



# 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, 2016**



**RUTH VISAGE SENIOR APARTMENTS**  
**A DEPARTMENT OF THE EASTERN PLAINS COUNCIL OF GOVERNMENTS**  
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**For The Year Ended December 31, 2016**

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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, 2016**

<u>Directors</u>	<u>Position</u>	<u>Government Represented</u>
<b>EXECUTIVE COMMITTEE</b>		
Fidel Madrid	Chairman	Curry County
Oscar Robinson	Vice-Chairman	Roosevelt County
Wesley Shafer	Treasurer	Curry County
Roman Garcia	Member	Harding County
George Gonzales	Member	De Baca County
Cynthia Lee	Member	Quay County
Jack Chosvig	Member	Union County
<b>CURRY COUNTY</b>		
Tim Ashley	Member	Curry County
Fidel Madrid	Member	City of Clovis
Wesley Shafer	Member	Village of Grady
Lewis Cooper	Member	Town of Texico
H.P. Cargile	Member	Village of Melrose
<b>DE BACA COUNTY</b>		
George Gonzales	Member	De Baca County
Justin Ingram	Member	Fort Sumner
<b>GUADALUPE COUNTY</b>		
Ernest Tapia	Member	Guadalupe County
Roman Garcia	Member	Town of Vaughn
<b>HARDING COUNTY</b>		
Robert Aragon	Member	Harding County
Donna Sue Milson	Member	Village of Roy
<b>QUAY COUNTY</b>		
Richard Primrose	Member	Quay County
Apolonio Ramirez	Member	Village of Logan
Cynthia Lee	Member	Village of San Jon
Robert Lumpkin	Member	Tucumcari
<b>ROOSEVELT COUNTY</b>		
Not Members	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
<b>UNION COUNTY</b>		
Justin Bennet	Member	Union County
Jack Chosvig	Member	City of Clayton
Terry McNabb	Member	Village of Folsom
Mignon Saddoris	Member	Village of Grenville
<b>SPECIAL DISTRICTS</b>		
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, 2016, 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, 2016, 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, 2016 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 February 8, 2017 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  
February 8, 2017

**RUTH VISAGE SENIOR APARTMENTS**  
**A DEPARTMENT OF THE EASTERN PLAINS COUNCIL OF GOVERNMENTS**  
**(GOVERNMENT-WIDE)**  
**STATEMENT OF NET POSITION**  
**As of December 31, 2016**

<b>ASSETS</b>	Notes	Governmental Activities
<b>Current assets</b>		
Cash and cash equivalents	2	\$ 5,255
Intergovernmental receivables	3	13,702
Other receivables	3	14,928
Prepaid expenses		3,184
Total current assets		<u>37,069</u>
<b>Noncurrent assets</b>		
<i>Deposits held in trust</i>		
Cash restricted to meet tenant deposit liabilities	7	<u>14,809</u>
<i>Restricted deposits</i>		
Cash restricted for replacement reserve	2	154,065
Cash restricted for taxes and insurance	2	22,179
Total restricted deposits		<u>176,244</u>
Capital assets, net	4	<u>994,253</u>
<b>Total Assets</b>		<u>\$ 1,222,375</u>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable		\$ 16,656
Accrued expenses		4,652
Prepaid tenant rent	6	344
Mortgage loan payable - USDA (current portion)	5	7,978
Total current liabilities		<u>29,630</u>
<b>Noncurrent liabilities</b>		
<i>Deposit Liability</i>		
Tenant security deposits payable	7	<u>13,949</u>
Mortgage loan payable - USDA (long-term portion)	5	1,147,952
Mortgage loan payable - NMMFA	5	300,000
Accrued interest		6,141
Total noncurrent liabilities		<u>1,468,042</u>
<b>Total Liabilities</b>		<u>1,497,672</u>
<b>NET POSITION</b>		
Net investment in capital assets		(461,677)
Unrestricted		186,380
Total net position		<u>(275,297)</u>
<b>Total Liabilities and Net Position</b>		<u>\$ 1,222,375</u>

The accompanying notes are an integral part of these financial statements.

**RUTH VISAGE SENIOR APARTMENTS**  
**A DEPARTMENT OF THE EASTERN PLAINS COUNCIL OF GOVERNMENTS**  
**(GOVERNMENT-WIDE)**  
**STATEMENT OF ACTIVITIES**  
**For The Year Ended December 31, 2016**

<b>Functions/Programs</b>	Expenses	Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position For Governmental Activities
<b>Primary Government</b>				
General government	\$ 425,304	78,662	197,294	(149,348)
General revenues:				
Investment income				391
Insurance proceeds				102,621
Total general revenues and transfers				103,012
Change in net position				(46,336)
Net position, beginning of year				(228,961)
Net position, end of year				\$ (275,297)

The accompanying notes are an integral part of these financial statements.



**RUTH VISAGE SENIOR APARTMENTS**  
**A DEPARTMENT OF THE EASTERN PLAINS COUNCIL OF GOVERNMENTS**  
**BALANCE SHEET – GOVERNMENTAL FUND**  
**As of December 31, 2016**

	<u>General Fund</u>
<b>ASSETS:</b>	
Cash and cash equivalents	\$ 5,255
Restricted cash and investments	191,053
Receivables:	
Intergovernmental	13,702
Other receivables	14,928
Prepaid expenses	<u>3,184</u>
Total assets	<u>\$ 228,122</u>
<b>LIABILITIES:</b>	
Accounts payable	\$ 16,656
Accrued expenses	4,652
Unearned revenue	344
Accrued interest	6,141
Deposits held in trust	<u>13,949</u>
Total liabilities	<u>41,742</u>
<b>FUND BALANCE:</b>	
Restricted: cash and investments	191,053
Non-spendable: prepaid expenses	3,184
Unassigned	<u>(11,041)</u>
Total fund balance	<u>186,380</u>
Total liabilities and fund balance	<u>\$ 228,122</u>
<b>Amounts reported for governmental activities in the statement of net position are different because:</b>	
<i>Capital assets used in governmental activities are not current financial resources and therefore, are not reported in the balance sheet</i>	\$ 994,253
<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	(7,978)
Notes payable	<u>(1,447,952)</u>
Statement of net position of governmental funds	<u>\$ (275,297)</u>

The accompanying notes are an integral part of these financial statements.

**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, 2016**

	<b>General Fund</b>
<b>Revenues:</b>	
Federal	\$ 50,280
State	147,014
Charges for services	78,662
Investment income	391
Insurance proceeds	102,621
Total revenues	<u>378,968</u>
<b>Expenditures:</b>	
Current:	
General government	292,428
Debt service:	
Principal	7,486
Interest	79,912
Total expenditures	<u>379,826</u>
Excess (deficiency) of revenues over expenditures	<u>(858)</u>
Other financing sources (uses)	
Operating transfers in	-
Operating transfers out	-
Total other financing sources (uses) & special items	<u>-</u>
Net change in fund balances	(858)
Fund balance, beginning of year	187,238
Fund balance, end of year	<u>\$ 186,380</u>
<b>Amounts reported for governmental activities in the statement of activities are different because:</b>	
Net change in fund balances - total governmental funds	\$ (858)
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>7,486</u>
<i>Rounding</i>	-
Change in net position of governmental activities	<u>\$ (46,336)</u>

The accompanying notes are an integral part of these financial statements.

**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, 2016**

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>				
Federal	\$ -	-	50,280	50,280
Rental income (includes State grants)	221,664	221,664	225,676	4,012
Investment income	350	350	391	41
Miscellaneous	-	-	102,621	102,621
Total revenues	<u>222,014</u>	<u>222,014</u>	<u>378,968</u>	<u>156,954</u>
<b>Expenditures:</b>				
Current:				
General government	157,124	157,124	292,428	(135,304)
Debt service:				
Principal	31,158	37,158	7,486	29,672
Interest	-	-	79,912	(79,912)
Total expenditures	<u>188,282</u>	<u>194,282</u>	<u>379,826</u>	<u>(185,544)</u>
Net change in fund balances	33,732	27,732	(858)	(28,590)
Fund balance, beginning of year			<u>187,238</u>	
Fund balance, end of year			<u>\$ <u>186,380</u></u>	

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

**RUTH VISAGE SENIOR APARTMENTS**  
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**NOTES TO FINANCIAL STATEMENTS**  
**For The Year Ended December 31, 2016**

**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 governmental entity, under section 170(c)(1). 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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**For The Year Ended December 31, 2016**

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, 2016. 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**  
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**NOTES TO FINANCIAL STATEMENTS**  
**For The Year Ended December 31, 2016**

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, 2016**

**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	27.5
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

**RUTH VISAGE SENIOR APARTMENTS**  
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**NOTES TO FINANCIAL STATEMENTS**  
**For The Year Ended December 31, 2016**

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 \$154,065 at December 31, 2016.

**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 \$14,784. The fees are for services rendered in connection with leasing and operation of the Apartments. The property management fees are equal to \$48 per occupied unit per month with a maximum annual compensation of \$14,976.

**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, 2016, 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, 2016**

**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, 2016 was \$3,184, 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 \$191,053 is considered as restricted fund balance for the year ended December 31, 2016.

*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, 2016.

*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, 2016.

*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 \$(11,041) for the year ended December 31, 2016.

**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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**For The Year Ended December 31, 2016**

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](http://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, 2016:

Account Name	Type	Bank Balance	Outstanding Items	Book Balance
Operations - Wells Fargo*	Operating	\$ 6,764	(1,609)	5,155
Petty cash - On Site	Operating	-	-	100
Tax and Insurance - Wells Fargo*	Reserve	22,179	-	22,179
Replacement Reserve - The Citizens Bank of Clovis	Reserve	154,065	-	154,065
Security Deposit - Wells Fargo*	Security Deposit	14,809	-	14,809
Total bank balance		197,817	(1,609)	196,308
Less: FDIC coverage		(250,000)		
Uninsured balance		-		
50% collateral requirement		\$ -		

\* denotes non-interest bearing

There were no remaining uninsured and collateralized deposits exposed to custodial credit risk. As of December 31, 2016, 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	\$ <u>          -</u>
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**3. RECEIVABLES**

Receivables at December 31, 2016 consist of the following:

Receivables:	General
Property rental assistance	\$ 9,513
Interest subsidy	4,190
Security deposit receivable	68
Tenant rent	-
Insurance proceeds	14,859
	\$ 28,630

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

**RUTH VISAGE SENIOR APARTMENTS**  
**A DEPARTMENT OF THE EASTERN PLAINS COUNCIL OF GOVERNMENTS**  
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**For The Year Ended December 31, 2016**

**4. CAPITAL ASSETS AND DEPRECIATION**

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

	2015	Additions	Deletions	2016
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	(491,811)	(52,964)	-	(544,775)
Total property and equipment, net	\$ 1,047,217	(52,964)	-	994,253

Current year depreciation expense for the year ended December 31, 2016 was \$52,964. There were no additions or deletions of capital assets for the fiscal year ended December 31, 2016.

**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, 2016, long-term debt consisted of:

	2015	Additions	Retirements	2016	Due Within One Year
<b>USDA LOAN</b> -The partnership has an obligation to the United States Department of Agriculture bearing an interest rate of 6.375%. 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.	\$ 1,163,416	-	(7,486)	1,155,930	7,978
<b>NMMFA Loan</b> - 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	\$ 1,463,416	-	(7,486)	1,455,930	7,978

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**NOTES TO FINANCIAL STATEMENTS**  
**For The Year Ended December 31, 2016**

Long term maturities for the year ended December 31, 2016 are as follows:

**Principal**

Years	NMFA Loan Agreement	USDA Rural Development Loan	Total
2017	\$ -	7,978	7,978
2018	-	8,501	8,501
2019	-	9,060	9,060
2020	-	9,654	9,654
2021	-	10,288	10,288
2022-2026	-	62,502	62,502
2027-2031	300,000	85,894	385,894
2032-2036	-	118,039	118,039
2037-2041	-	162,215	162,215
2042-2046	-	222,924	222,924
2047-2051	-	306,352	306,352
2052-2053	-	152,524	152,524
Total	300,000	1,155,930	1,455,930

**Interest**

Years	NMFA Loan Agreement	USDA Rural Development Loan	Total
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	6,000	71,150	77,150
2022-2026	30,000	344,687	374,687
2027-2031	30,000	321,296	351,296
2032-2036	5,000	289,150	294,150
2037-2041	-	244,974	244,974
2042-2046	-	184,266	184,266
2047-2051	-	100,837	100,837
2052-2053	-	10,297	10,297
Total	\$ 95,000	1,857,217	1,941,919

**6. UNEARNED REVENUE**

Unearned revenue for the year ended December 31, 2016 was \$344. Unearned revenue consisted of tenant rent received in advance.

**7. DEPOSITS HELD FOR TENANTS**

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

Cash restricted to meet tenant deposit liabilities	\$ 14,809
Tenant security deposits payable	(13,949)
Difference	<u>\$ 860</u>

The difference is due to timing and is immaterial to the financial statements.

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

During the fiscal year ended December 31, 2016, the RVSA had no employees eligible for retirement benefits and, therefore, had no retirement benefit expenditures during the year.

**RUTH VISAGE SENIOR APARTMENTS**  
**A DEPARTMENT OF THE EASTERN PLAINS COUNCIL OF GOVERNMENTS**  
**NOTES TO FINANCIAL STATEMENTS**  
**For The Year Ended December 31, 2016**

**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, 2016, 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 in the general fund for the year ended December 31, 2016 by \$185,544.
- The general fund reports a deficit of (\$275,297) due to depreciation of fixed assets outpacing repayment of the loan.

**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 is identical to the Eastern Plains Council of Governments vendor schedule for FY16.

**13. PROPERTY DAMAGE**

On October 20, 2015, a large and severe hail storm caused damage to RVSA's roof and other assets. RSVA's roof and other assets are covered under a property insurance policy at replacement cost. Accordingly, the policy covered the damage incurred from the hail storm. During FY16, RSVA received insurance proceeds of approximately \$102,621, reported in the Statement of Activities as insurance proceeds. The settlement statement from the insurance company stated that it would not pay for any loss or damage on a replacement cost basis until the property is repaired, rebuilt, or replaced and the payment received by RSVA was based on an Actual Cash Value basis until the repairs or replacement are completed. It further stated that upon receipt of the paid invoices, the insurance company would be in a position to reevaluate the claim according to the policy. As of February 8, 2017, RSVA has received the full replacement amount from the insurance company and repairs have been made. During the current year, RSVA has included costs related to the settlement of \$102,621 in the Statement of Activities with general governmental expenses. This event is not considered an extraordinary item, because hailstorm are known to occur frequently in this part of the state.

**RUTH VISAGE SENIOR APARTMENTS**  
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**NOTES TO FINANCIAL STATEMENTS**  
**For The Year Ended December 31, 2016**

**14. 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 February 8, 2017, which is the date the financial statements were available to be issued.

**RUTH VISAGE SENIOR APARTMENTS  
A DEPARTMENT OF THE EASTERN PLAINS COUNCIL OF GOVERNMENTS  
SCHEDULE OF VENDOR INFORMATION (UNAUDITED)  
For The Year Ended December 31, 2016**

Agency Number	Agency Name	Agency Type	RFB#/RFP #	Type of Procurement	Vendor Name	Did Vendor Win Contract?	\$ Amount of Awarded Contract	\$ Amount of Amended Contract	Physical Address of the Vendor	Did the Vendor Provide Documentation of Eligibility for In-State Preference?	Did the Vendor Provide Documentation of Eligibility for Veteran's Preference?	Brief Description of the Scope of Work	If the Procurement is Attributable to a Component Unit, Name of Component Unit
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This vendor schedule is identical to the vendor schedule in the Eastern Plains Council of Governments

**None**





**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, 2016, and the related notes to the financial statements, which collectively comprise RVSA's basic financial statements and have issued our report thereon dated February 8, 2017.

**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

February 8, 2017

**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**

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express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under Government Auditing Standards, which is described in the accompanying Schedule of Findings and Responses as item 2016-001.

**The Ruth Visage Senior Apartment's Response to the Findings**

The Ruth Visage Senior Apartment's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Ruth Visage Senior Apartment's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

**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  
February 8, 2017



**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, 2016. 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:	348
Total Dollar Amount of Invoices in Population:	\$ 181,503
Total Number of Invoices Reviewed:	15
Total Dollar Amount of Invoices Reviewed:	\$ 5,336
Total Number of Invoices in Vendor Confirmation Sample:	1
Total Dollar Amount of Invoices in Vendor Confirmation Sample:	\$ 1,747

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

2. 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.

3. 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

**JL Gray Company**

*Management Fees*

Total Number of Invoices in Population:		12
Total Dollar Amount of Invoices in Population:	\$	15,900
Total Number of Invoices Reviewed:		3
Total Dollar Amount of Invoices Reviewed:	\$	3,996

*Technical Support*

Total Number of Invoices in Population:		13
Total Dollar Amount of Invoices in Population:	\$	1,302
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  
February 8, 2017

**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		N/A	N/A
<i>Current year findings</i>			
2016-001	BUDGET CONTROLS- STATE COMPLIANCE	Current	G

\* 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 with Federal Awards
- G. Non-compliance with State Audit Rule, NM State Statutes Annotated 1978 and other NM Administrative Code or other entity compliance

**2016-001-BUDGET CONTROLS- STATE COMPLIANCE**

**Type of Finding: G**

**Statement of Condition**

Actual expenditures exceeded budget expenditures in the General Fund by \$185,544.

**Criteria**

Chapter 6 of the New Mexico Statutes Annotated (NMSA) 1978 requires the Local Government Division (LGD), Financial Management Bureau of New Mexico Department of Finance and Administration to make rules and regulations relating to budgets, records, reports, and the disbursement of public monies. Sections 6-6-6 through 6-6-11 NMSA 1978 Compilation prohibits local governments from making expenditures in excess of the approved budget. The LGD interprets Section 6-6-6 to apply to a fund's total budget; if the fund's total budget is overspent, the fund is not in compliance with Section 6-6-6.

**Effect**

RVSA is in violation of budget controls established for the State of New Mexico.

**Cause**

RSVA had an unexpected roof repair expense along with a lack of monitoring by the Council of Governments for possible budget overruns.

**Recommendation**

We recommend that the RSVA improves controls to prevent the over-expenditure of fund resources.

**Management Response**

RSVA agrees with the auditor's finding, and will improve controls over budgets. Unfortunately, management is unable to approve BARs without the approval of the USDA which may make it difficult to resolve this issue.

**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**

**Corrective Action Plan Timeline:**

Corrective action is estimated to be implemented no later than 6/30/2017, if possible.

**Designation Of Employee Position Responsible For Meeting Deadline:**

Sandy Chancey, Executive Director, Eastern Plains Council of Governments

**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 February 8, 2017, 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.