

**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, 2009**

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



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**SOUTH CENTRAL COUNCIL NEW MEXICO OF GOVERNMENTS, INC.  
BOARD OF DIRECTORS  
As of JUNE 30, 2009**

<b>Members</b>	<b>Positions</b>	<b>Government Represented</b>
Gordy Hicks	Chairman	City of Socorro
Judd Nordyke	Vice-Chair	Village of Hatch
Eunice Kent	Treasurer	City of Elephant Butte
Andy Nuñez	Member	NM State Representative
Gil Jones	Member	City of Las Cruces
Patsy Barnett	Member	Sierra County Econ. Dev. Org.
Jim Coslin	Member	Jornada RC&D
Nora Barraza	Member	Town of Mesilla
Jessica Avila	Member	City of Sunland Park
Walter Armijo	Member	Sierra County
Steve Green	Member	City of Truth or Consequences
Don Childers	Member	Village of Williamsburg
Phillip Anaya	Member	Socorro County
Carmen Torres	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
Jerry Stager	Alternate	Sierra County Econ. Dev. Org.
Robert Torres	Alternate	Village of Hatch
Alan Brown	Alternate	City of Elephant Butte
Jesus Caro	Alternate	Town of Mesilla
Erika Relatoras	Alternate	City of Sunland Park
Janet Carrejo	Alternate	Sierra County
Freddie Torres	Alternate	City of Truth or Consequences
Gorden Mishler	Alternate	Village of Williamsburg
Charles Gallegos	Alternate	Socorro County
Elenor Dawson	Alternate	Village of Magdalena
Dr. Cheryl Wilson	Alternate	Socorro Consolidated Schools
Rick Griego	Alternate	Polvadera MDWCA
James Robles	Alternate	Doña Ana MDWCA
Merry Jo Falhs	Alternate	Jornada RC&D
Martin Lopez	Alternate	Lower Rio Grande MDWCA
Lydia Bamonte	Alternate	T or C Municipal School Dist.
Jay Armijo	Secretary	South Central Council of Governments
Executive Director		

# 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, 2009, 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, 2009, 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, 2009 and the respective changes in financial position and the respective budgetary comparisons for the general, WIA, JARC, CDBG, Chile grant and SC 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, 2009, 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 11, 2009 on our consideration of the SCCOG's internal control over financial reporting and its compliance with certain provisions of regulations, contracts and grants

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

For the year ended June 30, 2009, 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.

The image shows a handwritten signature in black ink that reads "Hinkle & Landers, P.C." in a cursive, flowing script.

Hinkle & Landers, PC  
December 11, 2009





## **FINANCIAL SECTION**

**STATE OF NEW MEXICO**  
**SOUTH CENTRAL NEW MEXICO COUNCIL OF GOVERNMENTS**  
**(GOVERNMENT-WIDE)**  
**STATEMENT OF NET ASSETS**  
**AS OF JUNE 30, 2009**

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Current:	
Cash and cash equivalents	\$ 17,484
Grants receivable	49,629
Total current assets	<u>67,113</u>
Noncurrent assets:	
Capital assets, net	<u>10,215</u>
Total assets	<u>\$ 77,328</u>
<b>LIABILITIES:</b>	
Current liabilities:	
Accounts payable	\$ 2,468
Accrued payroll liabilities	1,519
Compensated absences expected to be paid within one year	25,000
Total current liabilities	<u>28,987</u>
Noncurrent liabilities:	
Compensated absences expected to be paid after one year	<u>8,424</u>
Total liabilities	<u>37,411</u>
<b>NET ASSETS:</b>	
Invested in capital assets	10,215
Unrestricted net assets	<u>29,702</u>
Total net assets	<u>39,917</u>
Total liabilities and net assets	<u>\$ 77,328</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, 2009**

<b>Functions/Programs</b>	<u><b>Expenses</b></u>	<u><b>Program Operating Grants and Contributions</b></u>	<u><b>Net (Expense) Revenue and Changes in Net Assets for Governmental Activities</b></u>
<b>Governmental activities:</b>			
Regional Community Development	\$ 1,131,020	1,102,865	(28,155)
 General revenues:			
Miscellaneous revenues			-
Total general revenues and transfers			<u>-</u>
Changes in net assets			(28,155)
Net assets, beginning of year			<u>68,072</u>
Net assets, end of year			<u>\$ 39,917</u>

See independent auditors' report  
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**STATE OF NEW MEXICO**  
**SOUTH CENTRAL NEW MEXICO COUNCIL OF GOVERNMENTS**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**AS OF JUNE 30, 2009**

Major Funds							
	General	Special Revenue Funds				Total Governmental Funds	
		WIA 101,100 Funds	JARC 112 Fund	SC RTD 115-117 Fund	Chili-Grant 108 Fund		CDBG 500 Fund
<b>ASSETS:</b>							
Cash and cash equivalents	\$ 17,465	-	-	19	-	-	17,484
Grants receivable	13,759	23,423	12,447	-	-	-	49,629
Interfund receivables	32,319	-	-	1,746	-	-	34,065
Total assets	\$ 63,543	23,423	12,447	1,765	-	-	101,178
<b>LIABILITIES:</b>							
Accounts payable	\$ -	2,468	-	-	-	-	2,468
Accrued payroll liabilities	412	1,008	75	24	-	-	1,519
Interfund payables	1,746	19,947	12,372	-	-	-	34,065
Total liabilities	2,158	23,423	12,447	24	-	-	38,052
<b>FUND BALANCE:</b>							
Unreserved and designated for future expenditures	61,385	-	-	1,741	-	-	63,126
Total fund balance	61,385	-	-	1,741	-	-	63,126
Total liabilities and fund balance	\$ 63,543	23,423	12,447	1,765	-	-	101,178

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

Accrued compensated absences	(33,424)
Capital assets used in governmental activities are not current financial resources and therefore, are not reported in the balance sheet	10,215
Statement of Net assets of governmental funds (page 4)	39,917

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**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, 2009**

	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	\$ 133,855	556,796	82,078	140,771	18,400	7,281	939,181
State	121,641	-	-	-	-	-	121,641
Local	42,043	-	-	-	-	-	42,043
Miscellaneous income	-	-	-	-	-	-	-
Total revenues	<u>297,539</u>	<u>556,796</u>	<u>82,078</u>	<u>140,771</u>	<u>18,400</u>	<u>7,281</u>	<u>1,102,865</u>
<b>Expenditures:</b>							
Current:							
General government	297,098	560,454	94,267	139,030	21,025	6,281	1,118,155
Capital outlay	-	-	-	-	-	-	-
Total expenditures	<u>297,098</u>	<u>560,454</u>	<u>94,267</u>	<u>139,030</u>	<u>21,025</u>	<u>6,281</u>	<u>1,118,155</u>
Excess (deficiency) of revenues over expenditures	<u>441</u>	<u>(3,658)</u>	<u>(12,189)</u>	<u>1,741</u>	<u>(2,625)</u>	<u>1,000</u>	<u>(15,290)</u>
Other financing sources (uses)							
Operating transfers in	1,000	3,658	8,037	-	2,625	-	15,320
Operating transfers out	(14,320)	-	-	-	-	(1,000)	(15,320)
Total other financing sources (uses)	<u>(13,320)</u>	<u>3,658</u>	<u>8,037</u>	<u>-</u>	<u>2,625</u>	<u>(1,000)</u>	<u>-</u>
Net change in fund balances	(12,879)	-	(4,152)	1,741	-	-	(15,290)
Fund balance, beginning of year	<u>74,264</u>	<u>-</u>	<u>4,152</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>78,416</u>
Fund balance, end of year	<u>\$ 61,385</u>	<u>-</u>	<u>-</u>	<u>1,741</u>	<u>-</u>	<u>-</u>	<u>63,126</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, 2009**

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

Net change in fund balances - total governmental funds (page 7)	\$ (15,290)
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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	(10,872)
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Net effect of changes in accrued compensated absences	(1,993)
	<u>(12,865)</u>

Change in net assets of governmental activities (page 5)	\$ <u><u>(28,155)</u></u>
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See independent auditors' report  
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**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, 2009**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Revenues:</b>				
Grants and contracts	\$ 248,224	245,105	255,496	10,391
Membership dues	29,842	29,842	29,842	-
Other	-	-	12,201	12,201
Total revenues	<u>278,066</u>	<u>274,947</u>	<u>297,539</u>	<u>22,592</u>
<b>Expenditures:</b>				
General governmental	298,066	297,098	297,098	-
Total expenditures	<u>298,066</u>	<u>297,098</u>	<u>297,098</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>(20,000)</u>	<u>(22,151)</u>	<u>441</u>	<u>22,592</u>
Other financing sources (uses)				
Operating transfers in	-	1,000	1,000	-
Operating transfers out	-	(14,320)	(14,320)	-
Total other financing sources (uses)	<u>-</u>	<u>(13,320)</u>	<u>(13,320)</u>	<u>-</u>
Change in fund balance	<u>(20,000)</u>	<u>(35,471)</u>	<u>(12,879)</u>	<u>22,592</u>
Fund balance provided from prior years	<u>\$ 61,385</u>	<u>61,385</u>	<u>61,385</u>	

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**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, 2009**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Revenues:</b>				
Grants and contracts	\$ 596,496	556,796	556,796	-
Total revenues	<u>596,496</u>	<u>556,796</u>	<u>556,796</u>	<u>-</u>
<b>Expenditures:</b>				
General governmental	<u>596,496</u>	<u>560,454</u>	<u>560,454</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>(3,658)</u>	<u>(3,658)</u>	<u>-</u>
Other financing sources (uses)				
Operating transfers in	-	3,658	3,658	-
Operating transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>3,658</u>	<u>3,658</u>	<u>-</u>
Change in fund balance	<u><u>\$ -</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

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**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, 2009**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Revenues:</b>				
Grants and contracts	\$ 75,600	83,100	82,078	(1,022)
Miscellaneous	-	-	-	-
Total revenues	<u>75,600</u>	<u>83,100</u>	<u>82,078</u>	<u>(1,022)</u>
<b>Expenditures:</b>				
General governmental	<u>75,600</u>	<u>94,752</u>	<u>94,267</u>	<u>485</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>(11,652)</u>	<u>(12,189)</u>	<u>(537)</u>
Other financing sources (uses)				
Operating transfers in	-	7,500	8,037	537
Operating transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>7,500</u>	<u>8,037</u>	<u>537</u>
Change in fund balance	<u>-</u>	<u>(4,152)</u>	<u>(4,152)</u>	<u>-</u>
Fund balance provided from prior years	\$ <u>4,152</u>	<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, 2009**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>Revenues:</b>				
Grants and contracts	\$ 2,000	250,000	140,771	(109,229)
Total revenues	2,000	250,000	140,771	(109,229)
 <b>Expenditures:</b>				
General governmental	2,000	250,000	139,030	110,970
	2,000	250,000	139,030	110,970
Excess (deficiency) of revenues over expenditures	-	-	1,741	1,741
 <b>Other financing sources (uses)</b>				
Operating transfers in	-	-	-	-
Operating transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Change in fund balance	\$ -	-	-	-

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**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, 2009**

	<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	7,281	(12,964)
Total revenues	<u>20,245</u>	<u>20,245</u>	<u>7,281</u>	<u>(12,964)</u>
<b>Expenditures:</b>				
General governmental:	<u>20,245</u>	<u>20,245</u>	<u>6,281</u>	<u>13,964</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>1,000</u>	<u>1,000</u>
Other financing sources (uses)				
Operating transfers in	-	-	-	-
Operating transfers out	<u>-</u>	<u>-</u>	<u>(1,000)</u>	<u>1,000</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(1,000)</u>	<u>1,000</u>
Change in fund balance	<u><u>\$ -</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>2,000</u></u>

See independent auditors' report  
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**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, 2009**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Revenues:</b>				
Grants and contracts	\$ 59,500	60,600	18,400	(42,200)
Total revenues	<u>59,500</u>	<u>60,600</u>	<u>18,400</u>	<u>(42,200)</u>
<b>Expenditures:</b>				
General governmental	<u>59,500</u>	<u>60,600</u>	<u>21,025</u>	<u>39,575</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>(2,625)</u>	<u>(2,625)</u>
Other financing sources (uses)				
Operating transfers in	-	-	2,625	2,625
Operating transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>2,625</u>	<u>2,625</u>
Change in fund balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance provided from prior years	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>

See independent auditors' report  
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**STATE OF NEW MEXICO**  
**SOUTH CENTRAL NEW MEXICO COUNCIL OF GOVERNMENTS**  
**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES**  
**-AGENCY FUNDS**  
**As of JUNE 30, 2009**

	<u>WIA Board Fund</u>
<b>ASSETS:</b>	
Cash	\$ 436,074
Grants receivable	233,782
Total assets	\$ <u>669,856</u>
 <b>LIABILITIES:</b>	
Accounts payable	\$ <u>669,856</u>
Total liabilities	\$ <u>669,856</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, 2009**

**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, 2009.

**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, 2009**

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, 2009 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, 2009**

**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, 2009:



**SOUTH CENTRAL NEW MEXICO COUNCIL OF GOVERNMENTS  
NOTES TO AUDITED FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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.

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 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

**SOUTH CENTRAL NEW MEXICO COUNCIL OF GOVERNMENTS  
 NOTES TO AUDITED FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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

**SOUTH CENTRAL NEW MEXICO COUNCIL OF GOVERNMENTS  
NOTES TO AUDITED FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

**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, 2009

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

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

**SOUTH CENTRAL NEW MEXICO COUNCIL OF GOVERNMENTS  
NOTES TO AUDITED FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

to expenditures before applying restricted funds when applicable. Designated fund balances represent tentative plans for future use of financial resources.

**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 \$ 250,000 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 2009 the SCCOG was exposed to deposit custodial credit risk in the amount of \$584,595 (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, 2009:

<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	\$ 20,255	(54,469)	51,679	17,465
SCCOG Checking	Checking	19	-	-	19
Total SCCOG accounts		<u>20,274</u>	<u>(54,469)</u>	<u>51,679</u>	<u>17,484</u>
Agency funds:					
SAWDB FA	Checking	564,340	(128,432)	166	436,074
Total		<u>584,614</u>	<u>(182,901)</u>	<u>51,845</u>	<u>453,558</u>
Less: FDIC coverage		<u>(584,614)</u>			
Uninsured balance		-			
50% collateral requirement		-			
Pledged collaeral:		-			
Over (under)		\$ <u>-</u>			
Total cash per books				<u>\$ 471,042</u>	
General fund and special revenue funds				\$ 17,484	
Agency funds				436,074	
Total cash per books by funds				<u>\$ 453,558</u>	

There is no balance remaining uninsured and uncollateralized at the fiscal year ended June 30, 2009.



**SOUTH CENTRAL NEW MEXICO COUNCIL OF GOVERNMENTS  
NOTES TO AUDITED FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

**6. CAPITAL ASSETS AND DEPRECIATION**

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

	<u>2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>2009</u>
<b>General Fund</b>				
Furniture and equipment	\$ 6,778	-	-	6,778
Automobiles	43,170	-	-	43,170
Total general fund	49,948	-	-	49,948
Allowance for depreciation				
Furniture and equipment	(6,778)	-	-	(6,778)
Automobiles	(37,970)	(3,400)	-	(41,370)
Total accumulated depreciation	(44,748)	(3,400)	-	(48,148)
Net capital assets - general fund	5,200	(3,400)	-	1,800
<b>WIA Fund</b>				
Furniture and equipment	92,881	-	-	92,881
Automobiles	15,000	-	-	15,000
Total WIA fund	107,881	-	-	107,881
Allowance for depreciation				
Furniture and equipment	(76,994)	(7,472)	-	(84,466)
Automobiles	(15,000)	-	-	(15,000)
Total accumulated depreciation	(91,994)	(7,472)	-	(99,466)
Net capital assets - WIA fund	\$ 15,887	(7,472)	-	8,415
Total net capital assets	\$ 21,087	(10,872)	-	10,215

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.

Depreciation expense of \$3,400 in the general fund and \$7,472 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, 2009.

**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

**SOUTH CENTRAL NEW MEXICO COUNCIL OF GOVERNMENTS  
NOTES TO AUDITED FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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, 2009, 2008, and 2007 was \$ 45,299, \$51,471, and \$39,867, 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, 2009, the SCCOG did not have any probable risk of loss.

**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	\$ 8,037	
JARC fund from General fund		8,037
General fund from WIA fund	3,658	
WIA fund to General fund		3,658
General fund from the Chile grant	1,000	
SC RTD grant to the General fund		1,000
General fund toCDBG		2,624
CDBG fund from General fund	2,624	
Subtotal	<u>\$ 15,319</u>	<u>15,319</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, 2009.

**SOUTH CENTRAL NEW MEXICO COUNCIL OF GOVERNMENTS  
NOTES TO AUDITED FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

Interfund receivables and payables for the year ended June 30, 2009 were as follows:

<u>Receivable</u> <u>from</u>	<u>Payable to</u>	<u>Receivable</u>	<u>Payable</u>	<u>Purpose</u>
	SC RTD fund	\$ 1,746		Transfer from general fund owed to cover additional expenses
General fund			1,746	Transfer from general fund owed to cover additional expenses
WIA fund		19,947		Money deposited into general fund that is owed to WIA
JARC fund		12,372		Money deposited into general fund that is owed to RTD
CDBG fund		-		Money deposited into general fund that is owed to CDBG
	General fund	<u>                    </u>	<u>32,319</u>	
		<u>\$ 34,065</u>	<u>34,065</u>	

All are expected to be paid within one year.

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**SOUTH CENTRAL NEW MEXICO COUNCIL OF GOVERNMENTS  
NOTES TO AUDITED FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

**12. 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>Service Revenue</u>
Village of Hatch	Judd Nordyke	\$ 6,000
Town of Mesilla	Jesus Caro	5,000
City of Socorro	Gordy Hicks	6,400
Village of Magdalena	James A. Wolfe	1,000
		<u>\$ 18,400</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, 2009

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	\$ 358,461
Fiscal Agent Contract and Administrative Entity Contract-DW	17.260	WIA/SWR-08-03-001	155,635
Fiscal Agent Contract and Administrative Entity Contract-Youth	17.259	WIA/SWR-08-03-001	42,700
			<u>556,796</u>
U.S. Department of Transportation passed through New Mexico State Highway and Transportation Department			
Job Access Reversal Commuter Program	20.516	M00538	82,078
Regional Transit District	20.205	M00501	140,771
Regional Planning Organization	20.205	M00501	83,855
			<u>306,704</u>
<u>U.S. Department of Housing &amp; Urban Development</u>			
passed through Village of Hatch			
Community Development Block Grants	14.246	07-C-RS-I-1-G21	2,000
passed through Town of Mesilla			
		06-C-RS-I-1-G36	2,000
		05-C-RS-I-6-G50	2,000
Community Development Block Grants	14.246	07-C-RS-I-3-G23	3,000
passed through City of Socorro			
Community Development Block Grants	14.246	05-C-RS-I-6-G51	2,000
passed through Village of Magdalena			
Community Development Block Grants	14.246	07-C-NR-I-1-G09	6,400
			<u>1,000</u>
			18,400
Direct Funds:			
U.S. Department of Commerce			
Economic Development Administration (EDA)	11.302		50,000
Chile grant	11.302		7,281
			<u>57,281</u>
Total federal awards expended			<u>\$ 939,181</u>

Selected Disclosures

1. The accompanying schedule of expenditures of federal awards includes the federal grant activity of the South Central Council of Governments, and is presented on the modified accrual 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*.
2. The Workforce Connection of Central New Mexico did not receive any noncash assistance.
3. Payments to subrecipients-n/a None

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, 2009**

**WIA BOARD FUND**

	<u>Balance</u> <u>June 30, 2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2009</u>
<u>Assets</u>				
Cash overdraft	(13,550)	4,576,790	4,127,166	436,074
Grants receivable	\$ 685,378		451,596	233,782
Accounts receivable	<u>6,240</u>	<u>-</u>	<u>6,240</u>	<u>-</u>
 Total assets	 <u>\$ 678,068</u>	 <u>4,576,790</u>	 <u>4,585,002</u>	 <u>669,856</u>
<u>Liabilities</u>				
Accounts payable	\$ 671,828	4,576,790	4,578,762	669,856
Deferred revenue	<u>6,240</u>	<u>-</u>	<u>6,240</u>	<u>-</u>
Due to others	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>\$ 678,068</u>	<u>4,576,790</u>	<u>4,585,002</u>	<u>669,856</u>

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, 2009 and have issued our report thereon dated December 11, 2009 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, 2009, 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 deficiency described in the accompanying schedule of findings and questioned costs to be a significant deficiency in internal control over financial reporting: 07-03.

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, the significant deficiency described above, we consider to be a material weakness.

### **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 no instances of noncompliance or other matters that are required to be reported under *Government Audit Standards*.

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.

The image shows a handwritten signature in black ink that reads "Hinkle & Landers, P.C." in a cursive, flowing script.

Hinkle & Landers, P.C.  
December 11, 2009

**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, 2009. 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, 2009.



### **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 deficiency described in the accompanying schedule of findings and questioned costs to be a significant deficiency in internal control over financial reporting: 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, the significant deficiency described above, we consider to be material weakness.

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.  
December 11, 2009

**STATE OF NEW MEXICO  
SOUTH CENTRAL NEW MEXICO COUNCIL OF GOVERNMENTS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

**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? \_\_\_ Yes      X 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, 2009**

**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>
<u>Prior year:</u>			
04-02 JOURNAL ENTRIES NOT APPROVED	Resolved	yes	yes
07-01 ALLOCATION OF EXPENDITURES GRANTS	Resolved	yes	yes
07-03 SAS 112 MATERIAL ADJUSTMENTS BY AUDITOR	Repeated/revised	yes	yes
07-04 EXPENDITURES IN EXCESS OF BUDGET	Resolved	yes	no
08-01 LATE SUBMISSION OF AUDIT REPORT	Resolved	yes	no
<u>Current:</u>			
None			

**STATE OF NEW MEXICO  
SOUTH CENTRAL NEW MEXICO COUNCIL OF GOVERNMENTS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

**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 outstanding payroll liabilities
- 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 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.

**STATE OF NEW MEXICO  
SOUTH CENTRAL NEW MEXICO COUNCIL OF GOVERNMENTS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

**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. Balance sheets will be reviewed monthly to insure that liability and inter-fund activity is properly recorded.

**STATE OF NEW MEXICO  
SOUTH CENTRAL NEW MEXICO COUNCIL OF GOVERNMENTS  
EXIT CONFERENCE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

An exit conference was held in a closed session on December 11, 2009, and the contents of this report were discussed. Present at the exit conference were:

Nora Barraza	Board Chairperson
Andy Nunez	Board Member
Eunice Kent	Board Treasurer
Gordy Hicks	Board Advisor
Jay Armijo	Executive Director
Linda Lanham	Deputy Director

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.