

State of New Mexico

Southwest New Mexico Council of Governments  
**FINANCIAL STATEMENTS**  
**WITH INDEPENDENT AUDITOR'S**  
**REPORT THEREON**

For The Fiscal Year Ended June 30, 2012

Southwest New Mexico Council of Governments  
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June 30, 2012

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Southwest New Mexico Council of Governments  
**Directory of Officials**  
June 30, 2012

**Board of Directors**

Jovita Gonzales	Chairman
Alex Brown	Vice-Chairman
Connie Wehrheim	Member
Edward M. Encinas	Member
Jim Barentine	Member
Roberto Gutierrez	Member
George Peru	Member
Harvilee Moore	Member
Margaret Hopper	Member
Archie Payne	Member
Richard Bauch	Member
Jon Paul Saari	Member
Andres Z. Silva	Member
Frank M. Rodriguez	Member
Fred Vega	Member
Bill Webb	Member
Ed Wehrheim	Member
Javier Diaz	Member
Connie Wehrheim	Member
John Salazar	Member

**Administrative Staff**

Priscilla Lucero	Executive Director
Pam Eley	Office Manager

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

RYAN MONTOYA, C.P.A.

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## INDEPENDENT AUDITOR'S REPORT

Hector H. Balderas, State Auditor  
and  
Board of Directors  
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 budgetary comparisons for the general fund and the major special revenue funds of the Southwest New Mexico Council of Governments (COG) as of and for the year ended June 30, 2012, which collectively comprise the COG's basic financial statements 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 financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. 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 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 and each major fund of Southwest New Mexico Council of Governments as of June 30, 2012, and the respective changes in financial position, where applicable, thereof and the respective budgetary comparisons for the General, State Appropriation, Economic Development, NM Department of Transportation, and Outreach Program funds for the year then 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, 2012, on our consideration of Southwest New Mexico Council of Governments' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Southwest New Mexico Council of Governments has not presented management's discussion and analysis that is required by accounting principles generally accepted in the United States of America to supplement, although not required to be a part of, the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the COG's basic financial statements. The accompanying financial information listed as other supplemental data in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

Stone, McGee & Co CPAs

December 10, 2012

Stone, McGee & Co.  
Certified Public Accountants

Southwest New Mexico Council of Governments  
**STATEMENT OF NET ASSETS**  
 June 30, 2012

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 113,225
Due from other governments	66,191
Prepaid expenses	<u>6,267</u>
Total current assets	<u>\$ 185,683</u>
Noncurrent assets:	
Capital assets, net	<u>\$ 30,775</u>
Total noncurrent assets	<u>\$ 30,775</u>
Total assets	<u>\$ 216,458</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	\$ 1,639
Accrued payroll	<u>          </u>
Total current liabilities	\$ 1,639
Noncurrent liabilities:	
Compensated absences	<u>7,681</u>
Total liabilities	<u>\$ 9,320</u>
<b>NET ASSETS</b>	
Invested in capital assets	\$ 30,775
Restricted for:	
Other purposes	5,808
Unrestricted	<u>170,555</u>
Total net assets	<u><u>\$ 207,138</u></u>

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

Southwest New Mexico Council of Governments  
**STATEMENT OF ACTIVITIES**  
For the Fiscal Year Ended June 30, 2012

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>
Governmental activities:			
General government	\$ 244,899	\$ 100,808	\$ 155,743
Health and welfare	19,912		13,100
Highways and streets	79,682		65,160
	<u>\$ 344,493</u>	<u>\$ 100,808</u>	<u>\$ 234,003</u>
Total governmental activities	<u>\$ 344,493</u>	<u>\$ 100,808</u>	<u>\$ 234,003</u>

General revenues:  
Earnings on investments  
Miscellaneous

Total general revenues

Change in net assets

Net assets--beginning

Net assets--ending

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



<u>Capital Grants and Contributions</u>	<u>Net (Expenses) Revenue and Changes in Net Assets Governmental Activities</u>
\$ -	\$ 11,652
	(6,812)
	<u>(14,522)</u>
<u>\$ -</u>	<u>\$ (9,682)</u>
	\$ 85
	<u>9</u>
	<u>\$ 94</u>
	\$ (9,588)
	<u>216,726</u>
	<u><u>\$ 207,138</u></u>

Southwest New Mexico Council of Governments  
**BALANCE SHEETS**  
**GOVERNMENTAL FUNDS**  
June 30, 2012

	<u>General Fund</u>	<u>State Appropriation</u>	<u>Economic Development Administration</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 99,681	\$ -	\$ 13,544
Prepaid expenses		2,540	1,613
Due from other governments	25,000	23,936	
Interfund receivable	84,958		
	<u>209,639</u>	<u>26,476</u>	<u>15,157</u>
Total assets	<u>\$ 209,639</u>	<u>\$ 26,476</u>	<u>\$ 15,157</u>
 <b>Liabilities and Fund Balances</b>			
Accounts payable	\$ 264	\$ 772	\$ 288
Deferred revenue		23,936	
Interfund payable		31,879	36,517
	<u>264</u>	<u>56,587</u>	<u>36,805</u>
Total liabilities	<u>\$ 264</u>	<u>\$ 56,587</u>	<u>\$ 36,805</u>
 Fund balance:			
Restricted:			
Highways and streets	\$ -	\$ -	\$ -
Unassigned	209,375	(30,111)	(21,648)
	<u>209,375</u>	<u>(30,111)</u>	<u>(21,648)</u>
Total fund balances	<u>\$ 209,375</u>	<u>\$ (30,111)</u>	<u>\$ (21,648)</u>
Total liabilities and fund balances	<u>\$ 209,639</u>	<u>\$ 26,476</u>	<u>\$ 15,157</u>

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

<u>New Mexico Department of Transportation</u>	<u>Outreach Program</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ 113,225
1,801	313	6,267
14,255	3,000	66,191
<u>84,958</u>		<u>84,958</u>
<u>\$ 16,056</u>	<u>\$ 3,313</u>	<u>\$ 270,641</u>
\$ 292	\$ 23	\$ 1,639
9,956	6,606	23,936
<u>84,958</u>		<u>84,958</u>
<u>\$ 10,248</u>	<u>\$ 6,629</u>	<u>\$ 110,533</u>
\$ 5,808	\$ -	\$ 5,808
<u>154,300</u>	<u>(3,316)</u>	<u>154,300</u>
<u>\$ 5,808</u>	<u>\$ (3,316)</u>	<u>\$ 160,108</u>
<u>\$ 16,056</u>	<u>\$ 3,313</u>	<u>\$ 270,641</u>

Southwest Council of Governments  
**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE  
 TO NET ASSETS OF GOVERNMENTAL ACTIVITIES**  
 June 30, 2012

Total governmental fund balances	\$	160,108
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		30,775
Other long-term assets are not available to pay for current- period expenditures and therefore are deferred in the funds: Intergovernmental grants subject to the 60 day availability period		23,936
Long-term liabilities, including bonds payable, compensated absences, lease- purchases payable and accrued interest payable are not due and payable in the current period and therefore are not reported in the funds: Compensated absences payable		<u>(7,681)</u>
<i>Net Assets of Governmental Activities</i>	\$	<u><u>207,138</u></u>

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

Southwest New Mexico Council of Governments  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS**  
For the Fiscal Year Ended June 30, 2012

	<u>General Fund</u>	<u>State Appropriation</u>	<u>Economic Development Administration</u>
Revenues:			
Charges for services	\$ 64,676	\$ 30,444	\$ 5,688
State sources		71,807	
Federal sources	1,100		60,000
Miscellaneous	85	9	
	<u>          </u>	<u>          </u>	<u>          </u>
Total revenues	<u>\$ 65,861</u>	<u>\$ 102,260</u>	<u>\$ 65,688</u>
Expenditures:			
Current:			
General government	\$ 18,007	\$ 125,981	\$ 84,240
Health and welfare	5,376		
Highways and streets			
Capital outlay	6,443		
	<u>          </u>	<u>          </u>	<u>          </u>
Total expenditures	<u>\$ 29,826</u>	<u>\$ 125,981</u>	<u>\$ 84,240</u>
Revenues over (under) expenditures	\$ 36,035	\$ (23,721)	\$ (18,552)
Other financing sources (uses):			
Transfer in		21,175	15,050
Transfer out	(21,973)	(26,154)	
	<u>          </u>	<u>          </u>	<u>          </u>
Net change in fund balance	\$ 14,062	\$ (28,700)	\$ (3,502)
Fund balance, July 1, 2011	<u>195,313</u>	<u>(1,411)</u>	<u>(18,146)</u>
Fund balance, June 30, 2012	<u><u>\$ 209,375</u></u>	<u><u>\$ (30,111)</u></u>	<u><u>\$ (21,648)</u></u>

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

New Mexico Department of Transportation	Outreach Program	Total Governmental Funds
\$ -	\$ -	\$ 100,808
65,160	12,000	148,967
		61,100
		94
<u>\$ 65,160</u>	<u>\$ 12,000</u>	<u>\$ 310,969</u>
\$ -	\$ -	\$ 228,228
79,682	14,536	19,912
		79,682
		6,443
<u>\$ 79,682</u>	<u>\$ 14,536</u>	<u>\$ 334,265</u>
\$ (14,522)	\$ (2,536)	\$ (23,296)
11,104	798	48,127
		(48,127)
<u>\$ (3,418)</u>	<u>\$ (1,738)</u>	<u>\$ (23,296)</u>
9,226	(1,578)	183,404
<u>\$ 5,808</u>	<u>\$ (3,316)</u>	<u>\$ 160,108</u>

Southwest New Mexico Council of Governments  
**RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
June 30, 2012

Net change in fund balances- total governmental funds	\$	(23,296)
 <i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense:		
Capital outlay		6,443
Depreciation expense		(15,698)
 Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. This is the net change during the year:		
Intergovernmental grants subject to the 60 day availability period		23,936
 Some expense reported in the Statement of Activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. This is the net change in compensated absences for the year.		
		(973)
 <i>Change in Net Assets of Governmental Activities</i>	 \$	 (9,588)

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

Southwest Council of Governments  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES--BUDGET AND ACTUAL**  
For the Fiscal Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Charges for services	\$ 64,675	\$ 64,675	\$ 64,675	\$ -
Intergovernmental	1,100	1,100	1,100	-
Miscellaneous			85	85
<b>Total revenues</b>	<b>\$ 65,775</b>	<b>\$ 65,775</b>	<b>\$ 65,860</b>	<b>\$ 85</b>
Expenditures:				
Current:				
General government	\$ 27,635	\$ 27,635	\$ 18,006	\$ 9,629
Health and welfare			5,376	(5,376)
Capital outlay			6,443	(6,443)
<b>Total expenditures</b>	<b>\$ 27,635</b>	<b>\$ 27,635</b>	<b>\$ 29,825</b>	<b>\$ (2,190)</b>
Revenues over (under) expenditures	\$ 38,140	\$ 38,140	\$ 36,035	\$ (2,105)
Other financing sources (uses):				
Transfers out	(21,175)	(21,175)	(21,973)	(798)
Net change in fund balance	\$ 16,965	\$ 16,965	\$ 14,062	\$ (2,903)
Fund balance, July 1, 2011			195,313	195,313
Fund balance, June 30, 2012	\$ 16,965	\$ 16,965	\$ 209,375	\$ 192,410

The accompanying notes are an integral part of these financial statements



Southwest Council of Governments  
**STATE APPROPRIATION**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES--BUDGET AND ACTUAL**  
For the Fiscal Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Charges for services	\$ 30,444	\$ 30,444	\$ 30,453	\$ 9
Intergovernmental	95,743	95,743	71,807	(23,936)
<b>Total revenues</b>	<b>\$ 126,187</b>	<b>\$ 126,187</b>	<b>\$ 102,260</b>	<b>\$ (23,927)</b>
Expenditures:				
Current:				
General government	\$ 121,208	\$ 121,208	\$ 125,981	\$ (4,773)
Capital outlay				-
<b>Total expenditures</b>	<b>\$ 121,208</b>	<b>\$ 121,208</b>	<b>\$ 125,981</b>	<b>\$ (4,773)</b>
Revenues over (under) expenditures	\$ 4,979	\$ 4,979	\$ (23,721)	\$ (28,700)
Other financing sources (uses):				
Transfers in	21,175	21,175	21,175	-
Transfers (out)	(26,154)	(26,154)	(26,154)	-
Net change in fund balance	\$ -	\$ -	\$ (28,700)	\$ (28,700)
Fund balance, July 1, 2011	-	-	(1,411)	(1,411)
Fund balance, June 30, 2012	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (30,111)</u>	<u>\$ (30,111)</u>

The accompanying notes are an integral part of these financial statements

Southwest Council of Governments  
**ECONOMIC DEVELOPMENT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES--BUDGET AND ACTUAL**  
For the Fiscal Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>				
Charges for services	\$ 5,688	\$ 5,688	\$ 5,688	\$ -
Intergovernmental	60,000	60,000	60,000	-
<b>Total revenues</b>	<b>\$ 65,688</b>	<b>\$ 65,688</b>	<b>\$ 65,688</b>	<b>\$ -</b>
<b>Expenditures:</b>				
<b>Current:</b>				
General government	\$ 80,738	\$ 80,738	\$ 84,240	\$ (3,502)
Capital outlay				-
<b>Total expenditures</b>	<b>\$ 80,738</b>	<b>\$ 80,738</b>	<b>\$ 84,240</b>	<b>\$ (3,502)</b>
Revenues over (under) expenditures	\$ (15,050)	\$ (15,050)	\$ (18,552)	\$ (3,502)
<b>Other financing sources (uses):</b>				
Transfers in	15,050	15,050	15,050	-
Net change in fund balance	\$ -	\$ -	\$ (3,502)	\$ (3,502)
Fund balance, July 1, 2011			(18,146)	(18,146)
Fund balance, June 30, 2012	\$ -	\$ -	\$ (21,648)	\$ (21,648)

The accompanying notes are an integral part of these financial statements

Southwest Council of Governments  
**NEW MEXICO DEPARTMENT OF TRANSPORTATION PROGRAM**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES--BUDGET AND ACTUAL**  
For the Fiscal Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Intergovernmental	\$ 65,160	\$ 65,160	\$ 65,160	\$ -
Miscellaneous				-
Total revenues	<u>\$ 65,160</u>	<u>\$ 65,160</u>	<u>\$ 65,160</u>	<u>\$ -</u>
Expenditures:				
Current:				
Highways and streets	\$ 76,264	\$ 76,264	\$ 79,682	\$ (3,418)
Capital outlay				-
Total expenditures	<u>\$ 76,264</u>	<u>\$ 76,264</u>	<u>\$ 79,682</u>	<u>\$ (3,418)</u>
Revenues over (under) expenditures	\$ (11,104)	\$ (11,104)	\$ (14,522)	\$ (3,418)
Other financing sources (uses):				
Transfers in	<u>11,104</u>	<u>11,104</u>	<u>11,104</u>	<u>-</u>
Net change in fund balance	\$ -	\$ -	\$ (3,418)	\$ (3,418)
Fund balance, July 1, 2011			<u>9,226</u>	<u>9,226</u>
Fund balance, June 30, 2012	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 5,808</u></u>	<u><u>\$ 5,808</u></u>

The accompanying notes are an integral part of these financial statements

Southwest Council of Governments  
**OUTREACH PROGRAM**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES--BUDGET AND ACTUAL**  
For the Fiscal Year Ended June 30,2012

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Intergovernmental	\$ 12,000	\$ 12,000	\$ 12,000	\$ -
Miscellaneous				-
Total revenues	<u>\$ 12,000</u>	<u>\$ 12,000</u>	<u>\$ 12,000</u>	<u>\$ -</u>
Expenditures:				
Current:				
Health and welfare	\$ 12,798	\$ 12,798	\$ 14,536	\$ (1,738)
Capital outlay				-
Total expenditures	<u>\$ 12,798</u>	<u>\$ 12,798</u>	<u>\$ 14,536</u>	<u>\$ (1,738)</u>
Revenues over (under) expenditures	\$ (798)	\$ (798)	\$ (2,536)	\$ (1,738)
Other financing sources (uses):				
Transfers in (out)	<u>798</u>	<u>798</u>	<u>798</u>	<u>-</u>
Net change in fund balance	\$ -	\$ -	\$ (1,738)	\$ (1,738)
Fund balance, July 1, 2011			<u>(1,578)</u>	<u>(1,578)</u>
Fund balance, June 30, 2012	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (3,316)</u></u>	<u><u>\$ (3,316)</u></u>

The accompanying notes are an integral part of these financial statements

Southwest New Mexico Council of Governments  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2012

Note 1     **Summary of Significant Accounting Policies**

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

The Council of Government's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. The more significant accounting policies established in GAAP and used by the Council of Governments are discussed below.

**A. REPORTING ENTITY**

These financial statements present the Council of Governments (the primary government). As defined by GASBS No. 14, component units are legally separate entities that are included in the Council of Government's reporting entity because of the significance of their operating or financial relationships with the Council of Governments. Based on the criterion in GASBS No. 14, the Council of Government's had no component units.

**B. BASIS OF PRESENTATION**

*Government-wide Financial Statements:*

The Statement of Net Assets and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The Council of Government's has no business-type activities, nor any fiduciary funds.

*Fund Financial Statements:*

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

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

The funds of the financial reporting entity are described below:

**Governmental Funds**

*General Fund*

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

*Special Revenue Funds*

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

*Major-Fund Description*

*General Fund – See the description above*

*Special Revenue Funds:*

*State Appropriation Fund* – The State Appropriation Fund is used to account for the proceeds and distributions of the State Appropriation Funds received. The fund was authorized by the 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 formulate 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.

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

## **C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**

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

### **Measurement Focus**

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

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

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

### **Basis of Accounting**

#### **1. Accrual:**

The government-wide financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

#### **2. Modified Accrual:**

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. “Available” means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of

accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

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

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

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

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

The Council of Governments does not allocate indirect costs.

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

#### **D. Budgets**

Budgets for the General and Special Revenue Funds are prepared by management and are approved by the members of the Board.

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

The budgets are used solely as guidelines, and are not legally enforceable. "In-kind" expenditures are budgeted only to a minimum matching amount, and are not required to be budgeted further.

#### **E. Cash and Investments**



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

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

#### **F. Capital Assets**

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

Furniture and equipment	5-10 years
Lease-hold improvements	5 years

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

#### **G. Compensated Absences**

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

#### **H. Equity Classifications**

##### *Government-wide Statements*

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

- a. Invested in capital assets, net of related debt – consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets – consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets - all other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

### *Fund Statements*

During the year ended June 30, 2011, the Council of Governments implemented GASB Statement 54 “Fund Balance Reporting and Governmental Fund Type Definitions”. This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government’s fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

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

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

## **I. Interfund Activity**

Interfund activity is reported as either loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate

and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental funds are netted as part of the reconciliation to the government-wide financial statements.

**J. Use of Estimates**

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

Note 2 Custodial Credit Risk

Custodial credit risk is the risk in the event of a bank failure the government's deposits may not be returned to it. The government does not have a deposit policy for credit risk beyond that disclosed in Note 1. As of June 30, 2012, \$-0- of the governments bank balance of \$123,323 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized		\$	-0-
Uninsured and collateral held by pledging banks trust department not in Council's name			<u>-0-</u>
Total		\$	<u><u>-0-</u></u>
		<u>Bank</u>	<u>Carrying</u>
		<u>Balance</u>	<u>Amount</u>
Deposits by custodial risk category:			
Insured	\$	<u>123,323</u>	\$ <u>113,175</u>

Note 3 Capital Assets

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

	Balance			Balance
	July 1, 2011	Additions	Deletions	June 30, 2012
Capital Assets Being Depreciated:				
Leasehold improvements	\$ 20,624	\$ -0-	\$ -0-	\$ 20,624
Equipment	<u>68,145</u>	<u>6,443</u>	<u></u>	<u>74,588</u>
Total capital assets being depreciated	\$ <u>88,769</u>	\$ <u>6,443</u>	\$ <u>-0-</u>	\$ <u>95,212</u>
Less accumulated depreciation For:				
Leasehold improvements	\$ 14,095	\$ 4,125	\$	\$ 18,220

Equipment	<u>34,644</u>	<u>11,573</u>	<u>        </u>	<u>46,217</u>
	<u>\$ 48,739</u>	<u>\$ 15,698</u>	<u>\$ -0-</u>	<u>\$ 64,437</u>
Capital assets, net	<u>\$ 40,030</u>	<u>\$ (9,255)</u>	<u>\$ -0-</u>	<u>\$ 30,775</u>

Depreciation expense was charged to the governmental activities as follows:

General government	<u>\$ 15,698</u>
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Note 4      Compensated Absences

Compensated absence activity was as follows for the year ended June 30, 2012:

	<u>Balance</u>			<u>Balance</u>
	<u>July 1, 2011</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2012</u>
Compensated absences	<u>\$ 6,708</u>	<u>\$ 11,507</u>	<u>\$ (10,534)</u>	<u>\$ 7,681</u>

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

Note 5      Risk Management

The Council of Governments is exposed to various risks of loss related to torts; thefts of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Council of Governments has purchased private insurance to mitigate these risks.

Limits of coverage are as follows:

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

Note 6      Pension Plan – Public Employees Retirement Association

Plan Description

Substantially all of the 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, New Mexico 87504-2123. The report is also available on PERA's website at [www.pera.state.nm.us](http://www.pera.state.nm.us).

#### Funding Policy

Plan members are required to contribute 9.15% of their gross salary. Council of Governments is required to contribute 9.15% of the gross covered salary. The contribution requirements of plan members and the Council of Governments are established in State statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The Council of Government's contributions to PERA for the fiscal years ending June 30, 2012, 2011, and 2010 were \$31,519, \$28,781, and \$28,029 respectively, which equal the amount of the required contribution for each fiscal year.

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

#### Plan Description

The 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](http://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, 2012, the statute required each participating employer to contribute 1.666% of each participating employee's annual salary; each participating employee was required to contribute .8333% of their salary. In the fiscal years ending 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:

<u>Fiscal Year</u>	<u>Employee Contribution Rate</u>	<u>Employee Contribution Rate</u>
FY2013	2.000%	1.000%

Also, employers joining the program after January 1, 1998 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.

The Council of Government's contributions to the RHCA for the years ended June 30, 2012, 2011 and 2010 were \$3,159, \$3,932 and \$2,987, respectively, which equal the required contributions for each year.

Note 8 Contingent Liabilities

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

Note 9 Interfund Transactions

<u>Interfund Payables</u>	<u>Interfund Receivable</u> <u>General Fund</u>
State Appropriation	\$ 31,879
Economic Development	36,517
New Mexico Department of Transportation	9,956
Outreach Program	<u>6,606</u>
	<u>\$ 84,958</u>

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

	<u>Transfers From</u>		
	<u>General</u>	<u>State Appropriation</u>	<u>Total</u>
<u>Transfers To</u>			
State Appropriation	\$ 21,175	\$	\$ 21,175
Economic Development		15,050	15,050
NM Dept. of Transportation		11,104	11,104
Outreach	<u>798</u>	<u>          </u>	<u>798</u>
	<u>\$ 21,973</u>	<u>\$ 26,154</u>	<u>\$ 48,127</u>

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

Note 10 Deficit Fund Balances

The Council of Governments had the following fund balance deficits at June 30, 2012:

State Appropriation	\$ (30,111)
Economic Development	(21,648)
Outreach Program	(3,316)

These deficits were caused by either the application of the 60 day revenue recognition period required by the modified accrual basis of accounting or the timing of transfers to be made from the General Fund. As revenue is collected and/or the transfers are made, the deficits will be eliminated.

Note 11 Restricted Net Assets

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

N.M. Department of Transportation	<u>\$ 5,808</u>
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Southwest New Mexico Council of Governments  
**SCHEDULE OF DEPOSITORY COLLATERAL**  
 June 30, 2012

	<u>Ambank</u>
Checking	\$ 123,323
CD	-
Total on deposit	\$ 123,323
Less: FDIC insurance	(123,323)
Total uninsured public funds	\$ -
50% collateralization requirement (Section 6-10-17 NMSA)	\$ -
Pledged securities over (under) requirement	\$ -



State of New Mexico  
Southwest New Mexico Council of Governments  
**SCHEDULE OF INDIVIDUAL DEPOSIT ACCOUNTS AND INVESTMENTS**  
June 30, 2012

	<u>Type of Account</u>	<u>Bank Balance</u>	<u>Reconciled Balance</u>
Ambank			
Operational	Checking	\$ 70,199	\$ 60,051
Operational	Savings	<u>53,124</u>	<u>53,124</u>
Total Ambank		<u><u>\$ 123,323</u></u>	<u>\$ 113,175</u>
Cash on hand			<u>\$ 50</u>
Total cash and investments			<u><u>\$ 113,225</u></u>

Southwest New Mexico Council of Governments  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
For the Fiscal Year Ended June 30, 2012

**Findings – Financial Statement Audit**

None

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

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

Hector H. Balderas, State Auditor  
and  
Board of Directors  
Southwest New Mexico Council of Governments  
Silver City, New Mexico

We have audited the financial statements of the governmental activities, each major fund, and the budgetary comparisons of the general fund and major special revenue funds of Southwest New Mexico Council of Governments as of and for the year ended June 30, 2012, which collectively comprise Southwest New Mexico Council of Governments' basic financial statements and have issued our report thereon dated December 10, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the Southwest New Mexico Council of Governments is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Southwest New Mexico Council of Governments' 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 Southwest New Mexico Council of Governments' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Southwest New Mexico Council of Governments' internal control over financial reporting.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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 Southwest New Mexico Council of Governments' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the Board of Directors, others within the organization, the New Mexico Department of Finance and Administration, the New Mexico State Auditor, the New Mexico Legislature, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Stone, McGee & Co CPAs

December 10, 2012

Stone, McGee & Co.  
Certified Public Accountants

Southwest New Mexico Council of Governments  
**SCHEDULE OF FINDINGS AND RESPONSES**  
For the Fiscal Year Ended June 30, 2012

**SUMMARY OF AUDIT RESULTS**

1. The auditor's report expresses an unqualified opinion on the financial statements of Southwest New Mexico Council of Governments.
2. No significant deficiencies relating to the audit of the financial statements are reported in the "Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*".
3. No instances of noncompliance material to the financial statements of Southwest New Mexico Council of Governments, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. Southwest New Mexico Council of Governments expended less than \$500,000 in federal funds.

**FINDINGS – FINANCIAL STATEMENT AUDIT**

None

**OTHER – FINANCIAL STATEMENT PREPARATION**

The financial statements were prepared by Stone, McGee & Co., C.P.A.'s.

**EXIT CONFERENCE**

The contents of this report were discussed December 10, 2012. Present at this exit conference were:

<u>Name</u>	<u>Title</u>	<u>Affiliation</u>
Alex Brown	Board Member	SWNM Council of Governments
Priscilla Lucero	Executive Director	SWNM Council of Governments
Pam Eley	Office Manager	SWNM Council of Governments
Kay Stone	Shareholder	Stone, McGee & Co., CPA's