



REPORT OF INDEPENDENT AUDITORS OF  
FINANCIAL STATEMENTS WITH  
SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO  
WORKFORCE SOLUTIONS DEPARTMENT

June 30, 2019

## Table of Contents

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	PAGE
<b>Official Roster</b>	1
<b>Report of Independent Auditors</b>	2–4
<b>Management’s Discussion and Analysis</b>	5–10
<b>Financial Statements</b>	
Statement of net position	11
Statement of activities	12–13
Balance sheet – governmental funds	14
Reconciliation of the balance sheet – governmental funds to the statement of net position	15
Statement of revenues, expenditures, and changes in fund balances – governmental funds	16
Reconciliation of the statement of revenues, expenditures, and changes in fund balances – governmental funds to the statement of activities	17
Statement of revenues and expenditures – major governmental funds – budget and actual (budgetary basis)	18–19
Statement of net position – proprietary fund	20
Statement of revenues, expenses and changes in net position – proprietary fund	21
Statement of cash flows – proprietary fund	22
Statement of fiduciary net position	23
Notes to financial statements	24–45

## Table of Contents

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	PAGE
<b>Supplementary Information as Required by Section 2.2.2 NMAC</b>	
Schedule 1 – Combining balance sheet – nonmajor governmental funds	46
Schedule 2 – Combining statement of revenues, expenditures, and changes in fund balances – nonmajor governmental funds	47
Schedule 3 – Combining statement of net position – proprietary funds	48
Schedule 4 – Combining statement of revenues, expenditures, and changes in fund net position – proprietary funds	49
Schedule 5 – Schedule of individual deposit accounts	50
Schedule 6 – Schedule of pledged collateral	51
Schedule 7 – Schedule of changes in fiduciary assets and liabilities	52
Schedule 8 – Joint powers agreement	53
<b>Single Audit</b>	
Schedule of expenditures of federal awards	54–55
Notes to schedule of expenditures of federal awards	56–59
<b>Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i></b>	60–61
<b>Report of Independent Auditors on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance</b>	62–63
Schedule of findings and questioned costs	64–71
Summary schedule of prior year audit findings	72–73
Exit conference	74

**State of New Mexico Workforce Solutions Department**  
**Official Roster**  
**June 30, 2019**

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Bill McCamley, Cabinet Secretary

Ricky Serna, Deputy Cabinet Secretary

Yolanda Montoya-Cordova, Deputy Cabinet Secretary and Workforce Innovation and Opportunity Act  
Administrator

Sara Brownstein, Administrative Services Division Director and  
Chief Financial Officer

Sue Anne Athens, Chief Information Officer

Roy Padilla, Acting Unemployment Insurance Director

Marcos Martinez, Employment Services Director

## **Report of Independent Auditors**

Mr. Bill McCamley, Cabinet Secretary  
New Mexico Workforce Solutions Department  
Mr. Brian S. Colón, Esq.  
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 comparison of the general fund of New Mexico Workforce Solutions Department (the Department), a department of the State of New Mexico, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Department'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.

### ***Auditor's 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 auditor's 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.

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, the aggregate remaining fund information, and the budgetary comparison of the general fund of the Department as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof 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 present the financial position and changes in financial position of only that portion of governmental activities, business-type activities, each major fund, the aggregate remaining fund information, and all the respective budgetary comparisons of the State of New Mexico that are attributable to the transactions of the Department. The financial statements do not present fairly the financial position of the entire State of New Mexico as of June 30, 2019, the changes in its financial position, and its cash flows for the year then ended in accordance 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 10 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.

#### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Department's basic financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the supplementary information required by 2.2.2 NMAC as listed in the table of contents as Schedule 1 – Combining balance sheet – nonmajor governmental funds, Schedule 2 – Combining statement of revenues, expenses, and changes in fund balances – nonmajor governmental funds, Schedule 3 – Combining statement of net position – proprietary funds, Schedule 4 – Combining statement of revenues, expenditures, and changes in fund net position – proprietary funds, Schedule 5 – Schedule of individual deposit accounts, Schedule 6 – Schedule of pledged collateral, Schedule 7 – Schedule of changes in fiduciary assets and liabilities, and Schedule 8 - Joint powers agreement are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of expenditures of federal awards and other schedules required by 2.2.2 NMAC as listed in the table of contents are the responsibility of management and was derived from and relates 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 is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2019 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Department's 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.

*Mess Adams LLP*

Albuquerque, New Mexico  
October 30, 2019

**State of New Mexico Workforce Solutions Department  
Management's Discussion and Analysis  
Year Ended June 30, 2019**

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The Management's Discussion and Analysis of New Mexico Workforce Solutions Department (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 long-term view of the Department's finances. For governmental activities, these statements describe how services were financed in the short-term and what future spending remains 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 2019	FY 2018	\$ Change	% Change
<b>Assets</b>				
Current and Other Assets	\$ 527,422,948	\$ 509,261,038	\$ 18,161,910	3.6%
Capital and Non-Current Assets	2,452,282	6,724,143	(4,271,861)	-63.5%
<b>Total Assets</b>	<u>\$ 529,875,230</u>	<u>\$ 515,985,181</u>	<u>\$ 13,890,049</u>	2.7%
<b>Liabilities</b>				
Current Liabilities	\$ 32,634,680	\$ 23,935,310	\$ 8,699,370	36.3%
<b>Net Position</b>				
Net Investment in Capital Assets	2,452,282	6,724,143	(4,271,861)	-63.5%
Restricted	495,651,514	485,733,637	9,917,877	2.0%
Unrestricted	(863,246)	(407,909)	(455,337)	111.6%
Total Net Position	<u>497,240,550</u>	<u>492,049,871</u>	<u>5,190,679</u>	1.1%
<b>Total Liabilities and Net Position</b>	<u>\$ 529,875,230</u>	<u>\$ 515,985,181</u>	<u>\$ 13,890,049</u>	2.7%



**State of New Mexico Workforce Solutions Department  
Management's Discussion and Analysis  
Year Ended June 30, 2019**

**Financial Highlights (continued)**

Table A-2  
Comparative Statement of Activities

	FY 2019	FY 2018	\$ Change	% Change
<b>REVENUE:</b>				
<u>Program Revenues by Major Sources</u>				
Governmental Activities				
Employment Services				
Charges for Services	\$ 1,167,418	\$ 4,136,865	\$ (2,969,447)	-71.8%
Operating Grants	56,241,236	52,204,533	4,036,703	7.7%
Total Governmental Activities Revenue	<u>57,408,654</u>	<u>56,341,398</u>	<u>1,067,256</u>	1.9%
Business-Type Activities				
Unemployment Activities				
Charges for Services	130,283,700	171,936,212	(41,652,512)	-24.2%
Operating Grants	4,446,480	4,545,211	(98,731)	-2.2%
Total Business-Type Activities Revenue	<u>134,730,180</u>	<u>176,481,423</u>	<u>(41,751,243)</u>	-23.7%
Total Program Revenues by Major Sources	192,138,834	232,822,821	(40,683,987)	-17.5%
<u>General Revenues by Major Source</u>				
Governmental Activities				
State Appropriations	9,527,600	8,832,600	695,000	7.9%
Reversions	26,680	8,143	18,537	100.0%
Other-Transfers In	4,782,814	1,506,790	3,276,024	217.4%
Total Governmental Activities Revenue	<u>14,337,094</u>	<u>10,347,533</u>	<u>3,989,561</u>	38.6%
Total General Revenues by Major Sources	<u>14,337,094</u>	<u>10,347,533</u>	<u>3,989,561</u>	38.6%
Total Revenues by Major Sources	<u>\$ 206,475,928</u>	<u>\$ 243,170,354</u>	<u>\$ (36,694,426)</u>	-15.1%

**Revenue**

- The Unemployment Trust Fund experienced a decrease in revenue which coincides with a legislative approved employer tax rate reduction. Unemployment claims for fiscal year 2019 were approximately 33,259 weekly claims, down from unemployment claims of approximately 35,989 weekly claims during fiscal year 2018. Federal funds for administering unemployment activities slightly increased from \$13,506,470 in fiscal year 2018 to \$13,647,537 in fiscal year 2019.
- Appropriations from the State General Fund increased from \$8,832,600 to \$12,997,600, to account for a 2% employee raise and special appropriations from the legislature.
- Revenue from operating grants increased primarily because additional federal dollars were given to the Local Workforce Area Boards under the Workforce Innovation and Opportunity Act.

**State of New Mexico Workforce Solutions Department  
Management's Discussion and Analysis  
Year Ended June 30, 2019**

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**Financial Highlights (continued)**

Table A-2b  
Comparative Statement of Activities

	FY 2019	FY 2018	\$ Change	% Change
<b>EXPENSES:</b>				
<u>Program Expenses by Major Sources</u>				
Governmental Activities				
Governmental	\$ 74,086,702	\$ 72,125,751	\$ 1,960,951	2.7%
Total Governmental Activities Expenses	<u>74,086,702</u>	<u>72,125,751</u>	<u>1,960,951</u>	
Business-Type Activities				
Unemployment Services	137,995,195	166,039,745	(28,044,550)	-16.9%
Total Business-Type Activities Expenses	<u>137,995,195</u>	<u>166,039,745</u>	<u>(28,044,550)</u>	-16.9%
Total Program Expenses by Major Sources	<u>\$ 212,081,897</u>	<u>\$ 238,165,496</u>	<u>\$ (26,083,599)</u>	-11.0%

**Expenses**

The cost of business-type activities related to unemployment services decreased in fiscal year 2019. Unemployment Benefit expense decreased by 16.9% from fiscal year 2019 to 2018. Overall claimant payments decreased for the fiscal year. For further information regarding the decrease in paid unemployment services see the Economic Outlook. The total cost for operations increased overall from \$74,086,702 to \$72,125,750, or about 2.7%. This small increase was due to healthcare and miscellaneous operational general expenditures.

Table A-2c  
Comparative Statement of Activities

	FY 2019	FY 2018	\$ Change	% Change
<u>Change in Net Position</u>				
Governmental Activities				
Beginning Net Position	\$ 17,477,614	\$ 22,914,434	\$ (5,436,820)	-23.7%
Change in Net Position	<u>(2,340,954)</u>	<u>(5,436,820)</u>	<u>3,095,866</u>	-56.9%
Ending Net Position	<u>15,136,660</u>	<u>17,477,614</u>	<u>(2,340,954)</u>	-13.4%
Business-type Activities				
Beginning Net Position	474,572,257	454,330,958	20,241,299	4.5%
Change in Net Position	<u>7,531,633</u>	<u>20,241,299</u>	<u>(12,709,666)</u>	-62.8%
Ending Net Position	<u>482,103,890</u>	<u>474,572,257</u>	<u>7,531,633</u>	1.6%
Ending Net Position	<u>\$ 497,240,550</u>	<u>\$ 492,049,871</u>	<u>\$ 5,190,679</u>	1.1%

**Total Net Position**

The Department's total ending net position increase of \$5,190,679 was driven primarily by an increase in the State Trust Fund balance – due to decreased claim activity. Net position attributable to government activities decreased by \$2,340,954, or a 13.4% decrease over the prior fiscal year. Net position attributable to business-type activities increased by \$7,531,633, or a 1.6% increase over the prior fiscal year.

**State of New Mexico Workforce Solutions Department  
Management's Discussion and Analysis  
Year Ended June 30, 2019**

**Financial Highlights (continued)**

**Financial Analysis at the Fund Level**

Governmental Funds

*General Fund* – Overall revenues and expenditures remained relatively consistent with the prior year with an increase in federal funding. Fund balance decreased by \$533,403 from the prior fiscal year due to the fiscal year 2018 non-reversion of General Funds that were expended in fiscal year 2019. This was a special one-time provision by the legislature to offset not receiving any increase in the fiscal year 2019 Appropriation.

*Penalty and Interest Fund* – The revenues decreased by approximately \$3,073,383 in the current year compared to prior year due to an adjustment to the Allowance for Uncollectible, a lower tax rate imposed on employer tax revenue and automation of the system that made it easier to receive on-time payments.

*Public Works Apprenticeship Training* – Program overall revenues decreased by approximately \$92,306 compared with the prior year. Revenue fluctuates from year-to-year based on construction activity and contractor participation.

*Labor Enforcement Fund* – Program had an increase in revenue of \$122,473 compared to prior year revenue. This revenue fluctuates from year-to-year based on construction activity.

*Capital Projects Fund* – The Department received \$3,470,000 for building renovations during the fiscal year to be utilized from fiscal year 2020 to fiscal year 2023.

**Capital Assets**

Table A-3  
Capital Assets

	6/30/2018	Additions	Disposals	6/30/2019
<b>Assets</b>				
Office Improvements	\$ 3,257,234	\$ 166,955	\$ -	\$ 3,424,189
Vehicles	302,074	-	-	302,074
Office Equipment	149,052	-	-	149,052
Furniture and Fixtures	862,683	-	-	862,683
Computer Equipment	48,061,368	384,300	-	48,445,668
Total Acquired Value	<u>52,632,411</u>	<u>551,255</u>	<u>-</u>	<u>53,183,666</u>
<b>Accumulated depreciation</b>				
Office Improvements	(2,110,198)	(248,073)	-	(2,358,271)
Vehicles	(226,556)	(30,207)	-	(256,763)
Office Equipment	(96,368)	(5,755)	-	(102,123)
Furniture and Fixtures	(703,015)	(59,031)	-	(762,046)
Computer Equipment	(42,772,133)	(4,480,048)	-	(47,252,181)
Total Accumulated Depreciation	<u>(45,908,270)</u>	<u>(4,823,114)</u>	<u>-</u>	<u>(50,731,384)</u>
	<u>\$ 6,724,141</u>	<u>\$ (4,271,859)</u>	<u>\$ -</u>	<u>\$ 2,452,282</u>

During fiscal year 2019, the Department had purchases in computer equipment and building improvements.

# State of New Mexico Workforce Solutions Department

## Management's Discussion and Analysis

### Year Ended June 30, 2019

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#### Financial Highlights (continued)

##### **Debt**

The Department has no long-term debt.

##### **General Fund Budgetary Highlights**

The Department's overall General Fund Appropriations increased by \$695,000 during fiscal year 2019. Additionally, the Department utilized the non-reverted fiscal year 2018 fund balance of \$992,514. The Department was notified that the fiscal year 2008 union settlement that had been accrued as a liability was finalized thus creating approximately \$25,000 of additional general fund revenue that was expended during fiscal year 2019. The increase in general fund usage helped the Department with a legislative approved 2% employee salary increase, as well as preserve the Penalty and Interest fund balance to be utilized during fiscal year 2020.

In fiscal year 2019, the Department received a transfer in the amount of \$1,250,000 from the Worker's Compensation Administration Department for the Labor Relations Division and Unemployment Insurance Division. Additional funding included \$3,470,000 for the TIWA building improvement.

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

As referenced previously, by utilizing grant balances, expenditure of federal awards experienced a \$5 million increase, federal grant awards overall continued to experience decreases. The decline in federal awards was focused in Employment Services, Unemployment Insurance, and Unemployment Insurance Administration Base from the United States Department of Labor, as well as most other grantors. The Workforce Innovation and Opportunity Act grant award realized a 11% increase in the amount of funding available.

#### 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 2021. 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.

##### **New Mexico Commission for Community Volunteerism (AmeriCorps)**

During the AmeriCorps current program year, which has been housed under the NM Department of Workforce Solutions since 2013, the program will support ten operational AmeriCorps programs that mobilize hundreds of AmeriCorps members throughout New Mexico. This includes: EcoServants (Lincoln County); Families, Youth Incorporated (Las Cruces); Mandy's Farm/VAMOS Program (Bernalillo County); NACA-Inspired School Network (serving Tribal communities); New Mexico Coalition for Literacy/Literacy Corps (statewide); Not Forgotten Outreach/Vet Corps of Taos Rio Arriba County/RecoveryCorps of Espanola; Rocky Mountain Youth Corps (Taos and Albuquerque); Roadrunner Food Bank (Statewide), and Teach for America (Gallup and tribal communities.)

# State of New Mexico Workforce Solutions Department

## Management's Discussion and Analysis

### Year Ended June 30, 2019

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#### **Other Operating Highlights (continued)**

The Commission also has planning grants with New Mexico Aging and Long-Term Services Department; the United Way of Central New Mexico; Dream Tree Project; and the City of Santa Fe.

AmeriCorps members perform a wide range of service activities including mentoring native students in tribal communities; forging new mountain trails and clearing forests; bringing fresh produce and nutritional education to food deserts throughout our state; helping veterans find healing and learn agricultural skills through the Vet Corps model; helping developmentally disabled adults in Bernalillo County enter the workforce; improving the literacy skills of adults, and therefore their ability to better their earning potential; guiding residents of Rio Arriba County in their recovery from substance abuse disorders; and provide after-school support and safe summer recreation programs for disadvantaged children.

#### **Apprenticeship**

The New Mexico Workforce Solutions Department is working on a new initiative to double the number of apprentices in the state. The initiative also includes diversifying the occupations and the applicants that participate in the program. The DWS strategy has been to build off of the main components that make up apprenticeship programs. Those components include mentorship, on the job training and related classroom instruction. The Department has been engaging New Mexico businesses early on in the process to ensure alignment to their needs and has seen initial success with three pilot programs and are in the process of expanding the program statewide.

#### **Economic Outlook**

New Mexico's seasonally adjusted unemployment rate was 4.9% in August 2019, unchanged from July 2019 and up from 4.8% in the previous year. Total nonagricultural payroll employment grew by 1.8%, between August 2018 and August 2019. Overall, the state added 15,500 jobs between August 2018 and August 2019. The August 2019 increase came from the private sector, which grew by 11,600 jobs, or 1.8%. The public sector was up 3,900 jobs, or 2.1%. The goods-producing industries were up 5,300 jobs, representing a gain of 5.3%. Six private industries added jobs and three lost jobs.

#### **Contacting 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:

Sara M. Brownstein, Chief Financial Officer and  
Administrative Services Division Director  
New Mexico Workforce Solutions Department  
Administrative Services Division  
P.O. Box 1928  
Albuquerque, New Mexico 87103

**State of New Mexico Workforce Solutions Department**  
**Statement of Net Position**  
**June 30, 2019**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash Held with U.S. Treasury	\$ -	\$ 467,883,166	\$ 467,883,166
Investment in State General Fund Investment Pool	14,242,153	5,760	14,247,913
Due from Federal Government	181,512	-	181,512
Accounts Receivable, Net of Allowance for Uncollectibles	4,937,516	40,172,573	45,110,089
Internal Balances	11,026	(11,026)	-
Prepaid Expenses	268	-	268
Capital Assets, Net Total Assets	2,452,282	-	2,452,282
Total Assets	<u>\$ 21,824,757</u>	<u>\$ 508,050,473</u>	<u>\$ 529,875,230</u>
<b>LIABILITIES AND NET POSITION</b>			
<b>LIABILITIES</b>			
Investment in State General Fund Investment Pool Overdraft	\$ -	\$ 1,306,826	\$ 1,306,826
Accounts Payable	3,645,936	-	3,645,936
Accrued Payroll and Benefits	968,708	-	968,708
Benefits Payable	-	16,783	16,783
Due to Federal Government	-	3,858	3,858
Deposits Held for Others	-	455,199	455,199
Other Accrued Liabilities	1,027	4,828,903	4,829,930
Unearned Revenue	-	19,335,014	19,335,014
Compensated Absences, Due Within One Year	2,072,426	-	2,072,426
Total Liabilities	<u>6,688,097</u>	<u>25,946,583</u>	<u>32,634,680</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	2,452,282	-	2,452,282
Restricted for:			
Unemployment Insurance Trust	-	482,103,890	482,103,890
Special Revenue Funds	13,547,624	-	13,547,624
Unrestricted	(863,246)	-	(863,246)
Total Net Position	<u>15,136,660</u>	<u>482,103,890</u>	<u>497,240,550</u>
Total Liabilities and Net Position	<u>\$ 21,824,757</u>	<u>\$ 508,050,473</u>	<u>\$ 529,875,230</u>

**State of New Mexico Workforce Solutions Department**  
**Statement of Activities**  
**Year Ended June 30, 2019**

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	Expenses	Program Revenues	
		Charges for Services	Operating Grants
<b>PRIMARY GOVERNMENT</b>			
<b>GOVERNMENTAL ACTIVITIES</b>			
Workforce Transition Services	\$ 8,152,591	\$ -	\$ 6,307,704
Labor Relations	8,458,807	429,142	4,381,898
Workforce Technology	13,605,827	-	10,987,686
Business Services	11,751,613	-	9,145,452
Program Support	32,117,864	738,276	25,418,495
Total Governmental Activities	<u>74,086,702</u>	<u>1,167,418</u>	<u>56,241,236</u>
<b>BUSINESS-TYPE ACTIVITIES</b>			
Unemployment Services	137,995,195	130,283,700	4,446,480
Total Business-Type Activities	<u>137,995,195</u>	<u>130,283,700</u>	<u>4,446,480</u>
Total Primary Government	<u>\$ 212,081,897</u>	<u>\$ 131,451,118</u>	<u>\$ 60,687,716</u>

**State of New Mexico Workforce Solutions Department**  
**Statement of Activities (continued)**  
**Year Ended June 30, 2019**

	Net (Expenses) Revenue and Changes in Net Position		
	Governmental Activities	Business-type Activities	Total
	\$ (1,844,887)	\$ -	\$ (1,844,887)
	(3,647,767)	-	(3,647,767)
	(2,618,141)	-	(2,618,141)
	(2,606,161)	-	(2,606,161)
	(5,961,093)	-	(5,961,093)
	<u>(16,678,048)</u>	<u>-</u>	<u>(16,678,048)</u>
	-	(3,265,015)	(3,265,015)
	-	(3,265,015)	(3,265,015)
	<u>\$ (16,678,048)</u>	<u>\$ (3,265,015)</u>	<u>\$ (19,943,063)</u>
<b>General Revenues:</b>			
Investment Earnings	\$ 26,680	\$ 10,796,648	\$ 10,823,328
Transfers In - State General Fund Appropriations	12,997,600	-	12,997,600
Transfers In - Intrafund	3,513,746	-	3,513,746
Transfers Out - Intrafund	(3,513,746)	-	(3,513,746)
Transfers In - Other	1,312,814	-	1,312,814
Total General Revenues and Transfers	<u>14,337,094</u>	<u>10,796,648</u>	<u>25,133,742</u>
<b>CHANGE IN NET POSITION</b>	(2,340,954)	7,531,633	5,190,679
<b>NET POSITION - BEGINNING OF YEAR</b>	17,477,614	474,572,257	492,049,871
<b>NET POSITION - END OF YEAR</b>	<u>\$ 15,136,660</u>	<u>\$ 482,103,890</u>	<u>\$ 497,240,550</u>



**State of New Mexico Workforce Solutions Department**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2019**

	General Fund (SHARE 32900)	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>			
Investment in State General Fund Investment Pool	\$ 1,974,040	\$ 12,268,113	\$ 14,242,153
Due from Enterprise Funds	-	11,026	11,026
Due from Federal Government	181,512	-	181,512
Accounts Receivable, Net of Allowance for Uncollectibles	3,669,031	1,268,485	4,937,516
Prepaid Expenses	268	-	268
Total Assets	<u>\$ 5,824,851</u>	<u>\$ 13,547,624</u>	<u>\$ 19,372,475</u>
<b>LIABILITIES</b>			
Accounts Payable	\$ 3,645,936	\$ -	\$ 3,645,936
Accrued Payroll and Benefits	968,708	-	968,708
Unearned Revenue	-	-	-
Other Accrued Liabilities	1,027	-	1,027
Total Liabilities	<u>4,615,671</u>	<u>-</u>	<u>4,615,671</u>
<b>FUND BALANCES</b>			
Restricted (see Note 18)	-	13,547,624	13,547,624
Assigned	1,209,180	-	1,209,180
Total Fund Balances	<u>1,209,180</u>	<u>13,547,624</u>	<u>14,756,804</u>
Total Liabilities and Fund Balance	<u>\$ 5,824,851</u>	<u>\$ 13,547,624</u>	<u>\$ 19,372,475</u>

**State of New Mexico Workforce Solutions Department  
 Reconciliation of the Balance Sheet – Governmental Funds  
 to the Statement of Net Position  
 June 30, 2019**

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**Total Fund Balance - Governmental Funds  
 (Governmental Fund Balance Sheet)** \$ 14,756,804

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.

Capital assets, at cost	53,183,666
Accumulated depreciation	(50,731,384)
Net capital assets	<u>2,452,282</u>

Long-term and other liabilities consist of:

Compensated absences payable	<u>(2,072,426)</u>
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**Net Position of Governmental Activities (Statement of Net Position)** \$ 15,136,660

**State of New Mexico Workforce Solutions Department**  
**Statement of Revenues Expenditures and Changes in Fund Balances –**  
**Governmental Funds**  
**Year Ended June 30, 2019**

	General Fund (SHARE 32900)	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES</b>			
Interest on Deposit/Investments	\$ -	\$ 26,680	\$ 26,680
Licenses and Permits	-	429,142	429,142
Federal Grant Revenue	55,005,345	-	55,005,345
Penalties and Interest	-	738,276	738,276
Public Works Apprenticeship and Training	-	1,235,891	1,235,891
Total Revenues	<u>55,005,345</u>	<u>2,429,989</u>	<u>57,435,334</u>
<b>EXPENDITURES</b>			
Current:			
Workforce Transition Services	8,014,926	-	8,014,926
Labor Relations	3,997,495	-	3,997,495
Workforce Technology	13,577,278	-	13,577,278
Business Services	11,620,730	-	11,620,730
Program Support	32,131,225	-	32,131,225
Capital Outlay	551,254	-	551,254
Total Expenditures	<u>69,892,908</u>	<u>-</u>	<u>69,892,908</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(14,887,563)	2,429,989	(12,457,574)
<b>OTHER FINANCING SOURCES (USES)</b>			
State General Fund Appropriation	9,527,600	3,470,000	12,997,600
Transfers In:			
Interfund	3,513,746	-	3,513,746
Other	1,312,814	-	1,312,814
Transfers Out:			
Interfund	-	(3,513,746)	(3,513,746)
Total Other Financing Sources (Uses)	<u>14,354,160</u>	<u>(43,746)</u>	<u>14,310,414</u>
<b>NET CHANGES IN FUND BALANCES</b>	(533,403)	2,386,243	1,852,840
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<u>1,742,583</u>	<u>11,161,381</u>	<u>12,903,964</u>
<b>FUND BALANCES - END OF YEAR</b>	<u><u>\$ 1,209,180</u></u>	<u><u>\$ 13,547,624</u></u>	<u><u>\$ 14,756,804</u></u>



**State of New Mexico Workforce Solutions Department**  
**Statement of Revenues and Expenditures – Major Governmental Funds –**  
**Budget and Actual (Budgetary Basis)**  
**Year Ended June 30, 2019**

	General Fund - Total			
	Budgeted Amounts		Actual	Variance From Final Budget
	Original	Final	Amounts (Budgetary Basis)	
<b>REVENUES</b>				
Federal Funds	\$ 49,993,300	\$ 68,301,800	\$ 55,005,345	\$ (13,296,455)
General Funds	9,116,200	9,116,200	9,527,600	411,400
Other State Funds	1,250,000	1,250,000	1,312,814	62,814
Inter-Agency Transfers	3,091,700	3,815,200	3,513,746	(301,454)
Total Revenues	<u>63,451,200</u>	<u>82,483,200</u>	<u>69,359,505</u>	<u>(13,123,695)</u>
<b>P-775 WORKFORCE TRANSITION SERVICES EXPENDITURES</b>				
Personal Services and Benefits	7,166,900	7,106,900	6,672,304	(434,596)
Contractual Services	347,100	407,100	347,523	(59,577)
Other Costs	1,263,400	1,263,400	995,099	(268,301)
Total P-775 Expenditures	<u>8,777,400</u>	<u>8,777,400</u>	<u>8,014,926</u>	<u>(762,474)</u>
<b>P-776 LABOR RELATIONS EXPENDITURES</b>				
Personal Services and Benefits	1,797,900	1,874,200	1,679,923	(194,277)
Contractual Services	9,900	56,900	36,886	(20,014)
Other Costs	1,870,900	2,504,600	2,280,686	(223,914)
Total P-776 Expenditures	<u>3,678,700</u>	<u>4,435,700</u>	<u>3,997,495</u>	<u>(438,205)</u>
<b>P-777 WORKFORCE TECHNOLOGY EXPENDITURES</b>				
Personal Services and Benefits	3,632,500	3,750,900	3,574,111	(176,789)
Contractual Services	8,278,000	8,937,500	8,520,341	(417,159)
Other Costs	2,308,300	2,273,300	1,867,125	(406,175)
Total P-777 Expenditures	<u>14,218,800</u>	<u>14,961,700</u>	<u>13,961,577</u>	<u>(1,000,123)</u>
<b>P-778 BUSINESS SERVICES EXPENDITURES</b>				
Personal Services and Benefits	6,626,000	6,686,000	6,295,496	(390,504)
Contractual Services	1,173,900	1,337,900	1,121,322	(216,578)
Other Costs	5,386,800	5,360,800	4,203,912	(1,156,888)
Total P-778 Expenditures	<u>13,186,700</u>	<u>13,384,700</u>	<u>11,620,730</u>	<u>(1,763,970)</u>
<b>P-779 PROGRAM SUPPORT EXPENDITURES</b>				
Personal Services and Benefits	6,359,400	6,758,500	6,111,107	(647,393)
Contractual Services	855,700	1,428,700	1,079,064	(349,636)
Other Costs	16,374,500	32,736,500	25,108,009	(7,628,491)
Total P-779 Expenditures	<u>23,589,600</u>	<u>40,923,700</u>	<u>32,298,180</u>	<u>(8,625,520)</u>

**State of New Mexico Workforce Solutions Department  
Statement of Revenues and Expenditures – Major Governmental Funds –  
Budget and Actual (Budgetary Basis)  
Year Ended June 30, 2019**

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	General Fund - Total (Continued)			
	Budgeted Amounts		Actual	Variance From
	Original	Final	Amounts (Budgetary Basis)	Final Budget
<b>ALL EXPENDITURES</b>				
Personal Services and Benefits	\$ 25,582,700	\$ 26,176,500	\$ 24,332,941	\$ (1,843,559)
Contractual Services	10,664,600	12,168,100	11,105,136	(1,062,964)
Other Costs	27,203,900	44,138,600	34,454,831	(9,683,769)
Total All Expenditures	<u>\$ 63,451,200</u>	<u>\$ 82,483,200</u>	<u>\$ 69,892,908</u>	<u>\$ (12,590,292)</u>
<b>NET CHANGE IN FUND BALANCE</b>			<u>\$ (533,403)</u>	

Note: There were no reconciling items required to get to the GAAP basis.

**State of New Mexico Workforce Solutions Department**  
**Statement of Net Position**  
**Proprietary Fund**  
**June 30, 2019**

	Unemployment Insurance Trust Fund
<b>ASSETS</b>	
Cash Held with U.S. Treasury	\$ 467,883,166
Investment in State General Fund Investment Pool	5,760
Accounts Receivable, Net of Allowance for Uncollectibles	40,172,573
Total Assets	\$ 508,061,499
 <b>LIABILITIES, DEFERRED INFLOWS AND NET POSITION</b>	
<b>CURRENT LIABILITIES</b>	
Investment in State General Fund Investment Pool Overdraft	\$ 1,306,826
Benefits Payable	16,783
Due to Governmental Funds	11,026
Due to Federal Government	3,858
Deposits Held for Others	455,199
Other Accrued Liabilities	4,828,903
Unearned Revenue	19,335,014
Total Liabilities	25,957,609
 <b>NET POSITION</b>	
Restricted for:	
Unemployment Insurance Trust	482,103,890
Total Net Position	482,103,890
Total Liabilities, Deferred Inflows and Net Position	\$ 508,061,499

**State of New Mexico Workforce Solutions Department  
Statement of Revenues, Expenses and Changes in Net Position  
Proprietary Fund  
Year Ended June 30, 2019**

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	Unemployment Insurance Trust Fund
<b>OPERATING REVENUES</b>	
Interest on Investments	\$ 10,796,648
Employers Taxes and Reimbursements	126,103,221
Combined Wage Claims Reimbursements	3,991,404
Miscellaneous Revenue	189,075
Total Operating Revenues	<u>141,080,348</u>
<b>OPERATING EXPENSES</b>	
Unemployment Benefits Distributed to Beneficiaries	<u>137,995,195</u>
Total Operating Expenses	<u>137,995,195</u>
<b>OPERATING INCOME</b>	<u>3,085,153</u>
<b>NON-OPERATING REVENUES</b>	
Grants, Contracts and Federal Reimbursements	<u>4,446,480</u>
Total Non-Operating Revenues	<u>4,446,480</u>
<b>CHANGE IN NET POSITION</b>	7,531,633
<b>TOTAL NET POSITION - BEGINNING OF YEAR</b>	<u>474,572,257</u>
<b>TOTAL NET POSITION - END OF YEAR</b>	<u>\$ 482,103,890</u>



**State of New Mexico Workforce Solutions Department**  
**Statement of Cash Flows**  
**Proprietary Fund**  
**Year Ended June 30, 2019**

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	Unemployment Insurance Trust Fund
<b>CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES</b>	
Cash Received from Employers and Combined Wage Claim Reimbursements	\$ 142,433,762
Cash Received from Interest and Principal in Investments (Trust Fund Earnings)	10,796,648
Cash Paid for Unemployment Benefits	(138,875,075)
Net Cash Provided by Operating Activities	14,355,335
<b>CASH FLOWS PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES</b>	
Cash Received from Federal Government	4,446,480
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	18,801,815
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	447,780,285
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 466,582,100
<b>RECONCILIATION OF NET OPERATING INCOME TO CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Operating Income	\$ 3,085,153
Change in Receivables	4,335,122
Change in Payables/Unearned Revenue	6,935,060
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	\$ 14,355,335

**State of New Mexico Workforce Solutions Department**  
**Statement of Fiduciary Net Position**  
**June 30, 2019**

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	Agency Fund <u>(SHARE 17800)</u>
<b>ASSETS</b>	
Investment in State General Fund Investment Pool	<u>\$ 115,417</u>
Total Assets	<u><u>\$ 115,417</u></u>
<b>LIABILITIES</b>	
Amounts Held for Others	\$ 110,059
Accounts Payable	<u>5,358</u>
Total Liabilities	<u><u>\$ 115,417</u></u>

# State of New Mexico Workforce Solutions Department

## Notes to Financial Statements

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### Note 1 – Nature of Organization

#### Organization

The State of New Mexico Workforce Solutions Department (the Department) was originally established as the State of New Mexico Department of Labor by 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 Department of Labor 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 Innovation and Opportunity Act of 1998 (WIOA). 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 WIOA program.

# State of New Mexico Workforce Solutions Department

## Notes to Financial Statements

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### Note 1 – Nature of Organization (continued)

During the 47th Legislative Session, House Bill 1280 was passed, and the bill created the Workforce Solutions Department 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.

In fiscal year 2019, 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* – Workforce Transition Services administers 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* – Business Services provides 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* – Labor Relations provides 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* – Workforce Technology provides and maintains effective and innovative information technology services for the agency and its service providers through the Department's operating systems and information technology architecture.

The Department received revenue mainly from the following federal, state and local government sources:

- 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

# State of New Mexico Workforce Solutions Department

## Notes to Financial Statements

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### **Note 1 – Nature of 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 Innovation and Opportunity 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.

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 on the 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.

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.

# State of New Mexico Workforce Solutions Department

## Notes to Financial Statements

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### Note 2 – Summary of Significant Accounting Policies (continued)

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's actual experience conforms to the budget or fiscal plan.

Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' 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:

**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.

# State of New Mexico Workforce Solutions Department

## Notes to Financial Statements

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### Note 2 – Summary of Significant Accounting Policies (continued)

For fiscal year 2019, the General Fund (SHARE Fund 32900) is the only required major fund. 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.

For fiscal year 2019, the nonmajor governmental funds of the Department are as follows:

**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.

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 Fund (SHARE Fund 20020 and 20060). 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.

**Capital Projects Fund (SHARE Fund 93100)** – The capital projects fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities. The funding was provided by Senate Bill 280, Chapter 277, Capital Outlay Appropriations for expenditure in fiscal years 2020 through 2023 to plan, design, construct, renovate, remodel, furnish, and equip

# State of New Mexico Workforce Solutions Department

## Notes to Financial Statements

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### Note 2 – Summary of Significant Accounting Policies (Continued)

improvements to the Albuquerque administration building and facilities statewide. This fund is considered non-major.

**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 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 Labor Relations Division 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.

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 45 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. Interest expense of \$5,783 was incurred during the year ended June 30, 2019.



# State of New Mexico Workforce Solutions Department

## Notes to Financial Statements

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### **Note 2 – Summary of Significant Accounting Policies (continued)**

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, employer and 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 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 and 20060) 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, 2019, 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.

# State of New Mexico Workforce Solutions Department

## Notes to Financial Statements

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### Note 2 – Summary of Significant Accounting Policies (continued)

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** are 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 State Legislature, such as an appropriation or legislation. The State Legislature is the highest level of decision-making authority that can, by passage of legislation, commit fund balance that is not already restricted. Once adopted, the limitation remains in place until similar action takes place, usually in the form of a new budget bill or other legislation. The Department does not have any committed fund balance this fiscal year.

**Assigned** fund balance is constrained by the legislature's intent to be used for specific purposes by directive of the Legislative Finance Committee of the legislature or in some cases by legislation. Legislative directives dictate that all fund balances remaining at the end of the fiscal year shall be reverted back to the State General Fund unless the fund is stipulated as non-reverting by the Legislature or by laws or regulations imposed by grantors. If the fund is non-reverting, the department head has the authority to assign a fund balance for specific use. 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.

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.

#### **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) which is reported at fair market value. 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.

**State of New Mexico Workforce Solutions Department**  
**Notes to Financial Statements**

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**Note 2 – Summary of Significant Accounting Policies (continued)**

**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. The amount is attributable to assessed penalty and interest on delinquent employer tax payments.

**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

**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 GASB No. 68 and No. 71, the State of New Mexico implemented the standards during the fiscal year ended June 30, 2015.

# State of New Mexico Workforce Solutions Department

## Notes to Financial Statements

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### Note 2 – Summary of Significant Accounting Policies (continued)

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 PERA's fiduciary 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.

#### **Other Postemployment Benefits**

Compliant with the requirements of GASB No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, the State of New Mexico implemented this standard for the year ended June 30, 2019.

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 postemployment health care plan that provides comprehensive group health insurance for persons who have retired from certain public service positions in New Mexico. The other postemployment benefits (OPEB) plan is administered by the Retiree Health Care Authority of the State of New Mexico. Overall, total OPEB liability exceeds OPEB fiduciary net position resulting in a net OPEB liability. The State has determined the State's share of the net OPEB liability to be a liability of the State as a whole, rather than any agency or department of the State, and the liability will not be reported in the department or agency level financial statements of the State. All required disclosures will be presented in the CAFR of the State of New Mexico.

Information concerning the net liability, benefit expense, and benefit-related deferred inflows and deferred outflows of resources of the primary government will be contained in the State of New Mexico CAFR for the year ended June 30, 2019 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.

#### **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.

# State of New Mexico Workforce Solutions Department

## Notes to Financial Statements

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### 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.

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, the Department of Finance and Administration Financial Control Division is to complete, on a monthly basis, reconciliation with the balances and accounts kept by the STO 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, 2019, the Department had the following invested in the State General Fund Investment Pool:

State General Fund Investment Pool - General Fund	\$ 1,974,040
State General Fund Investment Pool - Non-Major Governmental Funds	12,268,113
<b>Total State General Fund Investment Pool - Governmental Funds</b>	<b>14,242,153</b>
State General Fund Investment Pool - Agency Fund	115,417
<b>Total State General Fund Investment Pool</b>	<b>\$ 14,357,570</b>

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 year ended June 30, 2019.

# State of New Mexico Workforce Solutions Department

## Notes to Financial Statements

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### Note 5 – Cash Deposit Accounts and Investments

The Department has deposits, as defined in the Schedule of Individual Deposit Accounts, at Wells Fargo Bank (WF) of \$213,345. These deposits represent cash balances associated with agency vouchering activities. Federal Deposit Insurance Corporation (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 \$14,357,570 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 \$467,883,166 which are restricted for unemployment benefit payments and is guaranteed by the full faith of the United States Government.

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 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 STO collateral bureau monitors pledged collateral for all state funds held by state agencies in such "authorized" bank accounts (Schedule 6).

The STO is responsible to ensure that all accounts are collateralized at the required level for amounts in excess of FDIC coverage. The STO 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 5).

The amounts reported as deposits with the U.S. Treasury are in an investment pool which is a fair market value cash equivalent account. The deposits are guaranteed by the full faith and credit of the United States government.

**State of New Mexico Workforce Solutions Department**  
**Notes to Financial Statements**

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**Note 6 – Capital Assets**

A summary of changes in capital assets follows:

	June 30, 2018	Additions	Disposals	June 30, 2019
<b>Assets:</b>				
Office Improvements	\$ 3,257,234	\$ 166,955	\$ -	\$ 3,424,189
Vehicles	302,074	-	-	302,074
Office Equipment	149,052	-	-	149,052
Furniture and Fixtures	862,683	-	-	862,683
Computer Equipment	48,061,368	384,300	-	48,445,668
<b>Total Cost of Capital Assets</b>	<u>52,632,411</u>	<u>551,255</u>	<u>-</u>	<u>53,183,666</u>
<b>Accumulated Depreciation:</b>				
Office Improvements	(2,110,198)	(248,073)	-	(2,358,271)
Vehicles	(226,556)	(30,207)	-	(256,763)
Office Equipment	(96,368)	(5,755)	-	(102,123)
Furniture and Fixtures	(703,015)	(59,031)	-	(762,046)
Computer Equipment	(42,772,133)	(4,480,048)	-	(47,252,181)
<b>Total Accumulated Depreciation</b>	<u>(45,908,270)</u>	<u>(4,823,114)</u>	<u>-</u>	<u>(50,731,384)</u>
<b>Net Book Value</b>	<u>\$ 6,724,141</u>	<u>\$ (4,271,859)</u>	<u>\$ -</u>	<u>\$ 2,452,282</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	\$ 137,665
Workforce Technology	4,461,312
Business Services	28,549
Program Support	130,883
Labor Relations	64,705
	<u>\$ 4,823,114</u>

# State of New Mexico Workforce Solutions Department

## Notes to Financial Statements

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### Note 7 – Unemployment Insurance Fund – Receivables

Receivable:	
Unemployment Insurance Taxes	\$ 47,242,351
Benefit Overpayments	70,164,672
Combined Wage Claims	1,067,112
Gross Receivables	<u>118,474,135</u>
Less: Allowance for Uncollectibles:	
Unemployment Insurance Taxes	(12,533,383)
Benefit Overpayments	(65,768,179)
Net Total Receivables - Unemployment Insurance Trust	<u>(78,301,562)</u>
Total	<u>\$ 40,172,573</u>

### Current Unemployment Insurance (UI) Taxes

Current UI taxes represents UI taxes due from reimbursable and regular employers for quarters before and for the quarter ending June 30, 2019, which were collected subsequently. This amount is an estimate based upon a three-year historical average review of cash receipts subsequent to the end of the fiscal year.

### Benefit Overpayments

Benefit overpayments represent 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. The Department has made an estimate based upon a three-year historical average review of cash receipts subsequent to the end of the fiscal year.

### Combined Wage Claimants

Combined wage claimants represent 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 8 – 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, 2019 were \$376,709. Rental expenditures for equipment for the fiscal year ended June 30, 2019 were \$419,487. The future minimum rental commitments as of June 30, 2019 are as follows:

Year Ending June 30,	Office Space	Equipment	Total
2020	\$ 293,634	\$ 381,867	\$ 675,501
2021	245,195	122,502	367,697
2011	145,538	118,592	264,130
2023	130,121	69,209	199,330
2024	42,626	62,485	105,111
2025 and Thereafter	456,956	-	456,956
Net Total	<u>\$ 1,314,070</u>	<u>\$ 754,655</u>	<u>\$ 2,068,725</u>



**State of New Mexico Workforce Solutions Department  
Notes to Financial Statements**

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**Note 9 – Compensated Absences**

The changes to compensated absences are as follows:

	Balance, June 30, 2018	Increase	(Decrease)	Balance, June 30, 2019	Due Within One Year
Sick and Annual Leave	\$ 2,150,492	\$ 230,945	\$ (309,011)	\$ 2,072,426	\$ 2,072,426
Net Total	<u>\$ 2,150,492</u>	<u>\$ 230,945</u>	<u>\$ (309,011)</u>	<u>\$ 2,072,426</u>	<u>\$ 2,072,426</u>

Compensated absences are liquidated with resources from the Department’s General Fund (SHARE Fund 32900).

**Note 10 – 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, 2019:

Due to Other Funds		
Fund Name	Penalty & Interest (SHARE 61300)	Total
Unemployment Insurance Trust Fund (SHARE 20020)	<u>\$ 11,026</u>	<u>\$ 11,026</u>

**Note 11 – 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.

# State of New Mexico Workforce Solutions Department

## Notes to Financial Statements

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### Note 12 – Reversions

As of June 30, 2019, the Department was not required to revert money to the State of New Mexico general fund.

### Note 13 – Unearned Revenue

The Department's unearned revenue in the Unemployment Insurance Trust Fund as of June 30, 2019 consisted of the following:

Reed Act/UI Mod	\$ 2,771,745
Employer Prepayments	16,563,269
Total	<u>\$ 19,335,014</u>

### Note 14 – Transfers

Transfers occurring during fiscal year ended June 30, 2019 are as follows:

Interfund transfers consist of the following:

Fund	Governmental Funds	Operating Transfers In	Operating Transfers Out
32900	General Fund	\$ 3,513,746	\$ -
61300	Penalty and Interest	-	1,875,400
61400	Public Work Apprenticeship and Training	-	1,289,778
71100	Labor Enforcement Fund	-	348,568
	Total Inter-Fund Transfers	<u>\$ 3,513,746</u>	<u>\$ 3,513,746</u>

The interfund transfers that occurred during fiscal year ended June 30, 2019 represent transfers from Special Revenue Funds for FY19 appropriations.

Inter-agency transfers consist of the following:

To Agency	To Fund	Governmental Funds	From Agency	From Fund	Operating Transfers In	Operating Transfers Out
63100	32900	Department of Finance and Administration	34100	62000	\$ 33,600	\$ -
63100	32900	Department of Finance and Administration	34101	85300	9,527,600	-
63100	93100	Department of Finance and Administration	34101	85300	3,470,000	-
63100	32900	Worker's Compensation Administration	63200	98200	1,250,000	-
		Total Inter-Agency Transfers			<u>\$ 14,281,200</u>	<u>\$ -</u>

# State of New Mexico Workforce Solutions Department

## Notes to Financial Statements

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### **Note 14 – Transfers (continued)**

The inter-agency transfer from the Worker's Compensation Administration is an appropriation. The amount transferred in from the New Mexico Human Services Department is reported on the Statement of Activities in Operating Grants.

### **Note 15 – 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).

#### ***TIER I***

Benefits are generally available at age 65 with five or more years of service or after 25 years of service regardless of age. Provisions also exist for retirement between ages 60 and 65, with varying amounts of service required. Generally, the amount of retirement pension is based on final average salary, which is defined under Tier I as the average of salary for the 36 consecutive months of credited service producing the largest average; credited service; and the pension factor of the applicable coverage plan. Monthly benefits vary depending upon the plan under which the member qualifies, ranging from 2% to 3.5% of the member's final average salary per year of service. The maximum benefit that can be paid to a retiree may not exceed a range of 60% to 90% of the final average salary, depending on the division. Benefits for duty and non-duty death and disability and for post-retirement survivors' annuities are also available.

#### ***TIER II***

The retirement age and service credit requirements for normal retirement for PERA state members hired increased effective July 1, 2013 with the passage of Senate Bill 27 in the 2013 Legislative Session. Under the new requirements, general members are eligible to retire at any age if the member has at least eight years of service credit and the sum of the member's age and service credit equals at least 85 or at age 67 with 8 or more years of service credit. General members hired on or before June 30, 2013 (Tier I) remain eligible to retire at any age with 25 or more years of service credit. Generally, under Tier II, pension factors were reduced by 0.5%, employee contribution increased 1.5% and effective July 1, 2014 employer contributions were raised 0.05%.

#### **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 Department's contributions to PERA for the fiscal years ending June 30, 2019, 2018 and 2017 were \$2,805,108, \$2,874,861, and \$3,088,373, respectively, which equal the amount of the required contributions for each fiscal year. For employees with annual salary less than \$20,000, their required annual plan contribution is 7.42%. For employees with annual salary greater than \$20,000, their required annual plan contribution is 8.92%. The employer required annual plan contribution is 16.99%.

# State of New Mexico Workforce Solutions Department

## Notes to Financial Statements

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### Note 16 – Post-Employment Benefits – State Retiree Health Care Plan

#### Plan Description

The Department contributes to the New Mexico Retiree Health Care Fund, a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the New Mexico Retiree Health Care Authority (RHCA). The RHCA provides healthcare 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 RHCA 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 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.

#### 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 RHCA Board.

## State of New Mexico Workforce Solutions Department Notes to Financial Statements

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### **Note 16 – Post-Employment Benefits – State Retiree Health Care Plan (continued)**

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, 2017, 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, 2017, 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, 2019, 2018, and 2017 were \$330,155, \$338,420, and \$363,193, respectively, which equal the required contributions for each year. The employee required annual plan contribution is 1.0%. The employer required annual plan contribution is 2.0%.

### **Note 17 – 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, and worker's compensation) with the State of New Mexico's General Services Department/Risk Management Division. The Department is charged by State of New Mexico's General Services Department/Risk Management Division for coverage. For the past several fiscal years, claims have not exceeded the coverage provided.

### **Note 18 – 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; and 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.

# State of New Mexico Workforce Solutions Department

## Notes to Financial Statements

### Note 18 – Fund Balance Classifications (continued)

A summary of the nature and purpose of these reserves by fund type at June 30, 2019 follows:

	Major Fund	Special Revenue Fund	Special Revenue Fund	Special Revenue Fund	Capital Projects Fund
	General Fund (SHARE 32900)	Penalty & Interest Fund (SHARE 61300)	Public Works Apprenticeship & Training Fund (SHARE 61400)	Labor Enforcement Fund (SHARE 71100)	Capital Outlay Fund (SHARE 93100)
Fund Balances:					
Restricted for:					
Special Revenue Funds,					
per Section 51-1-34 NMSA 1978	\$ -	\$ 7,758,607	\$ -	\$ -	\$ -
per Section 13-4-14.1 NMSA 1978	-	-	-	857,734	-
Public Works Apprenticeship & Training per Section 13-4D-2	-	-	1,461,283	-	-
per Senate Bill 280, Chapter 277, Capital Outlay Appropriations	-	-	-	-	3,470,000
Assigned	1,209,180	-	-	-	-
Total Fund Balances	<u>\$ 1,209,180</u>	<u>\$ 7,758,607</u>	<u>\$ 1,461,283</u>	<u>\$ 857,734</u>	<u>\$ 3,470,000</u>

### Note 19 – Subsequent Accounting Pronouncements

GASB has issued the following statements, which are applicable in future years. At this time, management is evaluating the impact, if any, on the Department.

#### **GASB Statement No. 84**

##### ***Fiduciary Activities***

Effective Date: The provisions in Statement 84 are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged.

This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on:

1. Whether a government is controlling the assets of the fiduciary activity, and
2. The beneficiaries with whom a fiduciary relationship exists.

This Statement describes four fiduciary funds that should be reported, if applicable:

1. Pension (and other employee benefit) trust funds,
2. Investment trust funds,
3. Private-purpose trust funds, and
4. Custodial funds.

Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria.

# State of New Mexico Workforce Solutions Department

## Notes to Financial Statements

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### **Note 19 – Subsequent Accounting Pronouncements (continued)**

#### **GASB Statement No. 87**

##### ***Leases***

Effective Date: The provisions in Statement 87 are effective for reporting periods beginning after December 15, 2019.

This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right-to-use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

#### **GASB Statement No. 88**

##### ***Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements***

Effective Date: The provisions in Statement 88 are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged.

This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. Additional essential information related to debt for required disclosures include unused lines of credit, assets pledged as collateral for the debt, and terms specified in debt agreements related to significant events of default with finance related consequences, significant termination events with finance related consequences, and significant subjective acceleration clauses.

#### **GASB Statement No. 89**

##### ***Accounting for Interest Cost Incurred before the End of a Construction Period***

Effective Date: The provisions in Statement 89 are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged.

This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. It requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of capital asset reported in a business-type activity or enterprise fund.

#### **GASB Statement No. 90**

##### ***Majority Equity Interests – an Amendment of GASB Statements No. 14 and No. 61***

Effective Date: The provisions in Statement 90 are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged.

The principal objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units.

# State of New Mexico Workforce Solutions Department

## Notes to Financial Statements

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### Note 19 – Subsequent Accounting Pronouncements (continued)

#### **GASB Statement No. 91**

#### ***Conduit Debt Obligations***

Effective Date: The provisions in Statement 91 are effective for reporting periods beginning after December 15, 2020. Earlier application is encouraged.

This Statement provides a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with commitments extended by issuers, arrangements associated with conduit debt obligations, and related note disclosures. The Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and refining required note disclosures.



## **Supplementary Information**

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**State of New Mexico Workforce Solutions Department**  
**Schedule 1 – Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2019**

	Penalty and Interest (SHARE 61300)	Public Works Apprenticeship and Training (SHARE 61400)	Labor Enforcement (SHARE 71100)	Building Improvement (SHARE 93100)	Total Nonmajor Governmental Funds
<b>ASSETS</b>					
Investment in State General Fund Investment Pool	\$ 6,479,096	\$ 1,461,283	\$ 857,734	\$ 3,470,000	\$ 12,268,113
Due from Enterprise Funds	11,026	-	-	-	11,026
Due from Other State Agencies	-	-	-	-	-
Due from Federal Government	-	-	-	-	-
Accounts Receivable, net of Allowance for Uncollectibles	1,268,485	-	-	-	1,268,485
<b>Total Assets</b>	<b>\$ 7,758,607</b>	<b>\$ 1,461,283</b>	<b>\$ 857,734</b>	<b>\$ 3,470,000</b>	<b>\$ 13,547,624</b>
<b>LIABILITIES</b>					
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued Payroll and Benefits	-	-	-	-	-
Due to Other Funds	-	-	-	-	-
Other Accrued Liabilities	-	-	-	-	-
Due to Other State Agencies	-	-	-	-	-
<b>Total Liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>FUND BALANCES</b>					
Restricted (See Note 18)	7,758,607	1,461,283	857,734	3,470,000	13,547,624
Assigned	-	-	-	-	-
<b>Total Fund Balances</b>	<b>7,758,607</b>	<b>1,461,283</b>	<b>857,734</b>	<b>3,470,000</b>	<b>13,547,624</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 7,758,607</b>	<b>\$ 1,461,283</b>	<b>\$ 857,734</b>	<b>\$ 3,470,000</b>	<b>\$ 13,547,624</b>

**State of New Mexico Workforce Solutions Department**  
**Schedule 2 – Combining Statement of Revenues, Expenditures and**  
**Changes in Fund Balances Nonmajor Governmental Funds**  
**Year Ended June 30, 2019**

	Penalty and Interest (SHARE 61300)	Public Works Apprenticeship and Training (SHARE 61400)	Labor Enforcement (SHARE 71100)	Building Improvement (SHARE 93100)	Total Nonmajor Governmental Funds
<b>REVENUES</b>					
Interest on Deposit/Investments	\$ -	\$ -	\$ 26,680	\$ -	\$ 26,680
Licenses and Permits	-	-	429,142	-	429,142
Federal Grant Revenue	-	-	-	-	-
Penalties and Interest	738,276	-	-	-	738,276
Public Works Apprenticeship and Training	-	1,235,891	-	-	1,235,891
Total Revenues	<u>738,276</u>	<u>1,235,891</u>	<u>455,822</u>	<u>-</u>	<u>2,429,989</u>
<b>EXPENDITURES</b>					
Current					
Workforce Transition Services	-	-	-	-	-
Labor Relations	-	-	-	-	-
Workforce Technology	-	-	-	-	-
Business Services	-	-	-	-	-
Program Support	-	-	-	-	-
Capital Outlay	-	-	-	-	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	738,276	1,235,891	455,822	-	2,429,989
<b>OTHER FINANCING SOURCES (USES)</b>					
State General Fund Appropriation	-	-	-	3,470,000	3,470,000
Transfers In					
Interfund	-	-	-	-	-
Other	-	-	-	-	-
Transfers Out					
Interfund	(1,875,400)	(1,289,778)	(348,568)	-	(3,513,746)
Other	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>(1,875,400)</u>	<u>(1,289,778)</u>	<u>(348,568)</u>	<u>3,470,000</u>	<u>(43,746)</u>
<b>NET CHANGES IN FUND BALANCES</b>	<u>(1,137,124)</u>	<u>(53,887)</u>	<u>107,254</u>	<u>3,470,000</u>	<u>2,386,243</u>
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<u>8,895,731</u>	<u>1,515,170</u>	<u>750,480</u>	<u>-</u>	<u>11,161,381</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 7,758,607</u>	<u>\$ 1,461,283</u>	<u>\$ 857,734</u>	<u>\$ 3,470,000</u>	<u>\$ 13,547,624</u>

**State of New Mexico Workforce Solutions Department**  
**Schedule 3 – Combining Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2019**

	Unemployment Insurance Trust (SHARE 20020)	Unemployment Insurance Trust (SHARE 20060)	Total Unemployment Insurance Trust Fund
<b>ASSETS</b>			
Cash Held with U.S. Treasury	\$ 889,677,375	\$ (421,794,209)	\$ 467,883,166
Investment in State General Fund Investment Pool	5,760	-	5,760
Accounts Receivable, Net of Allowance for Uncollectibles	34,708,968	5,463,605	40,172,573
Total Assets	<u>\$ 924,392,103</u>	<u>\$ (416,330,604)</u>	<u>\$ 508,061,499</u>
<b>LIABILITIES, DEFERRED INFLOWS AND NET POSITION</b>			
<b>CURRENT LIABILITIES</b>			
Investment in State General Fund Investment Pool Overdraft \$	-	\$ 1,306,826	\$ 1,306,826
Benefits Payable	11,764	5,019	16,783
Due to Governmental Funds	11,026	-	11,026
Due to Federal Government	-	3,858	3,858
Deposits Held for Others	-	455,199	455,199
Other Accrued Liabilities	-	4,828,903	4,828,903
Unearned Revenue	16,182,750	3,152,264	19,335,014
Total Liabilities	<u>16,205,540</u>	<u>9,752,069</u>	<u>25,957,609</u>
<b>NET POSITION</b>			
Restricted for:			
Unemployment Insurance Trust	<u>908,186,563</u>	<u>(426,082,673)</u>	<u>482,103,890</u>
Total Net Position	<u>908,186,563</u>	<u>(426,082,673)</u>	<u>482,103,890</u>
Total Liabilities, Deferred Inflows and Net Position	<u>\$ 924,392,103</u>	<u>\$ (416,330,604)</u>	<u>\$ 508,061,499</u>

**State of New Mexico Workforce Solutions Department**  
**Schedule 4 – Combining Statement of Revenues, Expenditures and**  
**Changes in Fund Net Position**  
**Proprietary Funds**  
**Year Ended June 30, 2019**

	Unemployment Insurance Trust (SHARE 20020)	Unemployment Insurance Trust (SHARE 20060)	Total Unemployment Insurance Trust Fund
<b>OPERATING REVENUES</b>			
Interest on Investments	\$ -	\$ 10,796,648	\$ 10,796,648
Employers Taxes and Reimbursements	126,103,221	-	126,103,221
Combined Wage Claims Reimbursements	-	3,991,404	3,991,404
Miscellaneous Revenue	-	189,075	189,075
Total Operating Revenues	<u>126,103,221</u>	<u>14,977,127</u>	<u>141,080,348</u>
<b>OPERATING EXPENSES</b>			
Unemployment Benefits Distributed to Beneficiaries	-	137,995,195	137,995,195
Total Operating Expenses	<u>-</u>	<u>137,995,195</u>	<u>137,995,195</u>
<b>OPERATING INCOME</b>	<u>126,103,221</u>	<u>(123,018,068)</u>	<u>3,085,153</u>
<b>NON-OPERATING REVENUES</b>			
Grants, Contracts and Federal Reimbursements	-	4,446,480	4,446,480
Total Non-Operating Revenues	<u>-</u>	<u>4,446,480</u>	<u>4,446,480</u>
<b>CHANGE IN NET POSITION</b>	126,103,221	(118,571,588)	7,531,633
<b>TOTAL NET POSITION - BEGINNING OF YEAR</b>	<u>782,083,342</u>	<u>(307,511,085)</u>	<u>474,572,257</u>
<b>TOTAL NET POSITION - END OF YEAR</b>	<u>\$ 908,186,563</u>	<u>\$ (426,082,673)</u>	<u>\$ 482,103,890</u>

**State of New Mexico Workforce Solutions Department**  
**Schedule 5 – Schedule of Individual Deposit Accounts**  
**June 30, 2019**

Account Title	Depository	Balance per Bank	Adjustments/ Reconciling Items	Reconciled Balance per Books
<b>Governmental Funds with State Treasurer</b>				
<b>(with SHARE Fund Numbers)</b>				
General Fund - 32900	State Treasurer	\$ 1,974,040	\$ -	\$ 1,974,040
Penalty and Interest - 61300	State Treasurer	6,479,096	-	6,479,096
Public Works Apprenticeship & Training - 61400	State Treasurer	1,461,283	-	1,461,283
Labor Enforcement Fund - 71100	State Treasurer	857,734	-	857,734
Capital Outlay Fund - 93100	State Treasurer	3,470,000	-	3,470,000
Total Governmental Funds with State Treasurer		14,242,153	-	14,242,153
<b>Proprietary Funds Cash in Banks</b>				
Benefit Account - 20060	Wells Fargo	5,715	-	5,715
H Warrant Account - 20020	Wells Fargo	-	(201,870)	(201,870)
Clearing Account - 20020	Wells Fargo	126,892	-	126,892
V Warrant Account - 20060	Wells Fargo	-	(1,312,541)	(1,312,541)
Cash Security Deposit Account - 20020	Wells Fargo	80,738	-	80,738
Total Proprietary Cash in Banks		213,345	(1,514,411)	(1,301,066)
<b>Proprietary Funds Cash - Other</b>				
Unemployment Trust Fund - 20020	U.S. Dept. of Treasury	467,883,166	-	467,883,166
Total Proprietary Funds Cash - Other		467,883,166	-	467,883,166
Total Funds (Excluding Agency Fund)		482,338,664	(1,514,411)	480,824,253
<b>Trust and Agency Funds with State Treasurer</b>				
<b>(with SHARE Fund Numbers)</b>				
Wage Claim - 17800	State Treasurer	115,417	-	115,417
Total Trust & Agency Funds with State Treasurer		115,417	-	115,417
Department Total - All Funds		\$ 482,454,081	\$ (1,514,411)	\$ 480,939,670

**State of New Mexico Workforce Solutions Department**  
**Schedule 6 – Schedule of Pledged Collateral**  
**June 30, 2019**

	Wells Fargo	U.S. Department of the Treasury	State Treasurer Accounts	Total
Total Amount of Deposit	\$ 213,345	\$ 467,883,166	\$ 14,357,570	\$ 482,454,081
Less FDIC	(213,345)	-	-	(213,345)
Total Uninsured Public Money	-	467,883,166	14,357,570	482,240,736
50% Collateral Requirement	-	233,941,583	7,178,785	241,120,368
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.

**State of New Mexico Workforce Solutions Department**  
**Schedule 7 – Schedule of Changes in Fiduciary Assets and Liabilities**  
**Year Ended June 30, 2019**

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	Balance, June 30, 2018	Additions	Deletions	Balance, June 30, 2019
<b>ASSETS</b>				
Investment in State General				
Fund Investment Pool	\$ 77,216	\$ 149,842	\$ (111,641)	\$ 115,417
Total Assets	<u>\$ 77,216</u>	<u>\$ 149,842</u>	<u>\$ (111,641)</u>	<u>\$ 115,417</u>
<b>LIABILITIES</b>				
Amounts Held for Others	\$ 73,132	\$ 279,817	\$ (242,890)	\$ 110,059
Accounts Payable	4,084	149,349	(148,075)	5,358
Total Liabilities	<u>\$ 77,216</u>	<u>\$ 429,166</u>	<u>\$ (390,965)</u>	<u>\$ 115,417</u>



**State of New Mexico Workforce Solutions Department**  
**Schedule 8 – Joint Powers Agreement**  
**Year Ended June 30, 2019**

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Joint Powers Agreement	Responsible Party	Dates of Agreement		Description
		Beginning	Ending	
Agreement #17-631-5001-00064	New Mexico Department of Workforce Solutions New Mexico Taxation and Revenue Department New Mexico Workers' Compensation Administration	3/27/2017	N/A	To establish conditions, safeguards, and enforcement procedures for the identification and registration of New Mexico employers.

**State of New Mexico Workforce Solutions Department**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2019**

Federal Agency/ Pass-Through Agency	Federal CFDA Number	Amount Passed Through To Subrecipients	Federal Participating Expenditures
U.S. Department of Labor:			
Labor Force Statistics	17.002	\$ -	\$ 740,634
Unemployment Insurance	17.225	-	151,642,733
Trade Adjustment Assistance Workers	17.245	-	2,243,579
Work Opportunity Tax Credit Program	17.271	-	144,877
Temporary Labor Certification for Foreign Workers	17.273	-	134,718
Workforce Investment Act National Dislocated Workers	17.277	-	991,246
Trade Adjustment Assistance Community College and Career Training Grant Program	17.282	-	9,747
Apprenticeship USA	17.285	-	274,777
Employment Service Cluster:			
Employment Services	17.207	-	4,627,888
Disabled Veteran's Outreach Program	17.801	-	1,012,750
Local Veteran's Employment Representative Program	17.804	-	409,003
Total Employer Service Cluster		<u>-</u>	<u>6,049,641</u>
Workforce Investment Act Cluster:			
Workforce Investment Act Adult Program	17.258	8,279,675	9,163,042
Workforce Investment Act Youth Activities	17.259	6,759,370	7,453,530
Workforce Investment Act Dislocated Workers	17.278	8,853,806	11,146,972
Total Workforce Investment Cluster		<u>23,892,851</u>	<u>27,763,544</u>
Total U.S. Department of Labor		23,892,851	189,995,496
U.S. Equal Employment Opportunity Commission:			
Employment Discrimination Title VII of the Civil Rights Act of 1964	30.001	-	272,836
Total U.S. Equal Employment Opportunity Commission		<u>-</u>	<u>272,836</u>
U.S. Department of Health and Human Services			
Temporary Assistance for Needy Families	93.558	-	723,618
Total U.S. Department of Health and Human Services		<u>-</u>	<u>723,618</u>
U.S. Corporation for National and Community Service:			
State Commissions	94.003	-	204,597
AmeriCorps	94.006	1,547,657	1,789,781
Total U.S. Corporation for National and Community Service		<u>1,547,657</u>	<u>1,994,378</u>
Total Federal Awards Expended		<u>\$ 25,440,508</u>	<u>\$ 192,986,329</u>

**State of New Mexico Workforce Solutions Department**  
**Schedule of Expenditures of Federal Awards (continued)**  
**Year Ended June 30, 2019**

Federal Agency/ Pass-Through Agency	Federal CFDA Number	Amount Passed Through To Subrecipients	Federal Participating Expenditures
<b>Reconciliation to the Financial Statements</b>			
Governmental Funds - Federal Revenue			\$ 55,005,345
Proprietary Funds - Federal Revenue			4,446,480
Total Federal Revenue			<u>59,451,825</u>
Unemployment Benefit Distributions from State Trust Fund			133,534,504
Total			<u>\$ 192,986,329</u>
<b>Reconciliation of Unemployment Benefit Distributions to the Financial Statements</b>			
Unemployment Benefit Distributions from State Trust Fund			\$ 133,534,504
Unemployment Benefit Distributions from Federal Program Accounts			4,446,480
Unemployment Benefit Distributions paid to Federal Workers			14,211
Total Unemployment Benefit Distributions			<u>\$ 137,995,195</u>

**State of New Mexico Workforce Solutions Department**  
**Notes to Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2019**

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**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. The Department has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

**NON-CASH ASSISTANCE**

The Department did not receive any federal non-cash assistance during the year ended June 30, 2019.

**LOANS**

The Department does not have any loans outstanding with the Federal government as of June 30, 2019.

**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 \$137,995,195.

**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, 2019, the Department did not have any expenditures related to the Reed Act.

**EMPLOYMENT SERVICE (ES) CLUSTER – U.S. DEPARTMENT OF LABOR**

ES Cluster includes:

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

**WORKFORCE INNOVATION AND OPPORTUNITY ACT (WIOA) CLUSTER – U.S. DEPARTMENT OF LABOR**

WIOA Cluster includes:

WIOA-Adult	17.258
WIOA-Youth	17.259
WIOA-Dislocated	17.278

**State of New Mexico Workforce Solutions Department**  
**Notes to Schedule of Expenditures of Federal Awards (continued)**  
**Year Ended June 30, 2019**

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**SUBRECIPIENTS**

The Department views the following boards as subrecipients of WIOA cluster programs. The pass-through Federal support to the boards is part of the expenditures of the WIOA cluster.

1. The Northern Area Local Workforce Development Board (NALWDB/53895) is one of four regional workforce boards established in compliance with the Workforce Innovation and Opportunity Act (WIOA) of 1999 and certified by the New Mexico Governor. WIOA funds are allocated in three subparts: Adult, Dislocated Worker, and Youth. The board received the following Federal support through the Department in fiscal year 2019:

WIOA-Adult	\$1,811,097
WIOA-Youth	\$1,576,915
WIOA-Dislocated	\$665,697

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 2019:

WIOA-Adult	\$1,432,939
WIOA-Youth	\$1,311,511
WIOA-Dislocated	\$984,602

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 2019:

WIOA-Adult	\$2,895,148
WIOA-Youth	\$4,537,022
WIOA-Dislocated	\$3,013,943

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 2019:

WIOA-Adult	\$2,140,491
WIOA-Youth	\$1,428,358
WIOA-Dislocated	\$2,095,128

**State of New Mexico Workforce Solutions Department**  
**Notes to Schedule of Expenditures of Federal Awards (continued)**  
**Year Ended June 30, 2019**

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5. The subrecipients of AmeriCorps received the following Federal support through the Department in fiscal year 2019:

**ECO Servants** (9356) – ECO Servants directly engages the community through service towards a more sustainable future.

AmeriCorps Formula \$315,896

**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 \$239,944

**Mandy's Special Farm** (100735) - Mandy's Farm provides high-quality 24-hour community living services for adults with intellectual and development disabilities.

AmeriCorps Formula \$109,674

**NACA Inspired Schools Network** (130911) - The NACA Inspired Schools Network is building a movement of students, families, and educators to create excellent schools relevant to the communities they serve.

AmeriCorps Formula \$139,808

**Not Forgotten Outreach** (132713) - Not Forgotten Outreach is dedicated to motivating Active Military, Veterans and their Families, and Gold Star families of fallen heroes to participate in recreational and/or therapeutic activities in order to facilitate the healing process.

AmeriCorps Formula \$29,862

**Rio Arriba County** (54396) The mission of Rio Arriba County is that it will use its constitutional powers to provide for the safety, preserve the health, promote the prosperity and improve the morals, order, comfort and convenience of the inhabitants of Rio Arriba County.

AmeriCorps Formula \$29,929

**Roadrunner Food Bank** (115112) - The mission of the Roadrunner Food Bank is to feed every hungry person today, seed partnerships that build self-sufficiency for tomorrow, and achieve our vision of permanently ending hunger in New Mexico.

AmeriCorps Formula \$50,010

**State of New Mexico Workforce Solutions Department**  
**Notes to Schedule of Expenditures of Federal Awards (continued)**  
**Year Ended June 30, 2019**

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**Roadrunner Food Bank** (47610) - The mission of the Roadrunner Food Bank is to feed every hungry person today, seed partnerships that build self-sufficiency for tomorrow, and achieve our vision of permanently ending hunger in New Mexico.

AmeriCorps Formula \$4,127

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

AmeriCorps Formula \$579,993

**Santa Fe Botanical Garden** (128635) - The Santa Fe Botanical Garden celebrates, cultivates, and conserves the rich botanical heritage and biodiversity of our region.

AmeriCorps Formula \$6,229

**Teach for America** (57399) - The mission of Teach for America is to enlist, develop, and mobilize as many as possible of our nation's most promising future leaders to grow and strengthen the movement for educational equity and excellence.

AmeriCorps Formula \$42,185

## **Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

Mr. Bill McCamley, Cabinet Secretary  
New Mexico Workforce Solutions Department  
Mr. Brian S. Colón, Esq.  
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 comparison of the general fund of New Mexico Workforce Solutions Department (the Department), a department of the State of New Mexico, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements, and have issued our report thereon dated October 30, 2019.

### **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.

*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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



## **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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that are required to be reported per Section 12-6-5 NMSA 1978, that we have described in the Section 12-6-5 NMSA 1978 schedule of findings and questioned costs, as items 2019-001, 2019-002, 2019-003, 2019-004, and 2019-005.

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

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

## **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.

*Mess Adams LLP*

Albuquerque, New Mexico  
October 30, 2019

## **Report of Independent Auditors on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

Mr. Bill McCamley, Cabinet Secretary  
New Mexico Workforce Solutions Department  
Mr. Brian S. Colón, Esq.  
New Mexico State Auditor

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

We have audited New Mexico Workforce Solutions Department (the Department), a department of the State of New Mexico, compliance with the types of compliance requirements described in the *OMB 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, 2019. The Department's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

#### ***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

#### ***Auditor's 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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, 2019.

### **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 the Uniform Guidance, 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 a 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Mess Adams LLP*

Albuquerque, New Mexico  
October 30, 2019

**State of New Mexico Workforce Solutions Department**  
**Schedule of Findings and Questioned Costs**  
**June 30, 2019**

**Section I - Summary of Auditor's Results**

**Financial Statements**

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?  Yes  No
- Significant deficiency(ies) identified?  Yes  None reported

Noncompliance material to financial statements noted?  Yes  No

**Federal Awards**

Internal control over major federal programs:

- Material weakness(es) identified?  Yes  No
- Significant deficiency(ies) identified?  Yes  None reported

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?  Yes  No

Identification of major federal programs and type of auditor's report issued on compliance for major federal programs:

<i>CFDA Numbers</i>	<i>Name of Federal Program or Cluster</i>	<i>Type of Auditor's Report Issued on Compliance for Major Federal Programs</i>
17.225	Unemployment Insurance	Unmodified
17..277	Workforce Investment Act National Dislocated Workers	Unmodified

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

Auditee qualified as low-risk auditee?  Yes  No

**State of New Mexico Workforce Solutions Department**  
**Schedule of Findings and Questioned Costs (continued)**  
**June 30, 2019**

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**Section II - Financial Statement Findings**

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No matters were reported.

**State of New Mexico Workforce Solutions Department**  
**Schedule of Findings and Questioned Costs (continued)**  
**June 30, 2019**

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**Section III - Federal Award Findings and Questioned Costs**

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No matters reported.

**State of New Mexico Workforce Solutions Department**  
**Schedule of Findings and Questioned Costs (continued)**  
**June 30, 2019**

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**Section IV – Other Findings as Required by Section 12-6-5 NMSA 1978**

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**Finding 2019-001 – Procurement Cards (Other Non-Compliance)**

**Condition:** During our test work over procurement cards we noted one instance where a purchase was made on January 14, 2019 prior to approval by the Grant Analyst, Budget Analyst, and Budget Bureau on January 15, 2019. We also noted internal purchase requisition was not approved until February 15, 2019.

**Criteria:** Per review of the Department's procurement card policy we noted that approval of the internal purchase requisitions and approval from the Grant Analyst, Budget Analyst, and Budget Bureau shall be obtained prior to purchase.

**Effect:** The Department is not in compliance with their procurement card policy.

**Cause:** Oversight of Department personnel with respect to Procurement Card requirements resulted in the lack of compliance with Department Policy.

**Recommendation:** The Department should ensure their established control system is operating effectively in order to ensure all procurement card purchases comply with the established policy.

**Current Status/Plan of Action:** Management agrees with this finding. With the change in administration new leadership has implemented the following regarding Procurement for the Department.

- The Secretary of the Department discussed with the Executive Management team the importance of ensuring a procurement vehicle is executed prior to spending taxpayer money.
- The Chief Financial Officer requires every employee who is responsible for submitting procurement requests to attend annual training on procurement conducted by the General Services Department.
- The Chief Procurement Officer conducts, at a minimum, semi-annual training for each employee responsible for submitting procurement requests.
- The Chief Procurement Officer conducts one-on-one meetings with employees who are responsible for submitting procurement requests based on their individual training needs.

These changes have been implemented prior to submission of this report.

**Responsible Person:** Chief Financial Officer and Chief Procurement Officer

**State of New Mexico Workforce Solutions Department**  
**Schedule of Findings and Questioned Costs (continued)**  
**June 30, 2019**

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**Section IV – Other Findings as Required by Section 12-6-5 NMSA 1978**

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**Finding 2019-002 – Procurement (Other Non-Compliance)**

**Condition:** During our test work over procurement we noted the following:

- The Department hired and paid Melanie Arthur Consulting \$9,200 to speak at conference but did not have a professional services contract in place with this vendor.
- On June 26, 2019 the Department posted a Request for Proposal (RFP) for an Economic Stability Program for Low Income Families, however, the Chief Procurement Officer did not submit the scope of work for determination to the General Services Department (GSD) prior to issuing the RFP as he was unaware that RFPs for general services must be processed thru GSD.

**Criteria:** 1) Under Section 2.40.2 NMAC any procurement for professional services in an amount exceeding \$5,000 must encompass a professional services agreement executed by all parties. 2) Under the New Mexico Procurement Code Section 13-1-102 NMSA 1978, competitive sealed bids are required for all procurements unless the Code allows for specific exception. The Department did not employ the Invitation to Bid (ITB) process for this procurement, nor was any exception to this section of the Code cited to allow for this contravention of the proper procurement process. As a request for proposals (RFP) for general services may only be employed with the permission of the State Purchasing Agent (SPA) which was not sought nor obtained in this situation. Further all such procurement (ITB or RFP for general services) must be processed through the State Purchasing Department.

**Effect:** The Department is not in compliance with the New Mexico Procurement Code.

**Cause:** Oversight of procurement personnel with respect to procurement requirements resulted in the lack of compliance with the procurement code.

**Recommendation:** The Department should ensure their established control system is operating effectively in order to ensure all procurements are in accordance with the New Mexico Procurement Code.

**Current Status/Plan of Action:** Management agrees with this finding. With the change in administration new leadership has implemented the following regarding Procurement for the Department.

- The Chief Financial Officer implemented a new process effective October 1, 2019 whereby the Chief Procurement will submit all scopes of work to the General Services Department prior to issuing an RFP or developing a contract.
- A project plan was submitted to the Workforce Technology Division to automate the RFP and contracting process within the Department to alleviate future procurement violations.
- The Chief Financial Officer and the Chief Procurement Officer attended the General Services Department procurement training.

These changes have been implemented prior to submission of this report.

**Responsible Person:** Chief Financial Officer and Chief Procurement Officer



**State of New Mexico Workforce Solutions Department**  
**Schedule of Findings and Questioned Costs (continued)**  
**June 30, 2019**

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**Section IV – Other Findings as Required by Section 12-6-5 NMSA 1978**

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**Finding 2019-003 – Public Money Act (Other Non-Compliance)**

**Condition:** During our test work over cash management we noted that department did not have a system in place to substantiate that payments received by the Department were deposited within 24 hours.

**Criteria:** The Department is required to comply with the requirements set forth in the New Mexico Public Money Act in Sections 6-10-1 to 6-10-63 NMSA 1978.

**Effect:** The Department is not in compliance with the New Mexico Public Money Act.

**Cause:** Lack of policies and procedures surrounding the New Mexico Public Money Act may have contributed to this finding.

**Recommendation:** The department should establish policies and procedures to ensure compliance with the New Mexico Public Money Act.

**Current Status/Plan of Action:** Management agrees with this finding. The Chief Financial Officer with assistance from the Division listed below will review current business practices and if needed implement a new process to ensure compliance with statute. These changes have been implemented prior to submission of this report.

**Responsible Person:** Mailroom, Employment Services Division, Unemployment Insurance Division, Labor Relations Division, Administrative Services Division, and Legal

**State of New Mexico Workforce Solutions Department  
Schedule of Findings and Questioned Costs (continued)  
June 30, 2019**

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**Section IV – Other Findings as Required by Section 12-6-5 NMSA 1978**

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**Finding 2019-004 – Unclaimed Property (Other Non-Compliance)**

**Condition:** We noted during discussion with the Department's management that there are no processes or procedures in place for unclaimed property related to taxes.

**Criteria:** The Department is required to comply with the requirements set forth in the Uniform Unclaimed Property Act in Sections 7-8A-1 to 7-8A-31 NMSA 1978.

**Effect:** The Department is not in compliance with the Uniform Unclaimed Property Act.

**Cause:** Lack of policies and procedures surrounding the Uniform Unclaimed Property Act may have contributed to this finding.

**Recommendation:** The department should establish policies and procedures to ensure compliance with the Uniform Unclaimed Property Act.

**Current Status/Plan of Action:** Management agrees with this finding. The Financial Accounting and Reporting Manager with assistance from the Business Analyst will review current business practices and implement a new process to ensure compliance with statute.

- An Unearned Revenue Report has been created for the claims uFACTS data.
- The Unearned Revenue Report will be used to identify claimants that have outstanding benefits or recoupments of overpayments that should be released.
- A business plan proposal will be submitted to the Project Portfolio Management Committee for evaluation and prioritization of IT projects.
- The claims unclaimed property submission procedures should mirror the tax unclaimed property submission.

These new processes will be implemented prior to June 30, 2020.

**Responsible Person:** Financial Accounting and Reporting Manager, Unemployment Insurance Director and Chief Information Officer

**State of New Mexico Workforce Solutions Department**  
**Schedule of Findings and Questioned Costs (continued)**  
**June 30, 2019**

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**Section IV – Other Findings as Required by Section 12-6-5 NMSA 1978**

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**Finding 2019-005 – Model Accounting Process (Other Non-Compliance)**

**Condition:** We noted during the year that the Department had multiple after the fact memos for not following the Manual of Model Accounting Practices set forth by the New Mexico Department of Finance and Administration.

**Criteria:** Section 6-5-2, NMSA 1978, as amended, requires the division to maintain a central system of state accounts and to devise, formulate, approve and control and set standards for the accounting methods and procedures of all state agencies. Section 6-5-2 NMSA 1978, as amended, requires the division prescribe procedures, policies and processing documents for use by state agencies in connection with fiscal matters and may require reports from state agencies as may be necessary to carry out its duties and functions. Section 9-6-5 (E) NMSA 1978, as amended, authorizes the secretary of the department to make and adopt such reasonable and procedural rules and regulations as may be necessary to carry out the duties of the department and its divisions.

**Effect:** The Department is not in compliance with the Manual of Model Accounting Practices set forth by the New Mexico Department of Finance and Administration.

**Cause:** Oversight of Department personnel with respect to the Manual of Model Accounting Practices requirements resulted in the lack of compliance set forth by the New Mexico Department of Finance and Administration.

**Recommendation:** The Department should ensure their established control system is operating effectively in order to ensure the Department complies with the Manual of Model Accounting Practices.

**Current Status/Plan of Action:** Management agrees with this finding. With the change in administration new leadership has implemented the following regarding Procurement for the Department.

- The Secretary of the Department discussed with the Executive Management team the importance of ensuring a procurement vehicle is executed prior to spending taxpayer money.
- The Chief Financial Officer requires every employee who is responsible for submitting procurement requests to attend annual training on procurement conducted by the General Services Department.
- As most of the after the fact memos were relating to building repairs and maintenance, the Chief Financial Officer requested that a procurement vehicle be utilized as a precaution for all possible repairs prior to the occurrence. Requestors were encouraged to plan and submit a purchase order in advance.
- For fiscal year 2020, only one after-the-fact memo has been submitted by the Department which is down from approximately 40 for the last half of fiscal year 2019.

**Responsible Person:** Chief Financial Officer, Chief Procurement Officer, and Program Requestors

**State of New Mexico Workforce Solutions Department**  
**Summary Schedule of Prior Year Audit Findings**  
**June 30, 2019**

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**FINDING 2018-001 – (Original Finding 2014-002) UI Financial Reporting and Accounting (Significant Deficiency) – RESOLVED**

***Condition:***

During 2013, the Department implemented a new UI Tax and Claims System (uFACTS), a significant upgrade to the legacy systems previously used by the Department for calculating employer taxes and processing unemployment claims. Since the Department implemented the uFACTS system, the Department continues to test the various transaction processing of the system and, as a result, has identified system deficiencies, which the Department continues to address. The Department has implemented procedures to reconcile activity and balances of the UI fund as reported in SHARE on a monthly basis, but still lacks adequate procedures to ensure all balances are reconciled properly. As a result, certain audit and client identified adjustments were required as of June 30, 2018 relating to employer taxes receivable, claim overpayments receivable, and the estimate of the collectability of those receivables. However, we note that significant improvements have been made to the Department's reporting procedures.

**Finding 2018-002 (Original Finding 2017-001) Reporting (Other Matter in Internal Controls over Compliance, Non-Compliance) – RESOLVED**

Federal Agency – Department of Labor

Federal Program –

17.225 – Unemployment Insurance

Award Number/Award Year –

UI-31308-18-55-A-35 – 2018

UI-29858-17-55-A-35 – 2017

***Condition/Context:***

The required quarterly Trade Act Participant Reports were filed during the year but the Department identified an issue with missing Unemployment Insurance data elements for Trade Readjustment Allowance (TRA) participants. The Department submitted a service ticket with their IT system vendor to improve the data import capabilities for TRA data from their Unemployment Insurance application and is working with the trade program specialist at the United States Department of Labor (USDOL) to ensure that reports are submitted accurately and timely in fiscal year 2019.

**State of New Mexico Workforce Solutions Department**  
**Summary Schedule of Prior Year Audit Findings (continued)**  
**June 30, 2019**

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**Finding 2018-003 (Original Finding 2017-004) – Subrecipient Monitoring (Significant Deficiency in Internal Controls over Compliance, Non-Compliance) – RESOLVED**

Federal Agency – Department of Labor

Federal Program –

CFDA 17.258, 17.278, & 17.259 – Workforce Innovation and Opportunity Act

CFDA 17.207 – Wagner-Peyser Act

***Condition/Context:***

The Department did not perform monitoring for two of the four local boards at the time of the audit. 2 CFR 683.410(a) provides that each recipient and subrecipient of funds under title I of WIOA and under the Wagner-Peyser Act must conduct regular oversight and monitoring of its WIOA and Wagner-Peyser Act program(s) and those of its subrecipients and contractors as required under title I of WIOA and the Wagner-Peyser Act, as well as under 2 CFR part 200, including 2 CFR 200.327, 200.328, 200.330, 200.331, and Department exceptions at 2 CFR part 2900.

# **State of New Mexico Workforce Solutions Department**

## **Exit Conference**

### **June 30, 2019**

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The State of New Mexico Workforce Solutions Department staff prepared the Management's Discussion and Analysis, financial statements, notes to the financial statements, supplementary information and schedules for the fiscal year ended June 30, 2019.

The contents of this report were discussed during an exit conference with the Department on October 25, 2019. 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 New Mexico State Auditor. In attendance were:

#### **STATE OF NEW MEXICO WORKFORCE SOLUTIONS DEPARTMENT**

Bill McCamley, Cabinet Secretary

Sue Anne Athens, Chief Information Officer

Sara Brownstein, Administrative Services Division Director and Chief Financial Officer

Audrey Beck, Financial Accounting and Reporting Director

David Roybal, Grants and Budget Director

#### **MOSS ADAMS LLP**

Kory Hoggan, Partner

Michael McGinley, Assurance Manager