



**STATE OF NEW MEXICO
NORTHERN AREA LOCAL WORKFORCE
DEVELOPMENT BOARD**

**Independent Auditor's Report
And Financial Statements**

**For The Year Ended
June 30, 2023**

2500 9th St. NW
Albuquerque, NM 87102
505.883.8788
www.HL-cpas.com

STATE OF NEW MEXICO
NORTHERN AREA LOCAL WORKFORCE DEVELOPMENT BOARD
INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023
TABLE OF CONTENTS

	Page
Official Roster	1
Independent Auditor's Report on the Audit of the Financial Statements	2-5
Financial Section	
Government-Wide Financial Statements	
Statement of Net Position - Governmental Activities	6
Statement of Activities - Governmental Activities	7
Fund Financial Statements	
Balance Sheet - Governmental Funds	8
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	9
Statement of Revenues, Expenditures and Changes in Fund Balances - General Fund - Budget (Non-GAAP Budgetary Basis) and Actual	10
Notes to Financial Statements	11-28
Supplemental Information	
Schedule of Expenditures of Federal Awards	29
Compliance Section	
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	30-31
Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by the Uniform Guidance	32-35
Schedule of Findings and Questioned Costs	36-37
Exit Conference	38

STATE OF NEW MEXICO
NORTHERN AREA LOCAL WORKFORCE DEVELOPMENT BOARD
OFFICIAL ROSTER
As of June 30, 2023

<u>DIRECTORS</u>	<u>POSITION</u>
Joseph Weathers	Chairman
Vince Howell	Vice Chairman
Jon Paul Romero	Secretary
Floyd Archuleta	Board Member
Krutik Bhakta	Board Member
Sarah Boisvert	Board Member
Rebecca Estrada	Board Member
Maria Herrera	Board Member
Kristen Krell	Board Member
Mario Lucero	Board Member
Pablo Lujan	Board Member
Chris Madrid	Board Member
Patricia Maule	Board Member
Sean Medrano	Board Member
Jolene Nelson	Board Member
Dr. Lorenzo Reyes	Board Member
David Romero	Board Member
Kevin Romero	Board Member
Eileen Yarborough	Board Member
<u>ADMINISTRATIVE OFFICIAL</u>	<u>POSITION</u>
Lisa Ortiz	Executive Director



INDEPENDENT AUDITOR’S REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

The Board of Directors and Management

Northern Area Local Workforce Development Board, Santa Fe, New Mexico

and

Mr. Joseph M. Maestas, P.E., New Mexico State Auditor, Santa Fe, New Mexico

Opinions

We have audited the accompanying financial statements of the governmental activities, the major fund and the budgetary comparison of the general fund of the Northern Area Local Workforce Development Board (NALWDB) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the NALWDB’s basic financial statements as listed in the table of contents.

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 major fund of the NALWDB as of June 30, 2023, and the respective changes in financial position and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the NALWDB, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter**Adopting New Accounting Guidance**

As discussed in Note A to the financial statements, the NALWDB has adopted the new accounting guidance GASB 96, *Subscription-Based Information Technology Arrangements*, and GASB 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, which are required for adoption for all fiscal years beginning subsequent to June 15, 2022. Our opinions are not modified with respect to these matters.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the NALWDB's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions.

Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 NALWDB's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the NALWDB's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Management has omitted the Management and Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinions on the basic financial statements are not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the NALWDB's financial statements, and the budgetary comparison. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 28, 2023, on our consideration of the NALWDB'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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the NALWDB's internal control over financial reporting and compliance.



Hinkle + Landers, P.C.

Albuquerque, NM

November 28, 2023

STATE OF NEW MEXICO
NORTHERN AREA LOCAL WORKFORCE DEVELOPMENT BOARD
STATEMENT OF NET POSITION—GOVERNMENTAL ACTIVITIES
As of June 30, 2023

Assets	Governmental
Current	<u>Activities</u>
Cash and cash equivalents	\$ 163,590
Grant receivables	151,893
Other receivables	109,168
Prepaid rent	<u>38,003</u>
Total Current Assets	462,654
Noncurrent	
Capital assets	
Right-to-use leased assets, net of amortization	2,613,978
Capital assets, net of depreciation	<u>-</u>
Total capital assets	2,613,978
Security deposit	<u>34,346</u>
Total Noncurrent Assets	<u>2,648,324</u>
Total Assets	<u>\$ 3,110,978</u>
Liabilities	
Current	
Accounts payable	\$ 397,006
Accrued payroll liabilities	62,960
Accrued interest	292
Accrued compensated absences—due within one year	7,848
Lease payable, current portion	<u>429,560</u>
Total Current Liabilities	897,666
Noncurrent	
Compensated absences	23,540
Lease payable, long-term	<u>2,258,734</u>
Total Noncurrent Liabilities	<u>2,282,274</u>
Total Liabilities	3,179,940
Net Position	
Net investment in capital assets	(74,316)
Unrestricted	<u>5,354</u>
Total Net Position	<u>(68,962)</u>
Total Liabilities and Net Position	<u>\$ 3,110,978</u>

See Independent Auditor's Report
The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
NORTHERN AREA LOCAL WORKFORCE DEVELOPMENT BOARD
STATEMENT OF ACTIVITIES—GOVERNMENTAL ACTIVITIES
For The Year Ended June 30, 2023

Functions/Programs	Expenses	Program Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position for Governmental Activities
Governmental activities			
Workforce Innovation and Opportunity Act Program:			
Adult	\$ 1,711,617	1,741,235	29,618
Dislocated Worker	1,135,711	1,118,748	(16,963)
Youth	1,096,121	1,100,186	4,065
Administration	629,535	601,698	(27,837)
Other	15,607	17,982	2,375
Interest on long-term activities	19,784	-	(19,784)
	<u>\$ 4,608,375</u>	<u>4,579,849</u>	<u>(28,526)</u>
Change in net position			(28,526)
Net position, beginning of year			(40,436)
Net position, end of year			<u>\$ (68,962)</u>

See Independent Auditor's Report
The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
NORTHERN AREA LOCAL WORKFORCE DEVELOPMENT BOARD
BALANCE SHEET—GOVERNMENTAL FUNDS
As of June 30, 2023

	General Fund
Assets	
Cash and cash equivalents	\$ 163,590
Grant receivables	151,893
Other receivables	109,168
Prepaid rent	38,003
Security deposit	34,346
Total Assets	\$ 497,000
Liabilities	
Accounts payable	\$ 397,006
Accrued interest	292
Accrued payroll liabilities	62,960
Total Liabilities	460,258
Fund Balance	
Non-spendable	72,349
Unassigned	(35,607)
Total fund balance-governmental funds	36,742
Total Liabilities and Fund Balance	\$ 497,000

Reconciliation of Total Fund Balance-Governmental Funds to the Total Net Position on Statement of Net Position-Government-Wide

Total fund balances - Governmental Fund	\$ 36,742
Right-to-use leased assets used in governmental activities are not financial resources and therefore are not reported in the funds:	
Right-to-use leased assets at cost	3,611,069
Accumulated amortization	(997,091)
Long-term obligations (e.g. leases) provide current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.	
Addition of long-term obligations	(3,157,956)
Principal payments on long-term leases payable	469,662
Some liabilities are not due and payable in the current period and therefore are not reported in the governmental fund:	
Compensated absences	(31,387)
Rounding	(1)
Net position (deficit) of governmental activities	\$ (68,962)

See Independent Auditor's Report
The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
NORTHERN AREA LOCAL WORKFORCE DEVELOPMENT BOARD
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES—GOVERNMENTAL FUND
For The Year Ended June 30, 2023

	General Fund
Revenues	
Intergovernmental - Federal	\$ 4,561,867
Miscellaneous revenue	17,982
Total Revenues	4,579,849
Expenditures	
Current	
Employment Services:	
Formula Program Year funds:	
Adult	1,520,270
Dislocated Worker	1,012,770
Youth	975,220
Administration	564,161
Other	15,607
	4,088,028
Debt service	
Lease payment	469,662
Interest	19,784
	489,446
Total Expenditures	4,577,474
Net change in fund balance	2,375
Fund balance, beginning of year	34,367
Fund balance, end of year	\$ 36,742

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

Net change, fund balance in governmental funds	\$ 2,375
--	----------

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense.

In the current period, these amounts are:

Amortization expense for intangible assets	(501,311)
--	-----------

The issuance of long-term obligations (e.g. leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term obligations consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.

Principal payments on long-term obligations	469,662
---	---------

Some items reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

These activities consist of:

(Increase) decrease in compensated absences	748
---	-----

Rounding	-
----------	---

Change in net position of governmental activities	\$ (28,526)
---	-------------

See Independent Auditor's Report

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
 NORTHERN AREA LOCAL WORKFORCE DEVELOPMENT BOARD
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES BUDGET AND ACTUAL
 GENERAL FUND
 (Non-GAAP Budgetary Basis)
 For The Year Ended June 30, 2023

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Intergovernmental-federal	\$ 5,612,954	5,956,728	4,561,867	(1,394,861)
Miscellaneous revenue	1,500	1,500	17,982	16,482
Total Revenues	5,614,454	5,958,228	4,579,849	(1,394,861)
Expenditures				
Current:				
Employment services:				
PY 22/FY 23:				
Adult	1,378,000	1,844,000	1,520,270	323,730
Dislocated Worker	1,751,000	1,285,000	1,012,770	272,230
Youth	1,115,000	1,270,000	975,220	294,780
Administration	658,100	658,100	564,161	93,939
Other	1,500	1,500	15,607	(14,107)
	<u>4,903,600</u>	<u>5,058,600</u>	<u>4,088,028</u>	<u>970,572</u>
Debt service				
Lease payment	-	-	469,662	(469,662)
Interest	-	-	19,784	(19,784)
	<u>-</u>	<u>-</u>	<u>489,446</u>	<u>(489,446)</u>
Total Expenditures	4,903,600	5,058,600	4,577,474	481,126
Excess (deficiency) of revenues over (under) expenditures	710,854	899,628	2,375	(897,253)
Fund balance, beginning of year	<u>34,367</u>	<u>34,367</u>	<u>34,367</u>	<u>-</u>
Fund balance, end of year	<u>\$ 745,221</u>	<u>933,995</u>	<u>36,742</u>	<u>(897,253)</u>

See Independent Auditor's Report
 The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
NORTHERN AREA LOCAL WORKFORCE DEVELOPMENT BOARD
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2023

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Entity

The Northern Area Local Workforce Development Board (NALWDB) was organized pursuant to Section 117 of Public Law 105-220 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. The NALWDB sets policy for Santa Fe, Mora, Colfax, Los Alamos, San Miguel, San Juan, McKinley, Taos, Rio Arriba, and Cibola counties in the State of New Mexico.

NALWDB contracts with a local CPA firm for its fiscal agent services. For the year ended June 30, 2023, NALWDB contracted with HELP NM, a nonprofit organization, to operate local area One-Stop Centers and to provide adult, dislocated worker, and youth program services.

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:

1. Advise the State Board on issues relating to regional and local workforce development needs;
2. 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 Innovation and Opportunity Act (WIOA);
3. Designate or certify one-stop program operators in accordance with the federal WIOA;
4. Terminate, for cause, the eligibility of the one-stop operator;
5. Select and provide grants to youth activity providers in accordance with the WIOA;
6. Identify eligible training providers in accordance with WIOA;
7. Develop a budget subject to approval of the Chief Elected Official;
8. Develop and negotiate local performance measurements as described in the WIOA with the Chief Elected Official and the Governor;
9. Assist in development of an employment statistics system;
10. Ensure linkages with economic development activities;

STATE OF NEW MEXICO
NORTHERN AREA LOCAL WORKFORCE DEVELOPMENT BOARD
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2023

11. Encourage employer participation and assist employers in meeting hiring needs;
12. In partnership with the Chief Elected Official, conduct oversight of local programs of youth activities authorized pursuant to the federal WIOA, and employment and training activities authorized pursuant to that act, and conduct oversight of the one-stop delivery system in the local area;
13. Establish as a subgroup, a youth council, appointed by the local board in cooperation with the Chief Elected Official, and
14. Prior to submission of the local plan, provide information regarding the following:
 - a. the local plan
 - b. membership
 - c. designation and certification of one-stop operators and
 - d. the award of grants or contracts to eligible providers of youth activities

The local board shall be appointed in accordance with criteria established by the governor. The NALWDB's board is required to be made up of at least fifty-one percent of its members coming from the private sector and shall include representation of education, labor, government, economic development and community-based organizations, and others as appropriate, and shall be appointed or ratified by the local chief public official.

In evaluating how to define the Board, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was 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 NALWDB and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion

STATE OF NEW MEXICO
NORTHERN AREA LOCAL WORKFORCE DEVELOPMENT BOARD
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2023

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, there are no component units included in the reporting entity.

Recently Issued and Adopted Accounting Standards

In March 2020, the GASB issued Statement No. 94 (GASB 94), Public-Private and Public-Public Partnerships and Availability Payment Arrangements. The primary objective of GASB 94 is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). GASB 94 is effective for the NALWDB's financial statements for the year ended June 30, 2023. There was no material impact to the NALWDB's financial statements for the year ended June 30, 2023, as a result of adopting GASB 94.

In May 2020, the GASB issued Statement No. 96 (GASB 96), Subscription-Based Information Technology Arrangements (SBITAs), which is effective for the year ended June 30, 2023. GASB 96 provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs). GASB 96 defines an SBITA, establishes that an SBITA results in a right to-use subscription asset (an intangible asset) and a corresponding subscription liability, provides the capitalization criteria for outlays other than subscription payments (including implementation costs of an SBITA), and requires note disclosures regarding an SBITA. The NALWDB adopted GASB 96 for the year ended June 30, 2023. There was no material impact to the NALWDB's financial statements as a result of adopting GASB 96.

B. Basis of Accounting

1. Government-Wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) are prepared using the economic resources measurement focus and the accrual basis of accounting. 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

STATE OF NEW MEXICO
NORTHERN AREA LOCAL WORKFORCE DEVELOPMENT BOARD
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2023

statements include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds. The government-wide financial statements do not include any fiduciary funds or component units the entity may have.

When applicable, the effect of inter-fund activity is removed from the statement of net position and the statement of activities in order to avoid a grossing-up effect on the assets, liabilities, revenues and expenditures. However, the NALWDB had no inter-fund activity for the year ended 2023.

Net position is the difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources. Net position on the Statement of 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 amortization and the outstanding balance of debt, excluding unspent proceeds, that is directly attributable to the acquisition, construction or improvement of these capital assets.

Restricted – Net position should be reported as restricted when constraints placed on net position’s use are either externally imposed by law through constitutional provisions or enabling legislation. The NALWDB had no restricted net position as of June 30, 2023.

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

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. Designated fund balances represent tentative plans for future use of financial resources. Portions of the fund balances may be reserved for subsequent year’s

STATE OF NEW MEXICO
NORTHERN AREA LOCAL WORKFORCE DEVELOPMENT BOARD
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2023

expenditures. The reservation represents the amount of cash appropriated in subsequent year's budget. No funds have been reserved for the year ended June 30, 2023.

Program Revenues:

The NALWDB received program specific operating grants from the U.S. Department of Labor passed through the New Mexico Department of Workforce Solutions during the year ended June 30, 2023. These revenues are program revenues for the carrying out of program activities of the WIOA grant cluster.

The net cost by function is normally covered by general revenue. The NALWDB allocates its indirect costs to each of its programs based on an indirect cost allocation plan. The government-wide focus is more on the sustainability of the NALWDB as an entity and the change in the NALWDB's net position resulting from the current year's activities.

2. Fund Financial Statements

Fund financial statements report detailed information about the NALWDB. The NALWDB has one major fund and no non-major funds for the year ended June 30, 2023. See Note B-7 for more detail.

3. Spending Policy

When an expenditure/expense is incurred for purposes for which both restricted and unrestricted resources are available, it is the NALWDB's policy to use restricted resources first. When expenditures/expenses are incurred for purposes, for which unrestricted (committed, assigned and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the NALWDB's policy to spend committed resources first.

4. Governmental Funds-Method of Accounting

All 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.

STATE OF NEW MEXICO
NORTHERN AREA LOCAL WORKFORCE DEVELOPMENT BOARD
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2023

5. 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. The NALWDB does not receive any tax revenues. A one-year availability period is used for revenue recognition for all other governmental fund revenues.

The NALWDB has implemented GASB 33 on any non-exchange transaction. A non-exchange transaction occurs 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. The NALWDB has two types of non-exchange transactions: 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). The NALWDB recognizes non-exchange transactions in the financial statements as income unless it is not measurable (reasonably estimated), if any.

Revenues from grants that are restricted for specific uses are recognized as revenues when the related costs are incurred. All other revenues are recognized when they are received and are not susceptible to accrual. Restricted revenues are applied to expenditures before non-restricted revenues are applied.

6. 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,

STATE OF NEW MEXICO
NORTHERN AREA LOCAL WORKFORCE DEVELOPMENT BOARD
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2023

principal and interest on general long-term debt, which has not matured, are recognized when paid.

Expenditures, other than vacation and sick pay, 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.

7. Fund Accounting

The accounts of the NALWDB are organized on a basis of funds, each of which is considered a separate accounting entity.

The General Fund is the general operating fund of the NALWDB, and it is used to account for all financial resources except those required to be accounted for in another fund. The General Fund is always considered a major fund and there were no other funds.

The key program included in the General Fund during fiscal year 2023 is the following:

Workforce Innovation and Opportunity Act Fund Provides employment services at three levels: core, intensive and training services, to adults, dislocated workers and youth.

C. Capital Assets, Depreciation and Amortization

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 the NALWDB 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 are 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 the NALWDB to other agencies is accounted for in capital assets. Purchased capital assets are valued at historical cost. Donated capital 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 and an estimated useful life greater than one year.

STATE OF NEW MEXICO
NORTHERN AREA LOCAL WORKFORCE DEVELOPMENT BOARD
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2023

Depreciation and amortization of capital assets is computed and recorded by the straight-line method.

Estimated useful lives for capital assets are as follows:

	Estimated Useful Life
Furniture, fixtures, software and equipment	3-10 years
Right-to-use leased assets	Life of the lease

However, assets over the past years have been purchased by contractors and sub-recipients as budgeted in their contracts and award agreements. These assets have been recorded on the contractors' and sub-recipients' books and depreciation or amortization have been recorded on their books accordingly. The contractors and sub-recipients are obligated to return these assets to the NALWDB's respective awarding program, should the program or their agreement with the NALWDB end.

D. Leases and Related Right-to-Use Leased Assets

The NALWDB has recorded right-to-use leased assets as a result of implementing GASB 87. The right-to-use leased assets are initially calculated at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, plus ancillary charges necessary to place the lease into service. The right-to-use leased assets are amortized on a straight-line basis over the shorter of the useful life of the underlying asset or the lease term.

E. Budgets

The NALWDB prepares a budget by funding stream based upon the allocation by the State Workforce Development Board to be approved by the NALWDB's Board. The State Workforce Development Board provides the NALWDB with a breakdown of the funds allocated to that region each year for adult, dislocated worker, youth, and administration activities. Those allocations are based upon the State Workforce Development Board's approved state plan. The NALWDB cannot exceed expenditures allocated by adult, dislocated worker, youth, or administration funding streams. Allocated funds not drawn in the first year may be drawn in the next year.

STATE OF NEW MEXICO
NORTHERN AREA LOCAL WORKFORCE DEVELOPMENT BOARD
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2023

Budgets are prepared on the modified accrual basis of accounting. The Board exercises legal level budget control at the fund level for general government functions. The budgets of all individual funds may not be legally over-expended. Any adjustments to the State Board's allocations made by the NALWDB must be first approved by the State Workforce Development Board but are not required to be approved by the Department of Finance and Administration.

The Board approves the budget at the operating fund level and not at the funding stream level.

Any federal funds that have been used for any purpose not within the purposes of the WIOA shall be reimbursed to the State Workforce Development Board. Also, any funds allocated not used within two years of the original allocation date revert back and are not allowed to be drawn down after that period.

F. 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.

G. Allowances

The NALWDB expects to receive the full amount of grants receivables for funds requested from the New Mexico Department of Workforce Solutions and others and, therefore, it has not set up any allowance for any doubtful accounts.

H. Use of Estimates in Preparation of Financial Statements

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

STATE OF NEW MEXICO
NORTHERN AREA LOCAL WORKFORCE DEVELOPMENT BOARD
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2023

I. Fund Balance

The NALWDB's fund balance is classified under the following GASB 54 components:

- **Nonspendable:** Nonspendable fund balance classification includes amounts that cannot be spent because they are either (1) not in spendable form or (2) legally or contractually required to be maintained intact. The NALWDB has a nonspendable fund balance of \$72,349 which is comprised of prepaid rent and security deposits for the year ended June 30, 2023.
- **Restricted:** Restricted fund balance represents amounts constrained to specific purposes that are externally imposed or imposed by law through constitutional provisions or enabling legislation (such as taxpayers, grantors, bondholders, and higher levels of government). The NALWDB has no amounts in the category of restricted fund.
- **Committed:** Committed fund balance is constrained to specific purposes by the highest level of decision-making authority (the New Mexico Legislature and Governor). The NALWDB does not have any committed fund balance for the year ended June 30, 2023.
- **Assigned:** Assigned fund balance is constrained by the Legislature and Executive branch's intent to be used by the government for specific purposes or in some cases by legislation. Intent can be expressed by the governing body or an official or body to which the governing body delegates authority. The NALWDB does not have any assigned fund balance for the year ended June 30, 2023.
- **Unassigned:** Unassigned fund balance is the residual classification for the general fund. The NALWDB does not currently have a minimum fund balance policy. The unassigned amount represents the balance from miscellaneous expenses and revenue in the current and prior years.

STATE OF NEW MEXICO
NORTHERN AREA LOCAL WORKFORCE DEVELOPMENT BOARD
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2023

J. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and/or the balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, Deferred Outflows of Resources, represents a consumption of net position/fund balance that applies to a future period and so will not be recognized as an expense or expenditure until then. The NALWDB had no items that meet this criterion during fiscal year 2023. In addition to liabilities, the statement of net position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, Deferred Inflows of Resources, represents an acquisition of net position/fund balance that applies to a future period and so will not be recognized until then.

2. CASH ACCOUNTS AND INVESTMENT POLICY

In accordance with Section 6-10-17, NMSA, 1978, deposits of public money are required to be collateralized. Pledged collateral is required to have an aggregate value 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.

GASB 40 requires information on custodial risk be disclosed. Custodial credit risk is risk that in the event of bank failure, the NALWDB's deposits may not be returned to it. The NALWDB's deposit policy is to collateralize one half of the uninsured public money in each account.

Deposits as of June 30, 2023 were held in Sunflower First National Bank of Santa Fe and Enterprise Bank. Deposits (cash or cash equivalents) are carried at cost, which approximates market value.

STATE OF NEW MEXICO
NORTHERN AREA LOCAL WORKFORCE DEVELOPMENT BOARD
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2023

The following is a listing of deposits of public money and collateral pledged at values acceptable per state statute, by the depositing financial institutions as of June 30, 2023:

Bank Name	Bank Balance	Deposits In Transit	Out- Standing Checks	Financial Statements
Sunflower Bank- non interest bearing	\$ 726,726	-	(567,377)	159,349
Enterprise Bank- non interest bearing	4,241	-	-	4,241
	<u>\$ 730,967</u>	<u>-</u>	<u>(567,377)</u>	<u>163,590</u>

Total remaining uninsured and collateralized deposits exposed to custodial credit risk was \$476,726 at year end. As of June 30, 2023, the amount of the NALWDB's bank balance exposed to custodial credit risk was as follows:

Sunshine Bank	Type	Bank Balance	Book Balance
Government Checking Account	Demand Deposit	\$ 726,726	<u>159,349</u>
Less FDIC coverage		(250,000)	
Uninsured balance		<u>\$ 476,726</u>	

Enterprise Bank	Type	Bank Balance	Book Balance
Government Checking Account	Demand Deposit	\$ 4,241	<u>4,241</u>
Less FDIC coverage		(4,241)	
Uninsured balance		<u>\$ -</u>	

Insured through federal depository insurance	254,241
Uninsured, collateralized held by pledging financial institution's trust department or agent in the NALWDB's name	476,726
Collateral required 50%	238,363
Collateral provided	(1,085,780)
Uninsured and uncollateralized	-
Total deposits	<u>\$ 730,967</u>

STATE OF NEW MEXICO
NORTHERN AREA LOCAL WORKFORCE DEVELOPMENT BOARD
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2023

Due to restriction on WIOA funds by the granting agency, monies deposited into the account of the NALWDB, and any program revenue earned by the NALWDB are not allowed to be invested.

The pledged collateral is as below:

Type of securities	CUSIP #	Rate	Maturity	Current par	Market Value
FHLMC Pool #CA7965	3140QFZ77	1.5	11/1/2050	\$1,406,686	\$1,085,780

3. RECEIVABLES

The NALWDB had grant receivables from the Department of Workforce Solutions in the amount of \$151,893 as of June 30, 2023.

4. CAPITAL ASSETS, DEPRECIATION AND AMORTIZATION

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

	2022	Additions	Deletions	2023
Capital Assets:				
Furniture, fixtures and equipment	\$ 449	-	(449)	-
Right-to-use assets-leased building (intangible asset)	3,611,069	-	-	3,611,069
Less Accumulated Depreciation:	3,611,518	-	(449)	3,611,069
Furniture, fixtures and equipment	(449)	-	449	-
Less Accumulated Amortization:				
Right-to-use assets-leased building (intangible asset)	(495,780)	(501,311)	-	(997,091)
Total accumulated depreciation and amortization	(496,229)	(501,311)	449	(997,091)
Total net capital assets	\$ 3,115,289	(501,311)	(449)	2,613,978

There was no current year depreciation expense for the year ended June 30, 2023, all items were fully depreciated, and no additions were purchased. Amortization related to the leased buildings was \$501,311. All amortization was charged to NALWDB's single function.

All of the NALWDB's equipment has been purchased under government contracts and is restricted as to their use as designated by granting agencies.

STATE OF NEW MEXICO
NORTHERN AREA LOCAL WORKFORCE DEVELOPMENT BOARD
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2023

Right-to-Use Leased Assets

NALWDB has one type of right-to-use leased asset. The asset is a right-to-use asset for leased buildings. Amortization was \$501,311. The related lease is discussed in Note 5. The right-to-use leased asset is amortized on a straight-line basis over the term of the related lease.

5. LONG-TERM OBLIGATIONS

NALWDB has the following obligations at the end of June 30, 2023:

<u>Type</u>	<u>July 1, 2022</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2023</u>	<u>Current Portion</u>
Compensated absences payable	\$ 32,136	21,197	(21,945)	31,388	7,848
Lease liability	3,157,956	-	(469,662)	2,688,294	429,560
Total debt	<u>\$ 3,190,092</u>	<u>21,197</u>	<u>(491,607)</u>	<u>2,719,682</u>	<u>437,408</u>

Lease Liability

NALWDB has entered into multiple agreements to lease office space. The lease agreements qualify as other than a short-term lease under GASB 87. Therefore, the leases have been recorded at the present value of the future minimum lease payments using the facts and circumstances available at July 1, 2021 and a capitalization threshold of \$20,000.

The lease liability is measured at an incremental borrowing rate (IBR) of 0.5%, which has been set as the IBR by NALWDB. As a result of the lease, the NALWDB has a right-to-use leased assets (RTUs) with a net book value of \$2,613,978 at June 30,2023. The RTUs are discussed in more detail in Note 4.

STATE OF NEW MEXICO
NORTHERN AREA LOCAL WORKFORCE DEVELOPMENT BOARD
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2023

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2023, were as follows:

		Principal	Interest	Total
2024	\$	429,560	18,286	447,846
2025		349,361	15,531	447,846
2026		354,646	12,900	364,892
2027		365,617	10,196	367,546
2028		378,386	7,417	375,813
2029-2033		810,724	6,146	816,870
Total	\$	2,688,294	70,476	2,820,813

Compensated Absences

Qualified employees are entitled to accumulate personal leave at the rate of 4 hours per pay period for annual and sick during the first year of employment. For employees with over one year of service, employment annual leave will be accrued at the rate of 6 hours per pay period and 4 hours per pay period for sick leave. A maximum of 240 hours of such accumulated annual leave may be carried forward into the beginning of the fiscal year and any excess is lost. When employees terminate, they are compensated for accumulated unpaid leave as of the date of termination, up to a maximum of 240 hours.

The expenditure is reported for these amounts in the Statement of Activities. In accordance with the provisions of GASB 43, Accounting for Compensated Absences, no liability is recorded for non-vesting accumulating rights to receive sick pay benefits.

The General Fund, which is the only fund, is used to liquidate accrued compensated absences.

6. GRANT ADVANCES

For the fiscal year ending June 30, 2023, the NALWDB did not hold any grant advances.

STATE OF NEW MEXICO
NORTHERN AREA LOCAL WORKFORCE DEVELOPMENT BOARD
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2023

7. RECONCILIATION BETWEEN BUDGETARY BASIS AND GAAP BASIS

Because the NALWDB kept its budgets on the modified accrual basis of accounting during the year ending June 30, 2023, there was no need to reconcile the budget financial statement to the fund financial statement.

8. RETIREMENT 401(k) PLAN AND POST EMPLOYMENT BENEFITS

Employees of the NALWDB are not eligible to participate in the State of New Mexico's PERA retirement plan. However, in January 2003, the NALWDB started a 401(k) defined contribution retirement plan to which it can make voluntary contributions. Any employee who has completed one year of service and is at least 21 years of age is entitled to participate in the plan. The NALWDB can also make discretionary contributions to the plan. For fiscal years ending June 30, 2023 and June 30, 2022, the NALWDB made discretionary contributions of \$22,273 and \$28,178, respectively to the 401(k) retirement plan. Employees made no voluntary contributions for these periods.

9. RISK MANAGEMENT

The NALWDB 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 it carried commercial insurance in the name of the NALWDB. Liabilities are reported when it is probable that a loss has occurred, and the amount of the loss can be reasonably estimated. As of June 30, 2023, the NALWDB did not have any probable risk of loss.

10. OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES

Generally accepted accounting principles require disclosures of certain information for individual funds including:

- A. The general fund did not maintain a deficit balance as of June 30, 2023.
- B. The general fund did not exceed approved budgetary authority for the year ended June 30, 2023.

STATE OF NEW MEXICO
NORTHERN AREA LOCAL WORKFORCE DEVELOPMENT BOARD
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2023

11. CONTINGENCY

WIOA designates the CEOs (the local chief elected officials in the Northern Local Workforce Development Area) as the grant recipient for WIOA federal funds, and the CEOs are liable for misuse of grant funds allocated to the Local Area. The Northern Area Local Workforce Development Board shall function as the grant recipient and shall receive and administer all WIOA Title I funds on behalf of the CEOs.

In August 2018, the Board's WIOA program was reviewed by the US Department of Labor as part of its ongoing monitoring of grant recipients. As a result of this monitoring, certain deficiencies in the administration of the WIOA grant were identified. A subsequent follow-up by the USDOL was conducted in September 2019. As a result of this monitoring and additional state monitoring performed during the year ended June 30, 2019, it was determined by the New Mexico Department of Workforce Solution to place the Board under administrative oversight, originally through the year ended December 31, 2020. The Board resolved all deficiencies as of June 30, 2022. However, the New Mexico Department of Workforce Solution has recommended to continue the oversight until further notice (expected to be completed sometime in fiscal year 2024).

Federal Grants – The NALWDB receives federal grants for various specific purposes. These grants are subject to audit, which may result in requests for reimbursements to granting agencies for expenditures disallowed under the terms of the grants.

12. CONCENTRATION

The NALWDB depends on financial resources flowing from, or associated with, the Federal Government. Because of this dependency, the NALWDB is subject to changes in specific flows of intergovernmental revenues based on modifications to Federal laws and Federal appropriations.

13. GASB 77 – TAX ABATEMENTS

The NALWDB was not a party of any tax abatement agreements subject to GASB 77 Tax Abatement disclosures during the year ended June 30, 2023. As a result, they make no such disclosures related to GASB 77.

STATE OF NEW MEXICO
NORTHERN AREA LOCAL WORKFORCE DEVELOPMENT BOARD
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2023

14. SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the balance sheet date but before the financial statements are issued. The NALWDB recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the balance sheet, including the estimates inherent in the process of preparing the financial statements. The NALWDB's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the balance sheet but arose after the balance sheet date and before financial statements are available to be issued. The NALWDB has evaluated subsequent events through November 28, 2023, which is the date the financial statements were available to be issued.

STATE OF NEW MEXICO
NORTHERN AREA LOCAL WORKFORCE DEVELOPMENT BOARD
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended June 30, 2023

Federal Grantor/Program Title	Federal Assistance Listing Number	Identifying Grant No.	Passed Through to Sub-recipients	Grant Award Expended
U.S. Department of Labor passed through the New Mexico Department of Workforce Solutions				
WIOA Cluster				
WIOA Adult Program*	17.258	23-003/23-631-41-PY21 & PY 22	\$ 1,601,178	2,005,794
WIOA Youth Activities*	17.259	23-003/23-631-41-PY21 & PY 22	1,019,199	1,267,345
WIOA Dislocated Workers*	17.278	23-003/23-631-41-PY21 & PY 22	993,777	1,288,728
Total WIOA Cluster expenditures			<u>3,614,154</u>	<u>4,561,867</u>
Total Department of Labor			<u>\$ 3,614,154</u>	<u>4,561,867</u>

*Denotes major federal program

Reconciliation of federal expenditures to total revenue:

Total revenue per Statement of Activities	4,561,867
plus federal revenue recognized in prior year for current year expenses	-
Federal revenue per Statement of Activities	\$ 4,561,867
Federal awards expended per SEFA	4,561,867
Difference	<u>\$ -</u>

Selected Disclosures

1. Basis of Accounting

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Northern Area Local Workforce Development Board (NALWDB), under programs of the federal government for the year ended June 30, 2023. 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 NALWDB, it is not intended to and does not present the financial position or changes in financial position of the NALWDB.

2. Non-Cash Assistance

The Northern Area Local Workforce Development Board did not receive any noncash assistance.

3. Payments To Subrecipients

Organization	Federal AL Number	Subrecipient Identifying Grant No.	Amount
HELP NM - Formula Funds	17.258	Adult-DW 2020-007 A2	\$ 1,540,232
	17.259	Youth-2020-008 A2	967,032
	17.278	Adult-DW 2020-007 A2	<u>941,387</u>
Total			3,448,651
HELP NM - One Stop Operator	17.258	One Stop Operator	60,946
	17.259	One Stop Operator	52,167
	17.278	One Stop Operator	<u>52,390</u>
			<u>165,503</u>
			<u>\$ 3,614,154</u>

The Northern Area Local Workforce Development Board did not use the 10% de minimis indirect cost rate.

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

The Board of Directors and Management

Northern Area Local Workforce Development Board, Santa Fe, New Mexico

and

Mr. Joseph M. Maestas, P.E., New Mexico State Auditor, Santa Fe, New Mexico

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 major fund, and the budgetary comparison of the general fund of the Northern Area Local Workforce Development Board (NALWDB) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the NALWDB's basic financial statements, and have issued our report thereon dated November 28, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the NALWDB's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the NALWDB's internal control. Accordingly, we do not express an opinion on the effectiveness of the agency'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 misstatements on a timely basis. A *material weakness* is a deficiency, or 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.

November 28, 2023

INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS, continued.


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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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 or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the NALWDB’s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Purpose of this Report

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



Hinkle + Landers, P.C.
Albuquerque, NM
November 28, 2023



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

The Board of Directors and Management

Northern Area Local Workforce Development Board, Santa Fe, NM

and

Mr. Joseph M. Maestas, P.E., New Mexico State Auditor, Santa Fe, NM

Opinion on Each Major Federal Program

We have audited the Northern Area Local Workforce Development Board's (NALWDB) compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of the NALWDB's major federal programs for the year ended June 30, 2023. The NALWDB's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the NALWDB 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, 2023.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the NALWDB's compliance.

Basis for Opinion on Each Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the NALWDB and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the NALWDB's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the NALWDB's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the NALWDB's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, Government Auditing Standards, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about NALWDB's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence of the NALWDB's compliance with the compliance requirements referred to above, and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of NALWDB's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the NALWDB's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow Management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to

November 28, 2023

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE, continued

be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that have not been identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

Hinkle & Landers, P.C.

Hinkle + Landers, P.C.

Albuquerque, NM

November 28, 2023

**STATE OF NEW MEXICO
NORTHERN AREA LOCAL WORKFORCE DEVELOPMENT BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2023**

SECTION I—SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued **Unmodified**

Internal control over financial reporting:

- a. Material weakness(es) identified? Yes No
- b. Significant deficiency(ies) identified
that are not considered to be a material weakness(es)? Yes No
- c. Noncompliance material to the financial statements noted? Yes No

Federal Awards

Internal control over major federal programs:

- a. Material weakness(es) identified? Yes No
- b. Significant deficiency(ies) identified
that are not considered to be a material weakness(es)? Yes No

Type of auditor’s report issued on compliance for major federal programs **Unmodified**

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

Identification of major federal programs:

Federal AL Number	Name of Federal Programs	Funding Source
	Workforce Innovation and Opportunity Act:	
17.258	Adult	US Department of Labor Passed through the
17.259	Youth	New Mexico Department
17.278	Dislocated Worker	of Workforce Solutions

Dollar threshold used to distinguish between type A and type B programs: \$750,000
 Auditee qualified as low-risk auditee? Yes No

STATE OF NEW MEXICO
NORTHERN AREA LOCAL WORKFORCE DEVELOPMENT BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2023

SECTION II & III—FINANCIAL STATEMENT AND FEDERAL FINDINGS

		Findings		
Reference #	Description	Current or Prior Year Finding	Status of Findings	Type of Finding*
	None			

* Legend for Type of Findings

- A. Material Weakness in Internal Control Over Financial Reporting
- B. Significant Deficiency in Internal Control Over Financial Reporting
- C. Finding that Does Not Rise to the Level of a Significant Deficiency (Other Matters) Involving Internal Control Over Financial Reporting
- D. Material Weakness in Internal Control Over Compliance of Federal Awards
- E. Significant Deficiency in Internal Control Over Compliance of Federal Awards
- F. Instance of Noncompliance related to Federal Awards
- G. Other Non-compliance with State Audit Rule, NM State Statutes, NMAC, or other entity compliance
- H. Instance of Material Non-compliance

PRIOR YEAR FINDINGS

None

CURRENT YEAR FINDINGS

None

STATE OF NEW MEXICO
NORTHERN AREA LOCAL WORKFORCE DEVELOPMENT BOARD
EXIT CONFERENCE
For the Year Ended June 30, 2023

An exit conference was held in a closed conference on November 28, 2023.

In attendance were the following:

Northern Area Local Workforce Development Board

Joseph Weathers, Chairman

Lisa Ortiz, Executive Director

Keith Sorensen, Fiscal Agent

Hinkle + Landers, P.C.

Farley Vener, CPA, CFE, CGMA, Managing Shareholder

Cosmina Hays, CPA, CGFM, MBA, Audit Manager

FINANCIAL STATEMENT PREPARATION

The financial statements were primarily prepared from the original books and records of the NALWDB as of June 30, 2023 by Hinkle + Landers, PC. The financial statements are the responsibility of management.