



HINKLE + LANDERS

Certified Public Accountants + Business Consultants

**SOUTHWEST NEW MEXICO
COUNCIL OF GOVERNMENTS**

**INDEPENDENT AUDITOR'S REPORT
AND FINANCIAL STATEMENTS**

For the Year Ended June 30, 2017

**STATE OF NEW MEXICO
SOUTHWEST NEW MEXICO COUNCIL OF GOVERNMENTS
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**STATE OF NEW MEXICO
SOUTHWEST NEW MEXICO COUNCIL OF GOVERNMENTS
OFFICIAL ROSTER**

Elected Officials

Aaron Sera, City of Deming	Chair
Alex Brown, Town of Silver City	Co-Chair
Delbert Fulfer, Arenas Valley Water Association	Member
Bryan O'Flynn, Casas Adobes Mutual Domestic Water Conservation Association	Member
Commissioner Bucky Allred, Catron County	Member
Mayor Charles Kelly, City of Bayard	Member
Mayor Arthur Clark Smith, City of Lordsburg	Member
George Peru, Cobre Consolidated Schools	Member
Dr. Daniel Lere, Deming Public Schools	Member
Fed Vega, El Grito Headstart	Member
Brian Cunningham, Gila Regional Medical Center	Member
Commissioner Gabriel Ramos, Grant County	Member
Ty Bays, Grant Soil and Water Conservation District	Member
Gilbert Cruz, Hanover Mutual Domestic Water Conservation Association	Member
Art Merino, Heredia Community Ditch Association	Member
Commissioner Marianne Stewart, Hidalgo County	Member
Eric McSpadden, Hidalgo Soil and Water Conservation District	Member
Kathy Prince, Lake Roberts Water Users Association	Member
Commissioner Linda Smrkovsky, Luna County	Member
Wayne Ashby, Rancho Grande Water Association	Member
Bill Webb, San Francisco Soil and Water Conservation District	Member
Dora Gonzales, Southwest Solid Waste Authority	Member
Lori Ortiz, Town of Hurley	Member
John Baldwin, Tyrone Mutual Domestic Water Conservation District	Member
Mayor Philip Skinner, Village of Columbus	Member
Mayor Hilda Keller, Village of Reserve	Member
Mayor Richard Bauch, Village of Santa Clara	Member
Mayor Rulene Jensen, Village of Virden	Member
Dr. Joseph Shepard, Western New Mexico University	Member

Administrative Officials

Priscilla Lucero	Executive Director
Renee Muniz	Office Manager



INDEPENDENT AUDITOR’S REPORT

Mr. Wayne A. Johnson, New Mexico State Auditor
and
Board of Directors
Southwest New Mexico Council of Governments
Silver City, New Mexico

Report on the 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 (the Council) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Council’s 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 misstatement, whether due to fraud or error.

Auditor’s Responsibility

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

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

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

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

Opinions

In our opinion, the financial statements present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the budgetary comparisons for the general fund and major special revenue funds of the Council, as of June 30, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note O to the financial statements, the 2017 financial statements have been restated to correct beginning year fund balances, beginning year net position, current year revenue, and deferred outflows as per GASB 82. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

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 financial statements that collectively comprise the Council's basic financial statements. The "*other supplementary information*", as identified in the table of contents, required by Section 2.2.2 NMAC are presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2017 on our consideration of the Council's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other

matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Council's internal control over financial reporting and compliance.

Hinkle & Landers, P.C.

Hinkle + Landers, PC
Albuquerque, NM
December 1, 2017

**STATE OF NEW MEXICO
SOUTHWEST NEW MEXICO COUNCIL OF GOVERNMENTS
STATEMENT OF NET POSITION
As of June 30, 2017**

	<u>Governmental Activities</u>
ASSETS	
Current Assets	
Cash and cash equivalents	\$ 104,447
Due from other governmental agencies	82,170
Total current assets	<u>186,617</u>
Noncurrent Assets	
Capital assets, net	<u>7,488</u>
Total noncurrent assets	<u>7,488</u>
Deferred Outflows of Resources	
Related to pensions	<u>138,365</u>
Total assets and deferred outflows of resources	<u>\$ 332,470</u>
LIABILITIES	
Current Liabilities	
Accounts payable	\$ 13,801
Payroll related liabilities	4,643
Total current liabilities	<u>18,444</u>
Noncurrent Liabilities	
Compensated absences	13,143
Net pension liability	<u>367,463</u>
Total noncurrent liabilities	<u>380,606</u>
Deferred Inflows of Resources	
Related to pensions	<u>6,807</u>
Total liabilities and deferred inflows of resources	<u>405,857</u>
NET POSITION	
Net investment in capital assets	7,488
Restricted for:	
Other purposes	36,830
Unrestricted	<u>(117,705)</u>
Total net position	<u>(73,387)</u>
Total liabilities and net position	<u>\$ 332,470</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
SOUTHWEST NEW MEXICO COUNCIL OF GOVERNMENTS
STATEMENT OF ACTIVITIES
For The Year Ended June 30, 2017

Functions/Programs	Expenses	Program Revenue		Net (Expense)
Governmental activities:	Expenses	Operating	Charges	Revenue and
	Expenses	Grants and	for	Changes in
	Expenses	Contributions	Services	Net Position
	Expenses	Contributions	Services	for
	Expenses	Contributions	Services	Governmental
	Expenses	Contributions	Services	Activities
General government	\$ (450,347)	346,423	121,763	17,839
Health and welfare	(9,073)	8,000	-	(1,073)
Highways and streets	(120,973)	83,723	-	(37,250)
Total governmental activities	<u>(580,393)</u>	<u>438,146</u>	<u>121,763</u>	<u>(20,484)</u>
General revenues:				
Earnings on investments				40
Loss on disposition of assets				(39)
Miscellaneous				21,127
Total general revenues				<u>21,128</u>
Changes in net position				<u>644</u>
Net position, beginning of year				(69,578)
Restatement				(4,453)
Net position, beginning of year as restated				<u>(74,031)</u>
Net position, end of year				<u>\$ (73,387)</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
SOUTHWEST NEW MEXICO COUNCIL OF GOVERNMENTS
BALANCE SHEETS – GOVERNMENTAL FUNDS
As of June 30, 2017

	General Fund	DFA State Appropriations Fund	Economic Development Administration Fund	MFA Outreach Program Fund	New Mexico Department of Transportation Fund
ASSETS					
Cash and cash equivalents	\$ 59,786	-	15,747	4,632	7,694
Due from other governmental agencies	11,082	-	-	1,600	19,694
Accounts receivable	-	-	-	-	-
Interfund receivable	114,678	-	-	-	-
Total assets	<u>185,546</u>	<u>-</u>	<u>15,747</u>	<u>6,232</u>	<u>27,388</u>
LIABILITIES					
Accounts payable	-	-	-	-	-
Accrued payroll liabilities	2,980	599	482	33	549
Interfund payable	-	15,182	48,941	6,224	13,496
Total liabilities	<u>2,980</u>	<u>15,781</u>	<u>49,423</u>	<u>6,257</u>	<u>14,045</u>
FUND BALANCES					
Restricted:					
Highways and streets	-	-	-	-	13,343
Health and welfare	-	-	-	-	-
General government	-	-	-	-	-
Unassigned	182,566	(15,781)	(33,676)	(25)	-
Total fund balance	<u>182,566</u>	<u>(15,781)</u>	<u>(33,676)</u>	<u>(25)</u>	<u>13,343</u>
Total liabilities and fund balance	<u>\$ 185,546</u>	<u>-</u>	<u>15,747</u>	<u>6,232</u>	<u>27,388</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
SOUTHWEST NEW MEXICO COUNCIL OF GOVERNMENTS
BALANCE SHEETS – GOVERNMENTAL FUNDS, continued
As of June 30, 2017

	Statewide CEDS Fund	Sustainable Energy Fund	Job Fair Fund	Imagination Library Fund	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ -	10,180	281	6,128	104,448
Due from other governmental agencies	-	39,888	-	9,906	82,170
Accounts receivable	-	-	-	-	-
Interfund receivable	-	-	-	-	114,678
Total assets	-	50,068	281	16,034	301,296
LIABILITIES					
Accounts payable	-	3,896	-	9,906	13,802
Accrued payroll liabilities	-	-	-	-	4,643
Interfund payable	567	22,966	-	7,302	114,678
Total liabilities	567	26,862	-	17,208	133,123
FUND BALANCES					
Restricted:					
Highways and streets	-	-	-	-	13,343
Health and welfare	-	-	-	-	(25)
General government	-	23,206	281	-	23,487
Unassigned	(567)	-	-	(1,174)	131,368
Total fund balance	(567)	23,206	281	(1,174)	168,173
Total liabilities and fund balance	\$ -	50,068	281	16,034	301,296

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO
SOUTHWEST NEW MEXICO COUNCIL OF GOVERNMENTS
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO NET POSITION OF
GOVERNMENTAL ACTIVITIES
For The Year Ended June 30, 2017**

Total fund balance governmental funds	\$ 168,173
<i>Amounts reported for governmental activities in the statement of net position are different because:</i>	
Capital assets (net of depreciation) used in governmental activities are not financial resources and, therefore, are not reported in the funds.	7,488
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	(6,807)
Deferred outflows of resources related to pensions	138,365
Long-term liabilities, including accrued compensated absences, net pension liability, and bonds payable are not due and payable in the current period and, therefore, are not reported in the funds.	
Net pension liability	(367,463)
Compensated absences payable	(13,143)
Rounding	-
Net position of governmental activities	\$ <u><u>(73,387)</u></u>

STATE OF NEW MEXICO
SOUTHWEST NEW MEXICO COUNCIL OF GOVERNMENTS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
For The Year Ended June 30, 2017

	General Fund	State Appropriations Fund	Economic Development Administration Fund	MFA Outreach Program Fund	New Mexico Department of Transportation Fund
REVENUES					
Charges for services	\$ 85,631	30,444	5,688	-	-
State sources	-	86,143	-	8,000	-
Federal sources	-	-	65,000	-	83,723
Other grants	20,600	-	-	-	-
Miscellaneous	567	-	-	-	-
Total revenues	<u>106,798</u>	<u>116,587</u>	<u>70,688</u>	<u>8,000</u>	<u>83,723</u>
EXPENDITURES					
Current:					
General government	30,407	87,972	98,203	-	-
Health and welfare	-	-	-	8,698	-
Highways and streets	-	-	-	-	115,972
Capital outlay	-	-	-	-	-
Total expenditures	<u>30,407</u>	<u>87,972</u>	<u>98,203</u>	<u>8,698</u>	<u>115,972</u>
Excess (deficiency) of revenue over (under) expenditures	<u>76,391</u>	<u>28,615</u>	<u>(27,515)</u>	<u>(698)</u>	<u>(32,249)</u>
OTHER FINANCING SOURCES (USES)					
Transfer in	-	-	15,000	-	21,250
Transfer out	-	(36,250)	-	-	-
Net other financing sources (uses)	<u>-</u>	<u>(36,250)</u>	<u>15,000</u>	<u>-</u>	<u>21,250</u>
Net change in fund balance	76,391	(7,635)	(12,515)	(698)	(10,999)
Fund balance, beginning	94,820	(8,146)	(21,161)	673	24,342
Restatement	11,355	-	-	-	-
Fund balance, beginning as restated	<u>106,175</u>	<u>(8,146)</u>	<u>(21,161)</u>	<u>673</u>	<u>24,342</u>
Fund balance, ending	<u>\$ 182,566</u>	<u>(15,781)</u>	<u>(33,676)</u>	<u>(25)</u>	<u>13,343</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
SOUTHWEST NEW MEXICO COUNCIL OF GOVERNMENTS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS, continued
For The Year Ended June 30, 2017

	Statewide CEDS Fund	Sustainable Energy Fund	Job Fair Fund	Imagination Library Fund	Total Governmental Funds
REVENUES					
Charges for services	\$ -	-	-	-	121,763
State sources	-	-	-	65,026	159,169
Federal sources	-	130,254	-	-	278,977
Other grants	-	-	-	-	20,600
Miscellaneous	-	-	-	-	567
Total revenues	<u>-</u>	<u>130,254</u>	<u>-</u>	<u>65,026</u>	<u>581,076</u>
EXPENDITURES					
Current:					
General government	-	135,418	-	66,200	418,200
Health and welfare	-	-	-	-	8,698
Highways and streets	-	-	-	-	115,972
Capital outlay	-	-	-	-	-
Total expenditures	<u>-</u>	<u>135,418</u>	<u>-</u>	<u>66,200</u>	<u>542,870</u>
Excess (deficiency) of revenue over (under) expenditures	<u>-</u>	<u>(5,164)</u>	<u>-</u>	<u>(1,174)</u>	<u>38,206</u>
OTHER FINANCING SOURCES (USES)					
Transfer in	-	-	-	-	36,250
Transfer out	-	-	-	-	(36,250)
Net other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	-	(5,164)	-	(1,174)	38,206
Fund balance, beginning	(567)	28,370	281	-	118,612
Restatement	-	-	-	-	11,355
Fund balance, beginning as restated	<u>(567)</u>	<u>28,370</u>	<u>281</u>	<u>-</u>	<u>129,967</u>
Fund balance, ending	<u>\$ (567)</u>	<u>23,206</u>	<u>281</u>	<u>(1,174)</u>	<u>168,173</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
SOUTHWEST NEW MEXICO COUNCIL OF GOVERNMENTS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF
ACTIVITIES
For The Year Ended June 30, 2017

Net change fund balance in governmental funds \$ 38,206

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

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense.

Depreciation expense	(5,285)
Capital additions	-

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenue in the funds. This is the net change during the year:

Intergovernmental grants subject to the 60 days availability period	-
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Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the Statement of Activities, a gain or loss is reported at each disposal. This is the basis in the assets disposed of.

(40)

Some items reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. These activities consist of:

(Increase) decrease in compensated absences	(8,432)
Pension expense	(23,806)

Rounding	1
Change in net position - governmental activities	\$ <u><u>644</u></u>

STATE OF NEW MEXICO
SOUTHWEST NEW MEXICO COUNCIL OF GOVERNMENTS
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For The Year Ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Charges for services	\$ 43,141	41,941	85,571	43,630
Intergovernmental	-	-	-	-
Other grants	-	-	20,600	20,600
Miscellaneous	30,748	52,064	1,359	(50,705)
Total revenues	<u>73,889</u>	<u>94,005</u>	<u>107,530</u>	<u>13,525</u>
EXPENDITURES				
Current:				
General government	73,889	94,005	43,360	50,645
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	<u>73,889</u>	<u>94,005</u>	<u>43,360</u>	<u>50,645</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>64,170</u>	<u>64,170</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	-	-	-	-
Transfers in	-	-	-	-
Total transfers	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>-</u>	<u>-</u>	<u>64,170</u>	<u>64,170</u>
Fund balance, beginning, July 1 2016	<u>17,286</u>	<u>10,626</u>	<u>11,280</u>	<u>654</u>
Fund balance, ending, June 30, 2017	<u>\$ 17,286</u>	<u>10,626</u>	<u>75,450</u>	<u>64,824</u>
Budgetary Reconciliation:				
Net change in funds balance, GAAP basis			\$ 76,391	
Revenue accruals (net)			1,585	
Expenditure accruals (net)			(13,806)	
Other financing source (net)			<u>-</u>	
Net change in fund balance, NON-GAAP budgetary basis			<u>\$ 64,170</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
SOUTHWEST NEW MEXICO COUNCIL OF GOVERNMENTS
STATE APPROPRIATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For The Year Ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Charges for services	\$ 30,344	108,534	30,344	(78,190)
Intergovernmental	86,143	86,143	86,143	-
Total revenues	<u>116,487</u>	<u>194,677</u>	<u>116,487</u>	<u>(78,190)</u>
EXPENDITURES				
Current:				
General government	116,487	194,677	103,002	91,675
Capital outlay	-	-	-	-
Total expenditures	<u>116,487</u>	<u>194,677</u>	<u>103,002</u>	<u>91,675</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>13,485</u>	<u>13,485</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	-	-	(36,250)	(36,250)
Transfers in	-	-	-	-
Total transfers	<u>-</u>	<u>-</u>	<u>(36,250)</u>	<u>(36,250)</u>
Net change in fund balance	<u>-</u>	<u>-</u>	<u>(22,765)</u>	<u>(22,765)</u>
Fund balance, beginning, July 1, 2016	-	-	(6,840)	(6,840)
Fund balance, ending, June 30, 2017	<u>\$ -</u>	<u>-</u>	<u>(29,605)</u>	<u>(29,605)</u>
Budgetary Reconciliations				
Net change in funds balance, GAAP basis			\$ (7,635)	
Revenue accruals (net)			-	
Expenditure accruals (net)			(15,130)	
Other financing source (net)			-	
Net change in fund balance, NON-GAAP budgetary basis			<u>\$ (22,765)</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
SOUTHWEST NEW MEXICO COUNCIL OF GOVERNMENTS
ECONOMIC DEVELOPMENT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For The Year Ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Charges for services	\$ 10,714	19,822	5,688	(14,134)
Intergovernmental	70,000	70,000	65,000	(5,000)
Total revenues	<u>80,714</u>	<u>89,822</u>	<u>70,688</u>	<u>(19,134)</u>
EXPENDITURES				
Current:				
General government	95,714	104,822	104,822	-
Capital outlay	-	-	-	-
Total expenditures	<u>95,714</u>	<u>104,822</u>	<u>104,822</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(15,000)</u>	<u>(15,000)</u>	<u>(34,134)</u>	<u>(19,134)</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	-	-	-	15,000
Transfers in	15,000	15,000	15,000	-
Total transfers	<u>15,000</u>	<u>15,000</u>	<u>15,000</u>	<u>(15,000)</u>
Net change in fund balance	<u>-</u>	<u>-</u>	<u>(19,134)</u>	<u>(19,134)</u>
Fund balance, beginning, July 1, 2016	-	-	15,474	15,474
Fund balance, ending, June 30, 2017	<u>\$ -</u>	<u>-</u>	<u>(3,660)</u>	<u>(3,660)</u>
Budgetary Reconciliations				
Net change in funds balance, GAAP basis			\$ (12,515)	
Revenue accruals (net)			-	
Expenditure accruals (net)			(6,619)	
Other financing source (net)			-	
Net change in fund balance, NON-GAAP budgetary basis			<u>\$ (19,134)</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
SOUTHWEST NEW MEXICO COUNCIL OF GOVERNMENTS
MFA OUTREACH PROGRAM
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For The Year Ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ 8,000	8,000	8,000	-
Miscellaneous revenue	-	-	-	-
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	8,000	-
Capital outlay	-	-	-	-
Total expenditures	<u>8,000</u>	<u>8,000</u>	<u>8,000</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	-	-	-	-
Transfers in	-	-	-	-
Total transfers	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, beginning	-	-	4,632	4,632
Fund balance, ending	<u>\$ -</u>	<u>-</u>	<u>4,632</u>	<u>4,632</u>
Budgetary Reconciliations				
Net change in funds balance, GAAP basis			\$ (698)	
Revenue accruals (net)			-	
Expenditure accruals (net)			698	
Other financing source (net)			<u>-</u>	
Net change in fund balance, NON-GAAP budgetary basis			<u>\$ -</u>	

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO
SOUTHWEST NEW MEXICO COUNCIL OF GOVERNMENTS
NM DEPARTMENT OF TRANSPORTATION PROGRAM
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For The Year Ended June 30, 2017**

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ 85,000	85,000	105,287	20,287
Miscellaneous revenue	-	-	-	-
Total revenues	<u>85,000</u>	<u>85,000</u>	<u>105,287</u>	<u>20,287</u>
EXPENDITURES				
Current:				
Highway and streets	106,250	106,250	106,250	-
Capital outlay	-	-	-	-
Total expenditures	<u>106,250</u>	<u>106,250</u>	<u>106,250</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(21,250)</u>	<u>(21,250)</u>	<u>(963)</u>	<u>20,287</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	-	-	-	-
Transfers in	<u>21,250</u>	<u>21,250</u>	<u>21,250</u>	<u>-</u>
Total transfers	<u>21,250</u>	<u>21,250</u>	<u>21,250</u>	<u>-</u>
Net change in fund balance	-	-	20,287	20,287
Fund balance, beginning, July 1, 2016	-	-	<u>7,660</u>	<u>7,660</u>
Fund balance, ending, June 30, 2017	<u>\$ -</u>	<u>-</u>	<u>27,947</u>	<u>27,947</u>
Budgetary Reconciliations				
Net change in funds balance, GAAP basis			\$ (10,999)	
Revenue accruals (net)			21,565	
Expenditure accruals (net)			9,721	
Other financing source (net)			<u>-</u>	
Net change in fund balance, NON-GAAP budgetary basis			<u>\$ 20,287</u>	

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO
SOUTHWEST NEW MEXICO COUNCIL OF GOVERNMENTS
STATEWIDE CEDS-EDA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For The Year Ended June 30, 2017**

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ -	-	-	-
Miscellaneous revenue	-	-	-	-
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>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	-	-	-	-
Transfers in	-	-	-	-
Total transfers	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, beginning, July 1, 2016		-	(567)	
Fund balance, ending, June 30, 2017	<u>\$ -</u>	<u>-</u>	<u>(567)</u>	
Budgetary Reconciliations				
Net change in funds balance, GAAP basis			\$ -	
Revenue accruals (net)			-	
Expenditure accruals (net)			-	
Other financing source (net)			-	
Net change in fund balance, NON-GAAP budgetary basis			<u>\$ -</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
SOUTHWEST NEW MEXICO COUNCIL OF GOVERNMENTS
ECONOMIC DEVELOPMENT SUSTAINABLE ENERGY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For The Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES				
Charges for services	\$ -	-	-	-
Intergovernmental	203,041	203,041	108,557	(94,484)
Total revenues	203,041	203,041	108,557	(94,484)
EXPENDITURES				
Current:				
General government	203,041	203,041	129,982	73,059
Capital outlay	-	-	-	-
Total expenditures	203,041	203,041	129,982	73,059
Excess (deficiency) of revenues over (under) expenditures	-	-	(21,425)	(21,425)
OTHER FINANCING SOURCES (USES)				
Transfers out	-	-	-	-
Transfers in	-	-	-	-
Total transfers	-	-	-	-
Net change in fund balance	-	-	(21,425)	(21,425)
Fund balance, beginning, July 1, 2016	211,865	211,865	10,180	(201,685)
Fund balance, ending, June 30, 2017	\$ 211,865	211,865	(11,245)	(223,110)
Budgetary Reconciliations				
Net change in funds balance, GAAP basis			\$ (5,164)	
Revenue accruals (net)			(21,697)	
Expenditure accruals (net)			5,436	
Other financing source (net)			-	
Net change in fund balance, NON-GAAP budgetary basis			\$ (21,425)	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
SOUTHWEST NEW MEXICO COUNCIL OF GOVERNMENTS
JOB FAIR
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For The Year Ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ -	-	-	-
Miscellaneous revenue	-	-	-	-
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>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	-	-	-	-
Transfers in	-	-	-	-
Total transfers	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, beginning, July 1, 2016		-	281	281
Fund balance, ending, June 30, 2017	<u>\$ -</u>	<u>-</u>	<u>281</u>	<u>281</u>
Budgetary Reconciliations				
Net change in funds balance, GAAP basis			\$ -	
Revenue accruals (net)			-	
Expenditure accruals (net)			-	
Other financing source (net)			-	
Net change in fund balance, NON-GAAP budgetary basis			<u>\$ -</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
SOUTHWEST NEW MEXICO COUNCIL OF GOVERNMENTS
IMAGINATION LIBRARY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For The Year Ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Charges for services	\$ -	-	-	-
Intergovernmental	90,000	90,000	68,125	(21,875)
Miscellaneous	-	-	-	-
Total revenues	<u>90,000</u>	<u>90,000</u>	<u>68,125</u>	<u>(21,875)</u>
EXPENDITURES				
Current:				
General government	90,000	90,000	75,427	14,573
Capital outlay	-	-	-	-
Total expenditures	<u>90,000</u>	<u>90,000</u>	<u>75,427</u>	<u>14,573</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>(7,302)</u>	<u>(7,302)</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	-	-	-	-
Transfers in	-	-	-	-
Total transfers	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>-</u>	<u>-</u>	<u>(7,302)</u>	<u>(7,302)</u>
Fund balance, beginning, July 1, 2016	-	-	-	-
Fund balance, ending, June 30, 2017	<u>\$ -</u>	<u>-</u>	<u>(7,302)</u>	<u>(7,302)</u>
Budgetary Reconciliations				
Net change in funds balance, GAAP basis			\$ (1,174)	
Revenue accruals (net)			3,098	
Expenditure accruals (net)			(9,226)	
Other financing source (net)			-	
Net change in fund balance, NON-GAAP budgetary basis			<u>\$ (7,302)</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
SOUTHWEST NEW MEXICO COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

A. NATURE OF BUSINESS AND REPORTING ENTITY

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

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

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

These financial statements present the Council of Governments (the primary Government). As defined by Generally Accepted Accounting Principles, component units are legally separate entities that are included in the Council of 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. 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.

STATE OF NEW MEXICO
SOUTHWEST NEW MEXICO COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

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

Governmental Funds:

General Fund

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

Special Revenue Funds

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

Major-Fund Description

General Fund – See the description above

Special Revenue Funds:

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

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

STATE OF NEW MEXICO
SOUTHWEST NEW MEXICO COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

2. 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.

STATE OF NEW MEXICO
SOUTHWEST NEW MEXICO COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

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.

3. Budgetary Data

Budgets for the General and Special Revenue Funds are prepared by management and are approved by the members of the Board, and New Mexico Department of Finance and Administration. These budgets are prepared on the cash basis, excluding encumbrances, and secure appropriation of funds for only one year. Carryover funds must be re-appropriated in the budget of the subsequent fiscal year.

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

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

4. 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.

5. 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

STATE OF NEW MEXICO
SOUTHWEST NEW MEXICO COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

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.

6. 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.

7. Capital Assets

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

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.

8. 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.

9. 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 G.

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

STATE OF NEW MEXICO
SOUTHWEST NEW MEXICO COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

10. 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.

11. 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

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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.

12. Use of Estimates

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

C. 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, 2017, \$-0- of the governments bank balance of \$125,337 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$	-	
Uninsured and collateral held by pledging banks trust department not in Council's name		-	
Total	\$	<u>-</u>	
			<u>Bank</u> <u>Balance</u>
			<u>Carrying</u> <u>Amount</u>
Deposit by custodial risk category:			
Insured	\$	<u>125,337</u>	\$ <u>104,447</u>

D. CAPITAL ASSETS

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

	<u>Balance</u> <u>2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>2017</u>
Capital assets depreciated:				
Leasehold improvements	\$ 20,624	-	-	20,624
Equipment	<u>88,999</u>	-	<u>(6,443)</u>	<u>82,556</u>
Total capital assets depreciated	109,623	-	(6,443)	103,180
Less accumulated depreciation for:				
Furniture and fixtures	(20,624)	-	-	(20,624)
Equipment	<u>(76,187)</u>	<u>(5,285)</u>	<u>6,404</u>	<u>(75,068)</u>
Total accumulated depreciation	<u>(96,811)</u>	<u>(5,285)</u>	<u>6,404</u>	<u>(95,692)</u>
Total capital assets, net	\$ <u>12,812</u>	<u>(5,285)</u>	<u>(39)</u>	<u>7,488</u>

Depreciation expense was charged to the governmental activities as follows:

General government	\$	<u>5,285</u>	
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E. COMPENSATED ABSENCES

Compensated absence activity was as follows for the year ended June 30, 2017:

		<u>2016</u>	<u>Increases</u>	<u>Decreases</u>	<u>2017</u>	<u>Current Portion</u>
Compensated absences	\$	<u>4,711</u>	<u>24,100</u>	<u>(15,668)</u>	<u>13,143</u>	<u>-</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.

F. 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

G. PERA PENSION PLAN

Plan Description

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

Funding Policy

The Council contributes to the Municipal Plan #2. Under Municipal Plan #2, state statute requires that plan members contribute 10.65% of their gross salary. The Council is required to contribute 9.55% of the gross covered salary. In 1990, under the municipal employer "option", the Council's Board of Directors passed a resolution making the Council responsible for making contributions of 75% of its employees' member contributions. As a result, the current plan members' share is 2.67% and the Council's share is 17.53%. The contribution requirements of plan members and the Council are established in State statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The Council's contributions to PERA for the fiscal years ending June 30, 2017, 2016 and 2015 were \$32,466, \$34,725, and \$33,976, respectively, which equal the amount of the required contributions for each fiscal year.

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H. PENSION PLAN AND POST EMPLOYMENT BENEFITS

Summary of Significant Accounting Policies

Pensions – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and additions to/deductions from PERA’s fiduciary net position have been determined on the same basis as they are reported by PERA’s. 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 – Public Employees Retirement Fund is a cost-sharing, multiple employer defined benefit pension plan. This fund has six divisions of members, including State General, State Police/Adult Correction Officers, Municipal General, Municipal Police/Detention Officers, Municipal Fire, and State Legislative Divisions, and offers 24 different types of coverage within the PERA plan. All assets accumulated may be used to pay benefits, including refunds of member contributions, to any of the plan members or beneficiaries, as defined by the terms of this plan. Certain coverage plans are only applicable to a specific division. Eligibility for membership in the Public Employees Retirement Fund is set forth in the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). Except as provided for in the Volunteer Firefighters Retirement Act (10-11A-1 to 10-11A-7, NMSA 1978), the Judicial Retirement Act (10-12B-1 to 10-12B-19, NMSA 1978), the Magistrate Retirement Act (10-12C-1 to 10-12C-18, NMSA 1978), and the Educational Retirement Act (Chapter 22, Article 11, NMSA 1978), each employee and elected official of every affiliated public employer is required to be a member in the Public Employees Retirement Fund, unless specifically excluded.

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

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

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Contributions – See PERA’s publicly available financial report and comprehensive annual financial report obtained at <http://saonm.org/> using the Audit Report Search function for agency 366, for the employer and employee contribution rates in effect for fiscal year, 2017.

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

Municipal General Division, at June 30, 2017, the Council reported a liability of \$367,463 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2016 using generally accepted actuarial principles. Therefore, the employer’s portion was established as of the measurement date of June 30, 2016. There were no significant events or changes in benefit provision that required an adjustment to the roll-forward liabilities as of June 30, 2016. The Council’s proportion of the net pension liability was based on a projection of the Council’s long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2016, the Council’s proportion was 0.0230%, which was an increase of 0.0004% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the Council recognized PERA Fund Division; Municipal General Division pension expense of \$41,387.

At June 30, 2017, the Council reported PERA Fund Division; Municipal General Division deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

Municipal General Division	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 18,361	3,586
Changes of assumptions	21,547	61
Net difference between projected and actual earnings on pension plan investments	67,612	-
Change in proportion and differences between Council contributions and proportionate share of contributions	13,166	3,160
Council contributions subsequent to the measurement date	17,679	-
Total	<u>\$ 138,365</u>	<u>6,807</u>

\$17,679 reported as deferred outflows of resources related to pensions resulting from the Council’s contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. 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:	Amount
2018	\$ (27,530)
2019	(27,530)
2020	(41,801)
2021	(17,018)
2022	-
Thereafter	-

Actuarial assumptions – The total pension liability in the June 30, 2016 actuarial valuation was determined using the following significant actuarial assumptions, applied to all periods included in the measurement:

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Actuarial valuation date	June 30, 2015
Actuarial cost method	Entry Age Normal
Amortization method	Level Percent of Pay, Open
Amortization period	Solved for based on statutory rates
Amortization period	Fair Value
Actuarial assumptions	
Investment rate of return	7.48% annual rate, net of investment expense
Projected benefit payment	100 years
Payroll growth	2.75% for first 10 years, then 3.25 annual rate
Projected salary increases	2.75% to 14.00% annual rate
Includes inflation at	Includes inflation at 2.25% for the first 10 years and 2.75% thereafter
Mortality assumption	RP-2000 Mortality Tables (Combined table for healthy post-retirement, Employee table for active members, and Disabled table for disabled retirees before retirement age) with projection to 2018 using Scale AA.
Experience study dates	July 1, 2008 to June 30, 2013 (demographic) and July 1, 2010 through June 30, 2015 (economic)

The total pension liability, net pension liability, and certain sensitivity information are based on an actuarial valuation performed as of June 30, 2015. The total pension liability was rolled-forward from the valuation date to the plan year ended June 30, 2016. These assumptions were adopted by the Board use in the June 30, 2015 actuarial valuation.

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

<u>All Funds - Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	43.5%	7.39%
Risk Reduction & Mitigation	21.5%	1.79%
Credit Oriented Fixed Income	15.0%	5.77%
Real Assets	20.0%	7.35%
Total	<u>100%</u>	

Discount rate – A single discount rate of 7.48% was used to measure the total pension liability as of June 30, 2016. This rate was an increase from the fiscal year 2016 rate of 7.45%. This single discount rate was based on a long-term expected rate of return on pension plan investments of 7.48%, compounded annually, net of expense. Based on the stated assumptions and the projection of cash flows, the plan's fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all period of projected benefit payments to determine the total pension liability.

The projections of cash flows used to determine this single discount rate assumed that plan member and employer contributions will be made at the current statutory levels.

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Sensitivity of the Council’s proportionate share of the net pension liability to changes in the discount rate – The following presents the Council’s proportionate share of the net pension liability calculated using the discount rate of 7.48 percent, as well as what the employer name’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.48 percent) or 1-percentage-point higher (8.48 percent) than the current rate:

PERA Fund Division - Municipal General Division	1% Decrease (6.48)%	Current Discount Rate (7.48)%	1% Increase (8.48)%
Council’s proportionate share of the net pension liability	\$ 547,854	367,463	217,837

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

I. 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.

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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 contribution 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, 2017, 2016 and 2015 were \$3,702, \$3,962, and \$3,876 respectively, which equal the required contributions for each year.

J. 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.

K. OPERATING LEASE

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

For the Year Ended June 30	Copier
2018	\$ 1,895
2019	1,895
2020	1,895
2021	632
2022	-
Thereafter	-
Total	<u>\$ 6,316</u>

Lease expenditures for the year ended June 30, 2017 were \$2,511.

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For the Year Ended June 30, 2017**

L. INTERFUND TRANSACTIONS

Interfund payables and receivables were as follows:

<u>Due From</u>	<u>Due To General Fund</u>
State Appropriation	\$ 15,182
EDA	48,941
MFA	6,224
NM DOT	13,496
EDA - CEDS	567
EDA - Sustainable Development	22,966
Imagination Library	7,302
Total	<u>\$ 114,678</u>

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

Interfund transfers were as follows:

<u>Transfers To</u>	<u>Transfers From State Appropriation</u>
Economic Development	\$ 15,000
NM DOT	21,250
Total	<u>\$ 36,250</u>

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

M. DEFICIT FUND BALANCES

The Council of Governments had the following fund balance deficits at June 30, 2017:

<u>Fund</u>	<u>Amount</u>
State Appropriation	\$ (15,781)
EDA	(33,676)
MFA	(25)
EDA - CEDS	(567)
Imagination Library	(1,174)
Total	<u>\$ (51,223)</u>

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

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N. 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:

<u>Restriction</u>	<u>Amount</u>
N.M. Department of Transportation	\$ 13,343
Economic Developments Sustainable Energy	23,206
Job Fair	281
Total	<u>\$ 36,830</u>

O. RESTATEMENT

Beginning net position and fund balances were restated as follows:

<u>Purpose/Reason</u>	<u>Amount</u>
<i>General Fund and Government-wide</i>	
To remove FY16 revenues recorded in FY 17	\$ 11,355
 <i>Government-wide</i>	
To adjust deferred outflows per GASB 82	(15,808)
	<u>\$ (4,453)</u>

P. EVALUATION OF SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the balance sheet date but before the financial statements are issued. The Council recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the balance sheet, including the estimates inherent in the process of preparing the financial statements. The Council's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the balance sheet but arose after the balance sheet date and before financial statements are available to be issued. The Council has evaluated subsequent events through December 1, 2017, which is the date the financial statements were available to be issued.

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SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE COUNCIL'S PROPORTIONATE SHARE OF THE NET PENSION
LIABILITY OF PERA FUND DIVISION;
MUNICIPAL GENERAL DIVISION
PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA) PLAN
LAST 10 FISCAL YEARS***

	<u>2017</u>	<u>2016</u>	<u>2015</u>
	<u>Measurement Date as of</u>		
	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>
The Council's proportion of the net pension liability (asset) (%)	0.0230%	0.0234%	0.0211%
The Council's proportionate share of the net pension liability (asset) (\$)	\$ 367,463	238,583	164,603
The Council's covered payroll	\$ 198,084	193,817	171,266
The Council's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	186%	123%	96%
Plan fiduciary net position as a percentage of the total pension liability	69.18%	76.99%	81.29%

**Governmental Accounting Standards Board Statement 68* requires ten years of historical information be presented; however, until a full 10-year trend is compiled, the statement only requires presentation of information for those years that information is available. Complete information for the Council is not available prior to fiscal year 2015, the year the statement's requirements became effective.

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SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE COUNCIL'S CONTRIBUTIONS
PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA) PLAN PERA FUND
DIVISION; MUNICIPAL GENERAL PERA PLAN
LAST 10 FISCAL YEARS***

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 17,679	18,917	18,510
Contributions in relation to the contractually required contribution	<u>(17,679)</u>	<u>(18,917)</u>	<u>(18,510)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>
The Council's covered payroll	\$ 185,124	198,084	193,817
Contributions as a percentage of covered payroll	9.55%	9.55%	9.55%

**Governmental Accounting Standards Board Statement 68* requires ten years of historical information be presented; however, until a full 10-year trend is compiled, the statement only requires presentation of information for those years that information is available. Complete information for the Council is not available prior to fiscal year 2015, the year the statement's requirements became effective

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For The Year Ended June 30, 2017**

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

Changes of Assumptions: The Public Employ Retirement Association of New Mexico Annual Actuarial Valuations as of June 2016 report is available at <http://www.nmpera.org/>

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SCHEDULE OF DEPOSITORY COLLATERAL
For the Year Ended June 30, 2017

		Washington Federal
Checking	\$	80,690
Savings		44,647
Total on deposits		<u>125,337</u>
Less: FDIC insurance		<u>(125,337)</u>
Total uninsured public funds	\$	<u><u>-</u></u>
50% collateralization requirement (Section 6-10-17 NMSA)	\$	<u>-</u>
Pledged securities over (under) requirement	\$	<u><u>-</u></u>

See independent auditor's report

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SCHEDULE OF INDIVIDUAL DEPOSIT ACCOUNTS AND INVESTMENTS
For the Year Ended June 30, 2017

<u>Institution</u>	<u>Type of Account</u>	<u>Bank Balance</u>	<u>Reconciled Balance</u>
<i>Washington Federal</i>			
Operational	Checking	\$ 80,690	59,800
Operational	Savings	44,647	44,647
Total Washington Federal		<u>\$ 125,337</u>	<u>104,447</u>
Cash on hand			-
Total cash and investments			<u>\$ 104,447</u>

See independent auditor's report



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

Mr. Wayne A. Johnson, New Mexico State Auditor
Office of the State Auditor
and
Board of Directors
State of New Mexico 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 the *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 of the general fund and major special revenue funds of the Southwest New Mexico Council of Governments, (the Council) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Council’s basic financial statements and have issued our report thereon dated December 1, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Council’s 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 agency’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Council’s internal control.

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

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be material weaknesses: 2017-001 and 2017-002.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS, continued

December 1, 2017

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Council's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item: 2017-002.

Southwest New Mexico Council of Governments' Response to Findings

The Council's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Council's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

This purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results 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 Council's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Hinkle + Landers, PC
Albuquerque, NM
December 1, 2017

**STATE OF NEW MEXICO
SOUTHWEST NEW MEXICO COUNCIL OF GOVERNMENTS
SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended June 30, 2017**

Reference #	Findings	Status of Findings	Type of Finding*
PRIOR YEAR			
NONE		n/a	n/a
CURRENT YEAR			
2017-001	FINANCIAL CLOSE AND MATERIAL ADJUSTMENTS	Current	A
2017-002	DEFICIENCIES IN INTERNAL CONTROL STRUCTURE, DESIGN, OPERATION, AND OVERSIGHT	Current	A, D

* Legend for Type of Findings

- A.** Material Weakness in Internal Control Over Financial Reporting
- B.** Significant Deficiency in Internal Control Over Financial Reporting
- C.** Other Matters Involving Internal Control Over Financial Reporting
- D.** Non-compliance with State Audit Rule, NM State Statutes, NMAC, or other entity compliance

PRIOR YEAR FINDINGS

None

CURRENT YEAR FINDINGS

2017-001—FINANCIAL CLOSE AND MATERIAL ADJUSTMENTS

Type of Finding: A

Statement of Condition

The Council has not implemented an effective financial close and reporting process controls for the year ended June 30, 2017. The financial close should include but not be limited to:

- Identifying all sources of financial and non-financial data (routine and non-routine events and transactions) that will be needed to maintain and systematically adjust the Council's general ledger.
- Establishing and implementing procedures and records to initiate, authorize, record process, correct, transfer to the general ledger, and report the Council's transactions.
- Monitoring assigned personnel are completing their task timely and accurately.

Significant areas, and approximate dollar amounts, that required audit adjustments are as follows:

- Net adjustments to cash - \$37,618
- Net adjustments to prepaid expenses - (\$19,698)
- Net adjustments to due from other state agencies - \$82,169
- Net adjustments to due to/from other funds - \$68,178
- Net adjustments to other receivables - \$1,549
- Net adjustments to property, equipment, and accumulated depreciation (\$32,542)
- Net adjustment to accounts payable (\$12,407)
- Net adjustment to payroll liabilities \$75,015
- Net adjustment to beginning fund balances \$28,526

**STATE OF NEW MEXICO
SOUTHWEST NEW MEXICO COUNCIL OF GOVERNMENTS
SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended June 30, 2017**

Criteria

There are several key underlying accounting standards related to an organization designing and implementing an effective financial close and reporting process. Auditors, are required to identify and communicate internal weaknesses according to “Statement On Auditing Standards AUC 325 Communication of Internal Control Related Matters Identified in an Audit”. The following are a few concepts associated with this standard:

- The auditor cannot be part of a client’s internal control because becoming part of a client’s internal control impairs auditor independence;
- The auditor’s work is independent of the client’s internal control over financial reporting, and the auditor cannot be a compensating control for the client; and
- A system of internal control over the financial reporting does not stop at the general ledger – it includes controls over the presentation of the financial statements.

The Financial Close is considered a significant process of internal control and should be performed by the Council’s staff. Non-attest procedures may be provided according to the independence requirements of Government Auditing Standards by the auditor if these procedures are requested and supervised by a person in management who has the proper knowledge to do so.

Effect

The Council was not ready for its audit in a timely manner and it resulted in a significant number of material adjustments and audit findings.

Cause

There are several contributing factors to the organization’s ineffective financial close process:

- This was the first audit for the Council’s new employee.
- This was the first audit under the Council’s new auditors.
- A computer conversion occurred during the year.
- The Council never received the adjustments from the previous auditor and the new employee was unaware of those adjustments.

Recommendation

We recommend the Council institute procedures to ensure there is proper year-end/financial close to its accounts. This may include engaging in non-attest services with the auditor or someone else who will prepare cash to accrual adjustments. Management must still remain aware and responsible of all proposed adjustments made by the auditor according to the independence requirements of Government Auditing Standards. Also, we recommend the specific process of a bank reconciliation procedure tying bank reconciliation balances directly into the general ledger. Differences should be investigated and corrected in a timely manner.

Management Response

The SWNM Council of Governments had a computer conversion at the commencement of the fiscal year and as a result the June and July expenditures did not transfer. The computer conversion required us to re-enter the checks and deposits. The adjusting entries were never provided to us by our previous auditor. The staff will utilize the reconciliation form provided by the auditor to reconcile our balances. We will seek guidance on how to meet the expectations of the auditor.

**STATE OF NEW MEXICO
SOUTHWEST NEW MEXICO COUNCIL OF GOVERNMENTS
SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended June 30, 2017**

Corrective Action Plan Timeline

The staff will implement this immediately with assistance from QuickBooks professional by January 5, 2018.

Designation Of Employee Position Responsible For Meeting Deadline

Administrative Assistant/Bookkeeper and the Executive Director.

2017-002—DEFICIENCIES IN INTERNAL CONTROL STRUCTURE, DESIGN, OPERATION, AND OVERSIGHT

Type of Finding: A, D

Statement of Condition

The Council does not maintain proper oversight or monitoring in regard to the Council's accounting activities.

During our audit, we noted the following internal control deficiencies:

- Insufficient accounting policies.
- Insufficient controls to verify that items were correctly posted to the general ledger.
- The administration portion of a grant was moved to general fund rather than being kept in designated fund.
- Payroll tax, PERA, RHC, and health insurance expenses were all combined into one expense account making it difficult to reconcile true expense balances.
- PERA and RHC contributions are not being reconciled.
- Payroll liabilities do not appear to be generating automatically from the accounting software.

Criteria

The Codification of Statements on Auditing Standards (SAS AU) paragraph 110.03 states that the financial statements are management's responsibility. Management is responsible for adopting sound accounting policies, and for establishing and maintaining internal control that will, among other things, initiate, authorize, record, process, and report transactions (as well as events and conditions) consistent with management's assertions embodied in the financial statements. Additionally, 6-5-2 C NMSA 1978 states, "Entities shall implement internal accounting controls designed to prevent accounting errors and violations of state and federal law and rules related to financial matters."

Effect

Because the internal control structure is inadequate and not documented, management and staff are unsure about what procedures and processes to follow or what key controls are in place to properly safeguard assets. Adequate controls are not in place to prevent or detect intentional misstatements of accounting information.

Cause

The Council's current policies are out-of-date and QuickBooks was not structured correctly.

Recommendation

The Council should ensure that a comprehensive internal control structure is designed, documented, and implemented. The body charged with governance should provide effective oversight of the internal control and financial reporting process.

**STATE OF NEW MEXICO
SOUTHWEST NEW MEXICO COUNCIL OF GOVERNMENTS
SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended June 30, 2017**

Management Response

Staff will develop an accounting procedures policy that will be approved at the next board meeting in February of 2018 that will address these internal controls. In addition, we will seek assistance in restructuring QuickBooks to meet the audit requirements and develop a spreadsheet for reconciling the PERA and RHC contributions.

Corrective Action Plan Timeline:

March 1, 2018.

Designation Of Employee Position Responsible For Meeting Deadline:

Administrative Assistant/Bookkeeper and the Executive Director.

**STATE OF NEW MEXICO
SOUTHWEST NEW MEXICO COUNCIL OF GOVERNMENTS
EXIT CONFERENCE
For the Year Ended June 30, 2017**

An exit conference was held in a closed session on December 1, 2017, at the Council's Office. In attendance were the following:

Representing the Southwest New Mexico Council of Governments:

Priscilla Lucero
Alex Brown

Executive Director
Co-Chair

Representing Hinkle + Landers, P.C.:

Farley Vener, CPA, CFE
Maclen Enriquez, CPA

Independent Auditor
Independent Auditor

FINANCIAL STATEMENTS

The financial statements of the Council as of June 30, 2017, were substantially prepared by Hinkle + Landers, PC, however, the financial statements are the responsibility of management.