

**STATE OF NEW MEXICO  
SOUTHWEST NEW MEXICO COUNCIL OF  
GOVERNMENTS  
ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEARS ENDED  
JUNE 30, 2009 and 2008**

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## **INTRODUCTORY SECTION**

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**SOUTHWEST NEW MEXICO COUNCIL OF GOVERNMENTS**  
**Annual Financial Report**  
For the Year Ended June 30, 2009  
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**STATE OF NEW MEXICO**  
**SOUTHWEST NEW MEXICO COUNCIL OF GOVERNMENTS**

**Official Roster**  
June 30, 2009

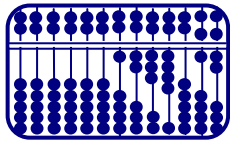
EXECUTIVE BOARD OF DIRECTORS

Jovita Gonzales	Chairperson
Alex Brown	Vice-Chairperson
Roger Ellis	Hidalgo County
Greg Baca	Village of Reserve
Rick Holdridge	Deming SWCD
Jon Paul Saari	Grant County
Irene Galvan	City of Lordsburg
Bill Webb	San Francisco SWCD
Archie Payne	Village of Virden
Rich Olson	Black Range RC&D
Linda Smrkovsky	City of Deming
Ray Baca, Mayor	Town of Hurley
Dane Kennon, Superintendent	Cobre Schools
Bill Aymar	Catron County
Paul Nimick	Village of Columbus
Rheganne Vaughn	Luna County
Fred Vega	El Grito Head Start, Inc.
Jim Barentine	Lordsburg Schools

ADMINISTRATION

Priscilla Lucero	Executive Director
Gloria Terrazas-Barnes	Community Economic Development
Pam Eley	Office Manager/Planner
Cynthia Stoechner	Transportation Planner
Maureen Craig	Community Development Planner

## **FINANCIAL SECTION**



MARCUS,  
FAIRALL,  
BRISTOL + CO., L.L.P.

## **INDEPENDENT AUDITOR'S REPORT**

Hector H. Balderas  
Jovita Gonzales, Board Chairperson  
Southwest New Mexico Council of Governments  
Silver City, New Mexico

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Southwest New Mexico Council of Governments (COG) as of and for the year-ended June 30, 2009 and 2008, which collectively comprise the COG's basic financial statements as listed in the table of contents. We have also audited the financial statements of each of the COG's non-major governmental funds presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year-ended June 30, 2009 and 2008, as listed in the table of contents. These financial statements are the responsibility of the COG's management. Our responsibility is to express opinions on these basic financial statements based upon our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and with 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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the COG's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles of the United States of America used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the COG as of June 30, 2009 and 2008, and respective changes in financial position and respective budgetary comparisons of the General Fund and major special revenue funds for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each non-major governmental fund of the COG as of June 30, 2009 and 2008, and the respective changes in financial position and the respective budgetary comparisons for the non-major governmental funds for the year ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2009 on our consideration of COG's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 7 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the basic financial statements, and the combining and individual fund financial statements and budgetary comparisons of the COG. The additional schedules listed as "supporting schedules" in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.



El Paso, Texas  
December 10, 2009



**STATE OF NEW MEXICO**  
**SOUTHWEST NEW MEXICO COUNCIL OF GOVERNMENTS**  
**Management's Discussion and Analysis**  
June 30, 2009

As financial management of the COG we offer readers of these financial statements this narrative overview and analysis of the financial activities of the COG for the fiscal year ended June 30, 2009. We encourage readers to consider the information presented here in conjunction with the financial statements of the COG and additional information provided.

**Financial Highlights**

- The assets of the COG exceeded its liabilities at the close of the most recent fiscal year by \$193,126 (net assets). Of this amount \$152,515 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$32 during the fiscal year. The majority of this increase is due to an increase in grant revenue.
- As of June 30, 2009, COG's governmental funds reported combined ending fund balances of \$158,424. All of which is unrestricted except as to fund.
- As of June 30, 2009, the unreserved fund balance of the general fund was \$171,464.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to COG's basic financial statements. COG's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Basic Financial Statements**

The basic financial statements are designed to provide readers with a broad overview of the COG's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of COG's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of COG is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the fiscal years ending June 30, 2009 and 2008. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected revenue and earned but unused vacation leave).

The balance sheets present information on all of the COG's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the COG is improving or deteriorating. Net assets increase when revenues exceed expenses. Increases to assets, without a corresponding increase to liabilities, results in increased net assets, which indicate an improved financial position. The government-wide financial statements can be found at exhibits A-1 and A-2 of this report.

The COG is very liquid with \$163,029 in cash and government receivables and equals 114% of unrestricted net assets. Part of the reason for this liquidity was the increase of \$20,000 in contract revenue from the NMED and \$10,550 for grant Administration.

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**Management's Discussion and Analysis**  
June 30, 2009

**Fund Financial Statements**

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. COG, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of COG are governmental funds.

**Governmental Funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in determining what financial resources are available in the near future to finance the COG's programs.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

COG maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and statement of revenues, expenditures, and changes in fund balances for the General Fund, Economic Development Administration, and New Mexico Department of Transportation all of which are considered to be major funds. Individual fund data for each non-major governmental fund is provided elsewhere in this report.

**Notes to the Financial Statement**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 23-32 of this report.

**Analysis of Net Assets**

As noted earlier, assets may serve over time as a useful indicator of a government's financial position. In the case of COG, assets exceeded liabilities by \$193,126 at the close of the current fiscal year.

The largest portion of COG's net assets, \$152,515, represents unrestricted net assets, which are available for the government's ongoing obligations.

**STATE OF NEW MEXICO**  
**SOUTHWEST NEW MEXICO COUNCIL OF GOVERNMENTS**  
**Management's Discussion and Analysis**  
June 30, 2009

**Analysis of Net Assets (continued)**

**Statement of Net Assets**  
As of June 30,

<b>ASSETS</b>	<u>2009</u>	<u>2008</u>
Current assets	\$ 166,611	\$ 148,807
Capital assets	<u>40,611</u>	<u>51,121</u>
Total assets	<u><u>\$ 207,222</u></u>	<u><u>\$ 199,928</u></u>
<b>LIABILITIES</b>		
Current liabilities	\$ 8,187	\$ 1,312
Long-term liabilities	<u>5,909</u>	<u>5,522</u>
Total liabilities	<u><u>14,096</u></u>	<u><u>6,834</u></u>
<b>NET ASSETS</b>		
Investment in capital assets	40,611	51,121
Unrestricted	<u>152,515</u>	<u>141,973</u>
Total net assets	<u><u>193,126</u></u>	<u><u>193,094</u></u>
Total Liabilities and Net Assets	<u><u>\$ 207,222</u></u>	<u><u>\$ 199,928</u></u>

The remaining portion of the net assets represents the COG's investment of \$40,611 and \$51,121 in capital assets (e.g., machinery and equipment), in the years ending June 30, 2009 and 2008, respectively. COG uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending.

**Analysis of Changes in Net Assets**

During the fiscal years ending June 30, 2009 and 2008, the COG's net assets overall, increased \$32 and \$60,958, respectively. This increase in both years is explained in the government activities discussion below, and is primarily a result of increased grant revenues received by the COG during the fiscal year.

**STATE OF NEW MEXICO**  
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**Management's Discussion and Analysis**  
June 30, 2009

**Changes in Net Assets**  
For the Year-Ended June 30,

	2009	2008
<b>Revenues</b>		
Program revenues:		
Charges for service	\$ 33,892	\$ 30,145
Operating grants and contributions	122,160	135,660
Other grants and contributions	36,132	36,132
Other revenues	497	6,719
Total revenues	192,681	208,656
<b>Expenses</b>		
Economic development	292,830	252,551
Health and welfare	21,460	19,907
Total Expenses	314,290	272,458
Transfers - State General Fund appropriations	121,641	124,760
Increase in net assets	32	60,958
Net assets, beginning of year	193,094	132,136
Net assets, end of year	\$ 193,126	\$ 193,094

**Governmental Activities**

The principal operating fund of the COG is the General Fund. Revenues are derived primarily from grant revenues. Total general fund revenues (GAAP basis) decreased by \$14,425.

The focus of COG's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing COG's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, COG's governmental funds reported combined ending unreserved fund balances of \$171,464, an increase of \$35,929 in comparison with the prior year. The ending fund balances are available for spending at the government's discretion.

Revenues for governmental functions overall totaled \$314,341 in the fiscal year-ended June 30, 2009, which represents a decrease of \$19,075 from the fiscal year-ended June 30, 2008. Expenditures for governmental functions totaled \$303,412. This was an increase of approximately \$12,719 from the fiscal year-ended June 30, 2008. A majority of the increase is due to an increase in personnel expenses. In the fiscal year-ended June 30, 2009, revenue for governmental functions exceeded expenses by approximately \$10,929.

**STATE OF NEW MEXICO**  
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**Management's Discussion and Analysis**  
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The General Fund is the chief operating fund of COG. At the end of the current fiscal year, *unreserved* fund balance of the General Fund was \$171,464.

The fund balance of the COG's General Fund had a net increase \$35,929 during the current fiscal year.

The Economic Development Administration Program had a decrease of \$55,314 prior to inter-fund transfers compared to a decrease of \$17,812 in the prior year. The majority of the decrease was covered by matching funds.

The New Mexico Department of Transportation Program had a decrease of \$17,004 prior to inter-fund transfers compared to a decrease of \$12,778 in the prior year. The majority of the decrease was covered by matching funds.

**Economic Conditions**

Currently 74% of the COG's revenue is from grant funds.

**Budgetary Highlights**

The State Legislature makes annual appropriations to this agency. Amendments to the budget require approval by the Budget Division of the Department of Finance and Administration (DFA). Over the course of the year, this agency revised its budget several times. These budget amendments are due to increases and/or decreases from grant awards unknown at the time of the original budget.

**Requests for Information**

This financial report is designed to provide a general overview of the COG's finances for all those with an interest in its finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to:

Priscilla Lucero, Executive Director  
Southwest New Mexico Council of Governments  
Post Office Box 2157  
Silver City, New Mexico 88062

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**STATE OF NEW MEXICO**  
**SOUTHWEST NEW MEXICO COUNCIL OF GOVERNMENTS**  
**STATEMENT OF NET ASSETS**

June 30,

	Government Activities 2009	Government Activities 2008
<b>ASSETS</b>		
Cash and cash equivalents	\$ 113,247	\$ 79,041
Due from other governments	49,782	67,289
Prepaid expenses	3,582	2,477
Capital assets, net of accumulated depreciation	40,611	51,121
Total assets	<u>\$ 207,222</u>	<u>\$ 199,928</u>
<b>LIABILITIES</b>		
Accounts payable	\$ 5,016	\$ 1,312
Accrued payroll	3,171	-
Compensated absences	5,909	5,522
Total liabilities	<u>14,096</u>	<u>6,834</u>
<b>NET ASSETS</b>		
Investment in capital assets	40,611	51,121
Unrestricted	<u>152,515</u>	<u>141,973</u>
Total net assets	<u>193,126</u>	<u>193,094</u>
Total liabilities and net assets	<u>\$ 207,222</u>	<u>\$ 199,928</u>

The accompanying notes are an integral part of the financial statements

**STATE OF NEW MEXICO**  
**SOUTHWEST NEW MEXICO COUNCIL OF GOVERNMENTS**  
**STATEMENT OF ACTIVITIES**  
For the Fiscal Year Ended June 30,

	Governmental Activities 2009	Governmental Activities 2008
<b>Functions/Programs</b>	<u>2009</u>	<u>2008</u>
General government:		
Economic development	\$ 292,830	\$ 252,551
Health and welfare	21,460	19,907
Total program expenses	<u>314,290</u>	<u>272,458</u>
Program revenues:		
Grants operational	122,160	135,660
Charges for services	33,892	30,145
In-kind operating contributions	36,132	36,132
Other revenues	497	6,719
Total program revenues	<u>192,681</u>	<u>208,656</u>
Net program expense	(121,609)	(63,802)
Transfers - State General Fund Appropriations	<u>121,641</u>	<u>124,760</u>
Increase in net assets	32	60,958
Net assets, Beginning of year	<u>193,094</u>	<u>132,136</u>
Net assets, End of year	<u>\$ 193,126</u>	<u>\$ 193,094</u>

The accompanying notes are an integral part of the financial statements



**GOVERNMENTAL FUNDS STATEMENTS**

**STATE OF NEW MEXICO**  
**SOUTHWEST NEW MEXICO COUNCIL OF GOVERNMENTS**  
**BALANCE SHEET – GOVERNMENTAL FUNDS**  
June 30, 2009

	General Fund	Economic Development Administration Programs	New Mexico Department of Transportation Program	Non- Major Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 113,247	\$ -	\$ -	\$ -	\$ 113,247
Prepaid expenses	480	1,290	1,290	522	3,582
Due from other funds	55,846	-	-	-	55,846
Due from other governments	10,078	25,000	11,704	3,000	49,782
Total assets	<u>\$ 179,651</u>	<u>\$ 26,290</u>	<u>\$ 12,994</u>	<u>\$ 3,522</u>	<u>\$ 222,457</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ 5,016	\$ -	\$ -	\$ -	\$ 5,016
Accrued payroll	3,171	-	-	-	3,171
Due to other funds	-	51,131	1,324	3,391	55,846
Total liabilities	<u>8,187</u>	<u>51,131</u>	<u>1,324</u>	<u>3,391</u>	<u>64,033</u>
Fund balances:					
Unreserved for special revenue funds	-	(24,841)	11,670	131	(13,040)
Unreserved, designated for subsequent year's operations	171,464	-	-	-	171,464
Total fund balances	<u>171,464</u>	<u>(24,841)</u>	<u>11,670</u>	<u>131</u>	<u>158,424</u>
Total liabilities and fund balances	<u>\$ 179,651</u>	<u>\$ 26,290</u>	<u>\$ 12,994</u>	<u>\$ 3,522</u>	<u>\$ 222,457</u>

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO**  
**SOUTHWEST NEW MEXICO COUNCIL OF GOVERNMENTS**  
**GOVERNMENTAL FUNDS**  
**RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS**  
 June 30, 2009

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Fund balances – total governmental funds (Exhibit B-1)	\$ 158,424
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.	40,611
Long-term liabilities which consist of compensated absences are not payable in the current period and therefore are not reported as liabilities in the funds.	(5,909)
	<hr/>
Net assets of governmental activities (Exhibit A-1)	<u><u>\$ 193,126</u></u>

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO**  
**SOUTHWEST NEW MEXICO COUNCIL OF GOVERNMENTS**  
**GOVERNMENTAL FUNDS**  
**BALANCE SHEET GOVERNMENTAL FUNDS**  
June 30, 2008

	General Fund	Economic Development Administration Programs	New Mexico Department of Transportation Program	Non-Major Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 79,041	\$-	\$-	\$-	\$ 79,041
Prepaid expenses	1,473	411	411	182	2,477
Due from other funds	43,701	-	-	-	43,701
Due from other governments	11,850	25,000	24,439	6,000	67,289
Total assets	<u>\$ 136,065</u>	<u>\$ 25,411</u>	<u>\$ 24,850</u>	<u>\$ 6,182</u>	<u>\$ 192,508</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ 530	\$ 341	\$ 341	\$ 100	\$ 1,312
Due to other funds	-	24,911	12,839	5,951	43,701
Total liabilities	<u>530</u>	<u>25,252</u>	<u>13,180</u>	<u>6,051</u>	<u>45,013</u>
Fund balances:					
Unreserved for special revenue funds	-	159	11,670	131	11,960
Unreserved, designated for subsequent year's operations	135,535	-	-	-	135,535
Total fund balances	<u>135,535</u>	<u>159</u>	<u>11,670</u>	<u>131</u>	<u>147,495</u>
Total liabilities and fund balances	<u>\$ 136,065</u>	<u>\$ 25,411</u>	<u>\$ 24,850</u>	<u>\$ 6,182</u>	<u>\$ 192,508</u>

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO**  
**SOUTHWEST NEW MEXICO COUNCIL OF GOVERNMENTS**  
**GOVERNMENTAL FUNDS**  
**RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS**  
June 30, 2008

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Fund balances – total governmental funds (Exhibit B-3)	\$ 147,495
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.	51,121
Long-term liabilities which consist of compensated absences are not payable in the current period and therefore are not reported as liabilities in the funds.	(5,522)
	<hr/>
Net assets of governmental activities (Exhibit A-1)	<u><u>\$ 193,094</u></u>

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO**  
**SOUTHWEST NEW MEXICO COUNCIL OF GOVERNMENTS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES – GOVERNMENTAL FUNDS**  
For the Year-Ended June 30, 2009

	General Fund	Economic Development Administration Programs	New Mexico Department of Transportation Program	Non- Major Funds	Total Governmental Funds
<b>Revenues:</b>					
Local in-kind	\$ 30,444	\$ 5,688	\$ -	\$ -	\$ 36,132
Membership dues	23,342	-	-	-	23,342
Grant administration	10,550	-	-	-	10,550
Other revenue	176	-	-	-	176
Interest revenue	340	-	-	-	340
State grants	20,000	-	65,160	12,000	97,160
Federal grant	-	25,000	-	-	25,000
Total revenues	<u>84,852</u>	<u>30,688</u>	<u>65,160</u>	<u>12,000</u>	<u>192,700</u>
<b>Expenditures:</b>					
Current:					
Economic development	113,786	86,002	82,164	-	281,952
Health and welfare	-	-	-	21,460	21,460
Capital outlay	-	-	-	-	-
Total expenditures	<u>113,786</u>	<u>86,002</u>	<u>82,164</u>	<u>21,460</u>	<u>303,412</u>
Excess (deficiency) of revenues over expenditures	(28,934)	(55,314)	(17,004)	(9,460)	(110,712)
<b>Other Financing Sources (Uses):</b>					
Transfers - State General Fund appropriations	121,641	-	-	-	121,641
Operating transfers in	-	30,314	17,004	9,460	56,778
Operating transfers (out)	(56,778)	-	-	-	(56,778)
Total other financing sources (uses)	<u>64,863</u>	<u>30,314</u>	<u>17,004</u>	<u>9,460</u>	<u>121,641</u>
Net change in fund balances	35,929	(25,000)	-	-	10,929
Fund balances-beginning	<u>135,535</u>	<u>159</u>	<u>11,670</u>	<u>131</u>	<u>147,495</u>
Fund balances-ending	<u>\$ 171,464</u>	<u>\$ (24,841)</u>	<u>\$ 11,670</u>	<u>\$ 131</u>	<u>\$ 158,424</u>

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO**  
**SOUTHWEST NEW MEXICO COUNCIL OF GOVERNMENTS**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS, STATEMENT OF**  
**REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**TO THE STATEMENT OF ACTIVITIES**  
For the Year-Ended June 30, 2009

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

Net Change in Fund Balances – total governmental funds (Exhibit B-5)	\$ 10,929
Depreciation expense is not reported in governmental funds	(10,491)
Reduce basis of vehicle for dealership refund	(19)
In the statement of activities, certain operating expenses- compensated absences (vacations) - are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid).	<u>(387)</u>
Change in net assets of government activities (Exhibit A-2)	<u><u>\$ 32</u></u>

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO**  
**SOUTHWEST NEW MEXICO COUNCIL OF GOVERNMENTS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES – GOVERNMENTAL FUNDS**

For the Year-Ended June 30, 2008

	General Fund	Economic Development Administration Programs	New Mexico Department of Transportation Program	Non- Major Funds	Total Governmental Funds
<b>Revenues:</b>					
Local in-kind	\$ 30,444	\$ 5,688	\$ -	\$ -	\$ 36,132
Membership dues	30,145	-	-	-	30,145
Grant administration	-	-	-	-	-
Other revenue	6,600	-	-	-	6,600
Interest revenue	119	-	-	-	119
State grants	-	-	73,660	12,000	85,660
Federal grant	-	50,000	-	-	50,000
Total revenues	<u>67,308</u>	<u>55,688</u>	<u>73,660</u>	<u>12,000</u>	<u>208,656</u>
<b>Expenditures:</b>					
Current:					
Economic development	89,124	73,500	86,438	-	249,062
Health and welfare	-	-	-	19,844	19,844
Capital outlay	21,787	-	-	-	21,787
Total expenditures	<u>110,911</u>	<u>73,500</u>	<u>86,438</u>	<u>19,844</u>	<u>290,693</u>
Excess (deficiency) of revenues over expenditures	(43,603)	(17,812)	(12,778)	(7,844)	(82,037)
<b>Other Financing Sources (Uses):</b>					
Transfers - State General Fund appropriations	124,760	-	-	-	124,760
Operating transfers in	-	17,679	12,625	7,850	38,154
Operating transfers (out)	(38,154)	-	-	-	(38,154)
Total other financing sources (uses)	<u>86,606</u>	<u>17,679</u>	<u>12,625</u>	<u>7,850</u>	<u>124,760</u>
Net change in fund balances	43,003	(133)	(153)	6	42,723
Fund balances-beginning	<u>92,532</u>	<u>292</u>	<u>11,823</u>	<u>125</u>	<u>104,772</u>
Fund balances-ending	<u>\$ 135,535</u>	<u>\$ 159</u>	<u>\$ 11,670</u>	<u>\$ 131</u>	<u>\$ 147,495</u>

The accompanying notes are an integral part of these financial statements



**STATE OF NEW MEXICO**  
**SOUTHWEST NEW MEXICO COUNCIL OF GOVERNMENTS**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS, STATEMENT OF**  
**REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**TO THE STATEMENT OF ACTIVITIES**  
For the Year-Ended June 30, 2008

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

Net Change in Fund Balances – total governmental funds (Exhibit B-7)	\$ 42,723
Depreciation expense is not reported in governmental funds	(3,302)
In the statement of activities, certain operating expenses- compensated absences (vacations) - are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid).	(250)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	<u>21,787</u>
Change in net assets of government activities (Exhibit A-2)	<u><u>\$ 60,958</u></u>

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO**  
**SOUTHWEST NEW MEXICO COUNCIL OF GOVERNMENTS**  
**General Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Net Assets**  
**Budget (Non-GAAP Basis) and Actual**  
For the Year-Ended June 30, 2009

	Budgeted Amounts		Actual (Modified-GAAP Basis)	Variances Favorable (Unfavorable)
	Original	Final		Final to Actual
Revenues:				
Local in-kind	\$ 30,444	\$ 30,444	\$ 30,444	\$ -
Membership dues	29,112	29,037	23,342	(5,695)
Contract revenue	20,000	20,000	20,000	-
Grant administration	8,750	10,550	10,550	-
Other revenue	600	167	497	330
State appropriation	121,641	121,641	121,641	-
Total operating revenues	210,547	211,839	206,474	(5,365)
Add: beginning cash	23,000	60,500		
	<u>233,547</u>	<u>272,339</u>		
Operating expenditures:				
Current:				
Web design	3,000	-	-	-
Training & education	1,000	500	500	-
Dues & subscriptions	3,560	3,435	3,435	-
Registration	600	634	634	-
Insurance & bonding	2,900	1,488	1,488	-
Janitorial & maintenance	150	-	-	-
In-kind utilities	888	888	888	-
Postage	27,452	778	778	-
Printing & stationary	60	778	778	-
Professional fees	5,296	3,100	3,100	-
In-kind rent	21,798	21,798	21,798	-
Salaries	76,457	43,952	43,952	-
Payroll expenses	27,452	13,998	13,998	-
Supplies	840	3,023	3,023	-
Telephone	572	986	986	-
Travel	3,445	5,602	5,602	-
Advertising	200	359	359	-
Miscellaneous	248	-	-	-
In-kind travel	7,758	7,758	7,758	-
Car maintenance	1,925	1,519	1,519	-
Total expenditures	185,601	110,596	110,596	-
Excess (deficiency) of revenues over expenditures			95,878	
Other financing sources (uses)				
Transfers in	-	-	-	-
Transfers out	(29,083)	(56,778)	(56,778)	-
Total other financing sources (uses)	(29,083)	(56,778)	(56,778)	-
Net changes in fund balance(Non-GAAP)			39,100	
Differences between Non-GAAP and Modified GAAP:				
Adjust Accrued Salaries			(3,171)	
Net change in fund balance (modified GAAP)			35,929	
Total net assets – beginning of year			135,535	
Total net assets – end of year			<u>\$ 171,464</u>	

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO**  
**SOUTHWEST NEW MEXICO COUNCIL OF GOVERNMENTS**  
**Economic Development Administration Programs**  
**Statement of Revenues, Expenditures and Changes in Fund Net Assets**  
**Budget (Non-GAAP Basis) and Actual**  
For the Year-Ended June 30, 2009

	Budgeted Amounts		Actual	Variances Favorable (Unfavorable)
	Original	Final	(Modified- GAAP Basis)	Final to Actual
Revenues:				
Local in-kind	\$ 5,688	\$ 5,688	\$ 5,688	\$ -
Federal Grant	50,000	50,000	25,000	(25,000)
Total operating revenues	<u>55,688</u>	<u>55,688</u>	<u>30,688</u>	<u>(25,000)</u>
Add: beginning cash	-	-		
	<u><u>55,688</u></u>	<u><u>55,688</u></u>		
Operating expenditures:				
Current:				
Dues & subscriptions	1,000	875	875	-
Insurance & bonding	1,000	1,747	1,747	-
Janitorial & maintenance	50	-	-	-
In-kind utilities	888	888	888	-
Postage	200	626	626	-
Printing & stationary	100	108	108	-
Professional fees	1,000	2,385	2,385	-
In-kind rent	4,800	4,800	4,800	-
Salaries	36,296	51,558	51,558	-
Payroll expense	16,341	16,683	16,683	-
Supplies	600	1,621	1,621	-
Telephone	500	425	425	-
Travel	3,667	4,137	4,137	-
Advertising	200	149	149	-
Miscellaneous	25	-	-	-
Total expenditures	<u>66,667</u>	<u>86,002</u>	<u>86,002</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures			(55,314)	
Other financing sources (uses)				
Transfers in	10,979	30,314	30,314	-
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>10,979</u>	<u>30,314</u>	<u>30,314</u>	<u>-</u>
Changes in fund balance			(25,000)	
Total net assets – beginning of year			<u>159</u>	
Total net assets – end of year			<u><u>\$ (24,841)</u></u>	

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO**  
**SOUTHWEST NEW MEXICO COUNCIL OF GOVERNMENTS**  
**New Mexico Department of Transportation Program**  
**Statement of Revenues, Expenditures and Changes in Fund Net Assets**  
**Budget (Non-GAAP Basis) and Actual**  
For the Year-Ended June 30, 2009

	Budgeted Amounts		Actual	Variances Favorable (Unfavorable)
	Original	Final	(Modified- GAAP Basis)	Final to Actual
Revenues:				
NMDOT	\$ 65,160	\$ 65,160	\$ 65,160	\$ -
Total operating revenues	65,160	65,160	65,160	-
Add: beginning cash	-	-		
	65,160	65,160		
Operating expenditures:				
Current:				
Dues & subscriptions	600	1,027	1,027	-
Insurance & bonding	2,000	1,747	1,747	-
Janitorial & maintenance	150	-	-	-
Postage	800	591	591	-
Printing & stationary	100	43	43	-
Professional fees	1,165	2,385	2,385	-
Salaries	52,402	51,336	51,336	-
Payroll expenses	13,198	16,808	16,808	-
Supplies	600	2,007	2,007	-
Telephone	550	425	425	-
Travel	8,194	4,926	4,926	-
Training & education	-	-	-	-
Advertising	2,200	869	869	-
Miscellaneous	75	-	-	-
Capital outlay	4,230	-	-	-
Total Expenditures	86,264	82,164	82,164	-
Excess (deficiency) of revenues over expenditures			(17,004)	
Other financing sources (uses)				
Transfers in	11,104	17,004	17,004	-
Transfers out	-	-	-	-
Total other financing sources (uses)	11,104	17,004	17,004	-
Changes in fund balance			-	
Total net assets – beginning of year			11,670	
Total net assets – end of year			\$ 11,670	

The accompanying notes are an integral part of these financial statements

## **NOTES TO FINANCIAL STATEMENTS**

**STATE OF NEW MEXICO**  
**SOUTHWEST NEW MEXICO COUNCIL OF GOVERNMENTS**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2009

**Note 1. Summary of Significant Accounting Policies**

The COG is recognized as a regional council of planning and development district as designated by the governor. In accordance with the Planning District Act [4-45-4 NMSA 1978], the Council members include municipalities, school systems, counties, individuals and other government-related organizations. The COG's operations are solely within the discretion and control of the governing board.

The COG was organized to provide assistance in long-range planning and local administration of State and Federal funds, and operates under the council-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.

**A. Financial Reporting Entity**

The COG is a component unit of the primary government, the State of New Mexico. There are no component units of COG. These financial statements present the financial position and results of operation of only those funds over which the COG has oversight responsibility.

The Council's combined financial statements include the accounts of all Council operations. The criteria for including organizations as component units within the Council's reporting entity, as set forth in Section 2100 of the Governmental Accounting Standard Board's (GASB) Codification of Government Accounting and Financial Reporting Standards, include whether:

- The organization is legally separate (can sue and be sued in their own name)
- The Council holds the corporate powers of the organization
- The Council appoints a voting majority of the organization's board
- The Council is able to impose its will on the organization
- The organization has the potential to impose a financial benefit/burden on the Council
- There is fiscal dependency by the organization on the Council

Based on the aforementioned criteria, the COG has no component units.

**B. Government-Wide and Fund Financial Statements**

The government-wide financial statements report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of inter-fund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses have a given function or identifiable activity is offset by program revenues. Direct expenses are those that are a clearly identifiable activity with a specific function or identifiable activity. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a function or identifiable activity and 2) grants and contributions that are restricted to meeting the operational requirement of a particular function or identifiable activity. State appropriations and other items not properly included among program revenues are reported instead as general revenues.

Major individual governmental funds are reported as separate columns in the fund financial statements.

**STATE OF NEW MEXICO**  
**SOUTHWEST NEW MEXICO COUNCIL OF GOVERNMENTS**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2009

**Note 1. Summary of Significant Accounting Policies (continued)**

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Neither fiduciary funds nor component units that are fiduciary in nature are included.

All governmental activities of the COG follow FASB Statements and interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements. The COG has elected not to follow FASB Statements and interpretations issued after November 30, 1989.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the COG considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences are recorded only when payment is due.

All material governmental fund expenditures are classified as current. All governmental fund revenues are considered susceptible to accrual.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, and then unrestricted resources, as they are needed.

The COG reports the following major governmental funds:

**General Fund** – The General Fund is the primary operating fund of the COG. It is used for all financial resources except those required to be accounted for in another fund. The fund also is used for the preparation of a statistical analysis of the entire region and assists members in developing community development block grant applications.

**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.

**New Mexico Department of Transportation Fund** – This grant is used to fund the preparation of an annual transportation plan. Committees prioritize specific projects and formal recommendation 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.

**Special Revenue Fund** – The Special Revenue Funds are used to account for the proceeds of specific revenue sources other than major projects that are legally restricted to expenditures for specified purposes.

**STATE OF NEW MEXICO**  
**SOUTHWEST NEW MEXICO COUNCIL OF GOVERNMENTS**  
**NOTES TO FINANCIAL STATEMENTS**  
 June 30, 2009

**Note 1. Summary of Significant Accounting Policies (continued)**

The financial statements of the COG conform to accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing government's accounting policies described as follows.

**D. Assets, Liabilities, and Net Assets or Equity**

**Deposits and Investments:** The COG's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

**Receivables and Payables:** Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as inter-fund balance.

**Capital Assets:** Capital assets, which include property, plant, and equipment, are reported in the applicable governmental column in the government-side financial statements. Capital assets including computer software are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Pursuant to the implementation of GASB Statement No. 34, the historical cost of infrastructure assets, (retroactive to 1979) are to be included as part of the governmental capital assets reported in the government-wide statements. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. No computer software is developed in-house.

Major outlays for capital assets and improvements are capitalized as projects are constructed. No interest was included as part of the cost of capital assets under construction.

Property, plant, and equipment of the primary government are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Leasehold improvements	5
Automobiles	5
Equipment	5
(Including computer software)	

**Compensated Absences:** Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay for it. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported in the governmental activities fund. In accordance with the provisions of Statement of Governmental Accounting Standards No. 16, "Accounting for Compensated Absences", no liability is recorded for non-vesting accumulating rights to receive sick pay benefits. The General Fund has been used to liquidate the liability in the past.

Employees accrue vacation (annual leave) days at 1.25 days per month granted to all regular full-time employees. Leave may be accrued from year to year until fifteen (15) days have been accrued at the end of the calendar year. No more than fifteen (15) days of accumulated leave will be allowed to be carried over to the next year.



**STATE OF NEW MEXICO**  
**SOUTHWEST NEW MEXICO COUNCIL OF GOVERNMENTS**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2009

**Note 1. Summary of Significant Accounting Policies (continued)**

Regular full-time employees shall be allowed a reasonable amount of sick leave with pay, not to exceed twelve (12) days per year. This is for sickness of the employee only. Sick leave may be accrued from year to year up to thirty (30) days accrued. Upon termination, there shall not be any sick leave compensation.

**Net Assets:** The government-wide financial statements utilize a net assets presentation. Net assets are categorized as follows:

*Investment in Capital Assets, Net of Related Debt* - In the fund financial statements, investment in capital assets are reported net of depreciation and related debt.

*Unrestricted Net Assets* – This category reflects net assets of the Agency, not restricted for any project or other purpose.

**Fund equity reservation and designations:** In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted. Designations represent tentative managerial plans that are subject to change. The COG records reserves to indicate that a portion of fund balance is legally restricted for a specific future use or is not available for appropriation and/or expenditure.

*Operations* – the fund balance of the General Fund designated by Legislative Appropriation from expenditure, except by specific appropriation, for the purpose of maintaining existing levels of government services to the public.

*Unreserved* – amounts, which have not been reserved or designated for any purpose. These funds are available for unrestricted usage by the COG

**Inter-Fund Transactions:** Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund from expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other inter-fund transactions, except quasi-external transactions and reimbursements are reported as transfers. All other inter-fund transfers are reported as operating transfers.

**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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Note 2. Stewardship, Compliance, and Accountability**

**Budgets and Budgetary Accounting**

Budgets for General, Economic Development Administration, New Mexico Department of Transportation, and the Mortgage Finance Authority Funds are prepared by management, and approved by the Council and by the corresponding governmental unit providing the funds.

These budgets are prepared on the modified accrual GAAP Basis, excluding secure appropriations, for one year, in the case of the general fund, and for the duration of the program in the case of the special revenue funds. Carryover funds in the general fund remain on hand for later re-appropriation and expenditure at the discretion of the Board.

**STATE OF NEW MEXICO**  
**SOUTHWEST NEW MEXICO COUNCIL OF GOVERNMENTS**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2009

**Note 2. Stewardship, Compliance, and Accountability (continued)**

Budgets are prepared solely as guidelines, and are not legally enforceable documents.

“In-kind” expenditures are budgeted only to a minimum matching amount, and are not required to be further budgeted.

Budgets may be amended with Council and granting agency approval. The budgetary information present in these financial statements has been amended in accordance with the above procedures.

**Note 3. Cash and Cash Equivalents**

Deposits are held in one financial institution and totaled \$113,247 for 2009, and \$79,041 for 2008 in demand deposits. On October 3, 2008, FDIC deposit insurance temporarily increased from \$100,000 to \$250,000 per depositor. New Mexico statutes require that financial institutions with public monies on deposit pledge collateral in an amount not less than 50% of the public monies held on deposit. Under the insurance program of the FDIC, the Council’s cash is adequately insured.

**Note 4. Prepaid Expense**

Prepaid expense for 2009 and 2008 amounted to \$3,582 and \$2,477, respectively, and is the unamortized portion of the General Liability insurance.

**Note 5. Receivables**

Amounts due from other government total \$49,782 as of June 30, 2009 and \$67,289 for June 30, 2008.

These amounts due are deemed to be 100% collectible.

**Note 6. Capital Assets**

The following is a summary of capital assets and changes occurring during the year-ended June 30, 2009.

Governmental Activities:	Balance June 30, 2008	Additions	Deletions	Balance June 30, 2009
Capital assets being depreciated				
Leasehold improvements	\$ 20,624	\$ -	\$ -	\$ 20,624
Equipment	24,064	-	-	24,064
Automobile	21,787	-	19	21,768
Total	<u>66,475</u>	<u>-</u>	<u>19</u>	<u>66,456</u>
Accumulated depreciation:				
Leasehold improvements	1,720	4,125	-	5,845
Equipment	13,634	2,009	-	15,643
Automobile	-	4,357	-	4,357
Total	<u>15,354</u>	<u>10,491</u>	<u>-</u>	<u>25,845</u>
Net book value	<u>\$ 51,121</u>	<u>\$ (10,491)</u>	<u>\$ 19</u>	<u>\$ 40,611</u>

**STATE OF NEW MEXICO**  
**SOUTHWEST NEW MEXICO COUNCIL OF GOVERNMENTS**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2009

Depreciation expense amounts to \$10,491 and \$3,302 for 2009 and 2008, respectively. All of the depreciation was expensed to General government expenses.

**Note 7. Changes in Compensated Absences**

The following is a summary of the changes in the compensated absences made during the fiscal year:

<u>Description</u>	<u>Balance 6/30/2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/2009</u>	<u>Due within One Year</u>
Compensated Absences	\$ 5,522	\$ 387	\$ -	\$ 5,909	\$ 2,955

The compensated absences are paid from the General Fund.

**Note 8. Retirement Plans**

The Public Employees Retirement Association (PERA) covers employees. All employees hired by the Council subsequent to July 1, 1981, must be covered under the PERA Plan. All of the full-time employees participate in the defined benefit contributory retirement plan through the Public Employee's Retirement Association (PERA) of the State of New Mexico.

PERA Plan Description:

The COG participates in a public employee retirement system authorized under the Public Employees Retirement Association Act (PERA) (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 retirement plan. The plan provides for retirement, 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. That report may be obtained by writing to PERA: P.O. Box 2123, Santa Fe, New Mexico 87504-2123.

PERA Funding Policy:

Covered employees are required by State statute to contribute 9.15% of their gross salary. The council is required by State statute to contribute 9.15% of the gross covered salary. The contribution requirements of plan members and the Council is established in Chapter 10, Article 11 NMSA 1978. The requirements may be amended by acts of the legislature. The Council, along with PERA, has approved the payment by the COG of 75% of the employees 9.15% contribution or 6.87%. The contribution requirement for the years ended June 30, 2009, 2008 and 2007, respectively are shown below:

The COG participates in a public employee retirement system authorized under the Public Employees Retirement Council.

Year	PERA Contribution 9.15% + 6.87%	Employee PERA Contribution 2.28%	Total
2009	\$ 26,709	\$ 3,942	\$ 30,651
2008	23,080	3,285	26,365
2007	24,539	3,492	28,031

**STATE OF NEW MEXICO**  
**SOUTHWEST NEW MEXICO COUNCIL OF GOVERNMENTS**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2009

**Note 9. Non-Monetary Transactions**

Non-monetary transactions are designated as “In-Kind” expenditures. The Town of Silver City provides office space to the Council. The Council receives a billing from the municipality of the amount due for the fair value rent of the office space. The municipality then cancels the rent due by making a donation to the Council for the use of the office space and furniture. The total amount received by the Council was \$26,598 of In-Kind Rent, \$1,776 of In-Kind Utilities, and \$7,758 of In-Kind Travel for both 2009 and 2008.

**Note 10. Contingent Liabilities**

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

**Note 11. Post Employment Benefits**

The Retiree Health Care Act (ACT) (Chapter 10, Article 7C NMSA 1978) provides comprehensive core group health insurance for persons who have retired from certain public service in New Mexico. The Retiree Health Care Authority is the administrator of the plan. The purpose is to provide eligible retirees, their spouses, dependents and surviving spouses and dependents with health insurance consisting of a plan, or optional plans of benefits that can be purchased by funds flowing into the Retiree Care Fund and by co-payments or the out-of-pocket payments of eligible retirees.

Monies flow to the Retiree Health Care Fund on a pay-as-you-go basis from eligible employers and eligible retirees. Eligible employees consist of institutions of higher education, school districts, or other entities participating in the Public Insurance Authority, state agencies, state courts, magistrate courts, municipalities or counties, which are affiliated under or covered by the Educational Retirement Act, Public Employees Retirement Act, Volunteer Fire Fighters Retirement Act, Judicial Retirement Act or the Magistrate Retirement Act.

Eligible retirees are: (1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant in the Retiree Health Care Act on the person’s behalf, unless the person retires before the employee’s NMRHCA effective date, in which event the time period for contributions becomes the period of time between the employee’s effective date, and the date of retirement; or (2) retirees defined by the Act who retired prior to July 1, 1990 and former legislators who served at least two years.

Each participating employer makes contributions to the fund in the amount on 1.3% of each participating employee’s annual salary. Each participating employee contributes to the fund an employee contribution equal to .65% of the employee’s salary. Each participating retiree pays a monthly premium for the medical plus basic life plan and an additional five (\$5.00) if the eligible participant retired prior to the employee’s NMRHCA effective date or is a former legislature.

Contributions from participating employers and employees become the property of the Retiree Health Care Fund and are not refundable under any circumstances, including termination of employment or termination of the participating employer’s operation or participation in the Retiree Health Care Act. The employer, employee, and retiree contributions are required to be remitted to the Retiree Health Care Authority on a monthly basis.

**STATE OF NEW MEXICO**  
**SOUTHWEST NEW MEXICO COUNCIL OF GOVERNMENTS**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2009

**Note 11. Post Employment Benefits (continued)**

The Retiree Health Care Authority issues a separate, publicly available audited financial report that includes post employment benefit expenditures of premiums, claims paid, participant contributions (employer, employee, and retiree) and net expenditures for the fiscal year. The report also includes the approximate number of retirees participating in the plan. That report may be obtained by writing to the Retiree Health Care Authority, Albuquerque State Government Center, 4308 Carlisle Blvd. NE, Suite 104, Albuquerque, New Mexico 87107.

For the fiscal year ended June 30, 2009 and 2008, the Department remitted \$2,177 and \$1,873 in employer contributions and \$1,089 and \$936 employee contributions, respectively, to the Retiree Health Care Authority.

**Note 12. Inter-fund Transfers and Balances**

Transfers to/from other funds at June 30, 2009 and 2008 consist of the following:

	<u>2009</u>	<u>2008</u>
COG's portion of grant expenditures	\$ 30,314	\$ 17,679
From the General Fund to the New Mexico Department of Transportation Program for the COG's portion of grant expenditures	17,004	12,625
From the General Fund to the Outreach Program for the COG's portion of grant expenditures	<u>9,460</u>	<u>7,850</u>
Net Transfers	<u>\$ 56,778</u>	<u>\$ 38,154</u>

Amounts due as of June 30, 2009 and 2008 are as follows

<u>2009</u>	<u>2008</u>	Due From	Due To	Purpose
\$ 51,131	\$ 24,911	Economic Development	General fund	To advance funds for expenses
1,324	12,839	Department of Transportation	General fund	To advance funds for expenses
3,391	5,951	Outreach program	General fund	To advance funds for expenses
<u>\$ 55,846</u>	<u>\$ 43,701</u>	Total		

All balances are expected to be paid within the next year.

**Note 13. Self-Insurance**

Health insurance is made available to the employees from New Mexico Self-Insurance Fund at P.O. Box 846, Santa Fe, New Mexico 87504-00846. The COG paid \$ and \$16,029.36 for this fiscal year 2009 and 2008, respectively.

**STATE OF NEW MEXICO**  
**SOUTHWEST NEW MEXICO COUNCIL OF GOVERNMENTS**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2009

**Note 14. Excess Expenditures over Appropriations**

New Mexico State Statutes restricts all officials and governing authorities from approving claims in excess of the approved budget. The COG did not exceed its authorized budget for the year ending June 30, 2009 and 2008.

**Note 15. State Appropriations**

During the fiscal year June 30, 2009 and 2008, the COG received \$121,641 and \$124,760, respectively, from New Mexico Department of Finance and Administration as transfers from state appropriation general fund. Any amounts remaining from the state appropriation are considered non-reverting funds at this time.

**Note 16. State Grants**

During the fiscal year June 30, 2009 and 2008, the COG received \$65,160 and \$73,660, respectively from New Mexico Department of Transportation as grant revenue to aid in the preparation of a transportation plan.

**SUPPLEMENTARY INFORMATION**

**STATE OF NEW MEXICO**  
**SOUTHWEST NEW MEXICO COUNCIL OF GOVERNMENTS**  
**SPECIAL REVENUE FUNDS**  
June 30, 2009

The Special Revenue Funds are used to account for proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes.

**Mortgage Finance Authority (MFA) – Professional Services Outreach Program** – to account for the specific pass-through federal contract to maintain personal contacts 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 the Board of Directors' resolution.



**STATE OF NEW MEXICO**  
**SOUTHWEST NEW MEXICO COUNCIL OF GOVERNMENTS**  
**BALANCE SHEET – SPECIAL REVENUE FUNDS**  
 June 30,

	Outreach Program	
	2009	2008
<b>ASSETS</b>		
Prepaid expenses	\$ 522	\$ 182
Due from other governments	3,000	6,000
Total assets	\$ 3,522	\$ 6,182
<b>LIABILITIES AND FUND BALANCES</b>		
Liabilities:		
Accounts payable	\$ -	\$ 100
Due to other funds	3,391	5,951
Total liabilities	3,391	6,051
Fund balance:		
Unreserved	131	131
Total fund balance	131	131
Total liabilities and fund balances	\$ 3,522	\$ 6,182

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO**  
**SOUTHWEST NEW MEXICO COUNCIL OF GOVERNMENTS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES – SPECIAL REVENUE FUNDS**  
For the Year-Ended June 30,

	Outreach Program	
	2009	2008
<b>REVENUES:</b>		
Contract revenue	\$ 12,000	\$ 12,000
Total revenues	<u>12,000</u>	<u>12,000</u>
<b>EXPENDITURES:</b>		
Current:		
Health and welfare	<u>21,459</u>	<u>19,844</u>
Total expenditures	<u>21,459</u>	<u>19,844</u>
Excess (deficiency) of revenues over expenditures:	<u>(9,459)</u>	<u>(7,844)</u>
<b>OTHER FINANCING SOURCES (USES):</b>		
Operating transfers in	9,459	7,850
Operating transfers (out)	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>9,459</u>	<u>7,850</u>
Net change in fund balance	-	6
Fund balance - beginning	<u>131</u>	<u>125</u>
Fund balance – ending	<u>\$ 131</u>	<u>\$ 131</u>

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO**  
**SOUTHWEST NEW MEXICO COUNCIL OF GOVERNMENTS**  
**Outreach Program**  
**Statement of Revenues, Expenditures and Changes in Fund Net Assets**  
**Budget (Non-GAAP Basis) and Actual**  
For the Year-Ended June 30, 2009

	Budgeted Amounts		Actual	Variances Favorable (Unfavorable)
	Original	Final	(Modified- GAAP Basis)	Final to Actual
Revenues:				
Contract revenue	\$ 12,000	\$ 12,000	\$ 12,000	\$ -
Total operating revenues	<u>12,000</u>	<u>12,000</u>	<u>12,000</u>	<u>-</u>
Add: beginning cash	<u>-</u>	<u>-</u>		
	12,000	12,000		
Operating expenditures:				
Current:				
Training & education	-	-	-	-
Dues & subscriptions	100	249	249	-
Insurance & bonding	200	563	563	-
Janitorial & maintenance	-	-	-	-
Postage	100	170	170	-
Printing & stationary	100	38	38	-
Professional fees	500	568	568	-
Salaries	7,500	14,653	14,305	348
Payroll expenses	800	3,666	3,666	-
Supplies	100	463	463	-
Telephone	100	127	127	-
Travel	2,000	912	1,260	(348)
Advertising	500	51	51	-
Miscellaneous	-	-	-	-
Total expenditures	<u>12,000</u>	<u>21,460</u>	<u>21,460</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures			(9,460)	
Other financing sources (uses)				
Transfers in	7,000	9,460	9,460	-
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>7,000</u>	<u>9,460</u>	<u>9,460</u>	<u>-</u>
Changes in fund balance			-	
Total net assets – beginning of year			<u>131</u>	
Total net assets – end of year			<u>\$ 131</u>	

The accompanying notes are an integral part of these financial statements

## **SUPPORTING SCHEDULES**

**STATE OF NEW MEXICO**  
**SOUTHWEST NEW MEXICO COUNCIL OF GOVERNMENTS**  
**SCHEDULE OF DEPOSITORIES**  
 June 30, 2009

AmBank checking account 6/30/09 balance	\$ 80,738
Outstanding deposit	-
Outstanding checks	-
Book balance	<u><u>\$ 80,738</u></u>
AmBank savings account 6/30/09 balance	\$ 32,459
Outstanding deposit	-
Outstanding checks	-
Book balance	<u><u>\$ 32,459</u></u>
Petty cash account 6/30/09 balance	<u><u>\$ 50</u></u>

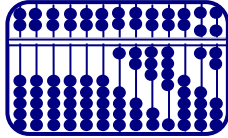
The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO**  
**SOUTHWEST NEW MEXICO COUNCIL OF GOVERNMENTS**  
**SCHEDULE OF GRANT EXPENDITURES**  
June 30, 2009

	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Federal</u>	<u>State</u>
Economic Development Administration, Southwestern Region	11.302	08-83-03984	25,000	-
New Mexico Mortgage Finance Authority		N/A	-	12,000
New Mexico Dept of Transportation		TPO-7500(42)	-	65,160
New Mexico Environmental Department		N/A	-	20,000
Total funds expended			<u>\$ 25,000</u>	<u>\$ 97,160</u>

The accompanying notes are an integral part of these financial statements

## **COMPLIANCE SECTION**



MARCUS,  
FAIRALL,  
BRISTOL + CO., L.L.P.

**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***

Hector H. Balderas  
Board of Trustees  
Southwest New Mexico Council of Governments  
Silver City, New Mexico 88061

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information, the budgetary comparisons for the general fund and major special revenue funds, and the combining and individual funds presented as supplemental information of Southwest New Mexico Council of Governments (COG) as of and for the year-ended June 30, 2009 and 2008, and have issued our report thereon dated December 10, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and with standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the COG's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the COG's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course or performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the COG's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the agency's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.



## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the COG's 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 no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Directors, Federal and State Awarding agencies, the Office of the New Mexico State Auditor, the New Mexico Department of Finance Administration, and the New Mexico State Legislature and is not intended to be and should not be used by anyone other than these specified parties.



Marcus, Fairall, Bristol + Co., L.L.P.  
El Paso, Texas

December 10, 2009

**STATE OF NEW MEXICO**  
**SOUTHWEST NEW MEXICO COUNCIL OF GOVERNMENTS**  
**CURRENT YEAR SCHEDULE OF FINDINGS**  
For the Year-Ended June 30, 2009

**Reportable Findings and Questioned Costs-Financial Statement**

Prior Year Reportable Findings and Questioned Costs – Financial Statement

There were no prior year findings.

Current Year Reportable Findings and Questioned Costs:

Reportable Findings and Questioned Costs – Financial Statements Audit

There are no current year findings.

**STATE OF NEW MEXICO**  
**SOUTHWEST NEW MEXICO COUNCIL OF GOVERNMENTS**  
**Exit Conference**  
June 30, 2009

An exit conference was held on December 10, 2009 with personnel from the COG. Representing the Council were Priscilla Lucero, Executive Director, Alex Brown, Vice-Chairperson, and Pam Eley, Office Manager/Planner. Representing the firm of Marcus, Fairall, Bristol + Co., L.L.P. was Jack W. Fairall, CPA and Andres Sanchez, CPA.

**Compilation of Financial Statement**

The financial statements presented in this report were compiled by the auditors, Marcus, Fairall, Bristol + Co., L.L.P. However, the contents of their financial statements remain the responsibility of the Council. The individuals responsible for the accounting and reporting function possess the skills and knowledge to apply generally accepted accounting principles in recording the agency's financial transactions or preparing its financial statements.