



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, 2013

**SOUTH CENTRAL NEW MEXICO COUNCIL OF GOVERNMENTS
TABLE OF CONTENTS
For The Year Ended June 30, 2013**

Official Roster	1
Independent Auditors' Report	2-3
Financial Section	
Government-Wide Financial Statements:	
Statement of Net Position	4
Statement of Activities	5
Fund Financial Statements:	
Balance Sheet - Governmental Funds	6
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	7
General Fund - Major Fund	
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Modified Accrual Basis)	8
Special Revenue Fund - Major Fund - WIA Funds	
Statement of Revenue, Expenditures and Changes in Fund Balances - Budget and Actual (Modified Accrual Basis)	9
Statement of Fiduciary Assets and Liabilities - Agency Funds	10
Notes to Financials	11-20
Other Supplementary Information:	
Schedule of Expenditures of Federal Awards	21
Schedule of Changes in Assets and Liabilities - Agency Funds	22
Compliance	
Independent Auditors' Report on Internal Control over Financial Reporting and Compliance and other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	23-24
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by OMB Circular A-133	25-26
Schedule of Findings and Questioned Costs	27-28
Exit Conference	29

**SOUTH CENTRAL NEW MEXICO COUNCIL OF GOVERNMENTS
OFFICIAL ROSTER
As of June 30, 2013**

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
Mary Helen Garcia	Member	NM State Representative
Steve Green	Member	City of Truth or Consequences
Rumaldo J. Griego	Member	Socorro County
Arnulfo Castañeda	Member	City of Anthony
Frances Luna	Member	Sierra County
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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons for the general fund and major special revenue fund of the South Central New Mexico Council of Governments (SCCOG), as of and for the year ended June 30, 2013 and the related notes to the financial statements, which collectively comprise the SCCOG's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 the major funds of the SCCOG, as of June 30, 2013, and the respective changes in financial position and the respective budgetary comparisons For the general fund and major special revenue fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management 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 the 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the SCCOG's financial statements and the budgetary comparisons. The schedule of expenditures of federal awards as required by Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and the other schedules required by 2.2.2.NMAC 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* and other schedules required by 2.2.2 NMAC are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with the auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards and other schedules required by 2.2.2 NMAC are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2013 on our consideration of the SCCOG's internal control over financial reporting and on our tests of 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* in considering SCCOG's internal control over financial reporting and compliance.



Hinkle + Landers, PC
Albuquerque, NM
November 18, 2013

STATE OF NEW MEXICO
SOUTH CENTRAL NEW MEXICO COUNCIL OF GOVERNMENTS
(GOVERNMENT-WIDE)
STATEMENT OF NET POSITION
As of June 30, 2013

	<u>Governmental Activities</u>
ASSETS	
Current	
Cash and cash equivalents	\$ 95,722
Grants receivable	127,017
Accounts receivable	<u>77,659</u>
Total current assets	<u>300,398</u>
Noncurrent assets	
Capital assets, net	<u>-</u>
Total assets	<u><u>\$ 300,398</u></u>
LIABILITIES	
Current liabilities	
Accounts payable	\$ 24,764
Accrued payroll liabilities	3,693
Unearned revenue	16,441
Compensated absences expected to be paid within one year	<u>17,219</u>
Total current liabilities	<u>62,117</u>
Noncurrent liabilities	
Compensated absences expected to be paid after one year	<u>1,913</u>
Total liabilities	<u>64,030</u>
NET POSITION	
Investment in capital assets	-
Unrestricted net position	<u>236,368</u>
Total net assets	<u>236,368</u>
Total liabilities and net position	<u><u>\$ 300,398</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, 2013

Functions/Programs	Expenses	Program Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position for Governmental Activities
Governmental activities:			
Regional Community Development	\$ 945,975	1,051,125	105,150
 General revenues:			
Miscellaneous revenues			<u>7,892</u>
Total general revenues and transfers			<u>7,892</u>
 Changes in net position			113,042
 Net position, beginning of year			<u>123,326</u>
Net position, end of year			<u>\$ <u>236,368</u></u>

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

STATE OF NEW MEXICO
SOUTH CENTRAL NEW MEXICO COUNCIL OF GOVERNMENTS
BALANCE SHEET - GOVERNMENTAL FUNDS
As of June 30, 2013

	Major Funds		
	General	Special Revenue Funds	
		WIA Fund 099, 100, 101 119,120	Total Governmental Funds
ASSETS:			
Cash and cash equivalents	\$ 95,722	-	95,722
Accounts receivable	77,659	-	77,659
Grants receivable	40,146	86,871	127,017
Interfund receivables	64,597	-	64,597
Total assets	\$ 278,124	86,871	364,995
LIABILITIES:			
Accounts payable	\$ 5,191	19,573	24,764
Accrued payroll liabilities	992	2,701	3,693
Unearned revenue	16,441	-	16,441
Interfund payables	-	64,597	64,597
Total liabilities	22,624	86,871	109,495
DEFERRED INFLOWS OF RESOURCES	46,832	-	46,832
FUND BALANCE:			
Unassigned	208,668	-	208,668
Total fund balance	208,668	-	208,668
Total liabilities, deferred inflows of resources, and fund balance	\$ 278,124	86,871	364,995

Amounts reported for governmental activities in the statement of net position is different because:

Accrued compensated absences	\$	(19,132)
Delinquent membership dues not collected within sixty days after year end are not considered "available" revenues and are considered to be deferred revenue in the fund financial statements, but are considered revenue in the Statement of Activities		46,832
Statement of net position of governmental activities	\$	236,368

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

STATE OF NEW MEXICO
SOUTH CENTRAL NEW MEXICO COUNCIL OF GOVERNMENTS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
For The Year Ended June 30, 2013

	Major Funds		
	Special Revenue Funds		Total Governmental Funds
	General Fund	WIA Fund	
Revenues:			
Federal	\$ 285,503	510,211	795,714
State	96,202	-	96,202
Local	112,377	-	112,377
Miscellaneous income	7,892	-	7,892
Total revenues	501,974	510,211	1,012,185
Expenditures:			
Current:			
General government	443,692	510,211	953,903
Total expenditures	443,692	510,211	953,903
Excess (deficiency) of revenues over expenditures	58,282	-	58,282
Transfers			
Operating transfers in	-	-	-
Operating transfers out	-	-	-
Total operating transfers	-	-	-
Net change in fund balances	58,282	-	58,282
Fund balance, beginning of year	150,386	-	150,386
Fund balance, end of year	\$ 208,668	-	208,668
Amounts reported for governmental activities in the statement of activities are different because:			
Net change in fund balances - total governmental funds			\$ 58,282
Amounts reported to governmental activities in the statement of activities are difference because:			
Delinquent membership dues not collected within sixty days after year end are not considered "available" revenues and are considered to be deferred revenue in the fund financial statements, but are considered revenue in the Statement of Activities			
			46,832
Net effect of changes in accrued compensated absences			7,928
Change in net position of governmental activities			\$ 113,042

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

STATE OF NEW MEXICO
SOUTH CENTRAL NEW MEXICO COUNCIL OF GOVERNMENTS
GENERAL FUND - MAJOR FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (MODIFIED ACCRUAL BASIS)
For The Year Ended June 30, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Grants and contracts	\$ 437,602	555,602	381,705	(173,897)
Membership dues	44,094	44,594	112,377	67,783
Other	-	2,301	7,892	5,591
Total revenues	<u>481,696</u>	<u>602,497</u>	<u>501,974</u>	<u>(100,523)</u>
Expenditures:				
General governmental	<u>481,696</u>	<u>602,497</u>	<u>443,692</u>	<u>158,805</u>
Total expenditures	481,696	602,497	443,692	158,805
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>58,282</u>	<u>58,282</u>
 Change in fund balance	 <u>\$ -</u>	 <u>-</u>	 <u>58,282</u>	 <u>58,282</u>

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

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

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (MODIFIED ACCRUAL BASIS)
For The Year Ended June 30, 2013**

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Grants and contracts	\$ 561,891	561,891	510,211	(51,680)
Total revenues	561,891	561,891	510,211	(51,680)
Expenditures:				
General governmental	561,891	561,891	510,211	51,680
Excess (deficiency) of revenues over expenditures	-	-	-	-
Other financing sources (uses)				
Operating transfers in	-	-	-	-
Operating transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
 Change in fund balance	 \$ -	 -	 -	 -

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, 2013

	<u>WIA Board Fund</u>
Net Position:	
Cash	\$ 36,235
Grants receivable	<u>271,443</u>
Total net position	<u><u>\$ 307,678</u></u>
 LIABILITIES:	
Accounts payable	\$ 305,035
Unearned revenue	<u>2,643</u>
Total liabilities	<u><u>\$ 307,678</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, 2013

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, 2013.

B. Basis of Accounting

1. Government-Wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position 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 position should be reported as restricted when constraints placed on net position 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, 2013

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.

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. For the year ended June 30, 2013, 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, unearned until expenditures are made.

The SCCOG has implemented GASB Statement No. 33 on any non-exchange transaction. A non-exchange transaction occurs when a government either gives value to another party without directly receiving equal value in exchange or receives value from another party without directly giving equal value in exchange. The SCCOG has two types of non-exchange transactions: government-mandated non-exchange transaction revenues (federal programs that state or local governments are mandated to perform), and voluntary non-exchange transactions (grants, entitlements, and donations by non-governmental entities, including private donations). The SCCOG recognizes non-exchange transactions in the financial statements as income unless it is not measurable (reasonably estimate), if any.

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.

SOUTH CENTRAL NEW MEXICO COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2013

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, deferred inflow, liabilities, deferred outflow, 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 is a Special Revenue Funds; and is 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, 2013:

Workforce Investment Act Fund (WIA) – The SCCOG serves as the fiscal agent and also as the administrative entity for the South Central New Mexico Council of Governments (SCCOG). SCCOG 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.

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.

9. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then.

**SOUTH CENTRAL NEW MEXICO COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2013**

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 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

SOUTH CENTRAL NEW MEXICO COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2013

reported as “interfund receivables and payables.” Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position. Interfund receivables and payables are presented at net amounts for each fund. See note 6 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 Position and Fund Balance

Net position on the Statement of Net Position includes the following:

Investment in Capital Assets net of debt – the component of net position 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 position that reports the difference between assets, deferred outflows, deferred inflows, and liabilities of the SCCOG 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 position as of June 30, 2013.

Unrestricted – the difference between the assets, liabilities, and deferred inflows that are not reported in net position invested in capital assets, deferred outflows, or restricted net position.

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, 2013.
- **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, 2013.

**SOUTH CENTRAL NEW MEXICO COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2013**

- **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, 2013.
- **Committed:** Committed fund balance is constrained to specific purposes by the highest level of decision-making authority (the New Mexico Legislature and Governor). The SCCOG does not have any committed fund balance for the year ended June 30, 2013.
- **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, 2013:

Bank of the Southwest: Account Name	Type	Bank Balance	Outstanding Items	Book Balance
SCCOG Checking*	Checking	\$ 54,632	(2,199)	52,433
SCCOG Checking*	Checking	43,289	-	43,289
Total SCCOG accounts		\$ 97,921	(2,199)	95,722
Agency funds:				
SAWDB FA*	Checking	\$ 195,132	(158,897)	36,235
Total		293,053	(161,096)	131,957
Less: FDIC coverage		(250,000)		
Uninsured balance		43,053		
50% collateral requirement		21,527		

* denotes non-interest bearing accounts

Pledged Collateral held in bank's name

Federal Home Loan Bank - Letter of Credit maturing 6/7/13, market value to be used	25,000
Over (under) collateralized	\$ 3,473

SOUTH CENTRAL NEW MEXICO COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2013

Total cash per books by fund type

General fund and special revenue funds	95,722
Agency funds	<u>36,235</u>
Total cash per books by fund type	\$ <u><u>131,957</u></u>

As of June 30, 2013, the amount of the SCCOG's bank balance of \$293,053 (excludes amount covered by FDIC of \$250,000) that was exposed to custodial credit risk was as follows:

Uninsured and uncollateralized	\$18,053
Uninsured collateral held by pledging banks But not in the name of the SCCOG	\$25,000

3. GRANTS RECEIVABLE AND OTHER RECEIVABLES

Receivables at June 30, 2013 consist of the following:

	<u>General</u>	<u>WIA Fund</u>	<u>2013 Total</u>
Receivables:			
Grants and contracts	\$ 40,146	86,871	127,017
Accounts receivable	<u>77,659</u>	-	<u>77,659</u>
	\$ <u><u>117,805</u></u>	<u><u>86,871</u></u>	<u><u>204,676</u></u>

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:

	<u>2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>2013</u>
General Fund				
Furniture and equipment	\$ 6,778	-	-	6,778
Automobiles	<u>25,200</u>	-	-	<u>25,200</u>
Total general fund	31,978	-	-	31,978
Allowance for depreciation				
Furniture and equipment	(6,778)	-	-	(6,778)
Automobiles	<u>(25,200)</u>	-	-	<u>(25,200)</u>
Total accumulated depreciation	<u>(31,978)</u>	-	-	<u>(31,978)</u>
Net capital assets - general fund	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
WIA Fund				
Furniture and equipment	92,881	-	-	92,881
Automobiles	<u>15,000</u>	-	-	<u>15,000</u>
Total WIA fund	107,881	-	-	107,881
Allowance for depreciation				
Furniture and equipment	(92,881)	-	-	(92,881)
Automobiles	<u>(15,000)</u>	-	-	<u>(15,000)</u>
Total accumulated depreciation	<u>(107,881)</u>	-	-	<u>(107,881)</u>
Net capital assets - WIA fund	\$ <u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total net capital assets	\$ <u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

SOUTH CENTRAL NEW MEXICO COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2013

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.

There were no additions to capital assets and there was no debt related to any capital assets for the fiscal year ended June 30, 2013.

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 \$17,219. This amount is an estimate based on the current compensated absences payable paid in the fiscal year 2013 and new compensated policies enacted in fiscal year 2013. Typically the WIA and general fund are used to liquidate leave.

Annual leave activity was as follows for the year ended June 30, 2013:

		<u>2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>2013</u>
Annual Leave	\$	<u>27,060</u>	<u>17,736</u>	<u>(25,664)</u>	<u>19,132</u>

6. INTERFUND TRANSACTIONS AND BALANCES

Transfers from and to the general fund from the major special revenue and agency funds were none:

<u>Major Funds:</u>		<u>In</u>	<u>Out</u>
WIA fund to General fund	\$	-	-
General fund from WIA fund		-	-
Subtotal	\$	<u>-</u>	<u>-</u>

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, 2013 were as follows:

	<u>Receivable from</u>	<u>Payable to</u>	<u>Receivable</u>	<u>Payable</u>
WIA fund	General fund		\$ 64,597	-
General fund	WIA fund		-	64,597
			<u>\$ 64,597</u>	<u>64,597</u>

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, 2013**

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, and 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, 2013, 2012 and 2011 were \$34,306, \$31,149, and \$31,850 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, 2013, 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:

<u>Organization</u>	<u>SCCOG Board Member</u>	<u>Service Revenue</u>
Village of Hatch	Mayor Andy Nunez	\$ 4,900
Town of Mesilla	Mayor Nora Barraza	12,000
County of Socorro	Commissioner RJ Griego	2,725
Lower Rio Grande MDWCA	Kathi Jackson	2,500
City of Truth or Consequences	Commissioner Steve Green	7,000
City of Socorro	Councilor Gordy Hicks	<u>6,000</u>
		<u>\$ 35,125</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.

SOUTH CENTRAL NEW MEXICO COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2013

12. DEFERRED INFLOWS/OUTFLOWS OF RESOURCES

The balance in deferred inflows/outflows of resources at year end is composed of the following elements:

<u>Deferred Inflows of Resources</u>	
Membership receivables not available	\$ <u>46,832</u>

13 SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the balance sheet date but before the financial statements are issued. The SCCOG recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the balance sheet, including the estimates inherent in the process of preparing the financial statements. The SCCOG's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the balance sheet but arose after the balance sheet date and before financial statements are available to be issued. The SCCOG has evaluated subsequent events through November 18, 2013, which is the date the financial statements were available to be issued.

**STATE OF NEW MEXICO
SOUTH CENTRAL NEW MEXICO COUNCIL OF GOVERNMENTS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended June 30, 2013**

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	\$ 167,805
*Fiscal Agent Contract and Administrative Entity Contract-Adult	17.258	WIA/SWR-08-03-001	132,712
*Fiscal Agent Contract and Administrative Entity Contract-DW	17.278	WIA/SWR-08-03-001	96,316
*Fiscal Agent Contract and Administrative Entity Contract-Youth	17.259	WIA/SWR-08-03-001	<u>113,378</u>
			510,211
American Recovery and Reinvestment Act			
Fiscal Agent Contract and Administrative Entity Contract-SESP	17.275	WIA/SWR-08-03-001	<u>92,784</u>
U.S. Department of Transportation passed through			
New Mexico State Highway and Transportation Department			
Regional Transit District	20.205	M00501	52,285
Regional Planning Organization	20.205	M00501	<u>49,820</u>
			102,105
U.S. Department of Housing & Urban Development passed through			
various local governments			
Community Development Block Grants	14.246		<u>30,614</u>
<i>Direct:</i>			
U.S. Department of Commerce			
Economic Development Administration (EDA)	11.302		<u>60,000</u>
Total federal awards expended			<u>\$ 795,714</u>

* Denotes major program

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 sub recipients-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	\$ 510,211
General Fund	285,503
Total	<u>\$ 795,714</u>
Per Sefa	<u>\$ 795,714</u>

STATE OF NEW MEXICO
SOUTH CENTRAL NEW MEXICO COUNCIL OF GOVERNMENTS
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES -AGENCY FUNDS
For The Year Ended June 30, 2013

WIA BOARD FUND

	<u>Balance</u> <u>June 30, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2013</u>
<u>Assets</u>				
Cash	\$ 10,258	2,636,352	(2,610,375)	36,235
Grants receivable	<u>555,919</u>	<u>271,443</u>	<u>(555,919)</u>	<u>271,443</u>
Total assets	<u>\$ 566,177</u>	<u>2,907,795</u>	<u>(3,166,294)</u>	<u>307,678</u>
<u>Liabilities</u>				
Accounts payable	\$ 563,534	2,638,977	(2,897,476)	305,035
Unearned revenue	<u>2,643</u>	<u>268,818</u>	<u>(268,818)</u>	<u>2,643</u>
Total liabilities	<u>\$ 566,177</u>	<u>2,907,795</u>	<u>(3,166,294)</u>	<u>307,678</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, in accordance with the 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, the financial statements of the governmental activities, each major fund, the aggregate remaining fund information, the budgetary comparisons for the general fund and major special revenue fund of the South Central New Mexico Council of Governments (SCCOG) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the SCCOG's basic financial statements, and the related budgetary comparison of SCCOG, presented as supplemental information, and have issued our report thereon dated November 18, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered SCCOG's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of SCCOG's internal control. Accordingly, we do not express an opinion on the effectiveness of SCCOG's internal control.

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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency: 13-01.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the SCCOG's financial statements are free from 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 disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 13-01.

The SCCOG's Response to the Finding

The SCCOG's response to the finding identified in our audit is described in the accompanying *schedule of findings and responses*. The SCCOG's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Hinkle + Landers, P.C.
Albuquerque, NM
November 18, 2013



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

Report on Compliance for Each Major Federal Program

We have audited the South Central New Mexico Council of Government'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 each of the SCCOG's major federal programs for the year ended June 30, 2013. The SCCOG's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the SCCOG's major federal programs based on our audit of the types of compliance requirements referred to above. 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, Audits 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 noncompliance 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the SCCOG's compliance.

Opinion on Each Major Federal Program

In our opinion, the SCCOG, complied, in all material respects, with the types of 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, 2013.

Report on Internal Control Over Compliance

Management of the SCCOG is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the SCCOG's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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. A *significant deficiency* in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Hinkle + Landers, P.C.
Albuquerque, NM
November 18, 2013

**STATE OF NEW MEXICO
SOUTH CENTRAL NEW MEXICO COUNCIL OF GOVERNMENTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2013**

SECTION I – SUMMARY OF AUDITORS’ RESULTS

Financial Statements

Type of auditors' report issued Unmodified

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 Unmodified

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, 2013**

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							
12-01	BANK RECONCILIATION PROCESS	Resolved	Yes	No	No	Yes	No
Current year							
13-01	MISCLASSIFICATION OF FEDERAL FUNDS	Current	Yes	No	No	Yes	No

CURRENT YEAR

13-01 - MISCLASSIFICATION OF FEDERAL FUNDS

Statement of Condition:

During our identification of federal expenditures, we discovered that several sources of membership and other types of revenues were misclassified as federal funds in the amount of \$121,605.

Criteria:

Revenues should be classified in the general ledger by source.

Effect:

Federal grant revenue was overstated in the general ledger by \$121,605.

Cause:

The SCCOG had not previously received this source of income and was unsure as to its classification.

Recommendation:

The SCCOG should maintain a schedule of grants (federal/state) for the current year showing the amount of federal and state grant monies expended, billed, unbilled and the amount reimbursed.

Management Response:

The SCCOG has created separate funds for the program to independently track the federal and state grant monies for the program (which can receive and expend both types of funding). Corrective action for this finding was completed on November 6, 2013.

STATE OF NEW MEXICO
SOUTH CENTRAL NEW MEXICO COUNCIL OF GOVERNMENTS
EXIT CONFERENCE
For The Fiscal Year Ended June 30, 2013

An exit conference was held in a closed session on November 18, 2013, 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.
------------------------	---

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.