



# HINKLE + LANDERS

Certified Public Accountants + Business Consultants

STATE OF NEW MEXICO  
SOUTH CENTRAL NEW MEXICO  
COUNCIL OF GOVERNMENTS  
Financial Statements  
For The Year Ended June 30, 2011

**SOUTH CENTRAL NEW MEXICO COUNCIL OF GOVERNMENTS  
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For The Year Ended June 30, 2011**

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**SOUTH CENTRAL NEW MEXICO COUNCIL OF GOVERNMENTS  
OFFICIAL ROSTER  
As of June 30, 2011**

<b>Directors</b>	<b>Position</b>	<b>Government Represented</b>
Nora Barraza	Chairwoman	Town of Mesilla
Eunice Kent	Vice-Chair	City of Elephant Butte
Judd Nordyke	Treasurer	Village of Hatch
Karen G. Perez	Member	Dona Ana County
Leticia Duarte-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
Alvin J. Campbell	Member	Sierra County
Carmen Torres	Member	Village of Magdalena
Don Childers	Member	Village of Williamsburg
Tiffany Romero-Vega	Member	Lower Rio Grande MDWCA
John Mulcahy	Member	Sierra County Econ. Dev. Org.
Richard Anderson	Member	San Antonio MDWCA
Richard Griego	Member	Polvadera MDWCA
Mariano G. Martinez	Member	Doña Ana MDWCA
Merry Jo Fahl	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
Scott A. Krahling	Alternate	Dona Ana County
Sharon Thomas	Alternate	City of Las Cruces
Andrew Morales	Alternate	City of Sunland Park
Gordon Hicks	Alternate	City of Socorro
Freddy Torres	Alternate	City of Truth or Consequences
Danny Monette	Alternate	Socorro County
Bobby J. Allen	Alternate	Sierra County
Diane Allen	Alternate	Village of Magdalena
Debbie Stubblefield	Alternate	Village of Williamsburg
Robert Marty Nieto	Alternate	Lower Rio Grande MDWCA
E.F. Wade	Alternate	San Antonio MDWCA
Jose "Lencho" Vega	Alternate	Polvadera MDWCA
James Robles	Alternate	Doña Ana MDWCA
Nyleen Troyel-Stowe	Alternate	Jornada RC&D
Jay Armijo	Executive Director/Secretary	South Central Council of Governments, Inc.



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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, 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, 2011, 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, 2011, 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, 2011 and the respective changes in financial position and the respective budgetary comparisons for the general, WIA, and JARC 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, 2011, presented as other supplementary information for the year then ended in conformity with accounting principles generally accepted in the Unites States of America.

As described in Note 1 to the financial statements, the SCCOG implemented Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 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, 2011, 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.



Hinkle + Landers, PC  
December 7, 2011

**STATE OF NEW MEXICO  
SOUTH CENTRAL NEW MEXICO COUNCIL OF GOVERNMENTS  
(GOVERNMENT-WIDE)  
STATEMENT OF NET ASSETS  
As of June 30, 2011**

	<u>Governmental Activities</u>
<b>ASSETS</b>	
<b>Current</b>	
Cash and cash equivalents	\$ 19,911
Grants receivable	97,593
Accounts receivable	<u>13,693</u>
Total current assets	<u>131,197</u>
Noncurrent assets	
Capital assets, net	<u>-</u>
Total assets	\$ <u><u>131,197</u></u>
<b>LIABILITIES</b>	
<b>Current liabilities</b>	
Accounts payable	\$ -
Accrued payroll liabilities	862
Compensated absences expected to be paid within one year	<u>22,435</u>
Total current liabilities	<u>23,297</u>
<b>Noncurrent liabilities</b>	
Compensated absences expected to be paid after one year	<u>1,787</u>
Total liabilities	<u>25,084</u>
<b>NET ASSETS</b>	
Invested in capital assets	-
Unrestricted net assets	<u>106,113</u>
Total net assets	<u>106,113</u>
Total liabilities and net assets	\$ <u><u>131,197</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  
(GOVERNMENT-WIDE)  
STATEMENT OF ACTIVITIES  
For The Year Ended June 30, 2011**

<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	\$ 921,336	978,060	56,724
General revenues:			
Miscellaneous revenues			485
Total general revenues and transfers			<u>485</u>
Changes in net assets			57,209
Net assets, beginning of year			<u>48,904</u>
Net assets, end of year			<u>\$ 106,113</u>

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**STATE OF NEW MEXICO**  
**SOUTH CENTRAL NEW MEXICO COUNCIL OF GOVERNMENTS**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**As of June 30, 2011**

	<b>Major Funds</b>			
	<b>General</b>	<b>Special Revenue Funds</b>		<b>Total Governmental Funds</b>
		<b>WIA 099, 100, 101 118,119,120 Funds</b>	<b>JARC 112 Fund</b>	
<b>ASSETS:</b>				
Cash and cash equivalents	\$ 19,911	-	-	19,911
Accounts receivable	13,693	-	-	13,693
Grants receivable	7,716	88,243	1,634	97,593
Interfund receivables	89,316	-	-	89,316
Total assets	\$ 130,636	88,243	1,634	220,513
<b>LIABILITIES:</b>				
Accounts payable	\$ -	-	-	-
Accrued payroll liabilities	301	561	-	862
Interfund payables	-	87,682	1,634	89,316
Total liabilities	301	88,243	1,634	90,178
<b>FUND BALANCE:</b>				
Unassigned	130,335	-	-	130,335
Total fund balance	130,335	-	-	130,335
Total liabilities and fund balance	\$ 130,636	88,243	1,634	220,513

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

Accrued compensated absences	(24,222)
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	106,113

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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, 2011**

	Major Funds			<b>Total Governmental Funds</b>
	<b>Special Revenue Funds</b>			
	<b>General Fund</b>	<b>WIA Funds</b>	<b>JARC Fund</b>	
<b>Revenues:</b>				
Federal	\$ 177,226	547,889	108,338	833,453
State	103,777	-	-	103,777
Local	40,830	-	-	40,830
Miscellaneous income	485	-	-	485
Total revenues	322,318	547,889	108,338	978,545
<b>Expenditures:</b>				
Current:				
General government	282,390	542,219	62,024	886,633
Capital outlay	-	-	44,637	44,637
Total expenditures	282,390	542,219	106,661	931,270
Excess (deficiency) of revenues over expenditures	39,928	5,670	1,677	47,275
Other financing sources (uses)				
Operating transfers in	7,347	-	-	7,347
Operating transfers out	-	(5,670)	(1,677)	(7,347)
Total other financing sources (uses)	7,347	(5,670)	(1,677)	-
Net change in fund balances	47,275	-	-	47,275
Fund balance, beginning of year	83,060	-	-	83,060
Fund balance, end of year	\$ 130,335	-	-	130,335

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

Net change in fund balances - total governmental funds 47,275

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	-
Net effect of changes in accrued compensated absences	9,934
	9,934
Change in net assets of governmental activities	57,209

SEE INDEPENDENT AUDITORS' REPORT  
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**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, 2011**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Revenues:</b>				
Grants and contracts	\$ 310,555	335,961	281,003	(54,958)
Membership dues	41,830	40,830	40,830	-
Other	-	-	485	485
Total revenues	<u>352,385</u>	<u>376,791</u>	<u>322,318</u>	<u>(54,473)</u>
<b>Expenditures:</b>				
General governmental	<u>352,385</u>	<u>376,791</u>	<u>282,390</u>	<u>94,401</u>
Total expenditures	352,385	376,791	282,390	94,401
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>39,928</u>	<u>39,928</u>
Other financing sources (uses)				
Operating transfers in	-	-	7,347	7,347
Operating transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>7,347</u>	<u>7,347</u>
Change in fund balance	<u>\$ -</u>	<u>-</u>	<u>47,275</u>	<u>47,275</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  
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, 2011**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Revenues:</b>				
Grants and contracts	\$ 604,528	613,258	547,889	(65,369)
Total revenues	<u>604,528</u>	<u>613,258</u>	<u>547,889</u>	<u>(65,369)</u>
<b>Expenditures:</b>				
General governmental	<u>604,528</u>	<u>613,258</u>	<u>542,219</u>	<u>71,039</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>5,670</u>	<u>5,670</u>
Other financing sources (uses)				
Operating transfers in	-	-	-	-
Operating transfers out	<u>-</u>	<u>-</u>	<u>(5,670)</u>	<u>(5,670)</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(5,670)</u>	<u>(5,670)</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**  
**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, 2011**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Revenues:</b>				
Grants and contracts	\$ 125,000	108,818	108,338	(480)
Miscellaneous	-	-	-	-
Total revenues	<u>125,000</u>	<u>108,818</u>	<u>108,338</u>	<u>(480)</u>
<b>Expenditures:</b>				
General governmental	<u>125,000</u>	<u>108,818</u>	<u>106,661</u>	<u>2,157</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>1,677</u>	<u>1,677</u>
Other financing sources (uses)				
Operating transfers in	-	-	-	-
Operating transfers out	-	-	(1,677)	(1,677)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(1,677)</u>	<u>(1,677)</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, 2011**

	<u>WIA Board Fund</u>
<b>ASSETS:</b>	
Cash	\$ 609
Grants receivable	485,568
Total assets	\$ <u><u>486,177</u></u>
 <b>LIABILITIES:</b>	
Accounts payable	\$ 377,638
Deferred revenue	100,834
Payroll liabilities	7,705
Total liabilities	\$ <u><u>486,177</u></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 FINANCIAL STATEMENTS**  
**For The Year Ended June 30, 2011**

**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, 2011.

**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.

**SOUTH CENTRAL NEW MEXICO COUNCIL OF GOVERNMENTS**  
**NOTES TO FINANCIAL STATEMENTS**  
**For The Year Ended June 30, 2011**

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, 2011, 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

**SOUTH CENTRAL NEW MEXICO COUNCIL OF GOVERNMENTS**  
**NOTES TO FINANCIAL STATEMENTS**  
**For The Year Ended June 30, 2011**

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, 2011:

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.

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.

**7. GASB Statement #54**

In February 2009, the GASB issued Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The fund balance amounts for governmental funds have been reclassified in accordance with GASB Statement 54.

As a result, in the governmental fund financial statements, fund balances previously reported as reserved and unreserved are now reported as non-spendable, restricted, or unrestricted (committed, assigned or unassigned).

**8. Spending Policy**

When an expenditure/expense is incurred for purposes for which both restricted and unrestricted resources are available, it is the SCCOG's policy to use restricted resources first.



**SOUTH CENTRAL NEW MEXICO COUNCIL OF GOVERNMENTS  
NOTES TO FINANCIAL STATEMENTS  
For The Year Ended June 30, 2011**

When expenditures/expenses are incurred for purposes, for which unrestricted (committed, assigned and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the SCCOG’s policy to spend committed resources first.

**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 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.

**SOUTH CENTRAL NEW MEXICO COUNCIL OF GOVERNMENTS**  
**NOTES TO FINANCIAL STATEMENTS**  
**For The Year Ended June 30, 2011**

**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 5 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, 2011.

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.

**K. Fund Balance**

The SCCOG’s fund balance is classified under the following GASB Statement 54 components:

**SOUTH CENTRAL NEW MEXICO COUNCIL OF GOVERNMENTS**  
**NOTES TO FINANCIAL STATEMENTS**  
**For The Year Ended June 30, 2011**

- **Non-spendable:** Non-spendable fund balance classification includes amounts that cannot be spent because they are either (1) not in spendable form or (2) legally or contractually required to be maintained intact. The SCCOG does not have any non-spendable fund balance for the year ended June 30, 2011.
- **Restricted:** Restricted fund balance represents amounts constrained to specific purposes that are externally imposed or imposed by law through constitutional provisions or enabling legislation (such as taxpayers, grantors, bondholders, and higher levels of government) The SCCOG does not have any restricted fund balance for the year ended June 30, 2011.
- **Committed:** Committed fund balance is constrained to specific purposes by the highest level of decision-making authority (the New Mexico Legislature and Governor). The purpose of this balance in the Investigation and Trial Cost Reimbursement Fund is to assist the SCCOG in funding its investigation and prosecution program, particularly during, but not limited to, declining budget years or anticipated shortfalls. The SCCOG does not have any committed fund balance for the year ended June 30, 2011.
- **Assigned:** Assigned fund balance is constrained by the Legislature and Executive branch's intent to be used by the government for specific purposes or in some cases by legislation. Intent can be expressed by the governing body or an official or body to which the governing body delegates authority. The SCCOG does not have any assigned fund balance for the year ended June 30, 2011.
- **Unassigned:** Unassigned fund balance is the residual classification for the general fund. The SCCOG does not currently have a minimum fund balance policy. The unassigned amount in the general fund represents membership dues in excess of expenses.

**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 to have an aggregate value equal to one half of the amount of public money in each account. Securities, which are obligations of the United States, State of New Mexico, its agencies, institutions, counties, municipalities or other subdivisions are accepted as security at market value. No security is required for the deposit of public money that is insured by the Federal Deposit Insurance Corporation, or the National Credit Union Administration. 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. 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, 2011:



**SOUTH CENTRAL NEW MEXICO COUNCIL OF GOVERNMENTS  
NOTES TO FINANCIAL STATEMENTS  
For The Year Ended June 30, 2011**

**4. CAPITAL ASSETS AND DEPRECIATION**

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

	<u>2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>2011</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	(43,170)	-	-	(43,170)
Total accumulated depreciation	(49,948)	-	-	(49,948)
Net capital assets - general fund	-	-	-	-
<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	(92,881)	-	-	(92,881)
Automobiles	(15,000)	-	-	(15,000)
Total accumulated depreciation	(107,881)	-	-	(107,881)
Net capital assets - WIA fund	\$ -	-	-	-
Total net capital assets	\$ -	-	-	-

Note: There were no additions or 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.

Current year depreciation expense was \$0 and there was no debt related to any capital assets for the fiscal year ended June 30, 2011.

**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 \$22,435. This amount is an estimate based on the current compensated absences payable paid in the fiscal year 2011 and new compensated policies enacted in fiscal year 2011. Typically the WIA and general fund are used to liquidate leave.

**SOUTH CENTRAL NEW MEXICO COUNCIL OF GOVERNMENTS  
NOTES TO FINANCIAL STATEMENTS  
For The Year Ended June 30, 2011**

Annual leave activity was as follows for the year ended June 30, 2011:

		<u>2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>2011</u>
Annual Leave	\$	<u>34,156</u>	<u>27,385</u>	<u>(37,319)</u>	<u>24,222</u>

**5. INTERFUND TRANSACTIONS AND BALANCES**

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

<u>Major Funds:</u>	<u>In</u>	<u>Out</u>
WIA fund to General fund	-	(5,670)
General fund from WIA fund	5,670	-
JARC fund to General fund	-	(1,677)
General fund from JARC	<u>1,677</u>	<u>-</u>
Subtotal	<u>\$ 7,347</u>	<u>(7,347)</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. Balance transfers are considered routine for the fiscal year ended June 30, 2011.

Interfund receivables and payables for the year ended June 30, 2011 were as follows:

<u>Receivable from</u>	<u>Payable to</u>	<u>Receivable</u>	<u>Payable</u>	<u>Purpose</u>
	General fund	\$ 89,316	-	
WIA fund		-	87,682	Funds owed to general fund awaiting payment of receivables
Jarc Fund		-	<u>1,634</u>	Funds owed to general fund awaiting payment of receivables
		<u>\$ 89,316</u>	<u>89,316</u>	

Payable is expected to be paid within one year.

**6. 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.

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

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

Plan members are required to contribute 7% of their gross salary. The SCCOG contributes 7% for each member. The contribution requirements of plan members and the SCCOG are established under Chapter 10, Article 11 NMSA 1978. The requirements may be amended by acts of the legislature. The SCCOG contributions to PERA for the years ending June 30, 2011, 2010, and 2009 was \$ 31,850, \$46,101, and \$45,299, respectively, equal to the amount of the required contributions per year.

**SOUTH CENTRAL NEW MEXICO COUNCIL OF GOVERNMENTS  
NOTES TO FINANCIAL STATEMENTS  
For The Year Ended June 30, 2011**

**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, 2011, the SCCOG did not have any probable risk of loss.

**9. 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)

**10. 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
DAMDWCA	Mariano G. Martinez	3,000
City of T or C	Steve Green	7,350
Socorro County	Rumaldo J. Griego	6,250
City of Sunland Park	Martin Resendiz	6,875
City of Socorro	Ravi Bhasker	7,500
Lower Rio Grande	Tiffany Romero-Vega	2,500
Village of Magdalena	Carman Torres	<u>5,875</u>
		<u>\$ 44,350</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, 2011**

<b>Federal Grantor/Program Title</b>	<b>Federal CFDA Number</b>	<b>Pass- through Identifying Number</b>	<b>Grant Award Expended</b>
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	207,960
Fiscal Agent Contract and Administrative Entity Contract-DW	17.260	WIA/SWR-08-03-001	218,759
Fiscal Agent Contract and Administrative Entity Contract-Youth	17.259	WIA/SWR-08-03-001	113,294
Fiscal Agent Contract and Administrative Entity Contract-SESP	17.275	WIA/SWR-08-03-001	<u>7,876</u>
			547,889
U.S. Department of Transportation			
passed through New Mexico State Highway and Transportation Department			
Job Access Reversal Commuter Program	20.516	M00538	108,338
Regional Planning Organization	20.205	M00501	<u>65,160</u>
			173,498
Direct Funds:			
U.S. Department of Commerce			
Economic Development Administration (EDA)	11.302		<u>60,000</u>
			<u>60,000</u>
Total federal awards expended			\$ <u><u>781,387</u></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 South Central Council of Governments did not receive any noncash assistance.
3. Payments to subrecipients-n/a None
4. We became aware through the National Single Audit Coordinator that CFDA number 17.260 will be retired. Research was done to determine if changes to auditing procedures were required; however, additional procedures were deemed unnecessary. The audit was completed under the guidance of the March 2011 Compliance Supplement provided by the Office of Management and Budget.
5. The following is a reconciliation between the statement of revenues, expenditures and changes in fund balances and the schedule of expenditures of federal awards.

<u>Per Financial Statements</u>	
WIA Fund	\$ 542,219
JARC Fund	106,661
General Fund	<u>132,507</u>
Total	\$ <u><u>781,387</u></u>
Per SEFA	\$ <u><u>781,387</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**  
**SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES -AGENCY FUNDS**  
**As of June 30, 2011**

**WIA BOARD FUND**

	<u>Balance</u> <u>June 30, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2011</u>
<u>Assets</u>				
Cash	\$ 184,393	2,753,102	2,936,886	609
Grants receivable	<u>753,589</u>	<u>-</u>	<u>268,021</u>	<u>485,568</u>
Total assets	<u>\$ 937,982</u>	<u>2,753,102</u>	<u>3,204,907</u>	<u>486,177</u>
<u>Liabilities</u>				
Accounts payable	\$ 859,309	2,455,215	2,936,886	377,638
Deferred revenue	51,673	290,182	241,021	100,834
Due to others	27,000	-	27,000	-
Payroll liabilities	<u>-</u>	<u>7,705</u>	<u>-</u>	<u>7,705</u>
Total liabilities	<u>\$ 937,982</u>	<u>2,753,102</u>	<u>3,204,907</u>	<u>486,177</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, 2011 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, 2011, 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.

December 7, 2011

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

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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 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 an instance of noncompliance or other matters that is required to be reported under *Government Audit Standards* and which is described in the accompanying schedule of findings and questioned costs as item 11-01.

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

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



Hinkle + Landers, P.C.  
December 7, 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, 2011. 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, 2011.

**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

December 7, 2011

**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, continued**

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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.

*Hinkle & Landers, P.C.*

Hinkle + Landers, P.C.  
December 7, 2011

**STATE OF NEW MEXICO  
SOUTH CENTRAL NEW MEXICO COUNCIL OF GOVERNMENTS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For The Year Ended June 30, 2011**

**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?   X   Yes      No

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

Federal Awards

Internal Control

Material weaknesses identified?      Yes   X   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?      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, 2011**

**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
<b>Prior year</b>							
10-01	ACTUAL EXPENDITURES EXCEED BUDGET EXPENDITURES	<b>Resolved</b>	No	No	Yes	No	No
10-02	MONITORING OF GRANT REVENUE/ EXPENDITURE ALLOCATIONS	<b>Repeated</b>	Yes	No	No	Yes	No
10-03	LATE AUDIT REPORT	<b>Resolved</b>	No	No	Yes	No	No
<b>Current year</b>							
11-01	CASH RECEIPTS NOT DEPOSITED TIMELY	<b>Current</b>	No	No	Yes	No	No

**PRIOR YEAR**

**10-02 – MONITORING OF GRANT REVENUE/EXPENDITURE ALLOCATIONS – REPEATED – SIGNIFICANT DEFICIENCY**

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:

Management team will overview financials monthly to make sure expenditures do not exceed the program budget allocations. Management team consists of Executive Director, Deputy Director, WIA Administrator, Deputy Administrator and Fiscal Agent.

**STATE OF NEW MEXICO**  
**SOUTH CENTRAL NEW MEXICO COUNCIL OF GOVERNMENTS**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For The Year Ended June 30, 2011**

**CURRENT YEAR**

**11-01 – CASH RECEIPTS NOT DEPOSITED TIMELY – STATE AUDITOR FINDING**

Statement of Condition:

We noted that out of 12 cash receipts selected for testing, 5 were not deposited timely, however; it should be noted that the vast majority of receipts are electronically received.

Criteria:

New Mexico Statutes Annotated, 1978, Section 6-10-3 requires that deposits be made the next business day after receipt.

Effect:

The SCCOG is not in compliance with state law and there is an increased risk for potential for revenue losses due to theft and/or lost/misplaced deposits.

Cause:

The SCCOG has appropriately segregated receiving, recording and depositing duties. Due to lack of staffing, it is the WIA Program Analyst's (Analyst) responsibility to deposit receipts. Because of the nature of her work, the Analyst is often out of the office. When this occurs, the Deputy keeps the deposits locked until the Analyst is able to make the deposit.

Recommendation:

We recommend that management assign an alternative employee outside the recording process to deposit receipts in case the Analyst is out of the office.

Management Response:

Management will train two other employees to do deposits when the Executive Director and Depositor are not available.



**STATE OF NEW MEXICO**  
**SOUTH CENTRAL NEW MEXICO COUNCIL OF GOVERNMENTS**  
**EXIT CONFERENCE**  
**For The Fiscal Year Ended June 30, 2011**

An exit conference was held in a closed session on December 7, 2011, and the contents of this report were discussed. Present at the exit conference were:

Mayor Nora Barraza	Board Chairperson
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.