



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, 2012**

SOUTH CENTRAL NEW MEXICO COUNCIL OF GOVERNMENTS

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For The Year Ended June 30, 2012

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**SOUTH CENTRAL NEW MEXICO COUNCIL OF GOVERNMENTS
OFFICAL ROSTER
As of June 30, 2012**

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 Duarte-Benavidez	Member	Dona Ana County
Ken Miyagishima	Member	City of Las Cruces
Isabel Santos	Member	City of Sunland Park
Alvin Campbell	Member	Sierra County
Steve Green	Member	City of Truth or Consequences
Rumaldo J. Griego	Member	Socorro County
Arnulfo Castañeda	Member	City of Anthony
Tommy Torres	Member	Village of Magdalena
Carol Schulling	Member	Village of Williamsburg
Kathi Jackson	Member	Lower Rio Grande PWWA
John Mulcahy	Member	Sierra County Econ. Dev. Org.
Richard Anderson	Member	San Antonio MDWCA
Jose Terrones	Member	Anthony Water & Sanitation Dist.
Mariano G. Martinez	Member	Doña Ana MDWCA
Merry Jo Fahl	Member	Jornada RC&D
Andy Nuñez	Member	NM State Representative
Billy Garrett	Alternate	Dona Ana County
Sharon Thomas	Alternate	City of Las Cruces
Gordon Hicks	Alternate	City of Socorro
Jose "Lencho" Vega	Alternate	Polvadera MDWCA
Jay Armijo	Executive Director/Secretary	SCCOG



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, 2012, 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, 2012, 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 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, 2012 and the respective changes in financial position and the respective budgetary comparisons for the general, WIA, and SESP 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, 2012, 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 December 12, 2012 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.

The SCCOG has omitted the Management and Discussion and Analysis that the *Governmental Accounting Standards Board* requires to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by *Governmental Accounting Standards Board* who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Our audit was conducted for the purpose of forming opinions on the basic financial statements, individual fund financial statements, schedule of changes in assets and liabilities-fiduciary funds, and the budgetary comparisons. 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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.



Hinkle + Landers, PC
December 12, 2012

STATE OF NEW MEXICO
SOUTH CENTRAL NEW MEXICO COUNCIL OF GOVERNMENTS
(GOVERNMENT-WIDE)
STATEMENT OF NET ASSETS
As of June 30, 2012

	<u>Governmental Activities</u>
ASSETS	
Current	
Cash and cash equivalents	\$ 64,706
Grants receivable	121,205
Accounts receivable	<u>11,890</u>
Total current assets	<u>197,801</u>
Noncurrent assets	
Capital assets, net	<u>-</u>
Total assets	<u><u>\$ 197,801</u></u>
LIABILITIES	
Current liabilities	
Accounts payable	\$ 32,608
Accrued payroll liabilities	1,667
Deferred revenue	13,140
Compensated absences expected to be paid within one year	<u>24,354</u>
Total current liabilities	<u>71,769</u>
Noncurrent liabilities	
Compensated absences expected to be paid after one year	<u>2,706</u>
Total liabilities	<u>74,475</u>
NET ASSETS	
Invested in capital assets	-
Unrestricted net assets	<u>123,326</u>
Total net assets	<u>123,326</u>
Total liabilities and net assets	<u><u>\$ 197,801</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, 2012**

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	\$ 991,163	1,006,615	15,452
General revenues:			
Miscellaneous revenues			1,761
Total general revenues and transfers			<u>1,761</u>
Changes in net assets			17,213
Net assets, beginning of year			<u>106,113</u>
Net assets, end of year			<u>\$ <u>123,326</u></u>

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STATE OF NEW MEXICO
SOUTH CENTRAL NEW MEXICO COUNCIL OF GOVERNMENTS
BALANCE SHEET - GOVERNMENTAL FUNDS
As of June 30, 2012

	Major Funds			
	General	Special Revenue Funds		Total Governmental Funds
		WIA Fund 099, 100, 101 119,120	SESP Fund 118	
ASSETS:				
Cash and cash equivalents	\$ 64,706	-	-	64,706
Accounts receivable	11,890	-	-	11,890
Grants receivable	22,467	91,308	7,430	121,205
Interfund receivables	72,456	-	-	72,456
Total assets	\$ 171,519	91,308	7,430	270,257
LIABILITIES:				
Accounts payable	\$ 7,993	21,421	3,194	32,608
Accrued payroll liabilities	-	1,667	-	1,667
Deferred revenue	13,140	-	-	13,140
Interfund payables	-	68,220	4,236	72,456
Total liabilities	21,133	91,308	7,430	119,871
FUND BALANCE:				
Unassigned	150,386	-	-	150,386
Total fund balance	150,386	-	-	150,386
Total liabilities and fund balance	\$ 171,519	91,308	7,430	270,257

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

Accrued compensated absences	\$	(27,060)
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	\$	123,326

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, 2012

	Major Funds			Total Governmental Funds
	Special Revenue Funds			
	General Fund	WIA Fund	SESP Fund	
Revenues:				
Federal	\$ 186,575	577,925	84,532	849,032
State	106,206	-	-	106,206
Local	51,377	-	-	51,377
Miscellaneous income	1,761	-	-	1,761
Total revenues	345,919	577,925	84,532	1,008,376
Expenditures:				
Current:				
General government	325,868	577,925	84,532	988,325
Total expenditures	325,868	577,925	84,532	988,325
Excess (deficiency) of revenues over expenditures	20,051	-	-	20,051
Other financing sources (uses)				
Operating transfers in	-	-	-	-
Operating transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	20,051	-	-	20,051
Fund balance, beginning of year	130,335	-	-	130,335
Fund balance, end of year	\$ 150,386	-	-	150,386

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

Net change in fund balances - total governmental funds	20,051
Amounts reported to governmental activities in the statement of activities are difference 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	(2,838)
	(2,838)
Change in net assets of governmental activities	17,213

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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, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Grants and contracts	\$ 269,778	300,129	292,781	(7,348)
Membership dues	42,875	42,875	51,377	8,502
Other	<u>-</u>	<u>-</u>	<u>1,761</u>	<u>1,761</u>
Total revenues	<u>312,653</u>	<u>343,004</u>	<u>345,919</u>	<u>2,915</u>
Expenditures:				
General governmental	<u>312,653</u>	<u>343,004</u>	<u>325,868</u>	<u>17,136</u>
Total expenditures	312,653	343,004	325,868	17,136
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>20,051</u>	<u>20,051</u>
Other financing sources (uses)				
Operating transfers in	-	-	-	-
Operating transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in fund balance	\$ <u>-</u>	<u>-</u>	<u>20,051</u>	<u>20,051</u>

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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, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Grants and contracts	\$ 589,089	667,934	577,925	(90,009)
Total revenues	<u>589,089</u>	<u>667,934</u>	<u>577,925</u>	<u>(90,009)</u>
Expenditures:				
General governmental	<u>589,089</u>	<u>667,934</u>	<u>577,925</u>	<u>90,009</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other financing sources (uses)				
Operating transfers in	-	-	-	-
Operating transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in fund balance	\$ <u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

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

SESP 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, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Grants and contracts	\$ 130,911	130,911	84,532	(46,379)
Total revenues	<u>130,911</u>	<u>130,911</u>	<u>84,532</u>	<u>(46,379)</u>
Expenditures:				
General governmental	<u>130,911</u>	<u>130,911</u>	<u>84,532</u>	<u>46,379</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other financing sources (uses)				
Operating transfers in	-	-	-	-
Operating transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in fund balance	\$ <u><u>-</u></u>	<u><u>-</u></u>	<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, 2012

	<u>WIA Board Fund</u>
ASSETS:	
Cash	\$ 10,258
Grants receivable	555,919
Total assets	\$ 566,177
 LIABILITIES:	
Accounts payable	\$ 563,534
Deferred revenue	2,643
Total liabilities	\$ 566,177

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, 2012**

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, 2012.

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 FINANCIAL STATEMENTS
For The Year Ended June 30, 2012

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, 2012, 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.

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.

SOUTH CENTRAL NEW MEXICO COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2012

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, 2012:

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.

State Energy Sector Partnership - A key goal of the SESP grant is to establish a statewide, systematic approach to worker training in renewable energy/energy efficiency occupations that is responsive to business and worker needs.

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. 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-

**SOUTH CENTRAL NEW MEXICO COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2012**

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 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:

Type	Estimated Depreciable Life
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 6 for detail on interfund receivables and payables.

**SOUTH CENTRAL NEW MEXICO COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2012**

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, 2012.

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:

- **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, 2012.
- **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, 2012.
- **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, 2012.

**SOUTH CENTRAL NEW MEXICO COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2012**

- **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, 2012.
- **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, 2012:

Bank of the Southwest: Account Name	Type	Bank Balance	Outstanding Items	Book Balance
SCCOG Checking*	Checking	\$ 75,163	(12,485)	62,678
SCCOG Checking*	Checking	2,028	-	2,028
Total SCCOG accounts		<u>\$ 77,191</u>	<u>(12,485)</u>	<u>64,706</u>
Agency funds:				
SAWDB FA*	Checking	\$ 97,336	(87,078)	10,258
Total		<u>174,527</u>	<u>(99,563)</u>	<u>74,964</u>
Less: FDIC coverage		<u>(174,527)</u>		
Uninsured balance		-		
50% collateral requirement		-		
Total cash per books				<u>74,964</u>
General fund and special revenue funds				64,706
Agency funds				<u>10,258</u>
Total cash per books by funds				<u>\$ 74,964</u>

* denotes non-interest bearing accounts

From December 31, 2010 through December 31, 2012, at all FDIC-insured institutions, deposits held in noninterest-bearing transaction accounts will be fully insured regardless of the amount in the account.

SOUTH CENTRAL NEW MEXICO COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2012

As of June 30, 2012, the amount of the SCCOG's bank balance of \$175,527 (excludes amount covered by FDIC of \$175,527) 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 \$ -

3. GRANTS RECEIVABLE AND OTHER RECEIVABLES

Receivables at June 30, 2012 consist of the following:

	General	WIA Fund	SESP Fund	2012 Total
Receivables:				
Grants and contracts	\$ 22,467	91,308	7,430	121,205
Accounts receivable	11,890	-	-	11,890
	\$ 34,357	91,308	7,430	133,095

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

4. CAPITAL ASSETS AND DEPRECIATION

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

	2011	Additions	Deletions	2012
General Fund				
Furniture and equipment	\$ 6,778	-	-	6,778
Automobiles	43,170	-	(17,970)	25,200
Total general fund	49,948	-	(17,970)	31,978
Allowance for depreciation				
Furniture and equipment	(6,778)	-	-	(6,778)
Automobiles	(43,170)	-	17,970	(25,200)
Total accumulated depreciation	(49,948)	-	17,970	(31,978)
Net capital assets - general fund	-	-	-	-
 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	(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	\$ -	-	-	-

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, 2012.

**SOUTH CENTRAL NEW MEXICO COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2012**

5. LONG - TERM LIABILITIES - ACCUMULATED ANNUAL LEAVE

The only long-term liability the SCCOG has is accrued annual leave. 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 \$24,354. This amount is an estimate based on the current compensated absences payable paid in the fiscal year 2012 and new compensated policies enacted in fiscal year 2012. Typically the WIA and general fund are used to liquidate leave.

Annual leave activity was as follows for the year ended June 30, 2012:

	2011	Additions	Deletions	2012
Annual Leave	\$ 24,222	35,237	(32,399)	27,060

6. 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
WIA fund to General fund	-	-
General fund from WIA fund	-	-
SESP fund to General fund	-	-
General fund from SESP	-	-
SESP fund to WIA fund	-	-
WIA fund from SESP	-	-
Subtotal	\$ -	-

Transfers are usually used when receivables and liabilities that were originally in the general fund need to be allocated to the special revenue funds and agency funds. Balance transfers are considered routine.

Interfund receivables and payables for the year ended June 30, 2012 were as follows:

Receivable from	Payable to	Receivable	Payable	Purpose
	General fund	\$ 72,456	-	
WIA fund		-	68,220	Funds owed to general fund awaiting payment of receivables
SESP Fund		-	4,236	Funds owed to general fund awaiting payment of receivables
		\$ 72,456	72,456	

Payables are expected to be paid within one year.

7. 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.

**SOUTH CENTRAL NEW MEXICO COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2012**

8. PENSION PLAN - PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA) PLAN

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

Funding Policy- Plan members are required to contribute 7% of their gross salary. The SCCOG is required to contribute 7% of the gross covered salary. The contribution requirements of plan members and the SCCOG are established in State statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The SCCOG’S contributions to PERA for the fiscal years ending June 30, 2012, 2011 and 2010 were \$31,149, \$31,850, and \$46,101, respectively, which equal the amount of the required contributions for each fiscal year.

9. RISK MANAGEMENT

The SCCOG is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions and natural disasters for which the SCCOG carries commercial insurance. Settled claims have not exceeded this commercial coverage in the past year.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. As of June 30, 2012, the SCCOG did not have any probable risk of loss.

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 organizations associated with some of its board members as follows:

Organization	SCCOG Board Member	Service Revenue
Village of Hatch	Judd Nordyke	\$ 1,000
Socorro County	Rumaldo J. Griego	10,500
City of Sunland Park	Isabel Santos	13,750
Village of Magdalena	Tommy Torres	10,125
City of Socorro	Gordy Hicks	2,500
		\$ 44,350

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, 2012**

Federal Grantor/Program Title	Federal CFDA Number	Pass- through Identifying Number	Grant Award Expended
<i>Indirect:</i>			
U.S. Department of Labor passed through			
Southwestern Area Workforce Development Board			
Workforce Investment Act Cluster:			
Fiscal Agent Contract and Administrative Entity Contract-Admin	17.xxx	WIA/SWR-08-03-000	\$ 169,841
Fiscal Agent Contract and Administrative Entity Contract-Adult	17.258	WIA/SWR-08-03-001	166,477
Fiscal Agent Contract and Administrative Entity Contract-DW	17.278	WIA/SWR-08-03-001	115,923
Fiscal Agent Contract and Administrative Entity Contract-NEG	17.278	EM-20544-10-60-A35	1,629
Administrative Entity Contract- DACC Nursing Grant	17.278	CB-17348-08-60-A-35	1,397
Fiscal Agent Contract and Administrative Entity Contract-Youth	17.259	WIA/SWR-08-03-001	<u>124,286</u>
			579,553
American Recovery and Reinvestment Act			
Fiscal Agent Contract and Administrative Entity Contract-SESP	17.275	WIA/SWR-08-03-001	<u>84,532</u>
U.S. Department of Transportation passed through			
New Mexico State Highway and Transportation Department			
Regional Transit District	20.205	M00501	19,600
Regional Planning Organization	20.205	M00501	<u>64,822</u>
			84,422
U.S. Department of Housing & Urban Development passed through			
City of Sunland Park			
Community Development Block Grant	14.246	09-C-NR-1-07-G-26	13,750
Village of Hatch			
Community Development Block Grant	14.246	10-C-RS-I-06-G-117	1,000
City of Socorro			
Community Development Block Grant	14.246	11-C-NR-I-01-G-15	2,500
Village of Magdalena			
Community Development Block Grant	14.246	10-C-RS-I-01-G-14	10,125
Socorro County			
Community Development Block Grant	14.246	11-C-RS-I-01-G-42	10,500
Desert Aire MDW & SWA			
Community Development Block Grant	14.246	10-C-NR-I-06-G-104	<u>2,500</u>
			40,375
<i>Direct:</i>			
U.S. Department of Commerce			
Economic Development Administration (EDA)	11.302		<u>60,150</u>
Total federal awards expended			<u>\$ 849,032</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. 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	\$ 577,925
SESP Fund	84,532
General Fund	186,575
Total	<u>\$ 849,032</u>
<u>Per SEFA</u>	<u>\$ 849,032</u>

STATE OF NEW MEXICO
SOUTH CENTRAL NEW MEXICO COUNCIL OF GOVERNMENTS
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES -AGENCY FUNDS
As of June 30, 2012

WIA BOARD FUND

	<u>Balance</u> <u>June 30, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2012</u>
<u>Assets</u>				
Cash	\$ 609	2,917,310	2,907,661	10,258
Grants receivable	<u>485,568</u>	<u>178,890</u>	<u>108,539</u>	<u>555,919</u>
Total assets	<u>\$ 486,177</u>	<u>3,096,200</u>	<u>3,016,200</u>	<u>566,177</u>
<u>Liabilities</u>				
Accounts payable	\$ 377,638	3,093,557	2,907,661	563,534
Deferred revenue	100,834	2,643	100,834	2,643
Payroll liabilities	<u>7,705</u>	<u>-</u>	<u>7,705</u>	<u>-</u>
Total liabilities	<u>\$ 486,177</u>	<u>3,096,200</u>	<u>3,016,200</u>	<u>566,177</u>



**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, 2012, and have issued our report thereon dated December 12, 2012 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, 2012, as listed in the table of contents. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

Management of the SCCOG is responsible for establishing and maintaining effective 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 any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined previously. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying *Schedule of Findings and Responses* that we consider to be a significant deficiency in internal control over financial reporting: 12-01. 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 grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests did not disclose any instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The SCCOG's response to the finding identified in our audit is described in the accompanying *Schedule of findings and Responses*. 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 12, 2012



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 the South Central New Mexico Council of Governments 's (SCCOG) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the SCCOG's major federal program for the year ended June 30, 2012. The SCCOG's major federal program is identified in the summary of auditors' results section of the accompanying *Schedule of Findings and Questioned Costs*. Compliance with the requirements of laws, regulations, contracts and grant applicable to its major federal program is the responsibility of the SCCOG's management. Our responsibility is to express an opinion on the SCCOG's compliance based on our audit.

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

In our opinion the SCCOG complied, in all material respects, with the compliance requirements referred to above that that could have a direct and material effect on its major federal program for the year ended June 30, 2012.

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 the requirements that could have a direct and material effect on a major federal program to determine the 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 the SCCOG's 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.
December 12, 2012

**STATE OF NEW MEXICO
SOUTH CENTRAL NEW MEXICO COUNCIL OF GOVERNMENTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2012**

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? ___ Yes X 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, 17.278	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? X Yes ___ No

**STATE OF NEW MEXICO
SOUTH CENTRAL NEW MEXICO COUNCIL OF GOVERNMENTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2012**

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							
10-02	MONITORING OF GRANT REVENUE/ EXPENDITURE ALLOCATIONS	Resolved	Yes	No	No	Yes	No
11-01	CASH RECEIPTS NOT DEPOSITED TIMELY	Resolved	No	No	Yes	No	No
Current year							
12-01	BANK RECONCILIATION PROCESS	Current	Yes	No	No	Yes	No

PRIOR YEAR

None

CURRENT YEAR

12-01 BANK RECONCILIATION PROCESS–SIGNIFICANT DEFICIENCY

Statement of Condition

The original bank reconciliations performed June 2012 no longer tied to the general ledger by the start of fieldwork. It appeared that items were voided or corrected by changing the original transaction instead of by using general journal entries to offset the original transactions.

A detail of the discrepancy is shown in the following table:

<u>Account</u>	<u>Unadjusted General Ledger Balance</u>	<u>Bank Reconciliation Balance</u>	<u>Difference</u>
Bank of the Southwest	\$ 59,902	62,854	\$ (2,952)

Subsequent to year end, management of the SCCOG was able to identify the problem and provide the auditors with an adjusting journal entry.

Criteria

Section 6-6-3 NMSA, 1978 discusses the need for the SCCOG to keep all the books, records and accounts in their respective office in the form prescribed by the local government division and conform to the rules and regulations adopted by the local government division. Good accounting practices require that bank reconciliations be performed monthly to ensure that cash receipts and cash disbursements are recorded in a correct and timely manner and that differences or errors be followed up and corrected in a timely manner.

Effect

Discrepancies between bank reconciliations and general ledger cash balances can occur when transactions are voided after the year end.

Cause

Items were voided or corrected by changing the original transaction instead of by using general journal entries to offset the original transactions.

**STATE OF NEW MEXICO
SOUTH CENTRAL NEW MEXICO COUNCIL OF GOVERNMENTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2012**

Recommendation

Voids or other corrections should be made by using general journal entries to offset the erroneous transactions. Changing the original transaction directly can create variances with existing reconciliations.

Management Response

Management agrees with the finding and has taken corrective action. Checks that need to be voided will be voided timely with the use of general journal entries instead of changing the original transaction as has been done in the past.

STATE OF NEW MEXICO
SOUTH CENTRAL NEW MEXICO COUNCIL OF GOVERNMENTS
EXIT CONFERENCE
For The Fiscal Year Ended June 30, 2012

An exit conference was held in a closed session on December 12, 2012, and the contents of this report were discussed. Present at the exit conference were:

Mayor Nora Barraza	Board Chairperson
Katherine Gervasio	Fiscal Administrator
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.