

**MID-REGION COUNCIL
OF
GOVERNMENTS OF
NEW MEXICO**

**FINANCIAL
STATEMENTS**

JUNE 30, 2017

MID-REGION COUNCIL OF GOVERNMENTS OF NEW MEXICO

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MID-REGION COUNCL OF GOVERNMENTS OF NEW MEXICO

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INTRODUCTORY SECTION

MID-REGION COUNCIL OF GOVERNMENTS OF NEW MEXICO

Official Roster June 30, 2017

Jack Torres	Chair
Debbie O'Malley	Board Member
Maggie Hart Stebbins	Board Member
Steven Quezada	Board Member
Wayne Ake	Board Member
Don Harris	Board Member
Patrick Davis	Board Member
Donald Lopez	Board Member
James Dominguez	Board Member
David Heil	Board Member
Gloria Chavez	Board Member
Cory Dryden	Board Member
Manuel Romero	Board Member
Dan Lewis	Board Member
Isaac Benton	Board Member
Robert Perry	Board Member
Belinda Garland	Board Member
John G. Phillips III	Board Member
Diane Gibson	Board Member
Larry Abraham	Board Member
Leon Otero	Board Member
Klarissa Pena	Board Member
Bruce Thomson	Board Member
Lorenzo Garcia	Board Member
Jerah Cordova	Board Member
Dr. Katherine W. Winograd	Board Member
Philip Gasteyer	Board Member
Pat Clauser	Board Member
Mark Hatzenbuehler	Board Member
Vendora Casados	Board Member
John Bassett	Board Member
Mark Gwinn	Board Member
Ron Williams	Board Member
M. Steven Anaya	Board Member
Ted Hart	Board Member
Greggory D. Hull	Board Member
Dawnn Robinson	Board Member
Richard Bruce	Board Member
James Fahey	Board Member
Julia DuCharme	Board Member
Connie Beimer	Board Member
Jhonathan Aragon	Board Member
Helen Cole	Board Member
Robert Chavez	Board Member
Emily Sanchez	Board Member

FINANCIAL SECTION

Independent Auditor's Report

Mr. Timothy Keller, State Auditor and
To the Board of Directors
Mid-Region Council of Governments of New Mexico

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons for the general fund and major special revenue fund of the Mid-Region Council of Governments (MRCOG), as of and for the year ended June 30, 2017, and the related notes to the financial statements which collectively comprise the MRCOG'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 misstatements, whether due to fraud or error.

Auditor's Responsibility

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

Mr. Timothy Keller, State Auditor and
To the Board of Directors
Mid-Region Council of Governments of New Mexico

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, page numbers 5 to 14, schedule of MRCOG's proportionate share of the net pension liability, page number 41, and schedule of MRCOG's contributions, page number 42, 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.

Supplemental Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise MRCOG's basic financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, description of non-major special revenue funds, the combining and individual non-major special revenue fund financial statements and the schedule of pledged collateral, as required by the New Mexico State Audit Rule, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Mr. Timothy Keller, State Auditor and
To the Board of Directors
Mid-Region Council of Governments of New Mexico

The schedule of expenditures of federal awards, description of non-major special revenue funds, the combining and individual non-major special revenue fund financial statements, and schedule of pledged collateral are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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 schedule of expenditures of federal awards, description of non-major special revenue funds, the combining and individual non-major special revenue fund financial statements and schedule of pledged collateral are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Information

The introductory section required by the New Mexico State Audit Rule are presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued a report dated November 20, 2017, on our consideration of the MRCOG's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and in considering MRCOG's internal control over financial reporting and compliance.

Ricci & Company LLC
Albuquerque, New Mexico
November 20, 2017

**MID-REGION OF GOVERNMENTS OF NEW MEXICO
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2017**

The Mid-Region Council of Governments of New Mexico (MRCOG) management's discussion and analysis provides an overview of the MRCOG's mission and function, recent program opportunities, and a brief discussion of the basic financial statements and the significant differences in information they provide.

COUNCIL'S MISSION AND FUNCTION

The MRCOG is an association of local governments and special units of government within the State's Planning District Number 3. The MRCOG was established December 11, 1969, under the authority of the Regional Planning Act and under the Joint Powers Act. Municipal and county government agencies in Bernalillo, Sandoval, Torrance, and Valencia Counties, plus Edgewood in Santa Fe County, are members, as well as groups like Albuquerque Public Schools and the Middle Rio Grande Conservancy District. Elected and appointed representatives of these organizations serve on the MRCOG's Board of Directors and give the organization direction.

The MRCOG was created to conduct and coordinate regional planning. It provides a forum where local elected officials from across the region can meet and discuss issues that do not begin or end at artificial, political boundaries. The MRCOG's role is advisory with the primary task to provide member governments with data and plans to allow them to make better informed decisions. The MRCOG's mission is to strengthen individual communities by identifying and initiating regional planning strategies through open dialogue and collaboration between the member governments.

The MRCOG provides a variety of services to its member governments and is funded through a combination of participation fees, federal, state and other grants. Services provided include planning and technical assistance in the fields of transportation, economic development, ordinances, zoning, job training and other special projects as requested. Areas of technical expertise include map making and Geographic Information Systems analysis; gathering data about population, employment, land use, and traffic flow, as well as developing forecasts to project what these figures will be in the future.

RECENT PROGRAM OPPORTUNITIES

Transportation: The MRCOG serves as the agent for the Rio Metro Regional Transit District and the New Mexico Department of Transportation for operation of the New Mexico Rail Runner Express commuter rail service and several transit services in the region (Belen, Los Lunas, Rio Rancho and Sandoval County). The commuter rail and transit services are funded through a combination of fare box revenue and fees, Federal and State funds, and regional transit gross receipts taxes.

**MID-REGION OF GOVERNMENTS OF NEW MEXICO
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2017**

The MRCOG serves as the Mid-Region Metropolitan Planning Organization (MRMPO). The MRMPO develops the Metropolitan Transportation Plan (MTP) and develops the Transportation Improvement Program (TIP). The Futures 2040 Metropolitan Transportation Plan was adopted by the Metropolitan Transportation Board in April 2016. Since then, the MRCOG/MRMPO staff have been working in various ways and on various activities to get the plan on its feet. These activities include MTP Outreach, developing a regional Safe Routes to School Program, helping facilitate the various phases of the Regional Transportation Management Center, developing the Long-Range Transportation System Guide, and maintaining the TIP, among many other activities.

The University of New Mexico (UNM), Central New Mexico Community College (CNM), and Sunport area is the focus of a study that will identify how transit can best meet the variety of transportation needs associated with this area - students and employees traveling to classes and jobs, residents traveling within the area, and travel needs associated with business activities and other destinations in the area. This study is a collaborative effort of the City of Albuquerque, Bernalillo County, UNM, CNM, and MRCOG, serving as the lead agency.

Regional Planning: The Regional Planning Program at MRCOG house the Local Planning Assistance (LPA) Program and the Rural Transportation Planning Organization (RTPO). Through LPA program, staff assist communities in the Mid-Region by providing workshops and training for municipal staff and elected officials, as well as developing comprehensive plans and update land use ordinances. The RTPO handles funding prioritization for transportation projects in rural communities such as Transportation Alternatives Program and Rec Trails Program funding. RTPO staff works with communities to determine project feasibility and long-term project planning.

The MRCOG maintains the Agribusiness Collaborative, an organization dedicated to preserving and improving the agricultural economy of the region. The Agribusiness Collaborative meets monthly and is comprised of farmers, food processors, representatives of food markets, educators, government agencies and others interested in local agriculture. The MRCOG publishes a quarterly newsletter focusing on building connections between local producers and local markets.

Economic Development: Since 1973, the MRCOG has been designated as the Economic Development District by the U.S. Department of Commerce for the four-county region of MRCOG. In support of this designation, the MRCOG provides technical and planning assistance to entities seeking funds from the US Department of Commerce, Economic Development Administration (EDA). A three-year EDA planning grant to the MRCOG is currently in effect. MRCOG staff prepares and maintains a summary document of the region's economic conditions, development activities, and strategies for improving local and regional economies in a report entitled the Comprehensive Economic Development Strategy (CEDS). Various organizations use the CEDS report as a basis for taking actions to improve the economy.

**MID-REGION OF GOVERNMENTS OF NEW MEXICO
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2017**

MRCOG is coordinating a Transportation and Logistics HUB Study to identify how the region's infrastructure and development can support increases in freight logistics, assembly of goods, production manufacturing, and international trade. Central New Mexico has several geographic and infrastructure advantages, including: Two interstates the bisect the region; an equidistant location from both the Port of Los Angeles and the Port of Houston; the Belen Terminal on the Burlington Northern Santa Fe Transcontinental rail line. In addition, the Albuquerque Sunport has immense air cargo capacity, the region's Foreign Trade Zone is expanding, providing tax incentives to more companies wishing to import and assemble products, and several trans-load facilities are lining up to take advantage of rail-to-truck activity. The study also will identify specific industry areas to build on or tap into and the modes of transportation associated with each. That analysis will lead to suggestions about strategic infrastructure investments, policy changes and other strategies to pursue that best leverages the region's assets. The study was released in fiscal year 2017 and MRCOG continues to work on the planning and implementation of the study's results.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the MRCOG's basic financial statements. The MRCOG's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the MRCOG's finances, in a manner similar to a private-sector business. The statement of net position presents information on all of the MRCOG's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the MRCOG is improving or deteriorating. The statement of activities presents information showing how the MRCOG's net position changed during the most recent fiscal year. All changes in net position are report as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods, such as expenses pertaining to earned but unused vacation and sick leave. All of MRCOG's activities are reported under governmental-type activities and there are no component units.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The MRCOG, like other state and local governments, used fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the MRCOG are governmental funds.

**MID-REGION OF GOVERNMENTS OF NEW MEXICO
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2017**

Governmental fund financial statements focus on near-term inflow and outflows of spendable resources as well as on balances of spendable resources available at the end of the fiscal year.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The MRCOG maintains twenty-four (24) individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, and Rio Metro Operations, both of which are considered to be major funds. Data from the other twenty-two (22) governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Budgetary Comparisons

The MRCOG does maintain a budget for informational and managerial purposes. The budget is approved by the MRCOG's Board of Directors on an annual basis. As required by the Office of the State Auditor Rule, 2 NMAC 2.2, a budgetary comparison statement has been provided for the general fund in the basic financial statements, and the nonmajor special revenue funds budgetary comparisons are presented in supplementary schedules.

FINANCIAL ANALYSIS OF THE COUNCIL

Overall Financial Position

The MRCOG's overall financial position continues to remain strong. MRCOG is the largest Metropolitan Planning Organization (MPO) in the state and the federal funds to administer the MPO have remained stable. MRCOG is also a Regional Transportation Planning Organization (RTPO) and a Local Planning Agency (LPA). Much of MRCOG's growth over the last 10 years is attributable to Rio Metro, which continues to expand its role in the region. MRCOG other planning activities continue to grow as MRCOG expands its services and expertise in the region.

**MID-REGION OF GOVERNMENTS OF NEW MEXICO
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2017**

Over the past twenty-five years the number of funds (projects) administered by the MRCOG has increased from twelve (12) during fiscal year 1992 to twenty-four (24) during fiscal year 2017. Total expenditures over the same period, including capital projects, have increased from \$1.3 million during the fiscal year ending June 30, 1992 to \$11.0 million during the fiscal year ending June 30, 2017. Over fifty percent (60%) of current year expenditures relate to Rio Metro operations.

The MRCOG's net position decreased by \$606,582 compared to the prior year, from a net position of \$(3,082,711) as of June 30, 2016 to \$(3,689,293) as of June 30, 2017. The decrease in net position was principally a result of the increase in pension expense.

Compared to the prior year ending June 30, 2016, the MRCOG's Total Governmental Funds expenditures increased from \$9.711 million (FY16) to \$11.04 million (FY17), a change of approximately \$1.3 million. Approximately \$1 million of the increase is the result of an increase of salaries for Rio Metro employees, specifically bus drivers. Based on market research, Rio Metro adjusted salaries for bus drivers to be in line with what other transit providers are paying its bus drivers in the Albuquerque metropolitan area. The remaining increase of approximately \$.3 million increase is attributed partly to increase in salaries to Workforce due to the addition staff to run the TechHire grant, and partly to activity on the HUB study project.

**MID-REGION OF GOVERNMENTS OF NEW MEXICO
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2017**

Net Position

Table A-1 summarizes the MRCOG's net position for the fiscal years ended June 30. Net position is presented on a consolidated basis and is reflected on a full accrual basis. The MRCOG did not have any business-type activities during the years.

Table A-1
MRCOG's Net Position

	Governmental Activities 6/30/17	Governmental Activities 6/30/16
Current assets	\$ 4,604,389	4,302,750
Capital assets, net of accumulated depreciation	<u>3,702,302</u>	<u>3,886,582</u>
Total assets	<u>8,306,691</u>	<u>8,189,332</u>
Deferred outflow of resources	<u>3,258,508</u>	<u>502,679</u>
Total current liabilities	3,420,119	3,285,244
Total long-term debt	<u>11,736,878</u>	<u>8,293,561</u>
Total liabilities	<u>15,156,997</u>	<u>11,578,805</u>
Deferred inflows of resources	<u>97,495</u>	<u>195,917</u>
Net position(deficit)		
Net investment in capital assets	1,816,192	1,866,368
Unrestricted	<u>(5,505,485)</u>	<u>(4,949,079)</u>
Net position(deficit)	<u>\$ (3,689,293)</u>	<u>(3,082,711)</u>

**MID-REGION OF GOVERNMENTS OF NEW MEXICO
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2017**

Changes in Net Position: The MRCOG's change in net position for fiscal year 2017 was a decrease of \$606,582. The table below reflects the changes in net position.

Table A-2
MRCOG's Net Position

	Governmental Activities 6/30/17	Governmental Activities 6/30/16
	<hr/>	<hr/>
Expenses	\$ (11,813,357)	(9,497,545)
Charges for services	7,804,082	6,457,757
Operating grants	<hr/> 3,401,343	<hr/> 3,009,923
	(607,932)	(29,865)
General revenues (expense) – total	<hr/> 1,350	<hr/> (3,351)
Change in net position	<hr/> (606,582)	<hr/> (33,216)
Net position(deficit) – beginning of year	(3,082,711)	(2,534,329)
Restatement for GASB's 82/68 Implementation	<hr/> -	<hr/> (515,166)
Restated net position(deficit), beginning of year	<hr/> (3,082,711)	<hr/> (3,049,495)
Net position(deficit), end of year	<hr/> <u>\$ (3,689,293)</u>	<hr/> <u>(3,082,711)</u>

**MID-REGION OF GOVERNMENTS OF NEW MEXICO
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2017**

The following table relates to the revenues and expenditures of the Governmental Funds:

Table A-3
Changes in MRCOG's Revenues, Expenditures and changes in Fund Balances

	Governmental Activities 6/30/17	Governmental Activities 6/30/16
Revenues:		
Federal	\$ 2,823,212	2,567,624
State	86,143	95,486
Charges for Service	31,464	17,012
Local	846,611	776,087
Reimbursement of Rio Metro costs	7,217,353	60,11,471
Interest and other	201,992	1,299
Total revenues	<u>11,206,775</u>	<u>9,468,979</u>
Expenditures:		
Operations	2,958,473	2,899,123
Contractual	594,023	513,717
Expenses reimbursed by Rio Metro	7,192,182	6,011,471
Capital outlay	147,621	139,526
Debt Service	146,837	146,837
Total expenditures	<u>11,039,136</u>	<u>9,710,674</u>
Excess (deficiency of revenues over expenditures)	167,639	(241,695)
Other financing sources (uses), net	<u>-</u>	<u>-</u>
Net change in fund balance	167,639	(241,695)
Beginning fund balances	<u>1,151,610</u>	<u>1,393,305</u>
Ending fund balances	<u>\$ 1,319,249</u>	<u>1,151,610</u>

The MRCOG's total expenditures of government-type activities during the fiscal year 2017 were \$11,039,136. The increase is primarily due to increase in salaries for Rio Metro bus drivers, addition of staff for TechHire program and HUB study activities.

**MID-REGION OF GOVERNMENTS OF NEW MEXICO
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2017**

Analysis of Major Funds

General Fund (Fund 010): Revenues in the General Fund increased approximately \$220,000 from FY16 to FY17. Expenditures decreased approximately \$220,000 from FY15 to FY16. The change in both revenues and expenditures was caused by actual indirect costs incurred being less than indirect costs allocated in FY17, whereas in FY16, indirect costs exceeded the allocations. MRCOG's federally negotiated indirect cost rate is fixed with carry forward. Therefore, MRCOG's rate will always be adjusted from one fiscal year to the next based on the amounts carried forward, which will always cause a difference between actual indirect costs incurred and indirect costs allocated. This method is acceptable per federal regulations and is approved by MRCOG's federal oversight agency.

Rio Metro Operations: Rio Metro Operations reported by MRCOG are those costs incurred by MRCOG, such as payroll, and reimbursed by Rio Metro. In FY17, Rio Metro Operations expenditures totaled over \$7.03 million, an increase of approximately \$1 million from FY16. This increase is due the increase of bus driver salaries due to adjusting salaries to market in order to offer competitive salaries to its drivers.

Budgetary highlights

- General Fund: The favorable budget variance is about 45% of the budget. The variance is attributed to the capital budget not being fully utilized and the operating budget not being utilized due to indirect costs being less than the allocations.
- Rio Metro Operations: Rio Metro's favorable budget variance is about 2% of the budget and is not a substantial difference.

Fund Balance

The MRCOG's governmental funds reported combined fund balances of \$1,319,249. This is \$167,639 higher than the previous year. The main contributing factor is the increase in revenues due to the MRCOG's indirect cost plan methodology. The MRCOG's budget is designed to fully utilize resources in providing services to its members and their communities, while maintaining a prudent reserve for unexpected downturns. The MRCOG Board has committed \$500,000 of the \$1.319 million fund balance as a reserve for unexpected downturns and claims

Capital Assets

The MRCOG's investment in capital assets as of June 30, 2017 amounted to \$3,702,302. The capital assets consist mainly of office equipment, vehicles, and a building. Depreciation expense of \$331,901 was recorded in the current year. Additions of \$147,621 were purchased during the year ended June 30, 2017, consisting mainly of equipment.

**MID-REGION OF GOVERNMENTS OF NEW MEXICO
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2017**

Long-Term Debt

Long-term debt consists of the capital lease of the MRCOG building at 809 Copper Avenue NW, Albuquerque, NM 87102. The MRCOG leases the building from Bernalillo County. The loan includes the capital lease of \$1,612,644 plus \$750,000 that the County loaned the MRCOG for building renovations and replacement of the HVAC system. The net decrease to debt is \$134,104 from FY16 to FY17. As of June 30, 2017, the MRCOG had total long-term debt in the amount of \$1,886,110.

Economic Factors and Next Year's Budgets

As state and federal resources continue to be squeezed, the MRCOG's budget for the next year is also being challenged. The 2018 budget is substantially the same as 2017 budget.

The MRCOG continues its metropolitan transportation planning, regional transportation planning, and local government planning programs through agreements with other governmental agencies, including the State of New Mexico. MRCOG is providing administrative and operational support for the New Mexico Department of Transportation (NMDOT) and the Rio Metro Regional Transit District for operation of the commuter rail service. The NMDOT's Intelligent Transportation Center (ITC) is located in the lower level of the MRCOG building. The ITC monitors traffic flow on Albuquerque's interstate system via video surveillance and traffic monitoring devices. The MRCOG's membership remains constant and is always seeking further ways to help its member governments plan for the future.

Request for Information

This financial report is designed to provide a general overview of the MRCOG's finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to Executive Director, 809 Copper Avenue NW, Albuquerque, NM 87102.

BASIC FINANCIAL STATEMENTS

MID-REGION COUNCIL OF GOVERNMENTS OF NEW MEXICO
STATEMENT OF NET POSITION
GOVERNMENT-WIDE
June 30, 2017

	<u>Governmental Activities</u>
ASSETS	
Current	
Cash and cash equivalents	\$ 2,418,554
Other receivables	22,417
Grants reimbursements receivables	642,056
Related entity receivables	1,493,255
Prepaid expenses	28,107
Total current assets	<u>4,604,389</u>
Noncurrent	
Capital assets not being depreciated	683,800
Capital assets, net of accumulated depreciation	3,018,502
Total noncurrent assets	<u>3,702,302</u>
Total assets	<u>\$ 8,306,691</u>
DEFERRED OUTFLOW OF RESOURCES	
Deferred outflow of resources related to pensions	<u>\$ 3,258,508</u>
LIABILITIES	
Current	
Accounts payable	\$ 2,610,435
Accrued payroll liabilities	2,478
Accrued compensated absences	381,239
Unearned grant advances	290,988
Current portion of capital lease payable	134,979
Total current liabilities	<u>3,420,119</u>
Noncurrent	
Accrued compensated absences	163,312
Net pension liability	9,822,435
Capital lease payable	1,751,131
Total noncurrent liabilities	<u>11,736,878</u>
Total liabilities	<u>\$ 15,156,997</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources related to pensions	<u>\$ 97,495</u>
NET POSITION(DEFICIT)	
Net investment in capital assets	\$ 1,816,192
Unrestricted	<u>(5,505,485)</u>
Total net position(deficit)	<u>\$ (3,689,293)</u>

See Notes to Financial Statements.

MID-REGION COUNCIL OF GOVERNMENTS OF NEW MEXICO
STATEMENT OF ACTIVITIES
GOVERNMENT-WIDE
Year Ending June 30, 2017

Functions/Programs	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Net Revenue and Changes in Net Position for Government Activities</u>
Government Activities:				
General activities	\$ 955,226	\$ 770,216	\$ -	\$ (185,010)
Reimbursement of Rio Metro costs	7,033,866	7,033,866	-	-
Transportation planning	2,256,586	-	1,948,154	(308,432)
Economic development	256,685	-	214,889	(41,796)
Employment development	981,072	-	981,072	-
Other planning programs	329,922	-	257,228	(72,694)
Total government activities	<u>\$ 11,813,357</u>	<u>\$ 7,804,082</u>	<u>\$ 3,401,343</u>	(607,932)
Interest				<u>1,350</u>
Change in net position				<u>(606,582)</u>
Net position(deficit), beginning of year				<u>(3,082,711)</u>
Net position(deficit), end of year				<u>\$ (3,689,293)</u>

See Notes to Financial Statements.

MID-REGION COUNCIL OF GOVERNMENTS OF NEW MEXICO
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2017

	General	Special Revenue Rio Metro Operations	Other Non-major Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 2,418,554	-	-	2,418,554
Other receivables	15,321	-	7,096	22,417
Grants reimbursements receivables	-	27,231	614,825	642,056
Interfund receivables	1,477,936	-	258,344	1,736,280
Related entity receivables	-	1,350,279	142,976	1,493,255
Prepaid expenses	28,107	-	-	28,107
Total assets	\$ 3,939,918	\$ 1,377,510	\$ 1,023,241	\$ 6,340,669
LIABILITIES				
Accounts payable	\$ 2,507,844	\$ -	\$ 102,591	\$ 2,610,435
Accrued payroll liabilities	70,219	209,373	104,125	383,717
Interfund payable	-	1,168,137	568,143	1,736,280
Unearned grant advances	42,606	-	248,382	290,988
Total liabilities	2,620,669	1,377,510	1,023,241	5,021,420
FUND BALANCES				
Committed	500,000	-	-	500,000
Unassigned	819,249	-	-	819,249
Total fund balances	1,319,249	-	-	1,319,249
Total liabilities and fund balances	\$ 3,939,918	\$ 1,377,510	\$ 1,023,241	\$ 6,340,669

RECONCILIATION

Total fund balances - governmental funds	\$ 1,319,249
Amount reported for government 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	3,702,302
Deferred outflow of resources related to pensions	3,258,508
Deferred inflow of resources related to pensions	(97,495)
Capital lease payable, long-term debt	(1,886,110)
Net pension liability, long-term liabilities	(9,822,435)
Compensated absences, long-term liabilities	(163,312)
Net position(deficit) of governmental activities	\$ (3,689,293)

See Notes to Financial Statements.

MID-REGION COUNCIL OF GOVERNMENTS OF NEW MEXICO
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2017

	Major funds		Other	Total Governmental Funds
	General	Special Revenue Rio Metro Operations	Non-major Governmental Funds	
REVENUES				
Intergovernmental				
Federal grants and contracts	\$ -	\$ -	\$ 2,823,212	\$ 2,823,212
State of New Mexico grants	-	-	86,143	86,143
Charges for services	31,464	-	-	31,464
Local	538,110	-	308,501	846,611
Miscellaneous	200,642	-	-	200,642
Reimbursement of Rio Metro cost	-	7,033,866	183,487	7,217,353
Interest	1,350	-	-	1,350
Total revenues	771,566	7,033,866	3,401,343	11,206,775
EXPENDITURES				
Current				
Operating	-	-	2,958,473	2,958,473
Contractual	13,500	-	580,523	594,023
Expenditures reimbursed by Rio Metro	-	7,033,866	158,316	7,192,182
Capital outlay	20,668	-	126,953	147,621
Debt service				
Principal and interest	146,837	-	-	146,837
Total expenditures	181,005	7,033,866	3,824,265	11,039,136
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	590,561	-	(422,922)	167,639
OTHER FINANCING SOURCES/USES				
Operating transfers in	-	-	429,714	429,714
Operating transfers out	(422,922)	-	(6,792)	(429,714)
	(422,922)	-	422,922	-
Net changes in fund balance	167,639	-	-	167,639
Fund balance, beginning of year	1,151,610	-	-	1,151,610
Fund balance, end of year	\$ 1,319,249	\$ -	\$ -	\$ 1,319,249
RECONCILIATION				
Change in fund balances				\$ 167,639
Amount reported for government activities in the statement of activities are different because:				
Increase in pension expense				(672,915)
Principal portion of capital lease payable				134,104
Deprecation expensed in the statement of activities				(331,901)
Capital assets additions used in governmental activities are not financial resources and, therefore, are not reported				147,621
Change in accrued vacation and sick liabilities				(51,130)
Change in net position(deficit) of governmental activities				\$ (606,582)

See Notes to Financial Statements.

MID-REGION COUNCIL OF GOVERNMENTS OF NEW MEXICO
STATEMENT OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30,2017

	Original Budget	Final Budget	Current Year Actual	Variance Favorable (Unfavorable)
REVENUES				
Intergovernmental				
Charges for services	\$ -	\$ 35,000	\$ 31,464	\$ (3,536)
Local	538,069	538,069	538,110	41
Interest and other	-	-	201,992	201,992
Total revenues	<u>538,069</u>	<u>573,069</u>	<u>771,566</u>	<u>198,497</u>
EXPENDITURES				
Current				
Operating	45,000	97,000	-	97,000
Contractual	18,000	18,000	13,500	4,500
Capital outlay/debt service	215,875	215,875	167,505	48,370
Total expenditures	<u>278,875</u>	<u>330,875</u>	<u>181,005</u>	<u>149,870</u>
Operating transfers out	<u>(527,451)</u>	<u>(527,451)</u>	<u>(422,922)</u>	<u>104,529</u>
Net change in fund balance	(268,257)	(285,257)	167,639	452,896
Fund balance required to balance budget	<u>268,257</u>	<u>285,257</u>	-	-
Fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 167,639</u>	<u>\$ 452,896</u>

See Notes to Financial Statements.

MID-REGION COUNCIL OF GOVERNMENTS OF NEW MEXICO
STATEMENT OF REVENUES, EXPENDITURES - BUDGET AND ACTUAL
MAJOR FUND - RIO METRO OPERATIONS
Year Ended June 30, 2017

	Original Budget	Final Budget	Current Year Actual	Variance Favorable (Unfavorable)
REVENUES				
Intergovernmental				
Federal revenue	\$ -	\$ -	\$ -	\$ -
Reimbursement of Rio Metro costs	6,200,000	7,200,000	7,033,866	(166,134)
Total revenues	<u>6,200,000</u>	<u>7,200,000</u>	<u>7,033,866</u>	<u>(166,134)</u>
EXPENDITURES				
Current				
Operating	-	-	-	-
Incurred on behalf of Rio Metro	6,200,000	7,200,000	7,033,866	166,134
Total expenditures	<u>6,200,000</u>	<u>7,200,000</u>	<u>7,033,866</u>	<u>166,134</u>
Changes in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See Notes to Financial Statements.

MID-REGION COUNCIL OF GOVERNMENTS OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Entity. The Mid-Region Council of Governments of New Mexico (MRCOG) is an association of local governments within the State's Planning District Number 3. The Council was established on December 11, 1969, under the authority of the Regional Planning Act and under the Joint Powers Act. Membership is available to all governmental units within District 3, which is composed of four counties: Bernalillo, Sandoval, Torrance, and Valencia.

The MRCOG provides a variety of services to its member governments and is funded through a combination of participation fees, federal, state, and other grants. Services provided include planning and other technical assistance in the fields of transportation, economic development, ordinances, zoning, and other special projects as requested.

The accounting policies of the MRCOG conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the more significant policies:

Reporting Entity. GAAP establishes criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. The MRCOG is the primary government and is not a component unit of any other entity. It is the financial reporting entity, and does not have any component units.

Basic Financial Statements. The basic financial statements include both government-wide (based on MRCOG as a whole) and fund financial statements. The focus is on either the MRCOG as a whole or major individual funds (fund financial statements). The government-wide statements for MRCOG include only government type activities which are reflected on an economic resources measurement focus and the accrual basis of accounting, which incorporates long-term assets and receivables as well as long-term debt and obligations.

The government-wide Statement of Activities reflects both the gross and net cost per functional category, which are otherwise being supported by general government revenues. The Statement of Activities reduces gross expenses by related program revenues, charges for services, operating and capital grants. The MRCOG reports several functions as reflected in the Statement of Activities. The program revenues consist of grants received for specific projects.

The net cost is normally covered by general revenues. The MRCOG does currently employ indirect cost allocation systems which are charged to direct expenses in the Statement of Activities. This government-wide focus is more on the sustainability of the MRCOG as an entity and in aggregate financial position resulting from the activities of the current fiscal period. The government-wide financial statements are prepared in accordance with generally accepted accounting principles generally accepted in the United States of America (GAAP).

Interfund activity is eliminated in the government-wide financial statements.

MID-REGION COUNCIL OF GOVERNMENTS OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation - Fund Financials: The fund financial statements presented, emphasis is on the major funds in the governmental category. Non-major funds are summarized into a single column. The governmental fund statements are presented on a current financial resources measurement focus and modified accrual basis of accounting. This presentation is deemed appropriate to (a) demonstrate legal compliance, (b) demonstrate the source and use of liquid resources, and (c) demonstrate how the MRCOG's actual experience conforms to the budget of fiscal plan. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental activities column, a reconciliation is presented on the page of each statement, which briefly explains the adjustments necessary to transform the fund based financial statements into the governmental activities column on the governmental-wide presentation.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with specific function. Program revenues derive directly from the program itself or from parties outside the reporting governments citizenry or funding sources as a whole include 1) charges for services from MRCOG's contracts with others 2) grants that are restricted to meeting the operations or capital requirements of a particular function such as administration and planning functions for WIA, UPWP, Rio Metro and other smaller programs.

The financial transactions of the MRCOG are recorded in individual funds, each of which is considered a separate accounting entity. The various fund types are reported in the fund financial statements, as follows:

Governmental Fund Types- Governmental funds are used to account for the MRCOG's expendable financial resources and related liabilities. The measurement focus is based upon determination of changes in financial position. The following are the MRCOG's governmental fund types and major funds:

General Fund - The general fund is the general operating fund of the MRCOG. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds - Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

The major special revenue fund for MRCOG is the Rio Metro fund - (Program No. 49, 85, 89, 411, 425, 430, 445, 451, 454, 467, 490) - A special revenue fund that was created by a professional services agreement with Rio Metro. It includes the personnel costs of the operation and administration and other various costs of operating and administering Rio Metro's transit, rail and planning activities.

Basis of Accounting. Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made, regardless of the measurement focus applied.

MID-REGION COUNCIL OF GOVERNMENTS OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The government-wide financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. The governmental fund financial statements are presented using the current financial resources measurement focus and the modified accrual basis of accounting.

Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual and both measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period (generally, sixty days). Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred.

In applying the "susceptible to accrual" concept to intergovernmental revenues the provider should recognize liabilities and expenses and the recipient should recognize receivables and revenues when the applicable eligibility requirements including time requirements, are met. Resources transmitted before the eligibility requirements are met, under most circumstances, should be reported as advances by the provider and deferred revenue by the recipient. Grant revenues are not recognized until eligibility requirements are met.

Capital Assets. Capital assets acquired are recorded as expenditures in the funds which finance the acquisitions and are capitalized at cost and depreciated over their estimated useful lives (no salvage value). Contributed capital assets are recorded at their estimated fair market value at the time received. Additions, including software, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized and interest is not capitalized in regards to the MRCOG's capital assets. The MRCOG's capitalization policy, i.e., the dollar value above which asset acquisitions are added to the capital assets, is \$5,000 per Section 12-6-10 NMSA 1978. Other costs incurred for repairs and maintenance are expensed as incurred.

Estimated useful life is management's estimate of how long the asset is expected to meet service demands. Straight line depreciation is used based on the following estimated useful lives:

Furniture, machinery, and equipment	3-10 years
Building and improvement	40 years

MRCOG did not own any infrastructure assets as of June 30, 2017.

Budgets and Budgetary Accounting. The MRCOG's Executive Director prepares an overall budget by project fund for the MRCOG which is adopted by the Board. This Budget includes expected receipts and expenditures of the General Fund. The MRCOG is required to prepare budgets for each program for submission directly to that program's funding source. Each funding's source has its own requirements as to the timing of budget preparation and interim reports, line items and categories to be used and amounts to be included. Some require a report of grantor expenditures only, while others require a report of total program expenditures. The budgets, used by the MRCOG to monitor each program, are also used for comparisons in the accompanying financial statements. Therefore, MRCOG approves its budget by total expenditures by fund.

MID-REGION COUNCIL OF GOVERNMENTS OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Formal budgetary integration is employed as a management control device during the year. Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. There are no differences between the GAAP basis and the budgetary basis because both are modified accrual.

The time at which appropriations lapse depends on the funding source and related legal requirements. Unexpended appropriations funded by all grants do not lapse at the fiscal year-end and may be carried forward.

The level of classification detail at which expenditures may not legally exceed appropriations varies depending on the funding source. The legally permissible methods for amending the initially approved budget vary depending on the funding source. Applications for additional funds must be submitted to the funding source. The presented budgetary information has been properly amended during the year. For budgetary purposes, the general fund treats principal and interest payments on its debt as an operating cost. These expenditures are then transferred out and allocated out to certain other funds.

Due To and From Other Funds. Interfund receivables represent project costs paid by the General Fund in anticipation of reimbursements from grants in the Special Revenue Funds. When the reimbursements from grants are received, the Interfund receivables are repaid. Interfund activities are eliminated in determining government-wide financial statements.

Grants and Receivables. Grant reimbursements receivable represent qualified expenditures made under grant agreements for which reimbursements are due but not yet received. An allowance for doubtful accounts is not provided for, since all receivables are from the federal, state, or local governments and are deemed to be fully collectible. All other receivables are expected to be collected and, therefore, no allowance has been set up.

Revenues. Revenues are recognized as follows:

- 1) Special and capital outlay appropriations require project and draw down approval from NM Department of Finance Administration (DFA) Board of Finance. MRCOG considers this part of the eligibility requirements until the approval is obtained.
- 2) Federal and other grants revenues are recognized when the applicable eligibility criteria, including time requirements, are met and the resources are available. Resources received for which applicable eligibility criteria have not been met are reflected as deferred revenues in the accompanying financial statements.
- 3) Revenues from grants that are restricted for specific uses are recognized as revenues and as receivables when the related costs are incurred. Contributions and other monies held by other state and local agencies are recorded, as a receivable at the time the money is made available to the specific fund. All other revenues are recognized when they are received and are not susceptible to accrual.

MID-REGION COUNCIL OF GOVERNMENTS OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Expenditures are recorded as liabilities when incurred. Expenditures charged to federal programs are recorded utilizing the cost principles described by the various funding sources.

Unearned Grant Advances. Unearned grant advances represent cash received under agreements which have not yet been expended for their intended purposes and are, therefore, unearned.

Reimbursement of Rio Metro Costs and Incurred on behalf of Rio Metro. Reimbursement of Rio Metro Costs represents cash received from Rio Metro Regional Transit District (Rio Metro) for expenses that were incurred by Rio Metro and paid by the MRCOG. The MRCOG then invoices Rio Metro for these expenditures. See Note 7 for detail of these revenues and expenditures.

Net Position. Net position on the Statement of Net Position includes the following:

Net Investment in Capital Assets – the component of net position that reports the difference between capital assets less both the accumulated depreciation and the outstanding balance of debt, excluding unspent proceeds, that is directly attributable to the acquisition, construction or improvement of these capital assets.

Restricted - the component of net position that reports the difference between assets and liabilities of the MRCOG that consists of assets with constraints placed on their use that are legally enforceable by legislation and the like to be used only for the purposes specified. MRCOG had no restricted net position as of June 30, 2017.

Unrestricted - the difference between the assets and liabilities that is not reported in net position invested in capital assets or restricted net position.

Fund Balance. In the fund level financial statements, fund balance reserves represent those portions of fund equity not available for appropriation or expenditure or legally segregated for specific future use. MRCOG classifies governmental fund balances as follows:

Non-spendable - includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.

Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as grantors or amounts constrained due to enabling legislation.

Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority (MRCOG's Board of Directors) and does not lapse at year-end. The MRCOG's Board of Directors committed fund balance of \$500,000 to be maintains for the protection to the local member governments, including potential claims against the MRCOG due to financial reductions.

MID-REGION COUNCIL OF GOVERNMENTS OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assigned - includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by the management.

Unassigned – includes positive fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other government funds.

The MRCOG requires restricted amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring matching spending.

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.

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 and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events. Management has evaluated subsequent events through November 20, 2017, the date the financial statements were available to be issued.

NOTE 2. DEPOSIT AND INVESTMENT ACCOUNTS

The MRCOG invests its funds in accordance with state statutes which require that financial institutions pledge collateral of federal or state securities whose market value is equal to at least 50 percent of the deposits in excess of FDIC insurance coverage made by MRCOG with a financial institution. Also, MRCOG in accordance with state statutes may only have deposits in financial institutions, or invest in federal direct obligations or the New Mexico State Treasurer's Local Government Pooled Investments.

Securities which are obligations of the State of New Mexico, its agencies, institutions, counties or municipalities or other subdivisions are accepted at par value; all other securities are accepted at market value. No security is required for the deposit of public money that is insured by the Federal Deposit Insurance Corporation, the Federal Savings and Loan Insurance Corporation, or the National Credit Union Administration.

MID-REGION COUNCIL OF GOVERNMENTS OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 2. DEPOSIT AND INVESTMENT ACCOUNTS (CONTINUED)

Custodial credit risk is the risk that in the event of a bank failure, the MRCOG's deposits may not be returned to it. The MRCOG's deposit policy is to collateralize one half of the uninsured public money in each account. As of June 30, 2017, the amount of the MRCOG's bank balance of \$2,182,002 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 756,947
Uninsured and collateral held by pledging bank's trust department not in MRCOG's name	925,055
Insured	<u>500,000</u>
Total	\$ <u>2,182,002</u>

Following are the descriptions of the cash and repurchase agreements as of June 30, 2017:

	Book Balance	Bank Balance
Repurchase agreement sweep account	\$ 1,132,380	\$ 1,132,380
Checking account	604,172	1,500,000
Business savings account	<u>682,002</u>	<u>682,002</u>
	\$ <u>2,418,554</u>	3,314,382
Outstanding checks		(895,619)
Other Adjustments		(209)
Per financial statements		\$ <u>2,418,554</u>

NOTE 3. INTERFUND RECEIVABLES/PAYABLES

Interfund accounts were as follows at June 20, 2017:

	<u>Due To</u>	<u>Due From</u>
Due to General fund from major and nonmajor funds	\$ -	\$ 1,477,936
Due from Rio Metro operations	1,168,137	-
Due to nonmajor funds from general fund	-	250,344
Due from nonmajor funds to general fund	<u>568,143</u>	-
	\$ <u>1,736,280</u>	\$ <u>1,736,280</u>

MID-REGION COUNCIL OF GOVERNMENTS OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 3. INTERFUND RECEIVABLES/PAYABLES (CONTINUED)

Interfund accounts occur because expenditures are paid for by the General Fund because the Special Revenue Funds are on a reimbursement basis. When the Special Revenue Funds receive the reimbursements from the grantors, the General Fund is repaid. Management expects all of interfund balances at June 30, 2017 to be repaid within one year.

Matching funds transfers are made by the General Fund as required to meet the matching requirements of grants. During 2017, \$422,922 was transferred from the general fund to the non-major special revenue funds.

NOTE 4. CAPITAL ASSETS

Governmental Fund capital asset activity for the year ending June 30, 2017 is as follows:

	Balance, June 30, 2016	Additions	Deletions	Transfers	Balance, June 30, 2017
Nondepreciable					
Land	\$ 683,800	-	-	-	683,800
Depreciable					
Building and improvements	2,792,822	-	-	-	2,792,822
Furniture, fixtures and machinery	2,336,761	147,621	(61,054)	-	2,423,328
Total assets	<u>5,813,383</u>	<u>147,621</u>	<u>(61,054)</u>	-	<u>5,899,950</u>
Accumulated depreciation					
Building	(740,923)	(69,821)	-	-	(810,744)
Furniture, fixtures and machinery	(1,185,878)	(262,080)	61,054	-	(1,386,904)
Total accumulated depreciation	<u>(1,926,801)</u>	<u>(331,901)</u>	<u>61,054</u>	-	<u>(2,197,698)</u>
Total capital assets, net	<u>\$ 3,886,582</u>	<u>(184,280)</u>	-	-	<u>3,702,302</u>

Furniture, equipment and machinery have been provided from grants accounted for in Special Revenue Funds in the amount of \$2,423,328, including on hand at June 30, 2017, \$36,783 in surplus (idle) equipment that is fully depreciated and included in the capital assets.

Depreciation expense for the year ended June 30, 2017 was \$331,901. It was charged to the general activities function in the Statement of Activities.

MID-REGION COUNCIL OF GOVERNMENTS OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 5. ACCRUED VACATION AND SICK LEAVE

The amount of annual vacation leave that employees of the MRCOG earn depends on their length of service with the MRCOG. The total number of hours which can be earned ranges from a minimum of 100 hours per year to a maximum of 192.14 hours per year. Any vacation leave in excess of a 24 month total which remains unused at the end of each calendar year is forfeited.

A total of 96 sick leave hours per year may be accumulated by each full-time employee. Part-time employees accrue sick leave on a prorated basis. Employees with less than 500 hours of accumulated sick leave lose those hours upon termination of employment, except those who terminate due to retirement. Employees who have accumulated more the 500 hours of sick leave may choose to convert sick leave to either vacation leave or cash at the end of each calendar year, or upon resignation, based on the following conversion schedule: Over 500 hours may be converted at 3 hours of sick leave to 1 hour of vacation leave; over 850 hours may be converted at 2 hours of sick leave to 1 hour of vacation leave; hours in excess of 1,200 will be converted at 3 hours of sick to 2 hours of vacation.

Employees may not carry over more than 1,200 hours of sick leave. Upon retirement, employees may cash out all sick leave hours accrued.

The MRCOG accrues a liability for vacation and sick leave when the following criteria are met:

1. The MRCOG's obligation relating to employee's rights to receive compensation for future absences is attributable to employee's services already rendered.
2. The obligation related to rights that vest of accumulated leave.
3. Payment of the compensation is probable.
4. The amount can be reasonably estimated.

A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a results of employee resignations or retirements, or if the amounts have been funded through reimbursements from programs or grants.

In accordance with the above criteria, the MRCOG has accrued a liability using payroll rates in effect at June 30, 2017, for vacation and sick leave which has been earned but not taken by the MRCOG employees. Accrued vacation and sick leave is charged to grant programs in accordance with the Uniform Guidance.

MID-REGION COUNCIL OF GOVERNMENTS OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 5. ACCRUED VACATION AND SICK LEAVE (CONTINUED)

The accumulated leave for the year ended June 30, 2017, has been recorded as a liability in the Government-Wide Statement of Net Position as current portion due \$381,239 and long-term portion due \$163,312. Typically, General funds are used to liquidate this liability, which totaled \$163,312 at June 30, 2017. Funds accumulated from grantor reimbursements are used to liquidate the funded portion of the liabilities, which total \$544,551 at June 30, 2017. Detail of accumulated leave for the year is as follows:

<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
\$ 470,000	\$ 374,950	\$ (300,399)	\$ 544,551	\$ 381,239

NOTE 6. CHANGES IN LONG-TERM DEBT

A summary of long-term debt and changes in long-term debt for the year ended June 30, 2017 is as follows:

Building and land located at 809 Copper Avenue N.W.
 Lessor-Bernalillo County
 Term-25 years beginning August 2005

MID-REGION COUNCIL OF GOVERNMENTS OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 6. CHANGES IN LONG-TERM DEBT (CONTINUED)

Schedule of Capital Lease Payable:

Year Ending June 30	<u>Principal</u>	<u>Interest</u>
2018	\$ 134,979	11,858
2019	135,859	10,978
2020	136,744	10,092
2021	137,636	9,201
2022	138,533	8,304
2023-2027	706,331	27,852
2028-2031	496,029	5,663
	<u>1,886,110</u>	<u>83,948</u>
Less current portion	<u>(134,979)</u>	
Long-term portion of debt	<u>\$ 1,751,131</u>	

	June 30, <u>2016</u>	<u>Reductions</u>	<u>Additions</u>	June 30, <u>2017</u>	Amounts Due Within <u>One Year</u>
Capital lease	\$ <u>2,020,214</u>	\$ <u>(134,104)</u>	\$ <u>-</u>	\$ <u>1,886,110</u>	\$ <u>134,979</u>

NOTE 7. RIO METRO REIMBURSEMENTS/INCURRED COSTS

The MRCOG pays for several expenditures on behalf of Rio Metro. The MRCOG then invoices Rio Metro for these expenditures. The following is a break out of what these expenditures consists of:

Reimbursement to MRCOG	
Rio Metro RTD Revenue	\$ 7,217,353
Incurred on behalf of Rio Metro	
Operating Expenses	7,217,353

MID-REGION COUNCIL OF GOVERNMENTS OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 8. PERA PENSION PLAN

Plan Description. Substantially all of the MRCOG's full-time employees participate in the 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 PERA, PO Box 2123, Santa Fe, NM 87504-2123. The report is also available on PERA's website at www.pera.state.nm.us.

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.

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. 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.

Funding Policy and Contributions. Plan members are required to contribute 13.15% if their annual salary is less than \$20,000 and 14.65% if their annual salary is greater than \$20,000 of their gross salary. The MRCOG is required to contribute 9.55% of the gross covered salary. The contribution requirements of defined benefit plan members and the MRCOG are established in state statute under Chapter 10, Article 11, NMSA 1978. The contribution requirements may be amended by acts of the legislature. For the employer and employee contribution rates in effect for FY15 for the various PERA coverage options, for both Tier I and Tier II, see the tables available in the note disclosures on pages 31 through 32 of the PERA FY15 annual audit report at http://saunm.org/media/audits/366_Public_Employees_Retirement_Association_FY2015.pdf. The PERA coverage option that applies to the Mid-Region Council of Governments is Municipal Plan 3.

MID-REGION COUNCIL OF GOVERNMENTS OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 8. PERA PENSION PLAN (CONTINUED)

Statutorily required contributions to the pension plan from the Mid-Region Council of Governments were \$544,930 and employer paid member benefits that were "picked up" by the employer were \$562,619 for the year ended June 30, 2017.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: At June 30, 2017, the Mid-Region Council of Governments reported a liability of \$9,822,435 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.

In fiscal years 2014 and 2015, the MRCOG was not reported as a separate employer agency under PERA, but was reported under the City of Albuquerque. In fiscal year 2016, PERA removed MRCOG's liability from the City of Albuquerque's report and reported MRCOG as a separate employer. However, MRCOG's liability was added through deferred outflows and pension expense in the PERA report. Since MRCOG had previously reported its portion of the liability, a difference between PERA's reported deferred outflows will exist until the amounts are fully amortized.

This resulted in a difference in the MRCOG's and PERA's reported deferred outflows of \$5,017,995 and pension expense of \$1,277,275.

The MRCOG's proportion of the net pension liability was based on a projection of the MRCOG'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 MRCOG's proportion was 0.6148%. In prior year, MRCOG's proportion was 3.3 percent of the City of Albuquerque's 19.2677 proportion, a decrease of 0.021 from its estimated proportion measured for the City of Albuquerque's Municipal General as of June 30, 2015.

MID-REGION COUNCIL OF GOVERNMENTS OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 8. PERA PENSION PLAN (CONTINUED)

For the year ended June 30, 2017, the MRCOG's recognized pension expense of \$1,218,895. At June 30, 2017, the MRCOG reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 490,769	(95,862)
Changes in assumptions	575,971	(1,633)
Net difference between projected and actual earnings on pension plan investments	1,807,309	-
Changes in proportion and differences between MRCOG Contributions and proportionate share of contributions	(160,471)	-
MRCOG contributions subsequent to the measurement date	<u>544,930</u>	-
	<u>\$ 3,258,508</u>	<u>(97,495)</u>

Deferred outflows totaling \$544,930 are related to pensions resulting from MRCOG's contributions subsequent to the measurement date of June 30, 2016 and 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:

2017	\$ (536,512)
2018	(536,512)
2019	(1,086,465)
2020	(456,594)
2021	-
	<u>\$ (2,616,083)</u>

MID-REGION COUNCIL OF GOVERNMENTS OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 8. PERA PENSION PLAN (CONTINUED)

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:

Actuarial valuation date:	June 30, 2015
Actuarial cost method:	Entry age normal
Amortization method:	Level percentage of pay, open
Amortization period:	Solved for based on statutory rates
Asset valuation method:	Fair value
Actuarial assumptions:	
• Investment rate of return	7.48% annual rate, net of investment expense
• Project benefit payment	100 years
• Payroll growth	2.75% annual rate
• Projected salary increases	2.75% to 14.00% annual rate
• Includes inflation at	2.25% annual rate first 10 years
	2.75% all other years
• Morality 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, 2015 (economic)

There were no significant events or changes in benefit provisions that required an adjustment to the roll-forward liabilities as of June 30, 2015. 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 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.

MID-REGION COUNCIL OF GOVERNMENTS OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 8. PERA PENSION PLAN (CONTINUED)

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 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>100.0%</u>	

Discount rate. A single discount rate of 7.48% was used to measure the total pension liability as of June 30, 2016. 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.

Sensitivity of the MRCOG's proportionate share of the net pension liability to changes in the discount rate. The following presents the MRCOG's proportionate share of the net pension liability calculated using the discount rate of 7.48 percent, as well as what the MRCOG'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:

	1% Decrease (6.48%)	Current Discount Rate (7.48%)	1% Increase (8.48%)
Proportionate share of the net pension liability	\$ 14,644,377	9,822,435	5,822,874

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in separately issued PERA'S financial reports. The reports may be obtained by writing PERA, PO Box 2123, Santa Fe, NM 87504-2123. The reports are also available on the New Mexico State Auditor's website at <https://www.saonm.org/>.

**MID-REGION COUNCIL OF GOVERNMENTS OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2017**

NOTE 9. CITY OF ALBUQUERQUE SERVICES

The City of Albuquerque provides administrative support to the MRCOG for payroll, personnel, computer services, legal and risk management, among other things, under a contractual agreement.

NOTE 10. INSURANCE COVERAGE

The MRCOG is subject to various risks of loss, which are covered through the purchase of commercial insurance and participation in the City of Albuquerque's Risk Management Pool. The following insurance coverage was in effect at June 30, 2017:

Insurer and Policy Type	Term	Coverage
New Mexico Mutual (worker's compensation)	2/12/17 – 2/12/18	Injury by accident (\$1,000,000 each accident) Bodily injury by disease (\$1,000,000 each employee) Bodily injury by disease (\$1,000,000 policy limit)
Allied World Public Officials Liability	9/29/16 – 9/29/17	\$1,000,000 each occurrence, No general aggregate limit
Scottsdale Insurance Co. General liability	9/29/16 – 9/29/17	\$1,000,000/each occurrence, \$1,000,000 aggregate
Allianz Global Corporate & Specialty Property	7/1/16—7/1/17	\$833,857 EDP Equipment & Software \$424,154 Business Personal Property, other limitations apply
National Union Fire Insurance Co.	7/1/16 -7/1/17	1,000,000 employee theft/fraud
City of Albuquerque Risk Management Fund		Covered under limits of the Tort Claims Act of NM
Auto vehicles liability – MRCOG owned	Continuous policy	\$1,000,000 – property damage \$1,000,000 – per person for single occurrence

MID-REGION COUNCIL OF GOVERNMENTS OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 11. POST-EMPLOYMENT BENEFITS

Plan Description. The MRCOG contributes to the New Mexico Retiree Health Care Fund, a costsharing 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 the 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 N.E., Suite 104, Albuquerque, NM 87107.

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

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

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. The statute requires each participating employer to contribute 2% of each participating employee's annual

MID-REGION COUNCIL OF GOVERNMENTS OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 11. POST-EMPLOYMENT BENEFITS (CONTINUED)

salary; each participating employee is required to contribute 1% 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 MRCOG's contributions to the RHCA for the years ended June 30, 2017, 2016 and 2015 were \$118,923, \$105,304 and \$104,625, respectively, which equal the required contributions for each year.

NOTE 12. CONTINGENCIES

Amounts received or receivable from the grantors are subject to audit and adjustment by those grantors. Any disallowed claims, including amounts already collected, may constitute a liability of the MRCOG. The amount, if any, of expenditures which may be disallowed by those grantors cannot be determined at this time, although the MRCOG's management expects such amounts, if any, to be immaterial.

In the normal course of business, MRCOG is party to certain pending lawsuits and claims. In the opinion of management these lawsuits and claims will be covered by MRCOG's insurance. The ultimate outcome of these lawsuits and claims cannot be determined at this time.

NOTE 13. OPERATIONS, MAINTENANCE AND MANAGEMENT SERVICES AGREEMENT

The MRCOG has an operations, maintenance, and management agreement with the City of Albuquerque, Rio Metro Regional Transit District (Rio Metro) and the Workforce Connection of Central New Mexico (WCCNM). The City of Albuquerque processes and pays all payroll for the MRCOG. The employees that work on Rio Metro and WCCNM are not employees of Rio Metro and WCCNM but are employees of the MRCOG. MRCOG invoices Rio Metro and WCCNM for their portion of salaries relating to the use of MRCOG employees as well as rent and other operating expenses. The MRCOG reimbursed the City of Albuquerque \$8,092,916 for payroll, fringe benefits and processing costs and \$6,979 for fuel charges. The MRCOG was reimbursed \$6,324,775 by Rio Metro and \$999,240 by WCCNM for payroll and other operating expenses.

MID-REGION COUNCIL OF GOVERNMENTS OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 14. RELATED ENTITY TRANSACTIONS

Rio Metro Regional Transit District (Rio Metro). The MRCOG's accounts receivable balance from Rio Metro was \$1,379,892 at June 30, 2017.

Workforce Connection of Central New Mexico (WCCNM). The MRCOG's accounts receivable balance from WCCNM was \$129,717 at June 30, 2017.

Payments made to related entities the year ended June 30, 2017:

Bernalillo County—loan payments	\$ 158,809
Rio Metro	558,697
Workforce Connection	36,196

In addition, MRCOG received payments from its members under grant agreements, contracts and MOUs related to projects.

REQUIRED SUPPLEMENTARY INFORMATION

MID-REGION COUNCIL OF GOVERNMENTS OF NEW MEXICO
SCHEDULE OF MRCOG'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITIES
Public Employees Retirement Association (PERA) Plan
June 30,2017

		2017	2016	2015
MRCOG's proportion of the net pension liability		0.6148%	0.6358%	0.6139%
MRCOG's proportionate share of the net pension liability	\$	9,822,435	6,295,269	4,788,854
MRGOG's covered-employee payroll		5,706,073	5,263,654	5,007,828
MRGOG's proportionate share of the net pension liability as a percentage of its covered-employee payroll		58.09%	83.59%	95.63%
Plan's fiduciary net position as a percentage of the total pension liability		69.18%	76.99%	81.29%

The amounts presented were determined as of June. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the MRCOG will present information for those years for which information is available.

**MID-REGION COUNCIL OF GOVERNMENTS OF NEW MEXICO
 SCHEDULE OF MRCOG'S CONTRIBUTIONS
 Public Employees Retirement Association (PERA) Plan
 June 30, 2017**

	2017	2016	2015
Contractually required contribution	\$ 544,930	502,679	499,414
Contributions in relation to the contractually required contribution	544,930	502,679	499,414
Contribution deficiency (excess)	-	-	-
Mid-Rio Council of Governments' covered-employee payroll	5,706,073	5,263,654	5,007,828
Contribution as a percentage of covered-employee payroll	9.55%	9.55%	9.97%

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

Changes of benefit terms. The PERA Fund COLA and retirement eligibility benefits changes in recent years are described in Note 1 of the PERA FY 17 audit available at:

<http://www.nmpera.org/financial-overview/comprehensive-annual-financial-report>

Changes of assumptions. The Public Employees Retirement Association (PERA) of New Mexico Annual Actuarial Valuation as of June 30, 2017 report is available at:

<http://www.nmpera.org/assets/uploads/downloads/retirement-fund-valuation-reports/PERA-Valuation-6-30-2017-FINAL.pdf>

For detail about changes in the actuarial assumption, see Appendix B of the report.

SUPPLEMENTARY INFORMATION

MID-REGION COUNCIL OF GOVERNMENTS OF NEW MEXICO
DESCRIPTION OF NON-MAJOR SPECIAL REVENUE FUNDS
June 30, 2017

SPECIAL REVENUE FUNDS

Special revenue funds are used to account for various grants from Federal, State, and Local agencies and other sources which are restricted by the granting agency to use for expenditures for specified purposes. The following is a description of the purpose of the Non-major Special Revenue Funds. Although there is no specific authority establishing these funds, MRCOG tracks state and federal programs in separate funds for internal and external compliance and reporting purposes.

Workforce Grants (No. 20 & 21) – The MRCOG serves as the administrative entity for the Workforce Connection of Central New Mexico (WCCNM). The WCCNM administers the Federal Workforce Investment Opportunity Act (WIOA) program to ensure that quality workforce development services are provided in the Central Local Area, and other grants.

Ortho Digital Photography (No. 29) – Provides for the acquisition of regional digital orthophotography and digital terrain data on a 2-year cycle. The project includes working with Federal, state and local agencies to fully fund the project.

Salt Missions Trail Scenic Byway (No. 32) - COG's mission is to foster economic development on the Salt Missions Trail Scenic Byway. Under the agreement with the NM Dept. of Tourism, the COG is to establish a sustainable Scenic Byways Organization, update the 1998 Corridor Management Plan (CMP) and to implement projects in the new CMP pursuant to Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users. Funding source is 80% FHWA.

Regional Planning Organization (No.33) – Provides for transportation planning efforts in the non-metropolitan areas of the MRCOG district, including technical assistance to local governments for transportation planning, project development, and coordination of transportation improvements.

Local and Regional Studies (No. 50 & 51) – From time to time, MRCOG's government members request MRCOG's assistance in the performance of studies and analysis of transportation issues in the region. These studies are funded by the local agencies requesting assistance.

Metropolitan Transportation Planning (MPO) – Federal Highway Administration (FHWA) (No. 52) – Provides for the conduct of the cooperative, coordinated, comprehensive (3c) transportation system planning process in the Albuquerque

MID-REGION COUNCIL OF GOVERNMENTS OF NEW MEXICO
DESCRIPTION OF NON-MAJOR SPECIAL REVENUE FUNDS
June 30, 2017

Metropolitan Planning Area, with emphasis on improving safety, reducing traffic congestion, improving efficiency in freight movement, and increasing intermodal connectivity. Service and products include maintenance of the Metropolitan Planning Organization (MPO) process, coordination of urban transportation planning activities, and provision of traffic data and forecasts, base socio-economic data and forecasts, special studies, and technical assistance to the member local governments. These funds are authorized by the U.S. Department of Transportation, Public Law 109-59 Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU).

Metropolitan Transportation Planning Organization - Federal Transit Administration (No. 53) - Provides for the conduct of the cooperative, coordinated, comprehensive (3c) transportation system planning process in the Albuquerque Metropolitan Planning Area, with emphasis on the development of cost effective multimodal transportation improvement programs which include the planning, engineering, and designing of Federal Transit projects. These funds are authorized by the U.S. Department of Transportation, Public Law 109-59 Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU).

Metropolitan Transportation Planning Organization (MPO) - Other local funds (No. 55,) - Rio Metro and other local government's participation in MPO and other transportation planning activities.

Regional Travel Demand Survey (No. 56) - Provides inputs to the regional travel demand model for the Albuquerque Metropolitan Planning Area (AMPA). The survey is comprised of a household survey and an on-board travel survey. The surveys are projected to be completed by June 2015.

Communities Leading Health Change (REACH) (No. 62) - The REACH grant focus is healthy living and access to environments that support physical activity for residents living in the metro area. REACH is a CDC grant which is passed through Presbyterian Health Services.

Complete Streets - Bernalillo County (No. 63) - Complete streets provides for the consideration of opportunities to help incorporate the needs of all roadway users.

Transportation Surveillance Program (No. 67) - Provides for the collection and processing of traffic data for routine monitoring of the transportation network and special needs traffic counts. Directional volume data are collected on all major roads in the Albuquerque Metropolitan Planning Area (AMPA).

Travel Time Program (No. 68) - Provides for the acquisition of regional travel time information for the top 30 congested roadways, Interstate 25 and Interstate 40 in the Albuquerque Metropolitan Area (AMPA)

MID-REGION COUNCIL OF GOVERNMENTS OF NEW MEXICO
DESCRIPTION OF NON-MAJOR SPECIAL REVENUE
June 30, 2017

Agribusiness (No. 70) – Provides for technical and planning assistance to entities relating to regional agricultural issues. The funding for the program is collaborative effort between local government and the private sector.

Economic Development Administration (No. 72) – Provides for technical and planning assistance to entities seeking funds from the U.S. Department of Commerce, Economic Development Administration and maintenance of the region's Comprehensive Economic Development Strategy (CEDs).

EDA Innovation Center (No. 74) – Funding provided by the U.S. Department of Commerce, Economic Development Administration, to conduct a strategic planning process to define, identify, and characterize innovation clusters within the region.

Transportation and Logistics Hub Feasibility Study (No. 75) – A multi-agency funded project to analyze the capacity of the Albuquerque Metropolitan Planning Area to serve as a primary transportation and logistics hub, the results of which capacity analysis could increase economic development opportunities and enhance the Area's potential as a major corridor.

Locality Planning Assistance (No. 93) – Provides for technical assistance to member governments in the development of plans and programs including developing or updating ordinances, zoning codes, and long-range strategies.

Veterans Initiative Website Admin (No. 350, 351, 352) – Funding provided by the U.S. Department of Transportation, Federal Transit Administration, to develop an extensive media campaign, to design and produce brochures and other announcements, to distribute informational items among all participating partners and veteran-related organizations throughout the four county area of central New Mexico relating to the regional One-Call/One-Click Center.

Job Access/Reverse Commute (No. 450) – Funding provided by the Federal Transit Administration to develop transportation services to connect welfare recipients and low-income persons to employment and support services.

New Freedom (No. 452 and 453) – Funding provided by the Federal Transit Administration to form new public transportation services and public transportation alternatives beyond those required by the American with Disabilities Act, to assist individuals with disabilities with transportation, including transportation to and from jobs and employment support services.

MID-REGION COUNCIL OF GOVERNMENTS OF NEW MEXICO
DESCRIPTION OF NON-MAJOR SPECIAL REVENUE
June 30, 2017

UNM/CNM Transportation Study (No. 460) – Funding is provided by Federal Transit Administration and the Federal Highway Administration’s Transportation and community and System Preservation program to perform a comprehensive study of transportation issues associated with the UNM and CNM main campuses and surrounding areas.

UNM/CNM Transportation Study - FTA (No. 480) – UNM/CNM Transportation Study (No. 480) Funding is provided by Federal Transit Administration, and is separate funding from FHWA’s TCSP funds, to perform a comprehensive study of transportation issues associated with the UNM and CNM campuses and surrounding areas.

**MID-REGION COUNCIL OF GOVERNMENTS OF NEW MEXICO
COMBINING BALANCE SHEET
ALL NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2017**

	Workforce Grants #20/21	Ortho Digital Photography #29	Salt Mission Trail Scenic Byway #32	Regional Planning Organization #33	Local and State Studies #50/51	Metropolitan Transportation Planning Organization FHWA #52	Metropolitan Transportation Planning Organization FTA #53
ASSETS							
Cash and cash equivalents	\$ -	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-	-
Interfund receivables	-	146,756	1,000	-	23,104	-	-
Related entity receivables	129,717	-	-	-	-	-	-
Grants reimbursements receivable	-	-	-	21,456	-	238,980	84,383
Total assets	\$ 129,717	146,756	1,000	21,456	23,104	238,980	84,383
LIABILITIES							
Accounts payable	\$ -	-	-	-	-	4,176	-
Accrued payroll liabilities	24,675	15	-	4,801	-	33,254	11,738
Interfund payables	105,042	-	-	16,655	-	201,550	72,645
Unearned grant advances	-	146,741	1,000	-	23,104	-	-
Total liabilities	129,717	146,756	1,000	21,456	23,104	238,980	84,383
FUND BALANCES							
Unassigned	-	-	-	-	-	-	-
Total fund balances	-	-	-	-	-	-	-
Total liabilities and fund balances	\$ 129,717	146,756	1,000	21,456	23,104	238,980	84,383

See Notes to Financial Statements.

MID-REGION COUNCIL OF GOVERNMENTS OF NEW MEXICO
 COMBINING BALANCE SHEET (CONTINUED)
 ALL NON-MAJOR GOVERNMENTAL FUNDS
 June 30, 2017

	Metropolitan Transportation Planning Rio Metro 55	Regional Travel Demand Survey 56	Communities Leading Health Change 62	Complete Streets Bernalillo 63	Transportation Surveillance Program 67	Travel Time Program 68	Agribusiness 70	Economic Development Administration 72
ASSETS								
Cash and cash equivalents	\$ -	-	-	-	-	-	-	-
Other receivables	7,096	-	-	-	-	-	-	-
Interfund receivables	-	-	-	39	-	-	73,955	-
Related entity receivables	9,871	-	-	-	-	-	-	-
Grants reimbursements receivable	-	-	22,588	-	82,613	95,259	-	18,231
Total assets	\$ 16,967	-	22,588	39	82,613	95,259	73,955	18,231
LIABILITIES								
Accounts payable	\$ -	-	-	-	-	73,948	-	-
Accrued payroll liabilities	1,895	-	44	39	7,729	843	98	2,285
Interfund payables	15,072	-	22,544	-	74,884	20,468	-	15,586
Unearned grant advances	-	-	-	-	-	-	73,857	360
Total liabilities	16,967	-	22,588	39	82,613	95,259	73,955	18,231
FUND BALANCES								
Unassigned	-	-	-	-	-	-	-	-
Total fund balances	-	-	-	-	-	-	-	-
Total liabilities and fund balances	\$ 16,967	-	22,588	39	82,613	95,259	73,955	18,231

See Notes to Financial Statements.

MID-REGION COUNCIL OF GOVERNMENTS OF NEW MEXICO
 COMBINING BALANCE SHEET (CONTINUED)
 ALL NON-MAJOR GOVERNMENTAL FUNDS
 June 30, 2017

	Transportation Logistics Hub Feasibility Study 75	Locality Planning Assistance 93	Veteran's Initiative Website - Admin #350/351/352	Job Access Reverse Commute #450	New Freedom \$452/453	Transportation Study UNM/ CNM #460	Transportation Study UNM/ CNM/FTA #480	Total
ASSETS								
Cash and cash equivalents	\$ -	-	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-	-	7,096
Interfund receivables	3,378	5,488	-	995	1,278	2,351	-	258,344
Related entity receivables	-	3,388	-	-	-	-	-	142,976
Grants reimbursements receivable	-	-	3,333	-	5	-	47,977	614,825
Total assets	\$ 3,378	8,876	3,333	995	1,283	2,351	47,977	1,023,241
LIABILITIES								
Accounts payable	\$ -	73	-	-	-	-	24,394	102,591
Accrued payroll liabilities	58	8,803	141	995	1,283	2,351	3,078	104,125
Interfund payables	-	-	3,192	-	-	-	20,505	568,143
Unearned grant advances	3,320	-	-	-	-	-	-	248,382
Total liabilities	3,378	8,876	3,333	995	1,283	2,351	47,977	1,023,241
FUND BALANCES								
Unassigned	-	-	-	-	-	-	-	-
Total fund balances	-	-	-	-	-	-	-	-
Total liabilities and fund balances	\$ 3,378	8,876	3,333	995	1,283	2,351	47,977	1,023,241

See Notes to Financial Statements.

MID-REGION COUNCIL OF GOVERNMENTS OF NEW MEXICO
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
ALL NON-MAJOR GOVERNMENTAL FUNDS
Year Ended June 30,2017

	Workforce Grants #20/21	Ortho Digital Photography #29	Salt Mission Trail Scenic Byway #32	Regional Planning Organization #33	Local and State Studies #50/51	Metropolitan Transportation Planning Organization FHWA #52	Metropolitan Transportation Planning Organization FTA #53
REVENUES							
Intergovernmental							
Federal	\$ 981,072	-	-	78,218	-	783,221	178,433
State	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Local	-	99,028	1,214	-	47,298	-	-
Reimbursement of Rio Metro cost	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-
Total revenues	981,072	99,028	1,214	78,218	47,298	783,221	178,433
EXPENDITURES							
Current							
Operating	981,072	1,210	1,214	97,773	-	841,112	203,041
Contractual	-	97,818	-	-	47,298	49,604	20,000
Incurred on behalf of Rio Metro	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	25,975	-
Principal and interest	-	-	-	-	-	-	-
Total expenditures	981,072	99,028	1,214	97,773	47,298	916,691	223,041
OTHER FINANCING SOURCES/USES							
Operating transfers in	-	-	-	19,555	-	133,470	44,608
Operating transfers out	-	-	-	-	-	-	-
	-	-	-	19,555	-	133,470	44,608
Net changes in fund balance	-	-	-	-	-	-	-
Fund balance, beginning of year	-	-	-	-	-	-	-
Fund balance, end of year	\$ -	-	-	-	-	-	-

See Notes to Financial Statements.

MID-REGION COUNCIL OF GOVERNMENTS OF NEW MEXICO
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (CONTINUED)
ALL NON-MAJOR GOVERNMENTAL FUNDS
Year Ended June 30,2017

	Metropolitan Transportation Planning Rio Metro 55	Regional Travel Demand Survey 56	Communities Leading Health Change 62	Complete Streets Bernalillo 63	Transportation Surveillance Program 67	Travel Time Program 68	Agribusiness 70	Economic Development Administration 72
REVENUES								
Intergovernmental								
Federal	\$ -	5,087	50,930	-	340,480	159,937	-	62,694
State	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-
Local	-	-	-	1,621	-	-	23,769	-
Reimbursement of Rio Metro cost	176,753	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-
Total revenues	176,753	5,087	50,930	1,621	340,480	159,937	23,769	62,694
EXPENDITURES								
Current								
Operating	-	-	46,962	-	403,302	968	23,769	104,490
Contractual	-	5,954	10,760	-	-	181,224	-	-
Incurred on behalf of Rio Metro	151,582	-	-	-	-	-	-	-
Capital outlay	20,000	-	-	-	22,298	5,000	-	-
Principal and interest	-	-	-	-	-	-	-	-
Total expenditures	171,582	5,954	57,722	-	425,600	187,192	23,769	104,490
OTHER FINANCING SOURCES/USES								
Operating transfers in	-	867	6,792	-	85,120	27,255	-	41,796
Operating transfers out	(5,171)	-	-	(1,621)	-	-	-	-
	(5,171)	867	6,792	(1,621)	85,120	27,255	-	41,796
Net changes in fund balance	-	-	-	-	-	-	-	-
Fund balance, beginning of year	-	-	-	-	-	-	-	-
Fund balance, end of year	\$ -	-	-	-	-	-	-	-

See Notes to Financial Statements.

MID-REGION COUNCIL OF GOVERNMENTS OF NEW MEXICO
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (CONTINUED)
 ALL NON-MAJOR GOVERNMENTAL FUNDS
 Year Ended June 30,2017

	Transportation Logistics Hub Feasibility Study 75	Locality Planning Assistance 93	Veteran's Initiative Website - Admin #350/351/352	Job Access Reverse Commute #450	New Freedom \$452/453	Transportation Study UNM/ CNM #460	Transportation Study UNM/ CNM/FTA #480	Total
REVENUES								
Intergovernmental								
Federal	\$ -	-	113,010	-	-	-	70,130	2,823,212
State	-	86,143	-	-	-	-	-	86,143
Charges for services	-	-	-	-	-	-	-	-
Local	128,426	7,145	-	-	-	-	-	308,501
Reimbursement of Rio Metro cost	-	-	-	-	-	-	6,734	183,487
Miscellaneous	-	-	-	-	-	-	-	-
Total revenues	128,426	93,288	113,010	-	-	-	76,864	3,401,343
EXPENDITURES								
Current								
Operating	21,736	134,236	65,934	-	-	-	31,654	2,958,473
Contractual	106,690	-	18,350	-	-	-	42,825	580,523
Incurred on behalf of Rio Metro	-	-	-	-	-	-	6,734	158,316
Capital outlay	-	-	53,680	-	-	-	-	126,953
Principal and interest	-	-	-	-	-	-	-	-
Total expenditures	128,426	134,236	137,964	-	-	-	81,213	3,824,265
OTHER FINANCING SOURCES/USES								
Operating transfers in	-	40,948	24,954	-	-	-	4,349	429,714
Operating transfers out	-	-	-	-	-	-	-	(6,792)
	-	40,948	24,954	-	-	-	4,349	422,922
Net changes in fund balance	-	-	-	-	-	-	-	-
Fund balance, beginning of year	-	-	-	-	-	-	-	-
Fund balance, end of year	\$ -	-	-	-	-	-	-	-

See Notes to Financial Statements.

MID-REGION COUNCIL OF GOVERNMENTS OF NEW MEXICO
SCHEDULE OF PLEDGED COLLATERAL
June 30, 2017

Account	Description of Pledged Collateral	Type of Pledged Collateral	CUSIP Number	Sweep Collateral Vault at June 30,2016	Safe keeper
MRCOG Sweep	Repurchase agreement	Shares	36179NVNS	\$ 1,151,795	Wells Fargo
	Accrued Interest	Interest	36179NVNS	<u>3,233</u>	Wells Fargo
	Total Collateral			<u>1,155,028</u>	
	Bank Balance			<u>1,132,380</u>	
	Collateral required at 102%			<u>1,155,028</u>	
	Excess collateral			<u>\$ 0</u>	

Combined Bank Accounts

Name of Depository	Description of Pledged Collateral	Type of Pledged Collateral	Maturity	CUSIP Number	Fair Market Value at 30-Jun-16	Location of Safe keeper
Wells Fargo	FNMA	Bonds	11/1/2026	3138AUC96	\$ 844,416	BNY Mellon
Wells Fargo	FNMA	Bonds	2/1/2043	31417EUE9	80,639	BNY Mellon
					<u>925,055</u>	
	Bank account balances					
	Checking				1,500,000	
	Savings				<u>682,002</u>	
					<u>2,182,002</u>	
	FDIC coverage				<u>(500,000)</u>	
	Uninsured Amount				1,682,002	
	Collateral required at 50%				<u>841,001</u>	
	Excess collateral				<u>\$ 84,054</u>	

MID-REGION COUNCIL OF GOVERNMENTS OF NEW MEXICO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30,2017

<u>Federal Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Grant/ Pass Through Number</u>	<u>Fund #</u>	<u>Passed Through to Subrecipients</u>	<u>Federal Expenditures</u>
U.S. Department of Commerce					
Economic Development Administration:					
Economic Development Support for Planning Organizations	11.302	FED16AUS3020006	72	-	62,694
Total U.S. Department of Commerce Direct				-	62,694
U.S. Department of Health and Human Services					
National Center of Chronic Disease Prevention (CDC)					
Passed through Presbyterian Healthcare Services					
PPHF: Racial and Ethnic Approaches to Community Health Program financed solely by Public Prevention and Health Funds	93.738	5NU58DP005868-02-00	62	-	13,442
	93.738	U58DP005868	62	-	37,488
Total U.S. Department of Health and Human Services				-	50,930
U.S. Department of Transportation					
Federal Transportation Administration (FTA)					
Federal Transit Cluster					
Federal Transit--Capital Investment Grants	20.500	NM-04-0030-00	350/351	-	99,240
Total Federal Transit Cluster				-	99,240
Public Transportation Research, Technical Assistance, and Training					
Training	20.514	NM-26-0004-00	352	-	13,770
Alternatives Analysis	20.522	NM-39-0001-00	480	-	70,130
Total Public Transportation Research, Technical Assistance, and Training				-	83,900
Total U.S. Department of Transportation Direct				-	183,140
U.S. Department of Transportation					
Passed through State of New Mexico Department of Transportation					
Highway Planning and Construction:					
Regional Planning Organization	20.205	M01037	33	-	78,218
Unified Planning Work Program	20.205	M01028	52	-	783,221
Transportation Surveillance Program	20.205	M01028	67	-	340,480
AMPA Wide Travel Survey	20.205	M01028	56	-	5,087
Travel Time Program	20.205	80500-0000100923	68	-	159,937
Total Highway Planning and Construction					1,366,943
Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research	20.505	M01028	53	-	178,433
Total Pass-Through Awards				-	1,545,376
Total Expenditures of Federal Awards				\$ -	\$ 1,842,140

See Notes to Schedule of Expenditures of Federal Awards.

MID-REGION COUNCIL OF GOVERNMENTS OF NEW MEXICO
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2017

1. **Basis of Presentation**
 The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal grant activity of the Mid-Region Council of Governments of New Mexico (MRCOG) under programs of the federal government for the year ended June 30, 2017. The information in this schedule is presented in accordance with the requirement of Title 2 U. S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of MRCOG, it is not intended to and does not present the financial position, changes in net position or cash flows of MRCOG.

2. **Summary of Significant Accounting Policies**
 Expenditures reported on the schedule of expenditures of federal wards are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement

3. **Non-cash Assistance, loans and indirect costs.**
 MRCOG received no non-cash federal assistance for the year, does not have any loans or loan grantees and does not use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

4. **Subrecipients**
 MRCOG did not have any subrecipients for the year ended June 30, 2017.

MRCOG provided services to Workforce Connection of Central New Mexico (WCCNM) in which they were paid with federal dollars. The relationships with this entity is a vendor relationship rather than as a subrecipient. Those dollars received by MRCOG under the related contracts are detailed below:

<u>Name</u>	<u>Amount</u>
WCCNM	\$ 981,072
Total Federal Grants per the schedule	<u>1,842,140</u>
Total Federal grants and contracts revenue per the accompanying financial statements	\$ <u>2,823,212</u>

COMPLIANCE



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**Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in
Accordance with *Governmental Auditing Standards***

Independent Auditor's Report

Mr. Timothy Keller, State Auditor and
To the Board of Directors
Mid-Region Council of Governments of New Mexico
Albuquerque, New Mexico

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons of the general fund, and each major special revenue funds, of the Mid-Region Council of Governments of New Mexico (MRCOG) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the MRCOG's basic financial statements, and have issued our report thereon dated November 20, 2017.

Internal Control Over Financial Reporting

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

Mr. Timothy Keller, State Auditor and
To the Board of Directors
Mid-Region Council of Governments of New Mexico
Albuquerque, New Mexico

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 over that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the MRCOG's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters which are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Ricci & Company LLC

Albuquerque, New Mexico
November 20, 2017



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6200 Uptown Blvd., NE Suite 400
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505 338 0800 office www.riccipa.com

**Report on Independent Auditors on Compliance For
Each Major Federal Program and Report on Internal Control
Over Compliance As Required by Uniform Guidance**

Independent Auditor's Report

Mr. Timothy Keller, State Auditor and
To the Board of Directors
Mid-Region Council of Governments of New Mexico

Report on Compliance for each Major Federal Program

We have audited the Mid-Region Council of Governments of New Mexico's (MRCOG), compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of MRCOG's major federal programs for the year ended June 30, 2017. MRCOG's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, grants, and the terms and conditions of its federal awards, applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of MRCOG's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about MRCOG's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on MRCOG's compliance.

Mr. Timothy Keller, State Auditor and
To the Board of Directors
Mid-Region Council of Governments of New Mexico

Opinion on Each Major Federal Program

In our opinion, MRCOG complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal program for the year ended June 30, 2017.

Report on Internal Control Over Compliance

Management of MRCOG is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered MRCOG's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of MRCOG's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirement of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Ricci & Company LLC

Albuquerque, New Mexico
November 20, 2017

**MID-REGION COUNCIL OF GOVERNMENTS OF NEW MEXICO
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2017**

**2016-001 CHIEF PROCUREMENT OFFICER REPORTING
AND CERTIFICATION (Other Matter)**

Resolved

**MID-REGION COUNCIL OF GOVERNMENTS OF NEW MEXICO
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 Year Ended June 30, 2017**

A. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' reported issued Unmodified

Internal control over financial reporting:

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

Non-compliance material to financial statements noted? Yes No

Major Federal Awards

Internal control over financial reporting:

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

Type of auditor's report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required To be reported in accordance with 2 CFR 200.516(a)? Yes No

Identification of Major Federal Programs:

<u>CFDA Number</u>	<u>Name of Major Federal Program or Cluster</u>
20.205	Highway Planning and Construction

Dollar threshold used to distinguish between type A And type B programs \$ 750,000

Auditee qualified as low-risk auditee? Yes No

MID-REGION COUNCIL OF GOVERNMENTS OF NEW MEXICO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2017

B. FINDINGS – FINANCIAL STATEMENTS

NONE

C. FINDINGS – FEDERAL AWARDS

NONE

MID-REGION COUNCIL OF GOVERNMENTS OF NEW MEXICO
EXIT CONFERENCE
Year Ended June 30, 2017

EXIT CONFERENCE

An exit conference was held on November 17, 2017, to discuss the annual financial report. Attending were the following:

Representing the MRCOG:

Honorable Jack Torres
Dewey Cave
Amy Myer, CPA

Board Chair
Executive Director
Senior Finance Manager

Representing Ricci & Company, LLC:

Larry Carmony
Justin Pink
Esther Alejo

A. PREPARATION OF FINANCIAL STATEMENTS

The financial statements were prepared with the assistance of Ricci & Company, LLC from the books and records of the Mid-Region Council of Governments of New Mexico. The financial statements and related footnotes remain the responsibility of management.