



HINKLE + LANDERS

Certified Public Accountants + Business Consultants

**STATE OF NEW MEXICO
RUTH VISAGE SENIOR APARTMENTS
(A Department of the Eastern Plains
Council of Governments)**

**Financial Statements
For the Year Ended December 31, 2015**

RUTH VISAGE SENIOR APARTMENTS
A DEPARTMENT OF THE EASTERN PLAINS COUNCIL OF GOVERNMENTS
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For The Year Ended December 31, 2015

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RUTH VISAGE SENIOR APARTMENTS
A DEPARTMENT OF THE EASTERN PLAINS COUNCIL OF GOVERNMENTS
OFFICIAL ROSTER
For The Year Ended December 31, 2015

<u>Directors</u>	<u>Position</u>	<u>Government Represented</u>
EXECUTIVE COMMITTEE		
Fidel Madrid	Chairman	Curry County
Oscar Robinson	Vice-Chairman	Roosevelt County
Wesley Shafer	Treasurer	Curry County
Vanita Menapace	Member	Harding County
Becky Harris	Member	De Baca County
Cynthia Lee	Member	Quay County
Jack Chosvig	Member	Union County
CURRY COUNTY		
Tim Ashley	Member	Curry County
Fidel Madrid	Member	City of Clovis
Wesley Shafer	Member	Village of Grady
Lewis Cooper	Member	Town of Texico
Tuck Monk	Member	Village of Melrose
DE BACA COUNTY		
George Gonzales	Member	De Baca County
Justin Ingram	Member	Fort Sumner
GUADALUPE COUNTY		
Ernest Tapia	Member	Guadalupe County
Roman Garcia	Member	Town of Vaughn
HARDING COUNTY		
Vanita Menapace	Member	Harding County
Chandra Gonzales	Member	Village of Roy
QUAY COUNTY		
Richard Primrose	Member	Quay County
Cynthia Lee	Member	Village of San Jon
Robert Lumpkin	Member	Tucumcari
ROOSEVELT COUNTY		
Jake Lopez	Member	Roosevelt County
Oscar Robinson	Member	City of Portales
Jill Caviness	Member	Village of Causey
Kimberly Summers	Member	Village of Elida
Becky Frazee	Member	Village of Dora
Toni Whitecotton	Member	Village of Floyd
UNION COUNTY		
Jack Chosvig	Member	City of Clayton
Terry McNabb	Member	Village of Folsom
Katie Braniblett	Member	Village of Grenville
SPECIAL DISTRICTS		
Franklin McCasland	Member	Arch Hurley Conservancy Dist.
Sandy Chancey	Executive Director	EPCOG



INDEPENDENT AUDITOR’S REPORT

Mr. Tim Keller, State Auditor and
The Ruth Visage Senior Apartments
A Department of the Eastern Plains Council of Governments
Portales, New Mexico

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund, and the budgetary comparison for the general fund of the Ruth Visage Senior Apartments (RVSA) as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the RVSA’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 basic financial statements are free of material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the budgetary comparison for the general fund of the RVSA, as of December 31, 2015, and the respective changes in

financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note A, the financial statements of the RVSA are intended to present the financial position and the changes in financial position of only that portion of the governmental activities and each major fund of the Eastern Plains Council of Governments (EPCOG) that is attributable to the transactions of the RVSA. They do not purport to, and do not present fairly the financial position of the EPCOG as of June 30, 2015 or the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Management has omitted the Management and Discussion and Analysis that the Governmental Accounting Standards Board requires to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 7, 2016 on our consideration of RVSA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering RVSA's internal control over financial reporting and compliance.



Hinkle + Landers, P.C
Albuquerque, NM
March 7, 2016

RUTH VISAGE SENIOR APARTMENTS
A DEPARTMENT OF THE EASTERN PLAINS COUNCIL OF GOVERNMENTS
(GOVERNMENT-WIDE)
STATEMENT OF NET POSITION
As of December 31, 2015

ASSETS	<u>Notes</u>	<u>Governmental Activities</u>
Current assets		
Cash and cash equivalents	2	\$ 14,038
Intergovernmental receivables	3	12,373
Other receivables	3	989
Prepaid expenses		2,875
Total current assets		<u>30,275</u>
Noncurrent assets		
<i>Deposits held in trust</i>		
Cash restricted to meet tenant deposit liabilities	7	<u>13,497</u>
<i>Restricted deposits</i>		
Cash restricted for replacement reserve	2	153,674
Cash restricted for taxes and insurance	2	14,331
Total restricted deposits		<u>168,005</u>
Capital assets, net	4	<u>1,047,217</u>
Total Assets		\$ <u>1,258,994</u>
LIABILITIES		
Current liabilities		
Accounts payable		\$ 2,222
Accrued expenses		664
Prepaid tenant rent	6	1,983
Mortgage loan payable - USDA (current portion)	5	7,486
Total current liabilities		<u>12,355</u>
Noncurrent liabilities		
<i>Deposit Liability</i>		
Tenant security deposits payable	7	<u>13,489</u>
Mortgage loan payable - USDA (long-term portion)	5	1,155,930
Mortgage loan payable - NMMFA	5	300,000
Accrued interest		6,181
Total noncurrent liabilities		<u>1,475,600</u>
Total Liabilities		<u>1,487,955</u>
NET POSITION		
Net investment in capital assets		(416,199)
Unrestricted		187,238
Total net position		<u>(228,961)</u>
Total Liabilities and Net Position		\$ <u>1,258,994</u>

RUTH VISAGE SENIOR APARTMENTS
A DEPARTMENT OF THE EASTERN PLAINS COUNCIL OF GOVERNMENTS
(GOVERNMENT-WIDE)
STATEMENT OF ACTIVITIES
For The Year Ended December 31, 2015

Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position For Governmental Activities
Primary Government				
General government	\$ 309,650	89,547	181,084	(39,019)
General revenues:				
Investment income				384
Miscellaneous income				77
Total general revenues and transfers				461
Change in net position				(38,558)
Net position, beginning of year				(190,403)
Net position, end of year				\$ (228,961)

**RUTH VISAGE SENIOR APARTMENTS
A DEPARTMENT OF THE EASTERN PLAINS COUNCIL OF GOVERNMENTS
BALANCE SHEET – GOVERNMENTAL FUND
As of December 31, 2015**

	<u>General Fund</u>
ASSETS:	
Cash and cash equivalents	\$ 14,038
Restricted cash and investments	181,502
Receivables:	
Intergovernmental	12,373
Other receivables	989
Prepaid expenses	2,875
Total assets	<u>\$ 211,777</u>
LIABILITIES:	
Accounts payable	\$ 2,222
Accrued expenses	664
Unearned revenue	1,983
Accrued interest	6,181
Deposits held in trust	13,489
Total liabilities	<u>24,539</u>
FUND BALANCE:	
Restricted: cash and investments	181,502
Non-spendable: prepaid expenses	2,875
Unassigned	(14)
Total fund balance	<u>187,238</u>
Total liabilities and fund balance	<u>\$ 211,777</u>

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

<i>Capital assets used in governmental activities are not current financial resources and therefore, are not reported in the balance sheet</i>	\$ 1,047,217
<i>Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds:</i>	
Current notes payable	(7,486)
Notes payable	<u>(1,455,930)</u>
Statement of net position of governmental funds	<u>\$ (228,961)</u>

**RUTH VISAGE SENIOR APARTMENTS
A DEPARTMENT OF THE EASTERN PLAINS COUNCIL OF GOVERNMENTS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUND
For The Year Ended December 31, 2015**

	<u>General Fund</u>
Revenues:	
Federal	\$ 50,280
State	130,804
Charges for services	89,547
Investment income	384
Miscellaneous	<u>77</u>
Total revenues	<u>271,092</u>
Expenditures:	
Current:	
General government	176,312
Debt service:	
Principal	7,025
Interest	<u>80,375</u>
Total expenditures	<u>263,712</u>
Excess (deficiency) of revenues over expenditures	<u>7,380</u>
Other financing sources (uses)	
Operating transfers in	-
Operating transfers out	<u>-</u>
Total other financing sources (uses)	<u>-</u>
Net change in fund balances	7,380
Fund balance, beginning of year	<u>179,858</u>
Fund balance, end of year	<u>\$ 187,238</u>
Amounts reported for governmental activities in the statement of activities are different because:	
Net change in fund balances - total governmental funds	\$ 7,380
Amounts reported to governmental activities in the statement of activities are different because:	
<i>Depreciation expense related to capital assets is reported in the government-wide statement of activities and changes in net position, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditure in governmental funds.</i>	
	(52,964)
<i>The issuance of long-term debt (e.g. bonds, notes, capital leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position:</i>	
Principal payments on notes payable	<u>7,025</u>
<i>Rounding</i>	<u>1</u>
Change in net position of governmental activities	<u>\$ (38,558)</u>

RUTH VISAGE SENIOR APARTMENTS
A DEPARTMENT OF THE EASTERN PLAINS COUNCIL OF GOVERNMENTS
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
(MODIFIED ACCRUAL BUDGETARY BASIS) TO ACTUAL
For The Year Ended December 31, 2015

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Federal	\$ -	-	50,280	50,280
Rental income (includes State grants)	217,800	217,800	220,351	2,551
Investment income	1,900	1,900	384	(1,516)
Miscellaneous	-	-	77	77
Total revenues	<u>219,700</u>	<u>219,700</u>	<u>271,092</u>	<u>51,392</u>
Expenditures:				
Current:				
General government	161,092	161,092	176,312	(15,220)
Debt service:				
Principal	37,158	37,158	7,025	30,133
Interest	-	-	80,375	(80,375)
Total expenditures	<u>198,250</u>	<u>198,250</u>	<u>263,712</u>	<u>(65,462)</u>
Net change in fund balances	21,450	21,450	7,380	(14,070)
Fund balance, beginning of year			<u>179,858</u>	
Fund balance, end of year			<u>\$ <u>187,238</u></u>	

Note: This budget is for program purposes only. Refer to Note 1-D for more information.

**RUTH VISAGE SENIOR APARTMENTS
A DEPARTMENT OF THE EASTERN PLAINS COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
For The Year Ended December 31, 2015**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Entity

Ruth Visage Senior Apartments (RVSA) is a twenty six (26) unit rural development housing complex located at 1101 W. Fir in Portales, NM. The apartment complex is owned by the Eastern Plains Council of Governments (EPCOG), a New Mexico nonprofit corporation. RVSA's occupants must be elderly, handicapped, or disabled meeting certain requirements.

In evaluating how to define the RVSA for financial reporting purposes, management has considered all potential component units. The decision to include any potential component units in the financial reporting entity was made by applying the criteria set forth in GASB No. 14 and No. 39. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the election of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity is conducted within the geographic boundaries of the RVSA and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the RVSA is able to exercise oversight responsibility. Based on the application of these criteria, there are no component units included in the reporting entity.

The RVSA is a department of the Eastern Plains Council of Governments and is required to be reported as a governmental fund.

B. Basis of Accounting

1. Government-Wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. This is the same approach used in preparation of proprietary fund financial statements, but differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds. Also, fiduciary funds and component units are not included in the government-wide financial statements. Interfund payables and receivables have been eliminated in determining the government-wide financial statements.

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NOTES TO FINANCIAL STATEMENTS
For The Year Ended December 31, 2015

Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues. Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements

Net position should be reported as restricted when constraints placed on net position use is either externally imposed by law through constitutional provisions or enabling legislation. Restricted assets are applied first before unrestricted assets.

2. GAAP Presentation

The financial statements of the RVSA are prepared in accordance with U.S. Generally Accepted Accounting Principles (GAAP). The RVSA's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

3. Fund Financial Statements

Fund financial statements report detailed information about the RVSA. The RVSA has one major fund and no non-major funds for the year ended December 31, 2015. See item 1-B-7 for more detail.

4. Governmental Funds

All governmental funds are accounted for using modified accrual basis of accounting and the current financial resources measurement focus. Under this basis, revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.

5. Revenue Recognition

In applying the "susceptible to accrual concept" under the modified accrual basis, the following revenue sources are deemed both measurable and available (i.e., collectible within the current year or within 60 days of year-end and available to pay obligations of the current period). This includes reimbursements from state and federally funded projects, which are accrued as revenue at the time the expenditures are made, or when received in advance, deferred until expenditures are made.

The RVSA has implemented GASB Statement No. 33 on any non-exchange transaction. A non-exchange transaction occurs when a government either gives value to another party without directly receiving equal value in exchange or receives value from another party without directly giving equal value in exchange. The RVSA has two types of non-exchange transactions: government-mandated non-exchange transaction revenues (federal programs that state or local governments are mandated to perform), and voluntary non-exchange transactions (grants, entitlements, and donations by non-governmental entities, including private donations). The RVSA recognizes non-exchange transactions in the financial statements as income unless it is not measurable (reasonably estimate), if any.

RUTH VISAGE SENIOR APARTMENTS
A DEPARTMENT OF THE EASTERN PLAINS COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
For The Year Ended December 31, 2015

Revenues from grants that are restricted for specific uses are recognized as revenues when the related costs are incurred. All other revenues are recognized when they are received and are not susceptible to accrual. Interest associated with the current fiscal period is considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period.

6. Expenditure Recognition

The measurement focus of governmental fund accounting is based on decreases in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related fund liability is incurred. However, principal and interest on general long-term debt, which has not matured, are recognized when paid.

Expenditures, other than vacation and sick pay, are recorded when the related fund liability is incurred. Expenditures charged to federal programs are recorded utilizing the cost principles prescribed or permitted by the various funding sources.

7. Fund Accounting

The accounts of the RVSA are organized on a basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenue and expenditures. The sole fund of the RVSA is a governmental fund type and is grouped as a General Fund.

The General Fund is the general operating fund of the RVSA. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund is always considered a major fund and there were no other funds.

The government reports the following significant program/grants in the general fund:

- *Rural Rental Housing Loans – to provide economically designed and constructed rental and cooperative housing and related facilities suited for rural residents.*

8. GASB Statement #54

In February 2009, the GASB issued Statement No. 54 Fund Balance Reporting and Governmental Fund Type Definitions. This statement enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The fund balance amounts for governmental funds have been reclassified in accordance with GASB Statement 54.

As a result, in the governmental fund financial statements, fund balances previously reported as reserved and unreserved are now reported as non-spendable, restricted, or unrestricted (committed, assigned or unassigned).

**RUTH VISAGE SENIOR APARTMENTS
A DEPARTMENT OF THE EASTERN PLAINS COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
For The Year Ended December 31, 2015**

9. Spending Policy

When an expenditure/expense is incurred for purposes for which both restricted and unrestricted resources are available, it is the RVSA's policy to use restricted resources first. When expenditures/expenses are incurred for purposes, for which unrestricted (committed, assigned and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the RVSA's policy to spend committed resources first.

C. Capital Assets and Depreciation

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. General capital assets are long-lived assets of the RVSA as a whole. When purchased, such assets are recorded as expenditures in the governmental funds and are capitalized. The valuation bases for general capital assets is historical cost, or where historical cost is not available, estimated historical cost based on replacement cost. Sub-grantees purchasing equipment by sub-grant made by the RVSA to other agencies is not accounted for in capital assets. Purchased capital assets are valued at historical cost. Donated capital assets are valued at their estimated fair value on the date of donation. The minimum capitalization threshold is any individual item with a total cost greater than \$5,000 and estimated useful life in excess of two years. The RVSA includes software in capital assets if it meets the minimum capitalization policy in the furniture and equipment category. The RVSA does not develop computer software for internal use and therefore, does not have a policy for capitalizing computer software developed for internal use.

Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows:

<u>Type</u>	<u>Estimated Depreciable Life</u>
Land	Perpetual
Building	40
Furnishings	10
Equipment	7

D. Budgets

The RVSA adopts annual operating budgets in accordance with U.S. Department of Agriculture regulations which do not require subsequent amendments, except for State of New Mexico requirements. Additionally, the budget is a program budget and not an official budget and cannot be relied on for State compliance purposes. The RVSA prepares its budgets on the modified accrual budgetary basis. Depreciation and interest expense are not budgeted by the RVSA.

E. Reconciliation between Budgetary Basis and GAAP Basis

Budgetary comparisons shown in the schedule compare actual revenues and expenses with the modified accrual budgetary basis amounts as amended. Budgetary control is required to

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A DEPARTMENT OF THE EASTERN PLAINS COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
For The Year Ended December 31, 2015

be maintained at the individual fund level. Additionally, the budget is a program budget and not an official budget and cannot be relied on for State compliance purposes.

F. Indirect Cost

RVSA does not have a negotiated Indirect Cost Rate with federal grantors but does allocate expenditures such as overhead costs not directly attributable to specific programs. These expenditures are allocated monthly among all funds based upon the budgeted expenditures for each fund as a percentage of total budgeted expenditures.

G. Tenant Receivables and Allowance for Doubtful Accounts

Tenant receivables are reported net of an allowance for doubtful accounts. The RVSA provides an allowance for uncollectible accounts equal to the estimated uncollectible portion of a client rent receivable. Management's estimate is based on historical experience and its evaluation of the current status of the client rent receivable. It is the policy of the RVSA to allowance any rent receivable amounts that have not been collected over sixty (60) days.

H. Rental Income and Leasing Operations

Rental income is recognized as rentals become due. Rental payments received in advance are deferred until earned. All leases between the RVSA and tenants of the property are operating leases.

I. Replacement Reserves

In accordance with the terms of the loan agreement with the USDA, the RVSA is required to fund a replacement reserve in the amount of \$15,000 per year until the reserve account reached the minimum of \$150,000. The reserve had a balance of \$153,674 at December 31, 2015.

J. Property Management Agreement

In accordance with the management agreement, the RVSA paid the JL Gray Company Inc, an agent of the General Partner, property management fees of \$14,100. The fees are for services rendered in connection with leasing and operation of the Apartments. The property management fees are equal to \$47 per occupied unit per month with a maximum annual compensation of \$14,352.

K. Use of Estimates

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

L. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and/or the balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position/fund balance that applies to a future period and so will not be recognized as an

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NOTES TO FINANCIAL STATEMENTS
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expense or expenditure until then. In addition to liabilities, the statement of net position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position/fund balance that applies to a future period and so will not be recognized until then. For the year ended December 31, 2015, the RVSA did not have deferred outflows or inflows of resources.

M. Cash and Cash Equivalents

Cash and cash equivalents consist of short-term highly liquid investments, which are readily convertible into cash within ninety (90) days of purchase.

The RVSA's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments.

State statutes authorize the investment of RVSA's funds in a wide variety of instruments including certificates of deposit and other similar obligations, state investment pool, and money market accounts. The RVSA is also allowed to invest in United States Government obligations. All funds of the RVSA must follow the above investment policies.

Deposits of funds may be made in interest or non-interest bearing checking accounts in one or more banks or savings and loan associations within the geographical boundaries of the RVSA. Deposits may be made to the extent that they are insured by an agency of the United States or by collateral deposited as security or by bond given by the financial institution.

N. Net Position and Fund Balance

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 RVSA 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.

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

In the fund level financial statements, the RVSA has no designated fund balance. The RVSA applies restricted funds first to expenditures before applying restricted funds when applicable. Designated fund balances represent tentative plans for future use of financial resources.

RUTH VISAGE SENIOR APARTMENTS
A DEPARTMENT OF THE EASTERN PLAINS COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
For The Year Ended December 31, 2015

O. Fund Balance

The RVSA's fund balance is classified under the following GASB Statement 54 components:

Non-spendable: Non-spendable fund balance classification includes amounts that cannot be spent because they are either (1) not in spendable form or (2) legally or contractually required to be maintained intact. The RVSA's non-spendable fund balance for the year ended December 31, 2015 was \$2,875, consisting entirely of prepaid expenses.

Restricted: Restricted fund balance represents amounts constrained to specific purposes that are externally imposed or imposed by law through constitutional provisions or enabling legislation (such as taxpayers, grantors, bondholders, and higher levels of government) The RVSA's restricted cash balance of \$181,502 is considered as restricted fund balance for the year ended December 31, 2015.

Committed: Committed fund balance is constrained to specific purposes by the highest level of decision-making authority The RVSA does not have any committed fund balance for the year ended December 31, 2015.

Assigned: Assigned fund balance is constrained by the Legislature and Executive branch's intent to be used by the government for specific purposes or in some cases by legislation. Intent can be expressed by the governing body or an official or body to which the governing body delegates authority. The RVSA does not have any assigned fund balance for the year ended December 31, 2015.

Unassigned: Unassigned fund balance is the residual classification for the general fund. The RVSA does not currently have a minimum fund balance policy The RVSA has a deficit unassigned fund balance of \$(1,636) for the year ended December 31, 2015.

2. CASH BALANCES

In accordance with Section 6-10-17, NMSA, 1978 Compilation, deposits of public money are required to be collateralized. Pledged collateral is required to have an aggregate value equal to one half of the amount of public money in each account. Securities, which are obligations of the United States, State of New Mexico, its agencies, institutions, counties, municipalities or other subdivisions are accepted as security at market value. No security is required for the deposit of public money that is insured by the Federal Deposit Insurance Corporation, or the National Credit Union Administration.

The RVSA has no formal deposit policies for its accounts. Deposits (cash or cash equivalents) are carried at cost, which approximates market value. Beginning January 1, 2013, noninterest-bearing transaction accounts will no longer be insured separately from depositors' other accounts at the same FDIC-insured depository institutions (IDI) instead, noninterest-bearing transaction accounts will be added to any of a depositors' other accounts in the applicable ownership category and the aggregate balance insured up to at least the Standard Maximum

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Deposit Insurance Amount of \$250,000 per depositor, at each separately chartered IDI. See the FDIC website at www.fdic.gov/deposit/deposits/unlimited_expiration.html, for more information.

The Governmental Accounting Standards Board has issued its Statement #40 which requires information on custodial risk be disclosed. Custodial credit risk is risk that in the event of bank failure, RVSA's deposits may not be returned to it. RVSA's deposit policy is to collateralize one half of the uninsured public money in each account. The following is a listing of deposits of public money and collateral pledged at values acceptable per state statute, by the depositing financial institutions as of December 31, 2015:

Account Name	Type	Bank Balance	Outstanding Items	Adjustment	Book Balance
Operations - Wells Fargo*	Operating	\$ 13,046	(730)	1,622	13,938
Petty cash - On Site	Operating	-	-	-	100
Tax and Insurance - Wells Fargo*	Reserve	14,331	-	-	14,331
Replacement Reserve - The Citizens Bank of Clovis	Reserve	153,674	-	-	153,674
Security Deposit - Wells Fargo*	Security Deposit	15,119	-	(1,622)	13,497
Total bank balance		<u>196,170</u>	<u>(730)</u>	<u>-</u>	<u>195,540</u>
Less: FDIC coverage		<u>(250,000)</u>			
Uninsured balance		-			
50% collateral requirement		<u>\$ -</u>			

* denotes non-interest bearing

There were no remaining uninsured and collateralized deposits exposed to custodial credit risk. As of December 31, 2015, the amount of the RVSA's bank balance exposed to custodial credit risk was as follows:

Uninsured and collateral held by the pledging
Bank's trust dept. not in the RVSA's name

3. RECEIVABLES

Receivables at December 31, 2015 consist of the following:

Receivables:	General
Property rental assistance	\$ 8,184
Interest subsidy	4,190
Security deposit receivable	778
Tenant rent	210
	<u>\$ 13,362</u>

The RVSA considered all amounts fully collectible and therefore has not set up any allowances for doubtful accounts.

**RUTH VISAGE SENIOR APARTMENTS
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NOTES TO FINANCIAL STATEMENTS
For The Year Ended December 31, 2015**

4. CAPITAL ASSETS AND DEPRECIATION

A summary of changes in capital assets for the fiscal year ended December 31:

	<u>2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>2015</u>
Land	\$ 45,652	-	-	45,652
Building	1,456,500	-	-	1,456,500
Furnishings	10,446	-	-	10,446
Equipment	26,430	-	-	26,430
Total property and equipment	1,539,028	-	-	1,539,028
Less accumulated depreciation				
Total accumulated depreciation	(438,848)	(52,964)	-	(491,811)
Total property and equipment, net \$	<u>1,100,180</u>	<u>(52,964)</u>	<u>-</u>	<u>1,047,217</u>

Current year depreciation expense for the year ended December 31, 2015 was \$52,964. There were no additions or deletions of capital assets for the fiscal year ended December 31, 2015.

5. LONG-TERM DEBT

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities and statement of net position. RVSA does not have authority to issue bonds, however, it has acquired debt financing through the federal government and the State of New Mexico finance authority.

At December 31, 2015, long-term debt consisted of:

	<u>2014</u>	<u>Additions</u>	<u>Retirements</u>	<u>2015</u>	<u>Due Within One Year</u>
USDA LOAN -The partnership has an obligation to the United States Department of Agriculture bearing an interest rate of 6.25%. The loan is payable in monthly installments of \$6,786 including interest and principal. The loan is secured by the property and matures in November of 2053.	\$ 1,170,441	-	(7,025)	1,163,416	7,486
NMMFA Loan - The partnership has an obligation to the New Mexico Mortgage Finance Authority secured by the property. Monthly non-compounding interest will accrue at the rate of 2%. The RVSA shall make 360 monthly interest-only payments on the balance of unpaid principal. The entire principal amount of the loan will be due and payable in October of 2032 or sooner if sold, refinanced, or otherwise transferred.	300,000	-	-	300,000	-
Total	<u>\$ 1,470,441</u>	<u>-</u>	<u>(7,025)</u>	<u>1,463,416</u>	<u>7,486</u>

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Long term maturities for the year ended December 31, 2015 are as follows:

Principal

Years	NMFA Loan Agreement	USDA Rural Development Loan	Total
2016	\$ -	7,486	7,486
2017	-	7,978	7,978
2018	-	8,501	8,501
2019	-	9,060	9,060
2020	-	9,654	9,654
2021-2025	-	58,652	58,652
2026-2030	-	80,602	80,602
2031-2035	300,000	110,768	410,768
2036-2040	-	152,222	152,222
2041-2045	-	209,191	209,191
2046-2050	-	287,480	287,480
2051-2053	-	221,822	221,822
Total	300,000	1,163,416	1,463,416

Interest

Years	NMFA Loan Agreement	USDA Rural Development Loan	Total
2016	6,000	73,952	79,952
2017	6,000	73,460	79,460
2018	6,000	72,936	78,936
2019	6,000	72,378	78,378
2020	6,000	71,784	77,784
2021-2025	30,000	352,150	382,150
2026-2030	30,000	331,552	361,552
2031-2035	17,000	303,245	320,245
2036-2040	-	264,344	264,344
2041-2045	-	210,885	210,885
2046-2050	-	137,419	137,419
2051-2053	-	38,845	38,845
Total	\$ 107,000	2,002,950	2,109,950

6. UNEARNED REVENUE

Unearned revenue for the year ended December 31, 2015 was \$1,983. Unearned revenue consisted of tenant rent received in advance.

7. DEPOSITS HELD FOR TENANTS

Deposits held for tenants at year at December 31 consist of the following:

Cash restricted to meet tenant deposit liabilities	13,497
Tenant security deposits payable	13,489

8. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA) PLAN AND POST EMPLOYMENT BENEFITS

During the fiscal year ended December 31, 2015, the RVSA had no employees eligible for retirement benefits and, therefore, had no retirement benefit expenditures during the year.

RUTH VISAGE SENIOR APARTMENTS
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For The Year Ended December 31, 2015

9. RISK MANAGEMENT

The RVSA is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions and natural disasters for which its fiscal agent EPCOG carried commercial insurance in the name of the RVSA. Settled claims have not exceeded this commercial coverage in the past year.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. As of December 31, 2015, the RVSA did not have any probable risk of loss.

10. OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES

U.S. generally accepted accounting principles require disclosures of certain information for individual funds including:

- Funds exceeded approved budgetary authority for the year ended December 31, 2015 but because the budget is a program budget and not an official budget, it is not under State compliance requirements.

11. CONCENTRATION

The RSVA depends on financial resources flowing from, or associated with, the Federal Government. Because of this dependency, the RSVA is subject to changes in specific flows of intergovernmental revenues based on modifications to Federal laws and Federal appropriations.

12. VENDOR INFORMATION

Schedule of vendor information can be seen in the EPCOG 2015 and 2016 audited financials.

13. EVALUATION OF SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the statement of net position date but before the financial statements are issued. The RVSA recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the statement of net position, including the estimates inherent in the process of preparing the financial statements. The RVSA's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the statement of net position but arose after the statement of net position date and before financial statements are available to be issued. The RVSA has evaluated subsequent events through March 7, 2016, which is the date the financial statements were available to be issued.



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

Mr. Tim Keller, State Auditor and
The Ruth Visage Senior Apartments
A Department of the Eastern Plains Council of Governments
Portales, 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 and the general fund of the Ruth Visage Senior Apartments (RVSA), as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise RVSA's basic financial statements and have issued our report thereon dated March 7, 2016.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the RVSA's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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

March 7, 2016

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

express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Hinkle & Landers, P.C.

Hinkle + Landers, P.C.
Albuquerque, NM
March 7, 2016



**INDEPENDENT AUDITOR’S REPORT ON APPLYING
AGREED-UPON PROCEDURES**

To the Board of Directors of the
Ruth Visage Senior Apartments
A Department of the Eastern Plains Council of Governments and
USDA Rural Development, Servicing Office

We have performed the procedures enumerated below, which were agreed to by the United States Department of Agriculture Rural Development and Eastern Plains Council of Governments (“Owner”) the owner of the Ruth Visage Senior Apartments (“Project”) located in Portales, New Mexico, solely to assist those parties in evaluating that the accompanying Form RD 3560-10, Multiple Family Housing Borrower Balance Sheet, Form RD 3560-7, Multiple Family Housing Project Budget (“Financial Reports”) and Supporting Documentation are prepared in accordance with the criteria specified in Rural Development Regulations contained in 7 CFR 3560 section 303(b) and section 306, in accordance with the determinations noted in Attachment 4-D of RD Handbook HB-2-3560, for the year ended December 31, 2015. The owner is responsible for the presentation of the financial reports. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States. The sufficiency of these procedures is solely the responsibility of Rural Development and the owner. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings are as follows:

- 1. We examined selected receipts, invoices, and cancelled checks (or check imaging on original bank statement) that support administrative; and operating and maintenance expenses presented on Form RD 3560-7, Part II, line items 1-10 and 19-32 to determine they were incurred as part of the ongoing operations of the project. We selected a representative sample of invoices and supporting documentation, based on the sample size determined by Rural Development in Attached 4-D of RD Handbook HB-2-3560, for expenses included in Lines 1-10 and 19-32 of Form RD 3560-7 and determined that the services were eligible expenses, in accordance with Attachment 4-A of HB-2-3560, and the shipping address agreed to the project address. In addition, we confirmed a sample of the expenditures with the vendors to determine the invoice paid agreed to the vendor’s records.

Findings:

Total Number of Invoices in Population:	331
Total Dollar Amount of Invoices in Population:	\$ 176,332
Total Number of Invoices Reviewed:	15
Total Dollar Amount of Invoices Reviewed:	\$ 5,291
Total Number of Invoices in Vendor Confirmation Sample:	1
Total Dollar Amount of Invoices in Vendor Confirmation Sample:	\$ 1,351

Total Number of Vendor Confirmations Not Received:		0
Total Dollar Amount of Vendor Confirmations Not Received:	\$	0
Total Number of Deviations:		0
Total Dollar Amount of Deviations:	\$	0

- We confirmed the balance in the replacement reserve account presented on Form RD 3560-7, Part III, and confirmed that no amounts were encumbered by the financial institution that holds the accounts. We determined that all balances are within the FDIC insurance limits. We determined number of reserve account withdrawals from the original bank statements and compared the withdrawals to the amounts approved by Rural Development on Form RD 3560-12. We compared the invoices and cancelled checks (or check imaging on original bank statement) to the approved withdrawals from Rural Development.

Findings:

Total Number of Reserve Account Withdrawals:		0
Total Number of Withdrawals Authorized by Rural Development:		0
Total Dollar Amount of Reserve Account Withdrawals:	\$	0
Total Dollar Amount of Withdrawals Authorized by Rural Development:	\$	0
Total Number of Deviations:		0
Total Dollar Amount of Deviations:	\$	0

The confirmation received from the financial institution agreed to the project’s bank reconciliation and no encumbrances were noted on the confirmation.

- We obtained the Identity of Interest (IOI) company listing and Form RD 3560-31 from Rural Development and determined that the services provided and approved fees, if applicable, agree to the actual service and fees charged to the project. We examined a sample of invoices and determined that the services and charges are in accordance with the disclosures contained in Form RD 3560-31 as agreed to by Rural Development.

Findings:

Total Number of Forms RD 3560-31 Received:	1
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JL Gray Company

Management Fees

Total Number of Invoices in Population:		12
Total Dollar Amount of Invoices in Population:	\$	15,162
Total Number of Invoices Reviewed:		3
Total Dollar Amount of Invoices Reviewed:	\$	3,600

Technical Support

Total Number of Invoices in Population:		12
Total Dollar Amount of Invoices in Population:	\$	1,309
Total Number of Invoices Reviewed:		3
Total Dollar Amount of Invoices Reviewed:	\$	322

Deviation Explanation

The agreed-upon procedures performed above revealed no undisclosed IOI companies.

We were not engaged to, and did not, conduct an audit of the subject matter, the objective of which would be the expression of an opinion on the agreed-upon procedures applied to the financial reports and supporting documentation of the Ruth Visage Senior Apartments. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the owner and management agent of the Ruth Visage Senior Apartments, and Rural Development, and is not intended to be and should not be used by anyone other than these specified parties.



Hinkle + Landers, P.C.
Albuquerque, NM
March 7, 2016

RUTH VISAGE SENIOR APARTMENTS
A Department of the Eastern Plains Council of Governments
Schedule of Findings and Responses
For The Year Ended December 31, 2015

Reference #	Findings	Status of Prior Year Findings	Type of Finding*
<i>Prior year findings</i>			
	None		

Current year findings
None

* Legend for Type of Findings

- A. Material Weakness in Internal Control Over Financial Reporting
- B. Significant Deficiency in Internal Control Over Financial Reporting
- C. Other Matters Involving Internal Control Over Financial Reporting
- D. Material Weakness in Internal Control Over Compliance of Federal Awards
- E. Significant Deficiency in Internal Control Over Compliance of Federal Awards
- F. Instance of Noncompliance to Federal Awards
- G. Non-compliance with State Audit Rule, NM State Statutes Annotated 1978 and other NM Administrative Code or other entity compliance

PRIOR YEAR FINDINGS

NONE

CURRENT YEAR FINDINGS

NONE

RUTH VISAGE SENIOR APARTMENTS
A Department of the Eastern Plains Council of Governments
Exit Conference
For The Year Ended December 31, 2015

An exit conference was held in a closed session on March 7, 2016, and the contents of this report were discussed. Present at the exit conference were:

Representing Ruth Visage Senior Apartments:

Fidel Madrid

Chairperson of the EPCOG

Sandy Chancey

Executive Director of the EPCOG

Representing Hinkle + Landers, P.C.:

Farley Vener, CPA, CFE, CGMA

Independent auditor, Hinkle + Landers, P.C.

Maclen Enriquez

Independent auditor, Hinkle + Landers, P.C.

PREPARATION OF FINANCIAL STATEMENTS

The accompanying financial statements of the Ruth Visage Senior Apartments have been prepared by Hinkle + Landers, P.C., the organization's independent public auditors; however, the financial statements are the responsibility of management.