



REPORT OF INDEPENDENT AUDITORS
AND FINANCIAL STATEMENTS

**WORKFORCE CONNECTION
OF CENTRAL NEW MEXICO**

June 30, 2020



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WORKFORCE CONNECTION OF CENTRAL NEW MEXICO

Official Roster

June 30, 2020

| <u>Directors</u> | <u>Position</u> |
|----------------------|-----------------|
| Debbie Ortiz | Chair |
| Jerry Schalow | Chair-Elect |
| Diane Saya | Treasurer |
| Marvis Aragon | Board Member |
| Odes Armijo – Caster | Board Member |
| Beth Barela | Board Member |
| Celina Bussey | Board Member |
| Doug Calderwood | Board Member |
| Theresa Carson | Board Member |
| Herb Crosby | Board Member |
| Reyes Gonzales | Board Member |
| Marni Goodrich | Board Member |
| Tracy Lynn Hartzler | Board Member |
| Victoria Hernandez | Board Member |
| Michael Herrick | Board Member |
| Richard Holcomb | Board Member |
| Honorable Greg Hull | Board Member |
| Hank Humiston | Board Member |
| Krista Kelley | Board Member |
| Joe LiRosi | Board Member |
| Valarie Lopez | Board Member |
| Doug Majweski | Board Member |
| Vaadra Martinez | Board Member |
| John Mierzwa | Board Member |
| Ralph Mims | Board Member |
| Laura Musselwhite | Board Member |
| Nora Nixon | Board Member |
| Stacey Sacco | Board Member |
| Melodee Saiz | Board Member |
| James Salas | Board Member |
| Waldy Salazar | Board Member |
| Leslie Sanchez | Board Member |
| Raymond Trujillo | Board Member |
| Carolyn VanderGiesen | Board Member |
| Bob Walton | Board Member |
| Isaac Zamora | Board Member |

Report of Independent Auditors

Board of Directors
Workforce Connection of Central New Mexico
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 general fund, and the general fund budgetary comparison for Workforce Connection of Central New Mexico (WCCNM) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise WCCNM'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 and the general fund of WCCNM as of June 30, 2020, and the respective changes in financial position and respective budgetary comparisons for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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 WCCNM'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 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards is 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 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 November 30, 2020 on our consideration of WCCNM'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 WCCNM'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 WCCNM's internal control over financial reporting and compliance.

Mess Adams LLP

Albuquerque, New Mexico
November 30, 2020

Workforce Connection of Central New Mexico Management's Discussion and Analysis Year Ended June 30, 2020

The management's discussion and analysis for Workforce Connection of Central New Mexico (WCCNM) provides an overview of WCCNM's mission and function, recent program opportunities, and a brief discussion of the basic financial statements and the significant differences in information they provide. As presented throughout the financial statements, there are references to both PY and FY. The references to PY mean the Program Year, which is the State fiscal year with a June 30 year-end. The references to FY indicate the Federal year from October 1 through September 30.

WCCNM'S Mission and Function

WCCNM is the local Workforce Development Board in the four-county region of central New Mexico (which includes Bernalillo, Sandoval, Torrance and Valencia Counties). WCCNM was established July 1, 2000, under the authority of the New Mexico Workforce Development Act [Chapter 50, Article 14 NMSA 1978] and the federal Workforce Investment Act of 1998 and now the 2014 reauthorized Workforce Innovation and Opportunity Act (WIOA). The local Workforce Development Boards in New Mexico are governmental entities, and therefore are placed under greater scrutiny than non- governmental workforce boards in other states.

WCCNM coordinates regional training efforts under the WIOA to assure the availability of high-quality training opportunities that will assist qualifying workers with developing marketable skills and provide employers with well-trained workers. Training opportunities are offered at postsecondary and other educational institutions. The WCCNM also partners with local businesses to provide on-the-job training, customized/incumbent trainings and internships.

The major goal of WCCNM is to establish a business-driven integrated employment and training system that meets employer and job seeker needs in central New Mexico. This is accomplished by maintaining a Business and Career Center system to guide qualifying customers to employment and training opportunities, supporting a Youth Standing Committee to oversee a provider system that assists young people in the region in completing their education and achieving initial work experience competencies, and devising means to better meet the workforce needs of area employers.

The vision of the WCCNM is an integrated employment and training system that increases employment, job retention, occupational skills and earnings of the area's workforce; reduces welfare dependency; enhances productivity and competitiveness of area business and industry; and encourages lifelong learning for worker preparation and development. The WCCNM Board continues with its service strategy, which is to develop and implement strategies for Board-selected priority industries at different tier levels of select businesses and following through with service requests from and service delivery for priority industries and businesses in priority industries.

Workforce Connection of Central New Mexico Management's Discussion and Analysis Year Ended June 30, 2020

There is a Business and Career Center located in each of WCCNM's four counties. For each Business and Career Center location, the WCCNM has developed and maintains a business strategy.

WCCNM's role and responsibilities include developing the four-year local Workforce Development Plan; selecting the Administrative Entity/Fiscal Agent, Operator, Adult/Dislocated Worker Service Provider, and Youth Services Provider; overseeing program monitoring; and developing the budget for implementing the WIOA program within central New Mexico. There are mandates that all WIOA required partners (whether co-located or not) contribute to the Business and Career Centers.

Recent Program Opportunities

Workforce Innovation and Opportunity Act: WCCNM is the local board responsible for administering the federal WIOA program in central New Mexico. WIOA funding provided to the WCCNM board during PY19/FY20 included Adult Dislocated Worker, Youth and Administrative funds. In PY19, WCCNM, contracted with SER Jobs for Progress to serve as the Adult Dislocated Worker Services Provider and Youth Development, Inc. (YDI) to serve as the Youth Services Provider and Mid-Region Council of Governments (MRCOG) for Administrative Entity / Fiscal Agent and Business Career Center Operator.

U.S. Department of Labor TechHire Grant: For WCCNM's PY16 year, WCCNM applied for and was granted an additional \$4,000,000 (originally to be expended within four years) to serve our state for establishing training curriculum and job skill developments needed to fill a void in U.S. Labor markets. According to U.S. employers, there is a void regarding information technology (IT) specialists who can meet the demands of employers thus IT jobs have been outsourced to other countries for personnel skills not obtainable in the U.S. This grant was effective July 1, 2016 and the \$4,000,000 is for four years, with an extension through December 31, 2020.

New Mandates for Business and Career Centers Partners: A mandated component for WCCNM is to establish a financial plan and operating budget, including terms and conditions, to fund the services and operating costs of the WCCNM's American Job Center network. The goal of the operating budget is to develop a funding mechanism that:

- Establishes and maintains the local workforce delivery system at a level that meets the needs of the job seekers and businesses in the local area;
- Reduces duplication and maximizes program impact through the sharing of services, resources, and technologies among Partners (thereby improving each program's effectiveness);
- Reduces overhead costs for any one partner by streamlining and sharing financial, procurement, and facility costs; and

Workforce Connection of Central New Mexico Management's Discussion and Analysis Year Ended June 30, 2020

- Ensures that costs are appropriately shared by WCCNM's American Job Center Partners by determining contributions based on the proportionate use of the one-stop centers and relative benefits received. This requires that all funds are spent solely for allowable purposes in a manner consistent with the applicable authorizing statutes and all other applicable legal requirements, including the Uniform Guidance.

WCCNM's Partners consider the one-stop operating budget the master budget that is necessary to maintain the WCCNM's American Job Center network. It includes the following cost categories, as required by WIOA and its implementing regulations:

- Infrastructure costs (also separately outlined in the Infrastructure Funding Agreement,
- Career services, and
- Shared services.

All costs must be allocated according to Partners' proportionate use and relative benefits received and reconciled on a quarterly basis against actual costs incurred and adjusted accordingly. The one-stop operating budget is expected to be transparent and negotiated among Partners on an equitable basis to ensure costs are shared appropriately. All Partners must negotiate in good faith and seek to establish outcomes that are reasonable and fair.

Financial Highlights

The WCCNM's PY19 allocation of WIOA funds was \$10,634,255 of Adult, Dislocated Worker, Youth, and Administrative funds was \$939,589 (10%) higher compared to the PY18 allocation of \$9,694,666. Specifically, Adult funds decreased by \$35,723, Dislocated Worker funds increased by \$649,573, Youth funds increased by \$243,362 and Administrative funds increased by \$82,377. Additionally, WCCNM elected to transfer an allowable 60% \$2,597,757 from the Dislocated Worker funding stream to the Adult funding stream to meet service needs.

Formula grants have a two-year life. Carry-in funds are unspent or unforfeited funds from the previous year. The PY19 budget consisted of carry-in funds of \$1,014,318, the PY19 allocation of \$10,634,255, the U.S. DOL direct TechHire 4th year grant of \$1,715,170, Two New Mexico Department of Workforce Solutions (NMDWS) projects of Graduate ABQ \$122,590 and Apprenticeship of \$150,000 along the retained PY07's \$300,000 Sale of Lease in fund balance and Non-Federal Ticket to Work Revenue of \$61,525, totaling \$13,997,858.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the WCCNM's basic financial statements. The WCCNM's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Workforce Connection of Central New Mexico Management's Discussion and Analysis Year Ended June 30, 2020

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the WCCNM's finances, in a manner similar to a private-sector business. The statement of net position presents information on all of the WCCNM's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the WCCNM is improving or deteriorating. The statement of activities presents information showing how the WCCNM's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods, such as depreciation expense. All of WCCNM's activities are reported under governmental-type activities and there are no component units.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The WCCNM, like other state and local governments, used fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The WCCNM's general fund is a governmental fund. Governmental fund financial statements focus on near-term inflow and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Governmental Activities

Program revenues for the year ended June 30, 2020 (PY19) consisted almost entirely of federal revenues that were reimbursements to the WCCNM for administering the WIOA program.

Revenues received during PY19 were \$10,648,104 compared to revenues of the previous PY18 year of \$11,305,414, a \$657,310 decrease in activities of 5.8%.

**Workforce Connection of Central New Mexico
Management's Discussion and Analysis
Year Ended June 30, 2020**

Table 1 presents the changes in the WCCNM's employment services activities compared to last year.

| | 2020 | 2019 |
|--------------------------------------------|----------------------|----------------------|
| Core services | \$ 2,399,528 | \$ 2,180,258 |
| Intensive services - career center expense | 5,550 | 1,940 |
| Training services | 4,716,547 | 5,441,397 |
| Youth services | 780,810 | 1,534,843 |
| Supportive services | 206,564 | 259,234 |
| Administration | 1,019,175 | 833,477 |
| NM TechHire H-1B | 1,519,927 | 1,054,265 |
| Other SS ticket to work | 8,229 | 13,052 |
| | <u>\$ 10,656,330</u> | <u>\$ 11,318,466</u> |

Overall, WIOA expenses decreased by \$662,136 as result of decreased spending of youth monies and Adult and Disabled Worker training, and an increase in U.S. DOL TechHire grant activities in the fourth year.

Budgetary Highlights

WCCNM's initial budget and all budgetary revisions are approved by the WCCNM Board. In addition, WCCNM Board Policy WFCP-14-04 gives the Administrative Entity/Fiscal Agent the authority to move up to 25% of funds between program categories within funding streams, with the additional allowability to transfer up to 100% between Adult and Dislocated Worker funds based on an approval from NMDWS.

The PY19 approved total operating budget of \$13,997,858 decreased by \$396,366 or 2.7% compared to PY18's \$14,394,224. This net \$396,366 decrease includes \$939,590 additional WIOA funding, plus two new additional NMDWS Projects - Graduate ABQ \$122,590 and the Apprenticeship \$150,000 and finally Social Security's Ticket to Work revenue gain in PY18 of \$1,513, but retained less carry in for PY19 of \$555,795, a reduction of the new U.S. DOL TechHire grant of the portion prior year PY18 spent of \$1,054,264. Ticket to Work monies are non-Federal dollars but included in the WCCNM's total budget.

WCCNM's WIOA formula portion of the PY19 operating budget without the two NMDWS Projects was expended at \$8,995,977 of the available \$11,648,573 (This is part of the \$13,997,858 total budget), or approximately 77% of WIOA available budget; whereas in the previous year, 2019, approximately 91% of budget was spent. Unspent carry-in funds are required to sustain an even flow of availability while traversing program years. Uncertain variables exist associated with certain customers between July 1, beginning of PY and October 1, when federal dollars are accessible. The PY19 difference between WIOA budget and actual expenses was \$2,652,596, which becomes the actual carry-in funds for PY20. No WIOA monies were forfeited.

Workforce Connection of Central New Mexico Management's Discussion and Analysis Year Ended June 30, 2020

In PY19, U.S. DOL TechHire 4-year grant was expended at approximately 89%, \$1,519,927 of the remaining \$1,715,170 available at beginning of year. As of June 30, 2020, cumulative TechHire grant expenditures totaled \$3,804,756 or 95% of the 4 year \$4,000,000 leaving \$195,244 in place for the final half year of PY20 with the six-month extension.

Main reasons for the PY19 carryover funds to be placed into PY20:

- Unspent administrative monies totaled \$428,921 because the WCCNM Board did not utilize the carved-out administrative funds set aside for any desired Contracted Services. Further, legal expenses were minimal, and a large amount of Business and Career Center improvements money budgeted for administration were not needed.
- The Adult and Dislocated Worker carry-in of \$1,310,600 was due in part to requests made by Administrative Entities for the service provider to assist in budget traversing into the new year. Even so \$69,500 of this is spoken for in the On the Job Training (OJT) trainings contracts which cross years and is to be paid in PY20. Fortunately, the Adult and Disabled Worker client services provider had served and spent most of their operating budget monies prior to March 2020 when the COVID-19 pandemic impacted services practically shutting down future new service activities up through June 30, 2020.
- The Youth carry-in of \$913,076 was due to service provider staff manager turnover and vacancies in their staffing thus the lower amounts of their service contract billed and COVID-19 shut down all youth Work Experience employers thus putting a halt to our largest youth activity work experience training.
- MRCOG staff monitor the grant balances by customer types to ensure leaving enough funding to cover the transition period from July 1 to October 1, the new federal fiscal year. It is prudent for the WCCNM to ensure that carryover monies are available to ensure businesses and job seekers will still continually be served in the first quarter of the program year, and priority of service is always active under WIOA.
- Central New Mexico allocation (WCCNM's formula allocation) is based on the State's demographics of our counties, business needs, prior year utilization of grant monies and other State determined factors. This formula allocation also means that large amounts of dislocated worker funds may be available for WCCNM to transfer into the adult fund or for carryover into the new program year.
- WCCNM's grant defines the term of time as two years knowing that there are delays in setting up the state of New Mexico purchasing orders each year and the fact that the larger portion of the monies is with the Federal Year (FY) or the bulk of Federal monies are accessible October 1st each year rather than the Program Year (PY) State monies that are accessible in theory with the start of the new year, July 1, 2020.

Total Assets

Total assets as of June 30, 2020 were \$1,110,939. These total assets consisted of cash (\$600,310), receivables (\$363,626) and net capital assets (\$147,003). The WCCNM's change in assets for PY19 was a 14.2% decrease of \$184,090. The decrease was due to cash decreasing \$258,696, an increase in net capital assets of \$29,729, and an increase in receivables of \$44,878. Changes in cash and accounts receivable were simply the result of the timing of receiving June's draw requests.

Workforce Connection of Central New Mexico Management's Discussion and Analysis Year Ended June 30, 2020

Net Position

During the year ended June 30, 2020, WCCNM's net position increased by \$23,411 due to a \$29,732 increase in net capital assets and a \$6,321 decrease for Ticket to Work, resulting in an ending net position of \$497,710 as of June 30, 2020.

Fund Balance

WCCNM's unassigned governmental fund balance at June 30, 2019 was \$357,025. The current year increase of \$6,318, which was primarily due to Ticket to Work. Ending balance at June 30, 2020 totaled \$350,707. The WCCNM had no restricted funds at any time during the year.

Capital Assets

Capital assets consist primarily of office equipment (furniture, servers, software licenses, telephone & copiers). Depreciation expense of \$53,497 was recorded during the year ended June 30, 2020. Capital assets purchased in PY19 totaled \$83,226.

Total Liabilities

WCCNM's total liabilities as of June 30, 2020 amounted to \$613,229 and consisted of accounts payable only. The WCCNM had no debt, either current or long-term, at June 30, 2020, or at any time during the year.

Currently Known Facts, Conditions and Decisions

The following are currently known facts, conditions and decisions for the year ended June 30, 2020:

- The 2021 year or PY20 funding level is \$9,836,490 versus the 2020 year's \$10,295,912 formula-funded levels. Actual carry-in of 2020 PY19 unspent or forfeited monies into PY20 were \$2,652,596 reported in the initial budget, versus the preliminary estimate of \$2,665,000. The difference of \$12,404 was primarily unspent contracted monies that the WCCNM's three service providers did not incur.
- A new building lease in Sandoval County was entered into for a location at 4061 Ridge Rock Rd, Rio Rancho, NM 87124. The move is intended to provide additional office space and better locate services to our customer base.
- WCCNM received a National Emergency Dislocated Worker Grant. This is two-year funding grant that is to be utilized to promote career pathways within the IT industry for those that have been dislocated from their prior employment and for support of ex-offenders that are currently unemployed that require work experience. This \$1.1 million grant will provide training opportunities for short-term stackable credentials for IT related occupations. The primary training partner for this initiative is CNM Ingenuity.

Workforce Connection of Central New Mexico Management's Discussion and Analysis Year Ended June 30, 2020

- The COVID-19 pandemic required a shutdown of the Workforce Connection Offices for in-person services beginning in April 2020. Therefore, the workforce system immediately pivoted to provide virtual services. To accommodate this activity, the WCCNM made significant investments in infrastructure to include a cloud based telephone and virtual meeting systems, and continued development in a web based system for both employer and participants.

Request for Information

This financial report is designed to provide a general overview of the WCCNM's finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to Executive Director, Workforce Connection of Central New Mexico, 809 Copper Avenue NW, Albuquerque, NM 87102.

Workforce Connection of Central New Mexico Statement of Net Position

| | June 30, 2020 |
|------------------------------------|---------------------|
| ASSETS | |
| Current assets | |
| Cash and cash equivalents | \$ 600,310 |
| Accounts receivable | 240,470 |
| Grants receivable | 123,156 |
| Total current assets | <u>963,936</u> |
| Noncurrent assets | |
| Capital assets, net | <u>147,003</u> |
| TOTAL ASSETS | <u>\$ 1,110,939</u> |
| LIABILITIES | |
| Current liabilities | |
| Accounts payable | <u>\$ 613,229</u> |
| NET POSITION | |
| Net investment in capital assets | 147,003 |
| Unrestricted | 350,707 |
| Total net position | <u>497,710</u> |
| TOTAL LIABILITIES AND NET POSITION | <u>\$ 1,110,939</u> |

Workforce Connection of Central New Mexico
Statement of Activities

| | Year Ended June 30, 2020 | | |
|-------------------------------|--------------------------|-----------------------------------------------------|----------------------------------------------------------------------------------------------|
| | Expenses | Program Operating Grants and Contributions | Net Revenue (Expense) and Changes in Net Position for Governmental Activities |
| FUNCTIONS/PROGRAMS | | | |
| Employment services | | | |
| WIOA program | \$ 9,098,445 | \$ 9,128,177 | \$ 29,732 |
| H-1B job training grant | 1,519,927 | 1,519,927 | - |
| Other | 8,229 | 1,908 | (6,321) |
| | \$ 10,626,601 | \$ 10,650,012 | |
| CHANGE IN NET POSITION | | | 23,411 |
| NET POSITION | | | |
| Beginning of year | | | 474,299 |
| End of year | | | \$ 497,710 |

**Workforce Connection of Central New Mexico
Balance Sheet – General Fund**

| | June 30, 2020 |
|------------------------------------------------------------------------------------------------------------------------------------------------|------------------|
| ASSETS | |
| Cash and cash equivalents | \$ 600,310 |
| Accounts receivable | 240,470 |
| Grant receivable | 123,156 |
| | <hr/> |
| TOTAL ASSETS | \$ 963,936 |
| | <hr/> <hr/> |
| LIABILITIES | |
| Accounts payable | \$ 613,229 |
| | |
| FUND BALANCE | |
| Unassigned | 350,707 |
| | <hr/> |
| TOTAL LIABILITIES AND FUND BALANCE | \$ 963,936 |
| | <hr/> <hr/> |
| RECONCILIATION | |
| Fund balance | \$ 350,707 |
| Amount reported for governmental activities in the statement of net position is difference because: | |
| Net capital assets used in governmental activities are not financial resources, and therefore, are not reported in the governmental fund | 147,003 |
| | <hr/> |
| NET POSITION OF GOVERNMENTAL ACTIVITIES | \$ 497,710 |
| | <hr/> <hr/> |

Workforce Connection of Central New Mexico
Statement of Revenues, Expenditures, and Changes in Fund Balance –
General Fund

| | <u>Year Ended June 30, 2020</u> |
|---------------------------------------------------------------------------------------------------|-------------------------------------|
| REVENUES | |
| Intergovernmental - federal | \$ 10,648,104 |
| Other | <u>1,908</u> |
| Total revenues | <u>10,650,012</u> |
| EXPENDITURES | |
| Current - employment services | |
| WIOA program | |
| Adult | 4,446,463 |
| Dislocated worker | 1,771,377 |
| Youth | 1,891,163 |
| Administration | 1,019,174 |
| H-1B job training grant | 1,519,927 |
| Other | <u>8,229</u> |
| Total expenditures | <u>10,656,333</u> |
| CHANGE IN FUND BALANCE | (6,321) |
| FUND BALANCE | |
| Beginning of year | <u>357,025</u> |
| End of year | <u>\$ 350,704</u> |
| RECONCILIATION | |
| Change in fund balance | \$ (6,321) |
| Amount reported for governmental activities in the statement of activities are different because: | |
| Purchase of capital assets | 83,226 |
| Depreciation expense in the statement of activities | <u>(53,497)</u> |
| CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES | <u>\$ 23,408</u> |

Workforce Connection of Central New Mexico
Statement of Revenues, Expenditures, and Changes in Fund Balance –
Budget and Actual – General Fund

| | Year Ended June 30, 2020 | | | Variance Favorable (Unfavorable) |
|--------------------------------------------------------------|--------------------------|-----------------|---------------|----------------------------------------|
| | Original Budget | Final Budget | Actual | |
| REVENUES | | | | |
| Intergovernmental - federal | \$13,278,195 | \$13,636,333 | \$ 10,648,104 | \$ (2,988,229) |
| Other | 361,525 | 361,525 | 1,908 | (359,617) |
| Total revenues | 13,639,720 | 13,997,858 | 10,650,012 | (3,347,846) |
| EXPENDITURES | | | | |
| Current - employment services | | | | |
| WIOA program | | | | |
| Adult | 5,237,739 | 5,436,699 | 4,446,463 | 990,236 |
| Dislocated worker | 2,286,248 | 2,077,011 | 1,771,377 | 305,634 |
| Youth | 2,488,198 | 2,804,239 | 1,891,163 | 913,076 |
| Administration | 1,570,412 | 1,864,106 | 1,019,174 | 844,932 |
| H-1B job training grant | 2,057,123 | 1,454,278 | 1,519,927 | (65,649) |
| Other | - | 361,525 | 8,229 | 353,296 |
| Total expenditures | 13,639,720 | 13,997,858 | 10,656,333 | 3,341,525 |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | - | - | (6,321) | (6,321) |
| FUND BALANCE | | | | |
| Beginning of year | - | - | 357,025 | 357,025 |
| End of year | \$ - | \$ - | \$ 350,704 | \$ 350,704 |

Workforce Connection of Central New Mexico Notes to Financial Statements

Note 1 – Summary of Significant Account Policies

Description of Entity

Workforce Connection of Central New Mexico (WCCNM) was organized pursuant to Section 117 of Public Law 105-220 (Workforce Innovation and Opportunity Act or WIOA) and New Mexico State Legislative Law, Chapter 260, dated April 7, 1999, to set policy for the portion of the statewide workforce investment system within the local area serviced by the Board. WCCNM sets policy for Bernalillo, Sandoval, Torrance and Valencia Counties in the State of New Mexico.

The basic activities authorized by the State of New Mexico (50-14-5, NMSA, 1978) to be carried out by the local board are as follows:

- a. Advise the state board on issues relating to regional and local workforce development needs;
- b. Develop and submit to the state board and governor a local five-year workforce plan that shall be updated and revised annually in accordance with the requirements of the federal Workforce Investment Act of 1998;
- c. Designate or certify one-stop program operators in accordance with the federal Workforce Investment Act of 1998;
- d. Terminate, for cause, the eligibility of the one-stop operator;
- e. Select and provide grants to youth activity providers in accordance with the Workforce Investment Act of 1998;
- f. Identify eligible training and intensive service providers in accordance with Workforce Investment Act of 1998;
- g. Develop a budget subject to approval of the chief elected official;
- h. Develop and negotiate local performance measurements as described in the Workforce Investment Act of 1998 with the chief elected official and the governor;
- i. Assist in development of an employment statistics system;
- j. Ensure linkages with economic development activities;
- k. Encourage employer participation and assist employers in meeting hiring needs;
- l. In partnership with the chief elected official, conduct oversight of local programs of youth activities authorized pursuant to the federal Workforce Investment Act of 1998 and employment and training activities authorized pursuant that act, and the one-stop delivery system in the local area;
- m. Establish as a subgroup, a youth council, appointed by the local board in cooperation with the chief elected official, and
- n. Prior to submission of the local plan, provide information regarding the following:
 - i. The local plan
 - ii. Membership
 - iii. Designation and certification of one-stop operators and
 - iv. The award of grants or contracts to eligible providers of youth activities.

Workforce Connection of Central New Mexico Notes to Financial Statements

Note 1 – Summary of Significant Account Policies (continued)

The local board is appointed in conformity with criteria established by the governor. The WCCNM's board is required to be made up of at least 51% of its members coming from the private sector and includes representation of education, labor, government, economic development and community-based organizations and others as appropriate and is appointed by the local chief elected official.

In evaluating how to define the government, for financial reporting purposes, management has considered all potential component units. The decision to include potential component units in the reporting entity is made by applying the criteria set forth in GAAP. The basic, but not the only criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the election of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity is conducted within the geographic boundaries of WCCNM and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the Board is able to exercise oversight responsibility. Based on the application of these criteria, management determined there are no component units included in the reporting entity.

Basis of Accounting

Government-Wide Financial Statements – The Statement of Net Position and the Statement of Activities are prepared using the economic resources measurement focus and the accrual basis of accounting, which incorporates long-term assets. WCCNM does not have long-term liabilities. This is the same approach used in preparation of proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds. Internal activities are eliminated, and the government-wide financial statements do not include any fiduciary funds or component units the entity may have. Since WCCNM administers only federal programs, WCCNM does not employ indirect cost allocation. Direct expenses are those that are specifically associated with the program and, therefore, identifiable to a particular function.

Governmental Fund Statements – Governmental funds are accounted for using the modified accrual basis of accounting and the current financial resources measurement focus. Under this basis, revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.

Workforce Connection of Central New Mexico Notes to Financial Statements

Note 1 – Summary of Significant Account Policies (continued)

Net Position

Net position includes the following:

Net Investment in Capital Assets – The component of net position that reports the difference between capital assets less both the accumulated depreciation and the outstanding balance of debt, excluding unspent proceeds, that is directly attributable to the acquisition, construction or improvement of capital assets.

Restricted – Net position reported as restricted when constraints placed on net position use is either externally imposed by law through constitutional provisions or enabling legislation. WCCNM has no restricted net position as of June 30, 2020.

Unrestricted – The difference between the assets and liabilities that is not reported in net position invested in capital assets or restricted net position.

Fund Balances

Fund balance classifications are based primarily on the extent to which WCCNM is bound to honor constraints on the use of the resources reported in each governmental fund as well as establishes additional note disclosures regarding fund balance classification policies and procedures. WCCNM has only one fund for the year ended June 30, 2020.

In the fund-level financial statements, fund balance reserves represent those portions of fund equity not available for appropriation or expenditure or legally segregated for a specific future use. WCCNM classifies governmental fund balances as follows:

- Non-spendable – Fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- Restricted – Fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as grantors or amounts constrained due to enabling legislation.
- Committed – Fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority (WCCNM's Board of Directors) and does not lapse at year-end.
- Assigned – Fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance may be assigned by the management.
- Unassigned – Positive fund balances within the General Fund which have not been classified within the above mentioned categories and negative fund balances in other governmental funds.

Workforce Connection of Central New Mexico

Notes to Financial Statements

Note 1 – Summary of Significant Account Policies (continued)

The WCCNM requires restricted amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents and contracts that prohibit doing this, such as a grant agreement requiring matching spending. WCCNM does not currently have a minimum fund balance policy.

Program Revenues

WCCNM has received two program-specific operating grants from the U.S. Department of Labor. The H-1B Job Training Grant is received directly from the U.S. Department of Labor and the WIOA Grant is passed through the New Mexico Department of Workforce Solutions. These revenues are program revenues for carrying out program activities of the H-1B Job Training Grant and the WIOA grant cluster.

GAAP Presentation

The financial statements of WCCNM are prepared in accordance with accounting principles generally accepted in the United States of America. WCCNM's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. WCCNM has no proprietary funds or component units.

Cash and Cash Equivalents

Cash and cash equivalents consist of short-term highly liquid investments, which are readily convertible into cash within ninety (90) days of purchase.

Revenue Recognition

The governmental fund types for financial statement purposes follow the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues and other governmental fund financial resources are recognized in the accounting period in which they become susceptible to accrual; then they become both measurable and available to finance expenditures of the fiscal period.

"Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The government considers property taxes and other taxes as available if they are collected within sixty days after year end. WCCNM did not receive any type of tax revenue during the year ended June 30, 2020.

Non-exchange transactions occur when a government either gives value to another party without directly receiving equal value in exchange or receives value from another party without directly giving equal value in exchange. There are four types of non-exchange transactions: derived tax revenues (income and motor fuel taxes) imposed non-exchange revenues (property tax, fines and penalties and property forfeitures) government mandated non-exchange transaction revenues (federal programs that state or local governments are mandated to perform), and voluntary non-exchange transactions (grants, entitlements, and donations by nongovernmental entities, including private donations). WCCNM recognizes non-exchange transactions in the financial statement as income unless it is not measurable (reasonable estimate), if any.

Workforce Connection of Central New Mexico

Notes to Financial Statements

Note 1 – Summary of Significant Account Policies (continued)

Revenues from grants that are restricted for specific uses are recognized as revenues when the related costs are incurred and all eligibility requirements imposed by the grantor are met. Other miscellaneous revenues are recognized when received since they generally are not measurable until received in cash. It is WCCNM's policy to utilize restricted resources first when applying resources to expenses before using unrestricted funds.

Expenditure Recognition

The measurement focus of governmental fund accounting is based on decreases in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related fund liability is incurred. However, principal and interest on long-term debt, which has not matured, are recognized when paid. WCCNM did not have any long-term debt as of June 30, 2020.

Expenditures are recorded when the related fund liability is incurred. Expenditures charged to federal programs are recorded utilizing the cost principles prescribed or permitted by the various funding sources.

Fund Accounting

The accounts of WCCNM are organized on a basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenue and expenditures. WCCNM only has a general fund.

Capital Assets

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. General capital assets are long-lived assets of WCCNM as a whole. When purchased, such assets are recorded as expenditures in the governmental funds and are capitalized on the government-wide financial statements. The valuation bases for general capital assets is historical cost, or where historical cost is not available, estimated historical cost based on replacement cost. Sub-grantees purchasing equipment by sub-grants made by WCCNM to other agencies are accounted for in capital assets. Purchased fixed assets are valued at historical cost. Donated fixed assets are valued at their estimated fair value on the date of donation. The minimum capitalization threshold is any individual item with a total cost greater than \$5,000 per Section 12-6-10 NMSA 1978.

Depreciation of capital assets is computed and recorded by the straight-line method. A half-year's depreciation is taken on additions in the first year of acquisition and followed by a full year's going forward. Depreciable capital assets consist of furniture, software and equipment with estimated useful service lives of 3-10 years.

Workforce Connection of Central New Mexico

Notes to Financial Statements

Note 1 – Summary of Significant Account Policies (continued)

Budgets

The New Mexico Department of Workforce Solutions Board provides WCCNM with a breakdown of the funds allocated for adult, dislocated worker, youth and state set aside to that region each year. Those allocations are based upon the New Mexico Department of Workforce Solutions Board's approved state plan. WCCNM prepares a budget based upon the Federal Rules of Government Distributions by the State Workforce Development Board to be approved by WCCNM's Board. Any adjustments to the State Board's allocations made by WCCNM must be first approved by the New Mexico Department of Workforce Solutions Board. Any adjustments to WCCNM's budget must be approved by WCCNM's Board. Budgets are figured on the modified accrual basis of accounting. The legal level of budgetary control is at the total fund level. Any federal funds that have been used for any purpose not within the purposes of the WIOA program, shall be reimbursed to the State Workforce Investment Board.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Upcoming Accounting Standard

The GASB has issued GASB No. 87 *Leases*, which will be effective for the year ending June 30, 2022. GASB No. 87 requires recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognition of inflows of resources or outflows of resources based on the payment provisions of the lease contract. Under the Statement, a lessee will recognize a lease liability and an intangible right-to-use lease asset, and a lessor will recognize a lease receivable and a deferred inflow of resources. Management is evaluating the effect that the implementation of this Statement will have on WCCNM's financial statements.

Note 2 – Deposit and Investments

Due to restriction on WIOA funds by the granting agency, monies deposited into the account of WCCNM and any program revenues earned by WCCNM, funds are not allowed to be invested. In accordance with Section 6-10-17, NMSA 1978, deposits of public money are required to be collateralized. Pledged collateral is required in amounts in one half of the amount of public money in each account. Securities, which are obligations of the United States, State of New Mexico, its agencies, institutions, counties, municipalities or other subdivisions are accepted as security at market value.

No security is required for the deposit of public money that is insured by the Federal Deposit Insurance Corporation, or the National Credit Union Administration. Deposits as of June 30, 2020 were held at a commercial bank. Cash and cash equivalents are carried at cost, which approximates market value. At June 30, 2020, WCCNM's deposit bank balance was \$912,147. Custodial credit risk is the risk that in the event of a bank failure, WCCNM's deposits may not be returned to it. WCCNM's deposit policy is to collateralize one half of the uninsured public money in each account.

Workforce Connection of Central New Mexico Notes to Financial Statements

Note 2 – Deposit and Investments (continued)

| Account Name | Type | Bank Balance | Book Balance |
|--------------------------------------------------------------------------------------------------------------------------------|-----------------|---------------------|-------------------|
| U.S. Bank checking account | Demand deposits | \$ 912,147 | <u>\$ 600,310</u> |
| Less FDIC coverage | | <u>250,000</u> | |
| Uninsured balance | | <u>\$ 662,147</u> | |
| 50% collateral requirement | | <u>\$ 331,074</u> | |
| Pledged collateral in the bank's name held FNMA Pool AE9299 CUSIP #31419LKM4 maturing 11/1/2025, market value to be used | | 813,891 | |
| FNMA pool MA2773, Cusip #3148CCK8 maturing 10/1/2036, market value to be used | | <u>700,637</u> | |
| Total collateral | | <u>1,514,528</u> | |
| Over collateralized | | <u>\$ 1,183,455</u> | |

The following schedule is presented to comply with the requirements of New Mexico State Statute 12-6-5 NMSA 1978, as interpreted by the New Mexico State Auditor's Rule, State of NM Administrative Code 2.2.2.10 N(3):

| Bank | Bank Balance | Outstanding Checks | Outstanding Deposits | Book Balance |
|----------------------------|-------------------|-----------------------|-------------------------|-------------------|
| U.S. Bank checking account | <u>\$ 912,147</u> | <u>\$ 311,837</u> | <u>\$ -</u> | <u>\$ 600,310</u> |

Note 3 – Receivables

Grants receivable represent amounts due from the New Mexico Department of Workforce Solutions, fiscal/administrative agent for the State Workforce Development Board, for costs incurred for the WIOA program at year end. Accounts receivable in the amount of \$240,470 represent reimbursements for resource sharing agreements. All receivables are deemed to be fully collectible and therefore no allowance for doubtful accounts has been provided.

Workforce Connection of Central New Mexico

Notes to Financial Statements

Note 4 – Operating Leases

WCCNM has entered into various leasing agreements for office space with lease terms expiring through December 2024. During the year ended June 30, 2020, lease expense totaled \$112,921.

As of June 30, 2020, remaining obligations on the outstanding leases are as follows:

| Year Ended June 30, | |
|------------------------|-------------------|
| 2021 | \$ 75,262 |
| 2022 | 59,579 |
| 2023 | 58,168 |
| 2024 | 60,342 |
| 2025 | 30,987 |
| | <u>\$ 284,338</u> |

Note 5 – Capital Assets

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2020.

| | June 30, 2019 | Additions | Deletions | June 30, 2020 |
|--------------------------|-------------------|------------------|-------------|-------------------|
| Furniture and equipment | \$ 393,642 | \$ 83,226 | \$ - | \$ 476,868 |
| Accumulated depreciation | (276,368) | (53,497) | - | (329,865) |
| | <u>\$ 117,274</u> | <u>\$ 29,729</u> | <u>\$ -</u> | <u>\$ 147,003</u> |

Current year depreciation expense totaled \$53,497 and was allocated in the statement of activities. All of WCCNM's capital assets have been purchased under government contracts and are restricted as to their use as designated by granting agencies.

Note 6 – Risks and Uncertainties

WCCNM is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions and natural disasters for which its fiscal agent MRCOG carried commercial insurance in the name of WCCNM. Settled claims have not exceeded this commercial coverage in the past year.

Workforce Connection of Central New Mexico Notes to Financial Statements

Note 6 – Risks and Uncertainties (continued)

During March 2020, the World Health Organization classified a new strain of coronavirus that was spreading globally (COVID-19) as a pandemic, triggering volatility in financial markets and a negative impact on the global and local economy. WCCNM is monitoring the duration and potential impact of COVID-19 on WCCNM's program revenues and net position. The full impact of the COVID-19 outbreak continues to evolve as the date of this report.

Note 7 – Related Entity Transactions

Members of WCCNM's Board of Directors include community leaders who are involved in and concerned with providing opportunities for employment in the areas services by WCCNM. The area partners, one stop providers, and training providers are required to have representation on the WCCNM Board in accordance with Section 15-14-4D, NMSA 1978.

WCCNM and Mid-Region Council of Governments of New Mexico (MRCOG), a related governmental entity, have entered into a Professional Services Agreement contract, for up to \$900,062 per year, through which MRCOG provides personnel, insurance, documentation, administration, monitoring, oversight and other fiscal services. In addition, WCCNM contracted with MRCOG to provide these services in support of its H-1B Job Training Grant from July 1, 2016 to June 30, 2020 at a cost of \$1,656,548 over the four-year period. WCCNM does not have employees and relies on MRCOG's financial system and control structure. WCCNM also contracts with SER Jobs for Progress, Inc. to manage and operate the four local area business and career centers. WCCNM contracts with a local non-profit, Youth Development, Inc., to provide youth services in those area business and career centers.

During the year ended June 30, 2020, purchases for goods and services were made by WCCNM with companies or organizations in which various board members are associated with. The following schedule summarizes purchases from related organizations and associations:

| Board Member | Relationship | Purpose | Amount |
|---------------------|--------------------------------|---------------------|------------|
| Ralph Mims | Village of Los Lunas | OJT training | \$ 30,224 |
| Tracy Lynn Hartzler | CNM & CNM Ingenuity-Tuition | ITA/ ISA's training | \$ 992,091 |
| John Mierzwa | Ingenuity Software Labs | OJT training | \$ 18,239 |
| Laura Musselwhite | UNM & UNM-Valencia | ITA/ ISA's training | \$ 250,183 |
| Jerry Schalow | Rio Rancho Regional Chamber of | OJT training | \$ 3,571 |

Workforce Connection of Central New Mexico

Notes to Financial Statements

Note 8 – Related Entity Transactions (continued)

In addition, during 2020, WCCNM received funds form organizations in which board members are associated with. The following schedule summarizes the receipts from related organizations:

| Board Member | Relationship | Purpose | Amount |
|---------------------|----------------------------------------------|------------------|--------------|
| Waldy Salazar | NM Department of Workforce Solutions | Grant expenses | \$ 9,132,675 |
| Waldy Salazar | NM Department of Workforce Solutions | Resource sharing | \$ 404,960 |
| Waldy Salazar | NM Department of Workforce Solutions | Grad ABQ | \$ 136,698 |
| Tracy Lynn Hartzler | CNM Community College | Resource sharing | \$ 21,684 |
| Carol Culver | CNM ABE | Resource sharing | \$ 169 |
| Reyes Gonzales | NM Division of Vocational Rehabilitation | Resource sharing | \$ 26,817 |
| Victoria Hernandez | Human Services | Resource sharing | \$ 7,732 |
| Doug Calderwood | NM Aging Long Term Services Administrator | Resource sharing | \$ 14 |

Compliance

**Workforce Connection of Central New Mexico
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2020**

| Federal Grantor/Program Title | Federal CFDA Number | Identifying Grant Number | Passed through to Subrecipients | Grant Award Expended |
|--------------------------------------------------------------------------------------------|---------------------------|-----------------------------|---------------------------------------|-------------------------|
| U.S. Department of Labor passed through the New Mexico Department of Workforce Solution | | | | |
| WIOA Cluster | | | | |
| WIOA Adult Program | | | | |
| Program Year 2018/Fiscal Year 2019 | 17.258 | 19-001-PY18 | \$ 59,933 | \$ 234,294 |
| Program Year 2019/Fiscal Year 2020 | 17.258 | 20-001-PY19 | 295,730 | 4,212,169 |
| WIOA Dislocated Worker Formula Grants | | | | |
| Program Year 2018/Fiscal Year 2019 | 17.278 | 19-001-PY18 | 114,127 | 324,447 |
| Program Year 2019/Fiscal Year 2020 | 17.278 | 20-001-PY19 | 721,613 | 1,446,930 |
| WIOA Youth Activities | | | | |
| Program Year 2017/Fiscal Year 2018 | | | | |
| Redistribution- P17P All Youth | 17.259 | 18-001-PY17 | 220,606 | 308,090 |
| Program Year 2018/Fiscal Year 2019 | 17.259 | 19-001-PY18 | 31,893 | 196,023 |
| Program Year 2018 Supplemental | 17.259 | 19-001-PY18S | 8,001 | 8,001 |
| Program Year 2019/Fiscal Year 2020 | 17.259 | 20-001-PY19 | 582,574 | 1,379,049 |
| WIOA Administration | | | | |
| Program year 2018/fiscal year 2019 | | | | |
| Adult | 17.258 | 19-001-PY18 | - | 87,202 |
| Dislocated Worker | 17.278 | 19-001-PY18 | - | 120,757 |
| Youth Redistribution P17P | 17.259 | 19-001-PY18 | - | 889 |
| Youth | 17.259 | 19-001-PY18 | - | 72,958 |
| Program year 2019/fiscal year 2020 | | | | |
| Adult | 17.258 | 20-001-PY19 | - | 359,487 |
| Dislocated Worker | 17.278 | 20-001-PY19 | - | 123,488 |
| Youth | 17.259 | 20-001-PY19 | - | 117,695 |
| P18P Administration Grad ABQ NMDWS Project | 17.258 | 20-001-PY19 | - | 59,877 |
| P19P Administration Apprent NMDWS Project | 17.258 | 20-001-PY19 | - | 76,821 |
| WIOA Cluster total and U.S. Department of Labor passthrough total | | | <u>2,034,477</u> | <u>9,128,177</u> |
| U.S. Department of Labor direct funding | | | | |
| H1B Job Training Grants | 17.268 | | <u>350,398</u> | <u>1,519,927</u> |
| Total Direct U.S. Department of Labor | | | <u>350,398</u> | <u>1,519,927</u> |
| Total Expenditures of Federal Awards | | | <u>\$ 2,384,875</u> | <u>\$ 10,648,104</u> |

See Notes to Schedule of Expenditures of Federal Awards.

**Workforce Connection of Central New Mexico
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2020**

Note 1 – Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of WCCNM under programs of the federal government for the year ended June 30, 2020. The information in this Schedule is presented in accordance with the 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). Because the schedule presents only a selected portion of the operations of the WCCNM, it is not intended to and does not present the financial position, changes in net position or cash flows of the WCCNM.

Note 2 – Summary of Significant Accounting Policies

Expenditures reported on the schedule of expenditures of federal awards are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts, if any, shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

Note 3 – Outstanding Loans and Subrecipients

WCCNM does not receive non-cash assistance or have outstanding loans. Payments to subrecipients are as follows:

| <u>Organization</u> | <u>Amount</u> |
|-----------------------------------|---------------------|
| Youth Development Incorporated | \$ 843,074 |
| SER Jobs for Progress, Inc. | 1,191,403 |
| Mid-Region Council of Governments | 350,398 |
| | <u>\$ 2,384,875</u> |

Note 4 – Indirect Costs

WCCNM does not use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

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*

Board of Directors
Workforce Connection of Central New Mexico
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, general fund, and the general fund budgetary comparison for Workforce Connection of Central New Mexico (WCCNM) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise WCCNM's basic financial statements, and have issued our report thereon dated November 30, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered WCCNM's internal control over financial reporting (internal control) as a basis for designing 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 WCCNM's internal control. Accordingly, we do not express an opinion on the effectiveness of WCCNM'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 WCCNM'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 financial statements. 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 a certain matter that is required to be reported per Section 12-6-5 NMSA 1978, that we have described in the Section 12-6-5 NMSA 1978 Findings Schedule, as item 2020-001.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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
November 30, 2020

Report of Independent Auditors on Compliance for the Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

Board of Directors
Workforce Connection of Central New Mexico
Mr. Brian S Colón, Esq.
New Mexico State Auditor

Report on Compliance for the Major Federal Program

We have audited Workforce Connection of Central New Mexico's (WCCNM's) compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on WCCNM's major federal program for the year ended June 30, 2020. WCCNM's major federal program is 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 WCCNM's major federal program 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 WCCNM'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 the major federal program. However, our audit does not provide a legal determination of WCCNM's compliance.

Opinion on the Major Federal Program

In our opinion, WCCNM complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2020.

Report on Internal Control Over Compliance

Management of WCCNM 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 WCCNM's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the 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 WCCNM'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
November 30, 2020

Workforce Connection of Central New Mexico
Schedule of Prior Audit Findings
Year Ended June 30, 2020

No prior year findings noted.

**Workforce Connection of Central New Mexico
Schedule of Findings and Questioned Costs
Year Ended June 30, 2020**

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> |
|--------------------------|--------------------------------------------------|---------------------------------------------------------------------------------|
| 17.258; 17.259;17.278 | Workforce Innovation and Opportunity Act Cluster | Unmodified |

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? Yes No

**Workforce Connection of Central New Mexico
Schedule of Findings and Questioned Costs (continued)
Year Ended June 30, 2020**

Section II – Financial Statement Findings

No matters reported.

Section III – Federal Award Findings and Questioned Costs

No matters reported.

Findings in Accordance with 2.2.2 NMAC

No matters reported.

**Workforce Connection of Central New Mexico
Schedule of Findings and Questioned Costs (continued)
Year Ended June 30, 2020**

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

Finding 2020-001 – State Agency Review (Other Non-Compliance)

Criteria: Workforce Connection of Central New Mexico (WCCNM) is required under grant agreements to abide by New Mexico Department of Workforce Solutions (NMDWS) rules, policies and procedures for the disbursement of funds.

Condition: NMDWS performed a review of the Workforce Innovation and Opportunity Act Program (WIOA) for the period from July 1, 2019 to April 30, 2020. NMDWS noted, in its report dated September 3, 2020, that a participant had a time sheet for week ended November 1, 2019, which had 12 hours of work at a rate of \$10 per hour submitted in which payment was made twice on warrant #70325 dated November 15, 2019 and warrant #70529 dated November 29, 2019.

Cause: Oversight of program personnel with respect to disbursement requirements resulted in the lack of compliance with NMDWS requirements.

Effect: WCCNM is not in compliance with NMDWS disbursement policies and procedures.

Repeat Finding: This is not a repeat finding.

Recommendation: WCCNM should perform a review of timesheet submission policies and quality controls to determine if additional review measures should be implemented to ensure compliance with NMDWS disbursement policies and procedures.

Management Response: Management agrees with this finding. The WIOA Accounting Manager and the Workforce Administrator will review current timesheet submission policies and quality controls and if needed implement extra security and review measures. These changes have been implemented and reimbursement of the overpayment has been made prior to submission of this report.

Responsible Person: WIOA Accounting Manager and Workforce Administrator

Workforce Connection of Central New Mexico

Exit Conference

Year Ended June 30, 2020

Exit Conference

An exit conference was held on November 30, 2020. The exit conference was attended by the following individuals:

Workforce Connection of Central New Mexico

| | |
|-----------------|------------------------------|
| Dewey Cave | Executive Director |
| Jerry Schalow | Board Member |
| Arthur Martinez | Workforce Administrator |
| Amy Myer, CPA | MRCOG Senior Finance Manager |
| Jesse D. Turley | Accounting Manager |

Moss Adams LLP

| | |
|-------------------|-------------------|
| Kory Hoggan | Partner |
| Michael McGinley | Assurance Manager |
| Samantha Hairston | Assurance Senior |

A. Preparation of Financial Statements

The financial statements were prepared with the assistance of Moss Adams LLP from the books and records of WCCNM. The financial statements and related footnotes remain the responsibility of management.