depreciation:				
Office improvements	(385,703)	(79,780)	-	(465,483)
Office equipment	(2,038,023)	(81,720)	120,756	(1,998,987)
Furniture and fixtures	(346,287)	(8,924)	-	(355,211)
Computer equipment	<u>(320,620)</u>	<u>(12,517)</u>	<u>-</u>	<u>(333,137)</u>

**NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS**

**Notes to Financial Statements - continued**

**3. CAPITAL ASSETS - continued**

		<u>June 30,</u> <u>2009</u>	<u>FY10</u> <u>Additions</u>	<u>FY10</u> <u>Disposals</u>	<u>June 30,</u> <u>2010</u>
Total accumulated depreciation	\$	<u>(3,090,633)</u>	<u>(182,941)</u>	<u>120,756</u>	<u>(3,152,818)</u>
Net total	\$	<u>478,969</u>	<u>1,661,319</u>	<u>(24,196)</u>	<u>6,280,011</u>

Land, buildings and automobiles used by the Department are not included in these financial statements due to the fact that the assets are included in the financial statements of the New Mexico General Services Department.

The work-in-process category was appropriated, budgeted and expended as part of the contractual services expense category. The project will remain in that category until it is complete. The full amount of \$4,154,709 was excluded from the capital outlay expense category in FY 10.

Depreciation expense was charged to functions as follows:

Workforce transition services	\$	63,176
Labor relations		10,930
Workforce technology		14,401
Business services		16,527
Program support		51,748
Other workforce initiatives		<u>26,159</u>
	\$	<u>182,941</u>

**4. UNEMPLOYMENT INSURANCE FUND – BENEFITS PAYABLE**

A liability has been recorded for benefits claimed prior to but paid subsequent to June 30, 2010, consisting of the following:

Unemployment benefits	\$	2,656,070
Withholding benefits (due to Human Services Dept.) (Note 9)		<u>171,556</u>
	\$	<u>2,827,626</u>



**NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS**

**Notes to Financial Statements - continued**

**5. RECEIVABLES**

Receivables at June 30, 2010, consist of the following:

Receivable:			
Current UI taxes		\$	44,208,021
Benefit overpayments			8,168,648
Combined wage claimants (CWC)			<u>2,264,057</u>
Gross receivables			54,640,726
Less allowance for uncollectibles:			
Benefit overpayments			<u>(7,714,939)</u>
Total allowances			<u>(7,714,939)</u>
Net total receivables – fund level			<u>46,925,787</u>
Total net receivables		\$	<u><u>46,925,787</u></u>

- **Current Unemployment Insurance (UI) Taxes**

This amount represents UI taxes due from reimbursable and regular employers for quarters before and for the quarter ending June 30, 2010, which were collected subsequently. This amount is an estimate based upon a review of cash receipts subsequent to the end of the fiscal year.

- **Benefit Overpayments**

This amount represents amounts due from claimants. These are derived from overpayment of benefits established as a result of an adjudicator’s decision reversing an earlier award of benefits. An allowance for uncollectibles would usually be for an equal amount of accounts receivable. Although some past due accounts will be collected, no estimate has been made by the Department of the amount of collectible receivables. However, in January of 2010, the Department issued a double payment of benefits to claimants. The Department considers the Federal portion of that double payment to be fully collectible, and due to the Federal Government at year end. The amount of double payment outstanding at June 30, 2010 was \$453,709.

- **Combined Wage Claimants**

This amount represents amounts due from other states for benefit charges. It is reported in the financial statements net of the liability to the UI trust fund ledger.

**NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS**

**Notes to Financial Statements - continued**

**6. OPERATING LEASES**

The Department leases field office space and equipment under operating leases. Rental expenditures for land and buildings for the fiscal year ended June 30, 2010 were \$471,546. Rental expenditures for equipment for the fiscal year ended June 30, 2010 were \$628,719. The future minimum rental commitments as of June 30, 2010 were as follows:

<u>Year Ended June 30,</u>	<u>Office Space</u>	<u>Equipment</u>	<u>Total</u>
2011	\$ 428,720	866,731	1,295,451
2012	378,167	772,091	1,150,258
2013	143,728	615,860	759,588
2014	21,678	475,387	497,065
2015	13,804	477,093	490,897
2016 and thereafter	<u>          -</u>	<u>428,437</u>	<u>428,437</u>
Total	\$ <u>986,097</u>	<u>3,635,599</u>	<u>4,621,696</u>

**7. COMPENSATED ABSENCES**

The changes to compensated absences are as follows:

<u>Liabilities</u>	<u>Balance</u> <u>June 30, 2009</u>	<u>Increase</u>	<u>(Decrease)</u>	<u>Balance</u> <u>June 30, 2010</u>
Sick and annual leave	\$ <u>1,241,302</u>	<u>1,134,347</u>	<u>(1,103,212)</u>	<u>1,272,437</u>
	\$ <u>1,241,302</u>	<u>1,134,347</u>	<u>(1,103,212)</u>	<u>1,272,437</u>

\$1,272,437 of the compensated absences is considered due within one year. Compensated absences are liquidated with resources from the Department's General Fund (SHARE Fund 32900).

**8. INTERFUND RECEIVABLES AND PAYABLES**

Interfund receivables and payables reflect short-term (current) borrowings among the Department's funds in the normal course of business. The Department has the following interfund receivables and payables between its funds at June 30, 2010.

**NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS**

**Notes to Financial Statements - continued**

**8. INTERFUND RECEIVABLES AND PAYABLES - continued**

Due to Other Funds		Due from Other Funds				
SHARE Fund Name	SHARE Fund No.	Enterprise Fund 20020	General Fund 32900	Penalty & Interest 061300	Labor Enforcement 71100	Total
Enterprise Fund	20020	\$ -	5,123,919	-	-	5,123,919
General Fund	32900	365,293	-	609,810	65,938	1,041,041
ARRA	89000	-	595,702	-	-	595,702
Family Opportunity	20430	-	128,179	-	-	128,179
<b>Total</b>		<b>\$ 365,293</b>	<b>5,847,800</b>	<b>609,810</b>	<b>65,938</b>	<b>6,888,841</b>

**9. DUE FROM AND DUE TO OTHER AGENCIES**

Transactions that occur among state agencies under legislative mandate, exchange transactions and other situations are accounted for in the financial statements which make up the due from and due to other state agencies. The due from and due to other agencies balances at June 30, 2010 consist of the following:

• **Due From Other State Agencies**

DWS Fund No.	Agency	Other Agency's Fund No.	Amount
32900	State Investment Council (337)	17300	\$ 721,934
71100	State Treasurer's Office (394)	74100	83
	<b>Total All Funds</b>		<b>\$ 722,017</b>

• **Due To Other State Agencies**

DWS Fund No.	Agency	Other Agency's Fund No.	Amount
20020	New Mexico Human Services Department	05200	\$ 171,556
20060	New Mexico State Investment Council	17300	515,757
	<b>Total All Funds</b>		<b>\$ 687,313</b>

**10. ACCUMULATED UNUSED/UNPAID ANNUAL AND SICK LEAVE**

The Department changed, in a prior year, its method of accumulating annual and sick leave from a day method to an hourly method based on length of civil services. Personnel employed prior to April 14, 1990, accrue annual leave at a different rate than personnel employed on or after April 14, 1990. A maximum of 240 hours of annual leave may be carried forward after the pay period beginning in December and ending in January.

Annual leave may not be used before it is accrued. When employees terminate, except for a reduction in force, they are compensated for accumulated unpaid leave up to a maximum of 240 hours at their current hourly rate. Employee separating due to a reduction in force will receive all accrued annual leave at their current hourly rate.

Qualified employees are entitled to accumulate sick leave at the rate of 3.69 hours per pay period. Sick leave may not be used before it is accrued. There is no limit to the amount of sick leave that an employee may accumulate.

Per New Mexico State Personnel Board Rules and Regulations, employees who have accumulated more than 600 hours of unused sick leave are entitled to be paid for unused sick leave in excess of 600 hours at a rate equal to fifty percent (50%) of their hourly rate of pay for up to 120 hours of sick leave. Payment for unused sick leave may be made only once per fiscal year on either the payday immediately following the first full pay period in January or the first full pay-period in July.

**11. SURETY BOND**

Since September 1, 1987 through the present, surety bond coverage for the Department has been provided through the State of New Mexico's self-insured statewide policy, which is administered by the Risk Management Division of the General Services Department. The surety bond covers all officers and employees of the State of New Mexico for faithful performance, theft and embezzlement of money. The amount of coverage is \$1,050,000 per occurrence.

**12. PENSION PLAN – PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION**

• **Plan Description**

Substantially all of the Department's full-time employees participate in a public employee retirement system authorized under the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). The Public Employees Retirement Association (PERA) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides for retirement benefits, disability benefits, survivor benefits and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to PERA, P.O. Box 2123, Santa Fe, NM 87504-2123. The report is also available on PERA's website at [www.pera.state.nm.us](http://www.pera.state.nm.us).

**NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS**

**Notes to Financial Statements - continued**

**12. PENSION PLAN – PUBLIC EMPLOYEES’ RETIREMENT ASSOCIATION - continued**

• **Funding Policy**

Plan members are required to contribute 8.92% of their gross salary. The Department is required to contribute 15.09% of the gross covered salary. The contribution requirements of plan members and the Department are established in State statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The Department’s contributions to PERA for the fiscal years ending June 30, 2010, 2009 and 2008 were \$2,822,164, \$3,124,453 and \$3,162,071, respectively, which equal the amount of the required contributions for each fiscal year.

**13. REVERSIONS**

Reversions due to the State General Fund at June 30, 2010 are as follows:

<u>Fiscal Year</u>		<u>General Fund</u>
2000	\$	84,962
2001		2,322
2003		10,158
2005		625,068
2006		112,762
2007		187,926
2008		42,270
2009		121
General Fund Executive Order 2009-044 Reversion, Laws 2010		<u>489,600</u>
<b>Total</b>	<b>\$</b>	<b><u>1,555,189</u></b>

In accordance with statute Section 6-5-10(A) NMSA 1978, all unreserved, undesignated fund balances in reverting funds and accounts as reflected in the central accounting system as of June 30 shall revert. The Department did not have any additional reversions for FY 2010. A total of \$519,411 was paid to the State General Fund during the year. \$1,555,189 is payable at June 30, 2010 and due by September 30, 2010. This payable may be adjusted within 45 days of the release of this audit by the New Mexico Office of the State Auditor. The Department has paid the fiscal year 2010 appropriation by September 30, and will pay the remainder of the revisions payable during fiscal year 2011.

**NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS**

**Notes to Financial Statements - continued**

**14. DEFERRED REVENUE**

The Department's deferred revenue in Fund 20020 as of June 30, 2010 consisted of the following:

UI Module – ARRA	\$	36,595,534
Reed Act		10,515,596
Federal Additional Compensation-Administration		2,074,089
Employer Prepayments		<u>1,314,613</u>
 Total	\$	<u><u>50,499,832</u></u>

**15. TRANSFERS**

Interfund transfers as of June 30, 2010 are as follows:

<u>Fund</u>	<u>Governmental Funds</u>		<u>Operating Transfers In</u>	<u>Operating Transfers Out</u>
32900	General Fund	\$	3,014,780	-
61300	Penalty & Interest		-	2,356,600
61400	PWAT		-	230,000
71100	Labor Enforcement		-	300,000
20430	Family Opportunity Fund		<u>-</u>	<u>128,180</u>
	 Total governmental interfund transfers	\$	<u><u>3,014,780</u></u>	<u><u>3,014,780</u></u>

In accordance with the General Appropriations Act in the Laws of 2004, receipts from the Penalty and Interest Labor Enforcement and Family Opportunity funds were transferred into the General Fund to fund the indirect costs allocated to the Department's Labor and Industrial and Human Rights Divisions. Similarly, receipts from the Public Works Apprenticeship Training (PWAT) fund (SHARE Fund 61400) were transferred to the Department's General Fund for disbursement to private entities providing apprenticeship training in certain trades.

Inter-agency transfers consist of the following:

<u>Agency</u>	<u>Fund</u>	<u>Governmental Funds</u>		<u>Operating Transfers In</u>	<u>Operating Transfers Out</u>
63200	98200	Worker's Compensation Administration	\$	691,500	-
34100	62000	DFA – Budget Shortfall		-	500,000
41900	63800	Department of Economic Development		<u>-</u>	<u>1,000,000</u>
		 Subtotal		691,500	1,500,000

**NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS**

**Notes to Financial Statements - continued**

**15. TRANSFERS - continued**

<u>Agency</u>	<u>Fund</u>	<u>Governmental Funds</u>		<u>Operating Transfers In</u>	<u>Operating Transfers Out</u>
33700	10340	NM State Investment Council – SUTF	\$	<u>253,425</u>	<u>40,926,221</u>
		Subtotal		<u>253,425</u>	<u>42,426,221</u>
		Total Inter-Agency Transfers		944,925	42,426,221
		Other Interfund Transfers		-	-
		Total Other Transfers	\$	<u>944,925</u>	<u>42,426,221</u>

In accordance with the General Appropriations Act in the Laws of 2004, receipts from the Workers' Compensation fund were transferred to the Department's Compliance fund to provide funds to the Department's Labor and Industrial and Human Rights Divisions for expenditure in the conduct of their administrative functions of \$691,500. The Department also recorded an additional \$500,000 for budget shortfalls. The Department also transferred \$40,926,221 from the State Unemployment Trust Fund to the State Investment Council. In addition, the Department transferred \$1,000,000 to Economic Development Department for In-Plant Training activities, and received \$253,425 from the State Investment Council of interest earned on investments for General Fund Operations.

**16. POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN**

• **Plan Description**

The Department contributes to the New Mexico Retiree Health Care Fund, a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the New Mexico Retiree Health Care Authority (RHCA). The RHCA provides health care insurance and prescription drug benefits to retired employees of participating New Mexico government agencies, their spouses, dependents, and surviving spouses and dependents. The RHCA Board was established by the Retiree Health Care Act (Chapter 10, Article 7C, NMSA 1978). The Board is responsible for establishing and amending benefit provisions of the healthcare plan and is also authorized to designate optional and/or voluntary benefits like dental, vision, supplemental life insurance, and long-term care policies.

Eligible retirees are: 1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant in the RHCA plan on the person's behalf unless that person retires before the employer's RHCA effective date, in which case the time period required for employee and employer contributions shall become the period of time between the employer's effective date and the date of retirement; 2) retirees defined by the Act who retired prior to July 1, 1990; 3) former legislators who served at least two years; and 4) former governing authority members who served at least four years.

**16. POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN - continued**

• **Plan Description - continued**

The RHCA issues a publicly available stand-alone financial report that includes financial statements and required supplementary information for the post-employment healthcare plan. That report and further information can be obtained by writing to the Retiree Health Care Authority at 4308 Carlisle NE, Suite 104, Albuquerque, NM 87107.

• **Funding Policy**

The Retiree Health Care Act (Section 10-7C-13 NMSA 1978) authorizes the RHCA Board to establish the monthly premium contributions that retirees are required to pay for healthcare benefits. Each participating retiree pays a monthly premium according to a service based subsidy rate schedule for the medical plus basic life plan plus an additional participation fee of five dollars if the eligible participant retired prior to the employer’s RHCA effective date or is a former legislator or former governing authority member. Former legislators and governing authority members are required to pay 100% of the insurance premium to cover their claims and the administrative expenses of the plan. The monthly premium rate schedule can be obtained from the RHCA or viewed on their website at [www.nmrhca.state.nm.us](http://www.nmrhca.state.nm.us).

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. During the fiscal year ended June 30, 2010, the statute required each participating employer to contribute 1.3% of each participating employee’s annual salary; each participating employee was required to contribute .65% of their salary. In the fiscal years ending June 30, 2011 through June 30, 2013, the contribution rates for employees and employers will rise as follows:

For employees who are not members of an enhanced retirement plan, the contribution rates will be:

<u>Fiscal Year</u>	<u>Employer Contribution Rate</u>	<u>Employee Contribution Rate</u>
FY11	1.666%	.833%
FY12	1.834%	.917%
FY13	2.000%	1.000%

For employees who are members of an enhanced retirement plan (state police and adult correctional officer coverage plan 1; municipal police member coverage plans 3, 4 and 5; municipal fire member coverage plan 3,4 and 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act [10-12B-1 NMSA 1978]), the contribution rates will be:

<u>Fiscal Year</u>	<u>Employer Contribution Rate</u>	<u>Employee Contribution Rate</u>
FY11	2.084%	1.042%
FY12	2.292%	1.146%
FY13	2.500%	1.250%



## NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS

### Notes to Financial Statements - continued

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#### 16. POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN - continued

- **Funding Policy - continued**

Also, employers joining the program after January 1, 1998 are required to make a surplus-amount contribution to the RHCA based on one of two formulas at agreed-upon intervals.

The RHCA plan is financed on a pay-as-you-go basis. The employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the contributions can be changed by the New Mexico State Legislature.

The Department's contributions to the RHCA for the years ended June 30, 2010, 2009 and 2008 were \$240,808, \$244,480 and \$245,432, respectively, which equal the required contributions for each year.

#### 17. CONTINGENT LIABILITIES (CLAIMS AND JUDGMENTS)

The Department is a party to various claims and other legal matters which arise during the normal course of operations. The Department, however, does not believe that the results of all claims and other legal matters, individually or in the aggregate, would have a materially adverse effect on its operations or financial position.

#### 18. RISK MANAGEMENT

The Department is exposed to various risks of loss for which the Department is insured (auto, employee fidelity bond, general liability, civil rights, foreign jurisdiction, money and securities, property, worker's compensation) with the State of New Mexico's General Services Department/Risk Management Division.

#### 19. NEW PRONOUNCEMENTS

Effective for fiscal years beginning after June 15, 2010, *GASB 54, Fund Balance Reporting and Governmental Fund Type Definitions*, will provide modifications to, and additional types of, fund balance classifications. This statement will enhance the usefulness of fund balance information to provide more consistency among the classifications and will establish reporting standards for all governments that report governmental funds.

Effective for fiscal years beginning after June 15, 2010, *GASB 59, Financial Instruments Omnibus*, will update and improve existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. This statement provides for the following amendments:

19. NEW PRONOUNCEMENTS - continued

- National Council on Governmental Accounting Statement 4, *Accounting and Financial Reporting Principles for Claims and Judgments and Compensated Absences*, is updated to be consistent with the amendments to GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, regarding certain financial guarantees.
- Statements No. 25, *Financial Reporting for Defined Benefit Pensions Plans and Note Disclosures for Defined Contribution Plans*, and No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, are amended to remove the fair value exemption for unallocated insurance contracts. The effect of this amendment is that investments in unallocated insurance contracts should be reported as interest-earning investment contracts according to the provisions of paragraph 8 of Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*.
- Statement 31 is clarified to indicate that a 2a7-like pool, as described in Statement 31, is an external investment pool that operates in conformity with the Securities and Exchange Commission's (SEC) Rule 2a7 as promulgated under the Investment Company Act of 1940, as amended.
- Statement No. 40, *Deposit and Investment Risk Disclosures*, is amended to indicate that interest rate risk information should be disclosed only for debt investment pools – such as bond mutual funds and external bond investment pools – that do not meet the requirements to be reported as a 2a7-like pool.

Statement 53 is amended to:

- Clarify that the net settlement characteristic of Statement 53 that defines a derivative instrument is not met by a contract provision for a penalty payment for nonperformance.
- Provide that financial guarantee contracts included in the scope of Statement 53 are limited to financial guarantee contracts that are considered to be *investment* derivative instruments entered into primarily for the purpose of obtaining income or profit.
- Clarify that certain contracts based on specific volumes of sales or service revenues are excluded from the scope of Statement 53.
- Provide that one of the “leveraged yield” criteria of Statement 53 is met if the initial rate of return on the companion instrument has the potential for at least a doubled yield.

**19. NEW PRONOUNCEMENTS - continued**

Although early implementation is encouraged, the State of New Mexico has decided to implement this new pronouncement for fiscal year ending June 30, 2011. The impact on the Department's financial statements has not yet been determined.

**20. CASH SHORTFALL**

The Department has projected a cash shortfall in the Unemployment Trust Fund held with the U.S. Treasury. Unemployment Compensation (UC) is a joint federal-state program financed by federal taxes under the Federal Unemployment Tax Act (FUTA) and by state payroll taxes under the State Unemployment Tax Acts (SUTA). Federal laws and regulations provide broad guidelines on state unemployment taxes. States levy their own payroll taxes on employers to fund regular UC benefits and the state share of the Extended Benefit (EB) program. The U.S. Department of Labor (DOL) suggests that, to be minimally solvent, a state's reserve balance should provide for one year's projected benefit payment needs on the basis of the highest levels of benefit payments experienced by the state over the last twenty years. Using these guidelines, the Department has determined that a cash shortage in the fund will be realized in the first quarter of the 2012 fiscal year assuming current conditions. With adequate action by the legislature, however, solvency may be maintained into the subsequent two fiscal years.

UC benefits are an entitlement, although the program is financed by a dedicated tax imposed on employers, and not by general revenues. Even in a recession, if a given state's trust account is depleted, the state remains legally required to continue paying benefits which it does by obtaining loans through the federal program or with other financing options.

**SUPPLEMENTARY INFORMATION**

**NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS**

**Statement of Revenues and Expenditures -  
Major Proprietary Funds -  
Budget and Actual (Accrual Basis)**

**YEAR ENDED JUNE 30, 2010**

**20060 - STATE UNEMPLOYMENT INSURANCE TRUST FUND**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance From Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
Federal funds	\$ -	-	-	-
General funds	-	-	-	-
Other State funds	1,093,700	1,093,700	-	1,093,700
Inter-agency transfers	-	-	-	-
Budgeted fund Balance	-	-	-	-
<b>TOTAL REVENUES</b>	\$ <u>1,093,700</u>	<u>1,093,700</u>	-	<u>1,093,700</u>
<b>EXPENDITURES:</b>				
Personal services and benefits	\$ -	-	-	-
Contractual services	-	-	-	-
Other costs	-	-	-	-
Other financing uses	<u>1,093,700</u>	<u>1,093,700</u>	-	<u>1,093,700</u>
<b>TOTAL EXPENDITURES</b>	\$ <u>1,093,700</u>	<u>1,093,700</u>	-	<u>1,093,700</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES</b>				-
<b>EMPLOYER TAXES AND REIMBURSEMENTS-NOT BUDGETED</b>			40,926,122	
<b>TRANSFERS-STATE INVESTMENT COUNCIL-NOT BUDGETED</b>			<u>(40,926,221)</u>	
<b>NET CHANGE IN NET ASSETS</b>			\$ <u>(99)</u>	(1)

(1) Fund Balance at year end was \$10,600

**AS OF JUNE 30, 2010**

	<b>61300</b>	<b>61400</b>
	<b>Penalty and Interest</b>	<b>Public Works Apprenticeship and Training</b>
<b>ASSETS:</b>		
Investment in State General Fund		
Investment Pool	\$ 1,604,167	1,990,909
Due from other funds	609,810	-
Due from agency funds	-	-
Due from enterprise funds	-	-
Due from other state agencies	-	-
Due from federal government	<u>591,375</u>	<u>-</u>
<b>TOTAL ASSETS</b>	<b>\$ <u>2,805,352</u></b>	<b><u>1,990,909</u></b>
<b>LIABILITIES:</b>		
Accounts payable	\$ -	-
Accrued payroll and benefits	-	-
Due to other funds	-	-
Due to enterprise funds	-	-
Due to State General Fund	-	-
Due to other state agencies	<u>-</u>	<u>-</u>
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>-</b>
<b>FUND BALANCES:</b>		
Reserved for Public Works		
Apprenticeship & Training	-	1,990,909
Unreserved -		
Designated for subsequent years' expenditures	<u>2,805,352</u>	<u>-</u>
<b>TOTAL FUND BALANCES</b>	<b><u>2,805,352</u></b>	<b><u>1,990,909</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ <u>2,805,352</u></b>	<b><u>1,990,909</u></b>

**NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS**

**Combining Balance Sheet - Non-Major Governmental Funds**

**Special Revenue Funds**

<b>71100 Labor Enforcement Fund</b>	<b>20410 Local WIA Board Fund</b>	<b>20430 Family Opportunity Fund</b>	<b>Total Non-major Governmental Funds</b>
509,056	46,862	128,257	4,279,251
65,938	-	-	675,748
-	-	-	-
-	-	-	-
83	-	-	83
<u>-</u>	<u>-</u>	<u>-</u>	<u>591,375</u>
<u>575,077</u>	<u>46,862</u>	<u>128,257</u>	<u>5,546,457</u>
-	-	-	-
-	-	-	-
-	-	128,179	128,179
-	-	-	-
-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	128,179	128,179
-	-	-	1,990,909
<u>575,077</u>	<u>46,862</u>	<u>78</u>	<u>3,427,369</u>
<u>575,077</u>	<u>46,862</u>	<u>78</u>	<u>5,418,278</u>
<u>575,077</u>	<u>46,862</u>	<u>128,257</u>	<u>5,546,457</u>

YEAR ENDED JUNE 30, 2010

	61300	61400
	Penalty and Interest	Public Works Apprenticeship and Training
<b>REVENUES:</b>		
Interest on deposit/investments	\$ -	-
Licenses and permits	-	-
Federal grant revenue	-	-
Penalties and interest	1,905,555	-
Public Works Apprenticeship and Training	-	1,098,491
Miscellaneous revenue	<u>591,375</u>	<u>-</u>
<b>TOTAL REVENUES</b>	<b>2,496,930</b>	<b>1,098,491</b>
<b>EXPENDITURES:</b>		
Current:		
Workforce transition services	-	-
Labor relations	-	-
Workforce technology	-	-
Business services	-	-
Program support	-	-
Other workforce initiatives	-	-
Capital outlay	<u>-</u>	<u>-</u>
<b>TOTAL EXPENDITURES</b>	<u>-</u>	<u>-</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>2,496,930</b>	<b>1,098,491</b>
<b>OTHER FINANCING SOURCES (USES):</b>		
State General Fund appropriation	-	-
Reversions to State General Fund, FY 2010	-	-
Transfers in:		
Interfund	-	-
Other	-	-
Transfers out:		
Interfund	(2,356,600)	(230,000)
Other	<u>(1,500,000)</u>	<u>-</u>
<b>NET OTHER FINANCING SOURCES (USES):</b>	<u>(3,856,600)</u>	<u>(230,000)</u>
<b>NET CHANGE IN FUND BALANCES</b>	(1,359,670)	868,491
<b>BEGINNING FUND BALANCE</b>	<u>4,165,022</u>	<u>1,122,418</u>
<b>ENDING FUND BALANCE</b>	<b>\$ <u>2,805,352</u></b>	<b><u>1,990,909</u></b>



NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS

Combining Statement of Revenues, Expenditures and  
Changes in Fund Balances - Non-Major Governmental Funds

Special Revenue Funds			
71100	20410	20430	Total Non-major Governmental Funds
Labor Enforcement Fund	Local WIA Board Fund	Family Opportunity Fund	
686	-	-	686
474,324	-	-	474,324
-	-	-	-
-	-	-	1,905,555
-	-	-	1,098,491
-	-	-	591,375
475,010	-	-	4,070,431
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
475,010	-	-	4,070,431
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
(300,000)	-	(128,180)	(3,014,780)
-	-	-	(1,500,000)
(300,000)	-	(128,180)	(4,514,780)
175,010	-	(128,180)	(444,349)
400,067	46,862	128,258	5,862,627
575,077	46,862	78	5,418,278

**NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS**

**Statement of Revenues and Expenditures -  
Non-Major Governmental Funds -  
Budget and Actual (Modified Accrual Basis)**

**YEAR ENDED JUNE 30, 2010**

**61300 - PENALTY AND INTEREST**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance From Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
Federal funds	\$ -	-	-	-
General funds	-	-	-	-
Other State funds	-	-	-	-
Inter-agency transfers	2,356,600	2,356,600	2,496,930	(140,330)
Budgeted fund Balance	<u>-</u>	<u>1,500,000</u>	<u>1,359,670</u>	<u>(140,330)</u>
<b>TOTAL REVENUES</b>	\$ <u>2,356,600</u>	<u>3,856,600</u>	3,856,600	<u>(280,660)</u>
<b>EXPENDITURES:</b>				
Personal services and benefits	\$ -	-	-	-
Contractual services	-	-	-	-
Other costs	-	-	-	-
Other financing uses	<u>2,356,600</u>	<u>3,856,600</u>	<u>3,856,600</u>	<u>-</u>
<b>TOTAL EXPENDITURES</b>	\$ <u>2,356,600</u>	<u>3,856,600</u>	<u>3,856,600</u>	<u>-</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES</b>				-
<b>BUDGETED FUND BALANCE</b>			<u>(1,359,670)</u>	
<b>NET CHANGE IN FUND BALANCE</b>			\$ <u>(1,359,670)</u>	(1)

(1) Fund Balance at year end was \$2,805,352

**NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS**

**Statement of Revenues and Expenditures -  
Non-Major Governmental Funds -  
Budget and Actual (Modified Accrual Basis) - continued**

**YEAR ENDED JUNE 30, 2010**

**61400 - PUBLIC WORKS APPRENTICESHIP AND TRAINING**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance From Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
Federal funds	\$ -	-	-	-
General funds	-	-	-	-
Other State funds	600,000	600,000	-	600,000
Inter-agency transfers	-	-	1,098,491	498,491
Budgeted fund Balance	-	-	-	-
<b>TOTAL REVENUES</b>	\$ <u>600,000</u>	<u>600,000</u>	1,098,491	<u>1,098,491</u>
<b>EXPENDITURES:</b>				
Personal services and benefits	\$ -	-	-	-
Contractual services	-	-	-	-
Other costs	-	-	-	-
Other financing uses	<u>600,000</u>	<u>600,000</u>	<u>230,000</u>	<u>370,000</u>
<b>TOTAL EXPENDITURES</b>	\$ <u>600,000</u>	<u>600,000</u>	<u>230,000</u>	<u>370,000</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES</b>			<u>868,491</u>	
<b>NET CHANGE IN FUND BALANCE</b>			\$ <u>868,491</u>	

**NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS**

**Statement of Revenues and Expenditures -  
Non-Major Governmental Funds -  
Budget and Actual (Modified Accrual Basis) - continued**

**YEAR ENDED JUNE 30, 2010**

**71100 - LABOR ENFORCEMENT FUND**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance From</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget Positive (Negative)</u>
<b>REVENUES:</b>				
Federal funds	\$ -	-	-	-
General funds	-	-	-	-
Other State funds	200,000	200,000	475,010	275,010
Inter-agency transfers	-	-	-	-
Budgeted fund balance	-	<u>100,000</u>	-	<u>(100,000)</u>
<b>TOTAL REVENUES</b>	\$ <u>200,000</u>	<u>300,000</u>	475,010	<u>175,010</u>
<b>EXPENDITURES:</b>				
Personal services and benefits	\$ -	-	-	-
Contractual services	-	-	-	-
Other costs	-	-	-	-
Other financing uses	<u>200,000</u>	<u>300,000</u>	<u>300,000</u>	<u>-</u>
<b>TOTAL EXPENDITURES</b>	\$ <u>200,000</u>	<u>300,000</u>	<u>300,000</u>	<u>-</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES</b>			<u>175,010</u>	
<b>NET CHANGE IN FUND BALANCE</b>			\$ <u>175,010</u>	

**NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS**

**Statement of Revenues and Expenditures -  
Non-Major Governmental Funds -  
Budget and Actual (Modified Accrual Basis) - continued**

**YEAR ENDED JUNE 30, 2010**

**20410 - LOCAL WIA BOARD FUND**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance From Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
Federal funds	\$ -	-	-	-
General funds	-	-	-	-
Other State funds	-	-	-	-
Inter-agency transfers	-	-	-	-
Budgeted fund Balance	-	-	-	-
<b>TOTAL REVENUES</b>	\$ <u>-</u>	<u>-</u>	-	<u>-</u>
<b>EXPENDITURES:</b>				
Personal services and benefits	\$ -	-	-	-
Contractual services	-	-	-	-
Other costs	-	-	-	-
Other financing uses	-	-	-	-
<b>TOTAL EXPENDITURES</b>	\$ <u>-</u>	<u>-</u>	-	<u>-</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES</b>			-	
<b>NET CHANGE IN FUND BALANCE</b>			\$ <u>-</u>	

**NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS**

**Statement of Revenues and Expenditures -  
Non-Major Governmental Funds -  
Budget and Actual (Modified Accrual Basis) - continued**

**YEAR ENDED JUNE 30, 2010**

**20430 - FAMILY OPPORTUNITY FUND**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance From Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
Federal funds	\$ -	-	-	-
General funds	-	-	-	-
Other State funds	-	-	-	-
Inter-agency transfers	-	-	-	-
Budgeted fund Balance	-	<u>128,180</u>	<u>128,180</u>	-
<b>TOTAL REVENUES</b>	\$ -	<u><u>128,180</u></u>	<u>128,180</u>	<u>-</u>
<b>EXPENDITURES:</b>				
Personal services and benefits	\$ -	-	-	-
Contractual services	-	-	-	-
Other costs	-	-	-	-
Other financing uses	<u>128,180</u>	<u>128,180</u>	<u>128,180</u>	-
<b>TOTAL EXPENDITURES</b>	\$ <u><u>128,180</u></u>	<u><u>128,180</u></u>	<u>128,180</u>	<u>-</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES</b>				-
<b>BUDGETED FUND BALANCE</b>			<u>(128,180)</u>	
<b>NET CHANGE IN FUND BALANCE</b>			\$ <u><u>(128,180)</u></u>	(1)

(1) Fund Balance at year end was \$128,258

**OTHER SUPPLEMENTAL SCHEDULES**

NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS

Schedule 1

Schedule of Individual Deposit Accounts

AS OF JUNE 30, 2010

Account Title	Depository	Balance per Bank	Adjustments/ Reconciling Items	Reconciled Balance per Books
<b>Governmental Funds with State Treasurer (with SHARE fund numbers):</b>				
General Fund - 32900-33300, 20420	State Treasurer	\$ 5,097,504	(3,027,072)	2,070,432
ARRA - 89000	State Treasurer	(595,702)	595,702	-
Penalty and Interest - 61300	State Treasurer	1,521,053	83,114	1,604,167
PWAT - 61400	State Treasurer	1,979,300	11,609	1,990,909
Labor Enforcement Fund - 71100	State Treasurer	509,089	(33)	509,056
Workforce Investment Act Lcl Bds - 20410	State Treasurer	46,862	-	46,862
Family Opportunity Fund - 20430	State Treasurer	128,257	-	128,257
<b>Total Governmental with State Treasurer</b>		<b>8,686,363</b>	<b>(2,336,680)</b>	<b>6,349,683</b>
<b>Proprietary Funds Cash in Banks</b>				
Clearing Account - 20020	Bank of America	637,118	(1,199,666)	(562,548)
Clearing Account - 20020	Wells Fargo	405,714	-	405,714
Clearing Account - 20020	Wells Fargo	0	(269,023)	(269,023)
State Unemployment Trust Fund - 20060	Bank of America	239,380	-	239,380
State Unemployment Trust Fund - 20060	Wells Fargo	286,986	(9)	286,977
Benefit Account - 20020	Bank of America	(242)	(2,928,533)	(2,928,775)
Benefit Account - 20020	Wells Fargo	-	(1,059,052)	(1,059,052)
Benefit Account - 20020	Wells Fargo	271,658	-	271,658
Cash Security Deposit Account - 20020	Bank of America	77,993	-	77,993
<b>Total Proprietary in Banks</b>		<b>1,918,607</b>	<b>(5,456,283)</b>	<b>(3,537,676)</b>
<b>Proprietary Funds with State Treasurer (with SHARE fund numbers):</b>				
NMDL E Warrant Series - 24000	State Treasurer	21,382,465	(21,382,465)	-
NMDL G Warrant Series - 24100	State Treasurer	2,427,903	(2,427,903)	-
NMDL H Warrant Series - 24200	State Treasurer	(1,276,051)	1,276,051	-
NMDL I Warrant Series - 24300	State Treasurer	1,883,852	(1,883,852)	-
NMDL J Warrant Series - 24400	State Treasurer	7,503	(7,503)	-
NMDL V Warrant Series - 24500	State Treasurer	(2,372,052)	2,372,052	-
<b>Total Proprietary with State Treasurer</b>		<b>22,053,620</b>	<b>(22,053,620)</b>	<b>-</b>
<b>Proprietary Funds Cash - Other</b>				
Unemployment Trust Fund - 20020	U.S. Dept. of the Treasury	183,594,636	-	183,594,636
<b>Total Proprietary Other</b>		<b>183,594,636</b>	<b>-</b>	<b>183,594,636</b>
<b>Total Funds (excluding Agency Fund)</b>		<b>216,253,226</b>	<b>(29,846,583)</b>	<b>186,406,643</b>
<b>Trust and Agency Funds with State Treasurer (with SHARE fund numbers):</b>				
Wage Claim - 17800	State Treasurer	260,409	-	260,409
<b>Total Trust and Agency with State Treasurer</b>		<b>260,409</b>	<b>-</b>	<b>260,409</b>
<b>Department Total - All Funds</b>		<b>\$ 216,774,044</b>	<b>(29,846,583)</b>	<b>186,667,052</b>



**NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS**

**Schedule 2**

**Schedule of Pledged Collateral**

**AS OF JUNE 30, 2010**

	<u>Bank of America</u>	<u>Wells Fargo</u>	<u>U.S. Department of the Treasury</u>	<u>Accounts at State Treasurer</u>	<u>Total</u>
Total amount of deposit	\$ 954,249	964,358	183,594,636	31,260,801	216,774,044
Less FDIC	<u>(250,000)</u>	<u>(250,000)</u>	-	-	<u>(500,000)</u>
Total uninsured public money	704,249	714,358	183,594,636	31,260,801	216,274,044
50% collateral requirement	352,125	357,179	91,797,318	15,630,401	107,779,843
State Agency Collateral Listing:	A	A	B	A	A & B & C
Total pledged	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Over (under) pledged	A	A	B	C	A & B & C

A: Collateral for the balance is provided by the collateral pledged to the New Mexico State Treasurer to secure state deposits in accordance with 6-10-17 NMSA 1978. Detail of pledged collateral to this agency is unavailable, as the bank commingles pledged collateral for all state funds it holds. However, the State Treasurer's Office of Collateral Bureau monitors pledged collateral for all state funds held by state agencies in such "authorized" bank accounts.

B: The Department maintains a cash equivalent account, the Unemployment Trust Fund, with the United States Department of the Treasury. Deposits to this account include contributions received from employers and withdrawals from this account are used for the payment of state unemployment benefits. The deposits are guaranteed by the full faith and credit of the United States government.

C: This amount is held at the New Mexico State Treasurer and is detailed in the report of the Office of the State Treasurer, whose audit is covered by a separate report. Detail specific for the collateral is commingled by the Office of the State Treasurer, and they monitor the adequacy of the funds pledged for collateral to ensure they are fully covered as required by the Laws of the State of New Mexico and related statutes.

Custodian: Federal Home Loan Bank, Dallas  
Name Security in: New Mexico State Treasurer

The deposits are fully secured since they are in the name of the New Mexico State Treasurer and are held at a separate depository institution that is not affiliated with the depository institution.

**NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS**

**Schedule 3**

**Schedule of Special Appropriations**

**YEAR ENDED JUNE 30, 2010**

The following are the special appropriations for the general fund (SHARE fund 32900):

Description	Laws	Appropriations		Amount Budgeted in FY10	Amount Expended in FY10	Balance
		Period	Amount			
ADA building upgrades	Laws 2009, Ch. 124, Section 5 #47	2010	\$ 2,500,000	2,500,000	1,189,379	1,310,621
Reed Act for SHARE enhancement	Laws 2009, Ch. 124, Section 7 #9	2010	3,500,000	1,719,171	15,256	<u>1,703,915</u>
Outstanding Balance						\$ <u>3,014,536</u>

The following are the special appropriations for the enterprise fund (SHARE fund 20020) for various upgrades for fiscal year 2010:

UI claims and IVR systems	Laws 2009, Ch. 124, Section 5 #46	2010	3,500,000	\$ 3,500,000	\$ 1,876,453	1,623,547
Reed Act for UI tax system, time extension	Laws 2009, Ch. 124, Section 7 #9	2010	12,260,000	\$ 9,021,724	\$ 6,535,329	2,486,395
Reed Act for UI tax system, repay BOF loan	Laws 2009, Ch. 124, Section 7 #9	2010	240,000	\$ 240,000	\$ 240,000	-
Outstanding Balance						\$ <u>4,109,942</u>

The outstanding balance of special appropriations to the enterprise fund (SHARE Fund 20020) is recorded as part of deferred revenue.

These appropriations are available to the Department until the projects are complete. The estimated completion date is February 2011.

Schedule 4

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YEAR ENDED JUNE 30, 2010

The following is a list of Memoranda of Understanding the Department has entered into:

<u>Description</u>	<u>Responsible Party</u>	<u>Dates of Agreement</u>		<u>Project Amount</u>
		<u>Beginning</u>	<u>Ending</u>	
SHARE Upgrades	NMDWS	7/1/2010	6/30/2011	\$ -
ARRA Facility Upgrade	NMDWS	7/1/2010	6/30/2011	\$ 2,500,000
Datasharing	N/A	7/1/2010	Ongoing	\$ -
UI Tax RFP	N/A	7/1/2010	6/30/2014	\$ -
Vending Machine Maintenance	N/A	7/1/2010	Ongoing	\$ -
HVRP Grant - Veterans' Program	N/A	7/1/2010	6/30/2011	\$ -

**NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS**

**Schedule of Memoranda of Understanding**

<u>Department Portion</u>	<u>Current Year Contributions</u>	<u>Audit Responsibility</u>	<u>Agency Reporting Revenues/Expenses</u>
\$ -	\$ -	NMDWS	N/A
\$ 2,500,000	\$ -	NMDWS	NMDWS
\$ -	\$ -	N/A	N/A
\$ -	\$ -	N/A	N/A
\$ -	\$ -	NMDWS	N/A
\$ -	\$ -	N/A	N/A

**NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS**

**Schedule of Changes in Assets and Liabilities -  
Agency Fund**

**Schedule 5**

**AS OF JUNE 30, 2010**

	<u>Balance</u> <u>June 30, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2009</u>
<b>ASSETS:</b>				
Cash on deposit	\$ 244,857	16,022	(470)	260,409
<b>TOTAL ASSETS</b>	\$ <u>244,857</u>	<u>16,022</u>	<u>(470)</u>	<u>260,409</u>
<b>LIABILITIES:</b>				
Due to other funds	\$ 142,553	-	(142,553)	-
Amounts held for others	101,834	16,022	-	117,856
Accounts payable	<u>470</u>	<u>142,553</u>	<u>(470)</u>	<u>142,553</u>
<b>TOTAL LIABILITIES</b>	\$ <u>244,857</u>	<u>158,575</u>	<u>(143,023)</u>	<u>260,409</u>

**SINGLE AUDIT**

**NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS**

**Schedule 6**

**Schedule of Expenditures of Federal Awards**

**YEAR ENDED JUNE 30, 2010**

Federal Agency/ Pass-Through Agency	Federal CFDA Number	Federal Participating Expenditures
U.S. Department of Labor:		
Labor Force Statistics	17.002	\$ 830,615
Employment Services	17.207	4,658,796
ARRA - Employment Services	17.207	1,862,480
Unemployment Insurance	17.225	781,493,577
ARRA Unemployment Insurance	17.225	3,747,545
Trade Adjustment Assistance Workers	17.245	2,989,423
Work Incentives Grant	17.266	273,984
H-1B Job Training	17.268	2,805,055
Work Opportunity Tax Credit Program	17.271	145,153
Temporary Labor Certification for Foreign Workers	17.273	87,474
Disabled Veteran's Outreach Program	17.801	416,038
Local Veteran's Employment Representative Program	17.804	754,828
ARRA - Competitive Grants Green Jobs	17.275	2,920
Other Grants	17.unknown	709,863
Workforce Investment Act:		
Workforce Investment Act Adult Program	17.258	4,188,604
ARRA - Workforce Investment Act Adult Program	17.258	1,673,880
Workforce Investment Act Youth Activities	17.259	4,903,122
ARRA - Workforce Investment Act Youth Activities	17.259	3,482,179
Workforce Investment Act Dislocated Workers	17.260	2,415,409
ARRA - Workforce Investment Act Dislocated Workers	17.260	1,233,912
Total U.S. Department of Labor		818,674,857
U.S. Department of Health and Human Services:		
Medicaid Infrastructure Grants to Support the Competitive Employment of People with Disabilities	93.768	140,467
Total U.S. Department of Health and Human Services		140,467
Total Federal Awards Expended		\$ <u>818,815,324</u>

**NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS**

**Notes to the Schedule of Expenditures of Federal Awards**

**GENERAL**

The accompanying Supplemental Schedule of Expenditures of Federal Awards presents the activities of all federal awards of the Department.

**BASIS OF ACCOUNTING**

The accompanying Supplemental Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting, which is described in Note 1 to the Department's general purpose financial statements except for the subrecipient disbursements, which are reported on a cash basis..

**RECONCILIATION TO THE FINANCIAL STATEMENTS**

<u>Program</u>	<u>CFDA</u>	<u>Disbursements</u>	<u>Modified Accrual</u>	
			<u>Accrual, change</u>	<u>Modified Accrual</u>
Workforce Investment Act Adult Program	17.258	\$ 4,188,604	94,750	4,283,354
ARRA-Workforce Investment Act Adult Program	17.258	1,673,880	(183,198)	1,490,682
Workforce Investment Act Youth Activities	17.259	4,903,122	(541,176)	4,361,946
ARRA-Workforce Investment Act Youth Activities	17.259	3,482,179	(108,188)	3,373,991
Workforce Investment Act Dislocated Workers	17.260	2,415,409	(35,501)	2,379,908
ARRA-Workforce Investment Act Dislocated Workers	17.260	<u>1,233,912</u>	<u>(126,829)</u>	<u>1,107,083</u>
		\$ <u>17,897,106</u>	<u>900,142</u>	<u>16,996,964</u>

The change in accrual consists of the difference in the amount recorded as accounts payable to the boards at June 30, 2010 of \$993,999 and the amount paid out to the boards during fiscal year 2010 that was recorded as accounts payable at June 30, 2009 of \$1,894,141. Since the Department accounted for the boards in the general fund in fiscal year 2010, the accounts payable to the boards of \$993,999 is a part of the outstanding accounts payable amount in General Fund at June 30, 2010.

Reconciliation to the Modified Accrual Basis:

Total Federal Awards Expended	\$ 818,815,324
Accrual, change	<u>(900,142)</u>
Total Federal Awards Expended (modified accrual basis)	\$ <u>817,915,182</u>



**NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS**

**Notes to the Schedule of Expenditures of Federal Awards**

**RECONCILIATION TO THE FINANCIAL STATEMENTS - continued**

Governmental Funds – Federal Revenue	\$	51,087,952
Proprietary Funds Federal Revenue		400,426,059
UI Benefit Payments from State		
Unemployment Compensation		<u>366,401,171</u>
 Total Federal Revenue	\$	<u><u>817,915,182</u></u>
 Unemployment Benefit Distributions	\$	781,493,577
Governmental Funds Expenditure:		
ARRA Expenditures – Federal		11,584,701
General Fund Expenditures – Federal		24,836,904
General Fund Expenditures – State (excluded from SEFA)		<u>30,720,091</u>
 Total Governmental Funds Expenditure		<u>67,141,696</u>
 Total Federal Expenditures	\$	<u><u>817,915,182</u></u>

**UNEMPLOYMENT INSURANCE EXPENDITURES FROM STATE UNEMPLOYMENT COMPENSATION**

The unemployment compensation system is a unique federal-state partnership, founded upon federal law but implemented through state law. Expenditures reported for the Unemployment Insurance program (CFDA No. 17.225) include unemployment benefit payments from the State Unemployment Compensation Fund totaling \$366,401,171.

**REED ACT APPROPRIATIONS**

The Department receives appropriations under the Reed Act. These monies are to be spent for activities related to the unemployment insurance program. Included in the total expenditures for the unemployment insurance program (CFDA No. 17.225) is \$5,123,919 related to Reed Act expenditures.

**WAGNER-PEYSER ACT CLUSTER – U.S. DEPARTMENT OF LABOR**

Wagner-Peyser Act Cluster includes:

Employment Services	17.207
Disabled Veterans' Outreach	17.801
Local Veterans' Employment Representative	17.804

NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS

Notes to the Schedule of Expenditures of Federal Awards - continued

WORKFORCE INVESTMENT ACT (WIA) CLUSTER – U.S. DEPARTMENT OF LABOR

WIA Cluster includes:

WIA – Adult	17.258
WIA – Youth	17.259
WIA – Dislocated	17.260

SUBRECIPIENTS

The Department views the following boards as subrecipients of WIA cluster programs. The passthrough Federal support to the boards is part of the expenditures of the WIA Cluster.

1. The Northern Area Local Workforce Development Board (NALWDB/53895) is one of four regional workforce boards established in compliance with the Workforce Investment Act (WIA) of 1999 and certified by the New Mexico Governor. WIA funds are allocated in three subparts: Adult, Dislocated Worker and Youth. The board received the following passthrough Federal support through the Department in fiscal year 2010:

WIA – Adult	\$ 802,511
WIA ARRA – Adult	238,634
WIA – Youth	569,266
WIA ARRA – Youth	430,711
WIA – Dislocated	445,098
WIA ARRA – Dislocated	<u>240,284</u>
	\$ <u>2,726,504</u>

2. The Eastern Plains Council of Governments (EPCOG/54561) is a voluntary association of county and municipal governments within the seven counties of Planning and Development District IV. The EPCOG is an organization of, by and for local governments. It was established in 1972 to assist in planning for common needs and coordinating for sound regional development. The board received the following Federal support through the Department in fiscal year 2010:

WIA – Adult	\$ 517,527
WIA ARRA – Adult	217,574
WIA – Youth	803,829
WIA ARRA – Youth	660,734
WIA – Dislocated	177,799
WIA ARRA – Dislocated	<u>71,566</u>
	\$ <u>2,449,029</u>

NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS

Notes to the Schedule of Expenditures of Federal Awards - continued

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SUBRECIPIENTS - continued

3. The Mid Regional Council of Governments is the administrative entity and fiscal agent for the New Mexico Workforce Connection (WCCNM/9289) in the central region of the state (Bernalillo, Torrance, Sandoval and Valencia Counties). The WCCNM works to support industries, help businesses become competitive and profitable, and grow workers who are skilled and productive. The board received the following Federal support through the Department in fiscal year 2010:

WIA – Adult	\$	872,112
WIA ARRA – Adult		473,105
WIA – Youth		1,015,221
WIA ARRA – Youth		766,097
WIA – Dislocated		773,806
WIA ARRA – Dislocated		<u>605,520</u>
	\$	<u>4,505,861</u>

4. Southwest Area Workforce Development Board (SAWDB/9293) is the southwest region’s workforce agency that helps hundreds of employers connect with thousands of job seekers each year. The agency offers innovative solutions to assist businesses to succeed in today’s highly competitive workforce, while providing the tools job seekers need to find or advance in their current careers. The board received the following Federal support through the Department in fiscal year 2010:

WIA – Adult	\$	913,212
WIA ARRA – Adult		522,965
WIA – Youth		1,076,034
WIA ARRA – Youth		1,426,412
WIA – Dislocated		417,085
WIA ARRA – Dislocated		<u>149,960</u>
	\$	<u>4,505,668</u>

**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**

Mr. Ken Ortiz, Cabinet Secretary  
New Mexico Department of Workforce Solutions and  
Mr. Hector Balderas  
New Mexico State Auditor

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, the budgetary comparisons for the general fund and the major special revenue funds and the combining and individual funds and related budgetary comparisons presented as supplemental information of New Mexico Department of Workforce Solutions (the Department) as of and for the year ended June 30, 2010, and have issued our report thereon dated November 29, 2010. 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.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Department'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 Department's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Department'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 Department'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



Mr. Ken Ortiz, Cabinet Secretary  
New Mexico Department of Workforce Solutions and  
Mr. Hector Balderas  
New Mexico State Auditor

### **Internal Control Over Financial Reporting - continued**

defined above. However, we identified certain deficiencies in internal control over financial reporting described in the accompanying schedule of findings and responses that we consider to be significant deficiencies in internal control over financial reporting, findings 00-13, 05-04, 07-01, 07-07, 7-10, 08-03, 08-07, 09-02, 10-01 and 10-02.

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

We noted certain other matters that are required to be reported pursuant to *Government Auditing Standards* paragraphs 5.14 and 5.16, and Section 12-6-5, NMSA 1978, which are described in the accompanying schedule of findings and questioned costs as items 07-09 and 08-06.

The Department's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Department's responses and, accordingly, we express no opinion on them.

Mr. Ken Ortiz, Cabinet Secretary  
New Mexico Department of Workforce Solutions and  
Mr. Hector Balderas  
New Mexico State Auditor

This report is intended solely for the information and use of the management of the Department, the New Mexico Office of the State Auditor, the New Mexico Legislature, the New Mexico Department of Finance and Administration, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

*Mejers + Company, LLC*

November 29, 2010

**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**

Mr. Ken Ortiz, Cabinet Secretary  
New Mexico Department of Workforce Solutions and  
Mr. Hector Balderas  
New Mexico State Auditor

**Compliance**

We have audited the compliance of New Mexico Department of Workforce Solutions (the Department) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Department's major federal programs for the year ended June 30, 2010. The Department'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 grants applicable to each of its major federal programs is the responsibility of the Department's management. Our responsibility is to express an opinion on the Department'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, Audits 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 noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Department'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 of the Department's compliance with those requirements.

In our opinion, the Department complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with *OMB Circular A-133* and which



Mr. Ken Ortiz, Cabinet Secretary  
New Mexico Department of Workforce Solutions and  
Mr. Hector Balderas  
New Mexico State Auditor

## **Compliance - continued**

are described in the accompanying schedule of findings and questioned costs as items 00-13, 05-04, 07-01, 08-03, 09-03, 10-01 and 10-02.

## **Internal Control Over Compliance**

Management of the Department 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 Department'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 Department'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. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as items 00-13, 05-04, 07-01, 08-03, 09-03, 10-01 and 10-02. A **significant deficiency in internal control over compliance** is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.



Mr. Ken Ortiz, Cabinet Secretary  
New Mexico Department of Workforce Solutions and  
Mr. Hector Balderas  
New Mexico State Auditor

### **Internal Control Over Compliance - continued**

The Department's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Department's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of management of the Department, the New Mexico Office of the State Auditor, the New Mexico Legislature, the New Mexico Department of Finance and Administration and federal award and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

*Meyers + Company, LLC*

November 29, 2010

# NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS

## Schedule of Findings and Questioned Costs

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YEAR ENDED JUNE 30, 2010

### A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unqualified opinion on the basic financial statements of the New Mexico Department of Workforce Solutions (Department).
2. Twelve significant deficiencies relating to the audit of the financial statements are reported in the 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. None of the significant deficiencies were considered material weaknesses.
3. There were no instances of non-compliance material to the financial statements disclosed during the audit of the Department.
4. Seven significant deficiencies were disclosed during the audit of the major federal award programs as reported in the Report on Compliance with the 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. None of the significant deficiencies were considered material weaknesses.
5. There were seven audit findings that the auditor is required to report under 510(a) of Circular A-133.
6. The auditors' report on compliance for the major federal award programs for the Department expresses an unqualified opinion.
7. The programs tested as the major programs included:

17.245	Trade Adjustment Assistance Workers
17.225	U.S. Department of Labor - UI Administration
17.207	Employment Services
17.801	Disabled Veterans' Outreach Program
17.804	Local Veterans' Employment Representative
WIA Cluster:	
17.258	WIA Adult
17.259	WIA Youth
17.260	WIA Dislocated
8. The threshold for distinguishing Types A and B programs was \$3,000,000.
9. The Department was determined not to be a low-risk auditee.

## NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS

### Schedule of Findings and Questioned Costs - continued

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#### B. FINDINGS - FINANCIAL STATEMENT AUDIT

##### CURRENT YEAR FINDINGS

##### 10-01 UNEMPLOYMENT CLAIMS OVERPAYMENT

**Condition:** In January of 2010, due to the failure of the Unemployment Insurance process system and the subsequent rerun of the batch, the Department processed and paid a part of the unemployment claims twice. The overpayment amounted to approximately \$10,000,000, of which about 50% was paid for by the Unemployment Insurance grant. The Department set up an overpayment to the beneficiaries of the full amount and recovered approximately \$9,100,000 of the overpayment amount. The portion of the outstanding unrecovered overpayment that was charged to the Federal grant (CFDA 17.225) is \$453,709.

**Criteria:** Per OMB-Circular A-87, the overpayment cost does not meet a definition of a reasonable cost, as the overpayment was not a necessary cost for the performance of the Federal award, and therefore disallowed.

**Cause:** The Department does not have procedures in place that would enable the staff in charge of the batch processing to take appropriate actions in the system failure situation.

**Effect:** The Department processed the claims twice and charged approximately 50% of the unnecessary costs to the Federal grant. The Department is not in compliance with the OMB-Circular A-87 requirements.

**Recommendation:** We recommend the Department implement a file review policy that would compare the claims batch to the system issuance file to the financial records.

**Management Response:** The Department **did** realize that the file had been submitted twice with enough time to reverse the posting of all of the debit cards. The direct deposits, however, were posted and, in many cases, drawn by the claimants. The Department continues to collect the payments and to upgrade features in the claims system to ensure that, in the case of system failure, notification may be sent to the bank prior to any posting. This issue has now been corrected by the Department's Deputy Secretary.

## NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS

### Schedule of Findings and Questioned Costs - continued

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#### B. FINDINGS - FINANCIAL STATEMENT AUDIT - continued

##### PRIOR YEARS' FINDINGS

##### 00-13 EMPLOYER'S QUARTERLY EXCESS WAGES

**Condition:** The Tax Unit is not consistently identifying inaccurate excess wages reported on the employer's quarterly wage and contribution reports (ES-903).

**Criteria:** Per Section 6-5-2, NMSA 1978, the Department should ensure that the amounts of excess wages reported by employers on the ES-903 forms are accurate.

**Cause:** Lack of an automated system to help identify inaccurate excess wages, and lack of effective manual controls and/or procedures in lieu of an automated system to identify excess wages.

**Effect:** The Department will collect an incorrect amount of unemployment taxes if the excess wages on the EX-903 reports are not accurate.

**Recommendation:** We recommend that the Department continues its efforts to develop and implement an automated system that will identify inaccurate excess wages. Additionally, we recommend that the Department develops and implements effective manual procedures to identify inaccurate excess wages until the automated system has been successfully implemented.

**Management's Response:** The Department is in the process of implementing a new tax system. The project has a phase I start date of February 2011, with full implementation expected by December 2011. Among other applications, the system will have the capability of verifying the wage data for all tax reporting submissions. The CFO will be responsible to oversee the system's verification capabilities.

##### 05-04 DELINQUENT EMPLOYER CONTRIBUTION REPORT

**Condition:** Data in the Tax Application Cooperative System (TACS) is updated on a real-time basis and constantly fluctuates due to the continuous processing of transactions. Consequently, reports generated by TACS for the same time period, including but not limited to the delinquent employer contributions and the related P&I receivables, but run at different times provide dissimilar results. These reports are generated by TACS and, due to the inconsistency of the information provided, cannot be utilized to support receivable balances in the general ledger to create a reliable rollforward or aging report, or to use for management's valuation of estimates. In addition, previously generated reports cannot be retained in the system for future references and are not saved in a format facilitating subsequent analysis.

## NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS

### Schedule of Findings and Questioned Costs - continued

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#### B. FINDINGS - FINANCIAL STATEMENT AUDIT - continued

##### 05-04 DELINQUENT EMPLOYER CONTRIBUTION REPORT - continued

**Criteria:** Per 42 USC 503(a)(1), a system output that can provide accurate charge and collection data should be in place to ensure that receivable balances are accurately reflected in the general ledger.

**Cause:** Lack of effective procedures to ensure the proper cut-off of data at the end of periods and to retain the generated reports in a format that facilitates subsequent analysis.

**Effect:** For several years, the Department has fully reserved the delinquent employer contribution and P&I receivables. However, this valuation cannot be supported due to the lack of accurate data related to charges, collections and aging, etc.

**Recommendation:** Until a new successive TACS with the capability to perform the above-mentioned tasks can be implemented, we recommend the Department create and adapt procedures to ensure the proper cut-off date and time for the receivables data at the end of a period (month/quarter/fiscal year) and retain the generated reports in a format (e.g. MS Excel, MS Access, Text, etc.) that facilitates subsequent analysis and the creation of accurate aging reports.

**Management's Response:** Currently, the Department assesses subsequent payment and past trends to identify the receivable balance and uncollectible amounts. A new tax system implementation scheduled for February 2011, however, is in process and will provide accurate charge and collection data in an "aged" format. This data will enable the Department to more appropriately reserve, identify and account for delinquent balances. The CFO will oversee the reporting function.

##### 07-01 RELIABILITY OF FINANCIAL RECORDING, ACCOUNTING AND REPORTING

**Condition:** The Department has experienced issues associated with the recording, accounting and reporting of financial transactions. The following items are a combination of procedures and areas the Department did not timely prepare and perform:

- Approval and review of journal entries.
- Accounts receivable reconciliations, including federal and employer receivables, were not prepared.
- Cash reconciliations were not prepared on a monthly basis for all cash accounts.

Timely and accurate financial reporting is critical to the management of the Department.

NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS

Schedule of Findings and Questioned Costs - continued

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**B. FINDINGS - FINANCIAL STATEMENT AUDIT - continued**

**07-01 RELIABILITY OF FINANCIAL RECORDING, ACCOUNTING AND REPORTING  
- continued**

**Criteria:** As a state agency, the Department must follow the existing Manual of Model Accounting Practices' (MAPs) procedures for the items above. MAPs (FIN 2.1) states that state agencies shall log all monies receiving, specifying the amount, date and source of the revenue. Additionally, journal entries must be authorized by either the Accounting Section or by DFA, as described in MAPs (FIN 3.7-3.11). Finally, MAPs (Vol. 1, Chapter 8, Section 3.2) requires monthly reconciliations of all accounts. Individual accounts should be reconciled on a monthly basis and any discrepancies or inconsistencies should be investigated as soon as they are discovered.

**Cause:** Lack of effective procedures and understanding of MAPs, as well as the volume of manual journal entries recorded by the Department resulted in a backlog of reconciliation activity from which the Department continues to recover.

**Effect:** The information produced by the system cannot be relied on for the purpose of making financial decisions. Constant problems in receiving and reporting timely and current financial information throughout the year can significantly impact management's ability to effectively guide the Department and the divisions within the Department. The Department must know its cash balance and its future cash balance in the form of accounts receivable in order to prepare reliable external reports, such as required federal reports.

**Recommendation:** We recommend the Department follow MAPs internal control procedures to ensure policies and procedures as described by the New Mexico Department of Financial Administration are being followed.

**Management's Response:** The Department continues to improve its business processes:

Procedures have been implemented which require CFO approval of all Journal Entries. Efforts to reduce the number of journal entries posted and to apply appropriate use of the SHARE system will also help to ensure that transactions are initially recorded properly, through the correct module.

The Department is currently leading state implementation of the grants module of the Oracle/SHARE system.

Reconciliations of all balance sheet accounts are being prepared and reviewed, timely.

The corrective actions have been implemented and monitored by the CFO.

## NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS

### Schedule of Findings and Questioned Costs - continued

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#### B. FINDINGS - FINANCIAL STATEMENT AUDIT - continued

##### 07-07 DISPOSITION OF PROPERTY

###### Condition:

- The Department did not record capital asset transfers and disposals at the time they occurred, but at the time physical inventory was performed. Additionally, the Department considered items that could be not located at the end of year capital asset inventory as disposed.
- A written notice regarding the disposition of property that was sent to the State Auditor did not clearly identify the fixed assets that were being deleted from the Department's assets listing.

###### Criteria:

- In accordance with the Manual of Model Accounting Practices (MAPs) FIN 6, an agency shall record in the accounting records the transfer, sale, disposition or write-off of capital assets when they occur. Additionally, FIN 6 states that, rather than considering missing items at year-end as disposed, when any capital asset is found to be missing and cannot be accounted for, the state agency shall determine the cause(s) and augment internal controls, as necessary, to minimize any future occurrences.
- State Auditor Rule 2.2.2.10, Subsection V states that at least 30 days prior to any disposition of property on the agency inventory list described in Subsection Y of 2.2.2.10 NMAC, written notification of the official finding and proposed disposition duly sworn and subscribed under oath by each member of the authority approving the action must be sent to the State Auditor. This notification shall include a detailed list of the property to be disposed of and the method by which the Department intends to dispose of the property.

**Cause:** Lack of effective internal controls and understanding of the State's requirements associated with record keeping and safeguarding of capital assets.

**Effect:** Possible misappropriation of assets and misstatement of capital asset balances due to the untimely transaction recording.

**Recommendation:** We recommend that internal controls associated with the proper recordkeeping of the fixed assets be established and followed.

**Management's Response:** The Department has established a Property Control Policy and Procedures and the most recently created internal process has been implemented to ensure that going forward the Department will follow the Department's Property Control Policy and Procedures and the State Auditor's rule to manage and document computer hardware related inventory disposal.

To ensure that the transfer of property follows the new policy, as revised to address the issue, training was conducted by the General Services Bureau (GSB) during the Veteran's Conference on March 1,

## NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS

### Schedule of Findings and Questioned Costs - continued

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#### B. FINDINGS - FINANCIAL STATEMENT AUDIT - continued

##### 07-07 DISPOSITION OF PROPERTY - continued

**Management's Response - continued:** 2010 in Albuquerque, NM. All field management personnel that are responsible for submitting transfer forms were in attendance and were given a copy of the Property Control Policy and Procedures and were reminded that the transfer/change forms must be submitted to GSB during the year as changes occur versus submitting all documents at the end of the year. The CFO will oversee the disposition of assets, recordkeeping and reporting.

##### 07-09 REVERSIONS TO THE STATE GENERAL FUND

**Condition:** The Department's fiscal year 2010 reversions due to the State General Fund amount to \$489,600, which was properly reverted prior to September 30, 2010. The total amount due to the State General Fund in non-paid reversions accumulated for the past fiscal years is \$1,555,189.

**Criteria:** Per State Auditor Rule 2.2.2.12, Section 6-5-10(A) NMSA 1978 requires "all unreserved, undesignated fund balances in reverting funds and accounts as reflected in the central accounting system as of June 30 shall revert by September 30 to the general fund. The division may adjust the reversion within forty five days of release of the audit report for that fiscal year." Failure to transfer reverting funds timely in compliance with the statute requires an audit.

**Cause:** The Department does not have effective procedures in place to ensure timely reversion of these funds to the State General Fund.

**Effect:** The Department is not in compliance with 6-5-10, NMSA.

**Recommendation:** We recommend that the Department establish and implement controls necessary to ensure that all required reversions are reverted in a timely manner, but no later than September 30 following the fiscal year.

**Management's Response:** Management has implemented written procedures for compiling and computing reversions in conformance with the Department of Finance and Administration (DFA) reporting and payment requirements and due dates. The Department is now current with its reversions to the State General Fund. The CFO will oversee reversion calculation and timely transfer of reversions, if any.

##### 07-10 RECONCILIATION OF AGENCY FUND

**Condition:** The Department is not reconciling the Labor and Industrial Wage Claim Fund. The fund has approximately \$117,856 of amounts held for claimants; however, the Department is uncertain of the claimants for whom the funds are being held.



## NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS

### Schedule of Findings and Questioned Costs - continued

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#### B. FINDINGS - FINANCIAL STATEMENT AUDIT - continued

##### 07-10 RECONCILIATION OF AGENCY FUND - continued

**Criteria:** As a State Agency, the Department must follow the existing Model of Manual Accounting Practices (MAPs) procedures for monthly reconciliations between internal documentation and SHARE (general ledger), as described in MAPs (FIN 11.1-11.9), authorized by Section 6-5-2, NMSA 1978.

**Cause:** No formal policies or procedures are in place that will walk the accountants through the reconciliation process. The Department has not incorporated MAPs into its policies and procedures.

**Effect:** The Department is unable to identify the claimants for whom the funds are held.

**Recommendation:** We recommend the Department create, implement, and monitor a reconciliation process of the Agency Fund.

**Management's Response:** The Accounts Payable, Accounts Receivable and Labor & Industrial (L&I) Bureau have collectively created the Wage Claim Reconciliation Procedures. The quarterly wage claim reconciliation procedures reflect the quarterly reconciliation of wage claim activities within the Department based on the L&I Bureau's initiated wage claim amounts received from claimant employers and subsequent disbursements to the claimant and/or claimant's employer. Prior to 2004, however there was no documentation maintained to identify activity. Currently, no records exist to identify the claimants for whom these funds were held. The CFO will look into methods to identify those claimants. The process is ongoing.

##### 08-06 LACK OF FORMAL DISASTER RECOVERY PLAN

**Condition:** During our assessment of the information technology control environment, it was determined that the Department does not have a finalized Disaster Recovery Plan.

**Criteria:** The Department should have a finalized Disaster Recovery Plan that has been and can continue to be tested.

**Cause:** Lack of effective controls concerning the development and testing of the Department's existing Disaster Recovery Plan.

**Effect:** Possible loss of financial information, as well as fiduciary break and risk of corruption and/or loss of confidential claimant data.

**Recommendation:** We recommend that management place high priority in completing and formalizing the current Disaster Recovery Plan. This includes off-site storage of the Disaster Recovery Plan and testing the Plan to ensure its completeness and reliability.

## NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS

### Schedule of Findings and Questioned Costs - continued

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#### B. FINDINGS - FINANCIAL STATEMENT AUDIT - continued

##### 08-06 LACK OF FORMAL DISASTER RECOVERY PLAN - continued

**Management's Response:** The Department has contracted with a vendor to prepare a disaster recovery plan. It will be completed during fiscal year 2011. The IT Department is responsible for overseeing the implementation and reports to the Deputy Secretary.

##### 08-07 SYSTEM ACCESS FOR TERMINATED EMPLOYEES

**Condition:** During our assessment of the information technology control environment, it was determined that user IDs to access information systems, including SHARE, were not disabled or deleted when an employee was terminated.

**Criteria:** A user ID should be deactivated and deleted when an employee is terminated from the Department.

**Cause:** Lack of effective controls associated with information systems, including no formal procedures in place to deactivate and remove terminated user IDs.

**Effect:** Invalid transactions could be recorded, resulting in misstatement of financial data. Additionally, confidential information on the Department's information systems could be lost or corrupted.

**Recommendation:** We recommend that management establish and implement formal procedures to ensure that all user IDs are deactivated immediately upon termination of employees. Additionally, the IT Department should work with managers and supervisors to establish a periodic review of all user IDs to identify employees whose job responsibilities have changed or have been terminated. Once these employees are identified, appropriate changes to user IDs should be made to ensure that necessary accessibility and privileges remain.

**Management's Response:** Policy 6-01, Use of Public Access Computer Networks; PC Hardware and Software, is used by the agency for managing termination or changes for access of employment as identified in Section D, Termination or Change of Access, 1. Termination of Access. This section clearly defines the process to be used by the immediate supervisor, Human Resources and the Workforce Technology Division. The published policy is available to all employees and is provided to all new hires and will be on the DWS Intranet under the HR Policy section.

The Workforce Technology Division (WTD) and the Human Resources Bureau (HRB) are working together to ensure that all terminated employees have been and are identified and deleted from the system, as appropriate. The correction has been implemented by the Department. The IT Department is responsible for this correction and reports to the Deputy Secretary.

NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS

Schedule of Findings and Questioned Costs - continued

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**B. FINDINGS - FINANCIAL STATEMENT AUDIT - continued**

**09-02 CASH RECEIPTS NOT RECORDED OR DEPOSITED IN A TIMELY MANNER**

**Condition:** During an inspection of the cash deposit safes on site, 5 checks received 4 days prior to the inspection were discovered. The total amount of cash not deposited timely was \$800.

**Criteria:** According to the Manual of Model Accounting Practices (MAPs), section FIN 2.3 states that all state agencies shall deposit cash within 24 hours of receipt.

**Cause:** Lack of effective controls surrounding the cash receipts process, management oversight.

**Effect:** Misstatement of financial information, potential misappropriation of assets.

**Recommendation:** We recommend that management establish controls necessary to ensure that all cash received is deposited by the end of the next business day. If errors are noted in the cash received, controls should also exist to correct the errors to ensure that cash is not held for a period longer than 24 hours. If errors cannot be corrected within 24 hours, the Department should return the cash until the errors can be corrected or any problems are resolved.

**Management's Response:** Procedures have been initiated to ensure that checks with processing issues are processed by close of business the day following receipt. The checks will either be processed into the system or returned to the employer within that time frame. These procedures will be overseen by the CFO.

NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS

Schedule of Findings and Questioned Costs - continued

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS  
AUDIT

The following findings related to **all Federal Award programs** and are described in detail in Section B of the Schedule of Findings and Questioned Costs.

07-01 Reliability of Financial Recording, Accounting and Reporting

The following findings related to the Unemployment Insurance Administration Program (UI) (CFDA No. 17.225) and are described in detail in Section B of the Schedule of Findings and Questioned Costs.

00-13 Employer's Quarterly Excess Wages – Questioned Costs - none

05-04 Delinquent Employer Contribution Report – Questioned Costs – none

10-01 Unemployment Claim Overpayment – Questioned Costs - \$453,709

The following findings are reported under 501(a) of Circular A-133:

10-02 INADEQUATELY REVIEWED REPORTS

**Condition:** Certain financial status reports were not reviewed before being submitted to the awarding agency. The reports that lacked management review prior to submission were as follows:

CFDA 17.207 – WIA Cluster:

- ETA-425 for the third quarter of FY 2010

CFDA 17.225 – Unemployment Insurance:

- ETA 191 for two of the four quarters of FY 2010
- ETA 227 for one of the four quarters of FY 2010
- ETA 2208A for two of the four quarters of FY 2010
- ETA 2112 for eight of the twelve months of FY 2010

WIA Cluster:

- ETA 9130 for the third quarter of FY 2010
- ETA 9149 for the third and fourth quarters of FY 2010

**Criteria:** Per OMB Circular A-133, *Compliance Requirement Reporting – Financial Reporting*, the Department is required to maintain reports for State agencies receiving Federal funds.

**Cause:** Lack of procedures in place that would ensure that all required reports get reviewed by management before they are presented to the awarding agency.

NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS

Schedule of Findings and Questioned Costs - continued

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C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS  
AUDIT - continued

10-02 INADEQUATELY REVIEWED REPORTS - continued

**Effect:** The financial data in the reports may contain errors or be inaccurate altogether, therefore preventing the awarding agency from making informed decisions regarding the program's performance.

**Recommendation:** We recommend that management reviews all financial reports prior to submission to the awarding agency.

**Management Response:** Beginning fiscal year 2011, the report system access needed to enter the data into the reporting system and the access required for submitting the report will be segregated by user password. This will ensure that all reports are reviewed and approved before final submission to the awarding agency. The CFO will oversee this corrective action.

08-03 LATE FINANCIAL STATUS REPORTS

**Condition:** During A-133 single audit testwork, we noted the following reports that were filed late:

- ETA 581 for all four quarters of the fiscal year 2010,
- ETA 227 for one of the four quarters of the fiscal year 2010,
- ETA 2208A for one of the four quarters of the fiscal year 2010,
- ETA 563 for three of the four quarters of the fiscal year 2010,
- ETA 2112 for five of the twelve months of the fiscal year 2010.

**Criteria:** CFDA 17.225 require all specified program reports to be filed in a timely manner after the end of the reporting period, by a specified due date.

**Cause:** Failure or lack of internal controls over reporting requirements established by the federal government for state agencies receiving federal funds.

**Effect:** The Department is in violation of OMB A-133 federal requirements.

**Recommendation:** We recommend that management establish effective controls necessary to ensure the maintenance of reports mandated by the federal government for state agencies receiving federal funds. Additionally, we recommend that the Department designate an individual to be responsible for meeting these requirements.

## NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS

### Schedule of Findings and Questioned Costs - continued

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#### C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT - continued

##### 08-03 LATE FINANCIAL STATUS REPORTS - continued

**Management's Response:** A Federal Grant Reporting and Closeouts policy and procedures have been developed. The scope of these procedures is to define the requirements for reporting, certifying and closing out grant awards from the U.S. Department of Labor. The procedures have been implemented and will be managed and administered by the financial management units responsible for federal grants reporting. Policies and procedures will be developed by appropriate Financial Management staff for other required federal reports (i.e., 581, 191, 2112, 8401, 8405, 8413 and 8414).

##### 09-03 INCOMPLETE PER DIEM MEAL RECEIPTS

**Condition:** During our single audit testwork, we noted an expense reimbursement for actual meals that contained incomplete receipts. Additionally, one receipt contained information that had been manually altered.

**Criteria:** OMB Circular A-133 states that adequate control activities should be in place to provide supporting documentation that can be compared to a list of allowable and unallowable expenditures.

**Cause:** Lack of effective controls surrounding the per diem reimbursement process.

**Effect:** The Department's reimbursements could be made for items that include disallowable costs that would cause the Department to be in violation of OMB-87.

**Recommendation:** We recommend that management establish controls and procedures that require actual, complete and unaltered receipts for meals that are submitted for expense reimbursement prior to reimbursing employees. Receipts should contain sufficient detail so that management can properly determine that no disallowable items are being submitted for reimbursement.

**Management's Response:** The Accounts Payable Unit has established controls and procedures that require all travel advance submissions should have actual receipts that show proof of actual expense for meals, and any altered receipts will be unacceptable for expense reimbursement submission. If a credit card receipt is submitted, the Accounts Payable Unit will require an itemized receipt or an affidavit of lost receipts. Additionally, if a receipt is altered, it will be unacceptable for submission for reimbursement. The accounts payable unit will report to the CFO.

## NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS

### Summary Schedule of Prior Year Audit Findings

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- 00-13 Employer's Quarterly Excess Wages – Repeated
- 02-02 Unemployment Insurance Reconciliations – Resolved
- 05-04 Delinquent Employer Contribution Report – Repeated
- 06-01 Financial Statement Reporting Packet Submission to the Federal Clearinghouse – Resolved
- 07-01 Reliability of Financial Recording, Accounting and Reporting – Repeated and Updated
- 07-07 Disposition of Property – Repeated and Updated (with 08-05)
- 07-09 Reversions to the State General Fund – Repeated and Updated
- 07-10 Reconciliation of Agency Fund – Repeated and Updated
- 07-11 Late Filing of Audit Report – Resolved
- 08-01 Financial Statement Preparation (SAS-112) (Material Weakness) – Resolved
- 08-02 Quarterly Financial Status Reports – Resolved
- 08-03 Late Quarterly Financial Status Reports – Repeated and Updated
- 08-05 Capital Asset Transfers/Disposals Recorded at Time of Physical Inventory – Updated (with 07-07)
- 08-06 Lack of Formal Disaster Recovery Plan – Repeated
- 08-07 System Access for Terminated Employees – Repeated and Updated
- 09-01 Budget Overages – Resolved
- 09-02 Cash Receipts Not Recorded or Deposited in a Timely Manner – Repeated and Updated
- 09-03 Incomplete Per Diem Meal Receipts – Repeated
- 09-04 Draw Down Procedures (Material Weakness) – Resolved

## NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS

### Exit Conference

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An exit conference was held with the Department on December 3, 2010. The conference was held at the Department's offices in Albuquerque, New Mexico. In attendance were:

#### NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS

Ken Ortiz, Cabinet Secretary  
Neil Meoni, Deputy Secretary  
Donna Trujillo, Chief Financial Officer  
Susan Aragon, Grants Unit Manager

#### MEYNNERS + COMPANY, LLC

Georgie Ortiz, CPA, CGFM, Assurance Principal  
Javier Machuca, CPA, CGFM, Assurance Senior Manager  
Tasha Bochkova, CPA, Assurance Staff  
Cammie Archuleta, Assurance Staff

#### PREPARATION OF FINANCIAL STATEMENTS

The financial statements presented in this report have been prepared by the Department and are the responsibility of management, as addressed in the Independent Auditors' Report.