



Report of Independent Auditors
and Financial Statements with
Supplementary Information

South Central New Mexico Council of Governments

June 30, 2024



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South Central New Mexico Council of Governments
Official Roster
June 30, 2024

Dr. Robert Coleman	Board Chair
Jim Paxon	Treasurer
Russell Hernandez	Board Member
MaryAnn Chavez-Lopez	Board Member
Sammy Vega	Board Member
Richard Rumpf	Board Member
Barbara Atwood	Board Member
Cathy Harmon	Board Member
Rolf Hechler	Board Member
Debbie Stubblefield	Board Member
Dennis Torres	Board Member
Brook Bassan	Board Member
Jennifer Horton	Board Member
Susana Chaparro	Board Member
Commissioner Diana Trujillo	Board Member
Kathi Jackson	Board Member
Mayor Diana Trujillo	Board Member
Maria Burciaga	Board Member
Raymundo Lara	Board Member

Report of Independent Auditors

The Board of Directors
South Central New Mexico Council of Governments

Joseph M. Maestas, PE, CFE
New Mexico State Auditor

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, each major fund, and the budgetary comparison for the general fund and major special revenue funds of South Central New Mexico Council of Governments as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the South Central New Mexico Council of Governments' basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of South Central New Mexico Council of Governments as of June 30, 2024, and the respective changes in financial position and the respective budgetary comparison for the general fund and major revenue funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of South Central New Mexico Council of Governments and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the South Central New Mexico Council of Governments' ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 South Central New Mexico Council of Governments' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about South Central New Mexico Council of Governments' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the schedule of proportionate share of net pension liability, schedule of contributions, and notes to required supplementary information (collectively, the required supplementary information) be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 Government 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the South Central New Mexico Council of Governments' basic financial statements. The schedule of pledged collateral and schedule of individual deposit accounts and investments (collectively, the supplementary information) are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 supplementary information is 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 9, 2024 on our consideration of South Central New Mexico Council of Governments' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of South Central New Mexico Council of Governments' 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 South Central New Mexico Council of Governments' internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Moss Adams LLP".

Albuquerque, New Mexico

December 9, 2024

Financial Statements

South Central New Mexico Council of Governments
Statement of Net Position
June 30, 2024

	<u>Governmental Activities</u>
ASSETS	
Current assets	
Cash and cash equivalents	\$ 120,835
Prepaid expenses	5,404
Due from other governments	428,040
Total current assets	<u>554,279</u>
Noncurrent assets	
Capital assets, net of accumulated depreciation and amortization	<u>88,390</u>
Total assets	<u>642,669</u>
DEFERRED OUTFLOWS OF RESOURCES	
Related to pensions	<u>208,929</u>
LIABILITIES	
Current liabilities	
Accounts payable	93,803
Accrued expenses	33,504
Total current liabilities	<u>127,307</u>
Noncurrent liabilities	
Net pension liability	917,504
Accrued compensated absences	37,655
Total noncurrent liabilities	<u>955,159</u>
Total liabilities	<u>1,082,466</u>
DEFERRED INFLOWS OF RESOURCES	
Related to pensions	<u>21,220</u>
NET POSITION (DEFICIT)	
Net investment in capital assets	88,390
Unrestricted	<u>(340,478)</u>
Net deficit	<u><u>\$ (252,088)</u></u>

See accompanying notes.

South Central New Mexico Council of Governments
Statement of Activities
Year Ended June 30, 2024

		Program Revenues			Net (Expenses) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
GOVERNMENTAL ACTIVITIES					
General activities	\$ 1,046,691	\$ 687,124	\$ 331,765	\$ -	\$ (27,802)
Total governmental activities	\$ 1,046,691	\$ 687,124	\$ 331,765	\$ -	(27,802)
GENERAL REVENUES					
Miscellaneous					36,909
CHANGE IN NET DEFICIT					9,107
NET DEFICIT					
Beginning of year					(261,195)
End of year					\$ (252,088)

See accompanying notes.

South Central New Mexico Council of Governments
Balance Sheets – Governmental Funds
June 30, 2024

	General Fund	WIA Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 120,835	\$ -	\$ 120,835
Prepaid expenditures	5,404	-	5,404
Due from other governments	261,244	166,796	428,040
Interfund receivable	63,408	-	63,408
Total assets	\$ 450,891	\$ 166,796	\$ 617,687
LIABILITIES			
Accounts payable	\$ 6,569	\$ 87,234	\$ 93,803
Accrued expenses-payroll	18,128	15,376	33,504
Interfund payable	-	63,408	63,408
Total liabilities	24,697	166,018	190,715
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	150,812	107,825	258,637
FUND BALANCE			
Nonspendable	5,404	-	5,404
Unassigned	269,978	(107,047)	162,931
Total fund balances	275,382	(107,047)	168,335
Total liabilities, deferred inflows, and fund balances	\$ 450,891	\$ 166,796	\$ 617,687

See accompanying notes.

South Central New Mexico Council of Governments
Reconciliation of the Balance Sheets – Governmental Funds
to the Statement of Net Position
June 30, 2024

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS	\$	168,335
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported		88,390
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the fund statements Intergovernmental grants subject to the 60 day availability period		258,637
Deferred outflows and inflows or resources related to pensions are applicable to future periods and, therefore, are not reported in the fund statements		
Deferred inflows of resources related to pensions		(21,220)
Deferred outflows of resources related to pensions		208,929
Long-term liabilities are not due and payable in the current period and therefore not included in the fund statements		
Net pension liability		(917,504)
Compensated absences payable		(37,655)
NET DEFICIT - GOVERNMENT WIDE STATEMENTS	\$	<u><u>(252,088)</u></u>

See accompanying notes.

South Central New Mexico Council of Governments
Statement of Revenues, Expenditures, and Changes in Fund Balances –
Governmental Funds
Year Ended June 30, 2024

	General Fund	WIA Funds	Total Governmental Funds
REVENUES			
Charges for services	\$ 28,887	\$ 658,237	\$ 687,124
State sources	210,265	-	210,265
Local sources	22,500	-	22,500
Federal sources	99,000	-	99,000
Miscellaneous	36,909	-	36,909
Total revenues	397,561	658,237	1,055,798
EXPENDITURES			
Current			
General government	465,251	609,689	1,074,940
Capital outlay	90,186	-	90,186
Total expenditures	555,437	609,689	1,165,126
NET CHANGES IN FUND BALANCE	(157,876)	48,548	(109,328)
FUND BALANCE			
Beginning of year	433,258	(155,595)	277,663
End of year	\$ 275,382	\$ (107,047)	\$ 168,335

See accompanying notes.

South Central 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
Year Ended June 30, 2024

NET CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS	\$ (109,328)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the fund statements.	
Intergovernmental grants subject to the 60 day availability period	102,514
Governmental funds report pension contributions as expenditures. However in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense:	
Change in pension obligations	(65,162)
Compensated absence expenses reported in the statement of activities are not reported as expenditures in governmental funds.	(7,307)
Depreciation expensed in the statement of activities	(1,796)
Capital assets additions used in governmental activities are not financial resources and, therefore, are not reported	90,186
CHANGE IN NET POSITION - GOVERNMENT WIDE STATEMENTS	\$ 9,107

See accompanying notes.

South Central New Mexico Council of Governments
General Fund Statement of Revenues, Expenditures, and Changes in Fund
Balances – Budget and Actual
Year Ended June 30, 2024

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Charges for services	\$ 44,094	\$ 44,094	\$ 28,887	\$ (15,207)
Intergovernmental	639,500	639,500	331,765	(307,735)
Miscellaneous	-	-	36,909	36,909
Total revenues	683,594	683,594	397,561	(286,033)
EXPENDITURES				
Current				
General government	641,710	641,710	555,437	86,273
NET CHANGE IN FUND BALANCE	41,884	41,884	(157,876)	(199,760)
FUND BALANCE				
Beginning of year	433,258	433,258	433,258	-
End of year	\$ 475,142	\$ 475,142	\$ 275,382	\$ (199,760)

See accompanying notes.

South Central New Mexico Council of Governments
WIA Fund Statement of Revenues, Expenditures, and Changes in Fund Balances
– Budget and Actual
Year Ended June 30, 2024

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Charges for services	\$ 770,000	\$ 770,000	\$ 658,237	\$ (111,763)
EXPENDITURES				
Current				
General government	770,000	770,000	609,689	160,311
NET CHANGE IN FUND BALANCE	-	-	48,548	48,548
FUND BALANCE				
Beginning of year	(155,595)	(155,595)	(155,595)	-
End of year	\$ (155,595)	\$ (155,595)	\$ (107,047)	\$ 48,548

See accompanying notes.

South Central New Mexico Council of Governments

Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies

The South Central New Mexico Council of Governments (SCCOG) 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. SCCOG's operations are solely within the discretion and control of the governing board.

SCCOG 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 member: 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 financial statements are prepared in accordance with generally accepted accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments. The accounting and reporting framework and the more significant accounting policies established in GAAP and used by SCCOG are discussed below:

Reporting entity – These financial statements present SCCOG (the primary government). As defined by GAAP, component units are legally separate entities that are included in the reporting entity because of the significance of their operating or financial relationships with SCCOG. Based on the criterion in Generally Accepted Accounting Principles, SCCOG has no component units.

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. SCCOG has no business-type activities or 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 SCCOG or meets the following criteria:

1. 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.
2. Other funds management feels are significant.

South Central New Mexico Council of Governments

Notes to Financial Statements

The funds of the financial reporting entity are described below:

Governmental funds

General fund – The General Fund is the primary operating fund of SCCOG 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.

Workforce Investment Act (WIA) Fund

The SCCOG serves as the fiscal agent and also as the administrative entity for the Southwestern Area Workforce Development Board (SAWDB). SAWDB coordinates workforce and youth activities in the local area and administers Workforce Investment funds. The fiscal agent and administrative entity financial activity is maintained in the WIA Fund, which is a special revenue fund and classified as a major fund.

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 below.

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

1. 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.
2. 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.

South Central New Mexico Council of Governments

Notes to Financial Statements

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.

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

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

The government-wide statement of activities reports both the gross and net cost of each of SCCOG’s functions. The functions are also supported by general government revenues. The statement of activities reduces gross expenses 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 grants while the capital grants column reflects capital-specific grants. The net costs (by function) are normally covered by general revenue.

SCCOG does not allocate indirect costs.

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

Budgets – The budget for the general and special revenue fund are prepared by management and are approved by the members of the Board, and the New Mexico Department of Finance and Administration. These budgets are prepared on the modified accrual basis, excluding encumbrances, and secure appropriation of funds for only one year. Carryover funds must be re-appropriated in the budget of the subsequent fiscal year.

South Central New Mexico Council of Governments

Notes to Financial Statements

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.

Cash and cash equivalents – Cash and cash equivalents include 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 SCCOG. The pledged securities remain in the name of the financial institution.

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 interfund loans are reported as “interfund receivables and payables”. Inter-fund receivables and payables between funds within governmental activities and between funds within business-type activities are eliminated in the statement of net position. All inter-fund receivables and payables are eliminated in the total primary government column in the statement of net position.

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.

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 acquisition 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

South Central New Mexico Council of Governments

Notes to Financial Statements

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

Compensated absences – SCCOG’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.

Deferred outflows/inflows of resources – In addition to assets, the statement of net 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 assets that applies to a future period, and so will be recognized as an outflow of resources (expenses/expenditures) then. SCCOG has deferred outflows of resources related to pensions as discussed in Note 6.

In addition to liabilities, the statement of net position and 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 assets that applies to a future period and so will not be recognized as an inflow of resources (revenues) until that time. SCCOG has one type of item, which arises under the modified accrual basis of accounting, that qualify for reporting in this category. Accordingly, the item unavailable revenue, is reported in the governmental funds balance sheet, when applicable. The amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The Government reports unavailable revenue from the following sources:

	Governmental Funds		
	General Fund	WIA Funds	Total
Revenue not received within 60 days after year end	<u>\$ 150,812</u>	<u>\$ 107,825</u>	<u>\$ 258,637</u>

SCCOG has deferred inflows of resources related to pensions as discussed in Note 6.

Net position

Net position (deficit) in the government-wide statements is classified in three components:

1. 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.
2. 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.
3. Unrestricted net position (deficit) – all other net position that do not meet the definition of “restricted” or “net investment in capital assets.”

South Central New Mexico Council of Governments

Notes to Financial Statements

Fund balances

In the governmental fund statements, fund balances represent those portions of fund equity not available for appropriation or expenditure or legally segregated for specific future use. SCCOG classifies governmental fund balances as follows:

- *Non-spendable* – amounts that are not in a spendable form (such as prepaid expenditures) or are required to remain intact.
- *Restricted* – 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* – 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* – 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* – 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 capital assets, construction, debt service or for other purposes). Expenditures incurred are normally paid from the highest constrained fund balance.

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

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

New accounting standard – During the year ended June 30, 2024, SCCOG adopted GASB Statement No. 100, *Accounting Changes and Error Corrections – an amendment of GASB Statement No. 62* (GASB No. 100). GASB No. 100 addresses accounting and financial reporting for changes in accounting principles and error corrections, changes within the financial reporting entity, and changes in accounting estimates. Implementation of this new statement had no impact on the financial statements for the year ended June 30, 2024.

South Central New Mexico Council of Governments
Notes to Financial Statements

Note 2 – Custodial Credit Risk

Custodial credit risk is the risk in the event of a bank failure the government's deposits may not be returned to it. The government does not have a deposit policy for credit risk beyond that disclosed in Note 1. As of June 30, 2024, \$0 of the bank balance of \$74,649 was exposed to custodial credit risk:

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

	Bank Balance	Carrying Amount
Deposits by custodial risk category		
Insured	\$ 74,649	\$ 120,835
Uninsured and uncollateralized	-	-
	<u> -</u>	<u> -</u>
	<u>\$ 74,649</u>	<u>\$ 120,835</u>

Note 3 – Capital Assets

The following is summary of capital asset activity during the year ended June 30 2024:

	Balance July 1, 2023	Additions	Deletions	Balance June 30, 2024
Capital assets being depreciated				
Equipment	\$ 58,266	\$ 90,186	\$ -	\$ 148,452
Less accumulated depreciation				
Equipment	<u>(58,266)</u>	<u>(1,796)</u>	<u>-</u>	<u>(60,062)</u>
Capital assets, net	<u>\$ -</u>	<u>\$ 88,390</u>	<u>\$ -</u>	<u>\$ 88,390</u>

Note 4 – Compensated Absences

Compensated absence activity was as follows for the year ended June 30, 2024:

	Balance July 1, 2023	Additions	Retirements	Balance June 30, 2024	Due in One Year
Compensated absences	<u>\$ 30,348</u>	<u>\$ 32,962</u>	<u>\$ (25,655)</u>	<u>\$ 37,655</u>	<u>\$ -</u>

South Central New Mexico Council of Governments

Notes to Financial Statements

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

Note 5 – Risk Management

SCCOG 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. SCCOG has purchased private insurance to mitigate these risks. No settlements have exceeded coverage in the last three years.

Limits of coverage are as follows:

Liability	\$ 2,000,000
Property	\$ 25,000
Auto	\$ 1,000,000

Note 6 – Pension Plan – Public Employees Retirement Association

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 New Mexico Public Employees Retirement Association (PERA) and additions to/deductions from PERA’s fiduciary net position have been determined on the same basis as they are reported by PERA, on the economic resources measurement focus and accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

General information about the pension plan

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

South Central New Mexico Council of Governments Notes to Financial Statements

PERA issues a publicly available financial report and an annual comprehensive financial report that can be obtained at the New Mexico State Auditor's website.

Benefits provided – For a description of the benefits provided and recent changes to the benefits see Note 1 in the PERA audited financial statements for the fiscal year ended June 30, 2023, available at the Public Employees Retirement Association website.

Contributions – The contribution requirements of defined benefit plan members and SCCOG are established in state statute under Chapter 10, Article 11, NMSA 1978. The contribution requirements may be amended by acts of the legislature. For the employer and employee contribution rates in effect for the various PERA coverage options, for both Tier I and Tier II, see the tables available in the note disclosures on page 27 of the PERA annual schedule of employer allocations and pension amounts at the New Mexico State Auditor's website. The PERA coverage options that apply to The Council of Governments are the Municipal General. Statutorily required contributions to the pension plan from the Council of Governments were \$51,479 for the year ended June 30, 2024.

Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions – The PERA pension liability amounts, net pension liability amounts, and sensitivity information were based on an annual actuarial valuation performed as of June 30, 2022. The PERA pension liability amounts for each division were rolled forward from the valuation date to PERA's measurement date as of June 30, 2023, using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date June 30, 2023.

The assets of the PERA Fund are held in one trust, but there are six distinct membership groups (municipal general members, municipal police members, municipal fire members, state general members, state police members and legislative members) for whom separate contribution rates are determined each year pursuant to Chapter 10, Article 11 NMSA 1978. Therefore, the calculations of the net pension liability, pension expense and deferred Inflows and Outflows were performed separately for each of the membership groups: municipal general members; municipal police members; municipal fire members; state general members; state police members and legislative members. SCCOG's proportion of the net pension liability for each member group that the employer participates in is based on the employer contributing entity's percentage of that membership group's total employer contributions for the fiscal year ended June 30, 2023. Only employer contributions for the pay period end dates that fell within the period of July 1, 2022 to June 30, 2023 were included in the total contributions for a specific employer. This methodology was used to maintain consistent measurement each year in determining the percentages to be allocated among all the participating employers.

As of June 30, 2024, SCCOG reported a liability of \$917,504 for its proportionate share of the net pension liability. At June 30, 2023, the Council of Government's proportion was .04333 percent, which was .00065 percent less than its proportion of .04398 percent measured as of June 30, 2022.

South Central New Mexico Council of Governments
Notes to Financial Statements

For the year ended June 30, 2024, SCCOG recognized pension expense of \$114,963. At June 30, 2024, SCCOG reported deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 68,862	\$ 11,197
Net difference between projected and actual earnings on pension plan investments	86,267	-
Changes in proportion and differences between the Authority contributions and proportionate share of contributions	2,321	10,023
SCCOG's contributions subsequent to the measurement date	51,479	-
	\$ 208,929	\$ 21,220

Deferred outflows of resources totaling \$51,479 relate to SCCOG contributions subsequent to the measurement date of June 30, 2023 will be recognized as a reduction of the net pension liability in the year ended June 30, 2025. 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.

2025	\$ 43,528
2026	6,082
2027	78,765
2028	7,855
	\$ 136,230

South Central New Mexico Council of Governments

Notes to Financial Statements

Actuarial assumptions – As described above, the PERA Fund member group pension liabilities and net pension liabilities are based on actuarial valuations performed as of June 30, 2022 for each of the membership groups. Then each PERA Fund member group pension liability was rolled forward from the valuation date to the measurement date as of June 30, 2023. These actuarial methods and assumptions were adopted by the Board for use in the actuarial valuation.

Actuarial valuation date	June 30, 2022
Actuarial cost method	Entry age normal
Amortization method	Level percentage of pay
Amortization period	Solved for based on statutory rates
Asset valuation method	Fair value
Actuarial assumptions	
Investment rate of return	7.25% annual rate
Payroll growth	3.00%
Projected salary increases	Up to 11.25%
Includes inflation at	2.50%

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

All funds – asset class	Target Allocation	Long-Term Expected Real Rate of Return
Global	38.00%	6.90%
Risk reduction and mitigation	17.00%	3.90%
Credit-oriented fixed income	19.00%	6.00%
Real assets	18.00%	7.00%
Multi-risk allocation	8.00%	0.61%
	100.00%	

Discount rate – The discount rate used to measure the total pension liability was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that future contributions will be made in accordance with statutory rates. On this basis, the pension plan’s fiduciary net position together with the expected future contributions are sufficient to provide all projected future benefit payments of current plan members as determined in accordance with GASBS 67.

South Central New Mexico Council of Governments
Notes to Financial Statements

Sensitivity of the SCCOG's proportionate share of the net pension liability to changes in the discount rate
 – The following tables show the sensitivity of the net pension liability to changes in the discount rate. In particular, the tables present SCCOG's net pension liability in the PERA Fund Division that SCCOG participates in, under the current single rate assumption, as if it were calculated using a discount rate one percentage point lower (6.25%) or one percentage point higher (8.25%) than the single discount rate.

	<u>1% Decrease (6.25%)</u>	<u>Current Discount Rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
SCCOG's share of net pension liability	<u>\$ 1,330,244</u>	<u>\$ 917,504</u>	<u>\$ 574,344</u>

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

SCCOG does not participate in the State of New Mexico Retiree Health Care Authority Plan.

Note 8 – Contingent Liabilities

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

Note 9 – Interfund Transactions

	<u>Interfund Receivable General Fund</u>
Interfund Payables	
WIA	<u>\$ 63,408</u>

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

There were no interfund transfers during the year ended June 30, 2024.

Required Supplementary Information

South Central New Mexico Council of Governments Schedule of Proportionate Share of the Net Pension Liability

	June 30,									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
South Central New Mexico Council of Governments' proportion of the net pension liability	0.04333%	0.04398%	0.04435%	0.04360%	0.04280%	0.06820%	0.06460%	0.05000%	0.03440%	0.03570%
South Central New Mexico Council of Governments' proportionate share of the net pension liability	\$ 917,504	\$ 780,777	\$ 499,621	\$ 881,691	\$ 740,911	\$ 1,087,360	\$ 887,659	\$ 798,832	\$ 350,738	\$ 278,498
South Central New Mexico Council of Governments' covered payroll	\$ 597,745	\$ 618,890	\$ 526,222	\$ 535,879	\$ 527,815	\$ 484,975	\$ 814,797	\$ 401,684	\$ 361,667	\$ 236,992
South Central New Mexico Council of Governments' proportionate share of the net pension liability as a percentage of its covered payroll	153%	126%	95%	165%	140%	224%	109%	199%	97%	118%
Plan fiduciary net position as a percentage of the total pension liability	67.26%	69.35%	77.25%	66.36%	70.52%	71.13%	73.74%	69.00%	77.00%	81.00%

South Central New Mexico Council of Governments Schedule of Contributions

	Year Ended June 30,									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contributions	\$ 51,479	\$ 50,229	\$ 40,256	\$ 40,971	\$ 40,329	\$ 35,897	\$ 60,295	\$ 29,757	\$ 26,785	\$ 27,233
Contributions in relation to contractually required contribution	<u>(51,479)</u>	<u>(50,229)</u>	<u>(40,256)</u>	<u>(40,971)</u>	<u>(40,329)</u>	<u>(35,897)</u>	<u>(60,295)</u>	<u>(29,757)</u>	<u>(26,785)</u>	<u>(27,233)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
South Central New Mexico Council of Governments' covered payroll	\$ 597,745	\$ 618,890	\$ 526,222	\$ 535,879	\$ 527,815	\$ 484,975	\$ 814,797	\$ 401,684	\$ 361,667	\$ 236,992
Contributions as a percentage of covered payroll	8.61%	8.12%	7.65%	7.65%	7.64%	7.40%	7.40%	7.41%	7.41%	11.49%

South Central New Mexico Council of Governments
Notes to Required Supplementary Information
Year Ended June 30, 2024

Change in benefit terms – The PERA Fund COLA and retirement eligibility benefits changes in recent years are described in Note 1 of the PERA audit available at the Public Employees Retirement Association’s website.

Changes of valuation – The Public Employees Retirement Association (PERA) of New Mexico Annual Actuarial Valuation report is available at the Public Employees Retirement Association’s website.

Supplementary Information

South Central New Mexico Council of Governments
Schedule of Pledged Collateral
June 30, 2024

	Bank of the Southwest
Checking	\$ 74,649
Total on deposit	74,649
Less: FDIC insurance	(250,000)
Total uninsured public funds	\$ -
50% collateralization requirement (Section 6-10-17 NMSA)	\$ -
Collateral pledged	-
Pledged securities over (under) requirement	\$ -

South Central New Mexico Council of Governments
Schedule of Individual Deposit Accounts and Investments
June 30, 2024

<u>Bank of the Southwest</u>	<u>Type of Account</u>	<u>Interest Bearing</u>	<u>Bank Balance</u>	<u>Reconciled Balance</u>
Operational	Checking	No	\$ 74,649	\$ 120,835
Total Bank of the Southwest			<u>\$ 74,649</u>	<u>120,835</u>
Total cash and investments				<u>\$ 120,835</u>

Compliance



Report of Independent Auditors 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*

The Board of Directors
Southwestern Area Workforce Development Board

Joseph M. Maestas, PE, CFE
New Mexico State Auditor

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the budgetary comparison for the general fund and major special revenue funds of South Central New Mexico Council of Governments as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise South Central New Mexico Council of Governments' basic financial statements, and have issued our report thereon dated December 9, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered South Central New Mexico Council of Governments' internal control over financial reporting (internal control) as a basis for designing 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 South Central New Mexico Council of Governments' internal control. Accordingly, we do not express an opinion on the effectiveness of South Central New Mexico Council of Governments' internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether South Central New Mexico Council of Governments' financial statements are free from 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

A handwritten signature in cursive script that reads "Moss Adams LLP".

Albuquerque, New Mexico
December 9, 2024

South Central New Mexico Council of Governments
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2024

No audit findings reported for year ended June 30, 2023.

South Central New Mexico Council of Governments
Schedule of Findings and Responses
Year Ended June 30, 2024

Section I – Summary of Auditor’s Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes None reported

Noncompliance material to financial statements noted? Yes No

South Central New Mexico Council of Governments
Schedule of Findings and Responses
Year Ended June 30, 2024

Section II – Financial Statement Findings

None reported.

South Central New Mexico Council of Governments
Exit Conference
Year Ended June 30, 2024

An exit conference was held on December 4, 2024, to discuss the annual financial statement audit. Attending were the following:

South Central New Mexico Council of Governments

Dr. Robert Coleman, Board Chair
Commissioner Jim Paxon, Board Treasurer
Jay Armijo, Executive Director
Skylar Arnold, Fiscal Administrator
Diana Luchini, Fiscal Clerk

Moss Adams LLP

Kory Hoggan, Partner
Jeff Roybal, Assurance Manager

The financial statements were prepared with the assistance of Moss Adams LLP from the books and records of the South Central New Mexico Council of Governments. The financial statements and related footnotes remain the responsibility of management.

