

**STATE OF NEW MEXICO  
SOUTH CENTRAL NEW MEXICO  
COUNCIL OF GOVERNMENTS  
AUDITED FINANCIAL STATEMENTS WITH  
INDEPENDENT  
AUDITORS' REPORT**

**For the Fiscal Year Ended June 30, 2008**

**HINKLE & LANDERS, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS**

**SOUTH CENTRAL NEW MEXICO COUNCIL OF GOVERNMENTS  
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FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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**SOUTH CENTRAL COUNCIL NEW MEXICO OF GOVERNMENTS, INC.  
BOARD OF DIRECTORS  
As of JUNE 30, 2008**

<b>Members</b>	<b>Positions</b>	<b>Government Represented</b>
Gordy Hicks	Chairman	City of Socorro
Dolores Archuleta	Vice-Chair	City of Las Cruces
Judd Nordyke	Treasurer	Village of Hatch
Andy Nuñez	Member	NM State Representative
Gil Jones	Member	City of Las Cruces
Mindy Ybarra	Member	Sierra County Econ. Dev. Org.
Jeffery Lewis	Member	Jornada RC&D
Alex Matham	Member	San Antonio Water District
Bruce Redd	Member	Garfield MDWCA
Eunice Kent	Member	City of Elephant Butte
Jesus Caro	Member	Town of Mesilla
Martin Resendiz	Member	City of Sunland Park
Walter Armijo	Member	Sierra County
Freddy Torres	Member	City of Truth or Consequences
Don Childers	Member	Village of Williamsburg
Charles Gallegos	Member	Socorro County
Dolly Dawson	Member	Village of Magdalena
Anton Salome	Member	Socorro Consolidated Schools
Lencho Vega	Member	Polvadera MDWCA
Mariano G. Martinez	Member	Doña Ana MDWCA
Karen Nichols	Member	Lower Rio Grande MDWCA
Kathy Vickers	Member	T or C Municipal School Dist.
Ravi Bhasker	Alternate	City of Socorro
Ken Miyagishima	Alternate	City of Las Cruces
Andy Nuñez	Alternate	Village of Hatch
Donald Murphy	Alternate	San Antonio Water District
Alan Brown	Alternate	City of Elephant Butte
Nora Barraza	Alternate	Town of Mesilla
Yvette Cortez	Alternate	City of Sunland Park
Janet Carrejo	Alternate	Sierra County
Jaime Aguilera	Alternate	City of Truth or Consequences
Gorden Mishler	Alternate	Village of Williamsburg
Matejka Ray	Alternate	Socorro County
James A. Wolfe	Alternate	Village of Magdalena
Dr. Cheryl Wilson	Alternate	Socorro Consolidated Schools
Rick Griego	Alternate	Polvadera MDWCA
Jim Coslin	Alternate	Jornada RC&D
Martin Lopez	Alternate	Lower Rio Grande MDWCA
Tom Burris	Alternate	T or C Municipal School Dist.
Jay Armijo, Executive Director	Secretary	South Central Council of Governments

# Hinkle & Landers, P.C.

*CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS*

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## INDEPENDENT AUDITORS' REPORT

The Board of Directors  
South Central New Mexico Council of Governments  
and  
Mr. Hector Balderas, State Auditor

We have audited the accompanying financial statements of the governmental activities and each major fund of the South Central New Mexico Council of Governments (SCCOG) as of and for the year ended June 30, 2008, which collectively comprise the SCCOG's basic financial statements as listed in the table of contents. We also have audited the financial statements of the SCCOG's fiduciary fund presented as supplementary information as of and for the year ended June 30, 2008, as listed in the table of contents. These financial statements are the responsibility of the SCCOG's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major of the SCCOG as of June 30, 2008 and the respective changes in financial position and the respective budgetary comparisons for the general, WIA, JARC, SC RTD, CDBG, Chile grant and RTD funds for the year then ended, in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the fiduciary fund of the SCCOG as of June 30, 2008, presented as supplementary information for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2008 on our consideration of the SCCOG's internal control over financial

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* and should be considered in assessing the results of our audit.

For the year ended June 30, 2008, the SCCOG has not presented the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the SCCOG's basic financial statements. The accompanying schedule of expenditures of federal awards and the schedule of changes in assets and liabilities-agency funds are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is required by U.S. Office of Management and Budget Circular A-133, *Audits of State, Local Governments and Non-Profit Organizations* and the schedule of changes in assets and liabilities-agency funds, required by the State of New Mexico's state auditor's rule. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly presented in all material respects in relation to the basic financial statements taken as a whole.

*Hinkle & Landers, P.C.*

Hinkle & Landers, PC  
December 29, 2008

## **FINANCIAL SECTION**

**STATE OF NEW MEXICO  
SOUTH CENTRAL NEW MEXICO COUNCIL OF GOVERNMENTS  
(GOVERNMENT-WIDE)  
STATEMENT OF NET ASSETS  
AS OF JUNE 30, 2008**

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Current:	
Cash and cash equivalents	\$ 38,905
Grants receivable	69,961
Total current assets	<u>108,866</u>
Noncurrent assets:	
Capital assets, net	<u>21,087</u>
Total assets	<u>\$ 129,953</u>
<b>LIABILITIES:</b>	
Current liabilities:	
Accounts payable	\$ 8,723
Accrued payroll liabilities	21,727
Compensated absences expected to be paid within one year	1,886
Total current liabilities	<u>32,336</u>
Noncurrent liabilities:	
Compensated absences expected to be paid after one year	<u>29,545</u>
Total liabilities	<u>61,881</u>
<b>NET ASSETS:</b>	
Investment in capital assets	21,087
Unrestricted net assets	<u>46,985</u>
Total net assets	<u>68,072</u>
Total liabilities and net assets	<u>\$ 129,953</u>

See independent auditors' report  
The accompanying notes are an integral part of these financial statements



**STATE OF NEW MEXICO**  
**SOUTH CENTRAL NEW MEXICO COUNCIL OF GOVERNMENTS**  
**(GOVERNMENT-WIDE)**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2008**

Functions/Programs	<u>Expenses</u>	<u>Program Operating Grants and Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Assets for Governmental Activities</u>
<b>Governmental activities:</b>			
Regional Community Development	\$ 1,034,599	966,002	(68,597)
<b>General revenues:</b>			
Miscellaneous revenues			2,216
Total general revenues and transfers			<u>2,216</u>
Changes in net assets			(66,381)
Net assets, beginning of year			134,453
Net assets, end of year			<u>\$ 68,072</u>

See independent auditors' report  
 The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO  
SOUTH CENTRAL NEW MEXICO COUNCIL OF GOVERNMENTS  
BALANCE SHEET - GOVERNMENTAL FUNDS  
AS OF JUNE 30, 2008**

	Major Funds							Total Governmental Funds
	General	Special Revenue Funds					RTD 116	
		WIA 101,100 Funds	JARC 112 Fund	SC RTD 115 Fund	Chili-Grant 108 Fund	CDBG 500 Fund		
<b>ASSETS:</b>								
Cash and cash equivalents	\$ 38,796	-	-	109	-	-	-	38,905
Grants receivable	10,143	38,590	3,553	8,075	-	4,600	5,000	69,961
Interfund receivables	34,544	-	-	1,298	-	-	-	38,715
<b>Total assets</b>	<b>\$ 83,483</b>	<b>38,590</b>	<b>6,426</b>	<b>9,482</b>	<b>-</b>	<b>4,600</b>	<b>5,000</b>	<b>147,581</b>
<b>LIABILITIES:</b>								
Accounts payable	\$ -	648	-	8,075	-	-	-	8,723
Accrued payroll liabilities	5,139	12,168	2,274	1,407	-	739	-	21,727
Interfund payables	4,080	25,774	-	-	-	3,861	5,000	38,715
<b>Total liabilities</b>	<b>9,219</b>	<b>38,590</b>	<b>2,274</b>	<b>9,482</b>	<b>-</b>	<b>4,600</b>	<b>5,000</b>	<b>69,165</b>
<b>FUND BALANCE:</b>								
Unreserved and designated for future expenditures	74,264	-	4,152	-	-	-	-	78,416
<b>Total fund balance</b>	<b>74,264</b>	<b>-</b>	<b>4,152</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>78,416</b>
<b>Total liabilities and fund balance</b>	<b>\$ 83,483</b>	<b>38,590</b>	<b>6,426</b>	<b>9,482</b>	<b>-</b>	<b>4,600</b>	<b>5,000</b>	

Amounts reported for governmental activities in the  
statement of net assets are different because:

Accrued compensated absences	(31,431)
Capital assets used in governmental activities are not current financial resources and therefore, are not reported in the balance sheet	21,087
Statement of Net assets of governmental funds (page 4)	<u>\$ 68,072</u>

See independent auditors' report  
The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO  
SOUTH CENTRAL NEW MEXICO COUNCIL OF GOVERNMENTS  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2008**

	Major Funds							Total Governmental Funds
	Special Revenue Funds							
	General Fund	WIA Funds	JARC Fund	SC RTD Fund	CDBG Fund	Chile Grant Fund		
<b>Revenues:</b>								
Federal	\$ 102,197	510,044	75,600	20,487	18,600	12,933	-	739,861
State	124,760	-	-	-	-	-	20,000	144,760
Local	79,603	-	1,778	-	-	-	-	81,381
Miscellaneous income	198	2,018	-	-	-	-	-	2,216
<b>Total revenues</b>	<u>306,758</u>	<u>512,062</u>	<u>77,378</u>	<u>20,487</u>	<u>18,600</u>	<u>12,933</u>	<u>20,000</u>	<u>968,218</u>
<b>Expenditures:</b>								
<b>Current:</b>								
General government	276,639	572,766	79,330	16,686	48,394	12,933	20,000	1,026,748
Capital outlay	-	-	-	-	-	-	-	-
<b>Total expenditures</b>	<u>276,639</u>	<u>572,766</u>	<u>79,330</u>	<u>16,686</u>	<u>48,394</u>	<u>12,933</u>	<u>20,000</u>	<u>1,026,748</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>30,119</u>	<u>(60,704)</u>	<u>(1,952)</u>	<u>3,801</u>	<u>(29,794)</u>	<u>-</u>	<u>-</u>	<u>(58,530)</u>
<b>Other financing sources (uses)</b>								
Operating transfers in	3,801	53,377	1,952	-	29,794	-	-	88,924
Operating transfers out	(85,123)	-	-	(3,801)	-	-	-	(88,924)
<b>Total other financing sources (uses)</b>	<u>(81,322)</u>	<u>53,377</u>	<u>1,952</u>	<u>(3,801)</u>	<u>29,794</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net change in fund balances</b>	(51,203)	(7,327)	-	-	-	-	-	(58,530)
<b>Fund balance, beginning of year</b>	<u>125,467</u>	<u>7,327</u>	<u>4,152</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>136,946</u>
<b>Fund balance, end of year</b>	<u>\$ 74,264</u>	<u>-</u>	<u>4,152</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>78,416</u>

See independent auditors' report  
The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO  
SOUTH CENTRAL NEW MEXICO COUNCIL OF GOVERNMENTS  
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2008**

**Amounts reported for governmental activities in the statement of activities are different because:**

Net change in fund balances - total governmental funds (page 7)	\$ (58,530)
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Amounts reported to governmental activities in the statement of activities are different because:

Transfers of funds to agency

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:

Depreciation expense	-
	(11,384)

Net effect of changes in accrued compensated absences	3,533
	<u>(7,851)</u>

Change in net assets of governmental activities (page 5)	\$ <u>(66,381)</u>
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See independent auditors' report  
The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO  
SOUTH CENTRAL NEW MEXICO COUNCIL OF GOVERNMENTS  
GENERAL FUND - MAJOR FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET (GAAP BASIS) AND ACTUAL (GAAP BASIS)  
FOR THE YEAR ENDED JUNE 30, 2008

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>				
Grants and contracts	\$ 239,918	248,418	226,957	(21,461)
Membership dues	29,842	29,842	79,603	49,761
Other	-	-	198	198
<b>Total revenues</b>	<u>269,760</u>	<u>278,260</u>	<u>306,758</u>	<u>28,300</u>
<b>Expenditures:</b>				
General governmental	269,760	278,260	276,639	1,621
<b>Total expenditures</b>	<u>269,760</u>	<u>278,260</u>	<u>276,639</u>	<u>1,621</u>
Excess (deficiency) of revenues over expenditures	-	-	30,119	29,921
<b>Other financing sources (uses)</b>				
Operating transfers in	-	-	3,801	3,801
Operating transfers out	-	-	(85,123)	(85,123)
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>-</u>	<u>(81,322)</u>	<u>(81,322)</u>
<b>Change in fund balance</b>	<u>-</u>	<u>-</u>	<u>(51,203)</u>	<u>(51,401)</u>
<b>Fund balance provided from prior years</b>	<u>\$ 125,467</u>	<u>125,467</u>		

See independent auditors' report  
The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO  
SOUTH CENTRAL NEW MEXICO COUNCIL OF GOVERNMENTS  
SPECIAL REVENUE FUNDS - MAJOR FUND**

*WIA FUNDS*

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET (GAAP BASIS) AND ACTUAL (GAAP BASIS)  
FOR THE YEAR ENDED JUNE 30, 2008**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>Revenues:</b>				
Grants and contracts	\$ 589,617	596,496	512,062	(84,434)
<b>Total revenues</b>	<b>589,617</b>	<b>596,496</b>	<b>512,062</b>	<b>(84,434)</b>
<b>Expenditures:</b>				
General governmental	596,944	603,823	572,766	31,057
<b>Excess (deficiency) of revenues over     expenditures</b>	<b>(7,327)</b>	<b>(7,327)</b>	<b>(60,704)</b>	<b>(115,491)</b>
<b>Other financing sources (uses)</b>				
Operating transfers in	-	-	53,377	-
Operating transfers out	-	-	-	53,377
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>53,377</b>	<b>53,377</b>
 <b>Change in fund balance</b>	 <b>(7,327)</b>	 <b>(7,327)</b>	 <b>(7,327)</b>	 <b>-</b>
<b>Fund balance from previous year</b>	<b>\$ 7,327</b>	<b>7,327</b>		

See independent auditors' report  
The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO  
SOUTH CENTRAL NEW MEXICO COUNCIL OF GOVERNMENTS  
SPECIAL REVENUE FUNDS - MAJOR FUND**

*JARC*

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET (GAAP BASIS) AND ACTUAL (GAAP BASIS)  
FOR THE YEAR ENDED JUNE 30, 2008**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Revenues:</b>				
Grants and contracts	\$ 79,752	79,752	75,600	(4,152)
Miscellaneous	-	-	1,778	1,778
<b>Total revenues</b>	<u>79,752</u>	<u>79,752</u>	<u>77,378</u>	<u>(2,374)</u>
<b>Expenditures:</b>				
General governmental	<u>79,752</u>	<u>79,752</u>	<u>79,330</u>	<u>422</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>(1,952)</u>	<u>(1,952)</u>
<b>Other financing sources (uses)</b>				
Operating transfers in	-	-	1,952	1,952
Operating transfers out	-	-	-	-
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>-</u>	<u>1,952</u>	<u>1,952</u>
Change in fund balance	-	-	<u>-</u>	<u>-</u>
Fund balance provided from prior years	\$ <u>4,152</u>	<u>4,152</u>		

See independent auditors' report  
The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO  
SOUTH CENTRAL NEW MEXICO COUNCIL OF GOVERNMENTS  
SPECIAL REVENUE FUNDS - MAJOR FUND**

**SC RTD**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET (GAAP BASIS) AND ACTUAL (GAAP BASIS)  
FOR THE YEAR ENDED JUNE 30, 2008**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Revenues:</b>				
Grants and contracts	\$ -	-	20,487	20,487
Total revenues	<u>-</u>	<u>-</u>	<u>20,487</u>	<u>20,487</u>
<b>Expenditures:</b>				
General governmental	-	-	16,686	(16,686)
	<u>-</u>	<u>-</u>	<u>16,686</u>	<u>(16,686)</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>3,801</u>	<u>3,801</u>
<b>Other financing sources (uses)</b>				
Operating transfers in	-	-	-	-
Operating transfers out	<u>-</u>	<u>-</u>	<u>(3,801)</u>	<u>3,801</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(3,801)</u>	<u>3,801</u>
Change in fund balance	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>

See independent auditors' report  
The accompanying notes are an integral part of these financial statements



STATE OF NEW MEXICO  
 SOUTH CENTRAL NEW MEXICO COUNCIL OF GOVERNMENTS  
 SPECIAL REVENUE FUNDS - MAJOR FUND

*RTD-Special*

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
 BUDGET (GAAP BASIS) AND ACTUAL (GAAP BASIS)  
 FOR THE YEAR ENDED JUNE 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Revenues:</b>				
Grants and contracts	\$ 20,000	20,000	20,000	-
Total revenues	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>	<u>-</u>
<b>Expenditures:</b>				
General governmental	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Other financing sources (uses)</b>				
Operating transfers in	-	-	-	-
Operating transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in fund balance	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>

See independent auditors' report  
 The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO**  
**SOUTH CENTRAL NEW MEXICO COUNCIL OF GOVERNMENTS**  
**SPECIAL REVENUE FUNDS - MAJOR FUND**  
**CHILE GRANT**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET (GAAP BASIS) AND ACTUAL (GAAP BASIS)**  
**FOR THE YEAR ENDED JUNE 30, 2008**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Revenues:</b>				
Grants and contracts	\$ 20,245	20,245	12,933	(7,312)
Total revenues	<u>20,245</u>	<u>20,245</u>	<u>12,933</u>	<u>(7,312)</u>
<b>Expenditures:</b>				
General governmental:	<u>20,245</u>	<u>20,245</u>	<u>12,933</u>	<u>7,312</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other financing sources (uses)				
Operating transfers in	-	-	-	-
Operating transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in fund balance	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>

See independent auditors' report  
 The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO  
SOUTH CENTRAL NEW MEXICO COUNCIL OF GOVERNMENTS  
SPECIAL REVENUE FUNDS - MAJOR FUND

*CDBG*

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET (GAAP BASIS) AND ACTUAL (GAAP BASIS)  
FOR THE YEAR ENDED JUNE 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Revenues:</b>				
Grants and contracts	\$ 59,500	69,000	18,600	(50,400)
Total revenues	<u>59,500</u>	<u>69,000</u>	<u>18,600</u>	<u>(50,400)</u>
<b>Expenditures:</b>				
General governmental	<u>59,500</u>	<u>69,000</u>	<u>48,394</u>	<u>20,606</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>(29,794)</u>	<u>(29,794)</u>
<b>Other financing sources (uses)</b>				
Operating transfers in	-	-	29,794	29,794
Operating transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>29,794</u>	<u>29,794</u>
Change in fund balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance provided from prior years	<u>\$ 29,794</u>	<u>29,794</u>	<u>29,794</u>	<u>-</u>

See independent auditors' report  
The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO**  
**SOUTH CENTRAL NEW MEXICO COUNCIL OF GOVERNMENTS**  
**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES**  
**-AGENCY FUNDS**  
**As of JUNE 30, 2008**

	<u>WIA Board Fund</u>
<b>ASSETS:</b>	
Grants receivable	\$ 685,378
Accounts receivable	6,240
Total assets	<u>\$ 691,618</u>
 <b>LIABILITIES:</b>	
Cash overdraft	\$ 13,550
Accounts payable	671,828
Deferred revenue	6,240
Total liabilities	<u>\$ 691,618</u>

See independent auditors' report  
 See accompanying notes to the financial statements

**SOUTH CENTRAL NEW MEXICO COUNCIL OF GOVERNMENTS  
NOTES TO AUDITED FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of Entity**

On July 18, 1988, under the New Mexico Non-Profit Corporation Act, the South Central New Mexico Planning and Development District was incorporated. The representative of local governments in New Mexico Planning District Number Seven joined together as the South Central New Mexico Council of Governments, Inc. (SCCOG). Board members meet at regular intervals to discuss and study community and county challenges of mutual interest and concern, and to develop policy and action recommendations for ratification and implementation by local governments' membership. The SCCOG is incorporated under the New Mexico Non-Profit Corporation Act and has not filed documents with the Internal Revenue Service requesting determination of their tax exempt status. At this time, management has not determined the need, if any, to maintain in non-profit status.

The basic activities are as follows:

- (1) Obtain grants, contracts and other sources of funds for local governments and various agencies and entities;
- (2) Disseminate information regarding federal programs and the establishment of new programs;
- (3) Provide technical assistance to members in the developing, financing and implementing local programs and projects;
- (4) Serve as a liaison and facilitator of communications between and among local members and other public and private agencies;
- (5) Sponsor workshops, seminars and forums on local and regional issues, as well as on public and private programs available for members;
- (6) Develop regional plans and initiatives for addressing local and regional needs, such as in the areas of water, community development, housing transportation, energy and economic development;
- (7) Serve as a Federally-designated economic development district.

The SCCOG is the primary government and is not a component unit of any other entity. It is the financial reporting entity, and it did not have any component units during the fiscal year ended June 30, 2008.

**B. Basis of Accounting**

**1. Government-Wide Financial Statements**

The government-wide financial statements (i.e., the Statement of Net Assets 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.

**SOUTH CENTRAL NEW MEXICO COUNCIL OF GOVERNMENTS  
NOTES TO AUDITED FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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. Also, fiduciary funds are not included in the government-wide financial statements. Interfund payables and receivables have been eliminated in determining the government wide financial statements.

Program revenues are made up of fees received from members of the SCCOG and grants and contracts that have been used to meet the operational, project or capital requirements of a particular program.

Net assets should be reported as restricted when constraints placed on net assets use is either externally imposed by law through constitutional provisions or enabling legislation. Restricted assets are applied first before unrestricted assets.

**GAAP Presentation**

The financial statements of the SCCOG are prepared in accordance with Generally Accepted Accounting Principles generally accepted in the United States of America (GAAP). The SCCOG's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. Proprietary funds and similar component units apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

**2. Fund Financial Statements**

Fund financial statements report detailed information about the SCCOG. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. For the year ended June 30, 2008 the SCCOG elected to present all their funds as major funds. Therefore, there were no non-major funds.

**3. Governmental Funds**

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

**SOUTH CENTRAL NEW MEXICO COUNCIL OF GOVERNMENTS  
NOTES TO AUDITED FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

**4. Revenue Recognition**

In applying the “susceptible to accrual concept” under the modified accrual basis, the following revenue sources are deemed both measurable and available (i.e., collectible within the current year or within 60 days of year-end and available to pay obligations of the current period). This includes reimbursements from state and federally funded projects, which are accrued as revenue at the time the expenditures are made, or when received in advance, deferred until expenditures are made.

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.

**5. Expenditure Recognition**

The measurement focus of governmental fund accounting is based on decreases in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related fund liability is incurred. However, principal and interest on 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.

**6. Fund Accounting**

The accounts of the SCCOG are organized on a basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenue and expenditures. The funds are governmental fund types and are grouped as General Fund and Special Revenue Funds.

The General Fund is the general operating fund of the SCCOG. It is used to account for all financial resources except those required to be accounted for in another fund.

The Special Revenue Funds are used to account for the proceeds from specific revenues sources that are legally restricted to expenditures for specified purposes. The Board of Directors authorizes the establishment of Special Revenue Funds. The following are the Special Revenue Funds, all considered Major Funds by the SCCOG, created pursuant to specific grant and contract agreements entered into with Federal, State and other funding authorities, active in the fiscal year ended June 30, 2008:

**SOUTH CENTRAL NEW MEXICO COUNCIL OF GOVERNMENTS  
NOTES TO AUDITED FINANCIAL STATEMENTS  
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Workforce Investment Act Fund (WIA) – The SCCOG serves as the fiscal agent and also as the administrative entity for the South Western Area Development Investment Board (SWADIB). SWADIB coordinates workforce and youth activities in the local area and administers Workforce Investment funds. The fiscal agent and administrative entity financial activity is maintained in the WIA Fund

Job Access Reversal Commuter Program Fund (JARC) – To record the financial activity related with provision of the undertaking of transportation services to eligible low-income individuals.

South Central Regional Transit District (SC RTD) – To record the financial activity related to the transportation planning for the South Central District.

Community Block Development Grants (CDBG) – To record the financial activity related to the CDBG grants received for economic development activities in the surrounding entities.

RTD Regional Transportation District– To record activity for the special revenue for additional regional planning in the district.

Chile Grant - This fund is used to account for a grant received to stimulate the economic activities of the Chile farms in southern New Mexico.

The fiduciary fund is used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within the SCCOG. Agency funds are generally used to account for assets that the SCCOG holds on behalf of others as their fiscal agent. These funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. The SCCOG has one agency fund that is used to account for the fiscal activities of the Southwestern Area Workforce Development Board (SAWDB). The SAWDB contracts with the SCCOG to provide fiscal and administrative functions.

Separate financial statements are provided for governmental funds and fiduciary funds. In accordance with the provisions of GASB Statement No. 34, the fiduciary funds are excluded from government-wide financial statements.

**C. Capital Assets and Depreciation**

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. General capital assets are long-lived assets of the SCCOG as a whole. When purchased, such assets are recorded as expenditures in the governmental funds and are capitalized. The valuation bases for general capital assets is historical cost, or where historical cost is not available, estimated historical cost based on replacement cost. Sub-grantees purchasing equipment by sub-grant made by the SCCOG to other agencies is not 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



**SOUTH CENTRAL NEW MEXICO COUNCIL OF GOVERNMENTS  
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minimum capitalization threshold is any individual item with a total cost greater than \$5,000. The SCCOG includes software in the capital assets if it meets the minimum capitalization policy in the furniture and equipment category. The SCCOG does not develop computer software for internal use and therefore, does not have a policy for capitalizing computer software developed for internal use.

Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows:

	Estimated Useful Lives <u>(years)</u>
Furniture and equipment	3-7
Vehicles	5

**D. Budgets**

The New Mexico Department of Finance and Administration notifies the board of directors of the SCCOG of the amount of state grants-in-aid available to be allocated. The SCCOG must obtain nonfederal matching funds or services, or both, from local governments or private sources at least equal to the amount of the state grant-in-aid. The SCCOG prepares its budget on the modified accrual basis of accounting. The SCCOG budgets expenditures in total by fund.

An annual operating budget is prepared by the SCCOG staff for the general and special revenue funds. The governing board of the SCCOG certifies that the budget adopted is consistent with the expenditure of state and local funds under the Planning District Act.

The adopted budget is then presented to the Department of Finance and Administration for approval. The Department of Finance and Administration exercises budget control at the fund level for general government functions. The budgets of all individual funds may not be legally over expended. Subsequent budget adjustments must be approved by the governing board of the SCCOG but are not required to be approved by the Department of Finance and Administration.

The president or treasurer of the board of directors of the SCCOG shall certify from time to time that the matching funds from local or private sources are on deposit in the SCCOG's own account before quarterly payment of state grant-in-aid is made.

**E. Indirect Cost**

The SCCOG does not have a negotiated Indirect Cost Rate with federal grantors but does allocate expenditures such as overhead costs not directly attributable to specific programs. These expenditures are allocated monthly among all funds

**SOUTH CENTRAL NEW MEXICO COUNCIL OF GOVERNMENTS  
NOTES TO AUDITED FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

based upon the budgeted expenditures for each fund as a percentage of total budgeted expenditures.

**F. Interfund Receivable and Payables – Due To/Due From**

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as “due to and from other funds.” Short-term interfund loans are reported as “interfund receivables and payables.” Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets. Interfund receivables and payables are presented at net amounts for each fund. See note 11 for detail on interfund receivables and payables.

**G. Use of Estimates**

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

**H. 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.

**I. Encumbrances-**

Encumbrances are not used by this entity.

**J. Net Assets and Fund Balance**

Net assets on the Statement of Net Assets include the following:

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

Restricted – the component of net assets that reports the difference between assets and liabilities of the Council that consists of assets with constraints placed on their use that are legally enforceable by legislation and the like to be used only for the purposes specified. Note the SCCOG had no restricted net assets as of June 30, 2008

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

**SOUTH CENTRAL NEW MEXICO COUNCIL OF GOVERNMENTS  
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In the fund level financial statements, the Council's Board of Directors, the SCCOG has no designated fund balance. The Council applies restricted funds first to expenditures before applying restricted funds when applicable. Designated fund balance represent tentative plans for future use of financial resources. At the year ended June 30, 2008 the SCCOG had \$74,264 general funds undesignated and \$4,152 of JARC funds undesignated (note JARC monies were from prior year charge for services that is not restricted).

**2. CASH BALANCES**

In accordance with Section 6-10-17, NMSA, 1978 Compilation, deposits of public money are required to be collateralized. Pledged collateral is required in amounts in an aggregated equal to one half of the amount of public money in each account. Securities, which are obligations of the United States, State of New Mexico, its agencies, institutions, counties, municipalities or other subdivisions are accepted as security at market value. No security is required for the deposit of public money that is insured by the Federal Deposit Insurance Corporation, or the National Credit Union Administration. The SCCOG has no formal deposit policies for its accounts. Deposits (cash or cash equivalents) are carried at cost, which approximates market value. All of the bank deposit balances up to \$ 100,000 were covered by federal depository insurance consisting of FDIC coverage.

The Governmental Accounting Standards Board has issued its Statement #40 which requires information on custodial risk be disclosed. Custodial credit risk is risk that in the event of bank failure, SCCOG's deposits may not be returned to it. SCCOG's deposit policy is to collateralize one half of the uninsured public money in each account. At June 30 2008 the SCCOG was exposed to deposit custodial credit risk in the amount of \$556,862 (which includes agency funds the SCCOG holds as detailed below). 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, 2008:

<u>Bank of the Southwest:</u> <u>Account Name</u>	<u>Type</u>	<u>Bank Balance</u>	<u>Outstanding Checks</u>	<u>Outstanding Deposits</u>	<u>Book Balance</u>
SCCOG Checking	Checking	\$ 39,880	(1,083)	-	38,797
SCCOG Checking	Checking	108	-	-	108
Total SCCOG accounts		<u>39,988</u>	<u>(1,083)</u>	<u>-</u>	<u>38,905</u>
Agency funds:					
SAWDB FA	Checking	616,874	(630,636)	212	(13,550)
Total		<u>656,862</u>	<u>(631,719)</u>	<u>212</u>	<u>25,355</u>
Less: FDIC coverage		<u>(100,000)</u>			
Uninsured balance		<u>556,862</u>			
50% collateral requirement		278,431			
Pledged collaeral:		900,000			
Over (under)		\$ <u>621,569</u>			
Total cash per books					\$ <u>89,615</u>
General fund and special revenue funds					\$ 38,905
Agency funds					(13,550)
Total cash per books by funds					<u>\$ 25,355</u>

**SOUTH CENTRAL NEW MEXICO COUNCIL OF GOVERNMENTS  
NOTES TO AUDITED FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

As of June 30, 2008, the SCCOG had the following collateral pledged by the Bank of the Southwest held in the name of the bank.

<u>Collateral</u>	<u>Rate</u>	<u>Number</u>	<u>Maturity</u>	<u>Value</u>	<u>Location</u>
Letter of credit-FHLB	0%	None	5/18/2008	100,000	Dallas, TX
Letter of credit-FHLB	0%	None	7/14/2008	100,000	Dallas, TX
Letter of credit-FHLB	0%	None	5/26/2009	450,000	Dallas, TX
Letter of credit-FHLB	0%	None	9/15/2008	250,000	Dallas, TX
				<u>\$ 900,000</u>	

There is no balance remaining uninsured and uncollateralized at the fiscal year ended June 30, 2008.

As of June 30, 2008, the amount of the SCCOG's bank balance of \$656,754 (excludes amount covered by FDIC of \$100,000) that was exposed to custodial credit risk was as follows:

Uninsured and collateral held by the pledging Bank's trust dept. not in SCCOG's name	\$ 565,754
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**3. GRANTS RECEIVABLE AND RECEIVABLES**

Receivables at June 30, 2008 consist of the following:

	<u>General</u>	<u>WIA Fund</u>	<u>JARC Fund</u>	<u>SC RTD Fund</u>	<u>CDBG Fund</u>	<u>RTD Fund</u>	<u>Total</u>
Receivables:							
Grants and contracts	\$ 10,143	38,590	3,553	8,075	4,600	5,000	69,961

The SCCOG considered all amounts fully collectible and therefore has not set up any allowances for doubtful accounts.

**4. LONG - TERM LIABILITIES - ACCUMULATED ANNUAL LEAVE**

The only long-term liability the SCCOG has is accrued annual leave. Amounts due in the current year are not determinable so all are classified as long-term. These liabilities are allocated to all the appropriate funds based on indirect cost formulas. Employees are paid for annual leave and absences due to sickness by prescribed formula based on length of service. Annual leave benefits anticipated to be liquidated with expendable available resources are accrued and reported as liabilities in the fund statement general and special revenue funds. Accrued annual leave has been budgeted for in each grant. Sick leave benefits are not accrued but rather expensed in the general and special revenue funds as they are paid.

**SOUTH CENTRAL NEW MEXICO COUNCIL OF GOVERNMENTS  
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The current portion of compensated absences payable expected to be paid within one year is estimated to be \$1,886. This amount is an estimate based on the current compensated absences payable paid in the fiscal year 2008 and new compensated policies enacted in fiscal year 2008. Typically the WIA and general fund are used to liquidated leave.

		<u>2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>2008</u>
Annual leave	\$	<u>34,964</u>	<u>34,285</u>	<u>(37,818)</u>	<u>31,431</u>

**5. RECONCILIATION BETWEEN BUDGETARY BASIS AND GAAP BASIS**

Because the SCCOG keeps their budgets on GAAP basis there is no need to reconcile the budget financial statements to fund financial statements.

**6. CAPITAL ASSETS AND DEPRECIATION**

A summary of changes in capital assets for the fiscal year ended June 30:

		<u>2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>2008</u>
<b>General Fund</b>					
Furniture and equipment	\$	6,778	-	-	6,778
Automobiles		43,170	-	-	43,170
Total general fund		<u>49,948</u>	<u>-</u>	<u>-</u>	<u>49,948</u>
Allowance for depreciation					
Furniture and equipment		(6,778)	-	-	(6,778)
Automobiles		(34,570)	(3,400)	-	(37,970)
Total accumulated depreciation		<u>(36,348)</u>	<u>(3,400)</u>	<u>-</u>	<u>(44,748)</u>
Net capital assets - general fund		<u>13,600</u>	<u>(3,400)</u>	<u>-</u>	<u>5,200</u>
<b>WIA Fund</b>					
Furniture and equipment		92,881	-	-	92,881
Automobiles		15,000	-	-	15,000
Total WIA fund		<u>107,881</u>	<u>-</u>	<u>-</u>	<u>107,881</u>
Allowance for depreciation					
Furniture and equipment		(69,010)	(7,984)	-	(76,994)
Automobiles		(15,000)	-	-	(15,000)
Total accumulated depreciation		<u>(89,010)</u>	<u>(7,984)</u>	<u>-</u>	<u>(91,994)</u>
Net capital assets - WIA fund	\$	<u>18,871</u>	<u>(7,984)</u>	<u>-</u>	<u>15,887</u>
Total net capital assets	\$	<u>32,471</u>	<u>(11,384)</u>	<u>-</u>	<u>21,087</u>

Note: There were no deletions during the current year.

WIA fund capital assets were purchased through the Fiscal Agent and Administrative Entity WIA federal grant funds. If the Fiscal Agent and or the Administrative Entity changes from the SCCOG to another entity, these capital assets would be transferred over to the entity.

**SOUTH CENTRAL NEW MEXICO COUNCIL OF GOVERNMENTS  
NOTES TO AUDITED FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

Depreciation expense of \$3,400 in the general fund and \$7,984 in the WIA fund was allocated to the Regional Community Development function in the government-wide statement of activities, which is the SCCOGs' only governmental activity function.

There was no debt related to any capital assets for the fiscal year ended June 30, 2008.

**7. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA) PLAN**

All eligible full-time employees of the SCCOG participate in a public employee retirement system authorized under the Public Employees Retirement Act (Chapter 10, Article 11 NMSA 1978). The Public Employees Retirement Act (PERA) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit. The plan provides for retirement benefits, disability benefits, survivor benefits and cost-of-living adjustment to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing PERA, P.O. Box 2123, Santa Fe, NM 87504-2123. This report is also available on PERA's website at [www.pera.state.nm.us](http://www.pera.state.nm.us).

Plan members are required to contribute 7% of their gross salary. The SCCOG contributes 7% for each member. The contribution requirements of plan members and the SCCOG are established under Chapter 10, Article 11 NMSA 1978. The requirements may be amended by acts of the legislature. The SCCOG contributions to PERA for the years ending June 30, 2008, 2007, and 2006 was \$51,471, \$39,867, and \$40,539, respectively, equal to the amount of the required contributions per year.

**8. POST EMPLOYMENT BENEFITS**

The SCCOG has chosen not to participate in the retiree health care service that it is eligible for under the Retiree Health Care Act (Chapter 10, Article 7C NMSA 1978)

**9. RISK MANAGEMENT**

The SCCOG 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 the SCCOG carries commercial insurance. Settled claims have not exceeded this commercial coverage in the past year.

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, 2008, the SCCOG did not have any probable risk of loss.

**SOUTH CENTRAL NEW MEXICO COUNCIL OF GOVERNMENTS  
NOTES TO AUDITED FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

**11. INTERFUND TRANSACTIONS AND BALANCES**

Transfers from and to the general fund from the major special revenue and agency funds were as follows:

<b>Major Funds:</b>	<u>In</u>	<u>Out</u>
General fund to JARC	\$ 1,952	
JARC fund from General fund		1,952
General fund from WIA fund	53,377	
WIA fund to General fund		53,377
General fund from the Chile grant	3,801	
SC RTD grant to the General fund		3,801
General fund toCDBG		29,794
CDBG fund from General fund	29,794	
Subtotal	<u>\$ 88,924</u>	<u>88,924</u>

Transfers were used when receivables and liabilities that were originally in the general fund needed to be allocated to the special revenue funds and agency funds. The balance transfers are considered routine transfers for the fiscal year ended June 30, 2008.

Interfund receivables and payables for the year ended June 30, 2008 were as follows:

<u>Receivable</u>	<u>from</u>	<u>Payable to</u>	<u>Receivable</u>	<u>Payable</u>	<u>Purpose</u>
		JARC fund	\$ 2,873		Transfer from general fund owed to cover additional exp
		SC RTD fund	1,207		Transfer from general fund owed to cover additional exp
General fund				4,080	
RTD fund				91	Transfer for amount owed to RTD project
SC RTD fund			91		Transfer for amount owed to RTD project
WIA fund			25,774		Money deposited into general fund that is owed to WIA
RTD fund			4,909		Money deposited into general fund that is owed to RTD
CDBG fund			3,861		Money deposited into general fund that is owed to CDB
		General fund		<u>34,544</u>	
			<u>\$ 38,715</u>	<u>38,715</u>	

**12. SPECIAL APPROPRIATION GRANTS**

The SCCOG's special and capital outlay appropriations are as follows:

<u>Project</u>	<u>Project</u>	<u>Appropriation</u>	<u>Original</u>	<u>Expenditures</u>	<u>Outstanding</u>	<u>Project</u>
<u>Description</u>	<u>Number</u>	<u>Period</u>	<u>Appropriation</u>	<u>to Date</u>	<u>Balance</u>	<u>Status</u>
Regional Transportation project-DFA	07-L-G-8020	7/1/2007 to 6/30/2008	\$ 20,000	20,000	-	Closed out
Total Special and Capital Outlay appropriations			<u>\$ 20,000</u>	<u>20,000</u>	<u>-</u>	

**SOUTH CENTRAL NEW MEXICO COUNCIL OF GOVERNMENTS  
NOTES TO AUDITED FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

**13. RELATED PARTY TRANSACTIONS**

The SCCOG's received payment for CDBG project management services from a few of its board members as follows:

<u>Project Description</u>	<u>SCCOG Board Member</u>	<u>Contract Period</u>	<u>Expenditures to Date</u>	<u>Project Status</u>
Village of Hatch	Judd Nordyke	7-1-07 to open	10,000	ongoing
Town of Mesilla	Jesus Caro	7-1-07 to open	2,000	ongoing
City of Socorro	Gordy Hicks	7-17-07 to open	3,600	ongoing
Village of Magdalena	James A. Wolfe	12-11-06 to open	3,000	ongoing
			<hr/>	
Total			<u>\$ 18,600</u>	

These services are a required part of the SCCOG's functions to promote and assist in economic development in the south central part of New Mexico.



**OTHER SUPPLEMENTARY INFORMATION**

STATE OF NEW MEXICO  
SOUTH CENTRAL NEW MEXICO COUNCIL OF GOVERNMENTS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR YEAR ENDED JUNE 30, 2008

Federal Grantor/Program Title	Federal CFDA Number	Pass- through Identifying Number	Grant Award Expended
U.S. Department of Labor passed through Southwestern Area Workforce Development Board Workforce Investment Act Cluster:			
Fiscal Agent Contract and Administrative Entity Contract-Adult	17.258	WIA/SWR-08-03-001	\$ 328,363
Fiscal Agent Contract and Administrative Entity Contract-DW	17.260	WIA/SWR-08-03-001	142,567
Fiscal Agent Contract and Administrative Entity Contract-Youth	17.259	WIA/SWR-08-03-001	39,114
U.S. Department of Transportation passed through New Mexico State Highway and Transportation Department			
Job Access Reversal Commuter Program	20.516	M00538	75,600
Regional Transit District	20.205	M00501	20,487
Regional Planning Organization	20.205	M00501	52,197
<u>U.S. Department of Housing &amp; Urban Development</u>			
passed through Village of Hatch			
Community Development Block Grants	14.246	06-C-RS-8-3-G23 and 07-C-RS-I-1-G-21	10,000
passed through Town of Mesilla			
Community Development Block Grants	14.246	07-C-RS-I-3-G23	2,000
passed through City of Socorro			
Community Development Block Grants	14.246	07-C-NR-I-1-G09	3,600
passed through Village of Magdalena			
Community Development Block Grants	14.246	06-C-NR-I-1-G40	3,000
Direct Funds:			
U.S. Department of Commerce			
Economic Development Administration (EDA)	11.302		50,000
Chile grant	11.302		<u>12,933</u>
Total federal awards expended			<u>\$ 739,861</u>

**Note 1. Basis for Presentation**

The accompanying schedule of federal awards is presented on the budgetary GAAP basis of accounting.  
The information in this schedule is presented in accordance with the requirements of OMB Circular A-133,  
Audits of States, Local Governments, and Non-Profit Organizations.

**Note 2. Payments to Subrecipients**

n/a

See independent auditors' report  
The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO**  
**SOUTH CENTRAL NEW MEXICO COUNCIL OF GOVERNMENTS**  
**SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES -AGENCY FUNDS**  
**As of JUNE 30, 2008**

**WIA BOARD FUND**

	<u>Balance</u> <u>June 30, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2008</u>
<b><u>Assets</u></b>				
Grants receivable	\$ 846,585	5,784,087	5,945,294	685,378
Accounts receivable	<u>6,240</u>	<u>-</u>	<u>-</u>	<u>6,240</u>
<b>Total assets</b>	<b><u>\$ 852,825</u></b>	<b><u>5,784,087</u></b>	<b><u>5,945,294</u></b>	<b><u>691,618</u></b>
<b><u>Liabilities</u></b>				
Accounts payable	\$ 714,183	5,770,537	5,812,892	671,828
Cash overdraft	-	13,550	-	13,550
Deferred revenue	<u>138,642</u>	<u>-</u>	<u>132,402</u>	<u>6,240</u>
<b>Total liabilities</b>	<b><u>\$ 852,825</u></b>	<b><u>5,784,087</u></b>	<b><u>5,945,294</u></b>	<b><u>691,618</u></b>

See independent auditors' report  
The accompanying notes are an integral part of these financial statements.

# **COMPLIANCE SECTION**

**INDEPENDENT AUDITORS' 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  
South Central New Mexico Council of Governments  
and  
Mr. Hector Balderas, State Auditor

We have audited the financial statements of the governmental activities, each major fund, and the major fund budgetary comparisons of the South Central New Mexico Council of Governments (SCCOG) as of and for the year ended June 30, 2008 and have issued our report thereon dated December 29, 2008 as listed in the table of contents. We also have audited the financial statements of the SCCOG's fiduciary fund presented as supplementary information as of and for the year ended June 30, 2008, as listed in the table of contents. 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.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered the SCCOG's internal control over financial reporting as a basis for designing our auditing procedures 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 SCCOG's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the SCCOG's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the SCCOG's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the SCCOG's financial statements that is more

than inconsequential will not be prevented or detected by the SCCOG's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be a significant deficiency in internal control over financial reporting: 04-02, 07-01, 07-03 and 07-04.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the SCCOG's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider all items listed above to be material weaknesses.

#### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the SCCOG's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, noncompliance with which could have a direct a 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 one instance of noncompliance and other matters that are required to be reported under *Government Auditing Standards* as item 08-01.

The SCCOG's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the SCCOG's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of South Central New Mexico SCCOG of Governments' Board of Directors, management, the Office of the New Mexico State Auditor, the New Mexico Department of Finance and Administration and the New Mexico Legislature and is not intended to be and should not be used by anyone other than these specified parties.



Hinkle & Landers, P.C.  
December 29, 2008

# Hinkle & Landers, P.C.

*CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS*

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Albuquerque, New Mexico 87102  
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## **INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

The Board of Directors  
South Central New Mexico Council of Governments  
and  
Mr. Hector Balderas, State Auditor

### **Compliance**

We have audited the compliance of South Central New Mexico Council of Governments, (SCCOG) with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended June 30, 2008. The SCCOG's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grant applicable to its major federal program is the responsibility of the SCCOG's management. Our responsibility is to express an opinion on the SCCOG's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audit of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the SCCOG's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the SCCOG's compliance with those requirements.

In our opinion, the SCCOG, complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2008.

### **Internal Control Over Compliance**

The management of the SCCOG is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the SCCOG's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the SCCOG's internal control over compliance.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the SCCOG's internal control over financial reporting that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting: 04-02, 07-01, and 07-03.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. However, of the significant deficiencies described above, we consider all items listed above to be material weaknesses.

The SCCOG's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the SCCOG's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, others within the organization, federal awarding agencies, the New Mexico State Auditor, the New Mexico Department of Finance and Administration and the New Mexico Legislature and is not intended to be and should not be used by anyone other than these specified parties.

*Hinkle & Landers, P.C.*

Hinkle & Landers, P.C.  
December 29, 2008



**STATE OF NEW MEXICO  
SOUTH CENTRAL NEW MEXICO COUNCIL OF GOVERNMENTS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

**SECTION I – SUMMARY OF AUDITORS’ RESULTS**

**Financial Statements**

Type of auditors' report issued Unqualified

**Internal Control over financial reporting:**

Material weaknesses identified? X Yes    \_\_\_ No

Significant deficiencies identified that are not considered to be material weaknesses? X Yes    \_\_\_ No

Non-compliance material to financial statements noted? \_\_\_ Yes    X No

**Federal Awards**

**Internal Control**

Material weaknesses identified? X Yes    \_\_\_ No

Significant deficiencies identified that are not considered to be material weaknesses? \_\_\_ Yes    X No

Type of auditors' report issued on major programs Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? X Yes    \_\_\_ No

**Identification of major program as noted below:**

CFDA Numbers Funding Source	Name of Federal Programs	Funding Source
17.258, 17.259, 17.260	Workforce Investment Act-Cluster	U.S Department of Labor

Dollar threshold use to distinguish between  
A and B programs: \$300,000

Auditee qualified as low-risk auditee? \_\_\_ Yes    X No

**STATE OF NEW MEXICO  
SOUTH CENTRAL NEW MEXICO COUNCIL OF GOVERNMENTS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

**SECTION II AND III- FINANCIAL STATEMENTS AND FEDERAL AWARD FINDINGS**

<b>Finding</b>	<b>Status of Current and Prior Year Findings</b>	<b>II Financial Statement Finding</b>	<b>III Federal Awards Finding</b>
<b><u>Prior year:</u></b>			
04-02 JOURNAL ENTRIES NOT APPROVED	Repeated/revised	yes	yes
04-14 REVENUE/RECEIVABLES	Resolved	yes	yes
06-02 APPROVAL OF EMPLOYEE PAY INCREASES, TMSHEETS AND LEAVE	Resolved	yes	yes
06-03 USE OF PURCHASE ORDERS	Resolved	yes	yes
07-01 ALLOCATION OF EXPENDITURES GRANTS	Repeated/revised	yes	yes
07-02 ACCOUNTS PAYABLE	Resolved	yes	yes
07-03 SAS 112 MATERIAL ADJUSTMENTS BY AUDITOR	Repeated/revised	yes	yes
07-04 EXPENDITURES IN EXCESS OF BUDGET	Repeated/revised	yes	no
<b><u>Current:</u></b>			
08-01 LATE SUBMISSION OF AUDIT REPORT	Current	yes	no

**STATE OF NEW MEXICO  
SOUTH CENTRAL NEW MEXICO COUNCIL OF GOVERNMENTS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

**04-02 - JOURNAL ENTRIES NOT APPROVED**

**Statement of Condition**

Journal entries are not always seen or approved by management before they are posted into the accounting system and documentation concerning the entries was not always kept on file to support the journal entries.

**Criteria**

Good internal controls require that journal entries be approved by a responsible individual not involved in the journal entry preparation or posting, as they can significantly affect the financial statements. Supporting documentation to support the reasoning for each journal entry should be kept on file.

**Effect**

A large number of journal entries have been posted to several accounts which affect the financials significantly and it is not evident that management has reviewed these journal entries before they were entered into the system.

**Cause**

Management had no developed procedures for reviewing journal entries before entry into the accounting system.

**Recommendation**

Controls over journal entries should be established as soon as possible. The person creating the journal entry should initial and date the entry and a responsible official should initial and date the approval of the entry and these records supporting the reason for the journal entry should be maintained.

**Management's Response**

Management will implement a process to Document that Journal Entries are seen and approved before they are posted into the accounting system. Documentation will be kept on file for review.

**STATE OF NEW MEXICO  
SOUTH CENTRAL NEW MEXICO COUNCIL OF GOVERNMENTS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

**07-02 - ALLOCATION OF EXPENDITURES TO GRANTS**

**Statement of Condition**

It was noted that the health insurance expenditures were not properly allocated to the appropriate grants throughout the year. Audit adjustments were necessary to correct the issue according to health insurance allocations in the amount of approved in the budget. The amount of expense that was adjusted was in the amount of \$7,000. The general fund covered the costs not charged to grants. Grant reports will have to be adjusted. We also noted several immaterial errors made in posting expenditures to the wrong funds.

**Criteria**

Good accounting practices require that good review procedures be put in place to ensure that errors are caught in a timely manner.

**Cause**

Accounting staff had made errors in the system. Review procedures were not in place to prevent mistakes.

**Effect**

Significant adjustments had to be made and reports to grantors will need to be revised and overages/shortfalls dealt with.

**Recommendation**

The SSCOG should implement monthly review procedures with management and staff to ensure that all direct and indirect expenditures are properly allocated to each fund. Allocation plans approved in the budgeting process should be adhered to in order to ensure that indirect costs are reasonably allocated throughout the year.

**Management's Response**

The A/R and A/P staff will be receiving training and assistance to make sure the health insurance is properly allocated and posted. The financial staff is diligently working to correct this issue now and in the future. Management/Staff will meet monthly to review financial reports to ensure that expenditures are allocated to the proper budgets.

**STATE OF NEW MEXICO  
SOUTH CENTRAL NEW MEXICO COUNCIL OF GOVERNMENTS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

**07-03 - SAS 112 MATERIAL ADJUSTMENTS BY AUDITOR**

**Statement of Condition**

During our audit we made several adjustments to the SCCOG's books that the new SAS 112 requires to report as a finding. These adjustments included:

- The adjustment to correct the incorrect posting of health insurance benefits to funds.
- Adjustments correcting transfers between funds and amounts due to and from funds.

**Criteria**

Statement of Auditing Standards (SAS) 112 was implemented as of December 15, 2006. Some of the key underlying concepts of this standard are

- The auditor cannot be part of a client's internal control. Becoming part of a client's internal control impairs the auditor's independence.
- What the auditor does is independent of the client's internal control over financial reporting. Therefore, the auditor cannot be a compensating control for the client.
- A system of internal control over the financial reporting does not stop at the general ledger; rather it includes controls over the preparation of the financial statements.

Recording these adjustments is considered a significant process that the client needs to maintain.

**Effect**

Because these adjustments were made/identified by the auditor and not by the SCCOG, results in a internal control weakness in maintaining the general ledger.

**Cause**

The implementation of SAS 112, which requires the auditor to reconsider the design and processes needed to be implemented and executed by the auditee is the cause of this finding as in previous years these adjustments would not be considered a cause for a finding.

**Recommendation**

We recommend that the SCCOG make adjustments to their general ledger in a timely manner. Procedures should be implemented to minimize the likely hood of errors occurring. SCCOG staff should set up month end procedures to review expenditures for accuracy by fund and then ensure that the billings are prepared based on correct

**STATE OF NEW MEXICO  
SOUTH CENTRAL NEW MEXICO COUNCIL OF GOVERNMENTS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

information. They should also ensure that review procedures for adjusting journal entries are in place so that they can be sure the journal entry is correctly posted.

**Management Response**

Management/Staff will meet monthly to review expenditure reports by fund. If adjustments are necessary the cause will be identified and the adjustments will be made immediately with documentation.

**07-04 - EXPENDITURES IN EXCESS OF BUDGET**

**Statement of Condition**

During the year, the SCCOG had expenditures in excess of its budget in the general fund in the amount of \$85,123 for transfers out. Also the SCCOG had not prepared a budget adjustment to reflect additional funding and expenditures that were received during the year for the Regional Transit Department special planning project and therefore that fund was \$16,686 over budget for the year ended June 30, 2008.

**Criteria**

The SCCOG needs to ensure that budget adjustments are done and the budgets are monitored closely.

**Effect**

Actual expenditures are in excess of approved budgets.

**Cause**

Unanticipated adjustments to health insurance expenditures exceeded appropriations for the year and budget adjustments had not been done. Also the SCCOG had not expected to receive additional funding for the Regional Transit District.

**Recommendation**

Steps should be taken to ensure budgets are monitored closely and adjustments are made and approved by the board when necessary.

**Management's Response**

Management/Staff will meet monthly to review financial reports to ensure that budgets are in line with expenditures and/or make necessary adjustments with Board approval when required.

**STATE OF NEW MEXICO  
SOUTH CENTRAL NEW MEXICO COUNCIL OF GOVERNMENTS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

**08-01 - LATE SUBMISSION OF AUDIT**

**Statement of Condition**

The Council was unable to submit the audited financial statements for the year ended June 30, 2008 by the required due date of December 15, 2008.

**Criteria**

The Council's annual financial statements are due on December 15, 2008 of the same year or the next business day if the 1st falls on a weekend or holiday. (2.2.2.NMAC Requirements for Contracting and Conducting Audits of Agencies, Section 2.2.2.9.A(1)(d). The audit package must be postmarked by the due date to be considered received on time.

**Effect**

The Council did not comply with the New Mexico State Auditor's rule (2.2.2. NMAC Requirements for Contracting and Conducting Audits of Agencies, Section 2.2.2.9.A.(1)(d).

**Cause**

Due to the corrections that needed to be made to the financial statements at year end the Council was not able to submit their audit in on time.

**Recommendation**

Future financial information should be in order so requests for audit services may be done in a timely manner so as to ensure timely delivery of the audit report.

**Management Response**

Do to unforeseen staff changes it was necessary to hire/work with a consultant to assist with corrections to the financial statements for the audit year. This caused a delay in being able to provide necessary financial information to Hinkle & Landers, P.C.

**STATE OF NEW MEXICO  
SOUTH CENTRAL NEW MEXICO COUNCIL OF GOVERNMENTS  
EXIT CONFERENCE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

An exit conference was held in a closed session on December 29, 2008, and the contents of this report were discussed. Present at the exit conference were:

Gordy Hicks	Board Chairman
Jay Armijo	Executive Director
Linda Lanham	Deputy Director
Judy Jojola	WIA Finance Manager

Representing Hinkle & Landers, P.C.:

Farley Vener, CPA, CFE	Independent auditor, Hinkle & Landers, P.C.
Odessa Hamilton	Independent auditor, Hinkle & Landers, P.C.

**PREPARATION OF FINANCIAL STATEMENTS**

The accompanying financial statements of the SCCOG have been prepared by Hinkle & Landers, P.C., the organization's independent public auditors, however, the financial statements are the responsibility of management.