



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, 2014

**SOUTH CENTRAL NEW MEXICO COUNCIL OF GOVERNMENTS
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For The Year Ended June 30, 2014**

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**SOUTH CENTRAL NEW MEXICO COUNCIL OF GOVERNMENTS
OFFICIAL ROSTER
As of June 30, 2014**

Directors	Position	Government Represented
Nora Barraza	Chairwoman	Town of Mesilla
Eunice Kent	Vice-Chair	City of Elephant Butte
Gordy Hicks	Treasurer	City of Socorro
Wayne Hancock	Member	Dona Ana County
Leticia Duarte-Benavidez	Member	Dona Ana County
Greg Smith	Member	City of Las Cruces
Ken Miyagishima	Member	City of Las Cruces
Javier Perea	Member	City of Sunland Park
Mary Helen Garcia	Member	State Legislator
Steve Green	Member	City of Truth or Consequences
Delilah Walsh	Member	Socorro County
Arnulfo Castañeda	Member	City of Anthony
Frances Luna	Member	Sierra County
Tom Barrington	Member	Village of Magdalena
Deborah Stubblefield	Member	Village of Williamsburg
Kathi Jackson	Member	Lower Rio Grande PWWA
Richard Anderson	Member	San Antonio MDWCA
Jose Terrones	Member	Anthony Water & Sanitation Dist.
Jennifer Horton	Member	Doña Ana MDWCA
Merry Jo Fahl	Member	Jornada RC&D
Andy Nuñez	Member	Village of Hatch
Jose “Lencho” Vega	Alternate	Polvadera MDWCA
Jay Armijo	Executive Director/Secretary	SCCOG



INDEPENDENT AUDITOR’S 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, 2014 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 misstatements, whether due to fraud or error.

Auditor’s 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 auditor’s 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, each major fund, and the aggregate remaining fund information of the SCCOG, as of June 30, 2014, 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 schedule listed as "other supplementary information", 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 the other schedule listed as "other supplementary information", 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 the other schedule listed as "other supplementary information", 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 December 15, 2014 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
December 15, 2014

STATE OF NEW MEXICO
SOUTH CENTRAL NEW MEXICO COUNCIL OF GOVERNMENTS
(GOVERNMENT-WIDE)
STATEMENT OF NET POSITION
As of June 30, 2014

	<u>Governmental Activities</u>
ASSETS	
Current	
Cash and cash equivalents	\$ 309,834
Grants receivable	125,538
Accounts receivable	<u>28,457</u>
Total current assets	<u>463,829</u>
Noncurrent assets	
Capital assets, net	<u>-</u>
Total assets	<u><u>\$ 463,829</u></u>
LIABILITIES	
Current liabilities	
Accounts payable	\$ 19,159
Accrued payroll liabilities	2,638
Unearned revenue	83
Held for others	259,730
Compensated absences expected to be paid within one year	<u>13,795</u>
Total current liabilities	<u>295,405</u>
Noncurrent liabilities	
Compensated absences expected to be paid after one year	<u>1,533</u>
Total liabilities	<u>296,938</u>
NET POSITION	
Investment in capital assets	-
Unrestricted net position	<u>166,891</u>
Total net assets	<u>166,891</u>
Total liabilities and net position	<u><u>\$ 463,829</u></u>

SEE INDEPENDENT AUDITOR'S 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, 2014**

Functions/Programs	Expenses	Program Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position for Governmental Activities
Governmental activities:			
Regional Community Development	\$ 752,434	680,492	(71,942)
 General revenues:			
Miscellaneous revenues			<u>2,465</u>
Total general revenues and transfers			<u>2,465</u>
 Changes in net position			(69,477)
 Net position, beginning of year			<u>236,368</u>
Net position, end of year			<u>\$ 166,891</u>

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**STATE OF NEW MEXICO
SOUTH CENTRAL NEW MEXICO COUNCIL OF GOVERNMENTS
BALANCE SHEET - GOVERNMENTAL FUNDS
As of June 30, 2014**

	Major Funds		
	General	Special Revenue Fund	Total Governmental Funds
		WIA Fund 099, 100, 101 119,120	
ASSETS:			
Cash and cash equivalents	\$ 309,834	-	309,834
Accounts receivable	28,457	-	28,457
Grants receivable	52,673	72,865	125,538
Interfund receivables	55,217	-	55,217
Total assets	\$ 446,181	72,865	519,046
LIABILITIES:			
Accounts payable	\$ 2,910	16,249	19,159
Accrued payroll liabilities	1,239	1,399	2,638
Unearned revenue	83	-	83
Held for others	259,730	-	259,730
Interfund payables	-	55,217	55,217
Total liabilities	263,962	72,865	336,827
DEFERRED INFLOWS OF RESOURCES	11,046	36,818	47,864
FUND BALANCE:			
Unassigned	171,173	(36,818)	134,355
Total fund balance	171,173	(36,818)	134,355
Total liabilities, deferred inflows of resources, and fund balance	\$ 446,181	72,865	519,046

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

Accrued compensated absences	\$ (15,328)
Delinquent membership dues not collected within sixty days after year end are not considered "available" revenues and are considered to be deferred inflows of resources in the fund financial statements, but are considered revenue in the Statement of Activities	47,864
Statement of net position of governmental activities	\$ 166,891

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STATE OF NEW MEXICO
SOUTH CENTRAL NEW MEXICO COUNCIL OF GOVERNMENTS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
For The Year Ended June 30, 2014

	Major Funds		
	Special Revenue Fund		
	General Fund	WIA Fund	Total Governmental Funds
Revenues:			
Federal	\$ 140,627	393,091	533,718
State	95,764	-	95,764
Local	49,976	-	49,976
Miscellaneous income	2,465	-	2,465
Total revenues	288,832	393,091	681,923
Expenditures:			
Current:			
General government	326,327	429,909	756,236
Total expenditures	326,327	429,909	756,236
Excess (deficiency) of revenues over expenditures	(37,495)	(36,818)	(74,313)
Transfers			
Operating transfers in	-	-	-
Operating transfers out	-	-	-
Total operating transfers	-	-	-
Net change in fund balances	(37,495)	(36,818)	(74,313)
Fund balance, beginning of year	208,668	-	208,668
Fund balance, end of year	\$ 171,173	(36,818)	134,355
Amounts reported for governmental activities in the statement of activities are different because:			
Net change in fund balances - total governmental funds			\$ (74,313)
Amounts reported to governmental activities in the statement of activities are difference because:			
Net change in delinquent membership dues not collected within sixty days			1,032
Net changes in accrued compensated absences			3,804
Change in net position of governmental activities			\$ (69,477)

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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 AND ACTUAL (MODIFIED ACCRUAL BASIS)
For The Year Ended June 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Grants and contracts	\$ 458,070	332,260	245,309	(86,951)
Membership dues	219,904	247,689	41,059	(206,630)
Other	<u>-</u>	<u>2,465</u>	<u>2,465</u>	<u>-</u>
Total revenues	<u>677,974</u>	<u>582,414</u>	<u>288,833</u>	<u>(293,581)</u>
Expenditures:				
General governmental	<u>500,489</u>	<u>350,236</u>	<u>326,327</u>	<u>23,909</u>
Total expenditures	<u>500,489</u>	<u>350,236</u>	<u>326,327</u>	<u>23,909</u>
Excess (deficiency) of revenues over expenditures	<u>177,485</u>	<u>232,178</u>	<u>(37,494)</u>	<u>(269,672)</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>\$ 177,485</u>	<u>232,178</u>	<u>(37,494)</u>	<u>(269,672)</u>

SEE INDEPENDENT AUDITOR'S 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, 2014**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Grants and contracts	\$ 504,249	504,249	393,091	(111,158)
Total revenues	<u>504,249</u>	<u>504,249</u>	<u>393,091</u>	<u>(111,158)</u>
Expenditures:				
General governmental	<u>504,249</u>	<u>504,249</u>	<u>429,909</u>	<u>74,340</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>(36,818)</u>	<u>(36,818)</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>(36,818)</u>	<u>(36,818)</u>

SEE INDEPENDENT AUDITOR'S 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, 2014

	<u>WIA Board Fund</u>
ASSETS:	
Cash and cash equivalents	\$ 18,571
Grants receivable	<u>371,156</u>
Total assets	<u><u>\$ 389,727</u></u>
 LIABILITIES:	
Accounts payable	\$ 379,103
Unearned revenue	<u>10,624</u>
Total liabilities	<u><u>\$ 389,727</u></u>

SEE INDEPENDENT AUDITOR'S 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, 2014**

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, 2014.

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, 2014**

GAAP Presentation

The financial statements of the SCCOG are prepared in accordance with 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, 2014, 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.

6. Fund Accounting

The accounts of the SCCOG are organized on a basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of

**SOUTH CENTRAL NEW MEXICO COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2014**

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, 2014:

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 net position and/or the balance sheet for the governmental funds 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/fund balance 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 net position and/or the balance sheet for the governmental funds 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/fund balance that applies to a future period and so will not be recognized as revenue until then.

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

**SOUTH CENTRAL NEW MEXICO COUNCIL OF GOVERNMENTS
 NOTES TO FINANCIAL STATEMENTS
 For The Year Ended June 30, 2014**

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 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.

SOUTH CENTRAL NEW MEXICO COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2014

G. Use of Estimates

The preparation of financial statements in conformity with U.S. 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:

Net Investment in Capital Assets – 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, 2014.

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, 2014.
- **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, 2014.
- **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, 2014.

**SOUTH CENTRAL NEW MEXICO COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2014**

- **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, 2014.
- **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, 2014:

Bank of the Southwest: Account Name	Type	Bank Balance	Outstanding Items	Book Balance
SCCOG Checking*	Checking	\$ 75,127	(25,023)	50,104
SCRTD Checking*	Checking	254,411	5,319	259,730
Total SCCOG accounts		\$ 329,538	(19,704)	309,834
Agency funds:				
SAWDB FA*	Checking	63,787	45,216	18,571
Total		\$ 393,325	25,512	328,405
FDIC coverage/(shortage)		\$ 250,000		
SCCOG Checking*		75,127		
SCRTD Checking*		(4,411)		
SAWDB FA*		63,787		
Uninsured balance		(4,411)		
50% collateral requirement		(2,206)		

* denotes non-interesting bearing accounts

**SOUTH CENTRAL NEW MEXICO COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2014**

Pledged Collateral held in bank's name

Federal Home Loan Bank - Letter of Credit maturing 6/7/14, market value to be used	25,000
Over (under) collateralized	\$ <u>22,795</u>

Total cash per books by fund type

General fund and special revenue funds	309,834
Agency funds	18,571
Total cash per books by fund type	\$ <u>328,405</u>

As of June 30, 2014, the amount of the SCCOG's bank balance of \$4,411 (excludes amount covered by FDIC of \$250,000 for each account) that was exposed to custodial credit risk was as follows:

Uninsured and uncollateralized	None
Uninsured collateral held by pledging banks But not in the name of the SCCOG	\$4,411

3. GRANTS RECEIVABLE AND OTHER RECEIVABLES

Receivables at June 30, 2014 consist of the following:

	<u>General</u>	<u>WIA Fund</u>	<u>Total</u>
Receivables:			
Grants and contracts	\$ 52,673	72,865	125,538
Accounts receivable	28,457	-	28,457
	\$ <u>81,130</u>	<u>72,865</u>	<u>153,995</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:

General Fund	<u>2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>2014</u>
Furniture and equipment	\$ 6,778	-	-	6,778
Automobiles	25,200	-	-	25,200
Total general fund	31,978	-	-	31,978
Allowance for depreciation				
Furniture and equipment	(6,778)	-	-	(6,778)
Automobiles	(25,200)	-	-	(25,200)
Total accumulated depreciation	(31,978)	-	-	(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	\$ -	-	-	-

**SOUTH CENTRAL NEW MEXICO COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2014**

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, 2014.

5. HELD FOR OTHERS

The SCCOG is temporarily holding funds for the South Central Regional Transit District (SCRTD). It is expected that these funds will be transferred to the SCRTD in a subsequent year.

6. 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 \$13,795. This amount is an estimate based on the current compensated absences payable paid in the fiscal year 2014 and new compensated policies enacted in fiscal year 2014. Typically the WIA and general fund are used to liquidate leave.

Annual leave activity was as follows for the year ended June 30, 2014:

		<u>2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>2014</u>
Annual Leave	\$	<u>19,132</u>	<u>23,731</u>	<u>(27,535)</u>	<u>15,328</u>

7. INTERFUND TRANSACTIONS AND BALANCES

There were no transfers between the general fund, major special revenue fund, or agency fund.

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, 2014 were as follows:

	<u>Receivable from</u>	<u>Payable to</u>	<u>Receivable</u>	<u>Payable</u>	<u>Purpose</u>
WIA fund	General fund	\$	55,217	-	Funds owed to general fund awaiting payment of receivables
General fund	WIA fund		-	55,217	Funds owed to general fund awaiting payment of receivables
			<u>\$ 55,217</u>	<u>55,217</u>	

Payables are expected to be paid within one year.

8. 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, 2014**

9. 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 8.5% of their gross salary. The SCCOG is required to contribute 7.4% 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, 2014, 2013 and 2012 were \$31,975, \$34,306, , and \$31,149 respectively, which equal the amount of the required contributions for each fiscal year.

10. 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, 2014, the SCCOG did not have any probable risk of loss.

11. 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)

12. 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
City of Anthony	Mayor Arnulfo Castaneda	\$ 3,425
Town of Mesilla	Mayor Nora Barraza	451
Lower Rio Grande MDWCA	Kathi Jackson	2,500
City of Sunland Park	Mayor Javier Perea	5,000
City of Socorro	Councilor Gordy Hicks	3,000
		\$ 14,376

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.

13. IMPLEMENTATION OF NEW GASB STANDARDS

In June 2012, The Governmental Accounting Standards Board (GASB) approved Statement No. 67, Financial Reporting for Pension Plans, which applies to pension plans that administer pension benefits. The Public Employees Retirement Association (PERA) administers the pension for the

**SOUTH CENTRAL NEW MEXICO COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2014**

SCCOG. Statement No. 68, Accounting and Financial Reporting for Pensions, which applies to governments that provide pension benefits to their employees.

GASB 67 Financial Reporting for Pension Plans

Requires changes to presentation in financial statements, notes to the financial statements, and required supplementary information in PERA’s financial report. GASB 67 will be implemented in FY 2014 by PERA.

GASB 68 Accounting and Financial Reporting for Pensions

Applies the changes implemented at the pension plan level (PERA) under GASB 67 and segregates and divides, or allocates, the pension liability to each participating employer (state, municipal, judicial, magistrate, volunteer firefighters, and legislative). The statement implementation date is FY 2015.

PERA’s Current Implementation and Timeline

Implementation GASB 67

GASB 67 will require the net pension liability to be disclosed in PERA’s FY 2014 financial report. The total “collective” pension liability will then be allocated to the participant employers for FY 2015 financial reporting.

PERA plans to separately issue an audited report, referred to as the “Schedule of Employer Allocations” that will allocate the total pension liability by employer. The report will also include other required information that will be used by each employer participant for disclosure in each employer’s FY 2015 financial reports.

Anticipated process and timeline is as follows:

1. The “Schedule of Employer Allocations” is provided to PERA’s external auditor in January of 2015.
2. PERA’s external auditor’s will audit the “Schedule of Employer Allocations” in February of 2015 and submit that report to the State Auditor’s Office for review in March of 2015. (See also 2.2.2.10 NMAC Sections CC and DD)
3. The “Schedule of Employer Allocations” will be provided to employers in April of 2015, allowing enough time for incorporation into financial reports as required by GASB 68, after the June 30, 2015 year end.

In FY 15, the SCCOG will report a net pension liability based on its proportion of the collective net pension liability of all of the governments participating.

14. DEFERRED INFLOWS/OUTFLOWS OF RESOURCES

The fund financial statements’ deferred inflows/outflows of resources at year end is composed of the following elements:

<u>Deferred Inflows of Resources</u>	
<i>General Fund</i>	
Membership receivables not available at fund level	\$ 11,046
 <i>WIA Fund</i>	
Grant receivables not available at fund level	<u>36,818</u>
Total	<u><u>\$ 47,864</u></u>

**SOUTH CENTRAL NEW MEXICO COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2014**

15. DEFICIT UNASSIGNED FUND BALANCE

The WIA Fund shows a deficit unassigned fund balance as of June 30, 2014. The deficit is reconciled below:

WIA Fund	
Unassigned fund balance	\$ (36,818)
Adjustment made for deferred inflow of grant revenue	\$ <u>36,818</u>
Difference	\$ <u><u>-</u></u>

16. EVALUATION OF 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 December 15, 2014, 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, 2014

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	\$ 155,400
*Fiscal Agent Contract and Administrative Entity Contract-Adult	17.258	WIA/SWR-08-03-001	101,470
*Fiscal Agent Contract and Administrative Entity Contract-DW	17.278	WIA/SWR-08-03-001	79,730
*Fiscal Agent Contract and Administrative Entity Contract-Youth	17.259	WIA/SWR-08-03-001	<u>93,309</u>
			429,909
U.S. Department of Transportation passed through			
New Mexico State Highway and Transportation Department			
Regional Planning Organization			
	20.205	M00501	<u>61,247</u>
			61,247
U.S. Department of Housing & Urban Development passed through			
various local governments			
Community Development Block Grants			
	14.246		<u>19,380</u>
<i>Direct:</i>			
U.S. Department of Commerce			
Economic Development Administration (EDA)			
	11.302		<u>60,000</u>
Total federal awards expended			<u>\$ 570,536</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	\$ 393,091
	General Fund	<u>140,627</u>
	Total	<u>\$ 533,718</u>
	Per Sefa	<u>\$ 570,536</u>
Unavailable revenue reclassified as deferred inflows of resources (60 day)		<u>36,818</u>
	Difference	<u>\$ -</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, 2014

WIA BOARD FUND

	<u>Balance</u> <u>June 30, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2014</u>
<u>Assets</u>				
Cash	\$ 36,235	1,850,992	(1,868,656)	18,571
Grants receivable	271,443	99,713	-	371,156
Total assets	<u>\$ 307,678</u>	<u>1,950,705</u>	<u>(1,868,656)</u>	<u>389,727</u>
<u>Liabilities</u>				
Accounts payable	\$ 305,035	1,940,081	(1,866,013)	379,103
Unearned revenue	2,643	10,624	(2,643)	10,624
Total liabilities	<u>\$ 307,678</u>	<u>1,950,705</u>	<u>(1,868,656)</u>	<u>389,727</u>



**INDEPENDENT AUDITOR'S 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, 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, 2014, 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 December 15, 2014.

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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness: 2014-001.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a significant deficiency: 2014-002.

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 2014-002.

The SCCOG's Responses to the Findings

The SCCOG's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The SCCOG's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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
December 15, 2014



INDEPENDENT AUDITOR'S 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, 2014. 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.

Auditor's 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, 2014.

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
December 15, 2014

**STATE OF NEW MEXICO
SOUTH CENTRAL NEW MEXICO COUNCIL OF GOVERNMENTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2014**

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor's report issued Unmodified

Internal Control over financial reporting:

Material weaknesses identified? X Yes 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 auditor's 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, 2014**

SECTION II AND III- FINANCIAL STATEMENTS AND FEDERAL AWARD FINDINGS

Reference #	Finding	Status of Current and Prior Year Findings	Type of Finding*
PRIOR YEAR			
2013-001 [13-01]	MISCLASSIFICATION OF FEDERAL FUNDS	Resolved	E
CURRENT YEAR			
2014-001	BANK RECONCILIATION PROCESS	Current	A
2014-002	INTERNAL CONTROLS OVER CASH RECEIPTS	Current	B,G

* Legend for Type of Findings

- A. Material Weakness in Internal Control Over Financial Reporting
- B. Significant Deficiency in Internal Control Over Financial Reporting
- C. Other Matters Involving Internal Control Over Financial Reporting
- D. Material Weakness in Internal Control Over Compliance of Federal Awards
- E. Significant Deficiency in Internal Control Over Compliance of Federal Awards
- F. Instance of Noncompliance to Federal Awards
- G. Compliance with State Audit Rule

**STATE OF NEW MEXICO
SOUTH CENTRAL NEW MEXICO COUNCIL OF GOVERNMENTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2014**

CURRENT YEAR FINDINGS

2014-001–BANK RECONCILIATION PROCESS

Type of Finding: A

Statement of Condition

The original bank reconciliations performed June 2014 did not tie to the general ledger. Two items totaling \$84,306 were inadvertently entered twice. This caused cash to be overstated by a material amount in the SCRTD account. After an adjusting entry to remove items entered twice, there remained a discrepancy of \$6,000.

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

Account	Adjusted General Ledger Balance	Bank Reconciliation Balance	Difference
Bank of the Southwest	\$ 259,730	338,036	\$ (78,306)

Also, related to this discrepancy was the following:

- Membership receivables and revenues were overstated by \$42,153

Criteria

The Codification of Statements on Auditing Standards (SAS AU) paragraph 110.03 states that the financial statements are management’s responsibility. Management is responsible for adopting sound accounting policies, and for establishing and maintaining internal control that will, among other things, initiate, authorize, record, process, and report transactions (as well as events and conditions) consistent with management’s assertions embodied in the financial statements.

Effect

Discrepancies between bank reconciliations and general ledger cash balances will occur when transactions are posted twice or voided after year end.

Cause

Items were voided by changing the bank reconciliation instead of by using general journal entries to offset the original transactions. In addition, journal entries were posted twice.

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

SCCOG will make corrections using a general journal entry so to not alter completed Bank Reconciliations. SCCOG will perform bank reconciliations in a timely manner to ensure that discrepancies are corrected prior to the bank reconciliation being completed.

**STATE OF NEW MEXICO
SOUTH CENTRAL NEW MEXICO COUNCIL OF GOVERNMENTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2014**

2014-002 – INTERNAL CONTROLS OVER CASH RECEIPTS

Type of Finding: B, G

Statement of Condition

We noted two of the eleven cash receipts (one totaling \$47,360 and the other totaling \$21,694) selected for testing were missing time stamps. Inquiry with SCCOG revealed that they were unaware of the exact date said funds were received. This causes issue with assurance that there was no delay in depositing said funds. State rule indicates that all deposits must be made within 24 hours of receipt or on the following day of business when receipt occurs on a Friday.

Criteria

Per Section 6-10-3, NMSA 1978, all public money in the custody or under the control of any Department obtained or received by any official or Department from any source state agencies must deposit it before the close of the next succeeding business day after the receipt of the money and to deliver or remit it to the state treasurer.

Internal controls have to be implemented and be adequate to mitigate the risks associated with the collection and deposit of cash.

Cause

The two said receipts were not time stamped and there is no way to verify when said receipts were received.

Effect

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

Recommendation

We recommend that SCOGG review cash receipts on a daily basis to ensure deposits are made timely and the receiving date is properly marked. Attempts should be made to ensure that cash is deposited for each day and not delayed.

Management Response

During the Fiscal Year 2014, SCCOG had changed the staff person that receives the mail three times due to staff turnover through the year. During this time it was missed to have the received checks date stamped prior to giving to staff person who makes the deposits. SCCOG has established and trained a staff person to date stamp all mail.

STATE OF NEW MEXICO
SOUTH CENTRAL NEW MEXICO COUNCIL OF GOVERNMENTS
EXIT CONFERENCE
For The Fiscal Year Ended June 30, 2014

An exit conference was held in a closed session on December 15, 2014, and the contents of this report were discussed. Present at the exit conference were:

Gordon Hicks	Treasurer
Katherine Gervasio	Fiscal Administrator
Jay Armijo	Executive Director
Steve Duran	WIA Administrator

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.