

State of New Mexico

South Central New Mexico Council of Governments
FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITOR'S
REPORT THEREON

For The Fiscal Year Ended June 30, 2016

South Central New Mexico Council of Governments
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June 30, 2016

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South Central New Mexico Council of Governments
OFFICIAL ROSTER
As of June 30, 2016

<u>DIRECTORS</u>	<u>POSITION</u>	<u>GOVERNMENT REPRESENTED</u>
Nora Barraza	Chairwoman	Town of Mesilla
Gordy Hicks	Vice-Chair	City of Socorro
Steve Green	Member	City of Truth or Consequences
Ben Rawson	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
May Kay Papen	Member	State Legislator
Edna Trager	Member	City of Elephant Butte
Tracey Hamilton	Member	Socorro County
Diana Murillo-Trujillo	Member	City of Anthony
Sherry Fletcher	Member	Sierra County
Tyler Scarticinni	Member	Village of Magdalena
Deborah Stubblefield	Member	Village of Williamsburg
Kathi Jackson	Member	Lower Rio Grande PWWA
Barbara Atway	Member	San Antonio MDWCA
Jose Terrones	Member	Anthony Water & Sanitation
Jennifer Horton	Member	Dona Ana MDWCA
Andy Nunez	Member	Village of Hatch
Jose "Lencho" Vega	Alternate	Polvadera MDWCA
Jay Armijo	Executive Dir/Sec.	SCCOG

MIKE STONE, C.P.A.
LINDA STONE MCGEE, C.P.A.
KAY STONE, C.P.A.
JARROD MASON, C.P.A.
KELLEY WYATT, C.P.A.

RYAN MONTOYA, C.P.A.

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INDEPENDENT AUDITOR'S REPORT

Timothy Keller, State Auditor
And
Board of Directors
South Central New Mexico Council of Governments
Elephant Butte, New Mexico

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the budgetary comparisons for the general fund and major special revenue funds of the South Central New Mexico Council of Governments, as of and for the year ended June 30, 2016, and the related notes to the financial statements which collectively comprise the South Central New Mexico Council of Governments' 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 risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the South Central New Mexico Council of Governments as of June 30, 2016, and the respective changes in financial position and the respective budgetary comparisons for the general fund and major special revenue funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that information related to the South Central New Mexico Council of Governments' pension plan presented on pages 28 to 30 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 evidence sufficient to express an opinion or provide any assurance.

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require 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 South Central New Mexico Council of Governments' financial statements that collectively comprise the Council's basic financial statements. The schedules presented as other supplemental data as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplemental data is the responsibility of management and was derived from and relates 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 auditing standards generally accepted in the United States of America. In our opinion, the other supplemental data is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The Schedule of Vendor Information, listed as other information 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 8, 2016, on our consideration of the South Central New Mexico Council of Governments' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreement 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 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 the South Central New Mexico Council of Governments' internal control over financial reporting and compliance.

Stone, McGee & Co CPAs

Silver City, New Mexico
December 8, 2016

Stone, McGee & Co.
Certified Public Accountants

South Central New Mexico Council of Governments
STATEMENT OF NET POSITION
June 30, 2016

	Governmental Activities
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 26,113
Prepays	4,083
Due from other governments	187,551
Accounts receivable	51,296
Total current assets	\$ 269,043
Noncurrent assets:	
Capital assets, net	\$ 37,085
Total noncurrent assets	\$ 37,085
Total assets	\$ 306,128
Deferred Outflows of Resources	
Related to pensions-payroll	\$ 26,785
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 37,792
Accrued expenses	21,213
Total current liabilities	\$ 59,005
Noncurrent liabilities:	
Net pension liability	350,738
Compensated absences	40,211
Total liabilities	\$ 449,954
Deferred Inflows of Resources	
Related to pensions	\$ 16,759
Unavailable revenue	1,000
Total deferred inflows of resources	\$ 17,759
NET POSITION	
Net investment in capital assets	\$ 37,085
Unrestricted	(171,885)
Total net position	\$ (134,800)

The accompanying notes are an integral part of these financial statements.

South Central New Mexico Council of Governments
STATEMENT OF ACTIVITIES
 For the Fiscal Year Ended June 30, 2016

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>
Governmental activities:			
General government	\$ 1,013,593	\$ 286,347	\$ 785,137
Total governmental activities	<u>\$ 1,013,593</u>	<u>\$ 286,347</u>	<u>\$ 785,137</u>
 General revenues:			
Miscellaneous			
Total general revenues			
 Change in net position			
 Net position--beginning of year			
 Net position--end of year			

The accompanying notes are an integral part of these financial statements.

<u>Capital Grants and Contributions</u>	<u>Net (Expenses) Revenue and Changes in Net Position Governmental Activities</u>
\$ -	\$ 57,891
<u>\$ -</u>	<u>\$ 57,891</u>
	<u>\$ 1,850</u>
	<u>\$ 1,850</u>
	\$ 59,741
	<u>(194,541)</u>
	<u><u>\$ (134,800)</u></u>

South Central New Mexico Council of Governments
BALANCE SHEETS
GOVERNMENTAL FUNDS
June 30, 2016

	General Fund	WIA Funds	Total Governmental Funds
Assets			
Cash and cash equivalents	\$ 26,113	\$ -	\$ 26,113
Prepaid expenses	4,083		4,083
Due from other governments	53,055	134,496	187,551
Accounts receivable	51,296		51,296
Interfund receivable	114,324		114,324
	<u>\$ 248,871</u>	<u>\$ 134,496</u>	<u>\$ 383,367</u>
Liabilities			
Accounts payable	\$ 22,175	\$ 15,617	\$ 37,792
Accrued expenses-payroll	16,658	4,555	21,213
Interfund payable		114,324	114,324
	<u>\$ 38,833</u>	<u>\$ 134,496</u>	<u>\$ 173,329</u>
Deferred inflows of resources			
Unavailable revenue	\$ 1,000	\$ 37,118	\$ 38,118
	<u>\$ 1,000</u>	<u>\$ 37,118</u>	<u>\$ 38,118</u>
Fund balance:			
Nonspendable-Prepaid expenses	\$ 4,083		\$ 4,083
Unassigned	204,955	(37,118)	167,837
	<u>\$ 209,038</u>	<u>\$ (37,118)</u>	<u>\$ 171,920</u>
Total fund balances	<u>\$ 209,038</u>	<u>\$ (37,118)</u>	<u>\$ 171,920</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 248,871</u>	<u>\$ 134,496</u>	<u>\$ 383,367</u>

The accompanying notes are an integral part of these financial statements.

SouthCentral New Mexico Council of Governments
**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE
 TO NET POSITION OF GOVERNMENTAL ACTIVITIES**
 June 30, 2016

Total governmental fund balances	\$	171,920
 <i>Amounts reported for governmental activities in the statement of net position are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		37,085
Other long-term assets are not available to pay for current- period expenditures and therefore are deferred in the funds: Intergovernmental grants subject to the 60 day availability period		37,118
Deferred outflows and inflows or resources related to pensions are applicable to future periods and, therefore, are not reported in the funds		
Deferred inflows of resources related to pensions		(16,759)
Deferred outflows of resources related to pensions		26,785
Long-term liabilities, including bonds payable, compensated absences, lease- purchases payable and accrued interest payable are not due and payable in the current period and therefore are not reported in the funds:		
Net pension liability		(350,738)
Compensated absences payable		(40,211)
		(390,949)
<i>Net Position of Governmental Activities</i>	\$	(134,800)

The accompanying notes are an integral part of these financial statements.

South Central New Mexico Council of Governments
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2016

	<u>General Fund</u>	<u>WIA Funds</u>	<u>Total Governmental Funds</u>
Revenues:			
Charges for services	\$ 302,320	\$ -	\$ 302,320
State sources	105,686		105,686
Federal sources	145,593	496,740	642,333
Miscellaneous	1,850		1,850
	<u>\$ 555,449</u>	<u>\$ 496,740</u>	<u>\$ 1,052,189</u>
Total revenues			
Expenditures:			
Current:			
General government	\$ 498,478	\$ 517,885	\$ 1,016,363
Capital outlay	18,871		18,871
	<u>\$ 517,349</u>	<u>\$ 517,885</u>	<u>\$ 1,035,234</u>
Total expenditures			
Revenues over (under) expenditures	\$ 38,100	\$ (21,145)	\$ 16,955
Other financing sources (uses):			
Transfer in			-
Transfer out			-
	<u>\$ 38,100</u>	<u>\$ (21,145)</u>	<u>\$ 16,955</u>
Net change in fund balance			
Fund balance, July 1, 2015	<u>170,938</u>	<u>(15,973)</u>	<u>154,965</u>
Fund balance, June 30, 2016	<u>\$ 209,038</u>	<u>\$ (37,118)</u>	<u>\$ 171,920</u>

The accompanying notes are an integral part of these financial statements.

South Central New Mexico Council of Governments
**RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**
June 30, 2016

Net change in fund balances- total governmental funds	\$	16,955
 <i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense:		
Capital outlay		18,871
Depreciation expense		(6,181)
 Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. This is the net change during the year:		
Membership dues subject to the 60 day availability period		(15,973)
Intergovernmental grants subject to the 60 day availability period		37,118
 Governmental funds report pension contributions as expenditures. However in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense		
Pension contributions		26,785
Cost of benefits earned net of employee contributions		(7,097)
 Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the Statement of Activities, a gain or loss is reported for each disposal. This is the basis in the assets disposed of.		
		-
 Some expense reported in the Statement of Activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. This is the net change in compensated absences for the year.		
		(10,737)
 <i>Change in Net Position of Governmental Activities</i>	 \$	59,741

The accompanying notes are an integral part of these financial statements.

South Central New Mexico Council of Governments
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES--BUDGET AND ACTUAL (MODIFIED ACCRUAL BASIS)
For the Fiscal Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Local	\$ 420,974	\$ 420,974	\$ 302,320	\$ (118,654)
Intergovernmental	240,486	240,486	251,279	10,793
Miscellaneous	1,000	1,000	1,850	850
Total revenues	<u>\$ 662,460</u>	<u>\$ 662,460</u>	<u>\$ 555,449</u>	<u>\$ (107,011)</u>
Expenditures:				
Current:				
General government	\$ 613,298	\$ 613,298	\$ 498,478	\$ 114,820
Capital outlay	44,155	44,155	18,871	25,284
Total expenditures	<u>\$ 657,453</u>	<u>\$ 657,453</u>	<u>\$ 517,349</u>	<u>\$ 140,104</u>
Revenues over (under) expenditures	\$ 5,007	\$ 5,007	\$ 38,100	\$ 33,093
Other financing sources (uses):				
Transfers out				-
Net change in fund balance	\$ 5,007	\$ 5,007	\$ 38,100	\$ 33,093
Fund balance, July 1, 2015	-	-	170,938	170,938
Fund balance, June 30, 2016	<u>\$ 5,007</u>	<u>\$ 5,007</u>	<u>\$ 209,038</u>	<u>\$ 204,031</u>

The accompanying notes are an integral part of these financial statements

South Central New Mexico Council of Governements
WIA FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES--BUDGET AND ACTUAL (MODIFIED ACCRUAL BASIS)
For the Fiscal Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Local sources	\$ -	\$ -	\$ -	\$ -
Intergovernmental	520,000	520,000	496,740	(23,260)
Total revenues	\$ 520,000	\$ 520,000	\$ 496,740	\$ (23,260)
Expenditures:				
Current:				
General government	\$ 520,000	\$ 520,000	\$ 517,885	\$ 2,115
Capital outlay	-	-	-	-
Total expenditures	\$ 520,000	\$ 520,000	\$ 517,885	\$ 2,115
Revenues over (under) expenditures	\$ -	\$ -	\$ (21,145)	\$ (21,145)
Other financing sources (uses):				
Tranfers in				-
Transfers (out)	-	-	-	-
Net change in fund balance	\$ -	\$ -	\$ (21,145)	\$ (21,145)
Fund balance, July 1, 2015	-	-	(15,973)	(15,973)
Fund balance, June 30, 2016	\$ -	\$ -	\$ (37,118)	\$ (37,118)
Budgetary reconciliation:				
Net change in fund balance, GAAP basis				
Revenue accruals (net)				
Expenditure accruals (net)				
Other financing sources (net)			-	
Net change in fund balance, NON-GAAP budgetary basis			\$ -	

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, 2016

Note 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 non-profit status with the Internal Revenue Service.

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.

B. REPORTING ENTITY

These financial statements present the Council of Governments (the primary government). As defined by Generally Accepted Accounting Principles, component units are legally separate entities that are included in the Council of Government's reporting entity because of the significance of their operating or financial relationships with the Council of Governments. Based on the criterion in Generally Accepted Accounting Principles, the Council of Governments had no component units.

C. BASIS OF PRESENTATION

Government-wide Financial Statements:

The Statement of Net Position and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The Council of Governments has no business-type activities, nor any fiduciary funds.

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditure/expenses. Funds are organized into one major category: governmental. An emphasis is placed on major funds within the governmental categories. A fund is considered major if it is the primary operating fund of the Council of Governments or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental fund are at least 10 percent of the corresponding total for all funds of that category or type.
- b. Other funds management feels are significant.

The funds of the financial reporting entity are described below:

Governmental Funds

General Fund

The General Fund is the primary operating fund of the Council of Governments and always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Major-Fund Description

General Fund – See the description above

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.

D. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

Measurement Focus

In the government-wide Statement of Net Position and the Statement of Activities, governmental activities are presented using the economic resources measurement focus as defined in item “b” below.

In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus is used.

- a. All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets, deferred outflows of resources, liabilities and deferred inflows of resources are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The government-wide financial statements utilize an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets, deferred outflows of resources, liabilities and deferred inflows of resources (whether current or noncurrent) associated with their activities are reported. Revenues, expenses, gains, losses, assets, deferred outflows of resources, liabilities and deferred inflows of resources resulting from non-exchange transactions are recognized when the earnings process is complete.

Basis of Accounting

The government-wide financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred or when the economic asset is used. Revenues, expenses, gains, losses, assets, deferred outflows of resources, liabilities, and deferred inflows of resources resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Derived taxes are recognized when the exchange takes place, and grants are recognized when all eligibility requirements are met.

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. “Available” means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

Substantially all governmental fund revenues are accrued. In applying GASBS No. 33 to grant revenues, the provider recognizes liabilities and expenses and the recipient recognizes receivables and revenue when the applicable eligibility requirements, including time requirements, are met. Resources transmitted before the eligibility requirements are met are reported as deferred outflows of resources by the provider and deferred inflows of resources by the recipient. Grant revenues not collected within 60 days of year end are recorded as receivables and deferred inflows of resources. Such amounts are recorded net of estimated uncollectible amounts.

In the government-wide Statement of Net Position, the governmental activities columns (a) are presented on a consolidated basis by column, (b) and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Council of Government's net position is reported in three parts – net investment in capital assets, restricted net position; and unrestricted net position. The Council of Governments first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the Council of Government's functions. The functions are also supported by general government revenues (certain intergovernmental revenues, and charges, etc.) The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function, and are typically charges for services. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The net costs (by function) are normally covered by general revenue (intergovernmental revenues, interest income, etc.).

The Council of Governments does not allocate indirect costs.

This government-wide focus is more on the sustainability of the Council of Governments as an entity and the change in the Council of Government's net position resulting from the current year's activities.

E. BUDGETS

The budget for the General and Special Revenue Funds are prepared by management and are approved by the members of the Board, and the New Mexico Department of Finance and Administration.

These budgets are prepared on the GAAP modified accrual basis, excluding encumbrances, and secure appropriation of funds for only one year. Carryover funds must be re-appropriated in the budget of the subsequent fiscal year.

Actual expenditures may not exceed the budget on a by fund basis. Budgets may be amended in two ways. If a budget transfer is necessary within a fund, this may be accomplished with only local Board approval. If a transfer between "funds" or a budget increase is required, approval must also be obtained from the Department of Finance and Administration.

The budgetary information presented in these financial statements has been amended in accordance with the above procedures.

F. CASH AND INVESTMENTS

Cash includes amounts in demand deposits as well as short-term investments with a maturity of six months from the date acquired by the government. State statutes authorize the government to invest in obligations of the U.S. Treasury, interest-bearing accounts with local financial institutions and the State Treasurer Pool.

New Mexico Statutes require that financial institutions with public monies on deposit pledge collateral, to the owners of such monies, in an amount not less than 50% of the public monies held on deposit. Collateral pledged is held in safekeeping by other financial institutions, with safekeeping receipts held by the Council of Governments. The pledged securities remain in the name of the financial institution.

G. INTERFUND RECEIVABLES AND PAYABLES

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Short-term inter-fund loans are reported as “interfund receivables and payables”. Inter-fund receivables and payables between funds within governmental activities and between funds within business-type activities are eliminated in the Statement of Net Position. All inter-fund receivables and payables are eliminated in the total primary government column in the Statement of Net Position.

H. RECEIVABLES

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Major receivable balances for the governmental activities include grants.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as grants and other similar intergovernmental revenues since they are usually both measurable and available. Non-exchange transactions collectible but not available are deferred in the fund financial statements in accordance with modified accrual, but not deferred in the government-wide financial statements in accordance with the accrual basis. Interest and investment earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available.

I. CAPITAL ASSETS

Capital assets purchased or acquired with an original cost of \$5,000.00 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Furniture and equipment	5-10 years
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The accounting treatment over property, plant and equipment depends on whether they are reported in the government-wide financial statements or fund financial statements. In the government-wide financial statements, fixed assets are accounted for as capital assets. In the fund financial statements, fixed assets are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

J. COMPENSATED ABSENCES

The Council of Government's policies regarding vacation time permit employees to accumulate earned but unused vacation leave. The liability for these compensated absences is recorded as long-term debt in the government-wide statements. The current portion of this debt is estimated based on historical trends. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources.

K. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statements element, deferred outflows of resources, represents consumption of net position that applies to a future period, and so will be recognized as an outflow of resources (expenses/expenditures) then. The Government has deferred outflows of resources related to pensions as discussed in Note 6.

In addition to liabilities, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statements element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenues) until that time. The Government has deferred inflows of resources related to pensions as discussed in Note 6. The government also has deferred inflows related to prepaid dues of \$1,000.00.

L. EQUITY CLASSIFICATIONS

Government-wide Statements

Equity is classified as net position and displayed in three components:

- a. Net investment in capital assets – consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position – consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

- c. Unrestricted net position - all other net position that do not meet the definition of “restricted” or “net investment in capital assets, net of related debt.”

Fund Statements

The Council of Governments has implemented GASB Statement 54 “Fund Balance Reporting and Governmental Fund Type Definitions”. This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government’s fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Non-spendable fund balance – amounts that are not in a spendable form (such as inventory) or are required to remain intact.
- Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- Committed fund balance – amounts constrained to specific purposes by the government itself, using its highest level of decision-making authority, to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change its constraints.
- Assigned fund balance – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the government body delegates the authority.
- Unassigned fund balance – amounts that are available for any purpose; positive amounts are reported only in the general fund.

The Board of Directors establishes (and modifies or rescinds) fund balance commitments by adoption of a resolution or a vote of the Board. This is typically done through the adoption and amendment of the budget. Assigned fund balance is established by the Board of Directors through adoption or amendment of the budget as intended for a specific purpose (such as purchase of fixed assets, construction, debt service or for other purposes). Expenditures incurred are normally paid from the highest constrained fund balance.

M. INTERFUND ACTIVITY

Interfund activity is reported as either loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are netted as a part of the reconciliation to the government-wide financial statements. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental funds are netted as part of the reconciliation to the government-wide financial statements.

N. USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Note 2 Custodial Credit Risk

Custodial credit risk is the risk in the event of a bank failure the government's deposits may not be returned to it. The government does not have a deposit policy for credit risk beyond that disclosed in Note 1. As of June 30, 2016, \$-0- of the governments bank balance of \$39,741 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ -0-
Uninsured and collateral held by pledging banks trust department not in Council's name	<u>-0-</u>
Total	<u>\$ -0-</u>

	<u>Bank Balance</u>	<u>Carrying Amount</u>
Deposits by custodial risk category:		
Insured	<u>\$ 39,741</u>	<u>\$ 26,113</u>

Note 3 Capital Assets

The following is summary of capital asset activity during the fiscal year:

	<u>Balance July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2016</u>
Capital Assets Being Depreciated:				
Equipment	<u>\$ 164,254</u>	<u>\$ 18,871</u>	<u>\$ -0-</u>	<u>\$ 183,125</u>
Total capital assets being depreciated	<u>\$ 164,254</u>	<u>\$ 18,871</u>	<u>\$ -0-</u>	<u>\$ 183,125</u>
Less accumulated depreciation For:				
Equipment	<u>\$ (139,859)</u>	<u>\$ (6,181)</u>	<u>\$ -0-</u>	<u>\$ (146,040)</u>
Capital assets, net	<u>\$ 24,395</u>	<u>\$ 12,690</u>	<u>\$ -0-</u>	<u>\$ 37,085</u>

Depreciation expense was charged to the governmental activities as follows:

General government	<u>\$ 6,181</u>
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Note 4 Compensated Absences

Compensated absence activity was as follows for the year ended June 30, 2016:

	<u>Balance</u> <u>July 1, 2015</u>	<u>Additions</u>	<u>Retire-</u> <u>ments</u>	<u>Balance</u> <u>June 30, 2016</u>	<u>Due In</u> <u>One Year</u>
Compensated absences	\$ 29,474	\$ 45,450	\$ 34,713	\$ 40,211	\$ -0-

The amount of compensated absences due within the next year are not estimable. The liabilities will be paid from the fund which is charged with the employee as a direct cost, and will be paid from available funds. Typically, the general fund bears the majority of compensated absences cost.

Note 5 Risk Management

The Council of Governments is exposed to various risks of loss related to torts; thefts of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Council of Governments has purchased private insurance to mitigate these risks. No settlements have exceeded coverage in the last three years.

Limits of coverage are as follows:

\$1,000,000	Liability
\$ 27,000	Property
\$1,000,000	Auto

Note 6 Pension Plan – Public Employees Retirement Association

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, 2015 available at http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366_Public_Employees_Retirement_Association_2015.pdf.

Contributions – The contribution requirements of defined benefit plan members and the Southwest New Mexico Council of Governments (COG) 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 FY15 for the various PERA coverage options, for both Tier I and Tier II, see the tables available in the note disclosures on pages 31 through 32 of the PERA FY15 annual audit report at http://osam.org/media/audits/366_Public_Employees_Retirement_Association_2015.pdf. The PERA coverage options that apply to The Council of Governments are the Municipal General. Statutorily required contributions to the pension plan from the Council of Governments were \$26,785 and employer paid member benefits that were “picked up” by the employer were \$-0- for the year ended June 30, 2016.

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, 2014. The PERA pension liability amounts for each division were rolled forward from the valuation date to the Plan year ending June 30, 2015, using generally accepted actuarial principles. Therefore the employer’s portion was established as of the measurement date June 30, 2015.

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 Council of Government’s proportion of the net pension liability for each member 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, 2015. Only employer contributions for the pay period end dates that fell within the period of July 1, 2014 to June 30, 2015 were included in the total contributions for a specific employer. Regular and any adjustment contributions that applied to FY 2015 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, at June 30, 2016, the Council of Governments reported a liability of \$350,738 for its proportionate share of the net pension liability. At June 30, 2015, the Council of Government’s proportion was .0344 percent, which was .0013 percent less than its proportion of .0357 percent measured as of June 30, 2014.

For the year ended June 30, 2016, the Council of Governments recognized PERA Fund Division Municipal General pension expense of \$7,097. At June 30, 2016, the Council of Governments reported PERA Fund Division Municipal General deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$	\$ 7,769
Changes of assumptions	-	137
Net difference between projected and actual earnings on pension plan investments	-	1,109
Changes in proportion and differences between the Authority contributions and proportionate share of contributions	-	7,744
The Authority’s contributions subsequent to the measurement date	<u>26,785</u>	<u>-</u>
Total	<u>\$ 26,785</u>	<u>\$ 16,759</u>

\$26,785 reported as deferred outflows of resources related to pensions resulting from Authority contributions subsequent to the measurement date June 30, 2015 will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. 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:

2017	(11,871)
2018	(11,871)
2019	(11,871)
2020	18,854

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, 2014 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, 2015 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, 2015. These actuarial methods and assumptions were adopted by the Board for use in the June 30, 2015 actuarial valuation.

Actuarial valuation date	June 30, 2014
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

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:

ALL FUNDS – Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
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	<u>4.0%</u>	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 Council of Government’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 Council of Government’s net pension liability in each PERA Fund Division that the Council of Government’s participate 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.

	1% Decrease <u>(6.75%)</u>	Current Discount Rate <u>(7.75%)</u>	1% Increase <u>(8.75%)</u>
PERA Fund Division Municipal General			
The Council of Government’s proportionate share of the net pension liability	\$ 597,167	\$ 350,738	\$ 145,848

Pension Plan Fiduciary Net Position – Detailed information about the pension plan’s fiduciary net position is available in the separately issued FY15 PERA financial report. The report is available at <http://www.pera.state.nm.us/publications.html>

Note 7 Post-Employment Benefits – State Retiree Health Care Plan

The South Central Council of Governments does not participate in the Retiree Health Care Plan.

Note 8 Contingent Liabilities

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

Note 9 Interfund Transactions

	<u>Interfund Receivable</u> <u>General Fund</u>
<u>Interfund Payables</u>	
WIA	<u>\$ 114,324</u>

The loans were made to fund operating expenses, and are expected to be paid within one year.

There were no interfund transfers during the fiscal year.

Note 10 Deficit Fund Balances

The Council of Governments had the following fund balance deficits at June 30, 2016:

WIA	<u>\$ (37,118)</u>
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These deficits were caused by either the application of the 60 day revenue recognition period required by the modified accrual basis of accounting or the timing of transfers to be made from the General Fund. As revenue is collected and/or the transfers are made, the deficits will be eliminated.

Note 11 Restricted Net Position

Net position restricted for other purposes had a zero balance at June 30, 2016.

Note 12 Evaluation of Subsequent Events

The Council of Governments has evaluated subsequent events through December 8, 2016, the date which the financial statements were available to be issued.

South Central New Mexico Council of Governments
SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY OF
PERA FUND DIVISION MUNICIPAL GENERAL
PUBLIC EMPLOYEES RETIREMENT ASSOCIATION)(PERA) PLAN
LAST 10 FISCAL YEARS*

	<u>2016</u>	<u>2015</u>
South Central New Mexico Council of Governments' proportion of the net pension liability	.0344%	.0357%
South Central New Mexico Council of Governments' proportionate share of the net pension liability	350,738	\$ 278,498
South Central New Mexico Council of Governments' covered employee payroll	361,667	\$ 236,992
South Central New Mexico Council of Governments' proportionate share of the net pension liability as a percentage of its covered-employee payroll	97%	118%
Plan fiduciary net position as a percentage of the total pension liability	77%	81%

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

South Central New Mexico Council of Governments
SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS-PUBLIC EMPLOYEES RETIREMENT
ASSOCIATION (PERA) PLAN-PERA FUND DIVISION MUNICIPAL GENERAL
***LAST 10 FISCAL YEARS**

	2016	2015
Contractually required contributions	\$ 26,785	\$ 27,233
Contributions in relation to contractually required contribution	(26,785)	(27,233)
Contribution deficiency (excess)	\$ -	\$ -
South Central New Mexico Council of Governments's covered employee payroll	\$ 361,667	\$ 236,992
Contributions as a percentage of covered-employee payroll	7.40%	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 South Central NM Council of Governments will present information for those years for which information is available.

South Central New Mexico Council of Governments
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2016

Change in benefit terms – The PERA Fund COLA and retirement eligibility benefits changes in recent years are described in Note 1 of the PERA FY15 audit available at [http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366 Public Employees Retirement Association 2015.pdf](http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366%20Public%20Employees%20Retirement%20Association%202015.pdf).

Changes of valuation – The Public Employees Retirement Association (PERA) of New Mexico Annual Actuarial Valuation as of June 30, 2015 report is available at:

http://www.pera.state.nm.us/pdf/Investment/RetirementFundValuationReports/6-30-2015%20PERA%20Valuation%20Report_FINAL.pdf.

The Summary of Key Findings for the PERA Fund (on page 2 of the report) states “The return on the actuarial value of assets was 7.64% compared to the expected return of 7.75%. The total increase to the unfunded actuarial accrued liability is \$410 million and results in a decrease to the funded ratio from 75.8% to 74.9%.” For details about the actuarial assumptions, see Appendix B on page 53 of the report.

South Central New Mexico Council of Governments
SCHEDULE OF DEPOSITORY COLLATERAL
 June 30, 2016

	<u>Bank of the Southwest</u>
Checking	\$ 39,741
Total on deposit	\$ 39,741
Less: FDIC insurance	<u>(39,741)</u>
Total uninsured public funds	<u>\$ -</u>
50% collateralization requirement (Section 6-10-17 NMSA)	<u>\$ -</u>
Pledged securities over (under) requirement	<u>\$ -</u>

South Central New Mexico Council of Governments
SCHEDULE OF INDIVIDUAL DEPOSIT ACCOUNTS AND INVESTMENTS
 June 30, 2016

	Type of Account	Bank Balance	Reconciled Balance
Bank of the Southwest			
Operational	Checking	\$ 39,741	\$ 26,113
Total Bank of the Southwest		\$ 39,741	\$ 26,113
Total cash and investments			\$ 26,113

South Central Council of Governments
Vendor Schedule
Prepared by Katherine Gervasio

<i>Agency Number</i>	<i>Agency Name</i>	<i>Agency Type</i>	<i>RFP#/RFQ# (if applicable)</i>	<i>Type of Procurement</i>	<i>Vendor Name</i>	<i>Did Vendor Win Contract ?</i>	<i>\$ Amount of Awarded Contract</i>	<i>\$ Amount of Amended Contract</i>	<i>Physical address of vendor (City, State)</i>	<i>Did the Vendor provide documentation of eligibility for in-state preference?</i>	<i>Did the Vendor provide documentation of eligibility for veterans' preference?</i>	<i>Brief Description of the Scope of Work</i>	<i>If the procurement is attributable to a Component Unit, Name of Component Unit</i>
	South Central Council of 807 Governments		N/A		N/A		N/A	N/A	N/A			N/A	N/A

South Central New Mexico Council of Governments
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Fiscal Year Ended June 30, 2016

Findings – Financial Statement Audit

Current Status

2014-001 Cash in Bank not Reconciled to General ledger	Revised and repeated as Finding 2016-001
2015-001 Financial closing process not effective	Resolved
2015-002 Chief Procurement Officer not certified	Resolved
2015-003 Insufficient depository collateral	Resolved

Findings and Questioned Costs – Major Federal Award programs

None

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

INDEPENDENT AUDITOR'S REPORT

Timothy Keller, State Auditor
And
Board of Directors
South Central New Mexico Council of Governments
Elephant Butte, New Mexico

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 funds of the South Central New Mexico Council of Governments as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the South Central New Mexico Council of Governments' basic financial statements, and have issued our report thereon dated December 8, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered South Central New Mexico Council of Governments' 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 the COG's internal control. Accordingly, we do not express an opinion on the effectiveness of the South Central New Mexico Council of Governments' internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the South Central New Mexico Council of Governments' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, which are described in the accompanying schedule of findings and responses as items 2016-001 and 2016-002.

South Central New Mexico Council of Governments' Responses to Findings

South Central New Mexico Council of Governments' responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The COG's responses were not subject 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 result 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.

Stone, McGee + Co CPAs

Silver City, New Mexico
December 8, 2016

Stone, McGee & Co.
Certified Public Accountants

South Central New Mexico Council of Governments
SCHEDULE OF FINDINGS AND RESPONSES
For the Fiscal Year Ended June 30, 2016

SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unmodified opinion on the financial statements of South Central New Mexico Council of Governments.
2. No significant deficiencies relating to the audit of the financial statements are reported in the *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*.
3. No instances of noncompliance material to the financial statements of South Central New Mexico Council of Governments, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. South Central New Mexico Council of Governments expended less than \$750,000 in federal funds.

FINDINGS – FINANCIAL STATEMENT AUDIT

2016-001(2014-001) Cash Reconciliations (Other Noncompliance)

Condition – The COG's reconciled cash balances did not agree to the general ledger. The Fiscal Administrator was aware of the discrepancies, however, she was awaiting audit journal entries so as to make the adjustment.

A corrective action plan was in place, and the internal control system was effective in identifying the situation. However, accounting personnel felt consultation with the current year auditor was necessary to make the adjustments correctly.

Criteria – Sound internal control requires that cash on banks be reconciled to cash balances in the general ledger monthly.

Effect – Left unadjusted, cash discrepancies jeopardize financial reporting and budget preparation, as well as interfering with management decisions.

Cause – The adjustments, in some cases, related to prior year audit adjustments, and although the Fiscal Administrator was aware of the differences, was awaiting input from audit personnel to make the proper adjustment.

Recommendation – We recommend that the COG post the adjusting journal entries developed and approved during the audit process. We further recommend that reconciled cash balances be compared and reconciled to general ledger balances monthly.

Agency Response – The adjustments will be posted as developed during the audit process, and reconciliations of cash in banks to the general ledger will begin immediately. The Fiscal Administrator will be responsible for these actions.

2016-002 Payroll Documentation (Other Noncompliance)

Condition – In a test of 25 transactions, we noted 8 instances where the I-9 documentation form was either missing from the employee files or not completed correctly.

Criteria – The I-9 Form is a citizenship documentation form that is required to document citizenship for each employee, and must be available for inspection by federal authorities.

Effect – There is an increased likelihood that ineligible employees could be hired, and if a federal inspection occurred, lack of proper I-9 documentation could lead to significant financial penalties.

Cause – Not all employees were required to fill out I-9s, and inadequate inspection of the I-9s completed led to a lack of documentation.

Recommendation – We recommend that all employee files be reviewed, and that complete I-9s be obtained and properly filed for all employees.

Agency Response – We will review all employee files, and obtain correct I-9s for all employees. We expect this task to be completed by January 31, 2016, and the Fiscal Administrator will be responsible for completion.

OTHER – FINANCIAL STATEMENT PREPARATION

The financial statements were prepared by Stone, McGee & Co., C.P.A.'s. However, the management of South Central New Mexico Council of Governments has acknowledged its responsibility for the financial statements and has taken responsibility for them.

EXIT CONFERENCE

The contents of this report were discussed December 7, 2016. Present at this exit conference were:

<u>Name</u>	<u>Title</u>	<u>Affiliation</u>
Nora Baraza	Board Chair	South Central COG
Javier Perea	Board Member	South Central COG
Jay Armijo	Executive Director	South Central COG
Katherine Gervasio	Fiscal Administrator	South Central COG
Angela Rael	Staff member	South Central COG
Mike Stone	Shareholder	Stone, McGee & Co., CPAs