



KRIEGEL/GRAY/SHAW & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

TRADITIONAL YET PROGRESSIVE SERVICE SINCE 1962

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SOUTHWEST NEW MEXICO COUNCIL OF GOVERNMENTS

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

JUNE 30, 2019

SOUTHWEST NEW MEXICO COUNCIL OF GOVERNMENTS

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**SOUTHWEST NEW MEXICO
COUNCIL OF GOVERNMENTS**

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SOUTHWEST NEW MEXICO COUNCIL OF GOVERNMENTS

OFFICIAL ROSTER
JUNE 30, 2019

BOARD OF DIRECTORS

CITIES AND COUNTIES

<i>Aaron Sera</i>	<i>City of Deming</i>	<i>Chair</i>
<i>Alex C. Brown</i>	<i>Town of Silver City</i>	<i>Co-chair</i>
<i>Linda Cooke</i>	<i>Catron County</i>	<i>Member</i>
<i>Kristy Ortiz</i>	<i>City of Bayard</i>	<i>Member</i>
<i>Robert Barrera</i>	<i>City of Lordsburg</i>	<i>Member</i>
<i>Mischa Larisch</i>	<i>Grant County</i>	<i>Member</i>
<i>Joey Mora</i>	<i>Hidalgo County</i>	<i>Member</i>
<i>Barbara Reedy</i>	<i>Luna County</i>	<i>Member</i>
<i>Lori Ortiz</i>	<i>Town of Hurley</i>	<i>Member</i>
<i>Esequiel Salas</i>	<i>Village of Columbus</i>	<i>Member</i>
<i>Andre Giron</i>	<i>Village of Reserve</i>	<i>Member</i>
<i>Mayor Richard Bauch</i>	<i>Village of Santa Clara</i>	<i>Member</i>
<i>Mayor Rulene Jensen</i>	<i>Village of Virden</i>	<i>Member</i>

SCHOOL DISTRICTS/EDUCATION

<i>Robert Mendoza</i>	<i>Cobre Consolidated Schools</i>	<i>Member</i>
<i>Jessica Etcheverry</i>	<i>Deming Public Schools</i>	<i>Member</i>
<i>Misty Pugmire</i>	<i>El Grito Headstart</i>	<i>Member</i>
<i>Dr. Joseph Shepard</i>	<i>Western New Mexico University</i>	<i>Member</i>
<i>Curtis Clough</i>	<i>Silver Consolidated Schools</i>	<i>Member</i>

SPECIAL DISTRICTS

<i>Julie Debusk</i>	<i>Arenas Valley Water Association</i>	<i>Member</i>
<i>Bob Livingstom</i>	<i>Casas Adobes Mutual Domestic Water Conservation</i>	<i>Member</i>
<i>Ty Bays</i>	<i>Grant Soil and Water Conservation District</i>	<i>Member</i>

**SOUTHWEST NEW MEXICO
COUNCIL OF GOVERNMENTS**

OFFICIAL ROSTER
JUNE 30, 2019

BOARD OF DIRECTORS (CONTINUED)

SPECIAL DISTRICTS (CONTINUED)

<i>Gilbert Cruz</i>	<i>Hanover Mutual Water Domestic Water Conservation Association</i>	<i>Member</i>
<i>Eric McSpadden</i>	<i>Hidalgo Soil and Water Conservation District</i>	<i>Member</i>
<i>Diana Jiron</i>	<i>Lake Roberts Water Users Association</i>	<i>Member</i>
<i>Wayne Ashby</i>	<i>Rancho Grande Water Association</i>	<i>Member</i>
<i>Bill Webb</i>	<i>San Francisco Soil and Water Conservation District</i>	<i>Member</i>
<i>John Baldwin</i>	<i>Tyrone Mutual Domestic Water Conservation District</i>	<i>Member</i>
<i>Rick Holdridge</i>	<i>Deming Soil and Water Conservation District</i>	<i>Member</i>

OTHER GOVERNMENTS

<i>Taffy Arias</i>	<i>Gila Regional Medical Center</i>	<i>Member</i>
<i>Dora Gonzales</i>	<i>Southwest Solid Waste Authority</i>	<i>Member</i>

ADMINISTRATIVE OFFICIALS

Priscilla Lucero

Executive Director

INDEPENDENT AUDITORS' REPORT

Mr. Brian S. Colón, State Auditor and
Board of Directors
Southwest New Mexico Council of Governments
Silver City, New Mexico

Report on 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 funds of the Southwest New Mexico Council of Governments, as of and for the year ended June 30, 2019, and the related notes to the financial statements which collectively comprise the Southwest 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 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.

Mr. Brian S. Colón, State Auditor and
Board of Directors
Southwest New Mexico Council of Governments
Silver City, New Mexico
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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 of the Southwest New Mexico Council of Governments, as of June 30, 2019 and the respective budgetary comparison 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

Management has omitted the *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 that missing information.

Accounting principles generally accepted in the United States of America require pension and OPEB liability schedules on pages 48 through 51 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 Southwest New Mexico Council of Governments' financial statements. The *other schedules required by 2.2.2.NMAC* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Mr. Brian S. Colón, State Auditor and
Board of Directors
Southwest New Mexico Council of Governments
Silver City, New Mexico
Page Three

The *other supplementary information schedules required by 2.2.2 NMAC* are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with the auditing standards generally accepted in the United States of America. In our opinion, the *other supplementary information schedules required by 2.2.2 NMAC* are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2019 on our consideration of the Southwest 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 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 the Southwest New Mexico Council of Governments' internal control over financial reporting and compliance.

Kriegel/Gray/Shaw & Co., P.C.

Kriegel/Gray/Shaw & Co., P.C.
Las Cruces, New Mexico

November 21, 2019

SOUTHWEST NEW MEXICO COUNCIL OF GOVERNMENTS

STATEMENT OF NET POSITION

JUNE 30, 2019

	Governmental Activities
ASSETS	
Current Assets	
Cash and cash equivalents	\$213,283
Due from other governmental agencies	21,042
<i>Total current assets</i>	234,325
Noncurrent Assets	
Capital assets, net	13,449
<i>Total noncurrent assets</i>	13,449
Deferred Outflow of Resources	
Pensions	87,299
OPEB	9,099
<i>Total deferred outflow of resources</i>	96,398
<i>Total assets and deferred outflow of resources</i>	\$344,172
LIABILITIES	
Current Liabilities	
Accounts payable	\$2,526
Payroll related liabilities	8,027
<i>Total current liabilities</i>	10,553
Noncurrent Liabilities	
Compensated absences	7,784
Net pension liability	341,195
Net OPEB liability	192,632
<i>Total noncurrent liabilities</i>	541,611
<i>Total liabilities</i>	552,164
Deferred Inflow of Resources	
Pensions	22,556
OPEB	49,773
<i>Total deferred inflows of resources</i>	72,329
NET POSITION	
Net investment in capital assets	13,449
Restricted for:	
Other purposes	34,334
Unrestricted	(328,104)
<i>Total net position (deficit)</i>	(280,321)
<i>Total liabilities, deferred inflow of resources, and net position</i>	\$344,172

The Notes to Financial Statements are an integral part of these statements.

SOUTHWEST NEW MEXICO COUNCIL OF GOVERNMENTS

STATEMENT OF ACTIVITIES FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Governmental Activities
Primary Government				
Governmental Activities:				
General government	\$283,803	\$144,949	\$154,714	\$15,860
Health and welfare	109,634	0	108,000	(1,634)
Highways and streets	115,021	0	81,139	(33,882)
<i>Total governmental activities</i>	508,458	144,949	343,853	(19,656)
General Revenues				
				\$37
				0
				577
			<i>Total general revenues</i>	614
			Change in net position	(19,042)
			Net position (deficit), beginning of year	(261,279)
			Net position (deficit), end of year	(\$280,321)

The Notes to Financial Statements are an integral part of these statements.

SOUTHWEST NEW MEXICO COUNCIL OF GOVERNMENTS

GOVERNMENTAL FUNDS

BALANCE SHEETS

June 30, 2019

	General Fund	DFA State Appropriations Fund	Economic Development Administration Fund
ASSETS			
Cash and cash equivalents	\$189,235	\$3,521	\$0
Due from other governmental agencies	0	0	0
Accounts receivable	0	0	0
Interfund receivable	35,296	0	0
<i>Total assets</i>	\$224,531	\$3,521	\$0
LIABILITIES AND FUND BALANCE			
Liabilities:			
Accounts payable	\$692	\$84	\$1,331
Accrued payroll liabilities	1,026	1,046	0
Unearned revenue	0	0	0
Interfund payable	0	0	31,863
<i>Total liabilities</i>	1,718	1,130	33,194
Fund Balance:			
Restricted:			
Highways and streets	0	0	0
Healthcare and welfare	0	0	0
General government	0	2,391	0
Unassigned	222,813	0	(33,194)
<i>Total fund balance</i>	222,813	2,391	(33,194)
<i>Total liabilities and fund balances</i>	\$224,531	\$3,521	\$0

The Notes to Financial Statements are an integral part of these statements.

SOUTHWEST NEW MEXICO COUNCIL OF GOVERNMENTS

GOVERNMENTAL FUNDS

BALANCE SHEETS

June 30, 2019

	MFA Outreach Program Fund	New Mexico Department of Transportation Fund	Job Fair Fund
ASSETS			
Cash and cash equivalents	\$0	\$0	\$281
Due from other governmental agencies	3,200	17,842	0
Accounts receivable	0	0	0
Interfund receivable	0	0	0
<i>Total assets</i>	\$3,200	\$17,842	\$281
LIABILITIES AND FUND BALANCE			
Liabilities:			
Accounts payable	\$263	\$156	\$0
Accrued payroll liabilities	3,063	2,892	0
Unearned revenue	0	0	0
Interfund payable	55	3,378	0
<i>Total liabilities</i>	3,381	6,426	0
Fund Balance:			
Restricted:			
Highways and streets	0	11,416	0
Healthcare and welfare	0	0	0
General government	0	0	281
Unassigned	(181)	0	0
<i>Total fund balance</i>	(181)	11,416	281
<i>Total liabilities and fund balances</i>	\$3,200	\$17,842	\$281

The Notes to Financial Statements are an integral part of these statements.

SOUTHWEST NEW MEXICO COUNCIL OF GOVERNMENTS

GOVERNMENTAL FUNDS

BALANCE SHEETS

June 30, 2019

	Imagination Library Fund	Deming Feasibility Study	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$246	\$20,000	\$213,283
Due from other governmental agencies	0	0	21,042
Accounts receivable	0	0	0
Interfund receivable	0	0	35,296
<i>Total assets</i>	\$246	\$20,000	\$269,621
LIABILITIES AND FUND BALANCE			
Liabilities:			
Accounts payable	\$0	\$0	\$2,526
Accrued payroll liabilities	0	0	8,027
Unearned revenue	0	0	0
Interfund payable	0	0	35,296
<i>Total liabilities</i>	0	0	45,849
Fund Balance:			
Restricted:			
Highways and streets	0	0	11,416
Healthcare and welfare	246	0	246
General government	0	20,000	22,672
Unassigned	0	0	189,438
<i>Total fund balance</i>	246	20,000	223,772
<i>Total liabilities and fund balances</i>	\$246	\$20,000	\$269,621

The Notes to Financial Statements are an integral part of these statements.

SOUTHWEST NEW MEXICO COUNCIL OF GOVERNMENTS

**RECONCILIATION OF THE FUND BALANCE OF GOVERNMENTAL FUNDS
TO GOVERNMENTAL ACTIVITIES NET POSITION**

June 30, 2019

FUND BALANCE of Governmental Funds	\$223,772
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets (net of depreciation) used in governmental activities are not financial resources and, therefore, are not reported in the funds.	13,449
Deferred outflows and inflows or resources related to pensions and OPEB are applicable to future periods and, therefore, are not reported in the	
Deferred inflows of resources related to pensions	(22,556)
Deferred outflows of resources related to pensions	87,299
Deferred inflows of resources related to OPEB	(49,773)
Deferred outflows of resources related to OPEB	9,099
Long-term liabilities, including accrued compensated absences, net pension liability, and bonds payable are not due and pay able in the current period and, therefore, are not reported in the funds.	
Net pension liability	(341,195)
Net OPEB liability	(192,632)
Compensated absences pay able	(7,784)
<i>Net position of governmental activities</i>	<i>(\$280,321)</i>

The Notes to Financial Statements are an integral part of these statements.

SOUTHWEST NEW MEXICO COUNCIL OF GOVERNMENTS
GOVERNMENTAL FUNDS
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE FISCAL YEAR ENDED June 30, 2019

	General Fund	DFA State Appropriations Fund	Economic Development Administration Fund
REVENUES			
Charges for services	\$85,081	\$51,332	\$8,536
State sources	0	84,714	0
Federal sources	0	0	70,000
Other grants	0	0	0
Miscellaneous	614	0	0
<i>Total revenues</i>	<u>85,695</u>	<u>136,046</u>	<u>78,536</u>
EXPENDITURES			
Current:			
General government	61,784	110,327	96,785
Health and welfare	0	0	0
Highways and streets	0	0	0
Capital outlay	0	0	0
<i>Total expenditures</i>	<u>61,784</u>	<u>110,327</u>	<u>96,785</u>
<i>Excess (deficiency) of revenues over expenditures</i>	23,911	25,719	(18,249)
Other Financing Sources (Uses):			
Transfers in	0	33,383	20,124
Transfers (out)	(33,383)	(41,374)	0
<i>Total other financing sources (uses)</i>	<u>(33,383)</u>	<u>(7,991)</u>	<u>20,124</u>
<i>Net changes in fund balances</i>	(9,472)	17,728	1,875
Fund balance - beginning of year	232,285	(15,337)	(35,069)
<i>Fund balance - end of year</i>	<u>\$222,813</u>	<u>\$2,391</u>	<u>(\$33,194)</u>

The Notes to Financial Statements are an integral part of these statements.

SOUTHWEST NEW MEXICO COUNCIL OF GOVERNMENTS
GOVERNMENTAL FUNDS
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE FISCAL YEAR ENDED June 30, 2019

	MFA Outreach Program Fund	New Mexico Department of Transportation Fund	Job Fair Fund
REVENUES			
Charges for services	\$0	\$0	\$0
State sources	8,000	81,139	0
Federal sources	0	0	0
Other grants	0	0	0
Miscellaneous	0	0	0
<i>Total revenues</i>	8,000	81,139	0
EXPENDITURES			
Current:			
General government	0	0	0
Health and welfare	9,789	0	0
Highways and streets	0	106,608	0
Capital outlay	0	0	0
<i>Total expenditures</i>	9,789	106,608	0
<i>Excess (deficiency) of revenues over expenditures</i>	(1,789)	(25,469)	0
Other Financing Sources (Uses):			
Transfers in	0	21,250	0
Transfers (out)	0	0	0
<i>Total other financing sources (uses)</i>	0	21,250	0
<i>Net changes in fund balances</i>	(1,789)	(4,219)	0
Fund balance - beginning of year	1,608	15,635	281
<i>Fund balance - end of year</i>	<i>(\$181)</i>	<i>\$11,416</i>	<i>\$281</i>

The Notes to Financial Statements are an integral part of these statements.

SOUTHWEST NEW MEXICO COUNCIL OF GOVERNMENTS
GOVERNMENTAL FUNDS
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE FISCAL YEAR ENDED June 30, 2019

	Imagination Library Fund	Deming Feasibility Study	Total Governmental Funds
REVENUES			
Charges for services	\$0	\$0	\$144,949
State sources	100,000	0	273,853
Federal sources	0	0	70,000
Other grants	0	0	0
Miscellaneous	0	0	614
<i>Total revenues</i>	100,000	0	489,416
EXPENDITURES			
Current:			
General government	0	0	268,896
Health and welfare	99,413	0	109,202
Highways and streets	0	0	106,608
Capital outlay	0	0	0
<i>Total expenditures</i>	99,413	0	484,706
<i>Excess (deficiency) of revenues over expenditures</i>	587	0	4,710
Other Financing Sources (Uses):			
Transfers in	0	0	74,757
Transfers (out)	0	0	(74,757)
<i>Total other financing sources (uses)</i>	0	0	0
<i>Net changes in fund balances</i>	587	0	4,710
Fund balance - beginning of year	(341)	20,000	219,062
<i>Fund balance - end of year</i>	\$246	\$20,000	\$223,772

The Notes to Financial Statements are an integral part of these statements.

SOUTHWEST NEW MEXICO COUNCIL OF GOVERNMENTS

RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED June 30, 2019

Net change in fund balances - Governmental Funds	\$4,710
<p>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.</p>	
Capital expenditures (additions net of deletions)	0
Depreciation expense	(6,341)
<p>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 at each disposal. This is the basis in the disposed assets.</p>	
	0
<p>Some items reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. These activities consist of:</p>	
(Increase) decrease in compensated absences	4,159
Pension expense	(24,253)
OPEB expense	2,681
<hr/>	
Rounding	2
<hr/>	
<i>Change in net position of governmental activities</i>	<i>(\$19,042)</i>
<hr/>	

The Notes to Financial Statements are an integral part of these statements.

SOUTHWEST NEW MEXICO COUNCIL OF GOVERNMENTS
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BASIS) AND ACTUAL (CASH BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Original Approved Budget	Final Adjusted Budget	Actual	Favorable (Unfavorable)
REVENUES				
Charges for services	\$55,752	\$101,398	\$98,233	(\$3,165)
Intergovernmental	0	0	0	0
Other grants	0	0	0	0
Miscellaneous	0	0	614	614
<i>Total revenues</i>	<u>55,752</u>	<u>101,398</u>	<u>98,847</u>	<u>(2,551)</u>
EXPENDITURES				
Current:				
General government	95,065	135,775	65,833	69,942
Health and welfare	0	0	0	0
Capital outlay	0	0	0	0
<i>Total expenditures</i>	<u>95,065</u>	<u>135,775</u>	<u>65,833</u>	<u>69,942</u>
<i>Excess (deficiency) of revenues over expenditures</i>	(39,313)	(34,377)	33,014	67,391
Other Financing Sources (Uses):				
Transfers in	0	0	0	0
Transfers (out)	0	(33,383)	(33,383)	0
<i>Total other financing sources (uses)</i>	<u>0</u>	<u>(33,383)</u>	<u>(33,383)</u>	<u>0</u>
<i>Net change in revenue over (under) expenditures and other financing sources (uses)</i>	(39,313)	(67,760)	<u>(\$369)</u>	<u>\$67,391</u>
Budgeted cash carryover	39,313	67,760		
	<u>\$0</u>	<u>\$0</u>		
Budgetary - GAAP Reporting Reconciliation:				
Net change in funds balance, (Budget basis)			(\$369)	
Revenue accruals (net)			(13,152)	
Expenditure accruals (net)			4,049	
Other financing source (net)			0	
<i>Net change in revenue over expenditures and other financing sources (uses) (GAAP basis)</i>			<u>(\$9,472)</u>	

The Notes to Financial Statements are an integral part of these statements.

SOUTHWEST NEW MEXICO COUNCIL OF GOVERNMENTS
DFA STATE APPROPRIATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BASIS) AND ACTUAL (CASH BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Original Approved Budget	Final Adjusted Budget	Actual	Favorable (Unfavorable)
REVENUES				
Charges for services	\$84,714	\$51,332	\$51,332	\$0
Intergovernmental	84,714	84,714	84,714	0
<i>Total revenues</i>	169,428	136,046	136,046	0
EXPENDITURES				
Current:				
General government	133,178	128,055	110,398	17,657
Capital outlay	0	0	0	0
<i>Total expenditures</i>	133,178	128,055	110,398	17,657
<i>Excess (deficiency) of revenues over expenditures</i>	36,250	7,991	25,648	17,657
Other Financing Sources (Uses):				
Transfers in	33,383	33,383	33,383	0
Transfers (out)	(36,350)	(41,374)	(41,374)	0
<i>Total other financing sources (uses)</i>	(2,967)	(7,991)	(7,991)	0
<i>Net change in revenue over expenditures and other financing sources (uses)</i>	\$33,283	\$0	\$17,657	\$17,657
Budgetary - GAAP Reporting Reconciliation:				
Net change in funds balance, (Budget basis)			\$17,657	
Revenue accruals (net)			0	
Expenditure accruals (net)			71	
Other financing source (net)			0	
<i>Net change in revenue over expenditures and other financing sources (uses) (GAAP basis)</i>			\$17,728	

The Notes to Financial Statements are an integral part of these statements.

SOUTHWEST NEW MEXICO COUNCIL OF GOVERNMENTS
ECONOMIC DEVELOPMENT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BASIS) AND ACTUAL (CASH BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Original Approved Budget	Final Adjusted Budget	Actual	Favorable (Unfavorable)
REVENUES				
Charges for services	\$2,500	\$2,500	\$2,500	\$0
Intergovernmental	85,000	70,000	70,000	0
<i>Total revenues</i>	<u>87,500</u>	<u>72,500</u>	<u>72,500</u>	<u>0</u>
EXPENDITURES				
Current:				
General government	87,500	92,624	92,624	0
Capital outlay	0	0	0	0
<i>Total expenditures</i>	<u>87,500</u>	<u>92,624</u>	<u>92,624</u>	<u>0</u>
<i>Excess (deficiency) of revenues over expenditures</i>	0	(20,124)	(20,124)	0
Other Financing Sources (Uses):				
Transfers in	0	20,124	20,124	0
Transfers (out)	0	0	0	0
<i>Total other financing sources (uses)</i>	<u>0</u>	<u>20,124</u>	<u>20,124</u>	<u>0</u>
<i>Net change in revenue over expenditures and other financing sources (uses)</i>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
 Budgetary - GAAP Reporting Reconciliation:				
Net change in funds balance, (Budget basis)			\$0	
Revenue accruals (net)			6,036	
Expenditure accruals (net)			(4,161)	
Other financing source (net)			0	
 Net change in revenue over expenditures and other financing sources (uses) (GAAP basis)			<u>\$1,875</u>	

The Notes to Financial Statements are an integral part of these statements.

SOUTHWEST NEW MEXICO COUNCIL OF GOVERNMENTS
MFA OUTREACH
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BASIS) AND ACTUAL (CASH BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Original Approved Budget	Final Adjusted Budget	Actual	Favorable (Unfavorable)
REVENUES				
Intergovernmental	\$8,000	\$8,000	\$8,000	\$0
Miscellaneous revenue	0	0	0	0
<i>Total revenues</i>	8,000	8,000	8,000	0
EXPENDITURES				
Current:				
Health and welfare	8,000	8,000	6,634	1,366
Capital outlay	0	0	0	0
<i>Total expenditures</i>	8,000	8,000	6,634	1,366
<i>Excess (deficiency) of revenues over expenditures</i>	0	0	1,366	1,366
Other Financing Sources (Uses):				
Transfers in	0	0	0	0
Transfers (out)	0	0	0	0
<i>Total other financing sources (uses)</i>	0	0	0	0
<i>Net change in revenue over expenditures and other financing sources (uses)</i>	\$0	\$0	\$1,366	\$1,366
Budgetary - GAAP Reporting Reconciliation:				
Net change in funds balance, (Budget basis)			\$1,366	
Revenue accruals (net)			0	
Expenditure accruals (net)			(3,155)	
Other financing source (net)			0	
<i>Net change in revenue over expenditures and other financing sources (uses) (GAAP basis)</i>			(\$1,789)	

The Notes to Financial Statements are an integral part of these statements.

SOUTHWEST NEW MEXICO COUNCIL OF GOVERNMENTS
NM DEPARTMENT OF TRANSPORTATION PROGRAM
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BASIS) AND ACTUAL (CASH BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Original Approved Budget	Final Adjusted Budget	Actual	Favorable (Unfavorable)
REVENUES				
Intergovernmental	\$85,000	\$85,000	\$85,626	\$626
Miscellaneous revenue	0	0	0	0
<i>Total revenues</i>	85,000	85,000	85,626	626
EXPENDITURES				
Current:				
Highways and streets	106,250	106,250	106,250	0
Capital outlay	0	0	0	0
<i>Total expenditures</i>	106,250	106,250	106,250	0
<i>Excess (deficiency) of revenues over expenditures</i>	(21,250)	(21,250)	(20,624)	626
Other Financing Sources (Uses):				
Transfers in	21,250	21,250	21,250	0
Transfers (out)	0	0	0	0
<i>Total other financing sources (uses)</i>	21,250	21,250	21,250	0
<i>Net change in revenue over expenditures and other financing sources (uses)</i>	\$0	\$0	\$626	\$626
Budgetary - GAAP Reporting Reconciliation:				
Net change in funds balance, (Budget basis)			\$626	
Revenue accruals (net)			(4,487)	
Expenditure accruals (net)			(358)	
Other financing source (net)			0	
<i>Net change in revenue over expenditures and other financing sources (uses) (GAAP basis)</i>			(\$4,219)	

The Notes to Financial Statements are an integral part of these statements.

SOUTHWEST NEW MEXICO COUNCIL OF GOVERNMENTS

JOB FAIR

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET (NON-GAAP BASIS) AND ACTUAL (CASH BASIS)

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Original Approved Budget	Final Adjusted Budget	Actual	Favorable (Unfavorable)
REVENUES				
Intergovernmental	\$0	\$0	\$0	\$0
Miscellaneous revenue	0	0	0	0
<i>Total revenues</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
EXPENDITURES				
Current:				
General government	0	0	0	0
Capital outlay	0	0	0	0
<i>Total expenditures</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Excess (deficiency) of revenues over expenditures</i>	0	0	0	0
Other Financing Sources (Uses):				
Transfers in	0	0	0	0
Transfers (out)	0	0	0	0
<i>Total other financing sources (uses)</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Net change in revenue over expenditures and other financing sources (uses)</i>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Budgetary - GAAP Reporting Reconciliation:				
Net change in funds balance, (Budget basis)			\$0	
Revenue accruals (net)			0	
Expenditure accruals (net)			0	
Other financing source (net)			0	
<i>Net change in revenue over expenditures and other financing sources (uses) (GAAP basis)</i>			<u>\$0</u>	

The Notes to Financial Statements are an integral part of these statements.

SOUTHWEST NEW MEXICO COUNCIL OF GOVERNMENTS
IMAGINATION LIBRARY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BASIS) AND ACTUAL (CASH BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Original Approved Budget	Final Adjusted Budget	Actual	Favorable (Unfavorable)
REVENUES				
Charges for services	\$0	\$0	\$0	\$0
Intergovernmental	100,000	100,000	108,664	8,664
Miscellaneous revenue	0	0	0	0
<i>Total revenues</i>	100,000	100,000	108,664	8,664
EXPENDITURES				
Current:				
Health and welfare	100,000	100,000	107,244	(7,244)
Capital outlay	0	0	0	0
<i>Total expenditures</i>	100,000	100,000	107,244	(7,244)
<i>Excess (deficiency) of revenues over expenditures</i>	0	0	1,420	1,420
Other Financing Sources (Uses):				
Transfers in	0	0	0	0
Transfers (out)	0	0	0	0
<i>Total other financing sources (uses)</i>	0	0	0	0
<i>Net change in revenue over expenditures and other financing sources (uses)</i>	\$0	\$0	\$1,420	\$1,420
Budgetary - GAAP Reporting Reconciliation:				
Net change in funds balance, (Budget basis)			\$1,420	
Revenue accruals (net)			(8,664)	
Expenditure accruals (net)			7,831	
Other financing source (net)			0	
<i>Net change in revenue over expenditures and other financing sources (uses) (GAAP basis)</i>			\$587	

The Notes to Financial Statements are an integral part of these statements.

SOUTHWEST NEW MEXICO COUNCIL OF GOVERNMENTS
DEMING FEASIBILITY STUDY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BASIS) AND ACTUAL (CASH BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Original Approved Budget	Final Adjusted Budget	Actual	Favorable (Unfavorable)
REVENUES				
Charges for services	\$0	\$0	\$0	\$0
Intergovernmental	0	0	0	0
Miscellaneous revenue	0	0	0	0
<i>Total revenues</i>	0	0	0	0
EXPENDITURES				
Current:				
General government	0	20,000	0	20,000
Capital outlay	0	0	0	0
<i>Total expenditures</i>	0	20,000	0	20,000
<i>Excess (deficiency) of revenues over expenditures</i>	0	(20,000)	0	(20,000)
Other Financing Sources (Uses):				
Transfers in	0	0	0	0
Transfers (out)	0	0	0	0
<i>Total other financing sources (uses)</i>	0	0	0	0
<i>Net change in revenue over expenditures and other financing sources (uses)</i>	0	(20,000)	0	(20,000)
Budgeted cash carryover	0	20,000	0	20,000
	\$0	\$0	\$0	\$0
Budgetary - GAAP Reporting Reconciliation:				
Net change in funds balance, (Budget basis)			\$0	
Revenue accruals (net)			0	
Expenditure accruals (net)			0	
Other financing source (net)			0	
<i>Net change in revenue over expenditures and other financing sources (uses) (GAAP basis)</i>			\$0	

The Notes to Financial Statements are an integral part of these statements.

**SOUTHWEST NEW MEXICO
COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE.1 NATURE OF BUSINESS AND REPORTING ENTITY

The Southwest New Mexico Council of Governments (Council) is recognized as a regional council of planning and development district as designated by the Governor. In accordance with the Planning District Act [4-58-4NMSA1978], the Board of Directors include municipalities, school systems, counties, individuals and other government-related organizations. The Council's operations are solely within the discretion and control of the governing board.

The Council of Governments was organized to provide assistance in long-range planning and local administration of State and Federal funds and operates under the Board of Directors executive director form of government. It provides the following services to its members: 1) help and assistance in formulation of long-range goals, 2) help in obtaining grants for specific purposes, 3) compilation of regional statistical reports and 4) administration of various state programs at the local level.

The Council of Government's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The accounting and reporting framework and the more significant accounting policies established in GAAP and used by the Council of Governments are discussed below.

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 Governments 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. Also, the Council of Governments has no tax abatement agreements and therefore, no disclosure under GASB 77 is required.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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. The effect of interfund activity has been removed from these statements. 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 are 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.

**SOUTHWEST NEW MEXICO
COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The funds of the financial reporting entity are described as follows:

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

Special Revenue Funds:

DFA State Appropriation Fund – The State Appropriation Fund is used to account for the proceeds and distributions of the State Appropriation Funds received. The fund was authorized by the Board of Directors of Southwest New Mexico Council of Governments to keep a separate accounting of State Appropriation Funds now that any unused funds require reversion.

Economic Development Administration Fund – This Federal grant is used to develop a comprehensive economic development strategy for the purposes of job creation, retention, and expansion for the member regions. This fund was required by the Federal grant contract and authorized by the Board of Directors of Southwest New Mexico Council of Governments.

Mortgage Finance Authority (MFA) – Professional Services Outreach Program – To account for the specific pass-through federal contract to maintain personal contracts with the local media, local elected officials and other designated groups and to keep them aware of local relevant developments in relationship to the MFA. This is authorized by the service contract approved by a Board resolution.

New Mexico Department of Transportation Fund - This grant is used to fund the preparation of an annual transportation plan. Committees prioritize specific projects and formulate recommendations to the New Mexico Department of Transportation where the final decision is made. This fund was required by the grant contract and authorized by the Board of Directors of Southwest New Mexico Council of Governments (Council).

Job Fair – To account for the revenues and expenditures generated and incurred in conducting a job fair. Authorization is the Board of Directors.

**SOUTHWEST NEW MEXICO
COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Imagination Library - State funds from CYFD used to provide financial support to Dolly Parton's Imagination Library community programs in the state of New Mexico. Authorization is the Board of Directors.

Deming Feasibility Study – To develop a business incubator study. This fund was required by contract with local government and authorized by the Board of Directors.

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.

**SOUTHWEST NEW MEXICO
COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Budgetary Data

Budgets for the General and Special Revenue Funds are prepared by management and are approved by the members of the Board, and New Mexico Department of Finance and Administration. These budgets are prepared on the cash 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.

**SOUTHWEST NEW MEXICO
COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Investments

Cash includes amounts in demand deposits as well as short-term investments with a maturity of three 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.

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 interfund loans are reported as “interfund receivables and payables”. Interfund receivables and payables between funds within governmental activities and between funds with in business-type activities are eliminated in the Statement of Net Position. All interfund receivables and payables are eliminated in the total primary government column in the Statement of Net Position.

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.

Capital Assets

Capital assets purchased or acquired with an original cost of \$5,000 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:

<u>Assets</u>	<u>Years</u>
Furniture and equipment	5 – 10
Leasehold improvements	5

**SOUTHWEST NEW MEXICO
COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

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 (expenditures/expenses) then. The Government has deferred outflows of resources related to pensions as discussed in Note G. 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 G.

Equity Classification

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 does not meet the definition of “restricted” or “net investment in capital assets, net of related debt.”

**SOUTHWEST NEW MEXICO
COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Statements

During the year ended June 30, 2011, the Council of Governments 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, bond holders, 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.

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.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows, liabilities, and deferred inflows.

**SOUTHWEST NEW MEXICO
COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 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. 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.

Postemployment Benefits Other than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB and OPEB expense, information about the fiduciary net position of the New Mexico Retiree Health Care Authority (NMRHCA) and additions to and deductions from NMRHCA's fiduciary net position have been determined on the same basis as they are reported by NMRHCA. For this purpose, NMRHCA recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value.

NOTE 3. 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, 2019, \$0 of the governments bank balance of \$224,487 was exposed to custodial credit risk as follows:

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

	Bank Balance	Carrying Amount
Deposit by custodial risk category:		
Insured	\$224,487	\$213,233

**SOUTHWEST NEW MEXICO
COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 4. CAPITAL ASSETS

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

	Balance June 30, 2018	Additions	Retirements	Balance June 30, 2019
Governmental Activities:				
Capital assets being depreciated				
Leasehold improvements	\$20,624	\$0	\$0	\$20,624
Furniture and equipment	12,029	0	0	12,029
Vehicles	47,118	0	0	47,118
<i>Total capital assets being depreciated</i>	79,771	0	0	79,771
Less accumulated depreciation for:				
Leasehold improvements	(20,624)	0	0	(20,624)
Furniture and equipment	(12,029)	0	0	(12,029)
Vehicles	(27,328)	(6,341)	0	(33,669)
<i>Total accumulated depreciation</i>	(59,981)	(6,341)	0	(66,322)
<i>Total capital assets, net</i>	\$19,790	(\$6,341)	\$0	\$13,449

Depreciation expense was charged to governmental activities as follows:

General government	\$6,341
<i>Total</i>	\$6,341

NOTE 5. COMPENSATED ABSENCES

	2018	Increases	Decreases	2019	Current Portion
Compensated absences	\$11,943	\$9,415	\$13,574	\$7,784	\$0

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.

**SOUTHWEST NEW MEXICO
COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 6. 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 7. PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION

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

Funding policy. The Council contributes to the Municipal Plan #2. Under Municipal Plan #2, state statute requires that plan members contribute 10.65% of their gross salary. The Council is required to contribute 9.55% of the gross covered salary. The contribution requirements of plan members and the Council are established in State statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The Council’s statutory contributions to PERA for the fiscal years ending June 30, 2019 were \$17,075, which equals the amount of the required contributions for the fiscal year.

Pension Plan and Post-Employment Benefits - General Information about the Pension Plan

Plan description. Public Employees Retirement 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 Officers, 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 Public Employees Retirement 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), each employee and elected official of every affiliated public employer is required to be a member in the Public Employees Retirement Fund, unless specifically excluded.

**SOUTHWEST NEW MEXICO
COUNCIL OF GOVERNMENTS
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JUNE 30, 2019**

NOTE 7. PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (CONTINUED)

Benefits provided. Benefits are generally available at age 65 with five or more years of service, or after 25 years of service regardless of age for TIER I members. Provisions also exist for retirement between ages 60 and 65, with varying amounts of service required. Certain police and fire members may retire at any age with 20 or more years of service for Tier I members. Generally, the amount of retirement pension is based on final average salary, which is defined under Tier I as the average of salary for the 36 consecutive months of credited service producing the largest average; credited service; and the pension factor of the applicable coverage plan. Monthly benefits vary depending upon the plan under which the member qualifies, ranging from 2% to 3.5% of the member's final average salary per year of service. The maximum benefit that can be paid to a retiree may not exceed a range of 60% to 90% of the final average salary, depending on the division. Benefits for duty and non-duty death and disability and for post-retirement survivors' annuities are also available.

Tier II. The retirement age and service credit requirements for normal retirement for PERA state and municipal general members hired increased effective July 1, 2013 with the passage of Senate Bill 27 in the 2013 Legislative Session. Under the new requirements (Tier II), general members are eligible to retire at any age if the member has at least eight years of service credit and the sum of the member's age and service credit equals at least 85 or at age 67 with 8 or more years of service credit. General members hired on or before June 30, 2013 (Tier I) remain eligible to retire at any age with 25 or more years of service credit. Under Tier II, police and firefighters in Plans 3, 4 and 5 are eligible to retire at any age with 25 or more years of service credit. State police and adult correctional officers, peace officers and municipal juvenile detention officers will remain in 25-year retirement plans, however, service credit will no longer be enhanced by 20%. All public safety members in Tier II may retire at age 60 with 6 or more years of service credit. Generally, under Tier II pension factors were reduced by .5%, employee Contribution increased 1.5 percent and effective July 1, 2014 employer contributions were raised .05 percent. The computation of final average salary increased as the average of salary for 60 consecutive months.

Contributions. See PERA's publicly available financial report and comprehensive annual financial report obtained at <http://saonm.org/> using the Audit Report Search function for agency 366, for the employer and employee contribution rates in effect for fiscal year, 2019.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:

Municipal General Division, at June 30, 2019, the Council reported a liability of \$341,195 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2018 using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date of June 30, 2018. There were no significant events or changes in benefit provision that required an adjustment to the roll-forward liabilities as of June 30, 2018. The Council's proportion of the net pension liability was based on a projection of the Council's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2018, the Council's proportion was 0.0214%, which was an increase of .0003% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the Council recognized PERA Fund Division; Municipal General Division pension expense of \$40,509.

**SOUTHWEST NEW MEXICO
COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 7. PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (CONTINUED)

At June 30, 2019, the Council reported PERA Municipal General Division deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$9,861	\$8,958
Changes of assumptions	30,934	1,962
Net difference between projected and actual earnings on pension plan investments	25,305	0
Changes in proportion and differences between Council contributions and proportionate share of contributions	4,124	11,636
Council contributions subsequent to the measurement date	17,075	0
Total	\$87,299	\$22,556

\$17,075 reported as deferred outflows of resources related to pensions resulting from the Council's contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. 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:	
2020	\$31,882
2021	10,260
2022	4,248
2023	1,278
	\$47,668

Actuarial assumptions. The total pension liability in the June 30, 2018 actuarial valuation was determined using the following significant actuarial assumptions, applied to all periods included in the measurement:

**SOUTHWEST NEW MEXICO
COUNCIL OF GOVERNMENTS**
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 7. PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (CONTINUED)

Valuation date	June 30, 2017
Actuarial cost method	Entry Age Normal
Amortization method	Level Percentage of Pay
Amortization period	Solved for based on statutory rates
Actuarial assumptions:	
Investment rate of return	7.25% annual rate, net of investment expense
Projected benefit payment	100 years
Payroll growth	3.00%
Projected salary increases	3.25% to 13.50% annual rate
Includes inflation at	2.50% 2.75% all other years
Mortality Assumption	The mortality assumptions are based on the RPH-2014 Blue Collar mortality table with female ages set forward one year. Future improvement in mortality rates is assumed using 60% of the MP-2017 projection scale generationally. For non-public safety groups, 25% of in-service deaths are assumed to be duty related and 35% are assumed to be duty-related for public safety groups.
Experience Study Dates	July 1, 2008 to June 30, 2017 (demographic) and July 1, 2010 through June 30, 2018 (economic)

The total pension liability, net pension liability, and certain sensitivity information are based on an actuarial valuation performed as of June 30, 2017. The total pension liability was rolled-forward from the valuation date to the plan year ended June 30, 2018. These assumptions were adopted by the Board use in the June 30, 2017 actuarial valuation.

The long-term expected rate of return on pension plan investments was determined using a building-block method 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 allocation and 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
Global Equity	43.50%	7.48%
Risk Reduction & Mitigation	21.50%	2.37%
Client Oriented Fixed Income	15.00%	5.47%
Real Assets	20.00%	6.48%
Total	100.0%	

**SOUTHWEST NEW MEXICO
COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 7. PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (CONTINUED)

Discount rate: A single discount rate of 7.25% was used to measure the total pension liability as of June 30, 2018. This single discount rate was based on a long-term expected rate of return on pension plan investments of 7.25%, compounded annually, net of expense. Based on the stated assumptions and the projection of cash flows, the plan’s fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all period of projected benefit payments to determine the total pension liability. The projections of cash flows used to determine this single discount rate assumed that plan member and employer contributions will be made at the current statutory levels.

Sensitivity of the Council’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 Otero County’s net pension liability in each PERA Fund Division that Otero County participates in, under the current single rate assumption; as if it were calculated using a discount rate one percentage point lower (6.25%) or one percentage point higher (8.25%) than the single discount rate.

PERA Fund Division Municipal General	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Council’s proportionate share of the net pension liability	\$525,759	\$341,195	\$188,624

Pension plan fiduciary net position Detailed information about the pension plan’s fiduciary net position is available in the separately issued PERA financial reports, available at <http://www.nmpera.org/>.

NOTE 8. POST-EMPLOYMENT BENEFITS

Plan Description: Employees of the Council are provided with OPEB through the Retiree Health Care Fund (the Fund)—a cost-sharing multiple-employer defined benefit OPEB plan administered by the New Mexico Retiree Health Care Authority (NMRHCA). NMRHCA was formed February 13, 1990, under the New Mexico Retiree Health Care Act (the Act) of New Mexico Statutes Annotated, as amended (NMSA 1978), to administer the Fund under Section 10-7C-1-19 NMSA 1978. The Fund was created to provide comprehensive group health insurance coverage for individuals (and their spouses, dependents and surviving spouses) who have retired or will retire from public service in New Mexico.

NMRHCA is an independent agency of the State of New Mexico. The funds administered by NMRHCA are considered part of the State of New Mexico financial reporting entity and are OPEB trust funds of the State of New Mexico. NMRHCA’s financial information is included with the financial presentation of the State of New Mexico.

Benefits provided. The Fund is a multiple employer cost sharing defined benefit healthcare plan that provides eligible retirees (including terminated employees who have accumulated benefits but are not yet receiving them), their spouses, dependents and surviving spouses and dependents with health insurance and prescription drug benefits consisting of a plan, or optional plans of benefits, that can be contributions to the Fund and by co-payments or out-of-pocket payments of eligible retirees.

**SOUTHWEST NEW MEXICO
COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 8. POST-EMPLOYMENT BENEFITS (CONTINUED)

Employees covered by benefit terms –At June 30, 2018, the Fund’s measurement date, the following employees were covered by the benefit terms:

Plan membership	
Current retirees and surviving spouses	51,205
Inactive and eligible for deferred benefit	11,471
Current active members	93,349
	156,025
Active membership	
State general	19,593
State police and corrections	1,886
Municipal general	17,004
Municipal police	3,820
Municipal FTRE	2,290
Educational Retirement Board	48,756
	93,349

Contributions– Employer and employee contributions to the Fund total 3% for non-enhanced retirement plans and 3.75% of enhanced retirement plans of each participating employee’s salary as required by Section 10-7C-15 NMSA 1978. The contributions are established by statute and are not based on an actuarial calculation. All employer and employee contributions are non-refundable under any circumstance, including termination of the employer’s participation in the Fund.

The Council of Government’s contributions to the RHCA for the year ended June 30, 2019 were \$3,590, which equal the required contributions for the year.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2019, the Council reported a liability of \$192,632 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2017. The Council’s proportion of the net OPEB liability was based on actual contributions provided to the Fund for the year ending June 30, 2018. At June 30, 2018, the Council’s proportion was 0.00443 percent.

**SOUTHWEST NEW MEXICO
COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 8. POST-EMPLOYMENT BENEFITS (CONTINUED)

For the year ended June 30, 2019, the Council recognized OPEB expense of \$911. At June 30, 2019 the Council reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$0	\$11,405
Changes of assumptions	0	35,964
Net difference between projected and actual earnings on OPEB plan investments	0	2,404
Changes in preportion	5,509	0
Contributions subsequent to the measurement date	3,590	0
Total	\$9,099	\$49,773

Deferred outflows of resources totaling \$3,590 represent Council contributions to the Fund made subsequent to the measurement date and will be recognized as a reduction of net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

Year ended June 30:	
2020	(\$11,479)
2021	(11,479)
2022	(11,479)
2023	(8,599)
2024	(1,228)
	(\$44,264)

**SOUTHWEST NEW MEXICO
COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 8. POST-EMPLOYMENT BENEFITS (CONTINUED)

Actuarial assumptions. The total OPEB liability was determined by an actuarial valuation using the following actuarial assumptions:

Valuation Date	June 30, 2017
Actuarial cost method	Entry age normal, level percent of pay, calculated on individual employee basis
Asset valuation method	Market value of assets
Actuarial assumptions:	
Inflation	2.50% for ERB; 2.25% for PERA
Projected payroll increases	3.50% to 12.50%, based on years of service, including inflation
Investment rate of return	7.25%, net of OPEB plan investment expense and margin for adverse deviation including inflation
Health care cost trend rate	8% graded down to 4.5% over 14 years for Non-Medicare medical plan costs and 7.5% graded down to 4.5% over 12 for Medicare medical plan costs
Mortality	ERB members : RP-2000 Combined Healthy Mortality Table with White Collar Adjustment (males) and GRS Southwest Region Teacher Mortality Table (females) PERA members: RP-2000 Combined Healthy Mortality

Rate of Return. The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which the expected future real rates of return (net of investment fees and inflation) are developed for each major asset class. These returns 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, adding expected inflation and subtracting expected investment expenses and a risk margin. The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before investment expenses, used in the derivation of the long-term expected investment rate of return assumptions.

The best estimates for the long-term expected rate of return is summarized as follows:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. core fixed income	20%	2.1%
U.S. equity – large cap	20%	7.1%
Non U.S. – emerging markets	15%	10.2%
Non U.S. - developed equities	12%	7.8%
Private equity	10%	11.8%
Credit and structured finance	10%	5.3%
Real estate	5%	4.9%
Absolute return	5%	4.1%
U.S. equity – small/mid cap	3%	7.1%
	100%	

**SOUTHWEST NEW MEXICO
COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 8. POST-EMPLOYMENT BENEFITS (CONTINUED)

Discount Rate. The discount rate used to measure the Fund's total OPEB liability is 3.08% as of June 30, 2018. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at rates proportional to the actuary determined contribution rates. For this purpose, employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries are not included. Based on those assumptions, the Fund's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members through the fiscal year ending June 30, 2028. Thus, the 7.25% discount rate was used to calculate the net OPEB liability through 2029. Beyond 2029, the index rate for 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher. Thus, 3.08% is the blended discount rate.

Sensitivity of the net OPEB liability to changes in the discount rate and healthcare cost trend rates. The following presents the net OPEB liability of the Council, as well as what the Council's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.08 percent) or 1-percentage-point higher (5.08 percent) than the current discount rate:

1% Decrease (3.08%)	Current Discount Rate (4.08%)	1% Increase (5.08%)
\$233,130	\$192,632	\$160,711

The following presents the net OPEB liability of the Council, as well as what the Council's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

1% Decrease	Current Trend Rate	1% Increase
\$162,842	\$192,632	\$215,988

OPEB plan fiduciary net position. Detailed information about the OPEB plan's fiduciary net position is available in NMRHCA's audited financial statements for the year ended June 30, 2018.

Payable Changes in the Net OPEB Liability. At June 30, 2019, the Council reported a payable of \$0 for outstanding contributions due to NMRHCA for the year ended June 30, 2019.

**SOUTHWEST NEW MEXICO
COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 9. 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 government expects such amounts, if any, to be immaterial.

NOTE 10. OPERATING LEASE

The Council has an equipment lease agreement for its copy machine. The lease is accounted for as an operating lease and future minimum lease payments are as follows:

Year ended June 30:	
2020	\$1,895
2021	1,895
2022	632
2023	0
2024	0
Thereafter	0
	\$4,422

Lease expenditures for the year ended June 30, 2019 were \$1,895.

NOTE 11. INTERFUND TRANSACTIONS

Interfund payables and receivables were as follows:

	Due From	Due to General Fund
EDA		\$31,863
MFA		55
NM DOT		3,378
<i>Total</i>		\$35,296

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

**SOUTHWEST NEW MEXICO
COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 11. INTERFUND TRANSACTIONS (CONTINUED)

Interfund transfers were as follows:

Transfers In:	Transfers Out	
	DFA	
	State Appropriation	General Fund
DFA State Appropriation	\$0	\$33,383
Economic Development Administration	20,124	0
NM Department of Transportation	21,250	0
<i>Total</i>	\$41,374	\$33,383

The transfers were made to provide matching funds and provide operating funds.

NOTE 12. OTHER REQUIRED DISCLOSURES

The Council of Governments had the following fund balance deficits at June 30, 2019:

Fund	Amount
Economic Development Administration	\$33,194

Deficits were anticipated as special revenue funds are used to track grant proceeds and are subsidized by other funding sources held in the general fund.

The following fund exceeded its budget authority to spend:

	Budget	Actual	Over-expended
Imagination Library	\$100,000	\$107,244	\$7,244

**SOUTHWEST NEW MEXICO
COUNCIL OF GOVERNMENTS**
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 12. OTHER REQUIRED DISCLOSURES (CONTINUED)

Restricted Net Position

Net position restricted for other purposes consists of Special Revenue Fund balances which are restricted by enabling legislation, as listed in the fund descriptions elsewhere in this report. Restrictions are as follows:

Restriction	Amount
DFA State Appropriations	\$2,391
N.M. Department of Transportation	11,416
Job Fair	281
Imagination Library Fund	246
Deming Business Incubator	20,000
<i>Total</i>	<u>\$34,334</u>

NOTE 13. SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the balance sheet date but before the financial statements are issued. The Council 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 Council'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 Council has evaluated subsequent events through November 21, 2019, which is the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

**SCHEDULE OF THE SOUTHWEST NEW MEXICO
COUNCIL OF GOVERNMENTS'
PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY OF PERA FUND DIVISION
MUNICIPAL GENERAL
Public Employees Retirement Association (PERA) Plan
Last 10 Fiscal Years***

	As of Measurement Date				
	June 30, 2018 2019	June 30, 2017 2018	June 30, 2016 2017	June 30, 2015 2016	June 30, 2014 2015
Council's proportion of the net pension liability (asset)	0.0214%	0.0211%	0.0230%	0.0234%	0.0211%
Council's proportionate share of the net pension liability (asset)	\$341,195	\$289,932	\$367,463	\$238,583	\$164,603
Council's covered-employee payroll	\$189,039	\$185,124	\$198,084	\$193,817	\$171,266
Council's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	180.49%	157.00%	186.00%	123.00%	96.00%
Plan fiduciary net position as a percentage of the total pension liability	71.13%	69.18%	76.99%	81.29%	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.

**SCHEDULE OF SOUTHWEST NEW MEXICO
COUNCIL OF GOVERNMENTS' CONTRIBUTIONS**
Public Employees Retirement Association (PERA) Plan
PERA FUND DIVISION - MUNICIPAL GENERAL
Last 10 Fiscal Years*

	2019	2018	2017	2016	2015
Contractually required contribution	\$17,075	\$18,053	\$17,679	\$18,917	\$18,510
Contributions in relation to the contractually required contribution	\$17,075	\$18,053	\$17,679	\$18,917	\$18,510
Contribution deficiency (excess)	\$0	\$0	\$0	\$0	\$0
Council's covered payroll	\$178,793	\$189,039	\$185,124	\$198,084	\$193,817
Contributions as a percentage of covered payroll	9.55%	9.55%	9.55%	9.55%	9.55%

*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.

STATE OF NEW MEXICO
COUNCIL OF GOVERNMENTS
SCHEDULE OF EMPLOYER'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
FOR THE YEAR ENDED JUNE 30, 2019

	As of Measurement Date	
	June 30, 2018 2019	June 30, 2017 2018
The Council's proportion of the net OPEB liability	0.00443%	0.00431%
The Council's proportionate share of the net OPEB liability	\$192,632	\$195,315
The Council's covered-employee payroll	\$189,039	\$179,539
The Council's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	101.90%	108.79%
Plan fiduciary net position as a percentage of the total OPEB liability	13.14%	11.34%

*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 available years.

STATE OF NEW MEXICO
COUNCIL OF GOVERNMENTS
 SCHEDULE OF EMPLOYER'S CONTRIBUTIONS - OPEB
 FOR THE YEAR ENDED JUNE 30, 2019

	2019	2018
Contractually required contribution	\$3,590	\$3,781
Contributions in relation to the contractually required contribution	\$3,590	\$3,781
Contribution deficiency (excess)	\$0	\$0
Employer's covered-employee payroll	\$178,793	\$189,039
Contributions as a percentage of covered-employee payroll	2.00%	2.00%

*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 available years.

**SOUTHWEST NEW MEXICO
COUNCIL OF GOVERNMENTS**
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2019

Public Employee Retirement Association Plan (PERA)

Changes of benefit terms. The PERA Fund COLA and retirement eligibility benefits changes in recent years are described in Note 1 of the PERA FY18 audit available at http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366_Public_Employees_Retirement_Association_2018.pdf.

Changes of assumptions.

The Public Employees Retirement Association (PERA) of New Mexico Annual Actuarial Valuation as of June 30, 2017 report is available at

http://www.pera.state.nm.us/pdf/Investments/RetirementFundValuationReports/6-30-2017%20PERA%20Valuation%20Report_FINAL.pdf. The summary of Key Findings for the PERA Fund provides summary information for each division.

Other Post-Employment Benefits (OPEB)

Changes of benefit terms: The PERA and COLA and retirement eligibility benefits changes in recent years are described in Note 1 of PERA's CFAR. <https://www.saonm.org>

Assumptions: The Public Employee Retirement Association of New Mexico Annual Actuarial Valuations as of June 2017 report is available at <http://www.nmpera.org/>

SUPPLEMENTARY INFORMATION

**SOUTHWEST NEW MEXICO
COUNCIL OF GOVERNMENTS**

**SCHEDULE OF DEPOSIT AND INVESTMENT ACCOUNTS
JUNE 30, 2019**

Institution	Type of Account	Bank Balance	Reconciled Balance
Washington Federal			
Operational	Checking	\$138,748	\$127,494
Operational	Saving	85,739	85,739
Total Washington Federal		\$224,487	\$213,233
Cash on hand		\$0	\$50
Total cash and investments		\$224,487	\$213,283

The Notes to Financial Statements are an integral part of these statements.

**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***

Independent Auditor's Report

Mr. Brian S. Colón, State Auditor and
Board of Directors
Southwest New Mexico Council of Governments
Silver City, 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 and major special revenue funds, each major fund, the aggregate remaining fund information, and the budgetary comparison of the general fund and special revenue funds of the Southwest New Mexico Council of Governments as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Southwest New Mexico Council of Governments' basic financial statements and have issued our report thereon dated November 21, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Southwest 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 Southwest New Mexico Council of Governments' internal control. Accordingly, we do not express an opinion on the effectiveness of the Southwest 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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Mr. Brian S. Colón, State Auditor and
Board of Directors
Southwest New Mexico Council of Governments
Silver City, New Mexico
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Our consideration of internal control was for the limited purpose described in the first 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2019-001 and 2019-002.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Southwest 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*. 2019-003 and 2019-004

Southwest New Mexico Council of Governments' Response to Findings

Southwest New Mexico Council of Governments' response to the finding identified in our audit is described in the accompanying schedule of findings and responses. Southwest New Mexico Council of Governments' response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the 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 Southwest New Mexico Council of Governments' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Kriegel/Gray/Shaw & Co., P.C.
Las Cruces, New Mexico

November 21, 2019

**SOUTHWEST NEW MEXICO
COUNCIL OF GOVERNMENTS**
SUMMARY OF AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Type of Auditor's Report Issued:

Unmodified

Findings For Internal Control Over Financial Reporting:

Material weakness

_____ Yes X No

Significant deficiencies

 X Yes _____ No

Material noncompliance

_____ Yes X No

**SOUTHWEST NEW MEXICO
COUNCIL OF GOVERNMENTS**
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

CURRENT YEAR FINDINGS:

2019-001 Council Procedures Not Consistently Followed - Significant Deficiency

Statement of Condition – The Council has a Financial Policies and Procedures manual but documentation does not support compliance.

- Small purchases less than \$1,500 (page 3 of manual) require Board approval. There is no Board approval in practice, per Board minutes.
- Travel – 80% advances and 20% remainders routinely prepared at the same time, with checks for both having same date (page 12 of manual) – in advance of travel (3 instances of 3 tested – this is standard practice). It was noted that 20% remainders did not clear bank until after travel was completed.

Criteria – Good internal controls require consistent application of policy/procedures and documentation to support the process. Accounting cut-off controls require check dating at time of disbursement.

Cause – Lack of understanding or clear documentation to support compliance with internal policy and procedures.

Effect – May result in improper decision making.

Recommendation – Policies and Procedures Manual should be reviewed periodically by the Board and management to ensure procedures properly reflect the Boards policy. Documentation should support compliance with Board Policies and Procedures.

- Minutes should clearly document approval of small purchases.
- The check date for the remainder of travel advances should be subsequent to travel.

Management's Response –

- Small Purchases - The accounting procedures policy manual, when written, was inadvertently worded incorrectly and stated that small purchases under \$1,500 should be approved by the Board instead of saying that all purchases over \$1,500 require Board approval. The accounting procedures will be revised and approved by the Board.
- Travel - Travel forms will be amended to reflect the advance and return, adding a date line as part of the signature line.

Vice-Chairman of the SWNM Council of Governments Board, will recommend to the entire Board that the Council of Governments should hire another staff person to ensure that all accounting, policies, procedures and documentation are properly followed.

Correction Action Timeline – February 2020

Designation of Employee Position Responsible for Meeting Deadline – Executive Director

**SOUTHWEST NEW MEXICO
COUNCIL OF GOVERNMENTS
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

CURRENT YEAR FINDINGS (CONTINUED):

2019-002 Documentation Inadequate and Inconsistent - Significant Deficiency

Statement of Condition – The Council generally follows poor business practices with regard to documentation.

- A. Disbursements – Necessary documentation to support payments not on file or filed with copy of check.
- Imagination Library payments lack appropriate backup documentation (Invoices from Dollywood Foundation) for reimbursement of book purchases (5 instances).
 - Voided checks not handled consistently/properly.
 - Original voided (ACH) check not on file (1 instance).
 - Original voided (ACH) check on file, but signature had not been “cut out” or stamped as “void” (1 instance).
 - Proper invoice was not on file (1 instance).
 - Snack purchases not documented as to business purpose (2 instances).
 - Most checks written lack a description on the check.
 - Professional services contracts – Request for services not dated (1 instance) or missing from file (1 instance); files did not contain 3 written quotes or explanation as to why 3 were not obtained (3 instances), no rationale for why particular vendor chosen despite state procurement code “encouraging” the practice (3 instances).
- B. Payroll – Council does not maintain supporting documentation for payroll deductions in personnel files.
- Subsequent to initial hire date, copies of Personnel Change Forms authorizing payroll deductions not maintained in personnel files.
 - There are no change forms prepared for ED’s voluntary payroll deductions – instructions are given verbally each pay period to the bookkeeper.
 - Additional withholding for tax purposes are not reflected on W-4 for ED.
- C. Documents lack dates (minutes, spreadsheets, worksheets, etc.)

Criteria – Good internal controls require consistent and appropriate documentation to evidence the control process.

Cause – Lack of clear written procedures for documentation and maintenance of records.

Effect – Potential for lawsuit, inconsistencies/inefficiencies and lack of support for decisions made.

Recommendation – The Council should establish clear written documentation procedures. Consider standardizing documentation and record maintenance for major systems (receipts, disbursements, payroll).

Management’s Response –

- Imagination Library – The Imagination Library’s back-up documentation was corrected in September 2019 when auditors questioned the lack of documentation.
- Voided Checks – Staff has purchased a void stamp to ensure proper process for voiding checks.
- Snack Purchases – Will now have back up documentation such as agendas and purchase orders. The purchase order will be modified to indicate which meeting the snacks were provided for.

**SOUTHWEST NEW MEXICO
COUNCIL OF GOVERNMENTS**
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

CURRENT YEAR FINDINGS (CONTINUED):

- Description on Checks – The Executive Director will be working with the bookkeeping company to ensure that the checks have a better description.
- Professional Services Contracts – Will include documentation of written quotes in the appropriate file. Staff will update their filing system for all contract files to be placed in a three-ring notebook with subject dividers that will include: Contract/Grant Agreement, Reports, Reimbursement, Budgets, and Miscellaneous sections for easier reference.
- Payroll – Staff will develop a form to authorize payroll deductions that will be included as part of the Accounting Procedures Manual; the form will be filled out by the staff person requesting the deductions and documents will be placed in the appropriate personnel file. Staff has corrected the W-4 forms to reflect the additional withholdings for tax purposes.
- Dated Documentation – Staff will be informed and be required to add dates to all pages of minutes, spreadsheets, and worksheets.

Vice-Chairman of the SWNM Council of Governments Board, will recommend to the entire Board that the Council of Governments should hire another staff person to ensure that all accounting, policies, procedures and documentation are properly followed.

Correction Action Timeline – February 2020

Designation of Employee Position Responsible for Meeting Deadline – Executive Director

2019-003 Late PERA Contributions – Other Non Compliance

Statement of Condition – PERA remittance for contributions were not made in a timely manner. 12 of 24 payments were submitted more than 7 days past the end of the pay period, with 5 payments more than a month past the pay period end date.

Criteria – Per PERA Rule 2.80.500.8 states “The employer shall transmit to PERA the member and employer contributions for every member in its employ for each pay period on or before the fifth working day following the pay day applicable to the pay period.”

Cause – New contract bookkeeper unfamiliar with PERA requirements.

Effect – Severely late contributions affect plan earnings for all participants.

Recommendation – The Council should review and approve all contract bookkeeper functions and provide timely feedback/corrections as needed.

Management’s Response – This deficiency was the result of losing our inhouse bookkeeper, to then transitioning to out-sourcing the books; however, this reporting issue has been resolved.

Vice-Chairman of the SWNM Council of Governments Board, will recommend to the entire Board that the Council of Governments should hire another staff person to ensure that all accounting, policies, procedures and documentation are properly followed.

**SOUTHWEST NEW MEXICO
COUNCIL OF GOVERNMENTS**
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

CURRENT YEAR FINDINGS (CONTINUED):

Correction Action Timeline – Corrected November 2019

Designation of Employee Position Responsible for Meeting Deadline – Executive Director

2019-004 Actual Expenditures Exceed Budget – Other Non Compliance

Statement of Condition – The actual expenditures for the Imagination Library Fund exceeded the budget.

	Budget	Actual	Over expended
Imagination Library	\$100,000	\$107,244	\$7,244

Criteria – No expenditures in excess of total fund budgeted expenditures shall be approved in accordance with 6-6-6NMSA.1978.

Cause – Oversight.

Effect – Potential to expend beyond revenue and therefore commit general funds without authorization.

Recommendation – Establish timely review of budget to actuals by fund and initiate appropriate budget adjustments as necessary. Consider setting a flag in the accounting system to disallow expenditures that exceed budget.

Management’s Response – This deficiency was an oversight due to timing of requesting reimbursement for prior year. We have put measures in place to avoid any future oversight.

Vice-Chairman of the SWNM Council of Governments Board, will recommend to the entire Board that the Council of Governments should hire another staff person to ensure that all accounting, policies, procedures and documentation are properly followed.

Correction Action Timeline – February 2020

Designation of Employee Position Responsible for Meeting Deadline – Executive Director

CURRENT STATUS ON PRIOR YEAR FINDINGS:

2017-001 Financial Close and Material Adjustments

Resolved and not repeated.

**SOUTHWEST NEW MEXICO
COUNCIL OF GOVERNMENTS**
EXIT CONFERENCE
JUNE 30, 2019

EXIT CONFERENCE:

The exit conference was held November 27, 2019 and was attended by the following:

Representing Southwest New Mexico Council of Governments:

Emily Gojkovich
Priscilla Lucero, Executive Director
Alex Brown, Co-Chair Board of Directors

Representing Kriegel/Gray/Shaw & Co., P.C.:

Debbie Gray, CPA/Shareholder

FINANCIAL STATEMENTS PREPARATION

Preparation of financial statements is the responsibility of management. Although, the Southwest New Mexico Council of Governments' personnel provided significant assistance in the preparation, the statements and related footnotes were prepared by Kriegel/Gray/Shaw & Co., P.C.