



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

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

**For The Year Ended
June 30, 2025**

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, 2025
TABLE OF CONTENTS

	Page
Official Roster	1
Independent Auditor's Report on 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 Fund	8
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Fund	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 Government Auditing Standards	30-32
Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance	33-36
Schedule of Findings and Questioned Costs	37-39
Exit Conference	40

STATE OF NEW MEXICO
NORTHERN AREA LOCAL WORKFORCE DEVELOPMENT BOARD
OFFICIAL ROSTER
As of June 30, 2025

<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
Rudy Garcia	Board Member
Maria Herrera	Board Member
Katherine Harvie	Board Member
Mario Lucero	Board Member
Pablo Lujan	Board Member
Jennifer Martinez	Board Member
Sean Medrano	Board Member
Jolene Nelson	Board Member
Dr. Lorenzo Reyes	Board Member
David Romero	Board Member
Kevin Romero	Board Member
Arthur Sparks	Board Member
<u>PRINCIPAL ADMINISTRATIVE OFFICIAL</u>	<u>POSITION</u>
Lisa Ortiz	Executive Director



INDEPENDENT AUDITOR’S REPORT ON THE FINANCIAL STATEMENTS

The Board of Directors and Management

Northern Area Local Workforce Development Board, Santa Fe, NM

and

Joseph M. Maestas, PE, CFE, New Mexico State Auditor, Santa Fe, NM

Opinions

We have audited the accompanying financial statements of the governmental activities, the General Fund and the budgetary comparison statement of the general fund of the Northern Area Local Workforce Development Board (“the NALWDB”) as of and for the year ended June 30, 2025, 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 General Fund of the NALWDB as of June 30, 2025, and the respective changes in financial position and the budgetary comparison statement 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 1 to the financial statements, the NALWDB adopted the provisions of Governmental Accounting Standards Board (GASB) 101, *Compensated Absences*, which is effective for fiscal years beginning after December 15, 2023.

As discussed in Note 14, the adoption of GASB 101 resulted in a restatement of beginning net position. Our opinions are not modified with respect to this matter.

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

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, 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. Management has omitted this required supplementary information. We did not perform the limited procedures required by auditing standards on the management's discussion and analysis because it was not presented. Accordingly, we do not express an opinion or provide any assurance on it. Our opinions on the basic financial statements are not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the NALWDB's basic financial statements. 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 the *Government Auditing Standards*, we have also issued our report dated December 29, 2025, 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, PC
Albuquerque, NM
December 29, 2025

STATE OF NEW MEXICO
NORTHERN AREA LOCAL WORKFORCE DEVELOPMENT BOARD
STATEMENT OF NET POSITION—GOVERNMENTAL ACTIVITIES
As of June 30, 2025

Assets	Governmental Activities
Current	
Cash and Cash Equivalents	\$ 244,852
Grant Receivables	130,305
Other Receivables	289,266
Prepaid Expenses	22,273
Total Current Assets	686,696
Noncurrent	
Capital Assets, Net	2,870,322
Security Deposit	35,346
Total Noncurrent Assets	2,905,668
Total Assets	\$ 3,592,364
Liabilities	
Current	
Accounts Payable	\$ 638,758
Accrued Payroll Liabilities	35,417
Accrued Interest	292
Compensated Absences, Due within One Year	18,779
Lease Liabilities, Current Portion	548,005
Total Current Liabilities	1,241,251
Noncurrent	
Compensated Absences	56,337
Lease Liabilities, Long-Term	2,446,469
Total Noncurrent Liabilities	2,502,806
Total Liabilities	3,744,057
Net Position	
Net Investment in Capital Assets	(124,152)
Unrestricted	(27,541)
Total Net Position	(151,693)
Total Liabilities and Net Position	\$ 3,592,364

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, 2025

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	\$ 2,537,487	2,474,876	(62,611)
Dislocated Worker	408,668	468,675	60,007
Youth	622,638	688,800	66,162
Local Board Operations	494,188	442,732	(51,456)
Other	3,929	-	(3,929)
Interest on Long-Term Obligations	51,040	-	(51,040)
	<u>\$ 4,117,950</u>	<u>4,075,083</u>	<u>(42,867)</u>
Change in Net Position			<u>(42,867)</u>
Net Position, Beginning of Year			(84,208)
Restatement- Note 14			<u>(24,618)</u>
Net Position, Beginning as Restated			<u>(108,826)</u>
Net Position, End of Year			<u>\$ (151,693)</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 FUND
As of June 30, 2025

Assets	<u>General Fund</u>
Cash and Cash Equivalents	\$ 244,852
Grant Receivables	130,305
Other Receivables	289,266
Prepaid Expenses	22,273
Security Deposit	35,346
Total Assets	<u>\$ 722,042</u>
Liabilities	
Accounts Payable	\$ 638,758
Accrued Interest	292
Accrued Payroll Liabilities	35,417
Total Liabilities	<u>674,467</u>
Fund Balance	
Nonspendable	57,619
Unassigned	(10,044)
Total Fund Balance—Governmental Fund	<u>47,575</u>
Total Liabilities and Fund Balance	<u>\$ 722,042</u>

Reconciliation of Balance Sheet—Governmental Fund to the Statement of Net Position

Total Fund Balances - Governmental Fund	\$ 47,575
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	4,535,201
Accumulated Amortization	(1,664,879)
Long-term obligations (e.g. leases) provide current financial resources to governmental funds, while the repayment of the principal of long-obligations debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.	
Leases Liabilities	(2,994,474)
Some liabilities are not due and payable in the current period and therefore are not reported in the governmental fund:	
Compensated Absences	(75,116)
Rounding	-
Net Position (Deficit) of Governmental Activities	<u>\$ (151,693)</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 REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES—GOVERNMENTAL FUND
For The Year Ended June 30, 2025

	General Fund
Revenues	
Intergovernmental - Federal	\$ 4,075,083
Total Revenues	4,075,083
Expenditures	
Current	
Employment Services:	
Formula Program Year Funds:	
Adult	2,197,740
Dislocated Worker	344,329
Youth	528,080
Local Board Operations	422,648
Other	3,929
	3,496,726
Capital Outlay - New Leases	769,813
Debt Service	
Lease Principal	531,246
Interest	51,040
	582,286
Total Expenditures	4,848,825
Other Financing Sources (Uses)	
Other Financing Sources - New Leases	769,813
Total Other Financing Sources (Uses)	769,813
Net Change in Fund Balance	(3,929)
Fund Balance, Beginning of Year	51,504
Fund Balance, End of Year	\$ 47,575

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

Net Change, Fund Balance in Governmental Fund	\$ (3,929)
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.	769,814
Amortization Expense for RTU Leased Assets	(559,422)
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.	(769,813)
Principal Payments on Long-Term Obligations	531,246
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	(10,762)
Rounding	(1)
Change in Net Position of Governmental Activities	\$ (42,867)

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, 2025

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Intergovernmental-Federal	\$ 6,193,929	6,515,132	4,075,083	(2,440,049)
Miscellaneous Revenue	3,000	3,000	-	(3,000)
Total Revenues	6,196,929	6,518,132	4,075,083	(2,443,049)
Expenditures				
Current:				
Employment Services:				
PY 23, 24/FY 25:				
Adult	1,899,700	2,881,700	2,197,740	683,960
Dislocated Worker	784,000	784,000	344,329	439,671
Youth	1,214,445	1,214,445	528,080	686,365
Local Board Operations	494,700	494,700	422,648	72,052
Other	500	500	3,929	(3,429)
	<u>4,393,345</u>	<u>5,375,345</u>	<u>3,496,726</u>	<u>1,878,619</u>
Debt Service				
Lease Principal	-	-	531,246	(531,246)
Interest	-	-	51,040	(51,040)
	<u>-</u>	<u>-</u>	<u>582,286</u>	<u>(582,286)</u>
Total Expenditures	4,393,345	5,375,345	4,079,012	1,296,333
Other Financing Sources (Uses)				
Lease Obligations - New Leases	-	-	769,813	(769,813)
Other Financing Uses (New Leases)	-	-	(769,813)	769,813
Total Other Financing Sources (Uses)	-	-	-	-
Excess (Deficiency) of Revenues Over (Under)				
Expenditures	1,803,584	1,142,787	(3,929)	(1,146,716)
Fund Balance, Beginning of Year	51,504	51,504	51,504	-
Fund Balance, End of Year	<u>\$ 1,855,088</u>	<u>1,194,291</u>	<u>47,575</u>	<u>(1,146,716)</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, 2025

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 served 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, 2025, NALWDB contracted with CPLC, Career Team, LLC, Southwest Key Programs and Youth Development Inc., nonprofit organizations, 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 is 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 that is 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, 2025

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 consist 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 must be appointed or ratified by the local chief public official.

In evaluating how to define the NALWDB, 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 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

STATE OF NEW MEXICO
NORTHERN AREA LOCAL WORKFORCE DEVELOPMENT BOARD
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2025

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

GASB Statement No. 101 (GASB 101), Compensated Absences

In June 2022, GASB issued Statement No. 101, which establishes a unified model for recognizing and measuring liabilities for compensated absences. A liability is recognized for leave attributable to past services that accumulate and is more likely than not to be used or paid/settled; certain salary-related payments directly and incrementally associated with such payments (for example, employer payroll taxes) are included in measurement. The liability is measured using pay rates in effect at the financial statement date. Changes adopted at transition are reported as a change in accounting principle. GASB 101 is effective for fiscal years beginning after December 15, 2023.

The NALWDB implemented GASB 101 for the year ended June 30, 2025. The adoption was reported as a change in accounting principle and resulted in a restatement of beginning net position and/or fund balance, as applicable. See Note 14 for a reconciliation of previously reported and restated amounts.

GASB Statement No. 102 (GASB 102), Certain Risk Disclosures

In October 2023, GASB issued *GASB 102, Certain Risk Disclosures*, which requires disclosure of vulnerabilities due to certain concentrations or constraints when all disclosure criteria are met as of the date the financial statements are issued: (a) the concentration or constraint is known to the government before issuance; (b) it makes the reporting unit vulnerable to the risk of a substantial impact; and (c) an event or events associated with it have occurred, have begun to occur, or are more likely than not to begin within 12 months of the issuance date. Required disclosures describe the concentration/constraint, the event(s) that have occurred or begun, and mitigation actions taken prior to issuance. Governments must also assess these criteria for any reporting unit that reports a liability for revenue debt. GASB 102 is effective for fiscal years beginning after June 15, 2024. Management determined that no disclosures were required under GASB 102 as of the issuance date.

STATE OF NEW MEXICO
NORTHERN AREA LOCAL WORKFORCE DEVELOPMENT BOARD
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2025

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 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 interfund activity for the year ended June 30, 2025.

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 obligations, 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, 2025.

STATE OF NEW MEXICO
NORTHERN AREA LOCAL WORKFORCE DEVELOPMENT BOARD
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2025

Unrestricted – All other net position that do not meet the definition of restricted net position or net investment in capital assets.

In the fund level financial statements, Fund balance classifications include nonspendable, restricted, committed, assigned, and unassigned. Portions of the fund balances may be reserved for subsequent year's 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, 2025.

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, 2025. These revenues are program revenues for the carrying out of program activities of the WIOA grant cluster.

The net cost by function is typically covered by general revenue. The NALWDB allocates its indirect costs to each of its programs based on a formally established 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, 2025. See Note B.2.7 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.

STATE OF NEW MEXICO
NORTHERN AREA LOCAL WORKFORCE DEVELOPMENT BOARD
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2025

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.

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, i.e., when 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). When applicable, the NALWDB recognizes non-exchange transactions in the financial statements as income unless it is not measurable (reasonably estimated).

Revenues from grants that are restricted for specific uses are recognized as revenues when the related costs are incurred. All other revenues are recognized upon receipt and

STATE OF NEW MEXICO
NORTHERN AREA LOCAL WORKFORCE DEVELOPMENT BOARD
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2025

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. Expenditures are typically measurable and are recorded when the related fund liability is incurred. However, principal and interest on general long-term obligations, which have not matured, are recognized when paid.

Expenditures, other than vacation and sick pay, are recorded when the related fund liability is incurred. Federal program expenditures comply with cost principles prescribed or permitted by 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 are no other funds.

NALWB's key program, the Workforce Innovation and Opportunity Act Fund, provides employment services at three levels: core, intensive and training services, to adults, dislocated workers and youth.

STATE OF NEW MEXICO
NORTHERN AREA LOCAL WORKFORCE DEVELOPMENT BOARD
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2025

C. Capital Assets, Depreciation and Amortization

The accounting and reporting treatment applied to the capital assets associated with a fund is determined by its measurement focus. General capital assets represent long-lived assets belonging to the NALWDB as a whole. When purchased, such assets are recorded as expenditures in the governmental funds and subsequently capitalized in the government-wide financial statements. The valuation bases for general capital assets include historical cost, or, if unavailable, an estimated historical cost derived from replacement cost. Sub-grantees purchase equipment using sub-grants provided by the NALWDB account for these purchases as capital assets. Purchased capital assets are recorded at historical cost. Donated capital assets are recorded at their estimated fair value as of the donation date. The minimum capitalization threshold is set at \$5,000 for any individual item with a useful life exceeding one year. Depreciation and amortization are calculated using the straight-line method. Estimated useful lives for capital assets are as follows:

	<u>Estimated Useful Life</u>
Furniture, Fixtures, Software and Equipment	3-10 years
Right-to-Use Leased Assets	Term of the lease

However, over the years, assets have been purchased by contractors and sub-recipients based on the budgets within their respective contracts and award agreements. These assets are recorded on the contractors' and sub-recipients' books, and associated depreciation or amortization is recognized on their books. Contractors and sub-recipients must return these assets to the NALWDB's respective awarding program if the respective agreement or program concludes.

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

The NALWDB records right-to-use leased assets as a result of implementing GASB 87. These assets are initially measured based on the related lease liability, adjusted for prepayments, incentives, and ancillary charges necessary to place the leased asset into service. The lease term includes the noncancellable period and periods covered by renewal options reasonably certain to be exercised and termination options reasonably

STATE OF NEW MEXICO
NORTHERN AREA LOCAL WORKFORCE DEVELOPMENT BOARD
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2025

certain not to be exercised. Right-to-use leased assets are amortized on a straight-line basis over the shorter of the asset's useful life or the lease term

E. Budgets

The NALWDB prepares a budget by funding stream based on 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.

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 first be 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 source 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 cannot be drawn down after that period.

STATE OF NEW MEXICO
NORTHERN AREA LOCAL WORKFORCE DEVELOPMENT BOARD
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2025

F. Cash and Cash Equivalents

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

G. Allowances

The NALWDB expects to receive the full amount of grant receivables for funds requested from the New Mexico Department of Workforce Solutions and other funders, therefore, it has not established any allowance for any uncollectible 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 as well as the 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.

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 \$57,619, which comprises prepaid insurance, IT support, other expenses and security deposits for the year ended June 30, 2025.
- **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 funds.
- **Committed:** Amounts constrained to specific purposes by the governmental entity's highest level of decision-making authority (the Board of Directors). To be reported as committed, amounts cannot be used for any other purpose unless the

STATE OF NEW MEXICO
NORTHERN AREA LOCAL WORKFORCE DEVELOPMENT BOARD
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2025

Board takes the same highest-level action to remove or change the constraint. The NALWDB does not have any committed fund balance for the year ended June 30, 2025.

- **Assigned:** Amounts constrained by the NALWDB intended to be used for a specific purpose. Intent can be expressed by the governing body (Board of Directors) 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, 2025.
- **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 current and prior years.

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 met this criterion during the year ended June 30, 2025. 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.

STATE OF NEW MEXICO
NORTHERN AREA LOCAL WORKFORCE DEVELOPMENT BOARD
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2025

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, 2025, were held in the Sunflower First National Bank of Santa Fe and Enterprise Bank. Deposits (cash or cash equivalents) are carried at cost, which approximates market value.

The following is a list of deposits of public money and collateral pledged at values acceptable per state statute, by the depositing financial institutions as of June 30, 2025:

Bank Name	Bank Balance	Deposits In Transit	Out- Standing Checks	Financial Statements
Sunflower Bank *	\$ 376,149	-	(135,538)	240,611
Enterprise Bank *	4,241	-	-	4,241
	<u>\$ 380,390</u>	<u>-</u>	<u>(135,538)</u>	<u>244,852</u>

* Non Interest Bearing

STATE OF NEW MEXICO
NORTHERN AREA LOCAL WORKFORCE DEVELOPMENT BOARD
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2025

Total remaining uninsured and collateralized deposits exposed to custodial credit risk was \$126,149 at year end. As of June 30, 2025, the amount of the NALWDB's bank balance exposed to custodial credit risk was as follows:

Sunflower Bank	Type	Bank Balance	Book Balance
Government Checking Account	Demand Deposit	\$ 376,149	<u>240,611</u>
Less FDIC Coverage		<u>(250,000)</u>	
Uninsured Balance		<u>\$ 126,149</u>	

Enterprise Bank	Type	Bank Balance	Book Balance
Government Checking Account	Demand Deposit	\$ 4,241	<u>4,241</u>
Less FDIC Coverage		<u>(4,241)</u>	
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	126,149
Collateral Required 50%	63,075
Collateral Provided	(1,409,333)
Uninsured and Uncollateralized	<u>-</u>
Total Uninsured, Uncollateralized Deposits	<u>\$ -</u>

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 #RA7145	3133KN5E9	3.50%	4/1/2052	\$ 1,577,317	<u>1,409,333</u>
				<u>\$ 1,577,317</u>	<u>1,409,333</u>

STATE OF NEW MEXICO
NORTHERN AREA LOCAL WORKFORCE DEVELOPMENT BOARD
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2025

3. RECEIVABLES

The NALWDB had grant receivables from the New Mexico Department of Workforce Solutions in the amount of \$130,305 as of June 30, 2025. Also, it has the \$289,266 in other receivables representing NM Dept of Workforce Solutions reimbursements for Infrastructure Costs.

4. CAPITAL ASSETS, DEPRECIATION AND AMORTIZATION

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

	<u>2024</u>	<u>Additions</u>	<u>Deletions</u>	<u>2025</u>
Capital Assets:				
Right-of-Use Assets-Leased Equipment	\$ -	9,141	-	9,141
Right-of-Use Assets-Leased Building	<u>4,132,514</u>	<u>760,673</u>	<u>(367,127)</u>	<u>4,526,060</u>
	4,132,514	769,814	(367,127)	4,535,201
Less Accumulated Amortization:				
Right-to-Use Assets-Leased Equipment	-	(2,095)	-	(2,095)
Right-to-Use Assets-Leased Building	<u>(1,472,584)</u>	<u>(557,327)</u>	<u>367,127</u>	<u>(1,662,784)</u>
Total Accumulated Depreciation and Amortization	<u>(1,472,584)</u>	<u>(559,422)</u>	<u>367,127</u>	<u>(1,664,879)</u>
Total Capital Assets, Net	<u>\$ 2,659,930</u>	<u>210,392</u>	<u>-</u>	<u>2,870,322</u>

Amortization related to the leased buildings was \$557,327 and amortization related with leased equipment was \$2,095. All amortization was charged to the 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.

Right-to-Use Leased Assets

The NALWDB has two types of right-to-use leased assets. The asset is a right-to-use asset for leased buildings and leased equipment. Amortization was \$559,422 in total. 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.

STATE OF NEW MEXICO
NORTHERN AREA LOCAL WORKFORCE DEVELOPMENT BOARD
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2025

5. LONG-TERM OBLIGATIONS

The NALWDB has the following obligations at the end of June 30, 2025:

Type	July 1, 2024	Increases	Decreases	Restatement	June 30, 2025	Current Portion
Compensated Absences Liability \$	39,736	10,762 *	-	24,618	75,116	18,779
Lease Liabilities	<u>2,755,907</u>	<u>769,813</u>	<u>(531,246)</u>	<u>-</u>	<u>2,994,474</u>	<u>548,005</u>
Total Long-Term Obligations \$	<u><u>2,795,643</u></u>	<u><u>780,575</u></u>	<u><u>(531,246)</u></u>	<u><u>24,618</u></u>	<u><u>3,069,590</u></u>	<u><u>566,784</u></u>

* The Change in the Compensated Absences Liability is Presented as a Net Change.

Lease Liabilities

The NALWDB has entered into multiple agreements to lease office space and equipment. These agreements qualify as leases other than short-term under GASB Statement No. 87. Accordingly, the NALWDB recognizes a right-to-use lease asset and a corresponding lease liability at the lease commencement date, measured as the present value of future lease payments using the facts and circumstances in effect at that date (including leases in existence at implementation on July 1, 2021). As a matter of materiality, the NALWDB does not recognize lease assets and lease liabilities for leases that are not material individually or in the aggregate; payments for such leases are recognized as expenditures/expenses as incurred. Management’s internal guideline used in this materiality evaluation was reduced from \$20,000 to \$5,000 during the year ended June 30, 2025.

The NALWDB has elected to recognize lease payments for short-term leases (leases with a maximum possible term of 12 months or less, including any options to extend) as outflows of resources (expense/expenditure) based on the payment provisions of the contract.

Short-term lease payments recognized during FY25 were \$6,356.

The lease liabilities are measured at an incremental borrowing rate (IBR) of 0.5%-0.75% depending on the life of the lease, which has been set as the IBR by NALWDB. As a result of the leases, the NALWDB has right-to-use leased assets (RTUs) with a net book value of \$2,870,322 as of June 30, 2025. 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, 2025

The future lease payments as of June 30, 2025, were as follows:

		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$	548,005	44,516	592,521
2027		569,289	35,969	605,258
2028		592,760	27,090	619,850
2029		539,860	18,530	558,390
2030		457,224	12,439	469,663
2031-2035		287,336	19,094	306,430
Total	\$	<u>2,994,474</u>	<u>157,638</u>	<u>3,152,112</u>

Compensated Absences

Qualified employees are entitled to accumulate compensated absences as follows:

Type	Description
Annual Leave	
Sick Leave	<p><u>More likely than not to be paid or used:</u> The expected use component is based on historical utilization rates applied to current accumulated balances and pay rates, including applicable employer payroll related costs to be incurred when the leave is used.</p>

6. GRANT ADVANCES

For the year ended June 30, 2025, the NALWDB did not hold any grant advances.

7. RECONCILIATION BETWEEN BUDGETARY BASIS AND GAAP BASIS

Because the NALWDB kept its budgets on the modified accrual basis of accounting during the year ended June 30, 2025, there was no need to reconcile the budget financial statement to the fund financial statement.

8. RETIREMENT-401(k) PLAN

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

STATE OF NEW MEXICO
NORTHERN AREA LOCAL WORKFORCE DEVELOPMENT BOARD
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2025

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 the years ended June 30, 2025, and June 30, 2024, the NALWDB made discretionary contributions of \$27,236, and \$25,439, 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 carries 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, 2025, 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, 2025.
- B. The general fund did not exceed approved budgetary authority for the year ended June 30, 2025.

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

STATE OF NEW MEXICO
NORTHERN AREA LOCAL WORKFORCE DEVELOPMENT BOARD
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2025

and additional state monitoring performed during the year ended June 30, 2019, the New Mexico Department of Workforce Solutions placed the NALWDB under administrative oversight, originally through the year ended December 31, 2020. The NALWDB resolved all deficiencies as of June 30, 2022. However, the New Mexico Department of Workforce Solutions has recommended to continue the oversight until further notice.

Federal Grants – The NALWDB receives federal grants for various specific purposes. These grants are subject to audit, which may result in requests for reimbursement 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 to any tax abatement agreements subject to GASB 77 Tax Abatement disclosures during the year ended June 30, 2025. As a result, it makes no such disclosures related to GASB 77.

14. RESTATEMENT-CHANGE IN ACCOUNTING PRINCIPLE-GASB 101

The NALWDB restated beginning net position for governmental activities to implement GASB 101 (Compensated Absences).

	As Previously Reported <u>June 30, 2024</u>	Change in Accounting Principle <u> </u>	As Restated <u>June 30, 2024</u>
Government-Wide			
Governmental Activities	\$ (84,208)	(24,618)	(108,826)
Total Primary Government	<u>\$ (84,208)</u>	<u>(24,618)</u>	<u>(108,826)</u>

STATE OF NEW MEXICO
NORTHERN AREA LOCAL WORKFORCE DEVELOPMENT BOARD
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended June 30, 2025

Federal Grantor/Program Title	Federal Assistance Listing Number	Identifying Grant No.	Pass-Through to Subrecipients	Grant Award Expended
U.S. Department of Labor passed-through the New Mexico Department of Workforce Solutions				
Workforce Innovation and Opportunity Act (WIOA) Cluster				
WIOA Adult Program*	17.258	23-631-9001/25-631-1001-00026PY23 & PY 24	\$ 630,455	2,772,501
WIOA Youth Activities*	17.259	23-631-9001/25-631-1001-00026PY23 & PY 24	395,152	772,985
WIOA Dislocated Workers*	17.278	23-631-9001/25-631-1001-00026PY23 & PY 24	146,986	529,597
Total WIOA Cluster Expenditures			<u>1,172,593</u>	<u>4,075,083</u>
Total U.S. Department of Labor			<u>\$ 1,172,593</u>	<u>4,075,083</u>

*Denotes Major Federal Program

Reconciliation of Federal Expenditures to Total Revenue:

Federal Revenue Per Statement of Activities	\$ 4,075,083
Federal Awards Expended Per SEFA	<u>4,075,083</u>
Difference	<u>\$ -</u>

Notes To The Schedule of Expenditures of Federal Awards

1. Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards (the "SEFA") includes the federal award activity of the Northern Area Local Workforce Development Board (the "NALWDB") under programs of the federal government for the year ended June 30, 2025. The information in this SEFA 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 SEFA 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. Summary of Significant Accounting Policies

Expenditures reported on the SEFA are reported on the accrual basis of accounting. Federal awards expended are recognized in accordance with the provisions of 2 CFR §200.502. Amounts provided to subrecipients are reported when disbursed to subrecipients. Federal awards received directly from federal agencies are presented as "Direct"; awards received from pass-through entities are identified by the pass-through entity's name and identifying number.

3. Indirect Cost Rate

The NALWDB has not elected to use the de minimis indirect cost rate under 2 CFR §200.414(f).

4. Non-Cash Assistance

The NALWDB did not receive any noncash assistance for the year ended June 30, 2025.

5. Payments To Subrecipients

Organization	Federal AL Number	Subrecipient Identifying Grant No.	Amount
CPLC - One Stop Operator	17.258	One Stop Operator	\$ 19,024
	17.259	One Stop Operator	19,024
	17.278	One Stop Operator	<u>11,817</u>
			49,865
Career Team, LLC	17.258	25-631-1001-00026/FY25-006	499,939
	17.278	25-631-1001-00026/FY25-006	<u>121,101</u>
			621,040
Southwest Key Programs, Inc.	17.258	25-631-1001-00026/FY25-002	111,492
	17.259	25-631-1001-00026/2024-FY0001	13,349
	17.278	25-631-1001-00026/FY25-002	<u>14,068</u>
			138,909
Youth Development Inc.	17.259	25-631-1001-00026/FY25-006	<u>362,779</u>
Total			<u>\$ 1,172,593</u>

**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, NM
and
Joseph M. Maestas, PE, CFE, New Mexico State Auditor, Santa Fe, NM

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, 2025, and the related notes to the financial statements, which collectively comprise the NALWDB's basic financial statements, and have issued our report thereon dated December 29, 2025.

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.

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. We identified finding 2025-001 as a significant deficiency.

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.

NALWDB's Response to the Findings

NALWDB's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. NALWDB's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

December 29, 2025

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.

Purpose of this Report

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

Hinkle & Landers, P.C.

Hinkle + Landers, PC

Albuquerque, NM

December 29, 2025



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

Joseph M. Maestas, PE, CFE, 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, 2025. 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, 2025.

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 the 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

December 29, 2025

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, PC
Albuquerque, NM
December 29, 2025

STATE OF NEW MEXICO
NORTHERN AREA LOCAL WORKFORCE DEVELOPMENT BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2025

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:

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 of Workforce Solutions
17.278	Dislocated Worker	

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, 2025

SECTION II III, & IV—FINANCIAL STATEMENT, FEDERAL AWARDS FINDINGS, AND SECTION 12-6-5 NMSA 1978 FINDINGS

Findings

<u>Reference #</u>	<u>Finding</u>	<u>Current or Prior Year Findings</u>	<u>Status of Findings</u>	<u>Type of Finding*</u>
<u>Section II - Financial Statement Findings</u>				
2025-001	Internal Control over Disbursements Approval	Current	N/A	B
<u>Section III - Major Federal Programs Findings</u>				
None	N/A	Current	N/A	N/A
<u>Section IV - 12-6-5 NMSA 1978 Findings</u>				
None	N/A	N/A	N/A	N/A

* 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. Instance of Non-compliance Material to the Financial Statements
- E. Material Weakness in Internal Control Over Compliance of Federal Awards
- F. Significant Deficiency in Internal Control Over Compliance of Federal Awards
- G. Instance of Non-compliance related to Federal Awards
- H. Instance of Material Non-compliance
- I. Other Non-compliance Required to be Reported per Section 12-6-5 NMSA 1978

CURRENT YEAR FINDINGS

2025-001—Internal Control over Disbursements Approval

Type of Finding: (B) Significant Deficiency in Internal Control over Financial Reporting

Condition

Of 65 non-payroll disbursements tested for the year ended June 30, 2025, 14 (21.54%) lacked required documented approval; affected transactions totaled \$520,272. Some approved documents included a form signed or an email approval by a staff member, but the same methods were not consistently used.

Criteria

Board policies and procedures and good accounting practices require that transactions be properly documented and authorized. Strong internal controls require that disbursement approval controls are in place to deter and detect fraud.

STATE OF NEW MEXICO
NORTHERN AREA LOCAL WORKFORCE DEVELOPMENT BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2025

Effect

The Board is at a higher risk of financial reporting errors occurring or possible fraudulent transactions.

Cause

Lapses in the implementation of internal control process and/or a weakness in internal control procedures appear to have allowed these disbursements without documented approval to occur.

Recommendation

We recommend management improve the implementation of their adopted policies and controls regarding authorization of payments to ensure that an authorized person properly reviews and approves all purchases. We also recommend the adopted policies and procedures be updated to clarify the accepted methods of approvals, thresholds.

Views of Responsible Officials and Planned Corrective Action

The Board agrees that the documented approval of the amount listed was inconsistent. The expenditures were legitimate, allowable expenditures of the Board. The Board has implemented a change to the approval documentation to include a cover sheet listing the items approved for payment that will include the signature of the authorized employee approving the payment along with the date of the approval.

Finding resolution timeline:

January 12, 2026

Designation of employee position responsible for meeting this deadline:

Executive Director

Summary Schedule of Prior Audit Findings

None

STATE OF NEW MEXICO
NORTHERN AREA LOCAL WORKFORCE DEVELOPMENT BOARD
EXIT CONFERENCE
For the Year Ended June 30, 2025

An exit conference was held in a closed meeting on January 15, 2026.

In attendance were the following:

Northern Area Local Workforce Development Board

Joseph Weathers, Chairman
Lisa Ortiz, Executive Director
Rick Sandoval, CPA, Fiscal Agent
Keith Sorensen, Fiscal Agent

Hinkle + Landers, PC

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, 2025, by Hinkle + Landers, PC. The financial statements are the responsibility of management.

**Northern Area Local Workforce Development Board
ADMINISTRATIVE OFFICE**

112 W. San Francisco Street, Suite 312(Physical)
Santa Fe, NM 87501
(505) 986-0363
www.northernboard.org



CORRECTIVE ACTION PLAN

Finding 2025-001 – Internal Control over Disbursement Approval

Type of Finding: (B) Significant Deficiency in Internal Control over Financial Reporting

Views of Responsible Officials and Planned Corrective Action

The Board agrees that the documented approval of the amount listed was inconsistent. The expenditures were legitimate, allowable expenditures of the Board. The Board has implemented a change to the approval documentation to include a cover sheet listing the items approved for payment that will include the signature of the authorized employee approving the payment along with the date of the approval.

Finding Resolution Timeline:

January 12, 2026

Designation of employee position responsible for meeting the deadline:

Executive Director

SIGNATURE *Lisa Ortiz*
TITLE: Executive Director
DATE 1-15-26