

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, 2016

Southwest New Mexico Council of Governments
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State of New Mexico
Southwest New Mexico Council of Governments
OFFICIAL ROSTER
June 30, 2016

ELECTED OFFICIALS

Aaron Sera	Chairman
Alex Brown	Vice Chairman
Hilda Kellar	Member
Fernando Martinez	Member
Kristy Ortiz	Member
Rulene Jensen	Member
Richard Bauch	Member
Gabriel Ramos	Member
Philip Skinner	Member
Arthur Clark Smith	Member
Fred Vega	Member
Bill Webb	Member
Rick Holdridge	Member
Jessica Etcheverry	Member
Eric McSpadden	Member
Bob Hill	Member
Joseph Shepard	Member
John Baldwin	Member
Ann Leonard	Member
Joe T. Soto	Member
Kathy Prince	Member
Delbert Fulfer	Member
Dora Gonzales	Member
Beverly Malo	Member

ADMINISTRATIVE STAFF

Priscilla Lucero	Executive Director
Renee Muniz	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

Timothy Keller, State Auditor
And
Board of Directors
Southwest New Mexico Council of Governments
Silver City, New Mexico

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the budgetary comparisons for the general fund and major special revenue funds of the Southwest New Mexico Council of Governments, as of and for the year ended June 30, 2016, and the related notes to the financial statements which collectively comprise the Southwest New Mexico Council of Governments' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion.

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that information related to the Southwest New Mexico Council of Governments' pension plan presented on pages 38 to 40 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.

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

Other Information

Our audit was conducted for the purpose of forming opinions on the Southwest New Mexico Council of Governments' financial statements that collectively comprise the Council's basic financial statements. The schedules presented as other supplemental data as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplemental data is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplemental data is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The Schedule of Vendor Information, listed as other information in the table of contents, has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2016, on our consideration of the 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 agreement and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Southwest New Mexico Council of Governments' internal control over financial reporting and compliance.

Stone, McGee & Co CPAs

Silver City, New Mexico
December 8, 2016

Stone, McGee & Co.
Certified Public Accountants

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

	Governmental Activities
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 42,134
Due from other governments	40,038
Accounts receivable	37,163
Total current assets	\$ 119,335
Noncurrent assets:	
Capital assets, net	\$ 12,812
Total noncurrent assets	\$ 12,812
Total assets	\$ 132,147
Deferred Outflows of Resources	
Related to pensions	\$ 48,425
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 723
Accrued payroll	
Total current liabilities	\$ 723
Noncurrent liabilities:	
Net pension liability	238,583
Compensated absences	4,711
Total liabilities	\$ 244,017
Deferred Inflows of Resources	
Related to pensions	\$ 6,133
NET POSITION	
Net investment in capital assets	\$ 12,812
Restricted for:	
Other purposes	53,666
Unrestricted	(136,056)
Total net position	\$ (69,578)

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, 2016

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>
Governmental activities:			
General government	\$ 293,313	\$ 67,911	\$ 30,525
Health and welfare	33		
Highways and streets	<u>143,750</u>	<u>44,960</u>	<u>299,986</u>
Total governmental activities	<u>\$ 437,096</u>	<u>\$ 112,871</u>	<u>\$ 330,511</u>
 General revenues:			
Earnings on investments			
Loss on disposition of assets			
Miscellaneous			
Total general revenues			
 Change in net position			
 Net position--beginning of year			
 Net position--end of year			

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

<u>Capital Grants and Contributions</u>	<u>Net (Expenses) Revenue and Changes in Net Position Governmental Activities</u>
\$ -	\$ (194,877)
	(33)
	<u>201,196</u>
<u>\$ -</u>	<u>\$ 6,286</u>
	\$ 14
	<u>4,207</u>
	<u>\$ 4,221</u>
	\$ 10,507
	<u>(80,085)</u>
	<u><u>\$ (69,578)</u></u>

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

	<u>General Fund</u>	<u>State Appropriation</u>	<u>Economic Development Administration</u>
Assets			
Cash and cash equivalents	\$ 3,873	\$ -	\$ 15,474
Due from other governments			
Accounts receivable	37,163		
Interfund receivable	<u>53,908</u>		
Total assets	<u>\$ 94,944</u>	<u>\$ -</u>	<u>\$ 15,474</u>
Liabilities			
Accounts payable	\$ 124	\$ 242	\$ 118
Interfund payable		<u>7,904</u>	<u>36,517</u>
Total liabilities	<u>\$ 124</u>	<u>\$ 8,146</u>	<u>\$ 36,635</u>
Fund balance:			
Restricted:			
Highways and streets	\$ -	\$ -	\$ -
Health and Welfare			
General government			
Unassigned	<u>94,820</u>	<u>(8,146)</u>	<u>(21,161)</u>
Total fund balances	<u>\$ 94,820</u>	<u>\$ (8,146)</u>	<u>\$ (21,161)</u>
Total liabilities and fund balances	<u>\$ 94,944</u>	<u>\$ -</u>	<u>\$ 15,474</u>

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

<u>Outreach Program</u>	<u>New Mexico Department of Transportation</u>	<u>Statewide CEDS</u>	<u>Sustainable Energy</u>	<u>Job Fair</u>	<u>Total Governmental Funds</u>
\$ 4,632 1,600	\$ 7,694 20,248	\$ -	\$ 10,180 18,190	\$ 281	\$ 42,134 40,038 37,163 53,908
<u>\$ 6,232</u>	<u>\$ 27,942</u>	<u>\$ -</u>	<u>\$ 28,370</u>	<u>\$ 281</u>	<u>\$ 173,243</u>
\$ - 5,559	\$ 239 3,361	\$ - 567	\$ -	\$ -	\$ 723 53,908
<u>\$ 5,559</u>	<u>\$ 3,600</u>	<u>\$ 567</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 54,631</u>
\$ - 673	\$ 24,342	\$ - (567)	\$ 28,370	\$ - 281	\$ 52,712 673 281 64,946
<u>\$ 673</u>	<u>\$ 24,342</u>	<u>\$ (567)</u>	<u>\$ 28,370</u>	<u>\$ 281</u>	<u>\$ 118,612</u>
<u>\$ 6,232</u>	<u>\$ 27,942</u>	<u>\$ -</u>	<u>\$ 28,370</u>	<u>\$ 281</u>	<u>\$ 173,243</u>

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

Total governmental fund balances	\$	118,612
 <i>Amounts reported for governmental activities in the statement of net position are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		12,812
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		
Deferred outflows and inflows or resources related to pensions are applicable to future periods and, therefore, are not reported in the funds		
Deferred inflows of resources related to pensions		(6,133)
Deferred outflows of resources related to pensions		48,425
Long-term liabilities, including bonds payable, compensated absences, lease- purchases payable and accrued interest payable are not due and payable in the current period and therefore are not reported in the funds:		
Net pension liability		(238,583)
Compensated absences payable		(4,711)
		(69,578)
<i>Net Position of Governmental Activities</i>	\$	(69,578)

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, 2016

	<u>General Fund</u>	<u>State Appropriation</u>	<u>Economic Development Administration</u>
Revenues:			
Charges for services	\$ 67,911	\$ 30,444	\$ 14,516
State sources		95,486	
Federal sources			60,000
Miscellaneous	<u>4,221</u>		
Total revenues	<u>\$ 72,132</u>	<u>\$ 125,930</u>	<u>\$ 74,516</u>
Expenditures:			
Current:			
General government	\$ 68,204	\$ 89,511	\$ 87,489
Health and welfare			
Highways and streets			
Capital outlay			
Total expenditures	<u>\$ 68,204</u>	<u>\$ 89,511</u>	<u>\$ 87,489</u>
Revenues over (under) expenditures	\$ 3,928	\$ 36,419	\$ (12,973)
Other financing sources (uses):			
Transfer in			15,000
Transfer out		<u>(36,250)</u>	
Net change in fund balance	\$ 3,928	\$ 169	\$ 2,027
Fund balance, July 1, 2015	<u>90,892</u>	<u>(8,315)</u>	<u>(23,188)</u>
Fund balance, June 30, 2016	<u>\$ 94,820</u>	<u>\$ (8,146)</u>	<u>\$ (21,161)</u>

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

<u>Outreach Program</u>	<u>New Mexico Department of Transportation</u>	<u>Statewide CEDS</u>	<u>Sustainable Energy</u>	<u>Job Fair</u>	<u>Total Governmental Funds</u>
\$ - 6,400	\$ - 82,180	\$ - 24,125	\$ - 62,320	\$ -	\$ 112,871 101,886 228,625 4,221
<u>\$ 6,400</u>	<u>\$ 82,180</u>	<u>\$ 24,125</u>	<u>\$ 62,320</u>	<u>\$ -</u>	<u>\$ 447,603</u>
\$ 7,996	\$ - 109,368	\$ 33,191	\$ - 33,950	\$ -	\$ 286,391 - 143,318 -
<u>\$ 7,996</u>	<u>\$ 109,368</u>	<u>\$ 33,191</u>	<u>\$ 33,950</u>	<u>\$ -</u>	<u>\$ 429,709</u>
\$ (1,596)	\$ (27,188) 21,250	\$ (9,066)	\$ 28,370	\$ -	\$ 17,894 36,250 (36,250)
\$ (1,596)	\$ (5,938)	\$ (9,066)	\$ 28,370	\$ -	\$ 17,894
<u>2,269</u>	<u>30,280</u>	<u>8,499</u>	<u>-</u>	<u>281</u>	<u>100,718</u>
<u>\$ 673</u>	<u>\$ 24,342</u>	<u>\$ (567)</u>	<u>\$ 28,370</u>	<u>\$ 281</u>	<u>\$ 118,612</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, 2016

Net change in fund balances- total governmental funds	\$	17,894
 <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		-
Depreciation expense		(6,978)
 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		
 Governmental funds report pension contributions as expenditures. However in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense		
Pension contributions		14,449
Cost of benefits earned net of employee contributions		(15,604)
 Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the Statement of Activities, a gain or loss is reported for each disposal. This is the basis in the assets disposed of.		
 Some expense reported in the Statement of Activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. This is the net change in compensated absences for the year.		
		746
<i>Change in Net Position of Governmental Activities</i>	\$	10,507

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

Southwest New Mexico Council of Governments
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES--BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Charges for services	\$ 67,478	\$ 67,478	\$ 67,911	\$ 433
Intergovernmental				-
Miscellaneous	4,000	4,000	4,221	221
Total revenues	\$ 71,478	\$ 71,478	\$ 72,132	\$ 654
Expenditures:				
Current:				
General government	\$ 54,192	\$ 105,466	\$ 105,466	\$ -
Health and welfare				-
Capital outlay				-
Total expenditures	\$ 54,192	\$ 105,466	\$ 105,466	\$ -
Revenues over (under) expenditures	\$ 17,286	\$ (33,988)	\$ (33,334)	\$ 654
Other financing sources (uses):				
Transfers out				-
Net change in fund balance	\$ 17,286	\$ (33,988)	\$ (33,334)	\$ 654
Fund balance, July 1, 2015		44,614	44,614	-
Fund balance, June 30, 2016	\$ 17,286	\$ 10,626	\$ 11,280	\$ 654
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ 3,928	
Revenue accruals (net)				
Expenditure accruals (net)			(37,262)	
Other financing sources (net)				
Net change in fund balance, NON-GAAP budgetary basis			\$ (33,334)	

The accompanying notes are an integral part of these financial statements

Southwest New Mexico Council of Governments
STATE APPROPRIATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES--BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Charges for services	\$ -	\$ -	\$ 30,444	\$ 30,444
Intergovernmental	95,486	95,486	95,486	-
Total revenues	\$ 95,486	\$ 95,486	\$ 125,930	\$ 30,444
Expenditures:				
Current:				
General government	\$ 111,029	\$ 111,029	\$ 89,641	\$ 21,388
Capital outlay	-	-	-	-
Total expenditures	\$ 111,029	\$ 111,029	\$ 89,641	\$ 21,388
Revenues over (under) expenditures	\$ (15,543)	\$ (15,543)	\$ 36,289	\$ 51,832
Other financing sources (uses):				
Transfers in	30,444	30,444		30,444
Transfers (out)	(15,000)	(15,000)	(36,250)	(21,250)
Net change in fund balance	\$ (99)	\$ (99)	\$ 39	\$ 138
Fund balance, July 1, 2015	99	99	(6,879)	(6,978)
Fund balance, June 30, 2016	\$ -	\$ -	\$ (6,840)	\$ (6,840)
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ 169	
Revenue accruals (net)				
Expenditure accruals (net)			(130)	
Other financing sources (net)			-	
Net change in fund balance, NON-GAAP budgetary basis			\$ 39	

The accompanying notes are an integral part of these financial statements

Southwest New Mexico Council of Governments
ECONOMIC DEVELOPMENT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES--BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Charges for services	\$ -	\$ -	\$ 14,516	\$ 14,516
Intergovernmental	60,000	60,000	60,000	-
Total revenues	\$ 60,000	\$ 60,000	\$ 74,516	\$ 14,516
Expenditures:				
Current:				
General government	\$ 88,162	\$ 88,162	\$ 87,586	\$ 576
Capital outlay	-	-	-	-
Total expenditures	\$ 88,162	\$ 88,162	\$ 87,586	\$ 576
Revenues over (under) expenditures	\$ (28,162)	\$ (28,162)	\$ (13,070)	\$ 15,092
Other financing sources (uses):				
Transfers in	25,714	25,714	15,000	(10,714)
Net change in fund balance	\$ (2,448)	\$ (2,448)	\$ 1,930	\$ 4,378
Fund balance, July 1, 2015	2,448	2,448	13,544	11,096
Fund balance, June 30, 2016	\$ -	\$ -	\$ 15,474	\$ 15,474
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ 2,027	
Revenue accruals (net)				
Expenditure accruals (net)			(97)	
Other financing sources (net)			-	
Net change in fund balance, NON-GAAP budgetary basis			\$ 1,930	

The accompanying notes are an integral part of these financial statements

Southwest New Mexico 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, 2016

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Intergovernmental	\$ 84,955	\$ 84,955	\$ 84,955	\$ -
Miscellaneous				-
Total revenues	<u>\$ 84,955</u>	<u>\$ 84,955</u>	<u>\$ 84,955</u>	<u>\$ -</u>
Expenditures:				
Current:				
Highways and streets	\$ 106,205	\$ 106,205	\$ 106,171	\$ 34
Capital outlay				-
Total expenditures	<u>\$ 106,205</u>	<u>\$ 106,205</u>	<u>\$ 106,171</u>	<u>\$ 34</u>
Revenues over (under) expenditures	\$ (21,250)	\$ (21,250)	\$ (21,216)	\$ 34
Other financing sources (uses):				
Transfers in	<u>21,250</u>	<u>21,250</u>	<u>21,250</u>	<u>-</u>
Net change in fund balance	\$ -	\$ -	\$ 34	\$ 34
Fund balance, July 1, 2015			<u>7,660</u>	<u>7,660</u>
Fund balance, June 30, 2016	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,694</u>	<u>\$ 7,694</u>
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ (5,938)	
Revenue accruals (net)			2,775	
Expenditure accruals (net)			3,197	
Other financing sources (net)				
Net change in fund balance, NON-GAAP budgetary basis			<u>\$ 34</u>	

The accompanying notes are an integral part of these financial statements

Southwest New Mexico Council of Governments
OUTREACH PROGRAM
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES--BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Intergovernmental	\$ 8,000	\$ 8,000	\$ 8,000	\$ -
Miscellaneous				-
Total revenues	<u>\$ 8,000</u>	<u>\$ 8,000</u>	<u>\$ 8,000</u>	<u>\$ -</u>
Expenditures:				
Current:				
Health and welfare	\$ 8,000	\$ 8,000	\$ 7,996	\$ 4
Capital outlay				-
Total expenditures	<u>\$ 8,000</u>	<u>\$ 8,000</u>	<u>\$ 7,996</u>	<u>\$ 4</u>
Revenues over (under) expenditures	\$ -	\$ -	\$ 4	\$ 4
Other financing sources (uses):				
Transfers in (out)				-
Net change in fund balance	\$ -	\$ -	\$ 4	\$ 4
Fund balance, July 1, 2015			4,628	4,628
Fund balance, June 30, 2016	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,632</u>	<u>\$ 4,632</u>
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ (1,596)	
Revenue accruals (net)			1,600	
Expenditure accruals (net)				
Other financing sources (net)				
Net change in fund balance, NON-GAAP budgetary basis			<u>\$ 4</u>	

The accompanying notes are an integral part of these financial statements

Southwest New Mexico Council of Governments
STATEWIDE CEDS-EDA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES--BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Intergovernmental	\$ 31,862	\$ 31,862	\$ 31,862	\$ -
Miscellaneous				-
Total revenues	<u>\$ 31,862</u>	<u>\$ 31,862</u>	<u>\$ 31,862</u>	<u>\$ -</u>
Expenditures:				
Current:				
General government	\$ 41,862	\$ 41,862	\$ 36,079	\$ 5,783
Capital outlay				-
Total expenditures	<u>\$ 41,862</u>	<u>\$ 41,862</u>	<u>\$ 36,079</u>	<u>\$ 5,783</u>
Revenues over (under) expenditures	\$ (10,000)	\$ (10,000)	\$ (4,217)	\$ 5,783
Other financing sources (uses):				
Transfers in (out)	<u>10,000</u>	<u>10,000</u>		<u>(10,000)</u>
Net change in fund balance	\$ -	\$ -	\$ (4,217)	\$ (4,217)
Fund balance, July 1, 2015			<u>3,650</u>	<u>3,650</u>
Fund balance, June 30, 2016	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (567)</u>	<u>\$ (567)</u>
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ (9,066)	
Revenue accruals (net)			7,737	
Expenditure accruals (net)			(2,888)	
Other financing sources (net)				
Net change in fund balance, NON-GAAP budgetary basis			<u>\$ (4,217)</u>	

The accompanying notes are an integral part of these financial statements

Southwest New Mexico Council of Governments
JOB FAIR
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES--BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Miscellaneous				-
Total revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Expenditures:				
Current:				
General government				\$ -
Capital outlay				-
Total expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Revenues over (under) expenditures	\$ -	\$ -	\$ -	\$ -
Other financing sources (uses):				
Transfers in (out)				-
Net change in fund balance	\$ -	\$ -	\$ -	\$ -
Fund balance, July 1, 2015			281	281
Fund balance, June 30, 2016	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 281</u>	<u>\$ 281</u>
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ -	
Revenue accruals (net)				
Expenditure accruals (net)				
Other financing sources (net)				
Net change in fund balance, NON-GAAP budgetary basis			<u>\$ -</u>	

The accompanying notes are an integral part of these financial statements

Southwest New Mexico Council of Governments
ECONOMIC DEVELOPMENT SUSTAINABLE ENERGY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES--BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Charges for services	\$ -	\$ -	\$ -	\$ -
Intergovernmental	321,494	321,494	44,130	(277,364)
Total revenues	\$ 321,494	\$ 321,494	\$ 44,130	\$ (277,364)
Expenditures:				
Current:				
General government	\$ 109,629	\$ 109,629	\$ 33,950	\$ 75,679
Capital outlay	-	-	-	-
Total expenditures	\$ 109,629	\$ 109,629	\$ 33,950	\$ 75,679
Revenues over (under) expenditures	\$ 211,865	\$ 211,865	\$ 10,180	\$ (201,685)
Other financing sources (uses):				
Transfers in	-	-	-	-
Net change in fund balance	\$ 211,865	\$ 211,865	\$ 10,180	\$ (201,685)
Fund balance, July 1, 2015	-	-	-	-
Fund balance, June 30, 2016	\$ 211,865	\$ 211,865	\$ 10,180	\$ (201,685)
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ 28,370	
Revenue accruals (net)			(18,190)	
Expenditure accruals (net)				
Other financing sources (net)			-	
Net change in fund balance, NON-GAAP budgetary basis			\$ 10,180	

The accompanying notes are an integral part of these financial statements

Southwest New Mexico Council of Governments
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

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). The accounting and reporting framework and 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 Generally Accepted Accounting Principles, component units are legally separate entities that are included in the Council of Government's reporting entity because of the significance of their operating or financial relationships with the Council of Governments. Based on the criterion in Generally Accepted Accounting Principles, the Council of Government's had no component units.

B. BASIS OF PRESENTATION

Government-wide Financial Statements:

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

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.

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.

Statewide CEDS – To account for the federal resources to be used to develop a state-wide economic development plan. Authorization is the governing council.

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

Economic Development Sustainable Energy Fund – to account for the resources and expenditures to develop sustainable energy sources. Authorization is the Council.

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

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

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

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

Basis of Accounting

The government-wide financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred or when the economic asset is used. Revenues, expenses, gains, losses, assets, deferred outflows of resources, liabilities, and deferred inflows of resources resulting

from exchange and exchange-like transactions are recognized when the exchange takes place. Derived taxes are recognized when the exchange takes place, and grants are recognized when all eligibility requirements are met.

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

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

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

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

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

The Council of Governments does not allocate indirect costs.

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

D. BUDGETS

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

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

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

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

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. INTERFUND RECEIVABLES AND PAYABLES

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

G. RECEIVABLES

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

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

H. 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.

I. 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.

J. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

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

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

K. EQUITY CLASSIFICATIONS

Government-wide Statements

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

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

Fund Statements

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). Expenditures incurred are normally paid from the highest constrained fund balance.

L. INTERFUND ACTIVITY

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

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

M. USE OF ESTIMATES

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

Note 2 Custodial Credit Risk

Custodial credit risk is the risk in the event of a bank failure the government's deposits may not be returned to it. The government does not have a deposit policy for credit risk beyond that disclosed in Note 1. As of June 30, 2016, \$-0- of the governments bank balance of \$53,301 was exposed to custodial credit risk as follows:

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

	<u>Bank Balance</u>	<u>Carrying Amount</u>
Deposits by custodial risk category:		
Insured	<u>\$ 53,301</u>	<u>\$ 42,084</u>

Note 3 Capital Assets

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

	<u>Balance July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2016</u>
Capital Assets Being Depreciated:				
Leasehold improvements	\$ 20,624	\$ -0-	\$ -0-	\$ 20,624
Equipment	<u>88,999</u>	<u>-0-</u>	<u>-0-</u>	<u>88,999</u>
Total capital assets being depreciated	<u>\$ 109,623</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 109,623</u>

Less accumulated depreciation				
For:				
Leasehold improvements	\$ 20,624	\$ -0-	\$	\$ 20,624
Equipment	<u>69,209</u>	<u>6,978</u>	<u> </u>	<u>76,187</u>
	<u>\$ 89,837</u>	<u>\$ 6,978</u>	<u>\$ -0-</u>	<u>\$ 96,811</u>
Capital assets, net	<u>\$ 19,790</u>	<u>\$ 6,978</u>	<u>\$ -0-</u>	<u>\$ 12,812</u>

Depreciation expense was charged to the governmental activities as follows:

General government	<u>\$ 6,978</u>
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Note 4 Compensated Absences

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

	<u>Balance</u>		<u>Retire-</u>	<u>Balance</u>	<u>Due In</u>
	<u>July 1, 2015</u>	<u>Additions</u>	<u>ments</u>	<u>June 30, 2016</u>	<u>One Year</u>
Compensated absences	<u>\$ 5,457</u>	<u>\$ 9,314</u>	<u>\$ 10,060</u>	<u>\$ 4,711</u>	<u>\$ -0-</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. No settlements have exceeded coverage in the last three years.

Limits of coverage are as follows:

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

Note 6 Pension Plan – Public Employees Retirement Association

Pensions – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the New Mexico Public Employees Retirement Association (PERA) and additions to/deductions from PERA’s fiduciary net position have been determined on the same basis as they are reported by PERA, on the economic resources measurement focus and accrual basis of accounting. For this purpose, benefit payments

(including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

General Information about the Pension Plan

Plan Description – The Public Employees Retirement Fund (PERA Fund) is a **cost-sharing, multiple employer defined benefit pension plan**. This fund has six divisions of members, including State, General, State Police/Adult Correction Officer, Municipal General, Municipal Police/Detention Officers, Municipal fire, and State Legislative Divisions, and offers 24 different types of coverage within the PERA plan. All assets accumulated may be used to pay benefits, including refunds of member contributions, to any of the plan members or beneficiaries, as defined by the terms of this plan. Certain coverage plans are only applicable to a specific division. Eligibility for membership in the PERA Fund is set forth in the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). Except as provided for in the Volunteer Firefighters Retirement Act (10-11A-1 to 10-11A-7, NMSA 1978), the Judicial Retirement Act (10-12B-1 to 10-12B-19, NMSA 1978), the Magistrate Retirement Act (10-12C-1 to 10-12C-18, NMSA 1978), and the Educational Retirement Act (Chapter 22, Article 11, NMSA 1978), and the provisions of Sections 29-4-1 through 29-4-11, NMSA 1978 governing the State Police Pension Fund, each employee and elected official of every affiliated public employer is required to be a member in the PERA Fund.

PERA issues a publicly available financial report and a comprehensive annual financial report that can be obtained at <http://saonm.org/> using the Audit Report Search function for agency 366.

Benefits Provided – For a description of the benefits provided and recent changes to the benefits see Note 1 in the PERA audited financial statements for the fiscal year ended June 30, 2015 available at http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366_Public_Employees_Retirement_Association_2015.pdf.

Contributions – The contribution requirements of defined benefit plan members and the Southwest New Mexico Council of Governments (COG) are established in state statute under Chapter 10, Article 11, NMSA 1978. The contribution requirements may be amended by acts of the legislature. For the employer and employee contribution rates in effect for FY15 for the various PERA coverage options, for both Tier I and Tier II, see the tables available in the note disclosures on pages 24 through 32 of the PERA FY15 annual audit report at http://osanm.org/media/audits/366_Public_Employees_Retirement_Association_2015.pdf. The PERA coverage options that apply to The Council of Governments are the Municipal General. Statutorily required contributions to the pension plan from the Council of Governments were \$18,917 and employer paid member benefits that were “picked up” by the employer were \$15,808 for the year ended June 30, 2016.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: The PERA pension liability amounts, net pension liability amounts, and sensitivity information were based on an annual actuarial valuation performed as of June 30, 2014. The PERA pension liability amounts for each division were rolled forward from the valuation date to the Plan year ending June 30, 2015, using generally accepted actuarial principles. Therefore the employer’s portion was established as of the measurement date June 30, 2015.

The assets of the PERA fund are held in one trust, but there are six distinct membership groups (municipal general members, municipal police members, municipal fire members, state general members, state police members and legislative members) for whom separate

contribution rates are determined each year pursuant to Chapter 10, Article 11 NMSA 1978. Therefore, the calculations of the net pension liability, pension expense and deferred Inflows and Outflows were performed separately for each of the membership groups: municipal general members; municipal police members; municipal fire members; state general members; state police members and legislative members. The Council of Government's proportion of the net pension liability for each member group that the employer participates in is based on the employer contributing entity's percentage of that membership group's total employer contributions for the fiscal year ended June 30, 2015. Only employer contributions for the pay period end dates that fell within the period of July 1, 2014 to June 30, 2015 were included in the total contributions for a specific employer. Regular and any adjustment contributions that applied to FY 2015 are included in the total contribution amounts. In the event that an employer is behind in reporting to PERA its required contributions, an estimate (receivable) was used to project the unremitted employer contributions. This allowed for fair and consistent measurement of the contributions with the total population. This methodology was used to maintain consistent measurement each year in determining the percentages to be allocated among all the participating employers.

For PERA Fund Division – Municipal General, at June 30, 2016, the Council reported a liability of \$238,583 for its proportionate share of the net pension liability. At June 30, 2015, the Council's proportion was .0234 percent, an increase of .0023 percent from its proportion measured as of June 30, 2014, of .0211 percent.

For the year ended June 30, 2016, the Council recognized PERA Fund Division Municipal General pension expense of \$35,880. At June 30, 2016, the Council reported PERA Fund Division Municipal General deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$	\$ 5,285
Changes of assumptions	-	93
Net difference between projected and actual earnings on pension plan investments	-	755
Changes in proportion and differences between the Council contributions and proportionate share of contributions	13,700	-
The Council's contributions subsequent to the measurement date	<u>34,725</u>	<u>-</u>
Total	<u>\$ 48,425</u>	<u>\$ 6,133</u>

\$34,725 reported as deferred outflows of resources related to pensions resulting from Council contributions subsequent to the measurement date June 30, 2015 will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other

amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2017	\$ (1,752)
2018	(1,752)
2019	(1,752)
2020	12,823

Actuarial Assumptions – As described above, the PERA Fund member group pension liabilities and net pension liabilities are based on actuarial valuations performed as of June 30, 2014 for each of the membership groups. Then each PERA Fund member group pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2015 using generally accepted actuarial principles. There were no significant events or changes in benefit provisions that required an adjustment to the roll-forward liabilities as of June 30, 2015. These actuarial methods and assumptions were adopted by the Board for use in the June 30, 2015 actuarial valuation.

Actuarial valuation date	June 30, 2014
Actuarial cost method	Entry age normal
Amortization method	Level percentage of pay
Amortization period	Solved for based on statutory rates
Asset valuation method	Fair value
Actuarial assumptions:	
Investment rate of return	7.75% annual rate, net of investment expense
Payroll growth	3.50% annual rate
Projected salary increases	3.50% to 14.25% annual rate
Includes inflation at	3.00% annual rate

The long-term expected rate of return on pension plan investments was determined using a statistical analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and most recent best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

ALL FUNDS – Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
US Equity	21.1%	5.00%
International Equity	24.8%	5.20%
Private Equity	7.0%	8.20%

Core and Global Fixed Income	26.1%	1.85%
Fixed Income Plus Sectors	5.0%	4.80%
Real Estate	5.0%	5.30%
Real Assets	7.0%	5.70%
Absolute Return	<u>4.0%</u>	4.15%
Total	<u>100.0%</u>	

Discount Rate – The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that future contributions will be made in accordance with statutory rates. On this basis, the pension plan’s fiduciary net position together with the expected future contributions are sufficient to provide all projected future benefit payments of current plan members as determined in accordance with GASBS 67. Therefore, the 7.75% assumed long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Council’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following tables show the sensitivity of the net pension liability to changes in the discount rate. In particular, the tables present the Council of Government’s net pension liability in each PERA Fund Division that the Council of Government’s participate in, under the current single rate assumption, as if it were calculated using a discount rate one percentage point lower (6.75%) or one percentage point higher (8.75%) than the single discount rate.

	1% Decrease <u>(6.75%)</u>	Current Discount Rate <u>(7.75%)</u>	1% Increase <u>(8.75%)</u>
PERA Fund Division Municipal General			
The Council’s proportionate share of the net pension liability	\$ <u>406,213</u>	\$ <u>238,583</u>	\$ <u>99,211</u>

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

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

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.

The employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the employer and employee contributions can be changed by the New Mexico State Legislature. Employers that choose to become participating employers after January 1, 1998, are required to make contributions to the RHCA fund in the amount determined to be appropriate by the Board.

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. For employees that were members of an enhanced retirement plan (state police and adult correctional officer member coverage plan 1; municipal police member coverage plans 3, 4, or 5; municipal fire member coverage plan 3, 4, or 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2014, the statute required each participating employer to contribute 2.5% of each participating employee's annual salary; and each participating employee was required to contribute 1.25% of their salary. For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2014, the statute required each

participating employer to contribute 2.0% of each participating employee's annual salary; each participating employee was required to contribute 1.0% of their salary. In addition, pursuant to Section 10-7C-15(G) NMSA 1978, at the first session of the Legislature following July 1, 2013, the legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

The Council of Government's contributions to the RHCA for the years ended June 30, 2016, 2015 and 2014 were \$3,962, \$3,876 and \$3,425, 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 Receivable</u>
	<u>General Fund</u>
<u>Interfund Payables</u>	
State Appropriation	\$ 7,904
Economic Development	36,517
New Mexico Department of Transportation	3,361
Outreach Program	5,559
Statewide CEDS	567
	<u>\$ 53,908</u>

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

	<u>Transfers From</u>
	<u>State</u>
	<u>Appropriation</u>
<u>Transfers To</u>	
Economic Development	\$ 15,000
NM Dept. of Transportation	21,250
	<u>\$ 36,250</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, 2016:

State Appropriation	\$	(8,146)
Economic Development		(21,161)
Statewide CEDS		(567)

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

Note 11 Restricted Net Position

Net position restricted for other purposes 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	\$	24,342
Economic Development Sustainable Energy		28,370
Job Fair		281
Outreach		<u>673</u>
	\$	<u>53,666</u>

Note 12 Evaluation of Subsequent Events

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

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

	2016	2015
Southwest New Mexico Council of Governments' proportion of the net pension liability	.0234%	.0211%
Southwest New Mexico Council of Governments' proportionate share of the net pension liability	\$ 238,583	\$ 164,603
Southwest New Mexico Council of Governments' covered employee payroll	\$ 198,084	\$ 193,817
Southwest New Mexico Council of Governments' proportionate share of the net pension liability as a percentage of its covered-employee payroll	120%	85%
Plan fiduciary net position as a percentage of the total pension liability	77%	81%

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

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

	2016	2015
Contractually required contributions	\$ 18,917	\$ 18,510
Contributions in relation to contractually required contribution	(18,917)	(18,510)
Contribution deficiency (excess)	\$ -	\$ -
Southwest New Mexico Council of Governments's covered-employee payroll	\$ 198,084	\$ 193,817
Contributions as a percentage of covered-employee payroll	9.55%	9.55%

*This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, the Southwest NM Council of Governments will present information for those years for which information is available.

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

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

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

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

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

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

	Washington Federal
Checking	\$ 30,031
Savings	23,270
Total on deposit	\$ 53,301
Less: FDIC insurance	(53,301)
Total uninsured public funds	\$ -
50% collateralization requirement (Section 6-10-17 NMSA)	\$ -
Pledged securities over (under) requirement	\$ -

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

	Type of Account	Bank Balance	Reconciled Balance
Washington Federal			
Operational	Checking	\$ 30,031	\$ 18,813
Operational	Savings	23,270	23,271
Total Washington Federal		\$ 53,301	\$ 42,084
Cash on hand			\$ 50
Total cash and investments			\$ 42,134

Southwest New Mexico Council of Governments
Vendor Schedule
Prepared by Renee Muniz

Agency Number	Agency Name	Agency Type	RFB#/RFP# (if applicable)	Type of Procurement	Vendor Name	Did Vendor Win Contract?	\$ Amount of Awarded Contract	\$ Amount of Amended Contract	Physical address of vendor (City, State)	Did the Vendor provide documentation of eligibility for in-state preference?	Did the Vendor provide documentation of eligibility for veterans' preference?	Brief Description of the Scope of Work	If the procurement is attributable to a Component Unit, Name of Component Unit
818	Southwest New Mexi Councils of Governmen	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

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

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 IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

INDEPENDENT AUDITOR'S REPORT

Timothy Keller, State Auditor
And
Board of Directors
Southwest New Mexico Council of Governments
Silver City, New Mexico

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the budgetary comparisons for the general fund and major special revenue funds of the Southwest New Mexico Council of Governments as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Southwest New Mexico Council of Governments' basic financial statements, and have issued our report thereon dated December 8, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Southwest New Mexico Council of Governments' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control. Accordingly, we do not express an opinion on the effectiveness of the Southwest New Mexico Council of Governments' internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Stone, McGee & Co CPAs

Silver City, New Mexico
December 8, 2016

Stone, McGee & Co.
Certified Public Accountants

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

SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unmodified opinion on the financial statements of Southwest New Mexico Council of Governments.
2. No significant deficiencies relating to the audit of the financial statements are reported in the *Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of 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 \$750,000 in federal funds.

FINDINGS – FINANCIAL STATEMENT AUDIT

None

OTHER – FINANCIAL STATEMENT PREPARATION

The financial statements were prepared by Stone, McGee & Co., CPAs. However, the Council has acknowledged its responsibility for and accepted responsibility for the financial statements.

EXIT CONFERENCE

The contents of this report were discussed December 8, 2016. Present at this exit conference were:

<u>Name</u>	<u>Title</u>	<u>Affiliation</u>
Alex Brown	Vice-Chairman	SWNM Council of Governments
Priscilla Lucero	Executive Director	SWNM Council of Governments
Renee Muniz	Office Manager	SWNM Council of Governments
Kay Stone	Shareholder	Stone, McGee & Co., CPAs
Mike Stone	Shareholder	Stone, McGee & Co., CPAs