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STATE OF NEW MEXICO
MID-REGION COUNCIL
OF GOVERNMENTS (MRCOG)

FINANCIAL STATEMENTS
AND INDEPENDENT
AUDITOR'S REPORT

JUNE 30, 2018

STATE OF NEW MEXICO
MID-REGION COUNCIL OF GOVERNMENTS (MRCOG)
TABLE OF CONTENTS

INTRODUCTORY SECTION

STATE OF NEW MEXICO
MID-REGION COUNCIL OF GOVERNMENTS (MRCOG)
TABLE OF CONTENTS

REQUIRED SUPPLEMENTARY INFORMATION

SUPPLEMENTARY INFORMATION

COMPLIANCE

INTRODUCTORY SECTION

STATE OF NEW MEXICO
MID-REGION COUNCIL OF GOVERNMENTS (MRCOG)

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June 30, 2018

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FINANCIAL SECTION

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Independent Auditor's Report

Mr. Wayne Johnson, State Auditor and
To the Board of Directors
Mid-Region Council of Governments

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 funds of the State of New Mexico, Mid-Region Council of Governments (MRCOG), as of and for the year ended June 30, 2018, and the related notes to the financial statements which collectively comprise 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 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. Wayne Johnson, State Auditor and
To the Board of Directors
Mid-Region Council of Governments

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, the aggregate remaining fund information, and the budgetary comparisons for the general fund and major special revenue funds of MRCOG as of June 30, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis schedule of MRCOG's proportionate share of the net pension liability, and schedule of MRCOG's contributions, schedule of MRCOG's Proportionate Share of the Net OPEB Liability, schedule of MRCOG's Contributions, and Schedule of MRCOG's OPEB Liability and Related Ratios – Life Insurance OPEB, 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. Wayne Johnson, State Auditor and
To the Board of Directors
Mid-Region Council of Governments

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 is 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 28, 2018, on our consideration of 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 28, 2018

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.

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 (FDA). 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.

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 form 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 reported 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.

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 (20) 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, Rio Metro Operations, Workforce Grants, and Digital Ortho Photography, all of which are considered to be major funds. Data from the other twenty-two (16) 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 and other major funds 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.

Over the past twenty-six years the number of funds (projects) administered by the MRCOG has increased from twelve (12) during fiscal year 1992 to twenty-four (20) during fiscal year 2018. Total expenditures over the same period, including capital projects, have increased from \$1.3 million during the fiscal year ending June 30, 1992 to \$11.4 million during the fiscal year ending June 30, 2018. Over sixty-four percent (64%) of current year expenditures relate to Rio Metro operations.

The MRCOG's net position decreased by \$806,964 compared to the prior year, from a restated net position of \$(11,823,502) as of June 30, 2017 to \$(12,630,466) as of June 30, 2018. The decrease in net position was principally a result of the increase in pension and other post employee benefits (OPEB) expense. The MRCOG implemented GASB No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB 75) during the year ended June 30, 2018. With the implementation of GASB 75, the MRCOG allocated its proportional share of the New Mexico Retiree Healthcare Authorities net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense. The MRCOG also recorded OPEB liability, deferred inflows/outflows of resources for the life insurance benefit MRCOG provides to its employees. In accordance with the provisions of GASB 75, net position of as July 1, 2017 was restated to record the effects of the new standard and decreased beginning net position by \$8,134,209.

Compared to the prior year ending June 30, 2016, the MRCOG's Total Governmental Funds expenditures increased from \$11.039 million (FY17) to \$11.436 million (FY18), a change of approximately \$397 thousand. Approximately \$250 thousand 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 \$150 thousand increase is attributed partly to the increase of Digital Ortho Photography due to the addition LiDAR to the project in fiscal year 2018.

BASIC FINANCIAL STATEMENTS -
GOVERNMENT-WIDE FINANCIAL STATEMENTS

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 6/30/18	Governmental Activities 6/30/17
Current assets	$	3,838,459	4,604,389
Capital assets, net of accumulated depreciation		3,492,399	3,702,302
Total assets		7,330,858	8,306,691
Deferred outflow of resources		2,053,364	3,258,508
Total current liabilities		2,258,534	3,420,119
Total long-term debt		17,700,395	11,736,878
Total liabilities		19,958,929	15,156,997
Deferred inflows of resources		2,055,759	97,495
Net position(deficit)			
Net investment in capital assets		1,741,268	1,816,192
Unrestricted		(14,371,734)	(5,505,485)
Net position(deficit)	$	(12,630,466)	(3,689,293)

Changes in Net Position: The MRCOG's change in net position for fiscal year 2018 was a decrease of $806,964. The table below reflects the changes in net position.

Table A-2
MRCOG's Net Position

		Governmental Activities 6/30/18	Governmental Activities 6/30/17
Expenses	$	(12,639,730)	(11,813,357)
Charges for services		8,306,532	7,804,082
Operating grants		3,524,895	3,401,343
		(808,303)	(607,932)
General revenues (expense) – total		1,339	1,350
Change in net position		(806,964)	(606,582)
Net position(deficit) – beginning of year		(3,689,293)	(3,082,711)
Restatement for GASB 75 Implementation		(8,134,209)	-
Restated net position(deficit), beginning of year		(11,823,502)	(3,082,711)
Net position(deficit), end of year	$	(12,630,466)	(3,689,293)

GOVERNMENTAL FUND FINANCIAL STATEMENTS

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 6/30/18	Governmental Activities 6/30/17
Revenues:			
Federal	$	2,937,308	2,823,212
State		84,714	86,143
Charges for Service		37,242	31,464
Local		924,022	846,611
Miscellaneous		147,648	69,871
Indirect allocation in excess of overhead		327,082	130,771
Reimbursement of Rio Metro costs		7,373,411	7,217,353
Interest		1,339	1,350
Total revenues		11,832,766	11,206,775
Expenditures:			
Operations		3,337,759	2,958,473
Contractual		507,045	594,023
Expenses reimbursed by Rio Metro		7,355,196	7,192,182
Capital outlay		89,394	147,621
Debt Service		146,837	146,837
Total expenditures		11,436,231	11,039,136
Excess (deficiency of revenues over expenditures		396,535	167,639
Other financing sources (uses), net		-	-
Net change in fund balance		396,535	167,639
Beginning fund balances		1,319,249	1,151,610
Ending fund balances	$	1,7,15,784	1,319,249

The MRCOG's total expenditures of government-type activities during the fiscal year 2018 were $11,436,231. The increase of $397,095 is primarily due to increase in salaries for Rio Metro bus drivers, addition of staff for TechHire program and Orthophotography project.

Analysis of Major Funds

General Fund (Fund 010): Revenues in the General Fund increased approximately $335,000 from FY17 to FY18. Expenditures increased approximately $107,000 from FY17 to FY18. The change in revenues and expenditures was caused by actual indirect costs incurred being less than indirect costs allocated in FY18. 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. The increase in expenditures is primarily due to the increase in capital outlay and operating costs in FY18 over FY17.

Rio Metro Operations: Rio Metro Operations reported by MRCOG are those costs incurred by MRCOG, primarily payroll, and reimbursed by Rio Metro. In FY18, Rio Metro Operations expenditures totaled over $7.287 million, an increase of approximately $253 thousand from FY18. 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.

Workforce Grants: Workforce grants reported by MRCOG are those costs incurred by MRCOG, primarily payroll, and reimbursed by Workforce Connections of Central New Mexico. In FY18, Workforce Grants expenditures totaled over $1.1 million, an increase of approximately $131 thousand from FY18. This increase is primarily due of the addition of staff to the TechHire program. In prior year, the program was not fully staffed.

Digital Orthophotography: The Orthophotography project provides for the acquisition of regional digital orthophotography and digital terrain data on a 2-year cycle. Every other year, a fly over of the region is conducted in which the terrain is photographed for the project. The increase of $171 thousand is due to 2018 being the fiscal year in which the fly-over was conducted, thus incurring most costs of the 2-year project in 2018. In addition, LiDAR was added to the project in fiscal year 2018, which added to the cost of the project.

Budgetary highlights

- General Fund: The favorable budget variance is about 35% of the budget. Most of the variance is due to $100,000 of overhead in excess of indirect costs not being utilized. Indirect allocations exceeded actual overhead costs this year, causing this budget variance. This is due to the recouping of depreciation costs in the allocations as well of the effects of the allocation plan being fixed with carry over. The ITS lease related to shared building maintenance costs NMDOT pays MRCOG. The $45 thousand budget is to cover unplanned maintenance and repairs costs as well as utilities and other routine costs. There were no significant unplanned costs, therefore leaving a budget variance of approximately $26 thousand. Most of the remaining variance is attributed to the capital budget not being fully utilized.

- Rio Metro Operations: Rio Metro's favorable budget variance is about 3% of the budget and is not a substantial difference.
- Workforce grants: Workforce's favorable budget variance is about 22% of the budget. The variance is caused mainly by the TechHire grant. Not all budgeted employee positions were filled during the year, causing the budget variance of approximately $316 thousand.
- Digital Orthophotography: Orthophotography's favorable budget variance is about 23% of the budget. The variance is caused mainly by the timing of the contractors work on the project. Although the entire project budget is provided for in FY18, much of the contractor's work was not completed until fiscal year 2019, leaving a budget variance of approximately $80 thousand.

Fund Balance

The MRCOG's governmental funds reported combined fund balances of $1,715,784. This is $396,535 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 $1.716 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 $3,492,399. The capital assets consist mainly of office equipment, vehicles, and a building. Depreciation expense of $319,297 was recorded in the current year. Additions of $109,394 were purchased during the year ended June 30, 2018, consisting mainly of equipment.

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 $134,979 from FY17 to FY18. As of June 30, 2018, the MRCOG had total long-term debt in the amount of $1,751,131.

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 2019 budget is substantially the same as 2018 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.

STATE OF NEW MEXICO
MID-REGION COUNCIL OF GOVERNMENTS
STATEMENT OF NET POSITION - GOVERNMENTAL ACTIVITIES
GOVERNMENT-WIDE
June 30, 2018

		Governmental Activities
ASSETS		
Current		
Cash and cash equivalents	$	2,221,524
Other receivables		14,412
Grant reimbursements receivable		528,635
Related entity receivables		1,033,596
Prepaid expenses		40,292
Total current assets		3,838,459
Noncurrent		
Capital assets not being depreciated		683,800
Capital assets, net of accumulated depreciation		2,808,599
Total noncurrent assets		3,492,399
Total assets	$	7,330,858
DEFERRED OUTFLOW OF RESOURCES		
Deferred outflow of resources related to pensions	$	1,918,518
Deferred outflow of resources related to OPEB		134,846
	$	2,053,364
LIABILITIES		
Current		
Accounts payable	$	1,237,375
Accrued payroll liabilities		2,372
Accrued compensated absences		407,121
Unearned grant advances		475,807
Current portion of capital lease payable		135,859
Total current liabilities		2,258,534
Noncurrent		
Accrued compensated absences		175,189
Net pension liability		8,975,521
Net OPEB liability		6,934,413
Capital lease payable, net of current portion		1,615,272
Total noncurrent liabilities		17,700,395
Total liabilities	$	19,958,929
DEFERRED INFLOWS OF RESOUCES		
Deferred inflows of resources related to pensions	$	552,450
Deferred inflows of resources related to OPEB		1,503,309
	$	2,055,759
NET POSITION(DEFICIT)		
Net investment in capital assets	$	1,741,268
Unrestricted (Deficit)		(14,371,734)
Total net position(deficit)	$	(12,630,466)

See Notes to Financial Statements.

STATE OF NEW MEXICO
MID-REGION COUNCIL OF GOVERNMENTS
STATEMENT OF ACTIVITIES - GOVERNMENTAL ACTIVITIES GOVERNMENT-WIDE
Year Ending June 30, 2018

Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Net Revenue and Changes in Net Position for Government Activities
Governmental Activities:				
General activities	$ 1,491,194	$ 1,105,091	$ -	$ (386,103)
Reimbursement of Rio Metro costs	7,287,151	7,201,441	85,710	-
Transportation planning	2,330,049	-	2,025,315	(304,734)
Economic development	153,497	-	102,806	(50,691)
Employment development	1,111,623	-	1,111,623	-
Other planning programs	266,216	-	199,441	(66,775)
Total governmental activities	$ 12,639,730	$ 8,306,532	$ 3,524,895	(808,303)
Interest				1,339
Change in net position				(806,964)
Net position(deficit), beginning of year, as originally reported				(3,689,293)
Restatement related to GASBS 75 implementation				(8,134,209)
Net position(deficit), beginning of year, as restated				(11,823,502)
Net position(deficit), end of year				$ (12,630,466)

See Notes to Financial Statements.

STATE OF NEW MEXICO
MID-REGION COUNCIL OF GOVERNMENTS BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2018

	Major				Other	
		Special Revenue			Non-major	Total
	General	Rio Metro Operations	Workforce Grants	Digital Ortho Photography	Governmental Funds	Governmental Funds
ASSETS						
Cash and cash equivalents	$ 2,221,524	-	-	-	-	2,221,524
Other receivables	14,372	-	-	-	40	14,412
Grants reimbursements receivables	-	-	-	50,000	478,635	528,635
Interfund receivables	704,048	-	-	319,940	105,449	1,129,437
Related entity receivables	-	849,538	125,871	-	58,187	1,033,596
Prepaid expenses	40,292	-	-	-	-	40,292
Total assets	$ 2,980,236	$ 849,538	125,871	$ 369,940	$ 642,311	$ 4,967,896
LIABILITIES						
Accounts payable	$ 1,186,087	$ -	656	$ 3,903	$ 46,729	$ 1,237,375
Accrued payroll liabilities	77,637	219,540	27,628	15	84,673	409,493
Interfund payable	-	629,998	97,587	-	401,852	1,129,437
Unearned grant advances	728	-	-	366,022	109,057	475,807
Total liabilities	1,264,452	849,538	125,871	369,940	642,311	3,252,112
FUND BALANCES						
Committed	500,000	-	-	-	-	500,000
Unassigned	1,215,784	-	-	-	-	1,215,784
Total fund balances	1,715,784	-	-	-	-	1,715,784
Total liabilities and fund balances	$ 2,980,236	$ 849,538	125,871	$ 369,940	$ 642,311	$ 4,967,896

RECONCILIATION

Total fund balances - governmental funds	$ 1,715,784
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	3,492,399
Deferred outflow of resources related to pensions	1,918,518
Deferred outflow of resources related to OPEB - NMRHCA	124,560
Deferred outflow of resources related to OPEB - Life Insurance	10,286
Deferred inflow of resources related to pensions	(552,450)
Deferred inflow of resources related to OPEB - NMRHCA	(1,432,880)
Deferred inflow of resources related to OPEB - Life Insurance	(70,429)
Capital lease payable, long-term debt	(1,751,131)
Net pension liability, long-term liabilities	(8,975,521)
Net OPEB liability, long-term liabilities - NMRHCA	(6,295,672)
Net OPEB liability, long-term liabilities - Life Insurance	(638,741)
Compensated absences, long-term liabilities	(175,189)
Net position(deficit) of governmental activities	$ (12,630,466)

See Notes to Financial Statements.

STATE OF NEW MEXICO
MID-REGION COUNCIL OF GOVERNMENTS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS
Year Ended June 30, 2018

	Major funds				Other	
		Special Revenue			Non-major	Total
	General	Rio Metro Operations	Workforce Grants	Digital Ortho Photography	Governmental Funds	Governmental Funds
REVENUES						
Intergovernmental						
Federal grants and contracts	$ -	$ 85,710	$ 1,111,623	$ -	$ 1,739,975	$ 2,937,308
State of New Mexico grants	-	-	-	-	84,714	84,714
Charges for services	37,242	-	-	-	-	37,242
Local	593,119	-	-	269,720	61,183	924,022
Miscellaneous	147,648	-	-	-	-	147,648
Indirect allocation in excess of overhead	327,082	-	-	-	-	327,082
Reimbursement of Rio Metro cost	-	7,201,441	-	-	171,970	7,373,411
Interest	1,339	-	-	-	-	1,339
Total revenues	1,106,430	7,287,151	1,111,623	269,720	2,057,842	11,832,766
EXPENDITURES						
Current						
Operating	74,387	85,710	1,111,623	2,297	2,043,742	3,317,759
Contractual	16,500	-	-	247,423	243,122	507,045
Expenditures reimbursed by Rio Metro	-	7,201,441	-	-	153,755	7,355,196
Capital outlay	49,971	-	-	20,000	39,423	109,394
Debt service						
Principal and interest	146,837	-	-	-	-	146,837
Total expenditures	287,695	7,287,151	1,111,623	269,720	2,480,042	11,436,231
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	818,735	-	-	-	(422,200)	396,535
OTHER FINANCING SOURCES/USES						
Operating transfers in	-	-	-	-	426,371	426,371
Operating transfers out	(422,200)	-	-	-	(4,171)	(426,371)
	(422,200)	-	-	-	422,200	-
Net changes in fund balance	396,535	-	-	-	-	396,535
Fund balance, beginning of year	1,319,249	-	-	-	-	1,319,249
Fund balance, end of year	$ 1,715,784	$ -	$ -	$ -	$ -	$ 1,715,784

RECONCILIATION

Change in fund balances	$ 396,535
Amount reported for government activities in the statement of activities are different because:	
Increase in pension expense	(1,116,698)
Principal portion of capital lease payable	134,979
Deprecation expensed in the statement of activities	(319,297)
Capital assets additions used in governmental activities are not financial resources and, therefore, are not reported	109,394
Change in accrued vacation and sick liabilities	(11,877)
Change in net position(deficit) of governmental activities	$ (806,964)

See Notes to Financial Statements.

STATE OF NEW MEXICO
MID-REGION COUNCIL OF GOVERNMENTS
STATEMENT OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL GENERAL FUND
Year Ended June 30, 2018

	Original Budget	Final Budget	Current Year Actual	Variance Favorable (Unfavorable)
REVENUES				
Intergovernmental				
ITS lease	$ 45,000	$ 45,000	$ 37,242	$ (7,758)
Local	565,906	565,906	593,119	27,213
Interest and other	-	-	476,069	476,069
Total revenues	610,906	610,906	1,106,430	495,524
EXPENDITURES				
Current				
Operating	62,000	62,000	55,865	6,135
Contractual	18,000	18,000	16,500	1,500
Overhead in excess of indirect cost allocation	100,000	100,000	-	100,000
ITS lease	45,000	45,000	18,522	26,478
Capital outlay/debt service	215,875	215,875	196,808	19,067
Total expenditures	440,875	440,875	287,695	153,180
Operating transfers out	(527,451)	(527,451)	(422,200)	105,251
Net change in fund balance	(357,420)	(357,420)	396,535	753,955
Fund balance required to balance budget	357,420	357,420	-	-
Fund balance	$ -	$ -	$ 396,535	$ 753,955

See Notes to Financial Statements.

STATE OF NEW MEXICO
MID-REGION COUNCIL OF GOVERNMENTS
STATEMENT OF REVENUES, EXPENDITURES - BUDGET AND ACTUAL MAJOR FUND - RIO METRO OPERATIONS
Year Ended June 30, 2018

	Original Budget	Final Budget	Current Year Actual	Variance Favorable (Unfavorable)
REVENUES				
Intergovernmental				
Federal revenue	$ -	$ -	$ 85,710	$ 85,710
Reimbursement of Rio Metro costs	7,500,000	7,500,000	7,201,441	(298,559)
Total revenues	7,500,000	7,500,000	7,287,151	(212,849)
EXPENDITURES				
Current				
Incurred on behalf of Rio Metro	7,500,000	7,500,000	7,287,151	212,849
Total expenditures	7,500,000	7,500,000	7,287,151	212,849
Changes in fund balance	$ -	$ -	$ -	$ -

See Notes to Financial Statements.

STATE OF NEW MEXICO
MID-REGION COUNCIL OF GOVERNMENTS
STATEMENT OF REVENUES, EXPENDITURES - BUDGET AND ACTUAL MAJOR FUND - WORKFORCE GRANTS
Year Ended June 30, 2018

	Original Budget	Final Budget	Current Year Actual	Variance Favorable (Unfavorable)
REVENUES				
Intergovernmental				
Federal revenue	$ 1,428,000	$ 1,428,000	$ 1,111,623	$ (316,377)
	-	-	-	-
Total revenues	1,428,000	1,428,000	1,111,623	(316,377)
EXPENDITURES				
Current				
Operating	1,428,000	1,428,000	1,111,623	316,377
	-	-	-	-
Total expenditures	1,428,000	1,428,000	1,111,623	316,377
Changes in fund balance	$ -	$ -	$ -	$ -

See Notes to Financial Statements.

STATE OF NEW MEXICO
MID-REGION COUNCIL OF GOVERNMENTS
STATEMENT OF REVENUES, EXPENDITURES - BUDGET AND ACTUAL
MAJOR FUND - DIGITAL ORTHO PHOTOGRAPHY
Year Ended June 30, 2018

	Original Budget	Final Budget	Current Year Actual	Variance Favorable (Unfavorable)
REVENUES				
Local	$ 350,000	$ 350,000	$ 269,720	$ (80,280)
	-	-	-	-
Total revenues	350,000	350,000	269,720	(80,280)
EXPENDITURES				
Current				
Operating	2,297	2,297	2,297	-
Contractual	327,703	327,703	247,423	80,280
Capital outlay	20,000	20,000	20,000	-
Total expenditures	350,000	350,000	269,720	80,280
Changes in fund balance	$ -	$ -	$ -	$ -

See Notes to Financial Statements.

NOTES TO FINANCIAL STATEMENTS

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.

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.

Rio Metro Operations - (Program No. 49, 89, 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.

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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.

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 unearned grant advances 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, fixtures and machinery	3-10 years
Building and improvement	40 years

MRCOG did not own any infrastructure assets as of June 30, 2018.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 unearned grant advances 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.

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, 2018.

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 maintained for the protection to the local member governments, including potential claims against the MRCOG due to financial reductions.
>
> *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.

Postemployment Benefits Other Than Pensions (OPEB). For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the New Mexico Retiree Health Care Authority (NMRHCA) and additions to and deductions from NMRHCA's fiduciary net position have been determined on the same basis as they are reported by

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

NMRHCA. For this purpose, NMRHCA recognizes benefit payments 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 28, 2018, 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.

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, 2018, the amount of the MRCOG's bank balance of $2,638,259 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	$ 676,064
Uninsured and collateral held by pledging bank's trust department not in MRCOG's name	1,462,195
Insured	500,000
Total	$ 2,638,259

NOTE 2. DEPOSIT AND INVESTMENT ACCOUNTS (CONTINUED)

Following are the descriptions of the cash and repurchase agreements as of June 30, 2018:

	Book Balance	Bank Balance
Repurchase agreement sweep account	$ 455,233	$ 455,233
Checking account	1,083,265	1,500,000
Business savings account	683,026	683,026
	$ 2,221,524	2,638,259
Outstanding checks		(416,735)
Per financial statements		$ 2,221,524

NOTE 3. INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS

Interfund accounts were as follows at June 30, 2018:

	Due To	Due From
Due to General fund from major and nonmajor funds	$ -	$ 704,048
Due from Rio Metro operations	629,998	-
Due to Ortho Photography from fund	-	319,940
Due from Workforce Grants to general fund	97,587	-
Due to nonmajor funds from general fund	-	105,449
Due from nonmajor funds to general fund	401,852	-
	$ 1,129,437	$ 1,129,437

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, 2018 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 2018, $422,200 was transferred from the general fund to the non-major special revenue funds. In addition, $4,171 was transferred from the Metropolitan Transportation Planning Rio Metro Fund to the Communities Leading Health Care Fund.

NOTE 4. CAPITAL ASSETS

Governmental Fund capital asset activity for the year ending June 30, 2018 is as follows:

	Balance, June 30, 2017	Additions	Deletions	Transfers	Balance, June 30, 2018
Nondepreciable					
Land	$ **683,800**	**-**	**-**	**-**	**683,800**
Depreciable					
Building and improvements	**2,792,822**	**-**	**-**	**-**	**2,792,822**
Furniture, fixtures and machinery	**2,423,328**	**109,394**	**(109,184)**	**-**	**2,423,538**
Total assets	**5,899,950**	**109,394**	**(109,184)**	**-**	**5,900,160**
Accumulated depreciation					
Building	**(810,744)**	**(69,821)**	**-**	**-**	**(880,565)**
Furniture, fixtures and machinery	**(1,386,904)**	**(249,476)**	**109,184**	**-**	**(1,527,196)**
Total accumulated depreciation	**(2,197,648)**	**(319,297)**	**109,184**	**-**	**(2,407,761)**
Total capital assets, net	$ **3,702,302**	**(209,903)**	**-**	**-**	**3,492,399**

Furniture, fixtures and machinery have been provided from grants accounted for in Special Revenue Funds in the amount of $2,423,538 including on hand at June 30, 2018, $8,882 in surplus (idle) equipment that is fully depreciated and included in the capital assets.

Depreciation expense for the year ended June 30, 2018 was $319,297. It was charged to the general activities function in the Statement of Activities.

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

NOTE 5. ACCRUED VACATION AND SICK LEAVE (CONTINUED)

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, 2018, 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.

The accumulated leave for the year ended June 30, 2018, has been recorded as a liability in the Government-Wide Statement of Net Position as current portion due $407,121 and long-term portion due $175,189. Typically, General funds are used to liquidate this liability, which totaled $175,189 at June 30, 2018. Funds accumulated from grantor reimbursements are used to liquidate the funded portion of the liabilities, which total $582,311 at June 30, 2018. Detail of accumulated leave for the year is as follows:

Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
$ 544,551	$ 389,146	$ (351,38)	$ 582,311	$ 407,121

NOTE 6. CHANGES IN LONG-TERM DEBTs

A summary of long-term debt and changes in long-term debt for the year ended June 30, 2018 is as follows:

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

Schedule of Capital Lease Payable:

Year Ending June 30	Principal	Interest
2019	135,859	10,978
2020	136,744	10,092
2021	137,636	9,201
2022	138,533	8,304
2023	139,436	7,400
2024-2028	710,936	23,247
2029-2031	351,987	2,868
	1,751,131	72,090
Less current portion	(135,859)	
Long-term portion of debt	$ 1,615,272	

	June 30, 2017	Reductions	Additions	June 30, 2018	Amounts Due Within One Year
Capital lease	$ 1,886,110	$ (134,979)	$ -	1,751,131	$135,859

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	$ 7,287,151
Incurred on behalf of Rio Metro	
Operating Expenses	7,287,151

NOTE 8. PERA PENSION PLAN

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

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

TIER II

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

NOTE 8. PERA PENSION PLAN (CONTINUED)

.05%. The computation of final average salary increased as the average of salary for 60 consecutive months.

Contributions. The contribution requirements of defined benefit plan members and the Mid-Region Council of Governments of New Mexico 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 FY18 for the various PERA coverage options, for both Tier I and Tier II, see the tables available at http://www.nmpera.org/for-employers/plan-information. The PERA coverage option that applies to MRCOG is the Municipal General Division. Statutorily required contributions to the pension plan from MRCOG were $594,774 for the year ended June 30, 2018 and there was $614,081 in employer paid members benefits that were “picked up” by the employer for the year ended June 30, 2018.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2018, MRCOG reported a liability of $8,975,521 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2017 using generally accepted actuarial principles. Therefore, the employer’s portion was established as of the measurement date of June 30, 2017. There were no significant events or changes in benefit provision that required an adjustment to the roll-forward liabilities as of June 30, 2017. MRCOG’s proportion of the net pension liability was based on a projection of 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, 2017, MRCOG’s proportion was 0.6532 %, which was an increase of 0.0384% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, MRCOG recognized pension expense of $1,542,805 At June 30, 2018, MRCOG reported PERA Fund Division Municipal General deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 352,677	(459,700)
Changes of assumptions	413,905	(92,750)
Net difference between projected and actual earnings on pension plan investments	736,387	-

NOTE 8. PERA PENSION PLAN (CONTINUED)

Changes in proportion and differences between MRCOG Contributions and proportionate share of contributions	(179,225)	-
Employer contributions subsequent to the measurement date	594,774	-
	$ 1,918,518	(552,450)

$594,774 reported as deferred outflows of resources related to pensions resulting from MRCOG's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2018	$ 714,258
2019	1,248,658
2020	(865,996)
2021	(325,626)
2022	-
	$ 771,294

Actuarial assumptions. The total pension liability in the June 30, 2017 actuarial valuation was determined using the following significant actuarial assumptions, applied to all periods included in the measurement:

Actuarial valuation date	June 30, 2016
Actuarial cost method	Entry age normal
Amortization method	Level percentage of pay
Amortization period	Solved for based on statutory rates
Asset Valuation Method	4 year smoothed Market Value
Actuarial assumptions:	
Investment rate of return	7.51% annual rate, net of investment experience
Projected benefit payment	100 years
Payroll growth	2.75% for the first 9 years, then 3.25% annual rate
Projected salary increases	2.75% to 14.00% annual rate, Includes inflation at 2.25% annual rate for the first 9 years, then 2.75% all other years
Mortality assumption	RP-2000 Mortality Tables (Combined table for healthy post-retirement, Employee table for active members, and Disabled table for disabled retirees before retirement age) with projection to 2018 using Scale AA.

NOTE 8. PERA PENSION PLAN (CONTINUED)

Experience study dates	July 1, 2008 to June 30, 2013 (demographic) and July 1, 2010 through June 30, 2016 (economic)

The total pension liability, net pension liability, and certain sensitivity information are based on an actuarial valuation performed as of June 30, 2017. The total pension liability was rolled-forward from the valuation date to the plan year ended June 30, 2018. These assumptions were adopted by the Board use in the June 30, 2017 actuarial valuation.

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

Asset Class	Long-Term Target Allocation	Expected Real Rate of Return
Global equity	43.50%	7.39%
Risk reduction & mitigation	21.50%	1.79%
Credit oriented fixed income	15.00%	5.77%
Real assets	20.00%	7.35%
Total	100.00%	

Discount rate: A single discount rate of 7.51% was used to measure the total pension liability as of June 30, 2017. This single discount rate was based on a long-term expected rate of return on pension plan investments of 7.51%, 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 MRCOG's proportionate share of the net pension liability to changes in the discount rate. The following presents MRCOG's proportionate share of the net pension liability calculated using the discount rate of 7.51%, as well as what 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 (6.51%) or 1-percentage-point higher (8.51%) than the current rate:

NOTE 8. PERA PENSION PLAN (CONTINUED)

	1% Decrease (6.51%)	Current Discount Rate (7.51%)	1% Increase (8.51%)
Proportionate share of the net pension liability	$ 14,067,605	8,975,521	4,740,745

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in separately issued PERA'S financial reports.

Payables to the pension plan. MRCOG had no amounts payable to PERA at June 30, 2018.

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, 2018:

Insurer and Policy Type	Term	Coverage
New Mexico Mutual (worker's compensation)	2/12/18 – 2/12/19	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	9/29/17 – 9/29/18	$1,000,000 each occurrence, No general aggregate limit
Scottsdale Insurance Co. General liability	9/29/17 – 9/29/18	$1,000,000/each occurrence, $1,000,000 aggregate
Allianz Global Corporate & Specialty Property	7/1/18—7/1/19	$833,857 EDP Equipment & Software $424,154 Business Personal Property, other limitations apply

NOTE 10. INSURANCE COVERAGE (CONTINUED)

National Union Fire Insurance Co.	7/1/18 -7/1/19	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

NOTE 11. POST-EMPLOYMENT BENEFITS

MRCOG provides healthcare OPEB through the New Mexico Retiree Healthcare Authority (NMRHCA) and also provides continuation of life insurance coverage OPEB to its retiring employees. Each plan is described and disclosed below:

> ***Plan description for NMRHCA***. Employees of MRCOG are provided with OPEB through the Retiree Health Care Fund (the Fund)—a cost-sharing multiple-employer defined benefit OPEB plan administered by the New Mexico Retiree Health Care Authority (NMRHCA). NMRHCA was formed February 13, 1990, under the New Mexico Retiree Health Care Act (the Act) of New Mexico Statutes Annotated, as amended (NMSA 1978), to administer the Fund under Section 10-7C-1-19 NMSA 1978. The Fund was created to provide comprehensive group health insurance coverage for individuals (and their spouses, dependents and surviving spouses) who have retired or will retire from public service in New Mexico. NMRHCA is an independent agency of the State of New Mexico. The funds administered by NMRHCA are considered part of the State of New Mexico financial reporting entity and are OPEB trust funds of the State of New Mexico. NMRHCA's financial information is included with the financial presentation of the State of New Mexico.
>
> ***Benefits provided***. The Fund is a multiple employer cost sharing defined benefit healthcare plan that provides eligible retirees (including terminated employees who have accumulated benefits but are not yet receiving them), their spouses, dependents and surviving spouses and dependents with health insurance and prescription drug benefits consisting of a plan, or optional plans of benefits, that can be contributions to the Fund and by co-payments or out-of-pocket payments of eligible retirees.

NOTE 11. POST-EMPLOYMENT BENEFITS (CONTINUED)

Employees covered by benefit terms – At June 30, 2017, the Fund's measurement date, the following employees were covered by the benefit terms:

Plan membership	
Current retirees and surviving spouses	51,208
Inactive and eligible for deferred benefit	11,478
Current active members	97,349
	160,035

Active membership	
State general	19,593
State police and corrections	1,886
Municipal general	21,004
Municipal police	3,820
Municipal FTRE	2,290
Educational Retirement Board	48,756
	97,349

Contributions – Employer and employee contributions to the Fund total 3% for non-enhanced retirement plans and 3.75% of enhanced retirement plans of each participating employee's salary as required by Section 10-7C-15 NMSA 1978. The contributions are established by statute and are not based on an actuarial calculation. All employer and employee contributions are non-refundable under any circumstance, including termination of the employer's participation in the Fund. Contributions to the Fund from MRCOG were $124,560 for the year ended June 30, 2018.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB. During fiscal years 2017 and 2018, the MRCOG was not reported as a separate employer agency under NMRHCA, but was reported under the City of Albuquerque. The City of Albuquerque provided the MRCOG their proportionate share information.

At June 30, 2018, MRCOG reported a liability of $6,295,672 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. MRCOG's proportion of the net OPEB liability was based on actual contributions provided to the Fund for the year ending June 30, 2017. At June 30, 2017, the MRCOG's proportion was .1389 percent, which is 1.95 percent of the City of Albuquerque's proportion of 7.1244.

NOTE 11. POST-EMPLOYMENT BENEFITS (CONTINUED)

For the year ended June 30, 2018, the MRCOG recognized OPEB expense of $250,296. At June 30, 2018 MRCOG reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	(241,594)
Changes in assumptions	-	(1,100,718)
Net difference between projected and actual earnings on OPEB plan investments	-	(90,568)
MRCOG contributions subsequent to the measurement date	124,560	-
	$ 124,560	(1,432,880)

Deferred outflows of resources totaling $124,560 represent MRCOG contributions to the Fund made subsequent to the measurement date and will be recognized as a reduction of net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

Year ended June 30:

2019	$ (304,640)
2020	(304,640)
2021	(304,640)
2022	(304,640)
2023	(214,320)
	$ (1,432,880)

Actuarial assumptions. The total OPEB liability was determined by an actuarial valuation using the following actuarial assumptions:

Valuation Date	June 30, 2017
Actuarial cost method	Entry age normal, level percent of pay, calculated on individual employee basis
Asset valuation method	Market value of assets
Actuarial assumptions:	
Inflation	2.50% for ERB; 2.25% for PERA
Projected payroll increases	3.50%
Investment rate of return	7.25%, net of OPEB plan investment expense and margin for adverse deviation including inflation
Health care cost trend rate	8% graded down to 4.5% over 14 years for Non-Medicare medical plan costs and 7.5% graded down to 4.5% over 12 for Medicare medical plan costs

NOTE 11. POST-EMPLOYMENT BENEFITS (CONTINUED)

Rate of Return. The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which the expected future real rates of return (net of investment fees and inflation) are developed for each major asset class. These returns 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, adding expected inflation and subtracting expected investment expenses and a risk margin. The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before investment expenses, used in the derivation of the long-term expected investment rate of return assumptions.

The best estimates for the long-term expected rate of return is summarized as follows:

Asset Class	Long-Term Rate of Return
U.S. core fixed income	4.1%
U.S. equity - large cap	9.1
Non U.S. - emerging markets	12.2
Non U.S. - developed equities	9.8
Private equity	13.8
Credit and structured finance	7.3
Real estate	6.9
Absolute return	6.1
U.S. equity - small/mid cap	9.1

Discount Rate. The discount rate used to measure the Fund's total OPEB liability is 3.81% as of June 30, 2017. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at rates proportional to the actuary determined contribution rates. For this purpose, employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries are not included. Based on those assumptions, the Fund's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members through the fiscal year ending June 30, 2028. Thus, the 7.25% discount rate was used to calculate the net OPEB liability through 2029. Beyond 2029, the index rate for 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher. Thus, 3.81% is the blended discount rate.

Sensitivity of the net OPEB liability to changes in the discount rate and healthcare cost trend rates. The following presents the net OPEB liability of the MRCOG, as well as what the MRCOG's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.81 percent) or 1-percentage-point higher (4.81 percent) than the current discount rate:

NOTE 11. POST-EMPLOYMENT BENEFITS (CONTINUED)

	1% Decrease (2.81%)	Current Discount Rate (3.81%)	1% Increase (4.81%)
$	7,636,552	6,295,672	5,243,631

The following presents the net OPEB liability of the MRCOG, as well as what the MRCOG's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Current Trend Rates	1% Increase
$	5,354,902	6,295,672	7,029,239

OPEB plan fiduciary net position. Detailed information about the OPEB plan's fiduciary net position is available in NMRHCA's audited financial statements for the year ended June 30, 2017.

Plan description for life insurance OPEB. MRCOG provides continuation of life insurance coverage to its retiring employees through an insured group life arrangement. The plan is a non-trusted single employer plan administered by MRCOG. There are no assets accumulated in a trust but is financed on a pay-as-you-go basis. There is no legal authority for the plan but is a voluntary OPEB provided by MRCOG to its employees.

Life Insurance Benefits Provided: MRCOG provides life insurance coverage for employees who retire from MRCOG under the Public Employees Retirement Association (PERA) of New Mexico.

The face amount of life insurance coverage is based on each employee's annual compensation in the year preceding retirement. Coverage amounts are as follows:

Final Basic Annual Pay					Retired Before July 1, 2008
Less than		$5,000			$3,000
$	5,000	but less than	$	6,000	$4,000
$	6,000	but less than	$	8,000	$5,000
$	8,000	but less than	$	10,000	$6,000
$	10,000	but less than	$	12,000	$7,000
$	12,000	but less than	$	15,000	$8,500
$	15,000	but less than	$	20,000	$11,000
$	20,000	but less than	$	25,000	$14,000
$	25,000	but less than	$	30,000	$17,500
$	30,000	but less than	$	35,000	$20,000
$	35,000	but less than	$	40,000	$22,500
$	40,000	and over			$25,000

NOTE 11. POST-EMPLOYMENT BENEFITS (CONTINUED)

In lieu of a death benefit, a disabled retiree may elect to receive a lump sum payment equal to one-half of the face amount of his or her retiree life insurance coverage.

No supplemental or Accidental Death or Dismemberment is available after retirement, though employees may elect to convert coverage lost at retirement to individual coverage at their own expense at the current rates charged by the insurer.

Final Basic Annual Pay	Retired After June 30, 2008
less than $25,000	$12,500
$25,000 but less than $50,000	70% of last basic annual pay
$50,000 and over	$25,000

Eligibility for Retiree Life Insurance Benefits: Eligibility for coverage is the same as eligibility for retirement under PERA. Retirement eligibility varies based on employment date (Tier), and type of retirement (service, duty disability and non-duty disability). Details are below.

- *For employees hired prior to July 1, 2013 (PERA Tier 1)*, the age and service eligibility requirements for **service** retirement under PERA are shown in the chart to the right. Tier 1 employees may also qualify for a **non-duty related disability** retirement under PERA at any age with 5 years of service. **Duty-related disability** has no minimum age or service requirements.
-

Eligibility for Service Retirement							
Age	Any Age	60	61	62	63	64	65 +
Service needed	25	20	17	14	11	8	5

- *For employees hired on or after July 1, 2013 (PERA Tier 2)*, eligibility requirements for **service** retirement under PERA are a minimum of 8 years of service and either (a) attainment of age 65, or (b) age plus service greater than or equal to 85. Tier 2 employees may also qualify for a **non-duty related disability** retirement under PERA at any age with 8 years of service. **Duty-related disability** has no minimum age or service requirements.

NOTE 11. POST-EMPLOYMENT BENEFITS (CONTINUED)

Employees covered by benefit terms – At June 30, 2017, the plan's measurement date, the following employees were covered by the benefit terms:

Number of active plan members	122
Number of inactive plan members currently receiving benefits	22
Number of inactive plan members entitled to but not receiving benefits	-

Contributions – MRCOG contributes the full cost of retiree life insurance coverage. The current premium rate is $0.35 per $1,000 of life insurance for active and retired employees, regardless of age. Premiums paid to the insurance plan from MRCOG were $10,286 for the year ended June 30, 2018.

Components of Net Position and Expense. At June 30, 2018, MRCOG reported a liability of $638,741 for life insurance OPEB. The OPEB liability was measured as of June 30, 2017, and was determined by an actuarial valuation as of that date. For the year ended June 30, 2018, the MRCOG recognized OPEB expense of $53,217. The following schedule shows the development of Net Position and Expense as of the Measurement Date:

Plan Summary Information
Measurement Date is June 30, 2017.

Items Impacting Net Position:		
Total OPEB Liability	$	638,741
Fiduciary Net Position		-
Net OPEB Liability (Asset)		638,741
Deferred (Outflows) Inflows of Resources due to:		
Assumption Changes		70,429
Plan Experience		-
Investment Experience		-
Contributions Subsequent to Measurement Date		(10,286)
Net Deferred (Outflows) Inflows of Resources		60,143
Impact on Statement of Net Position fiscal year end 6/30/18	**$**	**698,884**
Items Impacting OPEB Expense:		
Service Cost	$	47,945
Cost of Plan Changes		-
Interest Cost		17,606
Expected Earnings on Assets		-
Recognized Deferred Resource items:		
Assumption Changes		(12,334)
Plan Experience		-
Investment Experience		-
OPEB Expense fiscal year ending 6/30/18	**$**	**53,217**

NOTE 11. POST-EMPLOYMENT BENEFITS (CONTINUED)

Change in Net Position During the Fiscal Year. The following schedule shows the year-to-year changes in the components of Net Position:

For Reporting at Fiscal Year End *Measurement Date*		**6/30/17** *6/30/16*	**6/30/18** *6/30/17*	**Change During Period**
Total OPEB Liability	$	662,290	638,741	(23,549)
Fiduciary Net Position		-	-	-
Net OPEB Liability (Asset)		662,290	638,741	(23,549)
Deferred Resources (Outflows) Inflows Due to:				
Assumption Changes		-	70,429	70,429
Plan Experience		-	-	-
Investment Experience		-	-	-
Contributions Made Subsequent to the Measurement Date		(6,337)	(10,286)	(3,949)
Net Deferred (Outflows) Inflows		(6,337)	60,143	66,480
Impact on Statement of Net Position	$	655,953	698,884	42,931

Change in Net Position During the Fiscal Year		
Impact on Statement of Net Position 6/30/17	$	655,953
OPEB Expense (Income)		53,217
Employer Contributions During Fiscal Year		(10,286)
Impact on Statement of Net Position 6/30/18	$	698,884

OPEB Expense		
Employer Contributions During Fiscal Year	$	10,286
Deterioration (Improvement) in Net Position		42,931
OPEB Expense (Income), Fiscal Year Ending 6/30/18	$	53,217

At June 30, 2018 the MRCOG reported deferred outflows of resources and deferred inflows of resources related to life insurance OPEB from the following sources:

		Deferred Outflows of Resources	**Deferred Inflows of Resources**
Differences between expected and actual experience	$	-	-
Changes in assumptions		-	(70,429)
Net difference between projected and actual earnings on OPEB plan investments		-	-
MRCOG contributions subsequent to the measurement date		10,286	-
	$	10,286	(70,429)

NOTE 11. POST-EMPLOYMENT BENEFITS (CONTINUED)

Deferred outflows of resources totaling $10,286 represent MRCOG contributions to the plan made subsequent to the measurement date and will be recognized as a reduction of net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

Year ended June 30:

2019	$	(12,334)
2020		(12,334)
2021		(12,334)
2022		(12,334)
2023		(12,334)
Thereafter		(8,759)
	$	(70,429)

The Expected Average Remaining Service Life (EARSL) was 6.71 years. This is the period used to recognized changes in the OPEB Liability other than those arising from investment gains and losses or relating to improvements in plan benefits during the fiscal year.

Actuarial assumptions. The total OPEB liability was determined by an actuarial valuation using the following actuarial assumptions:

Valuation Date	June 30, 2017
Funding Method	Entry Age Normal Cost, level of percent of pay
Asset valuation method	Market value of assets ($0; no OPEB trust has been established)
Discount Rates:	3.13% as of June 30,2017 2.49% as of June 30,2016
Participants Valued	Only current active employees and retired participants and covered dependents are valued. No future entrants are considered in this valuation.
Salary Increase	4.25% per year, used only to allocate the cost of benefits between services years
Assumed Wage Inflation	3.0% per year; used to determine amortization payments if developed on a level percent of pay basis
General Inflation Rate	2.75% per year

Discount Rate. The discount rate used in the valuation is based on the S&P Municipal Bond 20 Year High Grade Index. As of the beginning and end of the Measurement Period, this index requires use of discount rate of 2.49% as of June 30, 2016 and 3.13% as of June 30, 2017.

NOTE 11. POST-EMPLOYMENT BENEFITS (CONTINUED)

Sensitivity of Liabilities to Changes in Discount Rate. The discount rate used for the fiscal year end 2018 is 3.13%. The impact of a 1% increase or decrease in the discount rate is shown in table below. Healthcare cost trend rate is not applicable in the valuation of life insurance benefits.

		1% Decrease (2.13%)	Current Discount Rate (3.13%)	1% Increase (4.13%)
Total OPEB Liability	$	774,540	638,741	533,586

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 $10,544,271 for payroll, fringe benefits and processing costs and $95,044 for other charges. The MRCOG was reimbursed $7,862,126 by Rio Metro and $1,112,910 by WCCNM for payroll and other operating expenses.

NOTE 14. RELATED ENTITY TRANSACTIONS

Rio Metro Regional Transit District (Rio Metro). The MRCOG's accounts receivable balance from Rio Metro was $849,538 at June 30, 2018.

Workforce Connection of Central New Mexico (WCCNM). The MRCOG's accounts receivable balance from WCCNM was $125,871 at June 30, 2018.

Payments made to related entities the year ended June 30, 2018:

Bernalillo County—loan payments	$ 146,837
Rio Metro	85,710
Workforce Connection	32,581

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

NOTE 15. PRIOR PERIOD ADJUSTMENTS

Implementation of New Accounting Standards
As a result of implementing GASB 75 *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions,* MRCOG has restated the net position in the government-wide Statement of Net Position as follows:

Net position as previously reported at June 30, 2017	$	(3,689,293)
Prior period adjustment-Implementation of GASB 75:		
OPEB NMRHCA:		
Net OPEB liability (measurement date as of June 30, 2017)		(7,597,536)
Deferred outflows - MRCOG contributions made during fiscal year 2017		119,280
OPEB Life Insurance:		
Net OPEB liability (measurement date as of June 30, 2017)		(662,290)
Deferred outflows - MRCOG contributions made during fiscal year 2017		6,337
Total prior period adjustment		(8,134,209)
Net position as restated June 30, 2017	$	(11,823,502)

NOTE 16. RECENT GASB PRONOUNCEMENTS

In August 2018, the GASB issued Statement No. 90, *Majority Interests in an amendment of GASB Statements No. 14 and No. 6.* The requirements of this statement are effective for periods beginning after December 15, 2018. Earlier application is encouraged. This statement is not applicable to MRCOG.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period.* The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. This statement is not applicable to MRCOG.

In March 2018, the GASB issued Statement No. 88*, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements.* The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged. This Statement applies to notes to financial statements of all periods presented. This standard will be implemented in a subsequent period.

In June 2017, the GASB issued Statement No. 87, *Leases.* The provisions of this Statement are effective for reporting periods beginning after December 15, 2019. This standard will be implemented in a subsequent period.

In May 2017, the GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Earlier application is encouraged. This statement is not applicable to the MRCOG.

In March 2017, the GASB issued Statement No. 85, *Omnibus 2017.* This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The provisions of this Statement are effective for periods beginning after June 15, 2017. Earlier application is encouraged. This statement is not applicable to the MRCOG.

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. This statement is not applicable to the MRCOG.

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged. This statement is not applicable to the MRCOG.

NOTE 16. RECENT GASB PRONOUNCEMENTS (CONTINUED)

In March 2016, the GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*. The requirements of this Statement are effective for reporting periods beginning after December 15, 2016. Earlier application is encouraged. This statement is not applicable to the MRCOG.

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Earlier application is encouraged. This statement was implemented in the current year.

NOTE 17. TAX ABATEMENT DISCLOSURES

MRCOG is not aware of any tax abatements that existed as of June 30, 2018 that would require disclosure under GASBS 77.

REQUIRED SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO
MID-REGION COUNCIL OF GOVERNMENTS
SCHEDULE OF MRCOG'S PROPORTIONATE SHARE OF THE PENSION LIABILITY Public Employees Retirement Association (PERA) Plan
June 30, 2018

		2018	2017	2016	2015
MRCOG's proportion of the net pension liability		**0.6532%**	**0.6148%**	0.6358%	0.6139%
MRCOG's proportionate share of the net pension liability	$	**8,975,521**	**9,822,435**	6,295,269	4,788,854
MRGOG's covered-employee payroll		**6,228,000**	**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		**144.12%**	**172.14%**	119.60%	95.63%
Plan's fiduciary net position as a percentage of the total pension liability		**73.14%**	**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.

STATE OF NEW MEXICO
MID-REGION COUNCIL OF GOVERNMENTS
SCHEDULE OF MRCOG'S CONTRIBUTIONS AND NOTES TO RSI PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA) PLAN
June 30, 2018

		2018	**2017**	2016	2015
Contractually required contribution	$	**594,744**	544,930	502,679	499,414
Contributions in relation to the contractually required contribution		**594,744**	544,930	502,679	499,414
Contribution deficiency (excess)		**-**	-	-	-
Mid-Rio Council of Governments' covered-employee payroll		**6,228,000**	5,706,073	5,263,654	5,007,828
Contribution as a percentage of covered-employee payroll		**9.55%**	9.55%	9.55%	9.97%

NOTES TO RSI

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.

STATE OF NEW MEXICO
MID-REGION COUNCIL OF GOVERNMENTS
SCHEDULE OF MRCOG'S PROPORTIONATE SHARE OF THE OPEB LIABILITY
NEW MEXICO RETIREE HEALTHCARE AUTHORITY (NMRHCA) PLAN
June 30, 2018

		2018
MRCOG's proportion of the net OPEB liability		0.1343%
MRCOG's proportionate share of the net pension liability	$	6,295,672
MRGOG's covered-employee payroll		6,227,996
MRGOG's proportionate share of the net pension liability as a percentage of its covered-employee payroll		101.09%
Plan's fiduciary net position as a percentage of the total pension liability		11.34%

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.

STATE OF NEW MEXICO
MID-REGION COUNCIL OF GOVERNMENTS
SCHEDULE OF MRCOG'S CONTRIBUTIONS AND NOTES TO RSI
NEW MEXICO RETIREE HEALTHCARE AUTHORITY (NMRHCA) PLAN
June 30, 2018

		2018
Contractually required contribution	$	124,560
Contributions in relation to the contractually required contribution		124,560
Contribution deficiency (excess)		-
Mid-Rio Council of Governments' covered-employee payroll		6,227,996
Contribution as a percentage of covered-employee payroll		2.00%

NOTES TO RSI

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.

STATE OF NEW MEXICO
MID-REGION COUNCIL OF GOVERNMENTS
SCHEDULE OF MRCOG'S OPEB LIABILITY AND RELATED RATIOS
LIFE INSURANCE OPEB
June 30, 2018

		2018
Total OPEB Liability		
Service Cost	$	47,945
Interest		17,606
Changes in benefit terms		-
Differences between expected and actutal experience		-
Changes in assumptions		(82,763)
Benefit payments		(6,337)
Total OPEB liability - beginning		662,290
Total OPEB liability - ending	$	638,741
Plan fiduciary net position		
Contributions - employer	$	6,337
Benefit payments		(6,337)
Net change in fiduciary net position		-
Plan fiduciary net position - beginning		-
Plan fiduciary net position - ending		-
Net OPEB liability - ending	$	638,741
Covered-employee payroll	$	6,158,056
Net OPEB liability as a percentage of covered-employee payroll		10.37%

SUPPLEMENTARY INFORMATION

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.

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 State 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 Organization (MPO) – Federal Highway Administration (FHWA) (No. 52) – Provides for the conduct of the cooperative, coordinated, comprehensive (3c) transportation system planning process in the Albuquerque 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, and Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU).

SPECIAL REVENUE FUNDS (CONTINUED)

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.

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.

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).

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 form the U.S. Department of Commerce, Economic Development Administration and maintenance of the region’s Comprehensive Economic Development Strategy (CEDS).

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.

SPECIAL REVENUE FUNDS (CONTINUED)

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.

Community Adjustment Fund (No. 310) – Accounts for grant funds related to the community adjustment program.

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.

Transportation Study UNM/CNM - 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.

STATE OF NEW MEXICO
MID-REGION COUNCIL OF GOVERNMENTS COMBINING BALANCE SHEETS
NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2018

	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	1,000	-		-	-
Related entity receivables	-	-	-	-	-
Grant reimbursements receivable	-	16,714	3,750	216,382	53,555
Total assets	$ 1,000	16,714	3,750	216,382	53,555
LIABILITIES					
Accounts payable	$ -	147	-	9,234	-
Accrued payroll liabilities	-	5,949	-	34,827	10,891
Interfund payables	-	10,618	3,750	172,321	42,664
Unearned grant advances	1,000	-	-	-	-
Total liabilities	1,000	16,714	3,750	216,382	53,555
FUND BALANCES					
Unassigned	-	-	-	-	-
Total fund balances	-	-	-	-	-
Total liabilities and fund balances	$ 1,000	16,714	3,750	216,382	53,555

See Notes to Financial Statements.

STATE OF NEW MEXICO
MID-REGION COUNCIL OF GOVERNMENTS COMBINING BALANCE SHEETS (CONTINUED) NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2018

	Metropolitan Transportation Planning Organization 55	Communities Leading Health Change 62	Transportation Surveillance Program **67**	Travel Time Program 68	Agribusiness 70	Economic Development Administration 72
ASSETS						
Cash and cash equivalents	$ -	-	-	-	-	-
Other receivables	40	-	-	-	-	-
Interfund receivables	-	-	-	-	54,174	-
Related entity receivables	57,443	-	-	-	-	-
Grant reimbursements receivable	1,925	4,513	99,468	9,547	-	20,964
Total assets	$ 59,408	4,513	99,468	9,547	54,174	20,964
LIABILITIES						
Accounts payable	$ -	-	1,553	1,000	-	-
Accrued payroll liabilities	1,783	672	12,323	843	182	2,019
Interfund payables	56,777	3,841	85,592	7,704	-	18,585
Unearned grant advances	848	-	-	-	53,992	360
Total liabilities	59,408	4,513	99,468	9,547	54,174	20,964
FUND BALANCES						
Unassigned	-	-	-	-	-	-
Total fund balances	-	-	-	-	-	-
Total liabilities and fund balances	$ 59,408	4,513	99,468	9,547	54,174	20,964

See Notes to Financial Statements.

STATE OF NEW MEXICO
MID-REGION COUNCIL OF GOVERNMENTS COMBINING BALANCE SHEETS
(CONTINUED) NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2018

ASSETS		Transportation Logistics Hub Feasibility Study 75	Locality Planning Assistance 93	Community Adjustment Fund 310	Vetreran's Initiative Website Admin 350/351/352	Transportation Study UNM/ CNM/FTA 480	Total
Cash and cash equivalents	$	-	-	-	-	-	-
Other receivables		-	-	-	-	-	40
Interfund receivables		5,312	8,906	22,433	31	13,593	105,449
Related entity receivables		-	744	-	-	-	58,187
Grants reimbursements receivable		-	-	51,817	-	-	478,635
Total assets	$	5,312	9,650	74,250	31	13,593	642,311
LIABILITIES							
Accounts payable	$	-	171	34,624	-	-	46,729
Accrued payroll liabilities		-	9,479	(73)	31	5,747	84,673
Interfund payables		-	-			-	401,852
Unearned grant advances		5,312	-	39,699	-	7,846	109,057
Total liabilities		5,312	9,650	74,250	31	13,593	642,311
FUND BALANCES							
Unassigned		-	-	-	-	-	-
Total fund balances		-	-	-	-	-	-
Total liabilities and fund balances	$	5,312	9,650	74,250	31	13,593	642,311

See Notes to Financial Statements.

STATE OF NEW MEXICO
MID-REGION COUNCIL OF GOVERNMENTS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES NON-MAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2018

	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	$ -	82,785	-	807,245	256,238
State	-	-	-	-	-
Charges for services	-	-	-	-	-
Local	-	-	26,854	-	-
Reimbursement of Rio Metro cost	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total revenues	-	82,785	26,854	807,245	256,238
EXPENDITURES					
Current					
Operating	-	103,481	-	812,529	307,797
Contractual	-	-	26,854	112,857	12,500
Incurred on behalf of Rio Metro	-	-	-	-	-
Capital outlay	-	-	-	19,423	-
Principal and interest	-	-	-	-	-
Total expenditures	-	103,481	26,854	944,809	320,297
OTHER FINANCING SOURCES/USES					
Operating transfers in	-	20,696	-	137,564	64,059
Operating transfers out	-	-	-	-	-
	-	20,696	-	137,564	64,059
Net changes in fund balance	-	-	-	-	-
Fund balance, beginning of year	-	-	-	-	-
Fund balance, end of year	$ -	-	-	-	-

See Notes to Financial Statements.

STATE OF NEW MEXICO
MID-REGION COUNCIL OF GOVERNMENTS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (CONTINUED) NON-MAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2018

	Metropolitan Transportation Planning Rio Metro 55	Communities Leading Health Change 62	Transportation Surveillance Program 67	Travel Time Program 68	Agribusiness 70	Economic Development Administration 72
REVENUES						
Intergovernmental						
Federal	$ 5,956	51,163	341,893	35,163	-	76,037
State	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Local	-	-	-	-	19,865	-
Reimbursement of Rio Metro cost	160,218	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
Total revenues	166,174	51,163	341,893	35,163	19,865	76,037
EXPENDITURES						
Current						
Operating	-	55,334	427,366	-	19,865	126,728
Contractual	-	-	-	41,155	-	-
Incurred on behalf of Rio Metro	142,003	-	-	-	-	-
Capital outlay	20,000	-	-	-	-	-
Principal and interest	-	-	-	-	-	-
Total expenditures	162,003	55,334	427,366	41,155	19,865	126,728
OTHER FINANCING SOURCES/USES						
Operating transfers in	-	4,171	85,473	5,992	-	50,691
Operating transfers out	(4,171)	-	-	-	-	-
	(4,171)	4,171	85,473	5,992	-	50,691
Net changes in fund balance	-	-	-	-	-	-
Fund balance, beginning of year	-	-	-	-	-	-
Fund balance, end of year	$ -	-	-	-	-	-

See Notes to Financial Statements.

STATE OF NEW MEXICO
MID-REGION COUNCIL OF GOVERNMENTS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (CONTINUED) NON-MAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2018

	Transportation Logistics Hub Feasability Study 75	Locality Planning Assistance 93	Community Adjustment 310	Vetran's Initiative Website Admin 350/351/352	Transporation Study UNM/ CNM/FTA 480	Total
REVENUES						
Intergovernmental						
Federal	$ -	-	56,004	-	27,491	$ 1,739,975
State	-	84,714	-	-	-	84,714
Charges for services	-	-	-	-	-	-
Local	6,904	3,308	4,252	-	-	61,183
Reimbursement of Rio Metro cost	-	-	-	-	11,752	171,970
Miscellaneous	-	-	-	-	-	-
Total revenues	6,904	88,022	60,256	-	39,243	2,057,842
EXPENDITURES						
Current						
Operating	6,904	148,608	27,602	48	7,480	2,043,742
Contractual	-	-	34,624	-	15,132	243,122
Incurred on behalf of Rio Metro	-	-	-	-	11,752	153,755
Capital outlay	-	-			-	39,423
Principal and interest	-	-	-	-	-	-
Total expenditures	6,904	148,608	62,226	48	34,364	2,480,042
OTHER FINANCING SOURCES/USES						
Operating transfers in	-	60,586	1,970	48	(4,879)	426,371
Operating transfers out	-	-	-	-	-	(4,171)
	-	60,586	1,970	48	(4,879)	422,200
Net changes in fund balance	-	-	-	-	-	-
Fund balance, beginning of year	-	-	-	-	-	-
Fund balance, end of year	$ -	-	-	-	-	$ -

See Notes to Financial Statements.

STATE OF NEW MEXICO
MID-REGION COUNCIL OF GOVERNMENTS
SCHEDULE OF PLEDGED COLLATERAL
June 30, 2018

Account	Description of Pledged Collateral	Type of Pledged Collateral	CUSIP Number	Sweep Collateral Value at June 30, 2018	Safe keeper
MRCOG Sweep	Repurchase agreement	Shares	36179NTE8	$ 462,886	Wells Fargo
	Accrued Interest	Interest	36179NTE8	1,492	Wells Fargo
	Total Collateral			464,378	
	Bank Balance			455,233	
	Collateral required at 102%			464,338	
	Excess collateral			$ 40	

Combined Bank Accounts

Name of Depository	Description of Pledged Collateral	Type of Pledged Collateral	Maturity	CUSIP Number	Fair Market Value at June 30, 2018	Location of Safe keeper
Wells Fargo	FNMA	Bonds	4/1/2031	3140EY2Y6	$ 1,010,216	BNY Mellon
	Bank account balances					
	Checking				1,500,000	
	Savings				683,026	
					2,183,026	
	FDIC coverage				(500,000)	
	Uninsured Amount				1,683,026	
	Collateral required at 50%				841,513	
	Excess collateral				$ 168,703	

STATE OF NEW MEXICO
MID-REGION COUNCIL OF GOVERNMENTS SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2018

Federal Grantor/Program Title	Federal CFDA Number	Grant/ Pass Through Number	Fund #	Passed Through to Subrecipients	Federal Expenditures
U.S. Department of Commerce					
Economic Development Administration:					
Economic Development Support for Planning Organizations	11.302	FED16AUS3020006	72	-	76,037
Total U.S. Department of Commerce Direct				-	76,037
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	U58DP005868	62	-	19,005
	93.738	NU58DP005868	62	-	32,158
				-	51,163
Passed through National Association of Chronic Disease Directors (NACDD)					
Building Capacity of the Public Health System to Improve Population Health through National Nonprofit Organizations- Walkability Action Institute	93.424	5NU380T000225-05	55/5160	-	5,956
Total U.S. Department of Health and Human Services				-	57,119
U.S. Department of Defense					
Office of Economic Adjustment					
Community Economic Adjustment Assistance for Compatible Use and Joint Land Use Studies	12.610	EN1546-17-01	310		56,004
Total U.S. Department of Defense				-	56,004
U.S. Department of Transportation					
Federal Transportation Administration (FTA)					
Transit Services Program Cluster:					
Transit Passenger Amenitites	20.507	NM-95-X012-00	049	85,710	85,710
UNM/CNM Area Transportation and Land Use Coordination	20.522	NM-39-0001-00	480	-	27,491
				85,710	113,201
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	-	82,785
Unified Planning Work Program	20.205	M01028	52	-	807,245
Transportation Surveillance Program	20.205	M01028	67	-	256,238
AMPA Wide Travel Survey	20.205	M01028	56	-	341,893
Travel Time Program	20.205	80500-0000100923	68	-	35,163
Total Highway Planning and Construction					1,523,324
Total Expenditures of Federal Awards				$ 85,710	$ 1,825,685

See Notes to Schedule of Expenditures of Federal Awards.

STATE OF NEW MEXICO
MID-REGION COUNCIL OF GOVERNMENTS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2018

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, 2018. 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 passed through $85,710 in grant funds to Rio Metro Transit District for the year ended June 30, 2018.

   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:

Name	Amount
WCCNM	$ 1,111,623
Total Federal Grants per the schedule	1,825,685
Total Federal grants and contracts revenue per the accompanying financial statements	$ 2,937,308

COMPLIANCE SECTION

RICCI & COMPANY
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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. Wayne Johnson, State Auditor and
To the Board of Directors
Mid-Region Council of Governments
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 fund, of the State of New Mexico Mid-Region Council of Governments (MRCOG) as of and for the year ended June 30, 2018, 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 28, 2018.

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. Wayne Johnson, State Auditor and
To the Board of Directors
Mid-Region Council of Governments
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 28, 2018

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Service plus value, it all adds up.

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Albuquerque, NM 87110
505 338 0800 office www.riccicpa.com

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

Independent Auditor's Report

Mr. Wayne Johnson, State Auditor and
To the Board of Directors
Mid-Region Council of Governments

Report on Compliance for each Major Federal Program

We have audited the State of New Mexico Mid-Region Council of Governments (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, 2018. 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. Wayne Johnson, State Auditor and
To the Board of Directors
Mid-Region Council of Governments

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, 2018.

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 28, 2018

STATE OF NEW MEXICO
MID-REGION COUNCIL OF GOVERNMENTS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2018

None

STATE OF NEW MEXICO
MID-REGION COUNCIL OF GOVERNMENTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2018

A. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of Auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material Weakness reported?	No
Significant deficiencies reported not considered to be material weaknesses?	No
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:

a.	Material weaknesses reported?	No
b.	Significant deficiencies reported not considered to be material weaknesses?	No
c.	Known questioned costs greater than $25,000 for a compliance requirement for a major program?	No
d.	Known questioned costs greater than $25,000 for which is not audited as a major program?	No
e.	Known or likely fraud?	No
f.	Significant instances of abuse relating to major programs?	No
g.	Circumstances causing the auditor's report on compliance for each major program to be modified, unless otherwise reported as audit findings?	No
h.	Instances where results of audit follow-up procedures dis- closed that the summary schedule of prior year audit Findings prepared by the auditee materially misrepresents the status of any prior audit finding?	No

Type of auditor's report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance?	No

Identification of major programs:

CFDA Numbers	*Name of Federal Program or Cluster*
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?	No

B. FINDINGS – FINANCIAL STATEMENTS

NONE

C. FINDINGS – FEDERAL AWARDS

NONE

D. FINDINGS – IN ACCORDANCE WITH 2.2.2 NMAC

NONE

STATE OF NEW MEXICO
MID-REGION COUNCIL OF GOVERNMENTS
EXIT CONFERENCE
Year Ended June 30, 2018

EXIT CONFERENCE

An exit conference was held on November 28, 2018, to discuss the annual financial report. Attending were the following:

Representing the MRCOG:

Dewey Cave	Executive Director
Honorable Gregg Hull	Board Member
Arthur Martinez	Workforce Administrator
Amy Myer, CPA	Senior Finance Manager
Jesse D. Turley	Accounting Manager

Representing Ricci & Company, LLC:

Larry Carmony, CPA	Audit Manager
Esther Alejo	In charge Auditor
Johana Burciaga	Audit Staff

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.