

**STATE OF NEW MEXICO
SOUTHWEST NEW MEXICO COUNCIL OF
GOVERNMENTS
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEARS ENDED
JUNE 30, 2010 and 2009**

Prepared by
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STATE OF NEW MEXICO
SOUTHWEST NEW MEXICO COUNCIL OF GOVERNMENTS
Annual Financial Report
For the Year Ended June 30, 2010
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STATE OF NEW MEXICO
SOUTHWEST NEW MEXICO COUNCIL OF GOVERNMENTS

Official Roster
June 30, 2010

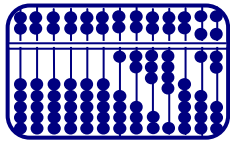
EXECUTIVE BOARD OF DIRECTORS

Jovita Gonzoles	Chairperson
Alex Brown	Vice-Chairperson
Roger Ellis	Hidalgo County
Bonnie Armijo	Village of Reserve
Vacant	Deming SWCD
Jon Paul Saari	Grant County
Irene Galvan	City of Lordsburg
Bill Webb	San Francisco SWCD
Vacant	Hidalgo SWCD
Rich Olson	Black Range RC&D
Linda Smrkovsky	City of Deming
Ray Baca	Town of Hurley
Dane Kennon	Cobre Schools
Bill Aymar	Catron County
Paul Nimick	Village of Columbus
Archie Payne	Village of Virden
Fred Williams	Luna County
Fred Vega	El Grito Head Start, Inc.
Jim Barentine	Lordsburg Schools
Lucy Romo	Village of Santa Clara

ADMINISTRATION

Priscilla Lucero	Executive Director
Pam Eley	Office Manager/Planner
Cynthia Stoehner	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, and budgetary comparisons for the general fund and major special revenue funds of the Southwest New Mexico Council of Governments (COG), component unit of the State of New Mexico as of and for the year-ended June 30, 2010 and 2009, 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, and the budgetary comparison for all non-major funds presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year-ended June 30, 2010 and 2009, 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, 2010 and 2009, 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, 2010 and 2009, 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 September 9, 2010 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.

Marcus, Farrell, Bristol & Co. LLP

El Paso, Texas
September 9, 2010

STATE OF NEW MEXICO
SOUTHWEST NEW MEXICO COUNCIL OF GOVERNMENTS
Management's Discussion and Analysis
June 30, 2010

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, 2010. 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 \$220,254 (net assets). Of this amount \$178,309 (*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 \$27,128 during the fiscal year. The majority of this increase is due to an increase in grant revenue as well as a new web design contract.
- As of June 30, 2010, COG's governmental funds reported combined ending fund balances of \$171,835. All of which is unrestricted except as to fund.
- As of June 30, 2010, the unreserved fund balance of the general fund was \$183,012.

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, 2010 and 2009. 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 \$166,018 in cash and government receivables and equals 91% of unreserved net assets of governmental funds. Part of the reason for this liquidity was the increase of \$35,189 in contract revenue from the NMED, \$2,200 for grant administration, and \$8,721 for web design.

STATE OF NEW MEXICO
SOUTHWEST NEW MEXICO COUNCIL OF GOVERNMENTS
Management's Discussion and Analysis
June 30, 2010

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 25-35 of this report.

Capital Assets

Below is the summary of capital assets, net of accumulated depreciation. Please refer to note 6 for a detailed disclosure.

	2010	2009
Leaehold improvements	\$ 10,654	\$ 14,779
Equipment	7,570	8,421
Autmobile	34,898	17,411
Total, net of accumulated depreciation	\$ 53,122	\$ 40,611

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 \$220,254 at the close of the current fiscal year.

The largest portion of COG's net assets, \$178,309, 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, 2010

Analysis of Net Assets (continued)

Statement of Net Assets
As of June 30,

ASSETS	<u>2010</u>	<u>2009</u>
Current assets	\$ 173,205	\$ 166,611
Capital assets	<u>53,122</u>	<u>40,611</u>
Total assets	<u><u>\$ 226,327</u></u>	<u><u>\$ 207,222</u></u>
LIABILITIES		
Current liabilities	\$ 3,721	\$ 11,141
Long-term liabilities	<u>2,352</u>	<u>2,955</u>
Total liabilities	<u><u>\$ 6,073</u></u>	<u><u>\$ 14,096</u></u>
NET ASSETS		
Investment in capital assets	53,122	40,611
Restricted to fund	(11,177)	(13,040)
Unrestricted	<u>178,309</u>	<u>165,555</u>
Total net assets	<u><u>\$ 220,254</u></u>	<u><u>\$ 193,126</u></u>

The remaining portion of the net assets represents the COG's investment of \$53,122 and \$40,611 in capital assets (e.g., machinery and equipment), for the years ending June 30, 2010 and 2009, 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, 2010 and 2009, the COG's net assets overall, increased \$27,128, and \$32, respectively. This increase in both years is explained in the government activities discussion below, and is primarily a result of increased grant revenues and charge for services received by the COG during the fiscal year.

STATE OF NEW MEXICO
SOUTHWEST NEW MEXICO COUNCIL OF GOVERNMENTS
Management's Discussion and Analysis
June 30, 2010

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

	2010	2009
Revenues		
Program revenues:		
Charges for service	\$ 39,930	\$ 33,892
Operating grants and contributions	137,349	122,160
Other grants and contributions	36,132	36,132
Other revenues	317	497
Total revenues	213,728	192,681
Expenses		
Economic development	287,430	292,830
Health and welfare	13,799	21,460
Total Expenses	301,229	314,290
Excess (deficiency) before transfers	(87,501)	(121,609)
Transfers - State General Fund appropriations	114,629	121,641
Increase in net assets	27,128	32
Net assets, beginning of year	193,126	193,094
Net assets, end of year	\$ 220,254	\$ 193,126

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 \$44,605.

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 fund balances of \$171,835, an increase of \$13,411 in comparison with the prior year. The ending fund balances are available for spending for subsequent expenditures.

Revenues and state appropriations for governmental functions overall totaled \$328,357 in the fiscal year-ended June 30, 2010, which represents an increase of \$14,016 from the fiscal year-ended June 30, 2009. Expenditures for governmental functions totaled \$301,229. This was a decrease of approximately \$13,061 from the fiscal year-ended June 30, 2009. A majority of the decrease is due to the elimination of a payroll position. In the fiscal year-ended June 30, 2010, revenue for governmental functions and transfers exceeded expenses by approximately \$27,128.

STATE OF NEW MEXICO
SOUTHWEST NEW MEXICO COUNCIL OF GOVERNMENTS
Management's Discussion and Analysis
June 30, 2010

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 \$183,012.

The fund balance of the COG's General Fund had a net increase \$11,548 during the current fiscal year.

The State Appropriation Fund had a net increase of \$1,673. This fiscal year is the first year the COG is accounting for the State Appropriations separate of the General Fund. The fund was set up because any remaining funds must be reverted to New Mexico State beginning this fiscal year.

The Economic Development Administration Program had a decrease of \$10,656 prior to inter-fund transfers compared to a decrease of \$55,314 in the prior year. The decrease was covered by matching funds.

The New Mexico Department of Transportation Program had a decrease of \$14,736 prior to inter-fund transfers compared to a decrease of \$17,004 in the prior year. The majority of the decrease was covered by matching funds.

Economic Conditions

Currently 42% of the COG's revenue is from grant funds and 35% is from state appropriations.

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 2010	Government Activities 2009
ASSETS		
Cash and cash equivalents	\$ 133,900	\$ 113,247
Due from other governments	32,118	49,782
Prepaid expenses	7,187	3,582
Capital assets, net of accumulated depreciation	53,122	40,611
Total assets	\$ 226,327	\$ 207,222
LIABILITIES		
Accounts payable	\$ 1,370	\$ 5,016
Accrued payroll	-	3,171
Compensated absences - due within one year	2,351	2,954
Compensated absences - due in more than one year	2,352	2,955
Total liabilities	6,073	14,096
NET ASSETS		
Investment in capital assets	53,122	40,611
Unreserved for special revenue funds	(11,177)	(13,040)
Unreserved, designated for subsequent years operations	178,309	165,555
Total net assets	220,254	193,126
Total liabilities and net assets	\$ 226,327	\$ 207,222

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,

Functions/Programs	<u>Governmental Activities 2010</u>	<u>Governmental Activities 2009</u>
General government:		
Economic development	\$ 287,430	\$ 292,830
Health and welfare	13,799	21,460
Total program expenses	<u>301,229</u>	<u>314,290</u>
Program revenues:		
Grants operational	137,349	122,160
Charges for services	39,930	33,892
In-kind operating contributions	36,132	36,132
Other revenue	317	497
Total program revenues	<u>213,728</u>	<u>192,681</u>
Net program expense	(87,501)	(121,609)
Transfers - State General Fund Appropriations	<u>114,629</u>	<u>121,641</u>
Increase in net assets	27,128	32
Net assets, Beginning of year	<u>193,126</u>	<u>193,094</u>
Net assets, End of year	<u>\$ 220,254</u>	<u>\$ 193,126</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, 2010

	General Fund	State Appropriation	Economic Development Administration Programs	New Mexico Department of Transportation Program	Non-Major Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 133,900	\$ -	\$ -	\$ -	\$ -	\$ 133,900
Prepaid expenses	-	3,404	1,252	1,168	1,363	7,187
Due from other funds	46,501	-	-	-	-	46,501
Due from other governments	2,850	-	12,500	12,768	4,000	32,118
Total assets	<u>\$ 183,251</u>	<u>\$ 3,404</u>	<u>\$ 13,752</u>	<u>\$ 13,936</u>	<u>\$ 5,363</u>	<u>\$ 219,706</u>
LIABILITIES AND FUND BALACES						
Liabilities:						
Accounts payable	\$ 239	\$ 667	\$ 232	\$ 232	\$ -	\$ 1,370
Accrued payroll	-	-	-	-	-	-
Due to other funds	-	1,064	36,517	3,361	5,559	46,501
Total liabilities	<u>239</u>	<u>1,731</u>	<u>36,749</u>	<u>3,593</u>	<u>5,559</u>	<u>47,871</u>
Fund balances:						
Unreserved for special revenue funds	-	1,673	(22,997)	10,343	(196)	(11,177)
Unreserved, designated for subsequent year's operations	183,012	-	-	-	-	183,012
Total fund balances	<u>183,012</u>	<u>1,673</u>	<u>(22,997)</u>	<u>10,343</u>	<u>(196)</u>	<u>171,835</u>
Total liabilities and fund balances	<u>\$ 183,251</u>	<u>\$ 3,404</u>	<u>\$ 13,752</u>	<u>\$ 13,936</u>	<u>\$ 5,363</u>	<u>\$ 219,706</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, 2010

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

Fund balances – total governmental funds (Exhibit B-1)	\$	171,835
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.		53,122
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.		(4,703)
		<hr style="border: 1px solid black;"/>
Net assets of governmental activities (Exhibit A-1)	\$	<u><u>220,254</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, 2009

	General Fund	Economic Development Administration Programs	New Mexico Department of Transportation Program	Non-Major Funds	Total Governmental Funds
ASSETS					
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>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accrued payroll	\$ 5,016	\$ -	\$ -	\$ -	\$ 5,016
Accounts payable	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-3)	\$	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 style="border: 1px solid black;"/>
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
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – GOVERNMENTAL FUNDS

For the Year-Ended June 30, 2010

	General Fund	State Appropriation	Economic Development Administration Programs	New Mexico Department of Transportation Program	Non-Major Funds	Total Governmental Funds
Revenues:						
Local in-kind	\$ -	\$ 30,444	\$ 5,688	\$ -	\$ -	\$ 36,132
Membership dues	29,009	-	-	-	-	29,009
Grant administration	2,200	-	-	-	-	2,200
Web design	8,721	-	-	-	-	8,721
Other revenue	317	-	-	-	-	317
State grants	-	-	-	65,160	12,000	77,160
Federal grant	-	-	60,189	-	-	60,189
Total revenues	<u>40,247</u>	<u>30,444</u>	<u>65,877</u>	<u>65,160</u>	<u>12,000</u>	<u>213,728</u>
Expenditures:						
Current:						
Economic development	2,580	119,825	76,533	79,896	-	278,834
Health and welfare	-	-	-	-	13,799	13,799
Capital outlay	22,313	-	-	-	-	22,313
Total expenditures	<u>24,893</u>	<u>119,825</u>	<u>76,533</u>	<u>79,896</u>	<u>13,799</u>	<u>314,946</u>
Excess (deficiency) of revenues over expenditures	15,354	(89,381)	(10,656)	(14,736)	(1,799)	(101,218)
Other Financing Sources (Uses):						
Transfers - State General Fund appropriations	-	114,629	-	-	-	114,629
Operating transfers in	-	29	12,500	13,409	1,472	27,410
Operating transfers (out)	(3,806)	(23,604)	-	-	-	(27,410)
Total other financing sources (uses)	<u>(3,806)</u>	<u>91,054</u>	<u>12,500</u>	<u>13,409</u>	<u>1,472</u>	<u>114,629</u>
Net change in fund balances	11,548	1,673	1,844	(1,327)	(327)	13,411
Fund balances-beginning	<u>171,464</u>	<u>-</u>	<u>(24,841)</u>	<u>11,670</u>	<u>131</u>	<u>158,424</u>
Fund balances-ending	<u>\$ 183,012</u>	<u>\$ 1,673</u>	<u>\$ (22,997)</u>	<u>\$ 10,343</u>	<u>\$ (196)</u>	<u>\$ 171,835</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, 2010

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

Net Change in Fund Balances – total governmental funds (Exhibit B-5)	\$ 13,411
Depreciation expense is not reported in governmental funds	(9,802)
Capital outlays are not reported as expenditures in governmental funds.	22,313
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).	1,206
Change in net assets of government activities (Exhibit A-2)	\$ 27,128

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
Revenues:					
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>
Expenditures:					
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)
Other Financing Sources (Uses):					
Transfers - State General Fund appropriations	121,641	-	-	-	121,641
Operating transfers in	-	30,314	17,004	9,460	56,778
Operating transfers (out)	<u>(56,778)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(56,778)</u>
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-7)	\$ 10,929
Depreciation expense is not reported in governmental funds	(10,491)
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).	(19)
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>(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
General Fund
Statement of Revenues, Expenditures and Changes in Fund Net Assets
Budget (Non-GAAP Basis) and Actual
For the Year-Ended June 30, 2010

	Budgeted Amounts		Actual	Variations Favorable (Unfavorable)
	Original	Final	(Modified-GAAP Basis)	Final to Actual
Revenues:				
Membership dues	\$ 29,037	\$ 29,337	\$ 29,009	\$ (328)
Contract revenue	-	6,330	8,721	2,391
Grant administration	3,300	6,200	2,200	(4,000)
Other revenue	-	-	317	317
Total operating revenues	32,337	41,867	40,247	(1,620)
Add: beginning cash	60,500	-		
	<u>92,837</u>	<u>41,867</u>		
Operating expenditures:				
Current:				
Web design	-	318	318	-
Dues & subscriptions	3,900	50	50	-
Supplies	606	606	606	-
Salaries	60,500	-	-	-
Travel	34	34	34	-
Car maintenance	797	1,333	1,333	-
Capital outlay	27,000	22,313	22,313	-
Total expenditures	<u>92,837</u>	<u>24,654</u>	<u>24,654</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures			15,593	
Other financing sources (uses)				
Transfers in	-	-	-	-
Transfers out	-	(3,806)	(3,806)	-
Total other financing sources (uses)	<u>-</u>	<u>(3,806)</u>	<u>(3,806)</u>	<u>-</u>
Net changes in fund balance (Non-GAAP)			11,787	
Differences between Non-GAAP and Modified GAAP:				
Adjust accounts payable			(239)	
Net change in fund balance (Modified GAAP)			11,548	
Total net assets – beginning of year			<u>171,464</u>	
Total net assets – end of year			<u>\$ 183,012</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
SOUTHWEST NEW MEXICO COUNCIL OF GOVERNMENTS
State Appropriation
Statement of Revenues, Expenditures and Changes in Fund Net Assets
Budget (Non-GAAP Basis) and Actual
For the Year-Ended June 30, 2010

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final	(Modified-GAAP Basis)	Final to Actual
Revenues:				
Local in-kind	\$ 30,444	\$ 30,444	\$ 30,444	\$ -
Total operating revenues	30,444	30,444	30,444	-
Add: beginning cash	-	-		
	<u>30,444</u>	<u>30,444</u>		
Operating expenditures:				
Current:				
Dues & subscriptions	100	3,058	3,058	-
Registration	1,100	1,405	1,405	-
Insurance & bonding	4,200	2,941	2,941	-
In-kind utilities	888	888	888	-
Postage	780	606	606	-
Printing & stationary	660	1,288	1,288	-
Professional fees	3,655	2,700	2,700	-
In-kind rent	21,798	21,798	21,798	-
Salaries	40,388	51,175	51,175	-
Payroll expenses	32,064	12,685	12,685	-
Supplies	2,729	3,002	3,002	-
Telephone	900	631	631	-
Travel	5,138	4,221	4,221	-
Advertising	300	192	192	-
In-kind travel	7,758	7,758	7,758	-
Computer expense	-	7,067	7,067	-
Car maintenance	203	82	82	-
Total expenditures	<u>122,661</u>	<u>121,497</u>	<u>121,497</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures			(91,053)	
Other financing sources (uses)				
Transfers - State General Fund Appropriations	121,300	114,629	114,629	-
Transfers in	-	28	28	-
Transfers out	(29,083)	(23,604)	(23,604)	-
Total other financing sources (uses)	<u>92,217</u>	<u>91,053</u>	<u>91,053</u>	<u>-</u>
Net changes in fund balance (Non-GAAP)			-	
Differences between Non-GAAP and Modified GAAP:				
Adjust prepaid expenses		(284)		
Adjust accounts payable		1,957	1,673	
Net change in fund balance (Modified GAAP)			1,673	
Total net assets – beginning of year			<u>-</u>	
Total net assets – end of year			<u>\$ 1,673</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, 2010

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final	(Modified-GAAP Basis)	Final to Actual
Revenues:				
Local in-kind	\$ 5,688	\$ 5,688	\$ 5,688	\$ -
Federal Grant	50,000	60,189	60,189	-
Total operating revenues	<u>55,688</u>	<u>65,877</u>	<u>65,877</u>	<u>-</u>
Add: beginning cash	-	-		
	<u>55,688</u>	<u>65,877</u>		
Operating expenditures:				
Current:				
Dues & subscriptions	767	875	875	-
Insurance & bonding	1,100	1,658	1,658	-
Janitorial & maintenance	50	-	-	-
In-kind utilities	888	888	888	-
Postage	200	449	449	-
Printing & stationary	100	201	201	-
Professional fees	1,900	2,450	2,450	-
In-kind rent	4,800	4,800	4,800	-
Salaries	36,296	48,145	48,145	-
Payroll expense	16,341	12,779	12,779	-
Supplies	600	1,619	1,619	-
Telephone	400	327	327	-
Travel	3,000	2,651	2,651	-
Advertising	200	123	123	-
Computer expense	-	1,391	1,391	-
Miscellaneous	25	21	21	-
Total expenditures	<u>66,667</u>	<u>78,377</u>	<u>78,377</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures			(12,500)	
Other financing sources (uses)				
Transfers in	10,979	12,500	12,500	-
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>10,979</u>	<u>12,500</u>	<u>12,500</u>	<u>-</u>
Changes in fund balance (Non-GAAP)				-
Difference between Non-GAAP and Modified GAAP				
Adjust accounts payable		(1,327)		
Adjust accrued salaries		3,171	1,844	
Change in fund balance (Modified GAAP)			<u>1,844</u>	
Total net assets – beginning of year			<u>(24,841)</u>	
Total net assets – end of year			<u>\$ (22,997)</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, 2010

	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	974	520	520	-
Insurance & bonding	1,200	1,658	1,658	-
Janitorial and maintenance	50	-	-	-
Postage	600	372	372	-
Printing & stationary	100	201	201	-
Professional fees	1,900	2,450	2,450	-
Salaries	48,375	49,067	49,067	-
Payroll expenses	16,940	15,761	15,761	-
Supplies	1,000	1,922	1,922	-
Telephone	500	293	293	-
Travel	3,700	5,074	5,074	-
Advertising	800	830	830	-
Computer expense	-	400	400	-
Car maintenance	125	21	21	-
Total Expenditures	76,264	78,569	78,569	-
Excess (deficiency) of revenues over expenditures			(13,409)	
Other financing sources (uses)				
Transfers in	11,104	13,409	13,409	-
Transfers out	-	-	-	-
Total other financing sources (uses)	11,104	13,409	13,409	-
Changes in fund balance (Non-GAAP)			-	
Difference between Non-GAAP and Modified GAAP				
Adjust prepaid expenses		(1,094)		
Adjust accounts payable		(233)	(1,327)	
Changes in fund balance (Modified GAAP)		(1,327)	(1,327)	
Total net assets – beginning of year			11,670	
Total net assets – end of year			\$ 10,343	

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, 2010

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 COG's combined financial statements include the accounts of all COG 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. Other items not properly included among program revenues are reported instead as general revenues. State appropriations are considered transfers from the State General Fund and reported as other financing sources.

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, 2010

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.

State Appropriation Fund – The State Appropriation Fund is used to account of the proceeds and distributions of the State Appropriation Funds received. The fund was authorized by the Council members 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 Council members 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 Council members 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, 2010

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, 2010

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.

STATE OF NEW MEXICO
SOUTHWEST NEW MEXICO COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

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.

Difference between budget and GAAP are as follows:

	<u>June 30, 2010</u>					
	General Fund	State Appropriation	EDA	Transportation	Non-Major Funds	Total
Excess (deficiency) of revenues and other sources (uses) over expenditures (Modified GAAP Basis)	\$ 15,354	\$ (89,380)	\$ (10,656)	\$ (14,736)	\$ (1,799)	\$ (101,217)
Adjustments:						
To revenues for tax accruals, earnings on investments and other deferrals and accruals.	-	-	-	-	-	-
Adjustments:						
To adjust expenditures for payables, payroll taxes, prepaid expenses and other accruals.	239	(1,673)	(1,844)	1,327	327	(1,624)
Excess (deficiency) of revenues and other sources (uses) over expenditures (Budget Basis)	<u>\$ 15,593</u>	<u>\$ (91,053)</u>	<u>\$ (12,500)</u>	<u>\$ (13,409)</u>	<u>\$ (1,472)</u>	<u>\$ (102,841)</u>

STATE OF NEW MEXICO
SOUTHWEST NEW MEXICO COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

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

	<u>June 30, 2009</u>				
	<u>General Fund</u>	<u>MFA</u>	<u>Transportation</u>	<u>Non-Major Funds</u>	<u>Total</u>
Excess (deficiency) of revenues and other sources (uses) over expenditures (Modified GAAP Basis)	\$ (28,934)	\$ (55,314)	\$ (17,004)	\$ (9,460)	\$ (110,712)
Adjustments:					
To revenues for tax accruals, earnings on investments and other deferrals and accruals.	-	-	-	-	-
Adjustments:					
To adjust expenditures for payables, payroll taxes, prepaid expenses and other accruals.	3,171	-	-	-	3,171
Excess (deficiency) of revenues and other sources (uses) over expenditures (Budget Basis)	<u>\$ (25,763)</u>	<u>\$ (55,314)</u>	<u>\$ (17,004)</u>	<u>\$ (9,460)</u>	<u>\$ (107,541)</u>

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 \$133,900 for 2010, and \$113,247 for 2009 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.

STATE OF NEW MEXICO
SOUTHWEST NEW MEXICO COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

Note 4. Prepaid Expense

Prepaid expense for 2010 and 2009 amounted to \$7,187 and \$3,582, respectively, and is the unamortized portion of the General Liability insurance.

Note 5. Receivables

Amounts due from other government total \$32,118 as of June 30, 2010 and \$49,782 for June 30, 2009.

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, 2010.

Governmental Activities:	Balance June 30, 2009	Additions	Deletions	Balance June 30, 2010
Capital assets being depreciated				
Leasehold improvements	\$ 20,624	\$ -	\$ -	\$ 20,624
Equipment	24,064	-	-	24,064
Automobile	21,768	22,313	-	44,081
Total	<u>66,456</u>	<u>22,313</u>	<u>-</u>	<u>88,769</u>
Accumulated depreciation:				
Leasehold improvements	5,845	4,125	-	9,970
Equipment	15,643	851	-	16,494
Automobile	4,357	4,826	-	9,183
Total	<u>25,845</u>	<u>9,802</u>	<u>-</u>	<u>35,647</u>
Net book value	<u>\$ 40,611</u>	<u>\$ 12,511</u>	<u>\$ -</u>	<u>\$ 53,122</u>

Depreciation expense amounts to \$9,802 and \$10,491 for 2010 and 2009, respectively. All of the depreciation was calculated using straight-line based upon the individual asset useful life and is 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:

Description	Balance 6/30/2009	Additions	Deletions	Balance 6/30/2010	Due within One Year
Compensated Absences	\$ 5,909	\$ 9,578	\$ 10,784	\$ 4,703	\$ 2,351

The compensated absences are paid from the General Fund.

STATE OF NEW MEXICO
SOUTHWEST NEW MEXICO COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
 June 30, 2010

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.

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

Funding Policy. Plan members are required to contribute 9.15% of their gross salary. The Southwest New Mexico Council of Government is required to contribute 9.15% of the gross covered salary. The contribution requirements of plan members and the Southwest New Mexico Council of Government are established in State statute under 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, 2010, 2009 and 2008, respectively are shown below:

Year	PERA Contribution 9.15% + 6.87%	Employee PERA Contribution 2.28%	Total
2010	\$ 24,537	\$ 3,492	\$ 28,029
2009	26,709	3,942	30,651
2008	23,080	3,285	26,365

Note 9. Non-Monetary Transactions

Non-monetary transactions are designated as "In-Kind" expenditures. The Town of Silver City provides office space to the COG. The COG 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 COG for the use of the office space and furniture. The total amount received by the COG was \$26,598 of In-Kind Rent, \$1,776 of In-Kind Utilities, and \$7,758 of In-Kind Travel for both 2010 and 2009.

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.

STATE OF NEW MEXICO
SOUTHWEST NEW MEXICO COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
 June 30, 2010

Note 11. Post Employment Benefits

Plan Description. Southwest New Mexico Council of Governments contributes to the New Mexico Retiree Health Care Fund, a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the New Mexico Retiree Health Care Authority (RHCA). The RHCA provides health care insurance and prescription drug benefits to retired employees of participating New Mexico government agencies, their spouses, dependents, and surviving spouses and dependents. The RHCA Board was established by the Retiree Health Care Act (Chapter 10, Article 7C, NMSA 1978). The Board is responsible for establishing and amending benefit provisions of the healthcare plan and is also authorized to designate optional and/or voluntary benefits like dental, vision, supplemental life insurance, and long-term care policies.

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 RHCA plan on the person's behalf unless that person retires before the employer's RHCA effective date, in which event the time period required for employee and employer contributions shall become the period of time between the employer's effective date and the date of retirement; 2) retirees defined by the Act who retired prior to July 1, 1990; 3) former legislators who served at least two years; and 4) former governing authority members who served at least four years.

The RHCA issues a publicly available stand-alone financial report that includes financial statements and required supplementary information for the postemployment healthcare plan. That report and further information can be obtained by writing to the Retiree Health Care Authority at 4308 Carlisle NE, Suite 104, Albuquerque, NM 87107.

Funding Policy. The Retiree Health Care Act (Section 10-7C-13 NMSA 1978) authorizes the RHCA Board to establish the monthly premium contributions that retirees are required to pay for healthcare benefits. Each participating retiree pays a monthly premium according to a service based subsidy rate schedule for the medical plus basic life plan plus an additional participation fee of five dollars if the eligible participant retired prior to the employer's RHCA effective date or is a former legislator or former governing authority member. Former legislators and governing authority members are required to pay 100% of the insurance premium to cover their claims and the administrative expenses of the plan. The monthly premium rate schedule can be obtained from the RHCA or viewed on their website at www.nmrhca.state.nm.us.

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. During the fiscal year ended June 30, 2010, the statute required each participating employer to contribute 1.3% of each participating employee's annual salary; each participating employee was required to contribute .65% of their salary. In the fiscal years ending June 30, 2011 through June 30, 2013 the contribution rates for employees and employers will rise as follows:

For employees who are not members of an enhanced retirement plan the contribution rates will be:

Fiscal Year	Employer Contribution Rate	Employee Contribution Rate
FY11	1.666%	0.833%
FY12	1.834%	0.917%
FY13	2.000%	1.000%

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, 2010

Note 11. Post Employment Benefits (continued)

Also, employers joining the program after 1/1/98 are required to make a surplus-amount contribution to the RHCA based on one of two formulas at agreed-upon intervals.

The RHCA plan is financed on a pay-as-you-go basis. The employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the contributions can be changed by the New Mexico State Legislature.

For the fiscal year ended June 30, 2010, 2009, and 2008, the Department remitted \$1,991, \$2,177, and \$1,873 in employer contributions and \$996, \$1,089, and \$936 in employee contributions, respectively, to the Retiree Health Care Authority.

Note 12. Accounts Payable

Amounts due to vendors total \$1,370 as of June 30, 2010 and \$5,016 for June 30, 2009.

These amounts are paid within the first month of the new fiscal year.

Note 13. Accrued Payroll

Accrued payroll amounted to \$3,171 for June 30, 2009. COG did not have any accrued payroll for June 30, 2010.

Note 14. Inter-fund Transfers and Balances

Transfers to/from other funds at June 30, 2010 and 2009 consist of the following:

	<u>2010</u>	<u>2009</u>
COG's portion of grant expenditures	\$ 12,500	\$ 30,314
From the General Fund to the New Mexico Department of Transportation Program for the COG's portion of grant expenditures	2,305	17,004
From the State Appropriation Fund to the New Mexico Department of Transportation Program for the COG's portion of grant expenditures	11,104	-
From the General Fund to the State Appropriation fund to cover overages	29	-
From the General Fund to the Outreach Program for the COG's portion of grant expenditures	1,472	9,460
	<hr/>	<hr/>
Net Transfers	<u>\$ 27,410</u>	<u>\$ 56,778</u>

STATE OF NEW MEXICO
SOUTHWEST NEW MEXICO COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

Note 14. Inter-fund Transfers and Balances (continued)

Amounts due as of June 30, 2010 and 2009 are as follows

<u>2010</u>	<u>2009</u>	Due From	Due To	Purpose
\$ 36,517	\$ 51,131	Economic Development	General fund	To advance funds for expenses
1,064	-	State Appropriation	General fund	To advance funds for expenses
3,361	1,324	Department of Transportation	General fund	To advance funds for expenses
5,559	3,391	Outreach program	General fund	To advance funds for expenses
<u>\$ 46,501</u>	<u>\$ 55,846</u>	Total		

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

Note 15. Health Insurance

Health insurance is made available to the employees from Risk Management Division at 1100 St. Francis Dr., PO Drawer 6850, Santa Fe, NM 87502. The premium is shared by both the employee, 60%, and the employee, 40%. The COG paid \$4,095 and \$8,723 for the fiscal year 2010 and 2009, respectively.

Note 16. 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, 2010 and 2009.

Note 17. Negative Fund Balance in Non Major Programs

At fiscal year end June 30, 2010, a negative fund balance of \$196 existed in the non major program of MFA Outreach Program due to changes in prepaid expenses.

Note 18. State Appropriations

During the fiscal year June 30, 2010 and 2009, the COG received \$114,629 and \$121,641, respectively, from New Mexico Department of Finance and Administration as transfers from state appropriation general fund. Any amounts remaining from the state appropriation for the fiscal year June 30, 2010 are considered reverting funds. Prior to June 30, 2010, the funds were considered non-reverting. During the current fiscal year, no funds are required to be reverted to the New Mexico Department of Finance and Administration.

Note 19. State Grants

During the fiscal year June 30, 2010 and 2009, the COG received \$65,160 for each year from the 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, 2010

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 Council members' resolution.

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

	Outreach Program	
	2010	2009
ASSETS		
Prepaid expenses	\$ 1,363	\$ 522
Due from other governments	4,000	3,000
Total assets	\$ 5,363	\$ 3,522
LIABILITIES AND FUND BALANCES		
Liabilities:		
Due to other funds	\$ 5,559	\$ 3,391
Total liabilities	5,559	3,391
Fund balance:		
Unreserved to special revenue fund	(196)	131
Total fund balance	(196)	131
Total liabilities and fund balances	\$ 5,363	\$ 3,522

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	
	2010	2009
REVENUES:		
Contract revenue	\$ 12,000	\$ 12,000
Total revenues	<u>12,000</u>	<u>12,000</u>
EXPENDITURES:		
Current:		
Health and welfare	<u>13,799</u>	<u>21,459</u>
Total expenditures	<u>13,799</u>	<u>21,459</u>
Excess (deficiency) of revenues over expenditures:	<u>(1,799)</u>	<u>(9,459)</u>
OTHER FINANCING SOURCES (USES):		
Operating transfers in	1,472	9,459
Operating transfers (out)	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>1,472</u>	<u>9,459</u>
Net change in fund balance	(327)	-
Fund balance - beginning	<u>131</u>	<u>131</u>
Fund balance – ending	<u>\$ (196)</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, 2010

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final	(Modified-GAAP Basis)	Final to Actual
Revenues:				
Contract revenue	\$ 12,000	\$ 12,000	\$ 12,000	\$ -
Total operating revenues	12,000	12,000	12,000	-
Add: beginning cash	-	-		
	12,000	12,000		
Operating expenditures:				
Current:				
Dues and subscriptions	150	-	-	-
Janitorial and maintenance	50	-	-	-
Insurance & bonding	300	497	497	-
Postage	100	63	63	-
	50	-	-	-
Professional fees	150	372	372	-
Salaries	7,500	9,318	9,318	-
Payroll expenses	2,500	2,278	2,278	-
Supplies	250	243	243	-
Telephone	100	44	44	-
Travel	750	641	641	-
Advertising	100	16	16	-
Total expenditures	12,000	13,472	13,472	-
Excess (deficiency) of revenues over expenditures			(1,472)	
Other financing sources (uses)				
Transfers in	-	1,472	1,472	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	1,472	1,472	-
Changes in fund balance (Non-GAAP)			-	
Difference between Non-GAAP and Modified GAAP				
Adjust prepaid expenses			(327)	
Changes in fund balance (Modified GAAP)			(327)	
Total net assets – beginning of year			131	
Total net assets – end of year			\$ (196)	

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, 2010

AmBank checking account 6/30/10 balance	\$ 97,229
Outstanding deposit	-
Outstanding checks	(16,154)
Book balance	<u>\$ 81,075</u>
AmBank savings account 6/30/10 balance	\$ 52,775
Outstanding deposit	-
Outstanding checks	-
Book balance	<u>\$ 52,775</u>
Petty cash account 6/30/10 balance	<u>\$ 50</u>

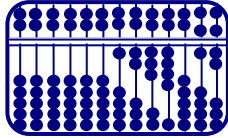
The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
SOUTHWEST NEW MEXICO COUNCIL OF GOVERNMENTS
SCHEDULE OF GRANT EXPENDITURES
June 30, 2010

	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Federal</u>	<u>State</u>
Economic Development Administration, Southwestern Region	11.302	08-83-04245	60,189	-
New Mexico Mortgage Finance Authority		N/A	-	12,000
New Mexico Dept of Transportation		M00475	-	65,160
Total funds expended			<u>\$ 60,189</u>	<u>\$ 77,160</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, 2010 and 2009, and have issued our report thereon dated September 9, 2010. 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. Accordingly, we do not express an opinion on the effectiveness of the COG's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course or performing their assigned functions, to prevent or detect misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a responsibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses. [2010-1 and 2010-2]

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*.

A Firm of Certified Public Accountants
6090 Surety Drive, Suite 100 • El Paso, TX 79905 • (915) 775-1040
Facsimile:(915) 775-1849 • marcfair@marcfair.com

Southwest New Mexico Council of Governments' responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit Southwest New Mexico Council of Governments' response and, accordingly, we express no opinion on it.

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.

A handwritten signature in blue ink that reads "Marcus, Fairall, Bristol + Co. LLP". The signature is written in a cursive style.

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

September 9, 2010

STATE OF NEW MEXICO
SOUTHWEST NEW MEXICO COUNCIL OF GOVERNMENTS
CURRENT YEAR SCHEDULE OF FINDINGS AND RESPONSES
For the Year-Ended June 30, 2010

Reportable Findings and Responses-Financial Statement

Prior Year Reportable Findings and Responses – Financial Statement

There were no prior year findings.

Current Year Reportable Findings and Responses:

Reportable Findings and Responses – Financial Statements Audit

2010-01 Computer controls over financial statements

Condition: The application controls set up for financial recording and reporting provide the Office Manager with access to all section and transactions for the QuickBooks program.

Criteria: Generally Accepted Auditing Standards require the evaluation of the COG's internal controls. (SAS No. 115)

Cause: The COG's QuickBooks was not set up to give the Office Manager an individual login ID, which limits access to specific sections and/or specific transactions.

Effect: The possibility of fraud is greater when employees have access to information and transaction processing ability that is not authorized for the job tasks.

Recommendations: The Executive Director should be the only Admin for the program. All other employees that require use of QuickBooks should be set up with a login ID which restricts access to only what is required to complete the job tasks.

Response: Changes have been made for the Executive Director to be the only Admin for the program. All employees using Quick Books will have their own ID login with restricted access.

2010-02 Review for proper classification and compliance of supporting document regulations

Condition: Expenditures for each program were not coded on the supporting invoices as required by the regulations of the State of New Mexico.

Criteria: Regulations set forth by the State of New Mexico require the invoices supporting the expenditures of the agency to be coded to reflect the appropriate fund. Travel vouchers and payroll were properly coded. Expenditures were approved by the appropriate oversight department before the reimbursement was made on a timely basis.

Cause: The Office Manger is capable of knowing what specific invoices are applicable to each program. The invoices that are not incurred for a specific program are prorated to each program. These expenditures are shared by all the programs.

Effect: The possibility of fraud is greater when these expenditures are not identified on the supporting invoices when the expenditure is made. In addition, misstatements of expenditures for a specific program are possibilities.

Recommendations: The Office Manger codes all invoices and supporting documents when the expenditure is made which will support the entries made to the records of the agency.

Response: The Office Manager has already begun to document the cost allocation on the invoices at the time the expenditure is made.

STATE OF NEW MEXICO
SOUTHWEST NEW MEXICO COUNCIL OF GOVERNMENTS
EXIT CONFERENCE
For the Year-Ended June 30, 2010

An exit conference was held on September 9, 2010 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 Mary Auger.

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.