

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

For the Year Ended June 30, 2010

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

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**SOUTH CENTRAL NEW MEXICO COUNCIL OF GOVERNMENTS
OFFICIAL ROSTER
As of June 30, 2010**

Directors	Position	Government Represented
Nora Barraza	Chairwoman	Town of Mesilla
Eunice Kent	Vice-Chair	City of Elephant Butte
Judd Nordyke	Treasurer	Village of Hatch
Leticia Benavidez	Member	Dona Ana County
Ken Miyagishima	Member	City of Las Cruces
Martin Resendiz	Member	City of Sunland Park
Ravi Bhasker	Member	City of Socorro
Steve Green	Member	City of Truth or Consequences
Rumaldo J. Griego	Member	Socorro County
Walter Armijo	Member	Sierra County
Carmen Torres	Member	Village of Magdalena
Don Childers	Member	Village of Williamsburg
Karen Nichols	Member	Lower Rio Grande MDWCA
Patsy Barnett	Member	Sierra County Econ. Dev. Org.
Fred Hollis	Member	San Antonio MDWCA
Richard Griego	Member	Polvadera MDWCA
Mariano G. Martinez	Member	Doña Ana MDWCA
Jim Coslin	Member	Jornada RC&D
Andy Nuñez	Member	NM State Representative
Jesus Caro	Alternate	Town of Mesilla
Alan Brown	Alternate	City of Elephant Butte
Andy Nunez	Alternate	Village of Hatch
Karen Perez	Alternate	Dona Ana County
Gil Jones	Alternate	City of Las Cruces
Jaime Aguilar	Alternate	City of Sunland Park
Gordon Hicks	Alternate	City of Socorro
Freddy Torres	Alternate	City of Truth or Consequences
Danny Monette	Alternate	Socorro County
Alvin Campbell	Alternate	Sierra County
Eleanor Dawson	Alternate	Village of Magdalena
Debbie Stubblefield	Alternate	Village of Williamsburg
Martin Lopez	Alternate	Lower Rio Grande MDWCA
Vince Barrett	Alternate	Sierra County Econ. Dev. Org.
Alex Matcham	Alternate	San Antonio MDWCA
Jose "Lencho" Vega	Alternate	Polvadera MDWCA
James Robles	Alternate	Doña Ana MDWCA
Merry Jo Falhs	Alternate	Jornada RC&D
Jay Armijo	Executive Director/Secretary	South Central Council of Governments, Inc.

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, each major fund, the aggregate remaining fund information and the budgetary comparisons of the general fund and major special revenue funds of the South Central New Mexico Council of Governments (SCCOG) as of and for the year ended June 30, 2010, 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, 2010, 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, 2010 and the respective changes in financial position and the respective budgetary comparisons for the general, WIA, JARC, CDBG, 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, 2010, presented as other 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 January 11, 2011 on our consideration of the SCCOG's internal control over financial reporting and its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

For the year ended June 30, 2010, 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, is 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, professional font.

Hinkle & Landers, PC
January 11, 2011

**STATE OF NEW MEXICO
SOUTH CENTRAL NEW MEXICO COUNCIL OF GOVERNMENTS
(GOVERNMENT-WIDE)
STATEMENT OF NET ASSETS
AS OF JUNE 30, 2010**

	<u>Governmental Activities</u>
ASSETS	
Current	
Cash and cash equivalents	\$ 16,662
Grants receivable	71,418
Accounts receivable	<u>1,889</u>
Total current assets	<u>89,969</u>
Noncurrent assets	
Capital assets, net	<u>-</u>
Total assets	<u>\$ 89,969</u>
LIABILITIES	
Current liabilities	
Accounts payable	\$ -
Accrued payroll liabilities	6,909
Compensated absences expected to be paid within one year	<u>25,000</u>
Total current liabilities	<u>31,909</u>
Noncurrent liabilities:	
Compensated absences expected to be paid after one year	<u>9,156</u>
Total liabilities	<u>41,065</u>
NET ASSETS	
Invested in capital assets	-
Unrestricted net assets	<u>48,904</u>
Total net assets	<u>48,904</u>
Total liabilities and net assets	<u>\$ 89,969</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, 2010**

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>
Governmental activities:			
Regional Community Development	\$ 1,059,085	1,043,055	(16,030)
 General revenues:			
Miscellaneous revenues			25,017
Total general revenues and transfers			<u>25,017</u>
Changes in net assets			8,987
Net assets, beginning of year			<u>39,917</u>
Net assets, end of year			<u><u>\$ 48,904</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
BALANCE SHEET - GOVERNMENTAL FUNDS
AS OF JUNE 30, 2010

Major Funds						
	General	Special Revenue Funds				Total Governmental Funds
		WIA 101,100 Funds	JARC 112 Fund	SC RTD 115-117 Fund	CDBG 500 Fund	
ASSETS:						
Cash and cash equivalents	\$ 16,635	-	-	27	-	16,662
Accounts receivable	500	-	-	1,389	-	1,889
Grants receivable	5,620	43,543	10,455	-	11,800	71,418
Interfund receivables	66,082	-	-	3,479	-	69,561
Total assets	\$ 88,837	43,543	10,455	4,895	11,800	159,530
LIABILITIES:						
Accounts payable	\$ -	-	-	-	-	-
Accrued payroll liabilities	2,298	4,307	-	24	280	6,909
Interfund payables	3,479	39,236	10,455	4,871	11,520	69,561
Total liabilities	5,777	43,543	10,455	4,895	11,800	76,470
FUND BALANCE:						
Unreserved and designated for future expenditures	83,060	-	-	-	-	83,060
Total fund balance	83,060	-	-	-	-	83,060
Total liabilities and fund balance	\$ 88,837	43,543	10,455	4,895	11,800	

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

Accrued compensated absences	(34,156)
Capital assets used in governmental activities are not current financial resources and therefore, are not reported in the balance sheet Statement of net assets of governmental funds	-
	48,904

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, 2010

	Major Funds					Total Governmental Funds
	Special Revenue Funds					
	General Fund	WIA Funds	JARC Fund	SC RTD Fund	CDBG Fund	
Revenues:						
Federal	\$ 124,321	630,553	94,000	16,556	27,475	892,905
State	114,629	-	-	-	-	114,629
Local	35,521	-	-	-	-	35,521
Miscellaneous income	25,017	-	-	-	-	25,017
Total revenues	299,488	630,553	94,000	16,556	27,475	1,068,072
Expenditures:						
Current:						
General government	287,251	629,620	94,067	13,145	24,055	1,048,138
Capital outlay	-	-	-	-	-	-
Total expenditures	287,251	629,620	94,067	13,145	24,055	1,048,138
Excess (deficiency) of revenues over expenditures	12,237	933	(67)	3,411	3,420	19,934
Other financing sources (uses)						
Operating transfers in	16,023	-	6,585	-	-	22,608
Operating transfers out	(6,585)	(933)	(6,518)	(5,152)	(3,420)	(22,608)
Total other financing sources (uses)	9,438	(933)	67	(5,152)	(3,420)	-
Net change in fund balances	21,675	-	-	(1,741)	-	19,934
Fund balance, beginning of year	61,385	-	-	1,741	-	63,126
Fund balance, end of year	\$ 83,060	-	-	-	-	83,060

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

Net change in fund balances - total governmental funds \$ 19,934

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

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 (10,215)

Net effect of changes in accrued compensated absences (732)
(10,947)

Change in net assets of governmental activities \$ 8,987

STATE OF NEW MEXICO
SOUTH CENTRAL NEW MEXICO COUNCIL OF GOVERNMENTS
GENERAL FUND - MAJOR FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL (MODIFIED ACCRUAL BASIS)
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Grants and contracts	\$ 231,641	238,761	238,950	189
Membership dues	42,830	36,086	35,521	(565)
Other	-	-	25,017	25,017
Total revenues	<u>274,471</u>	<u>274,847</u>	<u>299,488</u>	<u>24,641</u>
Expenditures:				
General governmental	<u>274,471</u>	<u>262,209</u>	<u>287,251</u>	<u>(25,042)</u>
Total expenditures	<u>274,471</u>	<u>262,209</u>	<u>287,251</u>	<u>(25,042)</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>12,638</u>	<u>12,237</u>	<u>(401)</u>
Other financing sources (uses)				
Operating transfers in	-	17,137	16,023	(1,114)
Operating transfers out	-	<u>(29,775)</u>	<u>(6,585)</u>	<u>23,190</u>
Total other financing sources (uses)	<u>-</u>	<u>(12,638)</u>	<u>9,438</u>	<u>22,076</u>
Change in fund balance	<u>\$ -</u>	<u>-</u>	<u>21,675</u>	<u>21,675</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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL (MODIFIED ACCRUAL BASIS)
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Grants and contracts	\$ 604,528	604,528	630,553	26,025
Total revenues	<u>604,528</u>	<u>604,528</u>	<u>630,553</u>	<u>26,025</u>
Expenditures:				
General governmental	<u>604,528</u>	<u>604,528</u>	<u>629,620</u>	<u>(25,092)</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>933</u>	<u>51,117</u>
Other financing sources (uses)				
Operating transfers in	-	-	-	-
Operating transfers out	<u>-</u>	<u>-</u>	<u>(933)</u>	<u>(933)</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(933)</u>	<u>(933)</u>
Change in fund balance	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>50,184</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**

JARC

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL (MODIFIED ACCRUAL BASIS)
FOR THE YEAR ENDED JUNE 30, 2010**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Grants and contracts	\$ 94,000	94,000	94,000	-
Miscellaneous	-	-	-	-
Total revenues	<u>94,000</u>	<u>94,000</u>	<u>94,000</u>	<u>-</u>
Expenditures:				
General governmental	<u>94,000</u>	<u>94,000</u>	<u>94,067</u>	<u>(67)</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>(67)</u>	<u>(67)</u>
Other financing sources (uses)				
Operating transfers in	-	-	6,585	6,585
Operating transfers out	-	-	(6,518)	(6,518)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>67</u>	<u>67</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

SC RTD

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL (MODIFIED ACCRUAL BASIS)
FOR THE YEAR ENDED JUNE 30, 2010

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Grants and contracts	\$ 126,193	126,193	16,556	(109,637)
Total revenues	126,193	126,193	16,556	(109,637)
 Expenditures:				
General governmental	126,193	126,193	13,145	113,048
	126,193	126,193	13,145	113,048
Excess (deficiency) of revenues over expenditures	-	-	3,411	3,411
Other financing sources (uses)				
Operating transfers in	-	-	-	-
Operating transfers out	-	-	(5,152)	5,152
Total other financing sources (uses)	-	-	(5,152)	5,152
Change in fund balance	\$ -	-	(1,741)	8,563

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

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL (MODIFIED ACCRUAL BASIS)
FOR THE YEAR ENDED JUNE 30, 2010**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Grants and contracts	\$ 58,900	67,900	27,475	(40,425)
Total revenues	<u>58,900</u>	<u>67,900</u>	<u>27,475</u>	<u>(40,425)</u>
Expenditures:				
General governmental	<u>58,900</u>	<u>67,900</u>	<u>24,055</u>	<u>43,845</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>3,420</u>	<u>3,420</u>
Other financing sources (uses)				
Operating transfers in	-	-	-	-
Operating transfers out	<u>-</u>	<u>-</u>	<u>(3,420)</u>	<u>(3,420)</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(3,420)</u>	<u>(3,420)</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
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
-AGENCY FUNDS
AS OF JUNE 30, 2010**

	<u>WIA Board Fund</u>
ASSETS:	
Cash	\$ 184,393
Grants receivable	753,589
Total assets	\$ <u>937,982</u>
 LIABILITIES:	
Accounts payable	\$ 859,309
Deferred revenue	51,673
Held for others	27,000
Total liabilities	\$ <u>937,982</u>

SEE INDEPENDENT AUDITORS' REPORT
The accompanying notes are an integral part of these financial statements

**SOUTH CENTRAL NEW MEXICO COUNCIL OF GOVERNMENTS
NOTES TO AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010**

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, 2010.

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. 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.

**SOUTH CENTRAL NEW MEXICO COUNCIL OF GOVERNMENTS
NOTES TO AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010**

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, 2010, 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.

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.

**SOUTH CENTRAL NEW MEXICO COUNCIL OF GOVERNMENTS
NOTES TO AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010**

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, 2010:

Workforce Investment Act Fund (WIA) – The SCCOG serves as the fiscal agent and also as the administrative entity for the Southwestern Area Workforce Development Board (SAWDB). SAWDB 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.

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

**SOUTH CENTRAL NEW MEXICO COUNCIL OF GOVERNMENTS
NOTES TO AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010**

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:

<u>Type</u>	<u>Estimated Depreciable Life</u>
Furniture and fixtures	3-7 years
Equipment	5 years

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 SCCOG and the Department of Finance and Administration exercise legal level 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.

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 9 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.

**SOUTH CENTRAL NEW MEXICO COUNCIL OF GOVERNMENTS
NOTES TO AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010**

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, 2010.

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 SCCOG has no designated fund balance. The SCCOG applies restricted funds first 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 2010 the SCCOG was exposed to deposit custodial credit risk in the amount of \$272,434 (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, 2010:

**SOUTH CENTRAL NEW MEXICO COUNCIL OF GOVERNMENTS
 NOTES TO AUDITED FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2010**

Bank of the Southwest:		Bank	Outstanding	Outstanding	Book
<u>Account Name</u>	<u>Type</u>	<u>Balance</u>	<u>Checks</u>	<u>Deposits</u>	<u>Balance</u>
SCCOG Checking	Checking	\$ 56,984	(40,350)	-	16,634
SCCOG Checking	Checking	27	-	-	27
Total SCCOG accounts		<u>57,011</u>	<u>(40,350)</u>	<u>-</u>	<u>16,661</u>
Agency funds:					
SAWDB FA	Checking	215,423	(31,196)	166	184,393
Total		<u>272,434</u>	<u>(71,546)</u>	<u>166</u>	<u>201,054</u>
Less: FDIC coverage		<u>(272,434)</u>			
Uninsured balance		<u>-</u>			
50% collateral requirement		<u>-</u>			

Pledged Collateral held in bank's name

Federal Home Loan Bank - Letter of Credit maturing 9/17/10, market value to be used	\$ 50,000
Federal Home Loan Bank - Letter of Credit maturing 1/5/11, market value to be used	<u>50,000</u>
Total	<u>100,000</u>
Over (under) collateralized	<u>\$ 100,000</u>

Total cash per books	<u>\$ 201,054</u>
General fund and special revenue funds	\$ 16,661
Agency funds	<u>184,393</u>
Total cash per books by funds	<u>\$ 201,054</u>

SCCOG's bank (Bank of the Southwest) is participating in the FDIC's Transaction Account Guarantee Program. Under that program, through June 30, 2010, all noninterest-bearing transaction accounts are fully guaranteed by the FDIC for the entire amount of the account.

As of June 30, 2010, the amount of the SCCOG's bank balance of \$272,434 (excludes amount covered by FDIC of \$272,434) 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	\$ -
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3. GRANTS RECEIVABLE AND OTHER RECEIVABLES

Receivables at June 30, 2010 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>Total</u>
Receivables:						
Grants and contracts	\$ 5,620	43,543	10,455	-	11,800	71,418
Accounts receivable	500	-	-	1,389	-	1,889
	<u>\$ 6,120</u>	<u>43,543</u>	<u>10,455</u>	<u>1,389</u>	<u>11,800</u>	<u>73,307</u>

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

**SOUTH CENTRAL NEW MEXICO COUNCIL OF GOVERNMENTS
NOTES TO AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010**

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.

The current portion of compensated absences payable expected to be paid within one year is estimated to be \$25,000. This amount is an estimate based on the current compensated absences payable paid in the fiscal year 2010 and new compensated policies enacted in fiscal year 2010. Typically the WIA and general fund are used to liquidate leave.

	2009	Additions	Deletions	2010
Annual Leave \$	33,424	49,428	(48,696)	34,156

5. RECONCILIATION BETWEEN BUDGETARY BASIS AND GAAP BASIS

Because the SCCOG keeps their budgets on modified accrual 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:

	2009	Additions	Deletions	2010
General Fund				
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	(41,370)	(1,800)	-	(43,170)
Total accumulated depreciation	(48,148)	(1,800)	-	(49,948)
Net capital assets - general fund	1,800	(1,800)	-	-
WIA Fund				
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	(84,466)	(8,415)	-	(92,881)
Automobiles	(15,000)	-	-	(15,000)
Total accumulated depreciation	(99,466)	(8,415)	-	(107,881)
Net capital assets - WIA fund	\$ 8,415	(8,415)	-	-
 Total net capital assets	 \$ 10,215	 (10,215)	 -	 -

Note: There were no additions or deletions during the current year.

**SOUTH CENTRAL NEW MEXICO COUNCIL OF GOVERNMENTS
NOTES TO AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010**

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 \$1,800 in the general fund and \$8,415 in the WIA fund was allocated to the Regional Community Development function in the government-wide statement of activities, which is the SCCOG's only governmental activity function. There was no debt related to any capital assets for the fiscal year ended June 30, 2010.

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.

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, 2010, 2009, and 2008 was \$ 46,101, \$45,299, and \$51,471, respectively, equal to the amount of the required contributions per year.

8. 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, 2010, the SCCOG did not have any probable risk of loss.

9. INTERFUND TRANSACTIONS AND BALANCES

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

Major Funds:	In	Out
General fund to JARC	\$	6,585
JARC fund from General fund	6,585	
JARC fund to General fund		6,518
General fund from JARC	6,518	
WIA fund to General fund		933
General fund from WIA fund	933	
SC RTD grant to the General fund		5,152
General fund from the SC RTD	5,152	
CDBG fund to General fund		3,420
General fund from CDBG	3,420	
Subtotal	\$ <u>22,608</u>	<u>22,608</u>

**SOUTH CENTRAL NEW MEXICO COUNCIL OF GOVERNMENTS
NOTES TO AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010**

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, 2010. Interfund receivables and payables for the year ended June 30, 2010 were as follows:

<u>Receivable from</u>	<u>Payable to</u>	<u>Receivable</u>	<u>Payable</u>	<u>Purpose</u>
	SC RTD fund	\$ 3,479		Money deposited into general fund that is owed to SC RTD
General fund			3,479	
WIA fund		39,236		Funds owed to general fund awaiting payment of receivables
JARC fund		10,455		Funds owed to general fund awaiting payment of receivables
SC RTD fund		4,871		Funds owed to general fund awaiting payment of receivables
CDBG fund		11,520		Funds owed to general fund awaiting payment of receivables
	General fund		66,082	
		<u>\$ 69,561</u>	<u>69,561</u>	

All are expected to be paid within one year.

10. 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)

11. 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>
Town of Mesilla	Nora Barraza	\$ 5,000
City of T or C	Steve Green	11,025
Socorro County	Rumaldo J. Griego	9,375
City of Sunland Park	Jaime Aguilera	12,000
City of Socorro	Gordy Hicks	10,000
Village of Magdalena	Carman Torres	2,000
		<u>\$ 49,400</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.

STATE OF NEW MEXICO
SOUTH CENTRAL NEW MEXICO COUNCIL OF GOVERNMENTS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2010

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	405,945
Fiscal Agent Contract and Administrative Entity Contract-DW	17.260	WIA/SWR-08-03-001	176,252
Fiscal Agent Contract and Administrative Entity Contract-Youth	17.259	WIA/SWR-08-03-001	48,356
			630,553
U.S. Department of Transportation passed through New Mexico State Highway and Transportation Department			
Job Access Reversal Commuter Program	20.516	M00538	94,000
Regional Transit District	20.205	M00501	16,556
Regional Planning Organization	20.205	M00501	59,132
			169,688
<u>U.S. Department of Housing & Urban Development</u>			
Community Development Block Grants			
passed through City of T or C	14.246	07-C-RS-I-1-G14	7,900
passed through City Sunland Park	14.246	07-C-RS-I-1-G26	6,875
passed through Socorro County	14.246	05-C-RS-I-6-G10	5,700
passed through City of Socorro	14.246	07-C-RS-I-3-G10	2,500
passed through DAMDWA	14.246	07-C-RS-I-3-G104	1,000
passed through LRGWA	14.246	08-C-NR-I-1-G109	2,500
passed through Village of Magdalena		07-C-RS-I-1-G40	1,000
			27,475
Direct Funds:			
U.S. Department of Commerce			
Economic Development Administration (EDA)	11.302		65,189
			65,189
Total federal awards expended			\$ 892,905

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 South Central Council of Governments did not receive any noncash assistance.
3. Payments to subrecipients-n/a None

STATE OF NEW MEXICO
SOUTH CENTRAL NEW MEXICO COUNCIL OF GOVERNMENTS
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES -AGENCY FUNDS
AS OF JUNE 30, 2010

WIA BOARD FUND

	<u>Balance</u> <u>June 30, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2010</u>
<u>Assets</u>				
Cash	436,074	4,586,138	4,837,819	184,393
Grants receivable	\$ 233,782	519,807	-	753,589
Total assets	\$ <u>669,856</u>	<u>5,105,945</u>	<u>4,837,819</u>	<u>937,982</u>
<u>Liabilities</u>				
Accounts payable	\$ 669,856	5,027,272	4,837,819	859,309
Deferred revenue	-	51,673	-	51,673
Due to others	-	27,000	-	27,000
Total liabilities	\$ <u>669,856</u>	<u>5,105,945</u>	<u>4,837,819</u>	<u>937,982</u>

SEE INDEPENDENT AUDITORS' REPORT
The accompanying notes are an integral part of these financial statements

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, 2010 and have issued our report thereon dated January 11, 2011 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, 2010, 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 opinion 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.

A *deficiency* in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify certain deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency in internal control over financial reporting: 10-02. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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 instances of noncompliance or other matters that are required to be reported under *Government Audit Standards* and which are described in the accompanying schedule of findings and questioned costs as items 10-01 and 10-03.

The SCCOG's response 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 response and, accordingly, we express no opinion on it.

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.

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

Hinkle & Landers, P.C.
January 11, 2011

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON 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 South Central New Mexico Council of Governments' (SCCOG) compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the SCCOG's major federal program for the year ended June 30, 2010. The SCCOG's major federal programs are 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 grants applicable to each of its major federal programs 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 compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

Management of the SCCOG is responsible for establishing and maintaining effective internal control over compliance with the 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 and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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.

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

Hinkle & Landers, P.C.
January 11, 2011

**STATE OF NEW MEXICO
SOUTH CENTRAL NEW MEXICO COUNCIL OF GOVERNMENTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010**

SECTION I – SUMMARY OF AUDITORS’ RESULTS

Financial Statements

Type of auditors' report issued Unqualified

Internal Control over financial reporting:

Material weaknesses identified? ___ Yes X 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? ___ Yes X No

Significant deficiencies identified that are not considered to be material weaknesses? X Yes ___ 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? ___ Yes X 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 YEAR ENDED JUNE 30, 2010**

SECTION II AND III- FINANCIAL STATEMENTS AND FEDERAL AWARD FINDINGS

		Status of Current and Prior Year Findings	Financial Statement Finding	Federal Awards Finding	State Auditor Finding	Significant Deficiency	Material Weakness
Prior year							
07-03	SAS 115 MATERIAL ADJUSTMENTS BY AUDITOR	Resolved	Yes	Yes	No	Yes	Yes
Current							
10-01	ACTUAL EXPENDITURES EXCEED BUDGET EXPENDITURES	Current	No	No	Yes	No	No
10-02	MONITORING OF GRANT REVENUE/ EXPENDITURE ALLOCATIONS	Current	Yes	No	No	Yes	No
10-03	LATE AUDIT REPORT	Current	No	No	Yes	No	No

10-01 – ACTUAL EXPENDITURES EXCEED BUDGET EXPENDITURES

Statement of Condition:

Actual expenditures exceeded budgeted expenditures in the following funds for the following amounts:

General Fund – Major Fund: General governmental expenditures (\$25,042).

WIA Fund – Special Revenue Fund: General governmental expenditures (\$25,092).

JARC – Special Revenue Fund: General governmental expenditures (\$67).

Criteria:

In accordance with the State Auditor Rule 2.2.2.10 “Appropriations to Agencies” The budgetary comparison presented in the financial statements must be at least at the same appropriation level as the approved budget to demonstrate compliance with legal requirements. If actual expenditures exceed budgeted expenditures at the legal level of budgetary compliance, that fact must be reported in a finding. If budgeted expenditures exceed budgeted revenues (after prior-year cash balance and any applicable federal receivables required to balance the budget), that fact must also be reported in a finding. If the agency budgets cash or fund balance that did not exist at the beginning of the fiscal year, a finding should be reported.

Effect:

Budgetary controls are circumvented and Department of Finance and Administration regulations are violated.

Cause:

There appears to be a lack of monitoring of the SCCOG’s funds for possible budget overruns.

Recommendation:

Management should review the financial statements periodically for possible overruns and request appropriate budgetary increases before expenditures exceed budget.

Management Response:

We have made changes to our internal control system to address this issue by completing not only monthly but also a year-end review.

**STATE OF NEW MEXICO
SOUTH CENTRAL NEW MEXICO COUNCIL OF GOVERNMENTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010**

10-02 – MONITORING OF GRANT REVENUE/EXPENDITURE ALLOCATIONS

Statement of Condition

Per our review of the grant fund revenue and expenditure activity, it was determined that an adequate review is not taking place to ensure the matching concept for grant revenues and expenditures being posted to the proper funds is taking place. The amounts not matching per are review are not considered significant to the financial statements and have been adjusted by the auditors.

Criteria

The grants handled by the SCCOG are reimbursable grants or other grants in which revenue is recognized when expenditures are incurred.

Effect

Expenditures for each specific grant are not being properly matched to its related grant funding source.

Cause

A review of the of the individual grant ledger matching grant revenues and expenditures is not taking place.

Recommendation

We recommend a review of the individual grant ledgers by funding source be reviewed on a monthly basis to ensure the individual grant expenditures match the individual grant revenues.

Management Response

We have made changes to our internal control system to address this issue by completing not only monthly but also a year-end review.

10-03– LATE AUDIT REPORT

Statement of Condition

The annual financial and compliance audit for the year ending June 30, 2010 was not conducted within the time limit imposed by the State of New Mexico guidelines or requirement for the State Auditor Rule for “Conducting of Audits”. The Office of the State Auditor received this audit report on January 17, 2011.

Criteria

The requirements set forth in the New Mexico State Auditors’ Rule 2 NMAC 2.2 require that the financial and compliance audit be conducted and completed within five and a half months of the SCCOG’s fiscal year end which was December 15, 2010. The report was not submitted until January 17, 2011.

Effect

The financial and compliance audit is a statute requirement. Failure to have a completed audit by the stipulated date may jeopardize the SCCOG’s eligibility for funding from the State Legislature and Federal agencies.

Cause

The SCCOG audit report is dependent on the audited financial statement data provided by the Southwestern Area Workforce Development Board (SAWDB). Since the SAWDB audit was not completed within its imposed time limit, the SCCOG audit report could not be released.

**STATE OF NEW MEXICO
SOUTH CENTRAL NEW MEXICO COUNCIL OF GOVERNMENTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010**

Recommendation

The auditor and auditee must coordinate the timing of the audit and ensure that deliverables requested by the auditor are ready to be audited in a timely manner in the future to meet the December 15th deadline.

Management Response

We have made changes to our internal control system to address this issue and do not expect to be late in future audits.

**STATE OF NEW MEXICO
SOUTH CENTRAL NEW MEXICO COUNCIL OF GOVERNMENTS
EXIT CONFERENCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

An exit conference was held in a closed session on January 11, 2011, and the contents of this report were discussed. Present at the exit conference were:

Mayor Nora Barraza	Board Chairperson
Roque Garcia	SAWDB Board Member
Katherine Gervasio	WIA Accountant
Steve Duran	WIA Administrator
Linda Lanham	Deputy Director
Jay Armijo	Executive Director

Representing Hinkle & Landers, P.C.:

Farley Vener, CPA, CFE	Independent auditor, Hinkle & Landers, P.C.
Maclen Enriquez	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.