



**STATE OF NEW MEXICO
WORKFORCE CONNECTION
OF CENTRAL NEW MEXICO**

FINANCIAL STATEMENTS

JUNE 30, 2015

MOSS ADAMS_{LLP}

Certified Public Accountants | Business Consultants

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**STATE OF NEW MEXICO
WORKFORCE CONNECTION OF CENTRAL NEW MEXICO**

Official Roster

June 30, 2015

| Directors | Position |
|------------------------|-----------------|
| Stephanie Hanosh | Chair |
| Odes Armijo-Caster | Chair-Elect |
| William Alberti | Board Member |
| M. Steve Anaya | Board Member |
| Odes Armijo-Caster | Board Member |
| Paul Baca | Board Member |
| Diane Burke | Board Member |
| Celina Bussey | Board Member |
| Doug Calderwood | Board Member |
| Linda Callaghan | Board Member |
| Marni Goodrich | Board Member |
| Reyes Gonzales | Board Member |
| Victoria Hernandez | Board Member |
| Michelle Jones | Board Member |
| Mindy Koch | Board Member |
| Samuel Kolapo | Board Member |
| Paul Kress | Board Member |
| Diane M. Lacen | Board Member |
| Kyle Lee | Board Member |
| Patricia Lincoln | Board Member |
| Rita Gallegos Logan | Board Member |
| Kathy McCormick | Board Member |
| Anotonio Medina, Ph.D. | Board Member |
| Virginia Murphy | Board Member |
| Debbie Ortiz | Board Member |
| Norman Ration | Board Member |
| Eric Renz-Whitmor | Board Member |
| Alex O. Romero | Board Member |
| Paul Sanchez | Board Member |
| Randy Sanchez | Board Member |
| Senator John Sapien | Board Member |
| Mike Swisher | Board Member |
| Sherry TenClay | Board Member |
| Honorable Jack Torres | Board Member |
| Carolyn VandeGiesen | Board Member |
| Bob Walton | Board Member |

REPORT OF INDEPENDENT AUDITORS

To the Board of Directors
Workforce Connection of Central New Mexico
Mr. Timothy Keller
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 the State of New Mexico Workforce Connection of Central New Mexico (WCCNM) as of and for the year ended June 30, 2015, 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 WCCNM'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.

To the Board of Directors
Workforce Connection of Central New Mexico
Mr. Timothy Keller
New Mexico State Auditor

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the general fund of WCCNM as of June 30, 2015, and the respective changes in financial position and the respective budgetary comparisons for the general fund for the year then ended in conformity 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 the WCCNM's basic financial statements. The schedule of expenditures of federal awards as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* is presented for purposes of additional analysis and is not a required part of the basic financial statements.

To the Board of Directors
Workforce Connection of Central New Mexico
Mr. Timothy Keller
New Mexico State Auditor

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 Information

The introductory section and schedule of vendor information required by the *New Mexico State Audit Rule* are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2015 on our consideration of the 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 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 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.

Mass Adams LLP

Albuquerque, New Mexico
December 4, 2015

**STATE OF NEW MEXICO
WORKFORCE CONNECTION OF CENTRAL NEW MEXICO
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2015**

Workforce Connection of Central New Mexico (WCCNM) management's discussion and analysis provides an overview of the 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 from July 1 through June 30. The references to FY indicate the Federal Year from October 1 through June 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. 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 Workforce Investment Act (WIA) 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 and customized training opportunities.

The major goal of WCCNM is to establish a business-driven integrated employment and training system meeting 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 Council 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 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 the select businesses, and following through with service requests from and service delivery for priority industries and businesses in priority industries.

**STATE OF NEW MEXICO
WORKFORCE CONNECTION OF CENTRAL NEW MEXICO
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
YEAR ENDED JUNE 30, 2015**

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

WCCNM's role and responsibilities include developing the five-year local Workforce Development Plan; selecting the Administrative Entity/Fiscal Agent, Adult/Dislocated Worker Service Provider, and Youth Services Provider; overseeing program monitoring; and developing the budget for implementing the WIA program within the central region of New Mexico.

Recent Program Opportunities

Workforce Investment Act: The WCCNM is the local board responsible for administering the federal WIA program in central New Mexico. WIA funding provided to the WCCNM during PY14/FY15 included Adult, Dislocated Worker & State withheld Dislocated Worker, Youth and Administrative funds. In PY14, 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.

Financial Highlights

The WCCNM's PY14 allocation of \$5,462,118 of Adult, Dislocated Worker, Youth, and Administrative funds was \$420,305 (8.34%) higher compared to the PY13 allocation of \$5,041,813. Specifically, Adult funds increased by \$150,428, Dislocated Worker funds increased by \$44,010 (including awarded state withholdings), Youth funds increased by \$183,836, and Administrative funds increased by \$42,032. Additionally, WCCNM elected to transfer an allowable \$842,608 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/unforfeited funds brought in from the previous year. The WCCNM began PY14 with formula carry-in funds totaling \$579,511. Of the \$5,462,118 formula allocation for PY14, \$199,465 was awarded of New Mexico DWS withheld Dislocated Worker monies, consisting of \$179,519 of Dislocated Worker monies and \$19,947 of administrative monies.

**STATE OF NEW MEXICO
WORKFORCE CONNECTION OF CENTRAL NEW MEXICO
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
YEAR ENDED JUNE 30, 2015**

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.

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

**STATE OF NEW MEXICO
 WORKFORCE CONNECTION OF CENTRAL NEW MEXICO
 MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
 YEAR ENDED JUNE 30, 2015**

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 ending June 30, 2015 (PY14) were entirely federal revenues that were reimbursements to the WCCNM for administering the WIA program. Revenues received during PY14 were \$4,922,624 compared to revenues of the previous PY13 year of \$5,415,413 a \$492,789 decrease in activities or 9.1%.

The tables below present the changes in the WCCNM's employment services activities for the years ending June 30, 2015 and 2014:

| | <u>6/30/15</u> | <u>6/30/14</u> |
|---------------------|---------------------|------------------|
| Core services | \$ 1,703,445 | 1,847,647 |
| Intensive services | 30,620 | 27,896 |
| Training services | 1,998,393 | 2,221,663 |
| Youth services | 614,291 | 796,978 |
| Supportive services | 44,012 | 46,760 |
| Administration | <u>530,198</u> | <u>490,895</u> |
| Total expenses | <u>\$ 4,920,959</u> | <u>5,431,839</u> |

Core service expenses were lower than the previous year mainly due to fewer individuals being serviced in our centers than in the prior year, and in some cases getting individuals back to work quicker allowing for improved performance measures. Training services are down, which is due to the normal fluctuation that occurs from year to year caused primarily by the variability of selections that clients make. The decrease in youth services in PY14 was primarily due to youths that used our year-round work experience training program.

**STATE OF NEW MEXICO
WORKFORCE CONNECTION OF CENTRAL NEW MEXICO
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
YEAR ENDED JUNE 30, 2015**

Budgetary Highlights

The WCCNM's initial budget and all budgetary revisions are approved by the WCCNM Full 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 a waiver from USDOL and NMDWS.

The PY14 approved total operating budget of \$6,041,629 increased by \$29,342 or 0.05% compared to PY13's \$6,012,287.

The WCCNM's PY14 operating budget was expended at approximately 80% of total budget; whereas in the previous year, PY13 was spent at approximately 90% of budget. Unspent & unforfeited monies, or carry-in, are required to sustain an even flow of availability while traversing program years. Uncertain variables exist associated with the particular types of customers who come in to be serviced between July 1, the beginning of PY, and October 1, when federal funds are accessible. The PY14 difference between budget and actual expenses was primarily a result of:

Reasons for PY14 carryover funds into PY15 include the following:

- Youth Summer Work Experience Program started slowly and did not pick up until after year end; therefore, more youth money was carried over into PY15 than in the previous year.
- Managing the grant balances by customer types and leaving enough funding for the transition period from July 1 to October 1, when the new federal fiscal year begins. WCCNM must ensure that carryover monies are available to businesses and job seekers will still continually be served in the first quarter of the program year.
- 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 transfer into the adult fund or for carryover into the new program year.

**STATE OF NEW MEXICO
WORKFORCE CONNECTION OF CENTRAL NEW MEXICO
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
YEAR ENDED JUNE 30, 2015**

Total Assets

Total assets as of June 30, 2015 were \$820,455. Assets consisted of cash totaling \$511,906, receivables totaling \$240,023, and net capital assets of \$68,526. WCCNM's assets during PY14/FY15 increased by \$81,456 or 11% over the prior year. This increase was due to the cash balances increasing by \$383,002 with less grant receivables due from New Mexico DOL or NMDWS. Changes in cash and accounts receivable resulted from the timing of June's draw requests. In PY14/FY15, more cash requests were received by year-end than in the previous year.

Net Position

Net position as of June 30, 2014, the prior year PY13, totaled \$380,001. During PY14, net position increased by \$1,665 due to the net of a \$5,928 decrease in net capital assets combined with \$7,593 additional unrestricted cash collected for Ticket to Work resulting in a balance at June 30, 2015 of \$381,666.

Fund Balance

The WCCNM's prior year PY13 unassigned governmental funds balance at June 30, 2013 was \$305,547. The current year increase of the fund balance in the amount of \$7,593 represents Social Security's Ticket to Work net cash received in PY14 ending the PY14 year June 30, 2015 with a fund balance of \$313,140. The WCCNM had no restricted funds during the year.

Capital Assets

Capital assets consist of office equipment (computers, telephone systems and copiers). Depreciation expense of \$25,144 was recorded in the current year. An electronic file cabinet was purchased during the year ended June 30, 2015 for \$19,215.

Total Liabilities

Total liabilities as of June 30, 2015 were \$438,789 and consisted of accounts payable totaling \$313,651 and accrued wages totaling \$125,138. The WCCNM had no debt, either current or long-term, at June 30, 2015, or at any time during the year.

**STATE OF NEW MEXICO
WORKFORCE CONNECTION OF CENTRAL NEW MEXICO
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
YEAR ENDED JUNE 30, 2015**

Currently Known Facts, Conditions and Decisions

The following are currently known facts, conditions and decisions:

- PY14 fund levels were \$5,462,118 versus PY13 fund levels of \$5,041,813. Actual carry-in of PY13 unspent or unforfeited monies into PY14 was \$579,511. This carry-in was due to late PY13 training obligations entered into during June 2014, the last month of PY13.
- The lease on WCCNM's Sandoval office in PY14 remained in the office at the 550 Transportation Center located at 301 Rail Runner Dr., Bernalillo, NM 87004. This location provided a continued significant cost savings over prior years. This facility is owned and operated by the Rio Metro Regional Transit District, which is under the administrative scope of Mid Region Council of Governments (MRCOG). PY14's facility rent expense was \$53,930, including utilities.
- Changes were made to certain copier leases that WCCNM paid on behalf of NMDWS due to the termination of resource sharing arrangements and related leases. NMDWS elected to fund some of their own copiers, and WCCNM replaced two copiers with new leases.
- Resource sharing partners at the four county business & career centers shared more of the operator staff costs in PY14 over prior years. This provided additional reimbursements to WCCNM, thus lowering overall facilities costs.
- The reauthorization of the PY15/FY16 program renames the program as the Workforce Innovation Opportunity Act (WIOA). The reauthorization includes many changes, most of which are undetermined at year end.

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, WCCNM/MRCOG, 809 Copper Avenue NW, Albuquerque, NM 87102.

**STATE OF NEW MEXICO
 WORKFORCE CONNECTION OF CENTRAL NEW MEXICO
 (GOVERNMENT-WIDE)
 STATEMENT OF NET POSITION
 JUNE 30, 2015**

| | <u>Governmental Activities</u> |
|---|------------------------------------|
| ASSETS | |
| Current | |
| Cash and cash equivalents | \$ 511,906 |
| Accounts receivable | 70,920 |
| Grants receivable | 169,103 |
| Total current assets | <u>751,929</u> |
| Noncurrent | |
| Capital assets, net | <u>68,526</u> |
| Total assets | <u><u>\$ 820,455</u></u> |
| LIABILITIES AND NET POSITION | |
| LIABILITIES | |
| Current | |
| Accounts payable | \$ 313,651 |
| Accrued work experience wages payable | 125,138 |
| Total current liabilities | <u>438,789</u> |
| NET POSITION | |
| Net investment in capital assets | 68,526 |
| Unrestricted | <u>313,140</u> |
| Total liabilities and net position | <u><u>\$ 820,455</u></u> |

See Notes to Financial Statements.

**STATE OF NEW MEXICO
 WORKFORCE CONNECTION OF CENTRAL NEW MEXICO
 (GOVERNMENT-WIDE)
 STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2015**

| <u>Functions/Programs</u> | <u>Expenses</u> | <u>Program Operating Grants and Contributions</u> | <u>Net (Expense) Revenue and Changes in Net Position for Governmental Activities</u> |
|--|---------------------|---|--|
| GOVERNMENTAL ACTIVITIES | | | |
| Employment services | | | |
| Workforce Investment Act program | \$ 4,918,704 | \$ 4,912,776 | \$ (5,928) |
| Other | 2,255 | 9,848 | 7,593 |
| | <u>\$ 4,920,959</u> | <u>\$ 4,922,624</u> | <u>\$ 1,665</u> |
| CHANGE IN NET POSITION | | | \$ 1,665 |
| NET POSITION, BEGINNING OF YEAR | | | <u>380,001</u> |
| NET POSITION, END OF YEAR | | | <u>\$ 381,666</u> |

See Notes to Financial Statements.

**STATE OF NEW MEXICO
 WORKFORCE CONNECTION OF CENTRAL NEW MEXICO
 BALANCE SHEET - GOVERNMENTAL FUND
 JUNE 30, 2015**

ASSETS

| | |
|---------------------------|--------------------|
| Cash and cash equivalents | \$ 511,906 |
| Accounts receivable | 70,920 |
| Grant receivables | <u>169,103</u> |
| Total assets | <u>751,929</u> |

LIABILITIES

| | |
|---------------------------------------|--------------------|
| Accounts payable | 313,651 |
| Accrued work experience wages payable | <u>125,138</u> |
| Total liabilities | <u>438,789</u> |

FUND BALANCE

| | |
|--|-----------------------|
| Unassigned | <u>313,140</u> |
| Total liabilities and fund balance | <u>\$ 751,929</u> |

RECONCILIATION

| | |
|--|---------------|
| Fund Balance | \$ 313,140 |
| Amounts reported for governmental activities in the statement of net position are different because: | |
| Net capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental fund | <u>68,526</u> |

| | |
|--|--------------------------|
| NET POSITION OF GOVERNMENTAL ACTIVITIES | <u><u>\$ 381,666</u></u> |
|--|--------------------------|

See Notes to Financial Statements.

**STATE OF NEW MEXICO
WORKFORCE CONNECTION OF CENTRAL NEW MEXICO
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - GOVERNMENTAL FUND
YEAR ENDED JUNE 30, 2015**

REVENUES

| | |
|-----------------------------|------------------|
| Intergovernmental - federal | \$ 4,912,776 |
| Other | 9,848 |
| | <u>4,922,624</u> |

EXPENDITURES

| | |
|----------------------------------|------------------|
| Current-Employment Services | |
| Workforce Investment Act Program | |
| Adult | 2,116,913 |
| Dislocated Worker | 983,021 |
| Youth | 1,290,827 |
| Administration | 522,015 |
| Other | 2,255 |
| | <u>4,915,031</u> |

CHANGE IN FUND BALANCE 7,593

FUND BALANCE, BEGINNING OF YEAR 305,547

FUND BALANCE, END OF YEAR \$ 313,140

RECONCILIATION

| | |
|--|---------------|
| Change in fund balance | \$ 7,593 |
| Amounts reported for governmental activities in the statement of activities are different because: | |
| Depreciation expensed in the statement of activities | (25,144) |
| Capital outlays expensed in change in fund balance are reported as capital asset additions used in governmental activities | 19,216 |
| | <u>19,216</u> |

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 1,665

See Notes to Financial Statements.

**STATE OF NEW MEXICO
WORKFORCE CONNECTION OF CENTRAL NEW MEXICO
WORKFORCE INVESTMENT ACT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2015**

| | Original Budget | Final Budget | Actual | Variance Favorable (Unfavorable) |
|--|--------------------|-------------------|-------------------|--|
| REVENUES | | | | |
| Intergovernmental-federal | \$ 6,364,118 | \$ 6,041,629 | \$ 4,912,776 | \$ (1,128,853) |
| Other | - | 5,547 | 9,848 | 4,301 |
| | <u>6,364,118</u> | <u>6,047,176</u> | <u>4,922,624</u> | <u>(1,124,552)</u> |
| EXPENDITURES | | | | |
| Employment services | | | | |
| Workforce Investment Act program | | | | |
| Adult | 2,166,119 | 2,447,128 | 2,116,913 | 330,215 |
| Dislocated Worker | 1,854,735 | 1,222,132 | 983,021 | 239,111 |
| Youth | 1,755,051 | 1,780,752 | 1,290,827 | 489,925 |
| Administration | 588,213 | 591,617 | 522,015 | 69,602 |
| Other | - | 5,547 | 2,255 | 3,292 |
| | <u>6,364,118</u> | <u>6,047,176</u> | <u>4,915,031</u> | <u>1,132,145</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | - | - | 7,593 | 7,593 |
| FUND BALANCE, BEGINNING OF YEAR | <u>300,000</u> | <u>300,000</u> | <u>305,547</u> | <u>300,000</u> |
| FUND BALANCE, END OF YEAR | <u>\$ 300,000</u> | <u>\$ 300,000</u> | <u>\$ 313,140</u> | <u>\$ 307,593</u> |

See Notes to Financial Statements.

**STATE OF NEW MEXICO
WORKFORCE CONNECTION OF CENTRAL NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Entity. The Workforce Connection of Central New Mexico (WCCNM) was organized pursuant to Section 117 of Public Law 105-220 (Workforce Investment Act of 1998 or WIA) 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, Tarrant 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;

**STATE OF NEW MEXICO
WORKFORCE CONNECTION OF CENTRAL NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- 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.

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 the 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.

**STATE OF NEW MEXICO
WORKFORCE CONNECTION OF CENTRAL NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 the WIA program only, 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.

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 had no restricted net position as of June 30, 2015.

Unrestricted – The difference between the assets and liabilities that is not reported in net position invested in capital assets or restricted net position. WCCNM has \$300,000 of non-program income received in a prior year from the release of a lease agreement.

**STATE OF NEW MEXICO
WORKFORCE CONNECTION OF CENTRAL NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Financial Statements

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.

Fund Balance. 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 has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

**STATE OF NEW MEXICO
WORKFORCE CONNECTION OF CENTRAL NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING 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/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 program-specific operating grants from the U.S. Department of Labor passed through the New Mexico Department of Workforce Solutions. These revenues are program revenues for the carrying out of program activities of the Workforce Investment Act (WIA) grant cluster.

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

Fund Financial Statements

Fund financial statements report detailed information about WCCNM. WCCNM has only one fund for the year ended June 30, 2015.

Governmental Funds-Method of Accounting

All government funds are accounted for using 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.

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.

**STATE OF NEW MEXICO
WORKFORCE CONNECTION OF CENTRAL NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Allowances

WCCNM expects to receive the full amount of receivables for funds requested from the Department of Workforce Solutions and, therefore, has not set up an allowance for uncollectible receivables.

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, 2015.

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 non-governmental entities, including private donations). WCCNM recognizes non-exchange transactions in the financial statement as income unless it is not measurable (reasonable estimate), if any.

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.

**STATE OF NEW MEXICO
WORKFORCE CONNECTION OF CENTRAL NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2015.

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 equity, revenue and expenditures. WCCNM only has a general fund.

Capital Assets and Depreciation

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-grant made by WCCNM to other agencies is 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.

**STATE OF NEW MEXICO
WORKFORCE CONNECTION OF CENTRAL NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 WIA 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.

**STATE OF NEW MEXICO
WORKFORCE CONNECTION OF CENTRAL NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015**

NOTE 2. DEPOSIT AND INVESTMENTS

Due to restriction on WIA 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 Compilation, deposits of public money are required to be collateralized. Pledged collateral is required in amounts in an aggregated equal to 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, 2015 were held at a commercial bank (U.S. Bank). Cash and cash equivalents are carried at cost, which approximates market value. At June 30, 2015, the carrying amount of WCCNM's deposits was \$724,023. 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. None of WCCNM's bank deposits were exposed to custodial credit risk as of June 30, 2015. At June 30, 2015, WCCNM's bank deposits were collateralized as follows:

| | |
|--|------------|
| Uninsured and collateral held by pledging bank's trust department, not in WCCNM's name | \$ 474,023 |
|--|------------|

The following is a listing of deposits of public money and collateral pledged at values acceptable per state statute, by the depositing financial institution as of June 30, 2015.

| <u>Account Name</u> | <u>Type</u> | <u>Bank Balance</u> | <u>Book Balance</u> |
|----------------------------|-----------------|---------------------|---------------------|
| U.S. Bank checking account | Demand deposits | \$ 724,023 | <u>\$ 511,906</u> |
| Less: FDIC coverage | | <u>250,000</u> | |
| Uninsured balance | | <u>474,023</u> | |
| 50% collateral requirement | | <u>\$ 237,012</u> | |

**STATE OF NEW MEXICO
WORKFORCE CONNECTION OF CENTRAL NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015**

NOTE 2. DEPOSIT AND INVESTMENTS (CONTINUED)

| | |
|---|-----------------------|
| Pledged collateral held in the bank's name held | |
| FHLMC G01554, Cusip #31283HWP6 | |
| maturing 5/1/2033, market value to be used | \$ 340,949 |
| FNMA Pool 890193, Cusip #31410K7E8 | |
| maturing 8/1/2025, market value to be used | 120,753 |
| FNMA Pool AE9229, Cusip #31419LKM4 | |
| maturing 11/1/2025, market value to be used | <u>295,502</u> |
| Total collateral | <u>\$ 757,204</u> |
| (Under) Over collateralized | <u>\$ 283,181</u> |

Deposits held at U.S. Bank accounts were 100% collateralized at June 30, 2015. U.S. Bank covers this account with standard FDIC insurance of \$250,000 for interest bearing accounts.

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):

| <u>Bank</u> | <u>Bank Balance</u> | <u>Outstanding Checks</u> | <u>Outstanding Deposits</u> | <u>Book Balance</u> |
|-------------|-------------------------|-------------------------------|---------------------------------|-------------------------|
| U.S. Bank: | | | | |
| Checking | <u>\$ 724,023</u> | <u>\$ (212,117)</u> | <u>\$ -</u> | <u>\$ 511,906</u> |

NOTE 3. RECEIVABLES

Grants receivable in the amount of \$169,103 represents amounts due from the New Mexico Department of Workforce Solutions, fiscal/administrative agent for the State Workforce Development Board, for costs incurred for the WIA program as of June 30, 2015. Other receivables of \$70,920 represent reimbursements for resource sharing agreements. All receivables are deemed to be fully collectible.

NOTE 4. OPERATING LEASES

WCCNM has entered into various leasing agreements for office space with lease terms expiring through June 2018. During the year ended June 30, 2015, lease expense totaled \$78,969.

**STATE OF NEW MEXICO
WORKFORCE CONNECTION OF CENTRAL NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015**

NOTE 4. OPERATING LEASES (CONTINUED)

As of June 30, 2015, remaining obligations on the outstanding leases are as follows:

| | | |
|------|----|----------------|
| 2016 | \$ | 73,350 |
| 2017 | | 57,177 |
| 2018 | | <u>53,930</u> |
| | \$ | <u>184,457</u> |

NOTE 5. CAPITAL ASSETS AND DEPRECIATION

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2015:

| | June 30, <u>2014</u> | <u>Additions</u> | <u>Deletions</u> | June 30, <u>2015</u> |
|--------------------------|-------------------------|-------------------|------------------|-------------------------|
| Furniture and equipment | \$ 423,888 | \$ 19,216 | \$ (316,350) | \$ 126,754 |
| Accumulated depreciation | <u>(349,434)</u> | <u>(25,144)</u> | <u>316,350</u> | <u>(58,228)</u> |
| | <u>\$ 74,454</u> | <u>\$ (5,928)</u> | <u>\$ -</u> | <u>\$ 68,526</u> |

Current year depreciation expense totaled \$25,144 and was allocated in the statement of activities. All of WCCNM's property and equipment have been purchased under government contracts and are restricted as to their use as designated by granting agencies.

NOTE 6. RISK MANAGEMENT

The 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.

**STATE OF NEW MEXICO
WORKFORCE CONNECTION OF CENTRAL NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015**

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 New Mexico State Statutes, 1978, 15-14-4 D.

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 \$750,000 per year, through which MRCOG provides personnel, insurance, documentation, administration, monitoring, oversight and other fiscal services. 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 2015, 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:

| <u>Board Member</u> | <u>Relationship</u> | <u>Purpose</u> | <u>Amount</u> |
|---------------------|------------------------------|---------------------------|-------------------|
| Ortiz, Debbie | Moriarty Chamber of Commerce | Payment to city | \$ 1,500 |
| Sanchez, Paul | PNM | Electric service | 50,780 |
| Armijo-Caster, Odes | Sacred Power | OJT training | 4,807 |
| Goodrich, Marni | Yearout Mechanical | OJT training | 11,943 |
| Jones, Michelle | Pres. Healthcare | Support services youth | 196 |
| Romero, Alex | Albuquerque Hispano CC | OJT training | 9,554 |
| Logan, Rita | UNM - Valencia | Training provider | 5,037 |
| TenClay, Sherry | UNM - Cont Ed | Training provider | 65,515 |
| Burke, Diane | CNM Cashiers | Tuition | 48,104 |
| Burke, Diane | CNM Bookstore | Books | 26,277 |
| N/A | MRCOG | Admin services | <u>707,264</u> |
| | | | <u>\$ 930,977</u> |

SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO
WORKFORCE CONNECTION OF CENTRAL NEW MEXICO
SCHEDULE OF VENDOR INFORMATION
YEAR ENDED JUNE 30, 2015

| <i>RFB#/RFP#</i> | <i>Type of Procurement</i> | <i>Awarded Vendor</i> | <i>\$ Amount of Awarded Contract</i> | <i>\$ Amount of Amended Contract</i> | <i>Name and Physical Address per the procurement documentation, of ALL Vendor(s) that responded</i> | <i>In-State/ Out-of-State Vendor (Y or N) (Based on Statutory Definition)</i> | <i>Was the vendor in-state and chose Veteran's preference (Y or N) For federal funds answer N/A</i> | <i>Brief Description of the Scope of Work</i> |
|------------------|----------------------------|-----------------------|--------------------------------------|--------------------------------------|---|---|---|---|
| None | | | | | | | | |
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COMPLIANCE SECTION

**STATE OF NEW MEXICO
WORKFORCE CONNECTION OF CENTRAL NEW MEXICO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2015**

| Federal Grantor/Program Title | Federal CFDA Number | Identifying Grant No. | Grant Award Expended |
|---|------------------------------------|----------------------------------|---------------------------------|
| U.S. Department of Labor passed through the New Mexico Department of Workforce Solutions | | | |
| WIA CLUSTER: | | | |
| WIA Adult Program | | | |
| Program Year 2013/Fiscal Year 2014 | 17.258 | 14-001-PY13 | \$ 208,400 |
| Program Year 2014/Fiscal Year 2015 | 17.258 | 15-001-PY14 | 1,908,513 |
| WIA Dislocated Worker Program | | | |
| Program Year 2013/Fiscal Year 2014 Supplemental | 17.278 | 14-001-PY13 | 179,519 |
| Program Year 2013/Fiscal Year 2014 | 17.278 | 14-001-PY13 | 200,005 |
| Program Year 2014/Fiscal Year 2015 | 17.278 | 15-001-PY14 | 603,497 |
| WIA Youth Program | | | |
| Program Year 2013/Fiscal Year 2014 | 17.259 | 14-001-PY13 | 125,701 |
| Program Year 2014/Fiscal Year 2015 | 17.259 | 15-001-PY14 | 1,165,126 |
| WIA Administration | | | |
| Program Year 2013/Fiscal Year 2014 | | | |
| Adult | 17.258 | 14-001-PY13 | 17,716 |
| Dislocated Worker | 17.278 | 14-001-PY13 | 36,949 |
| Youth | 17.259 | 14-001-PY13 | <u>10,686</u> |
| Program Year 2014/Fiscal Year 2015 | | | 65,351 |
| Program Year 2014/Fiscal Year 2015 | | | |
| Adult | 17.258 | 15-001-PY14 | 242,894 |
| Dislocated Worker | 17.278 | 15-001-PY14 | 76,806 |
| Youth | 17.259 | 15-001-PY14 | <u>136,964</u> |
| | | | 456,664 |
| WIA cluster total | | | <u>4,912,776</u> |
| Total expenditures of federal awards | | | <u>\$ 4,912,776</u> |
| Subrecipient payments | | | |
| Youth Development Incorporated | 580,945 | | |
| SER Jobs for Progress, Inc. | 811,847 | | |

**STATE OF NEW MEXICO
 WORKFORCE CONNECTION OF CENTRAL NEW MEXICO
 NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 Year Ended June 30, 2015**

NOTE 1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the WCCNM under programs of the federal government for the year ended June 30, 2015. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133 *Audits of States, Local Governments, and Non-Profit Organizations*. 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 OMB Circular A-87 *Cost Principles for State, Local and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts 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

The 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 | \$ 580,945 |
| SER Jobs for Progress, Inc. | <u>811,847</u> |
| | <u>\$ 1,392,792</u> |

**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**

The Board of Directors
Workforce Connection of Central New Mexico
Mr. Timothy Keller
New Mexico State Auditor

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the general fund and the general fund budgetary comparison of the State of New Mexico Workforce Connection of Central New Mexico (WCCNM) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise WCCNM's basic financial statements, and have issued our report thereon dated December 4, 2015.

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) 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 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.

The Board of Directors
Workforce Connection of Central New Mexico
Mr. Timothy Keller
New Mexico State Auditor

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 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*.

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 and compliance. Accordingly, this communication is not suitable for any other purpose.

Mess Adams LLP

Albuquerque, New Mexico
December 4, 2015

**REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY OMB CIRCULAR A-133**

The Board of Directors
Workforce Connection of Central New Mexico
Mr. Timothy Keller
New Mexico State Auditor

Report on Compliance for Each Major Federal Program

We have audited the State of New Mexico Workforce Connection of Central New Mexico's (WCCNM) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of WCCNM's major federal programs for the year ended June 30, 2015. WCCNM'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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of WCCNM's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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 each major federal program. However, our audit does not provide a legal determination of WCCNM's compliance.

The Board of Directors
Workforce Connection of Central New Mexico
Mr. Timothy Keller
New Mexico State Auditor

Opinion on Each 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 each of its major federal programs for the year ended June 30, 2015.

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 each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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 Board of Directors
Workforce Connection of Central New Mexico
Mr. Timothy Keller
New Mexico State Auditor

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

Mess Adams LLP

Albuquerque, New Mexico
December 4, 2015

**STATE OF NEW MEXICO
WORKFORCE CONNECTION OF CENTRAL NEW MEXICO
SUMMARY OF PRIOR AUDIT FINDINGS
JUNE 30, 2015**

No prior year findings noted.

**STATE OF NEW MEXICO
 WORKFORCE CONNECTION OF CENTRAL NEW MEXICO
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 JUNE 30, 2015**

A. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued

Unmodified

Internal control over financial reporting:

• Material weakness(es) identified?

Yes No

• Significant deficiency(s) identified?

Yes None Reported

Non-compliance material to financial statements noted?

Yes No

Major Federal Awards

Internal control over major programs:

• Material weakness(es) identified?

Yes No

• Significant deficiency(s) identified?

Yes None Reported

Type of auditor's report issued on compliance for major programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?

Yes No

Identification of Major Federal Programs

| | |
|-------------|--|
| CFDA Number | Name of Major Federal Program or Cluster |
|-------------|--|

WIA Cluster:

| | |
|--------|-------------------------------------|
| 17.258 | WIA Adult Program |
| 17.259 | WIA Youth Activities |
| 17.278 | WIA Dislocated Worker Formula Grant |

Dollar threshold used to distinguish between type A and type B programs

\$ 300,000

Auditee qualified as low-risk auditee?

Yes No

**STATE OF NEW MEXICO
WORKFORCE CONNECTION OF CENTRAL NEW MEXICO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
JUNE 30, 2015**

B. FINDINGS – FINANCIAL STATEMENT AUDIT

None

C. FINDINGS – MAJOR FEDERAL AWARD AUDIT

None

**STATE OF NEW MEXICO
WORKFORCE CONNECTION OF CENTRAL NEW MEXICO
EXIT CONFERENCE
JUNE 30, 2015**

We discussed the results of the audit during the exit conference held on December 2, 2015, in a closed session. That exit conference was attended by the following individuals:

Representing Workforce Connection of Central New Mexico:

| | |
|--------------------|------------------------------|
| Dewey Cave | Executive Director |
| Odes Armijo-Caster | Board Chair |
| Amy Myer, CPA | MRCOG Senior Finance Manager |
| Jesse D. Turley | Accounting Manager |

Representing Moss Adams LLP:

| | |
|-----------------------|----------------|
| Kory I. Hoggan, CPA | Senior Manager |
| Michael McGinley, CPA | Senior |

The financial statements were prepared with the assistance of Moss Adams LLP from the books and records of the State of New Mexico Workforce Connection of Central New Mexico. The financial statements and related footnotes remain the responsibility of management.