

**NEW MEXICO DEPARTMENT OF  
WORKFORCE SOLUTIONS**

**FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2015**

**NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS  
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**NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS  
OFFICIAL ROSTER  
JUNE 30, 2015**

Celina Bussey, Cabinet Secretary

Joy Forehand, Deputy Cabinet Secretary

Marshall Ray, Deputy Cabinet Secretary

David Robbins, Administrative Services Director  
Chief Financial Officer

Sue Anne Athens, Chief Information Officer

Jason Dean, Director of Unemployment Insurance

Marcos Martinez, Director of Business Services

Dolores Haley, State Administrative Entity



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## INDEPENDENT AUDITORS' REPORT

Celina Bussey, Cabinet Secretary  
New Mexico Department of Workforce Solutions and  
Mr. Timothy Keller  
New Mexico State Auditor

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information and the budgetary comparisons for the general fund and each major special revenue fund of the New Mexico Department of Workforce Solutions (the Department), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the entity's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

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

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

Celina Bussey, Cabinet Secretary  
New Mexico Department of Workforce Solutions and  
Mr. Timothy Keller  
New Mexico State Auditor

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Department as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the general fund and each major special revenue fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As discussed in Note 1, the financial statements of the Department are intended to present the financial position and changes in financial position of only that portion of the governmental activities, business-type activities, each major fund, the aggregate remaining fund information and all of the respective budgetary comparisons of the State of New Mexico that is attributable to the transactions of the Department. They do not purport to, and do not present fairly the financial position of the entire State of New Mexico as of June 30, 2015, and the changes in the financial position for the year then ended, inconformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 11 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the Department's financial statements and the budgetary comparisons. The Schedule of Expenditures of Federal Awards as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the other schedules required by 2.2.2 NMAC as listed in the table of contents as Schedule of Individual Deposit Accounts (Schedule 1), Schedule of Pledged Collateral (Schedule 2), Schedule of Memoranda of Understanding (Schedule 3), Schedule of Changes in Assets and Liabilities – Agency Fund (Schedule 4), and Schedule of Vendor Information for Purchases Exceeding \$60,000 (Schedule 5) are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Celina Bussey, Cabinet Secretary  
New Mexico Department of Workforce Solutions and  
Mr. Timothy Keller  
New Mexico State Auditor

The Schedule of Expenditures of Federal Awards and other schedules required by 2.2.2 NMAC as listed in the table of contents as Schedule of Individual Deposit Accounts (Schedule 1), Schedule of Pledged Collateral (Schedule 2), Schedule of Memoranda of Understanding (Schedule 3), and Schedule of Changes in Assets and Liabilities – Agency Fund (Schedule 4) are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of federal awards and other schedules required by 2.2.2 NMAC as listed in the table of contents as Schedule of Individual Deposit Accounts (Schedule 1), Schedule of Pledged Collateral (Schedule 2), Schedule of Memoranda of Understanding (Schedule 3), and Schedule of Changes in Assets and Liabilities – Agency Fund (Schedule 4) are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Schedule of Vendor Information for Purchases Exceeding \$60,000 (Schedule 5) required by 2.2.2 NMAC has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly we do not express an opinion or provide an assurance on it.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 25, 2015 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, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Department's internal control over financial reporting and compliance.



**CliftonLarsonAllen LLP**

Albuquerque, New Mexico  
November 25, 2015

**NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2015**

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 Position and the Statement of Activities 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 Position

	FY 2015	FY 2014	\$ Change	% Change
<b>Assets:</b>				
Current and Other Assets	\$ 251,720,960	\$ 159,386,904	\$ 92,334,056	57.9%
Capital and Non-Current Assets	30,580,073	37,614,279	(7,034,206)	-18.7%
Total Assets	<u>\$ 282,301,033</u>	<u>\$ 197,001,183</u>	<u>\$ 85,299,850</u>	43.3%
<b>Liabilities:</b>				
Current Liabilities	\$ 20,346,408	\$ 21,342,065	\$ (995,657)	-4.7%
Long-Term Obligations	-	-	-	0.0%
Total Liabilities	20,346,408	21,342,065	(995,657)	-4.7%
<b>Net Assets:</b>				
Net Investment in				
Capital Assets	30,580,073	37,614,279	(7,034,206)	-18.7%
Restricted	231,695,711	138,343,625	93,352,086	67.5%
Unrestricted	(321,159)	(298,786)	(22,373)	7.5%
Total Net Position	<u>261,954,625</u>	<u>175,659,118</u>	<u>86,295,507</u>	49.1%
Total Liabilities and Net Position	<u>\$ 282,301,033</u>	<u>\$ 197,001,183</u>	<u>\$ 85,299,850</u>	43.3%



**NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2015**

**Financial Highlights (Continued)**

Table A-2  
Comparative Statement of Activities

	FY 2015	FY 2014	\$ Change	% Change
<b>REVENUE:</b>				
<u>Program Revenues by Major Sources</u>				
Governmental Activities:				
Employment Services:				
Charges for Services	\$ 3,050,678	\$ 3,481,715	\$ (431,037)	-12.4%
Operating Grants	48,011,238	49,430,232	(1,418,994)	35.0%
Total Governmental Activities Revenue	<u>51,061,916</u>	<u>52,911,947</u>	<u>(1,850,031)</u>	-3.5%
Business-Type Activities:				
Unemployment Activities:				
Charges for Services	274,697,708	220,176,308	54,521,400	24.8%
Operating Grants	7,229,822	47,056,016	(39,826,194)	-84.6%
Total Business-type Activities Revenue	<u>281,927,530</u>	<u>267,232,324</u>	<u>14,695,206</u>	5.5%
Total Program Revenues by Major Sources	332,989,446	320,144,271	12,845,175	4.0%
<u>General Revenues by Major Source</u>				
Governmental Activities				
State Appropriations	11,389,000	3,728,400	7,660,600	205.5%
Investment Earnings /Miscellaneous	2,132	289,595	(287,463)	100.0%
Other-Transfers in	900,000	900,000	-	0.0%
Total Governmental Activities Revenue	<u>12,291,132</u>	<u>4,917,995</u>	<u>7,373,137</u>	149.9%
Business-type Activities:				
Other Revenue				
Investment Earnings	2,338,400	1,566,007	772,393	49.3%
Total Business-type Activities Revenues	<u>2,338,400</u>	<u>1,566,007</u>	<u>772,393</u>	49.3%
Total General Revenues by Major Sources	<u>14,629,532</u>	<u>6,484,002</u>	<u>8,145,530</u>	125.6%
Total Revenues by Major Sources	<u>\$ 347,618,978</u>	<u>\$ 326,628,273</u>	<u>\$ 20,990,705</u>	6.4%

**Revenue**

- The Unemployment Trust Fund experienced an increase in revenue which coincides with a change in the methodology in how rates are calculated. Unemployment claims are presently at approximately 13,160 weekly claims, down from a year ago of approximately 15,826 weekly claims. Federal funds for administering Unemployment Activities declined from \$15,888,402 in FFY14 to \$13,337,056 in FFY15.
- Appropriations from the State General Fund increased from \$3,728,400 to \$11,389,000, primarily to cover ongoing operating and licensing costs associated with the IT system replacement that was completed in January 2013.

**NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2015**

**Financial Highlights (Continued)**

- Other revenue sources remained fairly constant, although the Department continues to experience an overall decline in many federal grants.

Table A-2b  
Comparative Statement of Activities

	FY 2015	FY 2014	\$ Change	% Change
<b>EXPENSES:</b>				
<u>Program Expenses by Major Sources</u>				
Governmental Activities:				
Governmental	\$ 67,844,883	\$ 61,307,991	\$ 6,536,892	10.7%
Total Governmental Activities Expenses	67,844,883	61,307,991	6,536,892	10.7%
Business-type Activities:				
Unemployment Services	193,478,588	261,762,921	(68,284,333)	-26.1%
Total Business-type Activities Expenses	193,478,588	261,762,921	(68,284,333)	-26.1%
Total Program Expenses by Major Sources	<u>\$ 261,323,471</u>	<u>\$ 323,070,912</u>	<u>\$ (61,747,441)</u>	-19.1%

**Expenses**

The cost of business-type activities related to unemployment services actually decreased in fiscal year 2015. The Department paid out about 26.1% less unemployment benefits in fiscal year 2015 than in 2014. The total costs for operations increased overall from \$61,307,991 to \$67,844,883, or about 10.7%. This small increase was aided by the availability of Unemployment Insurance Automation, Supplemental Budget Request and AmeriCorps federal funding in 2015.

Table A-2c  
Comparative Statement of Activities

	FY 2015	FY 2014	\$ Change	% Change
<u>Change in Net Position</u>				
Governmental Activities:				
Beginning Net Position	\$ 50,465,453	\$ 53,943,502	\$ (3,478,049)	-6.4%
Change in Net Position	(4,491,835)	(3,478,049)	(1,013,786)	29.1%
Ending Net Position	45,973,618	50,465,453	(4,491,835)	-8.9%
Business-type Activities:				
Beginning Net Position	125,193,665	118,158,255	7,035,410	6.0%
Change in Net Position	90,787,342	7,035,410	83,751,932	1190.4%
Ending Net Position	215,981,007	125,193,665	90,787,342	72.5%
Ending Net Position	<u>\$ 261,954,625</u>	<u>\$ 175,659,118</u>	<u>\$ 86,295,507</u>	49.1%

**NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2015**

**Financial Highlights (Continued)**

**Total Net Position**

The Department's total ending net position increased by \$86,295,507, a 49.1% increase over fiscal year 2014. Net position attributable to government activities decreased by \$4,491,835, or an 8.9% decrease over the prior fiscal year. Net position attributable to business-type activities increased by \$90,787,342, or a 72.5% increase over the prior fiscal year.

The increase in net assets is due to:

- An increase in employer taxes and; in addition to
- A decrease in unemployment claim activity.

**Financial Analysis at the Fund Level**

**Governmental Funds**

*General Fund* – Overall revenues and expenditures remained relatively consistent with prior year with a slight decline in federal funding. There was no change in fund balance from prior year.

*Penalty and Interest Fund* – The revenues increased by approximately \$61,000 in the current year compared to prior year.

*Public Works Apprenticeship Training* – Program overall revenues increased by approximately \$358,000 compared with prior year.

*Labor Enforcement Fund* – Program had an increase in revenue of approximately \$160,000 compared to prior year revenue.

**NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2015**

**Financial Highlights (Continued)**

**Capital Assets**

Table A-3  
Capital Assets

	June 30, 2014	FY15 Additions	FY15 Disposals/ Transfers	June 30, 2015
<b>Assets:</b>				
Office Improvements	\$ 3,074,542	\$ 11,416	\$ -	\$ 3,085,958
Vehicles	302,074	-	-	302,074
Office Equipment	2,081,301	-	(57,113)	2,024,188
Furniture and Fixtures	862,683	-	-	862,683
Computer Equipment	47,340,131	1,258,374	-	48,598,505
WIP	-	-	-	-
Total Acquired Value	<u>53,660,731</u>	<u>1,269,790</u>	<u>(57,113)</u>	<u>54,873,408</u>
<b>Accumulated depreciation:</b>				
Office Improvements	(1,165,202)	(233,088)	-	(1,398,290)
Vehicles	(105,725)	(30,207)	-	(135,932)
Office Equipment	(1,986,260)	(5,841)	57,113	(1,934,988)
Furniture and Fixtures	(466,889)	(59,031)	-	(525,920)
Computer Equipment	(12,322,376)	(7,975,829)	-	(20,298,205)
Total Accumulated Depreciation	<u>(16,046,452)</u>	<u>(8,303,996)</u>	<u>57,113</u>	<u>(24,293,335)</u>
Net Total	<u>\$ 37,614,279</u>	<u>\$ (7,034,206)</u>	<u>\$ -</u>	<u>\$ 30,580,073</u>

The Department of Workforce Solutions officially launched the new, fully-integrated Unemployment Insurance system on January 6, 2013, called u-FACTS. The system provides improved integrity, reporting capabilities and maintenance. In FY15, increases occurred in Computer Equipment due to the cost associated with the additional enhancements and cost of sustaining the system.

**Debt**

The Department has no long-term debt.

**General Fund Budgetary Highlights**

The Department's overall General Fund Appropriations increased by \$7,660,600 in FY 2015 from FY 2014.

In FY 2015, the Department received a transfer in the amount of \$900,000 from the Workers Compensation Administration Department for the Labor Relations Division. The total original operating budget for the Department was \$92,360,000.

**NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2015**

**Financial Highlights (Continued)**

**Changes in Federal Funding**

The Department's 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, and Unemployment Insurance Administration Base from the United States Department of Labor, as well as most other grantors. The Workforce Investment Act funds realized a decrease in the amount of funding available as well as in the amount that is allowed to be used by the Department to administer the program.

**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 who may have lost jobs to layoffs and plant closings to find training in new fields that are 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.

**Other Operating Highlights**

**Unemployment Insurance Compensation Fund**

According to the Department's current projections, the Unemployment Trust Fund, held with the U.S. Treasury, is projected to be solvent through 2015. 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 Unemployment Compensation Law. States levy their own payroll taxes on employers to fund regular UC benefits from the Unemployment Trust Fund and, if applicable, the states' share of the Extended Benefit (EB) program.

**Economic Outlook**

New Mexico's seasonally adjusted unemployment rate was 6.8 percent in October 2015, unchanged from September and up from 6.2 percent a year ago. Total nonfarm payroll employment grew by 2,800 jobs, or 0.3 percent, between October 2015 and October 2014, representing the thirty-eighth consecutive month of over-the-year growth. The private sector added 3,100 jobs, an increase of 0.5 percent. The goods-producing industries were down 3,100 jobs, or 3.1 percent, and the service-providing industries (including government) were up 5,900 jobs, or 0.8 percent. In October, five industries added jobs and eight posted losses.

**NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2015**

**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:

David L. Robbins, Chief Financial Officer and  
Administrative Services Division Director  
New Mexico Department of Workforce Solutions  
Administrative Services Division  
P.O. Box 1928  
Albuquerque, New Mexico 87103

**NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS  
STATEMENT OF NET POSITION  
JUNE 30, 2015**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ -	\$ 190,741	\$ 190,741
Cash Held with U.S. Treasury	-	166,734,866	166,734,866
Investment in State General Fund Investment Pool	15,827,893	-	15,827,893
Due from Other State Agencies	190	-	190
Due from Federal Government	3,859,642	193,928	4,053,570
Internal Balances	272,479	(272,479)	-
Accounts Receivable, Net of Allowance for Uncollectibles	45,815	64,867,885	64,913,700
Capital Assets, Net	30,580,073	-	30,580,073
<b>Total Assets</b>	<b><u>\$ 50,586,092</u></b>	<b><u>\$ 231,714,941</u></b>	<b><u>\$ 282,301,033</u></b>
<b>LIABILITIES AND NET POSITION</b>			
<b>LIABILITIES</b>			
Accounts Payable	\$ 2,828,864	\$ -	\$ 2,828,864
Accrued Payroll and Benefits	744,420	-	744,420
Benefits Payable	-	4,756,446	4,756,446
Due to Other State Agencies	43	39,375	39,418
Other Accrued Liabilities	48,745	-	48,745
Unearned Revenue	-	10,938,113	10,938,113
Compensated Absences, Due Within One Year	990,402	-	990,402
<b>Total Liabilities</b>	<b><u>4,612,474</u></b>	<b><u>15,733,934</u></b>	<b><u>20,346,408</u></b>
<b>NET POSITION</b>			
Net Investment in Capital Assets	30,580,073	-	30,580,073
Restricted for:			
Unemployment Insurance Trust	-	215,981,007	215,981,007
Special Revenue Funds	15,714,704	-	15,714,704
Unrestricted	(321,159)	-	(321,159)
<b>Total Net Position</b>	<b><u>45,973,618</u></b>	<b><u>215,981,007</u></b>	<b><u>261,954,625</u></b>
<b>Total Liabilities and Net Position</b>	<b><u>\$ 50,586,092</u></b>	<b><u>\$ 231,714,941</u></b>	<b><u>\$ 282,301,033</u></b>

See accompanying Notes to Financial Statements.

**NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2015**

	<u>Expenses</u>	<u>Program Revenues</u>	
		<u>Charges for Services</u>	<u>Operating Grants</u>
<b>PRIMARY GOVERNMENT</b>			
<b>GOVERNMENTAL ACTIVITIES</b>			
Workforce Transition Services	\$ 17,240,045	\$ -	\$ 13,286,396
Labor Relations	3,419,567	504,253	3,630,819
Workforce Technology	22,225,315	-	12,021,328
Business Services	6,840,870	-	5,248,029
Program Support	<u>18,119,086</u>	<u>2,546,425</u>	<u>13,824,666</u>
Total Governmental Activities	67,844,883	3,050,678	48,011,238
<b>BUSINESS-TYPE ACTIVITIES</b>			
Unemployment Services	<u>193,478,588</u>	<u>274,697,708</u>	<u>7,229,822</u>
Total Business-Type Activities	<u>193,478,588</u>	<u>274,697,708</u>	<u>7,229,822</u>
 Total Primary Government	 <u>\$ 261,323,471</u>	 <u>\$ 277,748,386</u>	 <u>\$ 55,241,060</u>

See accompanying Notes to Financial Statements.



	Net (Expenses) Revenue and Changes in Net Position		
	Governmental Activities	Business-type Activities	Total
	\$ (3,953,649)	\$ -	\$ (3,953,649)
	715,505	-	715,505
	(10,203,987)	-	(10,203,987)
	(1,592,841)	-	(1,592,841)
	<u>(1,747,995)</u>	-	<u>(1,747,995)</u>
	(16,782,967)	-	(16,782,967)
	-	<u>88,448,942</u>	<u>88,448,942</u>
	-	<u>88,448,942</u>	<u>88,448,942</u>
	(16,782,967)	88,448,942	71,665,975
General Revenues:			
Investment Earnings	2,132	2,338,400	2,340,532
Transfers in - State General Fund Appropriations	11,389,000	-	11,389,000
Transfers in - Other	<u>900,000</u>	-	<u>900,000</u>
Total General Revenues and Transfers	<u>12,291,132</u>	<u>2,338,400</u>	<u>14,629,532</u>
<b>CHANGE IN NET POSITION</b>	(4,491,835)	90,787,342	86,295,507
Net Position - Beginning of Year	<u>50,465,453</u>	<u>125,193,665</u>	<u>175,659,118</u>
<b>NET POSITION - END OF YEAR</b>	<u>\$ 45,973,618</u>	<u>\$ 215,981,007</u>	<u>\$ 261,954,625</u>

**NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS  
BALANCE SHEET – GOVERNMENTAL FUNDS  
JUNE 30, 2015**

	Major Funds				Total Governmental Funds
	32900 <u>General Fund</u>	61300 <u>Penalty and Interest</u>	61400 <u>Public Works Apprenticeship and Training</u>	71100 <u>Labor Enforcement Fund</u>	
<b>ASSETS</b>					
Investment in State General Fund Investment Pool	\$ 1,117,972	\$ 10,874,033	\$ 1,219,389	\$ 2,616,499	\$ 15,827,893
Due from Other Funds		317,457	414,657	-	732,114
Due from Enterprise Funds	-	272,479	-	-	272,479
Due from Other State Agencies	-	-	-	190	190
Due from Federal Government	3,859,642	-	-	-	3,859,642
Other Receivables	45,815	-	-	-	45,815
<b>Total Assets</b>	<b><u>\$ 5,023,429</u></b>	<b><u>\$ 11,463,969</u></b>	<b><u>\$ 1,634,046</u></b>	<b><u>\$ 2,616,689</u></b>	<b><u>\$ 20,738,133</u></b>
<b>LIABILITIES</b>					
Accounts Payable	\$ 2,828,864	\$ -	\$ -	\$ -	\$ 2,828,864
Accrued Payroll and Benefits	744,420	-	-	-	744,420
Due to Other Funds	732,114	-	-	-	732,114
Other Accrued Liabilities	48,745	-	-	-	48,745
Due to Other State Agencies	43	-	-	-	43
<b>Total Liabilities</b>	<b><u>4,354,186</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>4,354,186</u></b>
<b>FUND BALANCES</b>					
Restricted (see Note 20)	-	11,463,969	1,634,046	2,616,689	15,714,704
Assigned	669,243	-	-	-	669,243
<b>Total Fund Balances</b>	<b><u>669,243</u></b>	<b><u>11,463,969</u></b>	<b><u>1,634,046</u></b>	<b><u>2,616,689</u></b>	<b><u>16,383,947</u></b>
<b>Total Liabilities and Fund Balance</b>	<b><u>\$ 5,023,429</u></b>	<b><u>\$ 11,463,969</u></b>	<b><u>\$ 1,634,046</u></b>	<b><u>\$ 2,616,689</u></b>	<b><u>\$ 20,738,133</u></b>

See accompanying Notes to Financial Statements.

**NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS  
RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2015**

<b>Total Fund Balance - Governmental Funds (Governmental Fund Balance Sheet)</b>	\$	16,383,947
 Amounts reported for governmental activities in the Statement of Net Position are different because:		
 Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
The Cost of Capital Assets is:		54,873,408
Accumulated Depreciation is:		<u>(24,293,335)</u>
Total Capital Assets, Net		30,580,073
 Long-term and other liabilities at year end consist of:		
Compensated Absences Payable		<u>(990,402)</u>
 <b>Net Position of Governmental Activities (Statement of Net Position)</b>	 \$	 <u><u>45,973,618</u></u>

See accompanying Notes to Financial Statements.

**NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2015**

	Major Funds				Total Governmental Funds
	32900 General Fund	61300 Penalty and Interest	61400 Public Works Apprenticeship and Training	71100 Labor Enforcement Fund	
<b>REVENUES</b>					
Interest on Deposit/Investments	\$ -	\$ -	\$ -	\$ 2,132	\$ 2,132
Licenses and Permits	-	-	-	504,253	504,253
Federal Grant Revenue	46,665,040	-	-	-	46,665,040
Penalties and Interest	-	2,546,425	-	-	2,546,425
Public Works Apprenticeship and Training	-	-	1,009,910	-	1,009,910
Other Revenue	336,288	-	-	-	336,288
Total Revenues	<u>47,001,328</u>	<u>2,546,425</u>	<u>1,009,910</u>	<u>506,385</u>	<u>51,064,048</u>
<b>EXPENDITURES</b>					
Current:					
Workforce Transition Services	17,183,716	-	-	-	17,183,716
Labor Relations	3,389,704	-	-	-	3,389,704
Workforce Technology	14,277,774	-	-	-	14,277,774
Business Services	6,787,442	-	-	-	6,787,442
Program Support	17,879,878	-	-	-	17,879,878
Capital Outlay	1,269,790	-	-	-	1,269,790
Total Expenditures	<u>60,788,304</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>60,788,304</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(13,786,976)	2,546,425	1,009,910	506,385	(9,724,256)
<b>OTHER FINANCING SOURCES (USES)</b>					
State General Fund Appropriation	11,389,000	-	-	-	11,389,000
Transfers In:					
Interfund	1,497,976	-	-	-	1,497,976
Other	900,000	-	-	-	900,000
Transfers Out:					
Interfund	-	(658,040)	(708,540)	(131,396)	(1,497,976)
Other	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>13,786,976</u>	<u>(658,040)</u>	<u>(708,540)</u>	<u>(131,396)</u>	<u>12,289,000</u>
<b>NET CHANGES IN FUND BALANCES</b>	-	1,888,385	301,370	374,989	2,564,744
Fund Balances - Beginning of Year	<u>669,243</u>	<u>9,575,584</u>	<u>1,332,676</u>	<u>2,241,700</u>	<u>13,819,203</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 669,243</u>	<u>\$ 11,463,969</u>	<u>\$ 1,634,046</u>	<u>\$ 2,616,689</u>	<u>\$ 16,383,947</u>

See accompanying Notes to Financial Statements.

**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  
YEAR ENDED JUNE 30, 2015**

<b>Net Changes in Fund Balances - Total Governmental Funds</b>		
<b>(Statement of Revenues, Expenditures, and Changes in Fund Balances)</b>	\$	2,564,744
 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.		
Capital Outlay		1,269,790
Depreciation Expense		<u>(8,303,996)</u>
Excess of Capital Outlay Over Depreciation Expense		(7,034,206)
Change in Compensated Absence Balance Not Recorded in the Governmental Funds		<u>(22,373)</u>
<b>Change in Net Position of Governmental Activities (Statement of Activities)</b>	<b>\$</b>	<b><u>(4,491,835)</u></b>

See accompanying Notes to Financial Statements.

**NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS  
STATEMENT OF REVENUES AND EXPENDITURES –  
MAJOR GOVERNMENTAL FUNDS –  
BUDGET AND ACTUAL (BUDGETARY BASIS)  
YEAR ENDED JUNE 30, 2015**

	General Fund - Total			
	Budgeted Amounts		Actual	Variance From
	Original	Final	Amounts (Budgetary Basis)	Final Budget Positive (Negative)
<b>REVENUES</b>				
Federal Funds	\$ 58,729,800	\$ 58,729,800	\$ 46,665,040	\$ (12,064,760)
General Funds	11,327,200	11,327,200	11,389,000	61,800
Other State Funds	-	-	336,288	336,288
Inter-Agency Transfers	11,632,400	11,632,400	2,397,976	(9,234,424)
Total Revenues	81,689,400	81,689,400	60,788,304	(20,901,096)
<b>P-775 WORKFORCE TRANSITION SERVICES EXPENDITURES</b>				
Personal Services and Benefits	18,179,900	18,179,900	14,180,365	3,999,535
Contractual Services	1,313,400	1,313,400	1,233,453	79,947
Other Costs	3,628,900	3,628,900	1,769,898	1,859,002
Other Financing Uses	-	-	-	-
Total P-775 Expenditures	23,122,200	23,122,200	17,183,716	5,938,484
<b>P-776 LABOR RELATIONS EXPENDITURES</b>				
Personal Services and Benefits	2,013,000	2,138,000	1,979,848	158,152
Contractual Services	64,900	264,900	238,701	26,199
Other Costs	1,833,400	1,508,400	1,171,155	337,245
Other Financing Uses	-	-	-	-
Total P-776 Expenditures	3,911,300	3,911,300	3,389,704	521,596
<b>P-777 WORKFORCE TECHNOLOGY EXPENDITURES</b>				
Personal Services and Benefits	3,483,200	3,483,200	3,039,962	443,238
Contractual Services	9,451,400	9,451,400	9,213,059	238,341
Other Costs	4,612,900	4,612,900	3,294,543	1,318,357
Other Financing Uses	-	-	-	-
Total P-777 Expenditures	17,547,500	17,547,500	15,547,564	1,999,936
<b>P-778 BUSINESS SERVICES EXPENDITURES</b>				
Personal Services and Benefits	1,988,400	1,988,400	1,676,249	312,151
Contractual Services	3,302,800	3,302,800	2,272,015	1,030,785
Other Costs	5,153,000	5,153,000	2,839,178	2,313,822
Other Financing Uses	-	-	-	-
Total P-778 Expenditures	10,444,200	10,444,200	6,787,442	3,656,758
<b>P-779 PROGRAM SUPPORT EXPENDITURES</b>				
Personal Services and Benefits	7,821,600	7,946,600	5,336,635	2,609,965
Contractual Services	988,500	1,188,500	653,293	535,207
Other Costs	17,854,100	17,529,100	11,889,950	5,639,150
Other Financing Uses	-	-	-	-
Total P-779 Expenditures	26,664,200	26,664,200	17,879,878	8,784,322

See accompanying Notes to Financial Statements.

**NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS  
STATEMENT OF REVENUES AND EXPENDITURES –  
MAJOR GOVERNMENTAL FUNDS –  
BUDGET AND ACTUAL (BUDGETARY BASIS) (CONTINUED)  
YEAR ENDED JUNE 30, 2015**

	General Fund - Total (Continued)			
	Budgeted Amounts		Actual	Variance From
	Original	Final	Amounts (Budgetary Basis)	Final Budget Positive (Negative)
<b>ALL EXPENDITURES</b>				
Personal Services and Benefits	\$ 33,486,100	\$ 33,736,100	\$ 26,213,059	\$ 7,523,041
Contractual Services	15,121,000	15,521,000	13,610,521	1,910,479
Other Costs	33,082,300	32,432,300	20,964,724	11,467,576
Other Financing Uses	-	-	-	-
Total All Expenditures	<u>\$ 81,689,400</u>	<u>\$ 81,689,400</u>	<u>60,788,304</u>	<u>\$ 20,901,096</u>
<b>NET CHANGE IN FUND BALANCE</b>			<u>\$ -</u>	

See accompanying Notes to Financial Statements.

**NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS  
STATEMENT OF REVENUES AND EXPENDITURES –  
MAJOR GOVERNMENTAL FUNDS –  
BUDGET AND ACTUAL (BUDGETARY BASIS) (CONTINUED)  
YEAR ENDED JUNE 30, 2015**

	Penalty and Interest (61300)			
	Budgeted Amounts		Actual	Variance From
	Original	Final	Amounts (Budgetary Basis)	Final Budget Positive (Negative)
<b>REVENUES</b>				
Federal Funds	\$ -	\$ -	\$ -	\$ -
General Funds	-	-	-	-
Other State Funds	-	-	2,546,425	2,546,425
Inter-Agency Transfers	-	-	-	-
Total Revenues	-	-	2,546,425	2,546,425
 Budgeted Fund Balance	 9,405,100	 9,405,100	 -	 (9,405,100)
Total Revenues and Budgeted Fund Balance	<u>\$ 9,405,100</u>	<u>\$ 9,405,100</u>	2,546,425	<u>\$ (6,858,675)</u>
<b>EXPENDITURES</b>				
Personal Services and Employee Benefits	\$ -	\$ -	-	\$ -
Contractual Services	-	-	-	-
Other Costs	-	-	-	-
Other Financing Uses	9,405,100	9,405,100	658,040	8,747,060
Total Expenditures	<u>\$ 9,405,100</u>	<u>\$ 9,405,100</u>	658,040	<u>\$ 8,747,060</u>
 <b>NET CHANGE IN FUND BALANCE</b>			 <u>\$ 1,888,385</u>	

See accompanying Notes to Financial Statements.



**NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS  
STATEMENT OF REVENUES AND EXPENDITURES –  
MAJOR GOVERNMENTAL FUNDS –  
BUDGET AND ACTUAL (BUDGETARY BASIS) (CONTINUED)  
YEAR ENDED JUNE 30, 2015**

Public Works Apprenticeship and Training (61400)				
	Budgeted Amounts		Actual	Variance From
	Original	Final	Amounts (Budgetary Basis)	Final Budget Positive (Negative)
<b>REVENUES</b>				
Federal Funds	\$ -	\$ -	\$ -	\$ -
General Funds	-	-	-	-
Other State Funds	-	-	1,009,910	1,009,910
Inter-Agency Transfers	-	-	-	-
Total Revenues	-	-	1,009,910	1,009,910
Budgeted Fund Balance	961,500	961,500	-	(961,500)
Total Revenues and Budgeted Fund Balance	<u>\$ 961,500</u>	<u>\$ 961,500</u>	1,009,910	<u>\$ 48,410</u>
<b>EXPENDITURES</b>				
Personal Services and Employee Benefits	\$ -	\$ -	-	\$ -
Contractual Services	-	-	-	-
Other Costs	-	-	-	-
Other Financing Uses	961,500	961,500	708,540	252,960
Total Expenditures	<u>\$ 961,500</u>	<u>\$ 961,500</u>	708,540	<u>\$ 252,960</u>
<b>NET CHANGE IN FUND BALANCE</b>			<u>\$ 301,370</u>	

See accompanying Notes to Financial Statements.

**NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS  
STATEMENT OF REVENUES AND EXPENDITURES –  
MAJOR GOVERNMENTAL FUNDS –  
BUDGET AND ACTUAL (BUDGETARY BASIS) (CONTINUED)  
YEAR ENDED JUNE 30, 2015**

	Labor Enforcement Fund (71100)			
	Budgeted Amounts		Actual	Variance From
	Original	Final	Amounts (Budgetary Basis)	Final Budget Positive (Negative)
<b>REVENUES</b>				
Federal Funds	\$ -	\$ -	\$ -	\$ -
General Funds	-	-	-	-
Other State Funds	-	-	506,385	506,385
Inter-Agency Transfers	-	-	-	-
Total Revenues	-	-	506,385	506,385
Budgeted Fund Balance	304,000	304,000	-	(304,000)
Total Revenues and Budgeted Fund Balance	<u>\$ 304,000</u>	<u>\$ 304,000</u>	506,385	<u>\$ 202,385</u>
 <b>EXPENDITURES</b>				
Personal Services and				
Employee Benefits	\$ -	\$ -	-	\$ -
Contractual Services	-	-	-	-
Other Costs	-	-	-	-
Other Financing Uses	304,000	304,000	131,396	172,604
Total Expenditures	<u>\$ 304,000</u>	<u>\$ 304,000</u>	131,396	<u>\$ 172,604</u>
 <b>NET CHANGE IN FUND BALANCE</b>			 <u>\$ 374,989</u>	

See accompanying Notes to Financial Statements.

**NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS  
STATEMENT OF NET POSITION – PROPRIETARY FUND  
JUNE 30, 2015**

	20020 Unemployment Insurance Trust Enterprise Fund
<b>ASSETS</b>	
<b>CURRENT ASSETS</b>	
Cash and Cash Equivalents	\$ 190,741
Cash Held with U.S. Treasury	166,734,866
Due from Federal Government	193,928
Accounts Receivable, Net of Allowance for Uncollectibles	<u>64,867,885</u>
Total Assets	<u><u>\$ 231,987,420</u></u>
<b>LIABILITIES AND NET POSITION</b>	
<b>CURRENT LIABILITIES</b>	
Benefits Payable	\$ 4,756,446
Due to Governmental Funds	272,479
Due to Other State Agencies	39,375
Unearned Revenue	<u>10,938,113</u>
Total Current Liabilities	16,006,413
<b>NET POSITION</b>	
Restricted for:	
Unemployment Insurance Trust	<u>215,981,007</u>
Total Net Position	<u><u>215,981,007</u></u>
Total Liabilities and Net Position	<u><u>\$ 231,987,420</u></u>

See accompanying Notes to Financial Statements.

**NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS  
STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET POSITION – PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2015**

	20020 Unemployment Insurance Trust Enterprise Fund
<b>OPERATING REVENUES</b>	
Interest on Investments	\$ 2,338,400
Employers Taxes and Reimbursements	269,592,920
CWC Reimbursements	5,104,788
Total Operating Revenues	277,036,108
<b>OPERATING EXPENSES</b>	
Unemployment Benefits Distributed to Beneficiaries	193,478,588
Total Operating Expenses	193,478,588
<b>OPERATING INCOME</b>	83,557,520
<b>NON-OPERATING REVENUES</b>	
Grants, Contracts and Federal Reimbursements	7,229,822
Total Non-Operating Revenues	7,229,822
<b>CHANGE IN NET POSITION</b>	90,787,342
Total Net Position - Beginning of Year	125,193,665
<b>TOTAL NET POSITION - END OF YEAR</b>	\$ 215,981,007

See accompanying Notes to Financial Statements.

**NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS  
STATEMENT OF CASH FLOWS – PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2015**

	20020 Unemployment Insurance Trust Enterprise Fund
<b>CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES</b>	
Cash Received from Employers and CWC Reimbursements	\$ 275,208,425
Cash Received from Interest and Principal in Investments (Trust Fund Earnings)	2,338,400
Cash Paid for Unemployment Benefits	(194,618,002)
Cash Provided (Used) by Operating Activities	82,928,823
<b>CASH FLOWS PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES</b>	
Cash Received from Federal Government	12,196,989
Cash Provided (Used) by Non-Capital Financing Activities	12,196,989
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	95,125,812
Cash and Cash Equivalents - Beginning of Year	71,799,795
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 166,925,607
<b>RECONCILIATION OF NET OPERATING INCOME (LOSS) TO CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Operating Income (Loss)	\$ 83,557,520
Change in Receivables	(5,436,977)
Change in Payables/Unearned Revenue	4,808,280
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	\$ 82,928,823

See accompanying Notes to Financial Statements.

**NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS  
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES - AGENCY FUND  
JUNE 30, 2015**

	17800 Agency Fund
<b>ASSETS</b>	
Investment in State General Fund Investment Pool	\$ 18,284
Total Assets	<u>\$ 18,284</u>
<b>LIABILITIES</b>	
Amounts Held for Others	\$ 13,758
Accounts Payable	<u>4,526</u>
Total Liabilities	<u>\$ 18,284</u>

See accompanying Notes to Financial Statements.

**NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 1 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 tracking system for recording and reporting financial activity associated with the administration of the WIA program.

**NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 1 NATURE OF ORGANIZATION (CONTINUED)**

**Organization (Continued)**

During the 47th Legislative Session, House Bill 1280 was passed and 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 2015, 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:

- 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



**NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 1 NATURE OF ORGANIZATION (CONTINUED)**

**Organization (Continued)**

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. The Department's financial statements contain no component units.

**NOTE 2 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.

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.

**Financial Reporting Entity**

The basic financial statements include both government-wide (based on the Department as a whole) and fund financial statements. The reporting model's focus is on either the Department as a whole or major individual fund (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 Position, 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.

**NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Financial Reporting Entity (Continued)**

The government-wide Statement of Activities reflects both the gross and net cost per functional category, which is 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 net cost (by function) is normally covered by general revenues (intergovernmental revenues, interest income, etc.). The Department employs a cost allocation system based upon total payroll.

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.

The Department has a revenue spending policy that provides guidance for programs with multiple revenue sources. For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in order by committed fund balance, assigned fund balance and lastly unassigned fund balance which must be appropriated by the legislature.

**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:

**NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Basis of Presentation - Fund Accounting (Continued)**

**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 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.

For FY 2015, the General Fund (SHARE Fund 32900) is the only required major fund; however, the Department has elected to present all governmental funds as major funds. The major governmental funds of the Department are as follows:

**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.

**Special Revenue Funds** – Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specific purposes other than debt service or capital projects. Restricted or committed revenue sources are expected to continue to represent a substantial portion of the inflows reported in these 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.

**NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Basis of Presentation - Fund Accounting (Continued)**

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.

**Proprietary Fund** – The proprietary fund is used to account for the transactions of the unemployment insurance fund. This fund is 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 classified as an enterprise fund. This is a non-reverting fund.

**Fiduciary Fund (SHARE Fund 17800)** – The fiduciary fund is 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 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.

**NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Basis of Accounting (Continued)**

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, 2015.

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. 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.

**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

**NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Budgets and Budgetary Accounting (Continued)**

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. For the fiscal year ended June 30, 2015, the Department did not have any encumbrances presented in the financial statements.

**Net Position/Fund Balance**

Net position in the government-wide and proprietary fund financial statements are classified as net investment in capital assets; restricted; and unrestricted. The restricted net position represents constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through state statute. The entire restricted net position balance reported on the statement of net position is restricted by enabling legislation.

In the governmental fund financial statements, fund balance is composed of five classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent:

**Nonspendable** is amounts that cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

**Restricted** represents those portions of fund balance where constraints placed on the resources are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

**Committed** is that portion of fund balance that has been approved by the highest level of formal action of the Legislature and does not lapse at year-end. The Department does not have any committed fund balance this fiscal year.

**Assigned** fund balance has a use constraint imposed unilaterally by government separate from legislation creating the revenue source. This classification indicates the intent to use resources for a specific purpose, but is neither restricted nor committed.

**Unassigned** fund balance is the residual amount after all classifications have been considered. A positive unassigned fund balance will be reported in the General Fund only.

**NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Net Position/Fund Balance (Continued)**

The Department of Workforce Solutions has a revenue spending policy that provides guidance for programs with multiple revenue sources. For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in order by committed fund balance, assigned fund balance and lastly unassigned fund balance which must be appropriated by the legislature.

**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). The Department does not have an investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

For the purpose of the proprietary fund statement of cash flows, cash equivalents are defined as investments with the U.S. Treasury Pool and cash on deposit with banks or the State Treasurer.

**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:

Computer Equipment/Software	3-10 years
Office Equipment	5 years
Furniture and Fixtures	10 years
Vehicles	10 years
Office Improvements	20 years

**NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Pensions**

In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27*. This Statement improves accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards governing accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

In January 2013, GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, an amendment of GASB Statement No. 68. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

Compliant with the requirements of Government Accounting Standards Board Statement No.68 and No.71, the State of New Mexico has implemented the standards for the fiscal year ending June 30, 2015.

The Department, as part of the primary government of the State of New Mexico, is a contributing employer to a cost-sharing multiple employer defined benefit pension plan administered by the Public Employees Retirement Association (PERA). Overall, the total pension liability exceeds Plan net position resulting in a Net pension liability. The State has determined the State's share of the net pension liability to be a liability of the State as a whole, rather than any agency or department of the State and will not be reported in the department or agency level financial statements of the State. All required disclosures will be presented in the Comprehensive Annual Financial Report (CAFR) of the State of New Mexico.

Information concerning the net pension liability, pension expense, and pension-related deferred inflows and outflows of resources of the primary government will be contained in the General Fund and the CAFR and will be available, when issued, from the Office of State Controller, Room 166, Bataan Memorial Building, 407 Galisteo Street, Santa Fe, New Mexico, 87501.

**Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Department did not have any items that qualified for reporting in this category as of June 30, 2015.



**NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Deferred Outflows/Inflows of Resources (Continued)**

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The Department did not have any items that were required to be reported in this category as of June 30, 2015.

**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.

**NOTE 3 STATE GENERAL FUND INVESTMENT POOL**

Compliant with statute 6-10-3 (NMSA 1978), and to optimize state cash management and investment practices, funds of various state agencies are deposited in the State General Fund Investment Pool (SGFIP). This pool is managed by the New Mexico State Treasurer's Office (STO). Claims on the SGFIP are reported as financial assets by the various agencies investing in the SGFIP.

Agency claims against the SGFIP and fiduciary resources held at STO to fulfill those claims were not reconciled from the inception of SHARE (the State's centralized accounting system), in July 2006 through January 2013, which caused uncertainty as to the validity of the claims and the ability of fiduciary resources to fulfill those claims. As a result of business process and systems configuration changes made during the Cash Management Remediation Project Phase I, the Department of Finance and Administration's Financial Control division began reconciling transactional activity reported by the State's fiscal agent bank to the SHARE general ledger on a point-forward basis beginning February 1, 2013. In March 2015, the Financial Control Division implemented a reconciliation process that compares statewide agency claims against the resources held in the SGFIP at STO. This process is known as the claims to resources reconciliation. The claims to resources reconciliation process has been applied to fiscal year-end 2014 and the months from January 2015 through June 2015.

Agency claims on the SGFIP will be honored in their entirety. Any adjustment necessary to the claims balance will be applied against the General Operating Reserve. No portion of the adjustment shall be allocated to any specific agency that participates in the SGFIP.

**NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 3 STATE GENERAL FUND INVESTMENT POOL (CONTINUED)**

The Department has established daily and monthly procedures that mitigate the risk of misstatement of the Department's balances within the Pool. In addition, as required by Section 6-5-2.1 (J) NMSA 1978, DFA/FCD is to complete, on a monthly basis, reconciliation with the balances and accounts kept by the state treasurer and adopt and promulgate rules regarding reconciliation for state agencies.

**NOTE 4 INVESTMENT IN THE STATE GENERAL FUND INVESTMENT POOL**

State law (Section 8-6-3 NMSA 1978) requires the Department's cash be managed by the New Mexico State Treasurer's Office. Accordingly, the investments of the Department consist of an interest in the State General Fund Investment Pool managed by the New Mexico State Treasurer's Office.

At June 30, 2015, the Department had the following invested in the State General Fund Investment Pool:

State General Fund Investment Pool	<u>\$ 15,846,177</u>
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Interest Rate Risk – The New Mexico State Treasurer's Office has an investment policy that limits investment maturities to five years or less on allowable investments. This policy is a means of managing exposure to fair value losses arising from increasing interest rates. This policy is reviewed and approved annually by the New Mexico State Board of Finance.

Credit Risk – The New Mexico State Treasurer pools are not rated.

For additional GASB 40 disclosure information regarding cash held by the New Mexico State Treasurer, the reader should see the separate audit report for the New Mexico State Treasurer's Office for the fiscal year ended June 30, 2015.

**NOTE 5 CASH DEPOSIT ACCOUNTS AND INVESTMENTS**

The Department has deposits, as defined in the Schedule of Individual Deposit Accounts on page 53, in Wells Fargo Bank (WF) of \$361,762. These deposits represent cash balances associated with agency vouchering activities. FDIC coverage of \$250,000 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 Department also has deposits, as defined in the Schedule of Individual Deposit Accounts, of \$15,846,177 with the State Treasurer in the State General Fund Investment Pool. In addition, the Department has deposits held within the U.S. Treasury pool in the amount of \$166,734,866.

**NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 5 CASH DEPOSIT ACCOUNTS AND INVESTMENTS (CONTINUED)**

Custodial credit risk is the risk that, in the event of a bank failure, the government's deposits may not be returned to it. In accordance with Section 6-10-7 NMSA 1978, deposits of public monies are to be collateralized in an aggregate equal to 50% of deposits in excess of Federal Deposit Insurance Corporation (FDIC) insurance coverage. Deposits are exposed to custodial risks if they are not covered by depository insurance.

Detail of pledged collateral specific to this agency is unavailable because the bank maintains pledged collateral for the state as a whole. However, the State Treasurer's Office collateral bureau monitors pledged collateral for all state funds held by state agencies in such "authorized" bank accounts (Schedule 2).

The New Mexico State Treasurer's Office is responsible to ensure that all accounts are collateralized at the required level for amounts in excess of FDIC coverage. The New Mexico State Treasurer issues separate financial statements, which disclose the collateral pledged to secure these deposits, the categories of risk involved and the market value of purchased investments, which may differ from the cash deposited by the Department. Additional disclosures are the types of deposits and investments authorized by the New Mexico Constitution.

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.

**NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 6 CAPITAL ASSETS**

A summary of changes in capital assets follows:

	June 30, 2014	FY15 Additions	FY15 Disposals	June 30, 2015
<b>Assets:</b>				
Office Improvements	\$ 3,074,542	\$ 11,416	\$ -	\$ 3,085,958
Vehicles	302,074	-	-	302,074
Office Equipment	2,081,301	-	(57,113)	2,024,188
Furniture and Fixtures	862,683	-	-	862,683
Computer Equipment	47,340,131	1,258,374	-	48,598,505
Total Cost of Capital Assets	53,660,731	1,269,790	(57,113)	54,873,408
<b>Accumulated Depreciation:</b>				
Office Improvements	(1,165,202)	(233,088)	-	(1,398,290)
Vehicles	(105,725)	(30,207)	-	(135,932)
Office Equipment	(1,986,260)	(5,841)	57,113	(1,934,988)
Furniture and Fixtures	(466,889)	(59,031)	-	(525,920)
Computer Equipment	(12,322,376)	(7,975,829)	-	(20,298,205)
Total Accumulated Depreciation	(16,046,452)	(8,303,996)	57,113	(24,293,335)
Net Total	<u>\$ 37,614,279</u>	<u>\$ (7,034,206)</u>	<u>\$ -</u>	<u>\$ 30,580,073</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.

Depreciation expense was charged to functions as follows:

Workforce Transition Services	\$ 56,329
Workforce Technology	7,947,541
Business Services	53,428
Program Support	216,835
Labor Relations	29,863
Total	<u>\$ 8,303,996</u>

**NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 7 UNEMPLOYMENT INSURANCE FUND – DUE TO OTHER STATE AGENCIES**

A liability has been recorded for benefits claimed prior to but paid subsequent to June 30, 2015, consisting of the following:

Unemployment Benefits:	
Withholding Benefits (Due to Human Services Dept.)	\$ 39,375
Total	<u>\$ 39,375</u>

**NOTE 8 UNEMPLOYMENT INSURANCE FUND – RECEIVABLES**

Receivable:	
Current UI Taxes	\$ 63,481,108
Benefit Overpayments	63,568,546
Combined Wage Claimants (CWC)	<u>1,386,777</u>
Gross Receivables	128,436,431
Less: Allowance for Uncollectibles:	
Benefit Overpayments	<u>(63,568,546)</u>
Net Total Receivables - Fund 20020 - UI	<u>\$ 64,867,885</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, 2015, 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.

**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.

**NOTE 9 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, 2015 were \$407,298. Rental expenditures for equipment for the fiscal year ended June 30, 2015 were \$234,481. The future minimum rental commitments as of June 30, 2015 were as follows:

**NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 9 OPERATING LEASES (CONTINUED)**

Year Ending June 30,	Office Space	Equipment	Total
2016	\$ 415,800	\$ 465,588	\$ 881,388
2017	418,440	278,519	696,959
2018	421,468	246,809	668,277
2019	424,586	178,312	602,898
2020	299,919	123,147	423,066
2021 and Thereafter	187,035		187,035
Net Total	<u>\$ 2,167,248</u>	<u>\$ 1,292,375</u>	<u>\$ 3,459,623</u>

**NOTE 10 COMPENSATED ABSENCES**

The changes to compensated absences are as follows:

	Balance, June 30, 2014	Increase	(Decrease)	Balance, June 30, 2015
Sick and Annual Leave	\$ 968,029	\$ 993,169	\$ (970,796)	\$ 990,402
Net Total	<u>\$ 968,029</u>	<u>\$ 993,169</u>	<u>\$ (970,796)</u>	<u>\$ 990,402</u>

\$990,402 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).

**NOTE 11 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, 2015.

		Due to Other Funds					
SHARE Fund Name	SHARE Fund No.	General Fund (32900)	Penalty & Interest (61300)	Public Works Apprenticeship and Training (61400)	Enterprise Fund (20020)	Total	
Enterprise Fund	20020		\$ 272,479	\$ -	\$ -	\$ 272,479	
General Fund	32900	-	317,457	414,657	-	732,114	
Penalty & Interest	61300		-	-		-	
<b>Total</b>		<u>\$ -</u>	<u>\$ 589,936</u>	<u>\$ 414,657</u>	<u>\$ -</u>	<u>\$ 1,004,593</u>	

**NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 12 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, 2015 consist of the following:

Due From Other State Agencies			
DWS Fund No.	Agency	Other Agency's Fund No.	Amount
71100	State Treasurer's Office	74100	\$ 190
	Total		\$ 190
Due To Other State Agencies			
DWS Fund No.	Agency	Other Agency's Fund No.	Amount
20020	New Mexico Human Services Department	05200	\$ 39,375
32900	State General Fund (State dated warrants)	85200	43
	Total		\$ 39,418

**NOTE 13 ACCUMULATED UNUSED/UNPAID ANNUAL AND SICK LEAVE**

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. Employees 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 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.

**NOTE 14 REVERSIONS**

The Department had no reversions for the year ended June 30, 2015.

**NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 15 UNEARNED REVENUE**

The Department's unearned revenue in Fund 20020 as of June 30, 2015 consisted of the following:

Reed Act/UI Mod	\$	4,587,601
Employer Prepayments		6,350,512
Total		\$ 10,938,113

**NOTE 16 TRANSFERS**

Transfers occurring during fiscal year ended June 30, 2015 are as follows:

Inter-fund transfers consist of the following:

Fund	Governmental Funds	Operating Transfers In	Operating Transfers Out
32900	General Fund	\$ 1,497,976	\$ -
61300	Penalty and Interest	-	658,040
61400	Public Work Apprenticeship and Training	-	708,540
71100	Labor Enforcement Fund	-	131,396
Total Inter-Fund Transfers		\$ 1,497,976	\$ 1,497,976

The inter-fund transfers that occurred during fiscal year ended June 30, 2015 represent transfers from Special Revenue Funds for FY15 appropriations.

Inter-agency transfers consist of the following:

Agency	Fund	Governmental Funds	Operating Transfers In	Operating Transfers Out
63200	98200	Worker's Compensation Administration	\$ 900,000	\$ -
Total Inter-Agency Transfers			\$ 900,000	\$ -

The inter-agency transfer from Worker's Compensation Administration is an appropriation.



**NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 17 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).

**Funding Policy**

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 requirements may be amended by acts of the legislature. The Department’s contributions to PERA for the fiscal years ending June 30, 2015, 2014 and 2013 were \$2,959,625, \$2,820,129 and \$2,716,610, respectively, which equal the amount of the required contributions for each fiscal year.

**NOTE 18 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 the event 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.

The RHCA issues a publicly available stand-alone financial report that includes financial statements and required supplementary information for the postemployment 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.

**NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 18 POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN  
(CONTINUED)**

**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 employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the employer and employee contributions can be changed by the New Mexico State Legislature. Employers that choose to become participating employers after January 1, 1998, are required to make contributions to the RHCA fund in the amount determined to be appropriate by the board.

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. For employees that were members of an enhanced retirement plan (state police and adult correctional officer member coverage plan 1; municipal police member coverage plans 3, 4 or 5; municipal fire member coverage plan 3,4 or 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2015, the statute required each participating employer to contribute 2.5% of each participating employee's annual salary; and each participating employee was required to contribute 1.25% of their salary. For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2015, the statute required each participating employer to contribute 2.0% of each participating employee's annual salary; each participating employee was required to contribute 1.0% of their salary. In addition, pursuant to Section 10-7C-15(G) NMSA 1978, at the first session of the Legislature following July 1, 2014, the Legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

The Department's contributions to the RHCA for the years ended June 30, 2015, 2014 and 2013 were \$348,583, \$341,056 and \$360,127, respectively, which equal the required contributions for each year.

**NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 19 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.

**NOTE 20 FUND BALANCE CLASSIFICATIONS**

The Department's fund balances represent: 1) Restricted purposes, which include balances that are legally restricted for specific purposes due to constraints that are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; 2) Committed purposes, which include balances that can only be used for specific purposes pursuant to constraints imposed by formal action of the Legislative and Executive branches; 3) Assigned purposes, which includes balances that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. A summary of the nature and purpose of these reserves by fund type at June 30, 2015 follows:

	Major Fund	Special Revenue Fund	Special Revenue Fund	Special Revenue Fund
	General Fund (32900)	Penalty and Interest (61300)	Public Works Apprenticeship and Training (61400)	Labor Enforcement Fund (71100)
Fund Balances:				
Restricted for:				
Special Revenue Funds,				
per Section 51-1-34 NMSA 1978	\$ -	\$ 11,463,969	\$ -	\$ -
per Section 13-4-14.1 NMSA 1978	-	-	-	2,616,689
Public Works Apprenticeship & Training per Section 13-4D-2	-	-	1,634,046	-
Assigned *	669,243	-	-	-
<b>Total Fund Balances</b>	<b>\$ 669,243</b>	<b>\$ 11,463,969</b>	<b>\$ 1,634,046</b>	<b>\$ 2,616,689</b>

\* The assigned fund balance remaining within the General Fund (32900) relates to residual unexpended fund balance from the special revenue funds to be expended for operations in fiscal year 2016.

**NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 21 SUBSEQUENT ACCOUNTING PRONOUNCEMENTS**

GASB has issued the following statements, which are applicable in future years. At this time, management has not determined the impact, if any on the District.

**Statement No. 72**

***Fair Value Measurement and Application***

Effective Date: The requirements of this Statement are effective for financial statements for reporting periods beginning after June 15, 2015.

This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

**Statement No. 73**

***Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68***

Effective Date: The provisions in Statement 73 are effective for fiscal years beginning after June 15, 2015, except those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68, which are effective for fiscal years beginning after June 15, 2016.

The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency.

This Statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement 68 for pension plans and pensions that are within their respective scopes.

The requirements of this Statement extend the approach to accounting and financial reporting established in Statement 68 to all pensions, with modifications as necessary to reflect that for accounting and financial reporting purposes, any assets accumulated for pensions that are provided through pension plans that are not administered through trusts that meet the criteria specified in Statement 68 should not be considered pension plan

**NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 21 SUBSEQUENT ACCOUNTING PRONOUNCEMENTS (CONTINUED)**

assets. It also requires that information similar to that required by Statement 68 be included in notes to financial statements and required supplementary information by all similarly situated employers and nonemployer contributing entities.

This Statement also clarifies the application of certain provisions of Statements 67 and 68 with regard to the following issues:

1. Information that is required to be presented as notes to the 10-year schedules of required supplementary information about investment-related factors that significantly affect trends in the amounts reported
2. Accounting and financial reporting for separately financed specific liabilities of individual employers and nonemployer contributing entities for defined benefit pensions
3. Timing of employer recognition of revenue for the support of nonemployer contributing entities *not* in a special funding situation.

**Statement No. 74**

***Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans***

Effective Date: The provisions in Statement 74 are effective for fiscal years beginning after June 15, 2016.

The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency.

This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement 43, and Statement No. 50, *Pension Disclosures*.

Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB, as well as for certain nonemployer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities

The scope of this Statement includes OPEB plans—defined benefit and defined contribution—administered through trusts that meet the following criteria:

**NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 21 SUBSEQUENT ACCOUNTING PRONOUNCEMENTS (CONTINUED)**

- Contributions from employers and nonemployer contributing entities to the OPEB plan and earnings on those contributions are irrevocable.
- OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms.
- OPEB plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the OPEB plan administrator. If the plan is a defined benefit OPEB plan, plan assets also are legally protected from creditors of the plan members.
- This Statement also includes requirements to address financial reporting for assets accumulated for purposes of providing defined benefit OPEB through OPEB plans that are *not* administered through trusts that meet the specified criteria.

**GASB Statement No. 76**

***The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments***

Effective Date: The provisions in Statement 76 are effective for reporting periods beginning after June 15, 2015. Earlier application is encouraged.

The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

This Statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015, and should be applied retroactively. Earlier application is permitted.

**NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS  
SCHEDULE 1 – SCHEDULE OF INDIVIDUAL DEPOSIT ACCOUNTS  
JUNE 30, 2015**

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	State Treasurer	\$ 1,117,972	\$ -	\$ 1,117,972
ARRA - 89000	State Treasurer	-	-	-
Penalty and Interest - 61300	State Treasurer	10,874,033	-	10,874,033
PWAT - 61400	State Treasurer	1,219,389	-	1,219,389
Labor Enforcement Fund - 71100	State Treasurer	2,616,499	-	2,616,499
Total Governmental Funds with State Treasurer		15,827,893	-	15,827,893
<b>Proprietary Funds Cash in Banks</b>				
Benefit Account - 20020	Wells Fargo	18,212	-	18,212
V Warrant Account - 20020	Wells Fargo	-	(86,175)	(86,175)
Clearing Account - 20020	Wells Fargo	260,812	-	260,812
H Warrant Account - 20020	Wells Fargo	-	(84,846)	(84,846)
Cash Security Deposit Account - 20020	Wells Fargo	82,738	-	82,738
Total Proprietary Cash in Banks		361,762	(171,021)	190,741
<b>Proprietary Funds Cash - Other</b>				
Unemployment Trust Fund - 20020	U.S. Dept. of Treasury	166,734,866	-	166,734,866
Total Proprietary Funds Cash - Other		166,734,866	-	166,734,866
Total Funds (Excluding Agency Fund)		182,924,521	(171,021)	182,753,500
<b>Trust and Agency Funds with State Treasurer (with SHARE Fund Numbers)</b>				
Wage Claim - 17800	State Treasurer	18,284	-	18,284
Total Trust and Agency Funds with State Treasurer		18,284	-	18,284
Department Total - All Funds		\$ 182,942,805	\$ (171,021)	\$ 182,771,784

**NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS  
SCHEDULE 2 – SCHEDULE OF PLEDGED COLLATERAL  
JUNE 30, 2015**

	Wells Fargo	U.S. Department of the Treasury	Accounts at State Treasurer	Total
Total Amount of Deposit	\$ 361,762	\$ 166,734,866	\$ 15,846,177	\$ 182,942,805
Less FDIC	(250,000)	-	-	(250,000)
Total Uninsured Public Money	111,762	166,734,866	15,846,177	182,692,805
50% Collateral Requirement	55,881	83,367,433	7,923,089	91,346,403
State Agency Collateral Listing	A	B	C	A&B&C
Total Pledged	-	-	-	-
Over (Under) Pledged	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. For additional GASB 40 disclosure information related to the above investment pool, the reader should refer to the separate audit report for the State Treasurer's Office. The New Mexico State Treasurer's Office is not rated.

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 MEMORANDA OF UNDERSTANDING  
JUNE 30, 2015**

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

Entity	Description	Responsible Party	Dates of Agreement		Project Amount	Department Portion	Audit Responsibility	Agency Reporting Revenues/ Expenses
			Beginning	Ending				
NM Higher Education Department	Data Sharing FERPA Agreement	N/A	6/30/2012	9/12/2016	\$ -	\$ -	N/A	N/A
Isleta Business Corporation	Data Sharing User Access Agreement	N/A	6/30/2013	3/25/2016	\$ -	\$ -	N/A	N/A
Human Services Department	Data Sharing User Access Agreement	N/A	10/20/2012	10/20/2015	\$ -	\$ -	N/A	N/A
New Mexico Tax and Revenue Division	Data Sharing User Access Agreement	N/A	2/20/2013	2/19/2016	\$ -	\$ -	N/A	N/A
New Mexico Tax and Revenue Division	Information Exchange	N/A	11/6/2012	11/5/2015	\$ -	\$ -	N/A	N/A
Dept. of Justice - US Attorney	Data Sharing User Access Agreement	N/A	11/27/2012	11/26/2015	\$ -	\$ -	N/A	N/A
Human Services Division	Data Sharing User Access Agreement	N/A	11/27/2012	11/26/2015	\$ -	\$ -	N/A	N/A
Children, Youth and Families Department	Data Sharing User Access Agreement	N/A	12/17/2012	12/16/2015	\$ -	\$ -	N/A	N/A
New Mexico Corrections Department	Data Sharing User Access Agreement	N/A	12/4/2012	12/4/2015	\$ -	\$ -	N/A	N/A

**NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS  
SCHEDULE 3 – SCHEDULE OF MEMORANDA OF UNDERSTANDING (CONTINUED)  
JUNE 30, 2015**

Entity	Description	Responsible Party	Dates of Agreement		Project Amount	Department Portion	Audit Responsibility	Agency Reporting Revenues/ Expenses
			Beginning	Ending				
Florida Department of Economic Opportunity	Data Sharing User Access Agreement	N/A	12/10/2012	12/9/2015	\$ -	\$ -	N/A	N/A
Social Security Administration	Information Exchange	N/A	8/24/2012	8/23/2017	\$ -	\$ -	N/A	N/A
Central New Mexico Community College	Data Sharing User Access Agreement	N/A	9/19/2012	9/18/2015	\$ -	\$ -	N/A	N/A
Social Security Administration	Data Sharing User Access Agreement	N/A	9/27/2012	9/26/2017	\$ -	\$ -	N/A	N/A
New Mexico Division of Vocational Rehabilitation	Data Sharing User Access Agreement	N/A	9/27/2012	9/26/2015	\$ -	\$ -	N/A	N/A
Workers Compensation Administration	Data Sharing User Access Agreement	N/A	9/27/2012	9/26/2015	\$ -	\$ -	N/A	N/A
Railroad Retirement Board	Data Sharing User Access Agreement	N/A	9/28/2012	3/28/2015	\$ -	\$ -	N/A	N/A
Eastern Area Workforce Board	Resource Sharing Agreement	NMDWS	Ongoing		\$ 47,220	\$ 124,178	Both	Both
Northern Area Workforce Board	Resource Sharing Agreement	NMDWS	Ongoing		\$ 57,200	\$ 179,915	Both	Both
Southwest Area Workforce Board	Resource Sharing Agreement	NMDWS	Ongoing		\$ 20,709	\$ 54,610	Both	Both
Workforce Connection of Central New Mexico Board	Resource Sharing Agreement	NMDWS	Ongoing		\$ 168,030	\$ 259,923	Both	Both

**NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS  
SCHEDULE 4 – SCHEDULE OF CHANGES IN ASSETS  
AND LIABILITIES – AGENCY FUND  
YEAR ENDED JUNE 30, 2015**

	<u>Balance, June 30, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance, June 30, 2015</u>
<b>ASSETS</b>				
Investment in State General				
Fund Investment Pool	\$ 280,551	\$ 18,705	\$ (280,972)	\$ 18,284
	<u>280,551</u>	<u>18,705</u>	<u>(280,972)</u>	<u>18,284</u>
Total Assets	<u>\$ 280,551</u>	<u>\$ 18,705</u>	<u>\$ (280,972)</u>	<u>\$ 18,284</u>
<b>LIABILITIES</b>				
Amounts Held for Others	\$ 137,998	\$ 18,705	\$ (150,091)	\$ 6,612
Accounts Payable	142,553	-	(130,881)	11,672
	<u>137,998</u>	<u>-</u>	<u>(130,881)</u>	<u>6,612</u>
Total Liabilities	<u>\$ 280,551</u>	<u>\$ 18,705</u>	<u>\$ (280,972)</u>	<u>\$ 18,284</u>

**NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS  
SCHEDULE 5 – SCHEDULE OF VENDOR INFORMATION FOR  
PURCHASES EXCEEDING \$60,000 (EXCLUDING GRT) - UNAUDITED  
YEAR ENDED JUNE 30, 2015**

<b>RFB#/RFP#</b>	<b>Type of Procurement</b>	<b>Awarded Vendor</b>	<b>\$ Amount of Awarded Contract</b>	<b>\$ Amount of Amended Contract</b>	<b>Name and Physical Address, Per the Procurement Documentation, of ALL Vendor(s) That Responded</b>	<b>In-State/ Out-of-State Vendor (Y or N) (Based on Statutory Definition)</b>	<b>Was the Vendor In-State and Chose Veteran's Preference (Y or N) - For Federal Funds, Answer N/A</b>	<b>Brief Description of the Scope of Work</b>
13-631-5001-00027-A4	Sole Source	ACRO	\$5,594,117.70	\$1,118,835.54	N/A	N	N	IT System maintenance and development activities.
40-63100-14-14105	Sole Source	Geographic Solutions	\$799,999.99	N/A	N/A	N	N	Software and support maintenance for VOS, virtual LMI, REX and Web Hosting
15-631-1001-00048	Sole Source	ACT, Inc.	\$521,350	N/A	N/A	N	N	Unlimited internet-based assessments for Workforce Investment Act/Department of Labor clients delivered through NMDWS Workkeys.
15-631-9001-00007	RFP 14-631-9001-00150	CliftonLarson Allen LLP	\$197,950.00	N/A	Moss Adams, CliftonLarsonAllen, REDW.	Y	N	Audit Services
15-631-0001-00012A A1	RFP 14-631-8001-00056	Individual Development Accounts-Prosperity Works	\$68,000.00	\$9,000.00	Wesst, Prosperity Works, Help New Mexico.	Y	N	Non-profit and/or tribal program administrators developing and administering a program consistent with State Legislation.
15-631-8001-00015	RFP 14-631-8001-00056	Leadership and Management Workforce Training	\$100,000.00	N/A	Quality NM	Y	N	Leadership/Management/Workforce Training
15-631-8001-00017	RFP 14-631-8001-00056	New Mexico Highlands University	\$112,895.00	N/A	NM Highlands, Families and Youth, EcoServants, City of Albuquerque, Earthcare, NM School for the Deaf, Capacity Builders, Rio Grande Educational Collaborative, Rocky Mountain Youth Groups.	Y	N	Americorps - Placed in partnering cultural institutions across NM to receive mentoring from industry experts to address tech and design needs.
15-631-8001-00018	RFP 14-631-8001-00056	Families and Youth Inc.	\$258,611.00	N/A	NM Highlands, Families and Youth, EcoServants, City of Albuquerque, Earthcare, NM School for the Deaf, Capacity Builders, Rio Grande Educational Collaborative, Rocky Mountain Youth Groups.	Y	N	Americorps - Members who will address multiple student needs that of which are aligned with comprehensive school turnaround plans to enhance learning experience and obtain skills necessary to meet educational goals in the Las Cruces Public Turnaround schools.

**NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS  
SCHEDULE 5 – SCHEDULE OF VENDOR INFORMATION FOR  
PURCHASES EXCEEDING \$60,000 (EXCLUDING GRT) – UNAUDITED (CONTINUED)  
YEAR ENDED JUNE 30, 2015**

<b>RFB#/RFP#</b>	<b>Type of Procurement</b>	<b>Awarded Vendor</b>	<b>\$ Amount of Awarded Contract</b>	<b>\$ Amount of Amended Contract</b>	<b>Name and Physical Address, Per the Procurement Documentation, of ALL Vendor(s) That Responded</b>	<b>In-State/ Out-of-State Vendor (Y or N) (Based on Statutory Definition)</b>	<b>Was the Vendor In-State and Chose Veteran's Preference (Y or N) - For Federal Funds, Answer N/A</b>	<b>Brief Description of the Scope of Work</b>
15-631-8001-00019	RFP 14-631-8001-00056	EcoServants	\$276,688.00	N/A	NM Highlands, Families and Youth, EcoServants, City of Albuquerque, Earthcare, NM School for the Deaf, Capacity Builders, Rio Grande Educational Collaborative, Rocky Mountain Youth Groups.	Y	N	Americorps - Members will perform projects in emergency service groups, disaster preparedness, recovery and mitigation of disaster affected areas, recruitment and community engagement projects in Lincoln County.
15-631-8001-00020	RFP 14-631-8001-00056	City of Albuquerque	\$265,946.00	N/A	NM Highlands, Families and Youth, EcoServants, City of Albuquerque, Earthcare, NM School for the Deaf, Capacity Builders, Rio Grande Educational Collaborative, Rocky Mountain Youth Groups.	Y	Y	Americorps - Provide wraparound support services as "Success Coaches" in high schools throughout Alb and across the state.
15-631-8001-00021	RFP 14-631-8001-00056	EarthCare	\$191,034.00	N/A	Highlands, Families and Youth, EcoServants, City of Albuquerque, Earthcare, NM School for the Deaf, Capacity Builders, Rio Grande Educational Collaborative, Rocky Mountain Youth Groups.	Y	N	Americorps - Deliver food security and environmental stewardship services in nonprofits, schools and government agencies.
15-631-8001-00022	RFP 14-631-8001-00056	New Mexico School for the Deaf	\$93,098.00	N/A	NM Highlands, Families and Youth, EcoServants, City of Albuquerque, Earthcare, NM School for the Deaf, Capacity Builders, Rio Grande Educational Collaborative, Rocky Mountain Youth Groups.	Y	N	Americorps - Teach sign language, build communicative home and school environments that will lead to increased academic engagement.
15-631-8001-00023	RFP 14-631-8001-00056	Capacity Builders	\$129,157.00	N/A	NM Highlands, Families and Youth, EcoServants, City of Albuquerque, Earthcare, NM School for the Deaf, Capacity Builders, Rio Grande Educational Collaborative, Rocky Mountain Youth Groups.	Y	N	Americorps - Members will provide evidence-based tutoring services, mentoring activities, technology-focused programming and environmentally-focused service learning.
15-631-8001-00024	RFP 14-631-8001-00056	Rio Grande Educational Collaborative	\$292,590.00	N/A	NM Highlands, Families and Youth, EcoServants, City of Albuquerque, Earthcare, NM School for the Deaf, Capacity Builders, Rio Grande Educational Collaborative, Rocky Mountain Youth Groups.	Y	N	Americorps - Forty four half time members to provide an after school program, SIP, in 24 schools in Bernalillo County.
15-631-8001-00026	RFP 14-631-8001-00056	Rocky Mountain Youth Corps	\$593,671.00	N/A	NM Highlands, Families and Youth, EcoServants, City of Albuquerque, Earthcare, NM School for the Deaf, Capacity Builders, Rio Grande Educational Collaborative, Rocky Mountain Youth Groups.	Y	N	Americorps - Enroll local youths ages 16-25 as members. Improve their economic opportunities through National Service.

**NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS  
SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2015**

Federal Agency/ Pass-Through Agency	Federal CFDA Number	Federal Participating Expenditures
U.S. Department of Labor:		
Labor Force Statistics	17.002	\$ 821,244
Unemployment Insurance	17.225	212,870,341
Trade Adjustment Assistance Workers	17.245	2,947,260
Work Opportunity Tax Credit Program	17.271	81,920
Temporary Labor Certification for Foreign Workers	17.273	50,041
Trade Adjustment Assistance Community College and Career Training Grant Program	17.282	36,283
Employment Service Cluster:		
Employment Services	17.207	7,285,505
Disabled Veteran's Outreach Program	17.801	754,466
Local Veteran's Employment Representative Program	17.804	401,065
Workforce Investment Act Cluster:		
Workforce Investment Act Adult Program	17.258	3,931,200
Workforce Investment Act Youth Activities	17.259	3,782,995
Workforce Investment Act Dislocated Workers	17.278	4,727,110
Total U.S. Department of Labor		<u>237,689,430</u>
U.S. Equal Employment Opportunity Commission:		
Employment Discrimination Title VII of the Civil Rights Act of 1964	30.001	282,870
Total U.S. Equal Employment Opportunity Commission		<u>282,870</u>
U.S. Corporation for National and Community Service:		
State Commissions	94.003	145,570
AmeriCorps	94.006	2,025,758
Total U.S. Corporation for National and Community Service		<u>2,171,328</u>
Total Federal Awards Expended		<u>\$ 240,143,628</u>
<b>Reconciliation to the Financial Statements</b>		
Governmental Funds - Federal Revenue		\$ 46,665,040
Proprietary Funds - Federal Revenue		7,229,822
Total Federal Revenue		<u>53,894,862</u>
Unemployment Benefit Distributions from State Trust Fund		186,248,766
Total		<u>\$ 240,143,628</u>
<b>Reconciliation of Unemployment Benefit Distributions to the Financial Statements</b>		
Unemployment Benefit Distributions from State Trust Fund		\$ 186,248,766
Unemployment Benefit Distributions from Federal Program Accounts		7,229,822
Total Unemployment Benefit Distributions		<u>\$ 193,478,588</u>

See Notes to Supplemental Schedule of Expenditures of Federal Awards.

**NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS  
NOTES TO SUPPLEMENTARY SCHEDULE OF  
EXPENDITURES OF FEDERAL AWARDS  
JUNE 30, 2015**

**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 financial statements.

**NON-CASH ASSISTANCE**

The Department did not receive any federal non-cash assistance during the year ended June 30, 2015.

**LOANS**

The Department does not have any loans outstanding with the Federal government at June 30, 2015.

**UNEMPLOYMENT INSURANCE EXPENDITURES FROM STATE UNEMPLOYMENT COMPENSATION**

The unemployment compensations 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 \$193,478,588.

**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. During the year ended June 30, 2015 the Department didn't have any expenditures related to the Reed Act.

**EMPLOYMENT SERVICE (ES) CLUSTER – US DEPARTMENT OF LABOR**

ES Cluster includes:

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

**WORKFORCE INVESTMENT ACT (WIA) CLUSTER – US DEPARTMENT OF LABOR**

WIA Cluster includes:

WIA-Adult	17.258
WIA-Youth	17.259
WIA-Dislocated	17.278

**NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS  
NOTES TO SUPPLEMENTARY SCHEDULE OF  
EXPENDITURES OF FEDERAL AWARDS  
JUNE 30, 2015**

**SUBRECIPIENTS**

The Department views the following boards as subrecipients of WIA cluster programs. The pass-through 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 Federal support through the Department in fiscal year 2015:

WIA-Adult	\$ 626,932
WIA-Youth	\$ 694,345
WIA-Dislocated	\$ 1,070,157

2. The Employment & Economic Information Center (EEIC/84362) is the administrative entity and fiscal agent for the Eastern Area Board of the county and municipal governments within the seven counties of Planning and Development District IV. The EEIC is an organization for local governments. It assists in planning for common needs and coordinating of the sound regional development. The board received the following Federal support through the Department in fiscal year 2015:

WIA-Adult	\$ 618,450
WIA-Youth	\$ 492,196
WIA-Dislocated	\$ 452,269

3. The Mid Regional Council of Governments is the administrative entity and fiscal agent of 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 2015:

WIA-Adult	\$ 1,541,397
WIA-Youth	\$ 1,374,820
WIA-Dislocated	\$ 1,910,549

4. The 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 2015:



**NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS  
NOTES TO SUPPLEMENTARY SCHEDULE OF  
EXPENDITURES OF FEDERAL AWARDS  
JUNE 30, 2015**

WIA-Adult	\$	801,826
WIA-Youth	\$	816,867
WIA-Dislocated	\$	691,199

5. The subrecipients of AmeriCorps received the following Federal support through the Department in fiscal year 2015:

**The City of Albuquerque** (53406) To provide leadership in the management and development of quality employment services to the general public and city department; effective personnel administration in compliance with City mandates and State and Federal laws; to provide for and encourage employee personal professional development.

AmeriCorps Formula	\$	129,713
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**Earth Care International** (12741) Earth Care is a leader in advocating for young people's voices and contributions in decision-making about our community's future.

AmeriCorps Formula	\$	196,916
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**Capacity Builders** (104135) has dedicated its resources, determination and passion to working with the Dine` (a traditional term for the Navajo) and other Native American communities in the United States. Through training and support programs so they are better able to improve the lives of Native American communities in the United States. Through training and support programs so they are better able to improve the lives of Native American youth and families.

AmeriCorps Formula	\$	105,047
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**NM Highlands University** (54423) The vision of New Mexico Highlands University to provide an inspiring multicultural learning environment that promotes excellence, empowerment, transformation, and global understanding.

AmeriCorps Formula	\$	108,122
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**ECO Servants** (9356) To directly engage the community through service towards a more sustainable future.

AmeriCorps Formula	\$	246,013
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**NM School for the Deaf** (54438) The mission of the New Mexico School for the Deaf (NMSD), New Mexico's first public school, is to provide for the unique needs of children and students who are deaf/hard of hearing, their families, and professional partners by providing a comprehensive array of school and statewide programs.

AmeriCorps Formula	\$	67,589
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**NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS  
NOTES TO SUPPLEMENTARY SCHEDULE OF  
EXPENDITURES OF FEDERAL AWARDS  
JUNE 30, 2015**

**The Wellness Coalition** (50591) Dedicated to improving the quality of life of the people of southwest New Mexico by bringing resources and programs to the area.

AmeriCorps Formula \$ 69,394

**Rocky Mountain Youth Corps** (50703) The Rocky Mountain Youth Corps provides training and community service opportunities for a diverse population of New Mexico-area.

AmeriCorps Formula \$ 519,416

**Families and Youth Inc.** (47544) The mission of Families and Youth Inc. is to promote a safer, healthier community by assisting children and families in strengthening their relationships, preserving the family unit, establishing community partnerships, and enhancing the availability of human resources.

AmeriCorps Formula \$ 263,365

**Rio Grande Educational Collaborative RGEC** (53575) The mission of RGEC is to leverage resources and opportunities to create a continuum of services to support the social and academic dreams of children, their families and their communities.

AmeriCorps Formula \$ 268,834



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

Celina Bussey, Cabinet Secretary  
New Mexico Department of Workforce Solutions and  
Mr. Timothy Keller  
New Mexico State Auditor

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information and the budgetary comparisons of the general fund and each major special revenue fund of the New Mexico Department of Workforce Solutions (the Department), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements, and have issued our report thereon dated November 25, 2015.

**Internal Control over Financial Reporting**

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness (2014-002).

Celina Bussey, Cabinet Secretary  
New Mexico Department of Workforce Solutions and  
Mr. Timothy Keller  
New Mexico State Auditor

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Department's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* as described in the accompanying schedule of findings and questions costs as items (2015-004, 2015-005, and 2015-006).

### **The Department's Responses to Findings**

The Department's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Department's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### **Purpose of this Report**

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



### **CliftonLarsonAllen LLP**

Albuquerque, New Mexico  
November 25, 2015



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Celina Bussey, Cabinet Secretary  
New Mexico Department of Workforce Solutions and  
Mr. Timothy Keller  
New Mexico State Auditor

**Report on Compliance for Each Major Federal Program**

We have audited the New Mexico Department of Workforce Solution's (the Department) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Department's major federal programs for the year ended June 30, 2015. The Department's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of the Department's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the Department's compliance.

***Opinion on Each Major Federal Program***

In our opinion, the Department complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Celina Bussey, Cabinet Secretary  
New Mexico Department of Workforce Solutions and  
Mr. Timothy Keller  
New Mexico State Auditor

### ***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items (2015-001, 2015-002, and 2015-003). Our opinion on each major federal program is not modified with respect to these matters.

The Department's responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Department's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

### **Report on Internal Control over Compliance**

Management of the Department is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Department's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items (2015-001, 2015-002, and 2015-003), that we consider to be significant deficiencies.

The Department's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Department's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Celina Bussey, Cabinet Secretary  
New Mexico Department of Workforce Solutions and  
Mr. Timothy Keller  
New Mexico State Auditor

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the result of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.

**CliftonLarsonAllen LLP**

Albuquerque, New Mexico  
November 25, 2015

**NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2015**

**SECTION I – SUMMARY OF AUDITORS’ RESULTS**

**Financial Statements**

Type of auditors’ report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?  yes  no
- Significant deficiency(ies) identified that are not considered to be material weaknesses?  yes  none reported

Noncompliance material to financial statements noted?  yes  no

**Federal Awards**

Internal control over major programs:

- Material weakness(es) identified?  yes  no
- Significant deficiencies identified that are not considered to be material weakness(es)?  yes  none reported

Type of auditors’ report issued on compliance for major programs: Unmodified

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

Identification of major programs:

**CFDA**

<u>Number(s)</u>	<u>Name of Federal Program or Cluster</u>
17.225	Unemployment Insurance
ES Cluster:	
17.207	Employment Services
17.801	Disables Veterans’ Outreach Program
17.804	Local Veterans’ Employment Representative
WIA Cluster:	
17.258	WIA Adult
17.259	WIA Youth
17.278	WIA Dislocated

Dollar threshold used to distinguish between type A and type B programs \$3,000,000

Auditee qualified as low-risk auditee?  yes  no



**NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2015**

**SECTION II – FINANCIAL STATEMENT FINDINGS**

**2014-002 UI Financial Reporting and Accounting (Material Weakness)**

**Condition:** During 2013, the Department implemented a new UI Tax and Claims System (uFACTS), which was a significant upgrade to the legacy systems previously used by the Department for calculating employer taxes and processing unemployment claims. Due to the fact that the Department recently implemented the uFACTS system and that it was the first of its kind among other states, the Department continues to test the various transaction processing of the system and as a result has identified system deficiencies. During the period under audit, the following are the most significant issues identified as it relates to the uFACTS system, as well as the related financial reporting and accounting within the UI fund as a result of the uFACTS system:

- Due to inaccurate automated system entries posted to the UI fund and the lack of an account reconciliation process, adjustments to accounts receivable totaled approximately \$12M and adjustments to other liabilities totaled approximately \$21M.
- The Department has not established the necessary reports or queries from the system to report timely financial information required to prepare the Department's financial statements.

*Management's Progress for Repeat Findings:* Management continues to work with the programmers to develop the necessary reports related to the UI fund, however, management still has not established processes to reconcile the accounts within the UI fund during the course of the fiscal year.

**Criteria:** Per Rule 2.20.5.8.C(7) NMAC, all subsidiary systems shall record transactions timely, completely, and accurately, and the agency shall reconcile the subsidiary systems' transactions to the corresponding SHARE general ledger accounts daily. Per 42 USC 503(a) (1 ), a system output that can provide accurate charge and collection data should be in place to ensure reliable reporting.

**Cause:** The uFACTS is the first system of its kind to be implemented and has been in use for a short period of time, in which the Department continues to work with the software developers to resolve the issues as they become aware of such issues. The Department has not yet developed and/or tested all of the appropriate reports required for the Department's monthly and annual financial reporting.

**Effect:** Possible misstatements to the financial statements, possible misappropriation of assets.

**Recommendation:** The Department should continue to test the system and make it a priority to resolve system deficiencies as identified by the Department. The Department should make it a high priority to develop and adequately test the necessary monthly and financial reports generated from the system. In addition, we recommend that the finance department develop processes to manually reconcile the accounts related to the UI fund while development of adequate reports is in process.

**Management Response:** The UIT Tax and Claims System has over (20) financial reports which are available. Unfortunately, reports are not tested by Finance and several have been found to be unreliable. Adhoc queries have been incorporated to resolve Overpayment Recoveries and three (3) reports have been developed in Fiscal Year 2015 and are available in the UIT Tax and Claims system. These reports include FMB Repayments, DA Allowance, and Refund Payments. Query capabilities

**NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2015**

**SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)**

**2014-002 UI Financial Reporting and Accounting (Material Weakness) (Continued)**

have also been inconsistent in providing information that is reliable, complete and capable of being reconciled. Advanced query requests are being facilitated as needed to assist when there are specific financial reporting issues. In addition, the “Claims Register of Benefit Payments Report” was also developed to identify Federal and Child Support withholdings by program for the Financial Staff in Fiscal year 2015.

In order to address remaining UI Financial reporting and accounting issues with the uFacts system, the Department launched the Financial Reporting Enhancement Project in July 2015. Due to some overlap in Financial Reporting with the state’s Cash Remediation II Project, DWS has included the additional operational requirements and continues to address system driven issues more comprehensively.

The scope for the Financial Reporting Enhancement Project includes resolution of financially logged defects, addressing issues in daily processing, and improving business processes which effect incomplete and/or inaccurate data output. The project will also be to create new Monthly Financial reports for UI Treasury and the General Ledger unit, i.e. Claims Accounts Receivable report and Aging reports, etc. for Financial Reporting. The objective for the Cash Remediation II Project is to develop a standardized process to generate all accounting entries related to disbursement activity through the Accounts Payable Module. The Accounts Payable Module will not be utilized for the disbursement bank activity. The bank activity will be captured in the daily OPR. Flat files will be sent to DFA capturing the debit transactions for Disbursement Accounts, “5518” and “5537”. The Department believes these projects will allow daily focus and direction, which includes a Project Manager, Business Analysts, Developers and Testers to analyze and stabilize financial reports.

The CFO is the executive sponsor in these efforts and will work closely with Unemployment Insurance and Workforce Technology Divisions with a goal of completing this project by June of 2016. Due to the scope of the changes, the addition of the Cash Remediation requirements, and limited resources, this completion of the Financial Reporting Enhancement Project may continue into FY17. The CFO, with the assistance of the UI Director and Deputy Director, and the CIO, is responsible for resolving this finding.

**NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2015**

**SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS**

**2015-001 (Original Finding # 2008-003) Federal Grant Reporting (Significant Deficiency, Instance of Non-Compliance)**

**Applicable Compliance Requirement:** Reporting

**Federal Program:** CFDA 17.225 Unemployment Insurance

**Federal Agency:** Department of Labor

**Federal Award Number/Year:** UI-22329-12-55-A-35 (2012), UI-23908-13-55-A-35 (2013), UI-25222-14-55-A-35, UI-26411-14-60-A-35 (2014)

**Condition:** During our A-133 single audit reporting test work, we noted 4 of 20 reports (2 ETA 581 and 2 ETA 227) tested which did not have sufficient information to determine that the reports submitted to the federal agency were reporting accurate data.

*Management's Progress for Repeat Findings: Management continues to work with the programmers to obtain the necessary information to submit accurate reports to the Department of Labor.*

**Criteria:** Per OMS Circular A-133, *Compliance Requirements Reporting - Financial Reporting*, the Department is required to maintain reports specified by the Federal agency. In addition, A-102 Common Rule requires that non-Federal entities receiving Federal Awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations and program compliance requirements.

**Cause:** Due to the new UI system, the Department is unsure of the accuracy of the data reported.

**Effect:** The Department is not in compliance with grant requirements. Information reported to the Federal government could be inaccurate.

**Recommendation:** We recommend that the Department continue its efforts to test the accuracy of the federal reports submitted to the Department of Labor.

**Management's Response:** NMDWS is in the final stages of the ETA-227 Project, scheduled for completion on December 10, 2015. The scope of the ETA-227 project is to ensure complete and accurate reporting of overpayment and recovery information. A project to address the deficiencies in the ETA-581 is waiting to be prioritized. In the interim, system change requests related to the ETA-581 have been logged, prioritized and implemented.

- Sufficient and accurate information:
  - ETA 227: The NMDWS has started project to achieve the ultimate goal of accuracy in the ETA 227 Report.
    - On March 17, 2015, a project charter for the ETA 227 Report Cleanup Project was approved and the project was started with weekly planning meetings thereafter. The entire 227 report fields are being analyzed and re-coded and tested in this project that will be in production by December 10, 2015. Project charter and timeline.

**NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2015**

**SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS (CONTINUED)**

**2015-001 (Original Finding # 2008-003) Federal Grant Reporting (Significant Deficiency, Instance of Non-Compliance) (Continued)**

- Intermediate steps being taken to mitigate the issues until the new system/processes are implemented are as follows:
  - The Economist responsible for the ETA 227 report is using an ad hoc query until the code is fixed that will include all of the updates that are being made to the ETA Report 227.
- ETA 581: The report currently has several change requests logged in the TFS system as follows:
  - CR 3894 “ETA 581: Audit Activity C67”. This request is to correct data that is populating several fields in the report.
    - Currently mitigated by using a query to report consistent data.
  - CR 9404 “ETA 581: Employer Registration – Create FUTA registration workflow”. This request is to create a workflow for FUTA. This is a system issue.
    - Currently cannot be mitigated since it is information reported by employers.
  - CR 9405 “ETA 581: Create Batch to Cancel Employer Accounts that have no liability”. This request is to cancel employer accounts
    - Currently cannot be mitigated since it is information reported by employers.
  - CR 10430 “ETA 581: Employers should not file wages after suspension date. Employers should be able to file missing wage reports prior to suspension date.” This request is to correct functionality.
    - Correction for this issue is in the UI system July 2015 build.
  - CR 12005 “ES581: Status Determination Date should not change if other data is changed”. System changes information that should not be changed (i.e. registration date).
    - System error. We cannot mitigate this issue.
  - Current steps to mitigate reporting issues:
    - Section 4 (receivables): The most critical part has been fixed, and all of the 2013 and 2014 reports have been retransmitted on 5/14/2015. Also, starting from q4 2014, we are capturing and reporting information on SUTA dumping (this again was a critical point for USDOL).

**NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2015**

**SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS (CONTINUED)**

**2015-002 Benefit Accuracy Measurement (BAM) (Significant Deficiency, Instance of Non-Compliance)**

**Applicable Compliance Requirement:** Special Tests

**Federal Program:** CFDA 17.225 Unemployment Insurance

**Federal Agency:** Department of Labor

**Federal Award Number/Year:** UI-22329-12-55-A-35 (2012), UI-23908-13-55-A-35 (2013), UI-25222-14-55-A-35, UI-26411-14-60-A-35 (2014)

**Condition:** During our test work over the BAM sampling; we selected 40 cases for testing and noted the following exceptions:

- 2 files could not be located
- 1 file was missing documents such as the data collection report and the summary of investigation.
- 2 Summary of Investigation reports did not include the investigator's signature who conducted the review.

**Criteria:** Per BAM Methodology and Program Description, State BAM samples must consist of 360 paid cases and 150 cases for each of the three types of denials: monetary, separation and nonseparation. Documentation of each case file sampled by the Department should be adequately filed and maintained for subsequent review. In addition, per BAM ET handbook 395, 5<sup>th</sup> edition, case workers need to conclude and sign off on the investigator summary in each of their case files.

**Cause:** Lack of an effective internal control structure surrounding the BAM sampling and documentation.

**Effect:** Non-compliance with federal grant regulations.

**Recommendation:** We recommend management re-evaluate the requirements of BAM and the processes in place and implement an effective internal control structure to ensure compliance with the federal regulations.

**Management's Response:** The Benefit Accuracy Measurement (BAM) standard operating procedures (SOP) will be updated by December 31, 2015 to address the three audit findings. Upon approval of the updated SOP, BAM Supervisor will meet with BAM Auditors to inform staff and provide a copy of the updated procedures. The update to the SOP will include a review of closed cases by Supervisor to ensure case files are accurate and complete. Auditors will be responsible for maintaining a soft copy of their case files until verified in the system that files have been successfully scanned and indexed.

**NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2015**

**SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS (CONTINUED)**

**2015-003 (Original Finding # 2012-001) -Payroll Charges to Federal Grants (Significant Deficiency, Instance of Non-Compliance)**

**Applicable Compliance Requirement:** Allowable Costs/Cost Principles

**Federal Program:** CFDA 17.207/17.801/17804 – Employment Services and CFDA 17.225 – Unemployment Insurance

**Federal Agency:** Department of Labor

**Condition:** During Single audit payroll test work over allowable costs, the following issues were noted which are detailed by CFDA and Federal Program:

- **CFDA 17.207/17.801/17804 – Employment Services – Award Number:** ES-23013-12-55-A-35 (2012)

The Department lacked a time and effort certification on 1 out of 40 payroll transactions tested.

- **CFDA 17.225 – Unemployment Insurance – Award Number:** UI-26411-14-60-A-35 (2014)

The Department lacked the time and effort certifications on 4 out of 40 payroll transactions tested.

**Criteria:** Per OMB A-133 and federal agreements, the programs will be reimbursed for actual costs incurred. In addition, A-102 Common Rule requires that non-Federal entities receiving Federal Awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations and program compliance requirements. In addition, per OMB Circular A-87, for employees who work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personal activity reports or equivalent documentation.

**Cause:** Lack of an effective internal control structure surrounding the time and effort certification process.

**Effect:** Non-compliance with federal grant regulations.

**Recommendation:** We recommend management re-evaluate the processes in place and implement an effective internal control structure to ensure compliance with the federal regulations.

**Management's Response:** The Department continues to tighten controls on payroll transactions. We continue to conduct random audits of our field offices on a bi-weekly basis. Admin staff are selecting random staff and asking managers to provide payroll transactions. The instances relating to CFDA 17.207/17.801/17804 include one individual that was an intern and it wasn't clear these needed certification. We will now certify interns along with other employees. The other was an individual who retired without notice. The instances relating to CFDA 17.225 were due to an employee transferred to another supervisor or employment ended. The UI Operations Center is in the process of updating our

**NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2015**

**SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS (CONTINUED)**

**2015-003 (Original Finding # 2012-001) -Payroll Charges to Federal Grants (Significant Deficiency, Instance of Non-Compliance) (Continued)**

standard operating procedure (SOP) to improve the monthly time verification process to include a procedure when staff are on temporary assignment to another department, transferred or promoted to another supervisor, or when employment ends. We will be training existing and any new staff on the revised SOP and their roles. The SOP will mandate self-imposed audits to verify internal compliance with the procedures.

Random audits will continue. In the event of an unannounced departure, the supervisor or manager will certify the time and note the employee was no longer with the department to sign the certification. This process will begin immediately.

**NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2015**

**SECTION IV – OTHER FINDINGS**

**2015-004 Travel and Per Diem (Compliance and Other Matters)**

**Condition:** When reviewing the documentation for 10 individuals who received per diem in excess of \$1,500, we noted 1 which lacked a notification memo to the Secretary prior to travel.

**Criteria:** Per 10-8-5 (I) NMSA, any person who is not an employee, appointee or elected official of a county or municipality and who is reimbursed under the provisions of the Per Diem and Mileage Act in an amount that singly or in the aggregate exceeds one thousand five hundred dollars (\$1,500) in any one year shall not be entitled to further reimbursement under the provisions of that act until the person furnishes in writing to his department head or, in the case of a department head or board or commission member, to the governor or, in the case of a member of the legislature, to the New Mexico legislative council, an itemized statement on each separate instance of travel covered within the reimbursement, the place traveled to and the executive, judicial or legislative purpose served by the travel.

**Cause:** Management oversight.

**Effect:** Non-compliance with applicable statutes.

**Auditor's Recommendation:** We recommend management evaluate the applicable statutes and establish procedures to ensure compliance.

**Management's Response:** The Department's Financial Management Bureau's Accounts Payable Unit will incorporate staff training on the Per Diem and Mileage Act. The Accounts Payable Unit has initiated a second review process. Travel is first reviewed by another colleague, then a final review is performed by the Accounts Payable Manager. The Accounts Payable Unit has established a monthly review for tracking per diem reimbursements that exceed \$1,500.00. At month-end, a SHARE travel reimbursement report will be created and reconciled back to the log. Notification memo to Ron Spilman will be updated quarterly or when needed based on requests for advances and reimbursements.

**2015-005 Procurement (Compliance and Other Matters)**

**Condition:** During our internal control test work over disbursements, it was noted that 1 of the 22 disbursements tested, in the amount of approximately \$2,525, lacked evidence of approval of the purchase prior to receiving the goods/services.

**Criteria:** According to the Manual of Model Accounting Practices (MAPs), Section FIN4.4, state agencies must verify that there is sufficient budget available to fund the commitment before issuing a Purchase Order to a vendor, before receiving goods, and before allowing work to be performed.

**Cause:** Lack of communication between employees that established the service and the vendor; management oversight.

**Effect:** Non-compliance Section FIN4.4 of the Manual of Model Accounting Practices.



**NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2015**

**SECTION IV – OTHER FINDINGS (CONTINUED)**

**2015-005 Procurement (Compliance and Other Matters) (Continued)**

**Auditor's Recommendation:** We recommend that Management increase controls for procured services by communicating with the Procurement unit to ensure all policies and standards are followed.

**Management's Response:** This violation was an oversight on the part of staff in the Secretary's office. Due to scheduling issues, the conference was cancelled but the speaker was not, and the agency incurred the cost of his time and travel. The two individuals were counseled on the procurement process and necessary training conducted by the State Purchasing Division has been scheduled for one individual in December and the other individual will complete as soon as possible, but no later than March 31, 2016.

**2015-006 – Disaster Recovery Plan (Compliance and Other Matters)**

**Condition:** During our test work over the information technology area of the Department, we noted that the disaster recovery plan was out of date.

**Criteria:** To ensure the safety of financial and personal information, a disaster recovery plan must be put in place and up to date with the process and system most currently in use.

**Cause:** Management oversight, lack of internal controls to ensure the plan is reviewed and updated on a periodic basis.

**Effect:** Possible loss financial/personal information or the Department's inability to continue providing payments to beneficiaries in the event of a disaster.

**Auditor's Recommendation:** We recommend management make it a priority to update the current plan and establish a process to ensure a more frequent review and update of the Disaster Recovery Plan.

**Management's Response:** NMDWS has been working towards establishing the technology infrastructure to support real time fail over capacity for our primary critical applications. We have recently completed the infrastructure upgrade and plan to review the Disaster Recovery Plan and update it relative to this solution. Our DR plan will include a new template which provides the appropriate tracking and review process. The first draft is expected in January 2016 with finalization by March 2016. Table top testing and live testing will subsequently be scheduled. The CIO is responsible for resolving this finding.

**NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS  
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
JUNE 30, 2015**

**SECTION II – FINANCIAL STATEMENT FINDINGS**

**2014-002 UI Financial Reporting and Accounting (Material Weakness) – Repeated and Modified**

**Condition:** During 2013, the Department implemented a new UI Tax and Claims System (uFACTS), which was a significant upgrade to the legacy systems previously used by the Department for calculating employer taxes and processing unemployment claims. Due to the fact that the Department recently implemented the uFACTS system and that it was the first of its kind among other states, the Department continues to test the various transaction processing of the system and as a result has identified system deficiencies. During the period under audit, the following are the most significant issues identified as it relates to the uFACTS system, as well as the related financial reporting and accounting within the UI fund as a result of the uFACTS system:

- Due to inaccurate automated system entries posted to the UI fund and P&I fund, adjustments to accounts receivable totaled approximately \$13.2m and adjustments to other liabilities totaled approximately \$4.2m.
- The Department has not established the necessary reports or queries from the system to report timely financial information required to prepare the Department's financial statements.
- Due to the new system implementation, federal withholding and child support withholding were not being drawn from the federal program; instead they were drawn from the State Unemployment Trust Fund. In addition, overpayment offsets were credited to the State Unemployment Trust Fund when they should have been reimbursed to the applicable federal programs. As a result, the Department has established a receivable from the federal program accounts in the amount of approximately \$4.6m as of June 30, 2014.

**2013-004 Information Technology (Significant Deficiency) - Resolved**

**Condition:** During the test work over the IT general controls and procedures related to the operating systems and applications of the Department, we noted four programmers with production update capabilities.

**NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS  
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
JUNE 30, 2015**

**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

**2015-001 (Original Finding #2008-003) Federal Grant Reporting (Significant Deficiency, Instance of Noncompliance) – Repeated and Modified**

**Applicable Compliance Requirement:** Reporting

**Federal Program:** CFDA 17.225 Unemployment Insurance

**Federal Agency:** Department of Labor

**Federal Award Number/Year:** UI-21116-11-55-A-35 (2011), UI-22329-12-55-A-35 (2012),  
UI-23908-13-55-A-35 (2013), UI-25222-14-55-A-35 (2014)

**Condition:** During our A-133 single audit reporting testwork, the following exceptions were noted regarding required federal reporting:

- 2 of 5 reports (one ETA 2112 and one TAPR) tested were not submitted timely.
- 4 of 4 reports (2 ETA 581 and 2 ETA 227) tested did not have sufficient information to determine that the reports submitted to the federal agency were reporting accurate data.

**2014-001 Eligibility of Benefit Payments (Significant Deficiency, Instance of Noncompliance) - Resolved**

**Applicable Compliance Requirement:** Eligibility

**Federal Program:** CFDA 17.225 Unemployment Insurance

**Federal Agency:** Department of Labor

**Federal Award Number/Year:** UI-21116-11-55-A-35 (2011), UI-22329-12-55-A-35 (2012),  
UI-23908-13-55-A-35 (2013), UI-25222-14-55-A-35 (2014)

**Condition:** During testwork over the Unemployment Insurance program, the Department brought to our attention an issue within the system which allowed claimants to establish a claim for a second benefit year, yet did not meet the eligibility requirements to establish a new claim. The Department corrected the system issue in November 2013 and established overpayments within the system as needed.

**NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS  
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
JUNE 30, 2015**

**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)**

**2015-003 (Original Finding #2012-001) Payroll Charges to Federal Grants (Significant Deficiency, Instance of Noncompliance) – Repeated and Modified**

**Applicable Compliance Requirement:** Allowable Costs/Cost Principles

**Federal Agency:** Department of Labor

**Condition:** During single audit payroll test work over allowable costs, the following issues were noted which are detailed by CFDA and Federal Program:

**CFDA 17.207/17.801/17.804 – Employment Services – Award Numbers (year) ES-24634-13-55-A-35 (2013), DV-19654-10-55-5-35-(2013) and ES-23013-12-55-A-35 (2012)**

On 10 of 40 payroll transactions tested, the timesheets provided were not certified in a timely manner.

**CFDA 17.258/17.259/17.278 – Workforce Investment Act Cluster – Award Numbers (year) - WIA/SWR-OS-PY12 (2012) and AA-21412-11-55-A-35 (2012)**

On 7 of 40 payroll transactions tested, the timesheets provided were not certified in a timely manner.

**NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS  
EXIT CONFERENCE  
JUNE 30, 2015**

An exit conference was held with the Department on November 30, 2015. The conference was held at the Department's offices in Albuquerque, New Mexico. The conference was held in a closed meeting to preserve the confidentiality of the audit information prior to the official release of the financial statements by the State Auditor. In attendance were:

**NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS**

Celina Bussey, Cabinet Secretary  
David Robbins, CFO, ASD Director  
Marshall Ray, Deputy Secretary  
Joy Forehand, Deputy Secretary  
Larry Homes, General Ledger Unit Manager

**CLIFTONLARSONALLEN LLP**

Matt Bone, CPA, CGFM, CGMA, Principal

**PREPARATION OF FINANCIAL STATEMENTS**

The financial statements presented in this report have been prepared by the independent auditor with the assistance of the Department. However, they are the responsibility of management, as addressed in the Independent Auditors' Report.