



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, 2015

**SOUTH CENTRAL NEW MEXICO COUNCIL OF GOVERNMENTS
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For The Year Ended June 30, 2015**

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**SOUTH CENTRAL NEW MEXICO COUNCIL OF GOVERNMENTS
OFFICIAL ROSTER
As of June 30, 2015**

Directors	Position	Government Represented
Nora Barraza	Chairwoman	Town of Mesilla
Gordy Hicks	Vice-Chair	City of Socorro
Steve Green	Treasurer	City of Truth or Consequences
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 Kay Papen	Member	State Legislator
Sarah Stagner	Member	City of Elephant Butte
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. Tim Keller, 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, 2015 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, 2015, 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.

Emphasis of Matter

As discussed in Note 15 to the financial statements, the 2015 beginning balance of net position has been restated due to the implementation of GASB 68 and the reclassification of SCRTD's fund to an agency fund. Our opinion is not modified with respect to this matter.

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.

Accounting principles generally accepted in the United States of America require that the Schedules related to PERA and Net Pension Liabilities, listed as "Required Supplemental Information" in the table of contents, be presented to supplement the basic financial statements. Such 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 (audited)", 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 (audited)*", 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 (audited)*", required by 2.2.2 NMAC, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The "*other supplemental information (unaudited)*" as listed in the table of contents, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2015 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.

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

Hinkle + Landers, PC
Albuquerque, NM
December 15, 2015

STATE OF NEW MEXICO
SOUTH CENTRAL NEW MEXICO COUNCIL OF GOVERNMENTS
(GOVERNMENT-WIDE)
STATEMENT OF NET POSITION
As of June 30, 2015

	Governmental Activities
ASSETS	
Current	
Cash and cash equivalents	\$ -
Grants receivable	217,137
Accounts receivable	5,036
Total current assets	222,173
Noncurrent assets	
Capital assets, net	24,395
Total assets	246,568
DEFERRED OUTFLOWS OF RESOURCES	
	27,233
Total Assets and Deferred Outflows of Resources	\$ 273,801
LIABILITIES	
Current liabilities	
Accounts payable	\$ 22,795
Accrued payroll liabilities	414
Unearned revenue	15,962
Held for others	-
Due to agency fund	12,064
Compensated absences expected to be paid within one year	26,527
Total current liabilities	77,762
Noncurrent liabilities	
Compensated absences expected to be paid after one year	2,947
Net pension liability	278,498
Total noncurrent liabilities	281,445
Total liabilities	359,207
DEFERRED INFLOWS OF RESOURCES	
	109,135
Total Assets and Deferred Inflows of Resources	468,342
NET POSITION	
Net investment in capital assets	24,395
Unrestricted net position	(218,936)
Total net position	(194,541)
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 273,801

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, 2015

Functions/Programs	Expenses	Program Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position for Governmental Activities
Governmental activities:			
Regional Community Development	\$ 774,551	808,125	33,574
 General revenues:			
Miscellaneous revenues			5,709
Total general revenues and transfers			<u>5,709</u>
 Changes in net position			39,283
 Net position, beginning of year			166,891
Restatement			(400,715)
Net position, beginning of year as restated			<u>(233,824)</u>
Net position, end of year			\$ <u><u>(194,541)</u></u>

SEE INDEPENDENT AUDITOR'S REPORT
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STATE OF NEW MEXICO
SOUTH CENTRAL NEW MEXICO COUNCIL OF GOVERNMENTS
BALANCE SHEET - GOVERNMENTAL FUNDS
As of June 30, 2015

	Major Funds		
	General	Special Revenue Fund	
		WIA Fund 099, 100, 101 119, 120, 499	Total Governmental Funds
ASSETS:			
Cash and cash equivalents	\$ -	-	-
Accounts receivable	5,036	-	5,036
Grants receivable	71,290	145,847	217,137
Interfund receivables	118,273	-	118,273
Total assets	\$ 194,599	145,847	340,446
LIABILITIES:			
Cash overdraft	-	-	-
Accounts payable	\$ 7,285	15,510	22,795
Accrued payroll liabilities	414	-	414
Unearned revenue	15,962	-	15,962
Interfund payables	-	130,337	130,337
Total liabilities	23,661	145,847	169,508
DEFERRED INFLOWS OF RESOURCES	-	15,973	15,973
FUND BALANCE:			
Unassigned	170,938	(15,973)	154,965
Total fund balance	170,938	(15,973)	154,965
Total liabilities, deferred inflows of resources, and fund balance	\$ 194,599	145,847	340,446

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

Accrued compensated absences	\$ (29,474)
Restatement - net pension liability	(376,014)
Net pension related deferrals and liability	15,614
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	24,395
Delinquent membership dues and grants receivables 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	15,973
Statement of net position of governmental activities	\$ (194,541)

SEE INDEPENDENT AUDITOR'S REPORT
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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, 2015**

	<u>Major Funds</u>		<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>Special Revenue Fund WIA Fund</u>	
Revenues:			
Federal	\$ 150,176	497,227	647,403
State	136,693	-	136,693
Local	48,867	-	48,867
Miscellaneous income	5,709	-	5,709
Total revenues	<u>341,445</u>	<u>497,227</u>	<u>838,672</u>
Expenditures:			
Current:			
General government	324,042	451,987	776,029
Capital outlay	-	24,395	24,395
Total expenditures	<u>324,042</u>	<u>476,382</u>	<u>800,424</u>
Excess (deficiency) of revenues over expenditures	<u>17,403</u>	<u>20,845</u>	<u>38,248</u>
Transfers			
Operating transfers in	-	-	-
Operating transfers out	-	-	-
Total operating transfers	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>17,403</u>	<u>20,845</u>	<u>38,248</u>
Fund balance, beginning of year	171,173	(36,818)	134,355
Restatement	(17,638)	-	(17,638)
Fund balance, beginning of year - restated	<u>153,535</u>	<u>(36,818)</u>	<u>116,717</u>
Fund balance, end of year	<u>\$ 170,938</u>	<u>(15,973)</u>	<u>154,965</u>

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

Net change in fund balances - total governmental funds \$ 38,248

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

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense, in the current period. These amounts are:

	24,395
Pension expense	15,614
Net change in delinquent membership dues not collected within sixty days	(24,838)
Net changes in accrued compensated absences	(14,146)
Rounding	<u>10</u>
Change in net position of governmental activities	<u>\$ 39,283</u>

SEE INDEPENDENT AUDITOR'S REPORT
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STATE OF NEW MEXICO
SOUTH CENTRAL NEW MEXICO COUNCIL OF GOVERNMENTS
GENERAL FUND - MAJOR FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (MODIFIED ACCRUAL BASIS)
For The Year Ended June 30, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Grants and contracts	\$ 273,085	345,012	288,868	(56,144)
Membership dues	44,094	44,094	46,868	2,774
Other	<u>1,000</u>	<u>5,709</u>	<u>5,709</u>	<u>-</u>
Total revenues	<u>318,179</u>	<u>394,815</u>	<u>341,445</u>	<u>(53,370)</u>
Expenditures:				
General governmental	<u>311,914</u>	<u>337,880</u>	<u>324,042</u>	<u>13,838</u>
Total expenditures	311,914	337,880	324,042	13,838
Excess (deficiency) of revenues over expenditures	<u>6,265</u>	<u>56,935</u>	<u>17,403</u>	<u>(39,532)</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>\$ 6,265</u>	<u>56,935</u>	<u>17,403</u>	<u>(39,532)</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, 2015**

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Grants and contracts	\$ 653,110	653,110	497,227	(155,883)
Total revenues	653,110	653,110	497,227	(155,883)
Expenditures:				
General governmental	628,715	628,715	451,987	176,728
Capital outlay	24,395	24,395	24,395	-
Total	653,110	653,110	476,382	176,728
Excess (deficiency) of revenues over expenditures	-	-	20,845	(332,611)
Other financing sources (uses)				
Operating transfers in	-	-	-	-
Operating transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Change in fund balance	\$ -	-	20,845	(332,611)

SEE INDEPENDENT AUDITOR'S REPORT
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STATE OF NEW MEXICO
SOUTH CENTRAL NEW MEXICO COUNCIL OF GOVERNMENTS
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
-AGENCY FUNDS
As of June 30, 2015

ASSETS:	Agency Funds
Cash and cash equivalents	\$ <u>64,529</u>
Grants receivable	504,326
Due from general gund	<u>12,064</u>
Total assets	<u><u>\$ 580,919</u></u>
LIABILITIES:	
Accounts payable	\$ 514,169
Unearned revenue	35,683
Accrued liabilities	363
Held for others	<u>30,704</u>
	<u><u>\$ 580,919</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, 2015**

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, 2015.

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, 2015

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, 2015, 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, 2015

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, 2015:

Workforce Investment Act Fund (WIA) – The SCCOG serves as the fiscal agent and also as the administrative entity for the Southwestern Area Workforce Development Board (SAWDB). SAWDB coordinates workforce and youth activities in the local area and administers Workforce Investment funds. The fiscal agent and administrative entity financial activity is maintained in the WIA Fund.

The fiduciary fund is used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within the SCCOG. Agency funds are generally used to account for assets that the SCCOG holds on behalf of others as their fiscal agent. These funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. The SCCOG has two agency funds that are used to account for the fiscal activities of the Southwestern Area Workforce Development Board (SAWDB) and the South Central Regional Transportation District (SCR TD). The SAWDB and SCR TD contract with the SCCOG to provide fiscal and administrative functions. Separate financial statements are provided for governmental funds and fiduciary funds. In accordance with the provisions of GASB Statement No. 34, the fiduciary funds are excluded from government-wide financial statements.

7. GASB Statement #54

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

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

8. Spending Policy

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

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

**SOUTH CENTRAL NEW MEXICO COUNCIL OF GOVERNMENTS
 NOTES TO FINANCIAL STATEMENTS
 For The Year Ended June 30, 2015**

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 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:

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

D. Budgets

The New Mexico Department of Finance and Administration notifies the board of directors of the SCCOG of the amount of state grants-in-aid available to be allocated. The SCCOG must obtain nonfederal matching funds or services, or both, from local governments or private sources at least equal to the amount of the state grant-in-aid. The SCCOG prepares its budget on the modified accrual basis of accounting. The SCCOG budgets expenditures in total by fund.

An annual operating budget is prepared by the SCCOG staff for the general and special revenue funds. The governing board of the SCCOG certifies that the budget adopted is consistent with the expenditure of state and local funds under the Planning District Act.

The adopted budget is then presented to the Department of Finance and Administration for approval. The SCCOG and the Department of Finance and Administration exercise legal level budget control at the fund level for general government functions. The budgets of all individual funds may not be legally over expended. Subsequent budget adjustments must be approved by the governing board of the SCCOG but are not required to be approved by the Department of Finance and Administration.

The president or treasurer of the board of directors of the SCCOG shall certify from time to time that the matching funds from local or private sources are on deposit in the SCCOG's own account before quarterly payment of state grant-in-aid is made.

SOUTH CENTRAL NEW MEXICO COUNCIL OF GOVERNMENTS
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For The Year Ended June 30, 2015

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 7 for detail on interfund receivables and payables.

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, 2015.

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.

**SOUTH CENTRAL NEW MEXICO COUNCIL OF GOVERNMENTS
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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, 2015.
- **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, 2015.
- **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, 2015.
- **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, 2015.
- **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, 2015:

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Bank of the Southwest: Account Name	Type	Bank Balance	Outstanding Items	Book Balance
SCCOG Checking*	Checking	\$ 32,496	(32,496)	-
SCCOG Checking- Agency Cash *	Checking	\$ 1,415	-	1,415
SCRTD Checking- Agency Cash *	Checking	11,380	-	11,380
Total SCCOG accounts		\$ 45,291	(32,496)	12,795
 Agency funds Held in SAWDB's Name:				
SAWDB FA*	Checking	257,582	205,848	51,734
Total		\$ 302,873	173,352	64,529
 <u>FDIC coverage/(shortage)</u>				
		\$ 250,000		
SCCOG Checking*		32,496		
SCRTD Checking*		11,380		
SAWDB FA*		250,000		
Uninsured balance		7,582		
50% collateral requirement		3,791		

* denotes non-interesting bearing accounts

Total cash per books by fund type

General fund and special revenue funds	-
Agency funds	64,529
Total cash per books by fund type	\$ 64,529

As of June 30, 2015, the amount of the SCCOG's operating bank balance did not exceed the FDIC insured amount. However, the SCCOG's fiduciary account for the Southwestern Area Workforce Development Board (SAWDB) had a bank balance of \$257,582, which exceeded the FDIC insured amount by \$7,582. This amount was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	None
Uninsured collateral held by pledging banks But not in the name of the SCCOG	\$7,582

3. GRANTS RECEIVABLE AND OTHER RECEIVABLES

Receivables at June 30, 2015 consist of the following:

	General	WIA Fund	Total
Receivables:			
Grants and contracts	\$ 71,290	145,847	217,137
Accounts receivable	5,036	-	5,036
	\$ 76,326	145,847	222,173

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

**SOUTH CENTRAL NEW MEXICO COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2015**

4. CAPITAL ASSETS AND DEPRECIATION

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

General Fund	2013	Additions	Deletions	2014
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	24,395	-	39,395
Total WIA fund	107,881	24,395	-	132,276
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	-	24,395	-	24,395
Total net capital assets	\$ -	24,395	-	24,395

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 was one addition to capital assets of a vehicle costing \$24,395 and there was no debt related to any capital assets for the fiscal year ended June 30, 2015.

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 \$26,527. This amount is an estimate based on the current compensated absences payable paid in the fiscal year 2015 and new compensated policies enacted in fiscal year 2015. Typically the WIA and general fund are used to liquidate leave.

Annual leave activity was as follows for the year ended June 30, 2015:

	2014	Additions	Deletions	2015
Annual Leave \$	15,328	38,874	(24,728)	29,474

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6. INTERFUND TRANSACTIONS AND BALANCES

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

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, 2015 were as follows:

Receivable from	Payable to	Receivable	Payable	Purpose
WIA fund	General fund	118,273	-	Funds owed to general fund awaiting payment of receivables
General fund	SCR TD Agency	12,064	-	Funds owed by general fund to SCR TD Fund to cover negative cash balances
General fund	WIA fund	-	130,337	Funds owed to general fund awaiting payment of receivables
		<u>\$ 130,337</u>	<u>130,337</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.

8. PENSION PLAN AND POST EMPLOYMENT BENEFITS

Summary of Significant Accounting Policies

Pensions. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the New Mexico Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA, on the economic resources measurement focus and accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

General Information about the Pension Plan

Plan description. The Public Employees Retirement Fund (PERA Fund) is a **cost-sharing, multiple employer defined benefit pension plan**. This fund has six divisions of members, including State General, State Police/Adult Correction Officer, Municipal General, Municipal Police/Detention Officers, Municipal fire, and State Legislative Divisions, and offers 24 different types of coverage within the PERA plan. All assets accumulated may be used to pay benefits, including refunds of member contributions, to any of the plan members or beneficiaries, as defined by the terms of this plan. Certain coverage plans are only applicable to a specific division. Eligibility for membership in the PERA Fund is set forth in the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). Except as provided for in the Volunteer Firefighters Retirement Act (10-11A-1 to 10-11A-7, NMSA 1978), the Judicial Retirement Act (10-12B-1 to 10-12B-19, NMSA 1978), the Magistrate Retirement Act (10-12C- 1 to 10-12C-18, NMSA 1978), and the Educational Retirement Act (Chapter 22, Article 11, NMSA 1978), and the provisions of Sections 29-4-1 through 29-4-11, NMSA 1978 governing the State Police Pension Fund, each employee and elected official of every affiliated public employer is required to be a member in the PERA Fund.

PERA issues a publicly available financial report and a comprehensive annual financial report that can be obtained at <http://saonm.org/> using the Audit Report Search function for agency 366.

Benefits provided. For a description of the benefits provided and recent changes to the benefits see Note 1 in the PERA audited financial statements for the fiscal year ended June 30, 2014 available at

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http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366_Public_Employees_Retirement_Association_2014.pdf.

Contributions. The contribution requirements of defined benefit plan members and the SCCOG are established in state statute under Chapter 10, Article 11, NMSA 1978. The contribution requirements may be amended by acts of the legislature. For the employer and employee contribution rates in effect for FY14 for the various PERA coverage options, for both Tier I and Tier II, see the tables available in the note disclosures on pages 29 through 31 of the PERA FY14 annual audit report at http://osanm.org/media/audits/366_Public_Employees_Retirement_Association_2014.pdf. The PERA coverage option that applies to the SCCOG is: Municipal General Division. Statutorily required contributions to the pension plan from the SCCOG were \$27,233 and employer paid member benefits that were “picked up” by the employer were \$0 for the year ended June 30, 2015.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: The PERA pension liability amounts, net pension liability amounts, and sensitivity information were based on an annual actuarial valuation performed as of June 30, 2013. The PERA pension liability amounts for each division were rolled forward from the valuation date to the Plan year ending June 30, 2014, using generally accepted actuarial principles. Therefore, the employer’s portion was established as of the measurement date June 30, 2014. The assets of the PERA fund are held in one trust, but there are six distinct membership groups (municipal general members, municipal police members, municipal fire members, state general members, state police members and legislative members) for whom separate contribution rates are determined each year pursuant to chapter 10, Article 11 NMSA 1978. Therefore, the calculations of the net pension liability, pension expense and deferred Inflows and Outflows were performed separately for each of the membership groups: municipal general members; municipal police members; municipal fire members; state general members; state police members and legislative members. The SCCOG’s proportion of the net pension liability for each membership group that the employer participates in is based on the employer contributing entity’s percentage of that membership group’s total employer contributions for the fiscal year ended June 30, 2014. Only employer contributions for the pay period end dates that fell within the period of July 1, 2013 to June 30, 2014 were included in the total contributions for a specific employer. Regular and any adjustment contributions that applied to FY 2014 are included in the total contribution amounts. In the event that an employer is behind in reporting to PERA its required contributions, an estimate (receivable) was used to project the unremitted employer contributions. This allowed for fair and consistent measurement of the contributions with the total population. This methodology was used to maintain consistent measurement each year in determining the percentages to be allocated among all the participating employers.

For PERA Fund Division; Municipal General Division, at June 30, 2015, the SCCOG reported a liability of \$278,498 for its proportionate share of the net pension liability. At June 30, 2015, the SCCOG’s proportion was 0.04 percent, which was unchanged from its proportion measured as of June 30, 2014, due to the insignificance of the difference.

For the year ended June 30, 2015, the SCCOG recognized PERA Fund Division; Municipal General Division pension expense of \$27,233.

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At June 30, 2015, the SCCOG reported PERA Fund Division; Municipal General Division deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

Municipal General Division	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	-
Changes of assumptions	-	189
Net difference between projected and actual earnings on pension plan investments	-	108,946
Change in proportion and differences between the Council contributions and proportionate share of contributions	-	-
The Council contributions subsequent to the measurement date	27,233	-
Total	<u>\$ 27,233</u>	<u>109,135</u>

\$27,233 as deferred outflows of resources related to pensions resulting from the SCCOG contributions subsequent to the measurement date June 30, 2014 will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	Amount
2016	\$ 27,286
2017	27,286
2018	27,286
2019	27,277
2020	-
Thereafter	-
	<u>109,135</u>

Actuarial assumptions. As described above, the PERA Fund member group pension liabilities and net pension liabilities are based on actuarial valuations performed as of June 30, 2013 for each of the membership groups. Then each PERA Fund member group pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2014 using generally accepted actuarial principles. There were no significant events or changes in benefit provisions that required an adjustment to the roll-forward liabilities as of June 30, 2014. These actuarial methods and assumptions were adopted by the Board for use in the June 30, 2014 actuarial valuation.

Actuarial valuation date	June 30, 2013
Actuarial cost method	Entry age normal
Amortization method	Level percentage of pay
Amortization period	Solved for based on statutory rates
Asset valuation method	Fair value
Actuarial assumptions	
Investment rate of return	7.75% annual rate, net of investment expense
Payroll growth	3.50% annual rate
Projected salary increases	3.50% to 14.25% annual rate
Includes inflation at	3.00% annual rate

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The long-term expected rate of return on pension plan investments was determined using a statistical analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target asset allocation and most recent best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>All Funds - Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	21.1%	5.00%
International Equity	24.8%	5.20%
Private Equity	7.0%	8.20%
Core and Global Fixed Income	26.1%	1.85%
Fixed Income Plus Sectors	5.0%	4.80%
Real Estate	5.0%	5.30%
Real Assets	7.0%	5.70%
Absolute Return	4.0%	4.15%
Total	<u>100.0%</u>	

Discount rate: The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that future contributions will be made in accordance with statutory rates. On this basis, the pension plan's fiduciary net position together with the expected future contributions are sufficient to provide all projected future benefit payments of current plan members as determined in accordance with GASBS 67. Therefore, the 7.75% assumed long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the SCCOG's proportionate share of the net pension liability to changes in the discount rate. The following tables show the sensitivity of the net pension liability to changes in the discount rate. In particular, the tables present the SCCOG's net pension liability in each Page 7 PERA Fund Division that the SCCOG participates in, under the current single rate assumption, as if it were calculated using a discount rate one percentage point lower (6.75%) or one percentage point higher (8.75%) than the single discount rate.

<u>PERA Fund Division - Municipal General Division</u>	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
The Council's proportionate share of the net pension liability	\$ <u>525,032</u>	\$ <u>278,498</u>	\$ <u>88,039</u>

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued FY14 Restated PERA financial report. The report is available at <http://www.pera.state.nm.us/publications.html>.

Payables to the pension plan. Employers should disclose the amount of payables to the Plan with a description of what gave rise to the payable per GASBS 68, paragraphs 122 and 124. There were no payables to the Plan as of June 30, 2015.

9. NOTES TO REQUIRED PERA SUPPLEMENTARY INFORMATION

Changes of benefit terms. The PERA Fund COLA and retirement eligibility benefits changes in recent years are described in Note 1 of the PERA FY14 audit available at

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http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366_Public_Employees_Retirement_Association_2014.pdf.

Changes of assumptions. The Public Employees Retirement Association (PERA) of New Mexico Annual Actuarial Valuation as of June 30, 2014 report is available at www.pera.state.nm.us/pdf/Investments/RetirementFundValuationReports/6-30-2014%20PERA%20Valuation%20Report_FINAL.pdf. The summary of Key Findings for the PERA Fund (on page 2 of the report) states “based on a recent experience study for the five-year period ending June 30, 2013, the economic and demographic assumptions were updated for this valuation. The changes in assumptions resulted in a decrease of \$30.8 million to Fund liabilities and an increase of 0.13% to the funded ratio. For details about changes in the actuarial assumptions, see Appendix B on page 60 of the report.

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

Plan Description- Compliant with the requirements of Government Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions, the State of New Mexico has implemented the standard for the fiscal year ending June 30, 2015.

The SCCOG, as part of the primary government of the State of New Mexico, is a contributing employer to a cost-sharing multiple employer defined benefit pension plan administered by the Public Employees Retirement Association (PERA). Disclosure requirements for governmental funds apply to the primary government as a whole, and as such, this information will be presented in the Component Appropriation Funds Annual Financial Report (General Fund) and the Comprehensive Annual Financial Report (CAFR) of the State of New Mexico.

Information concerning the next pension liability, pension expense, and pension-related deferred inflows and outflows of resources of the primary government will be contained in the General Fund and the CAFR and will be available, when issued, from the Office of State Controller, Room 166, Bataan Memorial Building, 407 Galisteo Street, Santa Fe, New Mexico, 87501.

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, 2015, 2014 and 2013 were \$27,233, \$31,975, , and \$34,306 respectively, which equal the amount of the required contributions for each fiscal year.

11. 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, 2015, the SCCOG did not have any probable risk of loss.

12. 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)

13. RELATED PARTY TRANSACTIONS

The SCCOG’s received payment for CDBG project management services from organizations associated with some of its board members. Additionally, a vehicle was purchased from a SAWDB board member’s organization. A summary of related party transactions follows:

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Organization	SCCOG Board Member	Vehicle Purchase and Maintenance
Whitehead Chevrolet	Gary Whitehead (SAWDB)	\$ 26,914
		<u>Service Revenue</u>
City of Anthony	Mayor Arnulfo Castaneda	\$ 3,425
Village of Hatch	Andy Nuñez	2,900
City of Socorro	Councilor Gordy Hicks	3,000
		\$ 9,325

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.

14. DEFERRED INFLOWS/OUTFLOWS OF RESOURCES

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

Deferred Inflows of Resources	2015
<i>General Fund</i>	
Membership receivables not available at fund level	\$ -
<i>WIA Fund</i>	
Grant receivables not available at fund level	-
<i>Government-Wide</i>	
Pension deferrals	109,135
Total	\$ 109,135
Deferred Outflows of Resources	2015
<i>Government-Wide</i>	
Pension deferrals	\$ 27,233

15. RESTATEMENT

The SCCOG's restatements for the year ending 2015 are as follows:

Fund Type	Purpose/Reason	Amount
<u>Fund Financial Statements</u>		
General Fund	Reclassified Fund Balance to SCRTD Agency Fund	\$ (24,701)
<u>Government-Wide Financial Statements</u>		
<u>Governmental Activities</u>		
	To record restatement due to GASB 68 implementation related to net pension liability	\$ (376,014)
	Reclassified Fund Balance to SCRTD Agency Fund	(24,701)
Total Governmental Activities		\$ (400,715)

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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, 2015, which is the date the financial statements were available to be issued.

**SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF SOUTH CENTRAL NEW MEXICO COUNCIL OF GOVERNMENT'S
PROPORTIONATE SHARE OF THE NET PENSION LIABILITY OF
PERA FUND DIVISION MUNICIPAL GENERAL DIVISION
PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA) PLAN
LAST 10 FISCAL YEARS***

		2015
The Council's proportion of the net pension liability (asset) (%)		0.04%
The Council's proportionate share of the net pension liability (asset) (\$)	\$	278,498
The Council's covered-employee payroll	\$	236,992
The Council's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll		118%
Plan fiduciary net position as a percentage of the total pension liability		81.29%

*The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Council will present information for those years for which information is available.

See Notes to Required Supplementary Information

**SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF SOUTH CENTRAL NEW MEXICO COUNCIL OF GOVERNMENT'S
CONTRIBUTIONS PUBLIC EMPLOYEES RETIREMENT ASSOCIATION PLAN
PERA FUND DIVISION; MUNICIPAL GENERAL DIVISION
LAST 10 FISCAL YEARS***

		2015
Contractually required contribution	\$	27,233
Contributions in relation to the contractually required contribution		27,233
Contribution deficiency (excess)	\$	-
The Council's covered-employee payroll	\$	236,992
Contributions as a percentage of covered-employee payroll		11.49%

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Council will present information for those years for which information is available.

See Notes to Required Supplementary Information

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, 2015

WIA BOARD FUND

	Balance June 30, 2014	Additions	Deletions	Balance June 30, 2015
<u>Assets</u>				
Cash	\$ 18,571	4,797,409	(4,764,246)	51,734
Grants receivable	371,156	-	113,537	484,693
Total assets	\$ 389,727	4,797,409	(4,650,709)	536,427
<u>Liabilities</u>				
Accounts payable	\$ 379,103	4,772,350	(4,650,709)	500,744
Unearned revenue	10,624	25,059	-	35,683
Total liabilities	\$ 389,727	4,797,409	(4,650,709)	536,427

SCRTD FUND

	Balance June 30, 2014	Additions	Deletions	Balance June 30, 2015
<u>Assets</u>				
Cash	\$ 6,774	562,738	(556,717)	12,795
Due from general fund	-	12,064	-	12,064
Grants receivable	24,464	-	(4,831)	19,633
Total assets	\$ 31,238	574,802	(561,548)	44,492
<u>Liabilities</u>				
Accounts payable	\$ 23,822	544,098	(554,495)	13,425
Accrued liabilities	363	-	-	363
Held for others	-	30,704	-	30,704
Unearned revenue	7,053	-	(7,053)	-
Total liabilities	\$ 31,238	574,802	(561,548)	44,492

Total

	Balance June 30, 2014	Additions	Deletions	Balance June 30, 2015
<u>Assets</u>				
Cash	\$ 25,345	5,360,147	(5,320,963)	64,529
Grants receivable	395,620	-	108,706	504,326
Due from general gund	-	12,064	-	12,064
Total assets	\$ 420,965	5,372,211	(5,212,257)	580,919
<u>Liabilities</u>				
Accounts payable	\$ 402,925	5,316,448	(5,205,204)	514,169
Accrued liabilities	363	-	-	363
Held for others	-	30,704	-	30,704
Unearned revenue	17,677	25,059	(7,053)	35,683
Total liabilities	\$ 420,965	5,372,211	(5,212,257)	580,919

STATE OF NEW MEXICO
SOUTH CENTRAL NEW MEXICO COUNCIL OF GOVERNMENTS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended June 30, 2015

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-PY14-AE-Y1	\$ 222,182
*Fiscal Agent Contract and Administrative Entity Contract-Adult	17.258	WIA/SWR-PY14-AE-Y1	94,846
*Fiscal Agent Contract and Administrative Entity Contract-DW	17.278	WIA/SWR-PY14-AE-Y1	68,607
*Fiscal Agent Contract and Administrative Entity Contract-Youth	17.259	WIA/SWR-PY14-AE-Y1	90,747
			476,382
U.S. Department of Transportation passed through			
New Mexico State Highway and Transportation Department			
Regional Planning Organization	20.205	M01040	78,130
			78,130
U.S. Department of Housing & Urban Development passed through			
various local governments			
Community Development Block Grants	14.246		12,046
			12,046
<i>Direct:</i>			
U.S. Department of Commerce			
Economic Development Administration (EDA)	11.302		60,000
			60,000
Total federal awards expended			\$ 626,558

* 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	\$ 497,227
	General Fund	150,176
	Total	\$ 647,403
	Per Sefa	\$ 626,558
Net effect of unavailable revenue reclassified as deferred	inflows of resources (60 day)	(20,845)
	Difference	\$ -

**SOUTH CENTRAL NEW MEXICO COUNCIL OF GOVERNMENTS
SCHEDULE OF VENDOR INFORMATION
For The Year Ended June 30, 2015**

<i>RFB#/ RFP#</i>	<i>Type of Procurement</i>	<i>Awarded Vendor</i>	<i>\$ Amount of Awarded Contract</i>	<i>\$ Amount of Amended Contract</i>	<i>Name and Physical Address per the procurement documentation, of <u>ALL</u> Vendor(s) that responded</i>	<i>In-State/ Out-of-State Vendor (Y or N) (Based on Statutory Definition)</i>	<i>Was the vendor in- state and chose Veteran's preference (Y or N) For federal funds answer N/A</i>	<i>Brief Description of the Scope of Work</i>
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None



**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. Tim Keller, 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, 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, 2015, and the related notes to the financial statements, which collectively comprise the SCCOG's basic financial statements, and the related budgetary comparisons of SCCOG, presented as supplemental information, and have issued our report thereon dated December 15, 2015.

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.

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 deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses: 2014-001 and 2015-001.

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 did not identify any deficiencies in internal control that we consider to be significant deficiencies.

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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2015-002 and 2015-003.

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, 2015



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. Tim Keller, 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, 2015. 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, 2015.

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, 2015

**STATE OF NEW MEXICO
SOUTH CENTRAL NEW MEXICO COUNCIL OF GOVERNMENTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2015**

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? Yes X No

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

Federal Awards

Internal Control

Material weaknesses identified? Yes X No

Significant deficiencies identified that are not considered to be material weaknesses? 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? Yes X No

**STATE OF NEW MEXICO
SOUTH CENTRAL NEW MEXICO COUNCIL OF GOVERNMENTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2015**

SECTION II AND III- FINANCIAL STATEMENTS AND FEDERAL AWARD FINDINGS

Reference #	Finding	Status of Current and Prior Year Findings	Type of Finding*
PRIOR YEAR			
2014-001	BANK RECONCILIATION PROCESS	Modified	A
2014-002	INTERNAL CONTROLS OVER CASH RECEIPTS	Resolved	B,G
CURRENT YEAR			
2015-001	FINANCIAL CLOSE AND REPORTING	Current	A
2015-002	CHIEF PROCUREMENT OFFICER	Current	G
2015-003	UNDER-COLLATERALIZATION OF CASH BALANCES	Current	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, 2015**

PRIOR YEAR FINDINGS

2014-001–BANK RECONCILIATION PROCESS

Type of Finding: A

Statement of Condition

The original bank reconciliations performed June 2015 did not tie to the general ledger. Several adjustments were necessary to reconcile bank balances.

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

Account	Unadjusted General Ledger Balance	Bank Reconciliation Balance	Difference
SCCOG Operating	\$ 85,662	94,267	\$ (8,605)
SCRTD (Agency fund)	(66,960)	11,439	(78,399)
	\$ 18,702	105,706	\$ (87,004)

Although SCCOG staff was careful not to void transactions that would affect cash in the current year, it appears that the discrepancies in cash stemmed from voided transactions in the prior year.

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 indicate weaknesses in control and could lead to misstated financial statements.

Cause

SCCOG staff was aware of the entries that caused the difference between the general ledger cash balance and the bank reconciliations. However, it was an entry from the previous year and staff was unsure of how to successfully correct the entry. The amount was not included in revenues or cash balances when reported on Financial Statements.

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. Additionally, bank reconciliations balances should be compared to the general ledger on a monthly basis.

Management Response

The South Central Council of Governments Fiscal Administrator will attend trainings for the accounting software and learn how to successfully make corrections in the accounting system. SCCOG Fiscal Administrator and other Management positions will participate in several training courses during the current fiscal year to build the necessary skills and knowledge required to effectively manage all aspects of the organization.

**STATE OF NEW MEXICO
SOUTH CENTRAL NEW MEXICO COUNCIL OF GOVERNMENTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2015**

CURRENT YEAR FINDINGS

2015-001 – FINANCIAL CLOSE AND REPORTING

Type of Finding: A

Statement of Condition

The SCCOG has not implemented an effective financial close and reporting process controls for the year ended June 30, 2015. The financial close should include but not be limited to:

- Identifying all sources of financial and non-financial data (routine and non-routine events and transactions) that will be needed in order to maintain and systematically adjust the SCCOG's general ledger.
- Establishing and implementing procedures and records to initiate, authorize, record process, correct, transfer to the general ledger, and report the SCCOGs transactions.
- Monitoring assigned personnel are completing their task timely and accurately.

Significant areas that required audit adjustments were: receivables, accounts payable, unearned revenue, and cash. Below are the approximate dollar amounts of proposed audit adjustments:

- Receivables - \$(62,332) to grant receivables and \$33,065 to other receivables
- Payables - \$28,944
- Cash - \$(84,306) to SCCOG account and \$78,399 to SCRTD account
- Unearned revenue - -\$(30,350)

Criteria

There are several key underlying accounting standards related to an organization designing and implementing an effective financial close and reporting process. Auditors, are required to identify and communicate internal weaknesses according to "Statement On Auditing Standards (SAS) 115 Communication of Internal Control Related Matters Identified in an Audit". The following are a few concepts associated with this standard:

- The auditor cannot be part of a client's internal control because becoming part of a client's internal control impairs auditor independence;
- The auditor's work is independent of the client's internal control over financial reporting, and the auditor cannot be a compensating control for the client; and
- A system of internal control over the financial reporting does not stop at the general ledger – it includes controls over the presentation of the financial statements.

The Financial Close is considered a significant process of internal control and should be performed by the SCCOG staff.

Effect

The SCCOG's books were not fully closed in a timely manner and it resulted in audit findings and a significant number of material adjustments.

Cause

SCCOG Management staff was aware of several Journal Entries that were not correct, many of which were from previous fiscal years. Management made the decision to wait to make the corrections, and avoid potentially compounding the issue, till the auditors where in the office.

**STATE OF NEW MEXICO
SOUTH CENTRAL NEW MEXICO COUNCIL OF GOVERNMENTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2015**

Recommendation

We recommend the SCCOG institute procedures to ensure there is a proper monthly/quarterly and year-end/financial close to its accounts.

Management Response

The South Central Council of Governments Fiscal Administrator will attend trainings for the accounting software and learn how to successfully make corrections in the accounting system. SCCOG Fiscal Administrator and other Management positions will participate in several training courses during the current fiscal year to build the necessary skills and knowledge required to effectively manage all aspects of the organization. At the beginning of Fiscal Year 2016, SCCOG Management has implemented quarterly meetings to review financials.

2015-002—CHIEF PROCUREMENT OFFICER

Type of Finding: G

Statement of Condition

The SCCOG did not have their designated Chief Procurement Officer certification by June 30, 2015.

Criteria

New Mexico Administrative Code section 1.4.1.94 C states that in order for Chief Procurement Officers to become certified and recertified, a Chief Procurement Officer shall obtain such education and training as deemed appropriate by the secretary of the general services department and pass a certification or recertification examination, as appropriate, approved by the secretary of the general services department.

According to section 1.4.1.94 D, on or after July 1, 2015, only certified Chief Procurement Officers may:

- Make determinations, including determinations regarding exemptions, pursuant to the Procurement Code.
- Issue purchase orders and authorize small purchases pursuant to the Procurement Code.
- Approve procurement pursuant to the Procurement Code.

Cause

Fiscal staff was unable to attend the required training per New Mexico Administrative Code section 1.4.1.94 C.

Effect

The SCCOG does not appear to be in compliance with the New Mexico Administrative Code for the certification requirement of the Chief Procurement Officer under the Procurement Code.

Recommendation

We recommend that the SCCOG's Chief Procurement Officer immediately complete certification.

Management Response

The South Central Council of Governments currently have three employees registered to attend the Public Purchasing Foundation Classes & Culminating Test program on February 2nd -5th. This is the next time the course is offered.

**STATE OF NEW MEXICO
SOUTH CENTRAL NEW MEXICO COUNCIL OF GOVERNMENTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2015**

2015-003 – UNDER-COLLATERALIZATION OF CASH BALANCES

Type of Finding: G

Statement of Condition

The Federal Deposit Insurance Corporation (FDIC) insures deposits up to \$250,000 per depositor per insured bank. Cash accounts held, on behalf of the Southern Area Workforce Development Board (SAWDB), at Bank of the Southwest at June 30, 2015 totaled \$257,582, leaving \$7,582 uninsured by the FDIC in case of bank failure. Neither the SCCOG nor the SAWDB collateralized any of the uninsured balance.

Criteria

Section 6-10-17 NMSA requires 50% collateral requirement for state monies deposited in each financial institution.

Effect

Neither the SCCOG nor the SAWDB followed State Statutes concerning safekeeping of public monies.

Cause

The book balance for cash remained below the \$250,000 threshold, so SCCOG did not recognize when the threshold was exceeded.

Recommendation

The SCCOG should keep track of all its bank balances to ensure the collateralization threshold is not exceeded, and if it is, should have a process to ensure collateralization of 50% of the uninsured balance.

Management Response

SAWDB Fiscal staff accrues expenditures and make cash requests. Fiscal staff monitor the cash account daily, to verify the day that deposits are received and checks are released on that same day. June 26th (Friday), the cash request that caused SAWDB cash account to increase to over \$250,000 was deposited. The checks were cashed on July 1st dropping the cash balance to below the \$250,000 threshold. Since the Checks are prepared and signed when the cash requests are received SAWDB Bank reconciliations do no show this cash on hand. To ensure that this does not happen Fiscal Staff will immediately begin requesting cash more frequently to decrease the size of the cash requests.

**STATE OF NEW MEXICO
SOUTH CENTRAL NEW MEXICO COUNCIL OF GOVERNMENTS
EXIT CONFERENCE
For The Fiscal Year Ended June 30, 2015**

An exit conference was held in a closed session on December 15, 2015, and the contents of this report were discussed. Present at the exit conference were:

Gordon Hicks	Vice-Chair
Nora Barraza	Chair
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.