



HINKLE + LANDERS

Certified Public Accountants + Business Consultants

**STATE OF NEW MEXICO
EASTERN PLAINS COUNCIL OF
GOVERNMENTS**

**INDEPENDENT AUDITOR'S REPORT
AND FINANCIAL STATEMENTS**

For The Year Ended June 30, 2013

**STATE OF NEW MEXICO
EASTERN PLAINS COUNCIL OF GOVERNMENTS
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**STATE OF NEW MEXICO
EASTERN PLAINS COUNCIL OF GOVERNMENTS
OFFICIAL ROSTER
For The Year Ended June 30, 2013**

<u>Directors</u>	<u>Position</u>	<u>Government Represented</u>
EXECUTIVE COMMITTEE		
Alvin Maestas, Sr.	Chairman	City of Santa Rosa
Fidel Madrid	Vice-Chairman	City of Clovis
Wesley Shafer	Treasurer	Curry County
Vanita Menapace	Member	Harding County
Bill Cathey	Member	Roosevelt County
Becky Harris	Member	De Baca County
Cynthia Lee	Member	Village of San Jon
Jack Chosvig	Member	City of Clayton
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		
Becky Harris	Member	De Baca County
GUADALUPE COUNTY		
Vincente Cordova	Member	Guadalupe County
Alvin Maestas, Sr.	Member	City of Santa Rosa
Paul Madrid	Member	Town of Vaughn
HARDING COUNTY		
Vanita Menapace	Member	Harding County
Chandra Gonzales	Member	Village of Roy
QUAY COUNTY		
Cynthia Lee	Member	Village of San Jon
ROOSEVELT COUNTY		
Bill Cathey	Member	Roosevelt County
Oscar Robinson	Member	City of Portales
LaVerne Sheller	Member	Village of Causey
Kay Nuckols	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
Sandy Chancey	Executive Director	EPCOG



INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Eastern Plains Council of Governments
Clovis, New Mexico
and Mr. Hector Balderas, State Auditor

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component unit, each major fund, and the budgetary comparisons for the general fund and major special revenue funds of the Eastern Plains Council of Governments (EPCOG), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the EPCOG'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 misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 aggregate discretely presented component unit, and each major fund, as of June 30, 2013, and the respective changes in financial position and the respective budgetary comparisons for the general fund and major special revenue funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 Information

Our audit was conducted for the purpose of forming opinions on the EPCOG's financial statements and the budgetary comparisons. The schedule of expenditures of federal awards as required by Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and the other schedules required by 2.2.2.NMAC are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The *schedule of expenditures of federal awards* and other schedules required by 2.2.2 NMAC are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with the auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards and other schedules required by 2.2.2 NMAC are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2014 on our consideration of the EPCOG'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 EPCOG's internal control over financial reporting and compliance.



Hinkle + Landers, PC
Albuquerque, NM
June 27, 2014

**STATE OF NEW MEXICO
EASTERN PLAINS COUNCIL OF GOVERNMENTS
STATEMENT OF NET POSITION
(GOVERNMENT-WIDE)
As of June 30, 2013**

	Governmental Activities	Component Unit At 12/31/12
ASSETS	<u> </u>	<u> </u>
Current		
Cash and cash equivalents	\$ 76,965	536
Grants receivable	23,165	-
Tenant receivable	4,842	259
Intergovernmental receivables	11,919	2,028
Prepaid expenses	7,221	6,426
Total current assets	<u>124,112</u>	<u>9,249</u>
Noncurrent		
Restricted Deposits		
Cash held in escrow	1,237	5,896
Cash held in reserve accounts	170,485	18,147
Cash held for security deposits	8,960	9,212
Notes receivable	152,789	-
Deferred finance costs, net	-	26,451
Capital assets, net	1,353,523	987,077
Total noncurrent assets	<u>1,686,994</u>	<u>1,046,783</u>
Total Assets	<u>\$ 1,811,106</u>	<u>1,056,032</u>
LIABILITIES		
Current		
Accounts payable	\$ 17,583	16,389
Accrued payroll liabilities	4,194	-
Unearned revenue	10,660	270
Accrued interest - current	-	11,372
Current portion of long term debt	10,760	4,192
Total current liabilities	<u>43,197</u>	<u>32,223</u>
Noncurrent		
Note payable	1,647,646	920,095
Compensated absences	10,554	-
Accrued interest	6,286	151,052
Security deposits	11,044	8,162
Total noncurrent liabilities	<u>1,675,530</u>	<u>1,079,309</u>
Total liabilities	<u>1,718,727</u>	<u>1,111,532</u>
NET POSITION		
Net investment in capital assets	(304,883)	-
Unrestricted net position	397,262	-
Partners' Capital	-	(55,500)
Total net position	<u>92,379</u>	<u>(55,500)</u>
Total liabilities and net position	<u>\$ 1,811,106</u>	<u>1,056,032</u>

SEE INDEPENDENT AUDITOR'S REPORT
The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
EASTERN PLAINS COUNCIL OF GOVERNMENTS
STATEMENT OF ACTIVITIES
(GOVERNMENT-WIDE)
For The Year Ended June 30, 2013

Functions/Programs	Expenses	Charges for Services	Program Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position for Governmental Activities
Primary government				
Governmental activities:				
General government	\$ 760,567	101,941	450,679	(207,947)
General revenues:				
Miscellaneous income				11,414
Interest income				688
Gain on sale of assets				9,623
Total general revenues				21,725
Change in net position				(186,222)
Net position, beginning of year				56,801
Restatement				221,800
Net position, beginning of year - restated				278,601
Net position, end of year				\$ 92,379
Component Unit - December 31, 2012				
Rural Development Housing	\$ 212,366	95,485	-	(116,881)
General revenues:				
Miscellaneous income				20
Interest income				15,669
Total general revenues				15,689
Changes in net position				(101,192)
Partners' capital, beginning of year				(22,929)
Additional capital contributions				180,837
Amortization				(667)
Restatement				(111,549)
Net income				(101,192)
Partners' capital, end of year				\$ (55,500)

SEE INDEPENDENT AUDITOR'S REPORT
The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO
EASTERN PLAINS COUNCIL OF GOVERNMENTS
BALANCE SHEET - GOVERNMENTAL FUNDS
As of June 30, 2013**

	General Fund	Ruth Visage (12/31/2012)	San Jon	Total
ASSETS:				
Cash and cash equivalents	\$ 26,535	40,236	10,194	76,965
Restricted cash and investments	993	160,140	19,549	180,682
Grants receivable	23,165	-	-	23,165
Intergovernmental receivables	-	11,919	-	11,919
Tenant receivables	-	3,321	1,521	4,842
Prepaid expenses	221	7,000	-	7,221
Total assets	50,914	222,616	31,264	304,794
DEFERRED OUTFLOW OF RESOURCES:	152,789	-	-	152,789
Total assets and deferred outflows of resources	\$ 203,703	222,616	31,264	457,583
LIABILITIES:				
Accounts payable	\$ 10,868	3,301	3,414	17,583
Accrued payroll liabilities	4,194	-	-	4,194
Unearned revenue	9,572	1,063	25	10,660
Deposits held in trust	-	8,649	2,395	11,044
Total liabilities	24,634	13,013	5,834	43,481
DEFERRED INFLOW OF RESOURCES:	5,346	-	-	5,346
FUND BALANCE:				
Non-spendable: prepaid expense	221	7,000	-	7,221
Restricted: restricted cash	993	160,140	19,549	180,682
Assigned: rural developmental housing	-	42,463	5,881	48,344
Unassigned	172,509	-	-	172,509
Total fund balance	173,723	209,603	25,430	408,756
Total liabilities, deferred inflows of resources, and fund balance	\$ 203,703	222,616	31,264	457,583

Reconciliation of the Governmental Fund Balance to Statement of Net Position

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

Total fund balance - Governmental Funds	\$	408,756
Capital assets used in governmental activities are not current financial resources and therefore, are not reported in the balance sheet		1,353,523
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds		
<i>Long-term debt</i>		(1,658,406)
<i>Deferred inflows of resources</i>		5,346
<i>Accrued interest</i>		(6,286)
<i>Accrued compensated absences</i>		(10,554)
Statement of net position of governmental funds	\$	92,379

SEE INDEPENDENT AUDITOR'S REPORT
The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO
EASTERN PLAINS COUNCIL OF GOVERNMENTS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
For The Year Ended June 30, 2013**

	<u>General Fund</u>	<u>Ruth Visage (12/31/2012)</u>	<u>San Jon</u>	<u>Total</u>
Revenues:				
Federal	\$ 119,864	50,280	4,630	174,774
State	95,743	86,591	18,057	200,391
Local	70,168	-	-	70,168
Interest income	136	510	42	688
Rental income, net of vacancy	531	58,969	14,174	73,674
Miscellaneous income	5,033	4,951	1,430	11,414
Membership Dues	28,267	-	-	28,267
Total revenues	<u>319,742</u>	<u>201,301</u>	<u>38,333</u>	<u>559,376</u>
Expenditures:				
Current:				
General government	472,298	113,110	25,521	610,929
Debt Service:				-
Principal	3,056	5,805	1,338	10,199
Interest	2,873	81,633	1,339	85,845
Total expenditures	<u>478,227</u>	<u>200,548</u>	<u>28,198</u>	<u>706,973</u>
Excess (deficiency) of revenues over expenditures	<u>(158,485)</u>	<u>753</u>	<u>10,135</u>	<u>(147,597)</u>
Other financing sources (uses)				
Proceeds from the sale of capital assets	115,272	-	-	115,272
Operating transfers in	-	-	-	-
Operating transfers out	-	-	-	-
Total other financing sources (uses)	<u>115,272</u>	<u>-</u>	<u>-</u>	<u>115,272</u>
Net change in fund balances	(43,213)	753	10,135	(32,325)
Fund balance, beginning	(532,785)	208,850	15,295	(308,640)
Restatement	749,721	-	-	749,721
Fund balance, beginning - restated	<u>216,936</u>	<u>208,850</u>	<u>15,295</u>	<u>441,081</u>
Fund balance, ending	<u>\$ 173,723</u>	<u>209,603</u>	<u>25,430</u>	<u>408,756</u>

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental funds to the Statement of Activities

Amounts reported to governmental activities in the statement of activities are difference because:

Net change in fund balances - total governmental funds \$ (32,325)

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense, in the current period. These amounts are:

<i>Depreciation expense</i>	(48,013)
<i>Proceeds from the sale of capital assets</i>	(115,272)
<i>Gain on disposal of assets</i>	9,623

Long-term debt is not included in the Governmental Funds until paid; recorded as long-term liabilities in the Statement of Net Position:

<i>Debt principal payments</i>	10,199
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Net effect of changes in accrued compensated absences	(15,780)
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Other reclassifications are necessary to convert from the modified accrual basis of accounting to the accrual basis of accounting related to revenue recognition of grants.

Change in net position of governmental activities	<u>\$ 5,346</u>
	<u>(186,222)</u>

SEE INDEPENDENT AUDITOR'S REPORT

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO
EASTERN PLAINS COUNCIL OF GOVERNMENTS
GENERAL FUND - MAJOR FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL (MODIFIED ACCRUAL BASIS)
For The Year Ended June 30, 2013**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Grants and contracts	\$ 340,749	420,736	285,775	(134,961)
Rental income	5,400	5,400	531	(4,869)
Interest	-	-	136	136
Membership	-	-	28,267	28,267
Miscellaneous	-	-	5,033	5,033
Total revenues	<u>346,149</u>	<u>426,136</u>	<u>319,742</u>	<u>(106,394)</u>
Expenditures:				
General governmental	354,093	491,142	472,298	18,844
Debt service:				
Principal	-	3,056	3,056	-
Interest	-	2,873	2,873	-
Total expenditures	<u>354,093</u>	<u>497,071</u>	<u>478,227</u>	<u>18,844</u>
Excess (deficiency) of revenues over expenditures	<u>(7,944)</u>	<u>(70,935)</u>	<u>(158,485)</u>	<u>(87,550)</u>
Other financing sources (uses)				
Proceeds from sale of assets	-	115,272	115,272	-
Operating transfers in	-	-	-	-
Operating transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>115,272</u>	<u>115,272</u>	<u>-</u>
Change in fund balance	<u>\$ (7,944)</u>	<u>44,337</u>	<u>(43,213)</u>	<u>(87,550)</u>
Fund balance provided from prior years	<u>\$ 216,936</u>	<u>216,936</u>	<u>216,936</u>	

SEE INDEPENDENT AUDITOR'S REPORT
The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO
EASTERN PLAINS COUNCIL OF GOVERNMENTS
RUTH VISAGE - MAJOR FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
(MODIFIED ACCRUAL BUDGETARY BASIS) TO ACTUAL
For The Year Ended December 31, 2012**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Federal	\$ -	-	50,280	50,280
Rental income (includes State grants)	171,000	171,000	145,560	(25,440)
Investment income	150	150	510	360
Miscellaneous	<u>-</u>	<u>-</u>	<u>4,951</u>	<u>4,951</u>
Total revenues	171,150	171,150	201,301	30,151
Expenditures:				
General governmental	111,713	111,713	113,110	(1,397)
Debt service:				
Principal payments	37,158	37,158	5,805	31,353
Payment	<u>-</u>	<u>-</u>	<u>81,633</u>	<u>(81,633)</u>
Total expenditures	148,871	148,871	200,548	(51,677)
Excess (deficiency) of revenues over expenditures	<u>22,279</u>	<u>22,279</u>	<u>753</u>	<u>(21,526)</u>
Change in fund balance	<u>22,279</u>	<u>22,279</u>	<u>753</u>	<u>(21,526)</u>
Fund balance, beginning of year			<u>208,850</u>	
Fund balance, end of year	\$		<u>209,603</u>	

SEE INDEPENDENT AUDITOR'S REPORT
The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO
EASTERN PLAINS COUNCIL OF GOVERNMENTS
SAN JON - MAJOR FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL (MODIFIED ACCRUAL BASIS)
For The Year Ended June 30, 2013**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Grants and contracts	\$ -	-	4,630	4,630
Rental income	43,692	43,692	32,231	(11,461)
Interest	-	-	42	42
Miscellaneous	-	-	1,430	1,430
Total revenues	<u>43,692</u>	<u>43,692</u>	<u>38,333</u>	<u>(5,359)</u>
Expenditures:				
General governmental	45,383	39,454	25,521	13,933
Debt service:				
Principal payments	-	3,056	1,338	1,718
Payment	-	2,873	1,339	1,534
Total expenditures	<u>45,383</u>	<u>45,383</u>	<u>28,198</u>	<u>15,651</u>
Excess (deficiency) of revenues over expenditures	<u>(1,691)</u>	<u>(1,691)</u>	<u>10,135</u>	<u>10,292</u>
Other financing sources (uses)				
Proceeds from sale of assets	-	-	-	-
Operating transfers in	-	-	-	-
Operating transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in fund balance	<u>\$ (1,691)</u>	<u>(1,691)</u>	<u>10,135</u>	<u>10,292</u>
Fund balance provided from prior years	<u>\$ 15,295</u>	<u>15,295</u>	<u>15,295</u>	

SEE INDEPENDENT AUDITOR'S REPORT
The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO
EASTERN PLAINS COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2013**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Entity

Eastern Plains Council of Governments (EPCOG) is a voluntary association of county and municipal governments within the seven county areas of Planning and Development Council IV. Eastern Plains Council of Governments was established in 1972 by member governments under the statutory authority of the Regional Planning Act, to assist local governments in planning for common needs, cooperating for mutual benefits and coordinating for sound regional development.

Membership of Eastern Plains Council of Governments includes representatives from the county commissions of Roosevelt, Curry, De Baca, Guadalupe, Quay, Harding and Union counties and from nineteen of the twenty-two incorporated municipalities in the Council. Several agencies and organizations are represented on the council as citizen participation groups.

Eastern Plains Council of Governments serves a variety of functions, including information dissemination, area-wide and local planning, direct technical assistance, intergovernmental coordination and training. Priority considerations are given to economic development, housing programs, resource planning, programs for the elderly, programs to improve county or community infrastructure and transportation. Technical expertise in areas which require complex federal grant applications for funding assistance is provided to smaller jurisdictions which do not have the staff for such activities. In their capacity as an area-wide clearinghouse, Eastern Plains Council of Governments provides valuable coordination at the local level.

In evaluating how to define the EPCOG 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. Blended component units, although legally separate entities, are in substance part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

The Ruth Visage Senior Apartments (RVSA) and the San Jon Estates Apartments (SJEA) are determined to be departments of the EPCOG and do not have separate governing bodies. The EPCOG is the only governing body directing these departments. Accordingly, the RVSA and SJEA are reported as part of the primary government.

The RVSA has a December 31 fiscal year end. Accordingly, these financial statements report their balances and results of operations as of and for the year ended December 31, 2012.

A separate report is also issued by the RVSA that describes their operations and activity in more detail. This report can be obtained by contacting the RVSA's administrative office by writing to Eastern Plains Council of Governments, 418 N Main, Clovis, New Mexico, 88101.

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

STATE OF NEW MEXICO
EASTERN PLAINS COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2013

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 are not included in the government-wide financial statements. Interfund payables and receivables have been eliminated in determining the government-wide financial statements.

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. Discretely Presented Component Unit

Rio Pecos Estates Limited Partnership (The Partnership): This component unit shares a board with EPCOG and provides services to residents, generally within the geographic boundaries of the government.

The Partnership has a December 31 fiscal year end. Accordingly, these financial statements report their balances and results of operations as of and for the year ended December 31, 2012.

Separately issued financial statements may be obtained directly from the Partnership's administrative office by writing to Eastern Plains Council of Governments, 418 N. Main St, Clovis, New Mexico 88101.

3. GAAP Presentation

The financial statements of the EPCOG are prepared in accordance with Generally Accepted Accounting Principles generally accepted in the United States of America (GAAP). The EPCOG's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

4. Fund Financial Statements

Fund financial statements report detailed information about the EPCOG. The focus of governmental fund financial statements is on the major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. For the year ended June 30, 2013, the EPCOG elected to present all their funds as major funds. Therefore, there were no non-major funds.

5. 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.

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6. 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.

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.

7. 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.

8. Fund Accounting

The accounts of the EPCOG 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, liabilities, fund equity, revenue and expenditures. The funds are governmental fund types and are grouped as the General Fund and Special Revenue Funds..

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

The Special Revenue Funds are used to account for the proceeds from specific revenues sources that are legally restricted to expenditures for specified purposes. The Board of Directors authorizes the establishment of Special Revenue Funds.

The following are Special Revenue Funds; and are considered Major Funds by the EPCOG, created pursuant to specific grant and contract agreements entered into with Federal, State and other funding authorities, active in the fiscal year ended June 30, 2013:

Ruth Visage Senior Apartments - 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). The RVSA's occupants must be elderly, handicapped, or disabled meeting certain eligibility requirements.

San Jon Estates Apartments – San Jon Estates Apartments (SJEA) is an eight-unit USDA-Rural Development housing complex located on 10th Street in San Jon, NM. The property is owned by Eastern Plains Council of Governments (EPCOG). The SJEA's occupants must meet certain low income eligibility requirements.

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9. 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).

10. Spending Policy

When an expenditure/expense is incurred for purposes for which both restricted and unrestricted resources are available, it is the EPCOG'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 EPCOG'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 EPCOG 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 EPCOG 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 EPCOG includes software, and assets constructed by personnel as required in the capital assets if it meets the minimum capitalization policy.

The EPCOG does not develop computer software for internal use and therefore, does not have a policy for capitalizing computer software developed for internal use.

Major outlays for capital assets and improvements are capitalized as projects are constructed. 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>
Buildings & Improvements	50 years
Land improvements	50 years
Equipment	10 years

D. Budgets

Budgets are prepared on a modified accrual basis by the staff prior to contract date based upon past history and salaries approved by the executive committee. The budget is then approved by the grantor agency. Budget revisions are presented to the full board of directors for approval and then are submitted to the grantor agency for approval when necessary. The budget is broken down internally by activity and these specific activities are presented in the supporting schedules.

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Budgetary Control - each fund's appropriated budget is prepared on a detailed line item basis. Revenues are budgeted by department and general ledger account. Expenditures are budgeted by department and general ledger account. Expenditures may not exceed appropriations at the fund level. This constitutes the legal level of control for the general fund (see below for RSVA and SJEA). All budget revisions at this level are subject to final review and approval by the board of directors.

The RVSA and SJEA adopt 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 budgets are program budgets and not official budgets and cannot be relied on for State compliance purposes. The RVSA and SJEA prepare their budgets on the modified accrual budgetary basis. Depreciation and interest expense are not budgeted by the RVSA and SJEA.

E. Reconciliation between Budgetary Basis and GAAP Basis

The RVSA and SJEA budgetary comparisons shown in the respective schedules compare actual revenues and expenses with the modified accrual budgetary basis amounts as amended. Budgetary control is required to be maintained at the individual fund level.

F. Indirect Cost

EPCOG 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. 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.

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

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

I. Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrances accounting, under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is utilized in the Governmental Fund Types. Appropriations, if applicable, lapse at fiscal year end for budgetary purposes.

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J. 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 the EPCOG 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 net investment in capital assets or restricted net position.

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

K. Fund Balance

The EPCOG'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 EPCOG does not have any non-spendable fund balance for the year ended June 30, 2013.

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 EPCOG does not have any restricted fund balance for the year ended June 30, 2013.

Committed: Committed fund balance is constrained to specific purposes by the highest level of decision-making authority The EPCOG does not have any committed fund balance for the year ended June 30, 2013.

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 EPCOG has assigned fund balance to rural developmental housing for the year ended June 30, 2013 in the amount of \$48,344.

Unassigned: Unassigned fund balance is the residual classification for the general fund. The EPCOG does not currently have a minimum fund balance policy The EPCOG has an unassigned fund balance of \$172,509 for the year ended June 30, 2013.

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

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public money that is insured by the Federal Deposit Insurance Corporation, or the National Credit Union Administration. The EPCOG has no formal deposit policies for its accounts. Deposits (cash or cash equivalents) are carried at cost, which approximates market value. All of the bank deposit balances up to \$250,000 (per depositor per bank) were covered by federal depository insurance consisting of FDIC coverage.

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, EPCOG's deposits may not be returned to it. EPCOG'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 June 30, 2013:

<u>Account Name</u>	<u>Bank</u>	<u>Bank Balance</u>	<u>Outstanding Checks</u>	<u>Suspense Items</u>	<u>Book Balance</u>
Governmental Activities					
<i>EPCOG and San Jon</i>					
EPCOG-Operating*	Citizens Bank	\$ 29,643	3,107	-	26,535
EPCOG-Building Reserve	Citizens Bank	993	-	-	993
EPCOG-Petty cash	n/a	-	-	-	100
San Jon Apt-Operating	Wells Fargo	10,228	35	-	10,193
San Jon Apt-Sec. Dep.	Wells Fargo	2,482	-	-	2,482
San Jon Apt-Escrow	Wells Fargo	252	-	-	252
San Jon Apt-Reserve*	Wells Fargo	16,815	-	-	16,815
Total EPCOG and San Jon		<u>60,413</u>	<u>3,142</u>	<u>-</u>	<u>57,370</u>
		12/31/2011			12/31/2012
		Bank Balance	Outstanding Checks	Suspense Items	Book Balance
Ruth Visage Apt-Operating*	Wells Fargo	44,215	4,078	-	40,137
Ruth Visage Apt-Sec. Dep.*	Wells Fargo	6,478	-	-	6,478
Ruth Visage Apt-Reserve*	Citizens Bank	152,677	-	-	152,677
Ruth Visage Apt-Escrow	Wells Fargo	985	-	-	985
Total Ruth Visage		<u>204,355</u>	<u>4,078</u>	<u>-</u>	<u>200,277</u>
Total governmental		<u>264,767</u>	<u>7,220</u>	<u>-</u>	<u>257,647</u>
Component Unit					
Rio Pecos-Operating*	Wells Fargo	3,100	2,594	-	506
Rio Pecos-Sec. Dep.*	Wells Fargo	9,212	-	-	9,212
Rio Pecos-Reserve*	Other	18,147	-	-	18,147
Rio Pecos-Escrow	Other	5,896	-	-	5,896
Rio Pecos-Petty cash	n/a	-	-	-	30
Total component unit		<u>36,355</u>	<u>2,594</u>	<u>-</u>	<u>33,791</u>
Total Cash		<u>301,122</u>	<u>9,814</u>	<u>-</u>	<u>291,438</u>
Total Cash - Citizens Bank		200,128			
Total Cash - Wells Fargo		76,952			
Total Cash - Other		<u>24,043</u>			
Less: FDIC coverage		<u>(301,122)</u>			
Uninsured balance		-			
50% collateral requirement		<u>\$ -</u>			

* denotes interest bearing accounts

Pledged Collateral held in bank's name

GNMA II Pool, CUSIP #36202feh5	
2/20/2040, face value used	\$ 3,000,000
GNMA II Pool, CUSIP #36179mw4b	
maturity date 12/20/2042, Face value used	<u>2,831,326</u>
Total	<u>5,831,326</u>
Over (under) collateralized	<u>\$ 5,831,326</u>

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3. RECEIVABLES

Receivables consist of the following:

	General Fund	Ruth Visage (12/31/2012)	San Jon	Total
Grants and contracts	\$ 23,165	-	-	23,165
Tenant receivables	-	3,321	1,521	4,842
Intergovernmental receivables	-	11,919	-	11,919
Notes receivable	152,789	-	-	152,789
Total	\$ 175,954	15,240	1,521	192,715

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

4. CAPITAL ASSETS AND DEPRECIATION

A summary of changes in capital assets for the fiscal year ended June 30:

Governmental Activities

<i>EPCOG and San Jon</i>	2012	Additions	Deletions	Adjustments	2013
Land	\$ 68,764	-	(41,680)	16,925	44,009
Furniture and equipment	74,399	-	-	(58,061)	16,338
Buildings & improvements	316,234	-	(97,253)	39,104	258,085
Vehicles	18,030	-	(15,660)	36,603	38,973
Total	477,427	-	(154,593)	34,571	357,405
Less accumulated depreciation					
Furniture and equipment	(17,515)	-	-	1,177	(16,338)
Buildings and improvements	216,009	(8,829)	34,849	(364,650)	(122,621)
Vehicles	-	(1,727)	14,094	(51,340)	(38,973)
Total accumulated depreciation	198,494	(10,556)	48,943	(414,813)	(177,932)
Net capital assets - EPCOG and San Jon	\$ 675,921	(10,556)	(105,650)	(380,242)	179,473

<i>Ruth Visage</i>	December 31, 2011	Additions	Deletions	Adjustments	December 31, 2012
Land	\$ 45,652	-	-	-	45,652
Furniture and equipment	36,876	-	-	-	36,876
Buildings & improvements	1,456,500	-	-	-	1,456,500
Total	1,539,028	-	-	-	1,539,028
Less accumulated depreciation	(327,521)	(37,457)	-	-	(364,978)
Net capital assets - Ruth Visage	1,211,507	(37,457)	-	-	1,174,050

Net capital assets - governmental activities	\$ 1,887,428	(48,013)	(105,650)	(380,242)	1,353,523
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Component Unit

<i>Rio Pecos Limited Partnership</i>	December 31, 2011	Additions	Deletions	Adjustments	December 31, 2012
Land	50,800	-	-	-	50,800
Furniture and equipment	28,643	-	-	-	28,643
Buildings & improvements	1,618,315	-	-	-	1,618,315
Total	1,697,758	-	-	-	1,697,758
Less accumulated depreciation	(519,196)	(59,308)	-	(132,177)	(710,681)
Net capital assets -component unit	\$ 1,178,562	(59,308)	-	(132,177)	987,077

Current year depreciation expense and debt related to any capital assets for the fiscal year ended June 30, 2013 was \$48,013. Current year depreciation for the component unit was \$59,308.

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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, statement of net position. EPCOG does not have authority to issue bonds, however, it has acquired debt financing through reputable lending institutions, the federal government and the State of New Mexico finance authority.

Governmental Activities		<u>Additions</u>	<u>Retirements</u>	<u>Adjustments</u>		<u>Current Portion</u>
<i>EPCOG and San Jon</i>						
USDA Loan	\$	-	(3,056)	19,051	15,995	3,121
U.S. Bancorp		10,039	-	(10,039)	-	-
Citizens Bank		(700)	-	700	-	-
Citizens Bank - line of credit		81,750	-	(81,750)	-	-
NMMFA		1,407	-	(1,407)	-	-
Note payable - RD		19,135	-	(19,135)	-	-
Note payable - RP		(19,100)	-	19,100	-	-
Note payable - component unit		-	-	-	-	-
MFA - houses purchased		(84,400)	-	84,400	-	-
San Jon - USDA		-	(1,338)	160,529	159,191	1,453
Total EPCOG and San Jon Debt		<u>8,131</u>	<u>(4,394)</u>	<u>171,449</u>	<u>175,186</u>	<u>4,574</u>
		<u>December 31,</u>			<u>December 31,</u>	<u>Current</u>
<i>Ruth Visage</i>						
Rural Development - Ruth Visage		1,219,082	-	(5,805)	(30,057)	1,183,220
NMMFA - Ruth Visage		300,000	-	-	-	-
Total Ruth Visage		1,519,082	-	(5,805)	(30,057)	1,483,220
Total governmental activities long term debt		<u>1,527,213</u>	<u>-</u>	<u>(10,199)</u>	<u>141,392</u>	<u>1,658,406</u>

Long term maturities for the governmental activities are as follows:

Principal		<u>EPCOG</u>	<u>San Jon</u>	<u>Total</u>	<u>Year ending December 31,</u>	<u>Ruth Visage</u>
Years						
2014	\$	3,121	1,453	4,574	2013	6,186
2015		3,369	1,577	4,946	2014	6,592
2016		3,538	1,712	5,250	2015	7,025
2017		3,715	1,860	5,575	2016	7,486
2018		2,252	2,019	4,271	2017	7,978
2019-2023		-	13,005	13,005	2018-2022	48,467
2024-2028		-	19,618	19,618	2023-2027	66,605
2029-2033		-	29,593	29,593	2028-2032	391,532
2034-2038		-	44,640	44,640	2033-2037	125,788
2039-2043		-	43,713	43,713	2038-2042	172,864
Thereafter		-	-	-	Thereafter	642,697
Total	\$	<u>15,995</u>	<u>159,191</u>	<u>175,186</u>		<u>1,483,220</u>

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Interest						
Year	EPCOG	San Jon	Total	Year ending December 31,	Ruth Visage	
2014	\$ 715	13,079	13,794	2013	75,252	
2015	555	12,955	13,510	2014	74,846	
2016	386	12,820	13,206	2015	74,413	
2017	209	12,673	12,882	2016	73,952	
2018	37	12,514	12,551	2017	73,460	
2019-2023	-	59,655	59,655	2018-2022	388,723	
2024-2028	-	53,043	53,043	2023-2027	370,584	
2029-2033	-	43,068	43,068	2028-2032	344,657	
2034-2038	-	28,021	28,021	2033-2037	281,402	
2039-2043	-	6,989	6,989	2038-2042	234,326	
Thereafter	-	-	-	Thereafter	253,065	
Total	\$ 1,903	254,816	256,719		2,244,680	

The component unit's long term debt is as follows:

Component Unit	December 31, 2011	Additions	Retirements	December 31, 2012	Current Portion
New Mexico Mortgage Finance, bears interest at 8.84%; secured by the property, matures November 2041.	\$ 535,337	-	(3,839)	531,498	4,192
New Mexico Mortgage Finance Home Loan accrues interest at the rate of 6.22%. Monthly only payments in the amount of 1% of the outstanding principal are due on the tenth (10) day of each month until maturity on January 10, 2041.	240,000	-	-	240,000	-
Eastern Plains Council of Governments (EPCOG), bears interest at 1% and is payable from excess operating revenue. If not paid sooner, the entire principal amount, together with all accrued but unpaid interest, shall be due and payables on July 30, 2030; unsecured.	64,500	-	-	64,500	-
The Partnership has an obligation to the Eastern Plains Council of Governments (EPCOG) bearing no interest and payable solely from excess operating revenue. Loan is unsecured.	-	88,289	-	88,289	-
Total component unit long term debt	\$ 839,837	88,289	(3,839)	924,287	4,192

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Long term maturities for the component unit are as follows:

Year ending December 31,	Principal	Interest	Total
2013	\$ 4,192	62,390	66,582
2014	4,578	62,004	66,582
2015	4,999	61,583	66,582
2016	5,460	61,123	66,583
2017	5,963	60,620	66,583
2018-2022	39,129	293,782	332,911
2023-2027	60,779	272,132	332,911
2028-2032	158,908	236,890	395,798
2033-2037	146,644	183,042	329,686
2038-2042	493,635	76,556	570,191
Thereafter	-	-	-
	<u>\$ 924,287</u>	<u>1,370,122</u>	<u>2,294,409</u>

6. ACCRUED ANNUAL LEAVE

Compensated vacation can be accumulated, but upon separation of service no more than four weeks is payable to the employee. The cost of vacation pay is recognized when payments are made to employees.

Sick leave is not accrued or payable upon termination. Employees are allowed twenty compensated sick days per year. Unused sick days are not accumulated or paid to the employee. Excess days must be approved by the Executive Director. Eastern Plains Council of Governments has no liability for sick leave.

Accrued annual leave amounts due in the current year are not determinable so all are classified as long-term. Annual leave activity was as follows for the year ended June 30, 2013:

	Additions	Deletions	Adjustments
Annual Leave	\$ <u>(5,226)</u>	<u>9,052</u>	<u>(8,848)</u>
		<u>15,576</u>	<u>10,554</u>

7. POST EMPLOYMENT BENEFITS

The EPCOG has chosen not to participate in the retiree health care service that it is eligible for under the Retiree Health Care Act (Chapter 10, Article 7C NMSA 1978)

8. DEFERRED COMPENSATION PLAN

Eastern Plains Council of Governments adopted a money purchase retirement plan on January 1, 1989. The money purchase retirement plan has been converted to a 401-K plan effective July 1, 1996. The EPCOG contributes, on behalf of each participant, 6% of earnings for the plan year. The participants do not contribute to this plan. Employer contributions were \$3,497, \$10,956, and \$11,723 for the years ending June 30, 2013, 2012, and 2011, respectively.

The vesting schedule is as follows:

Less than two years	0%
Two years	25%
Three years	50%
Four years	75%
Five years	100%

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Eastern Plains Council of Governments also has a deferred compensation plan. Employees contribute a minimum of six percent up to a maximum of twenty-five percent of salary. The plan is a code Section 457 deferred compensation plan. Employee contributions were \$4,484, \$13,528, and \$13,322 for the years ending June 30, 2013, 2012, and 2011, respectively.

Both plans are managed by ICMA in Albuquerque New Mexico with Advantage Point Trust Company being the transfer agent holding the funds.

9. RISK MANAGEMENT

It is the policy of the Eastern Plains Council of Governments to purchase insurance for the risks of losses to which it is exposed. The commercial insurance includes coverage for general liability, property, casualty and employee health and accident.

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

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. As of June 30, 2013, the EPCOG did not have any probable risk of loss.

10. RELATED PARTY TRANSACTIONS

Related party transactions are as follows for the year ended June 30, 2013.

<u>Name/Position</u>	<u>Company</u>	<u>Relation</u>	<u>Amount</u>
Ken Chancey/Sales manager	Claiborne Refrigeration Co., Inc.	EPCOG ED's Spouse	\$ 870
Oscar Robinson/Council Member	City of Portales	Board Member	17,587
			<u>\$ 18,457</u>

11. CONCENTRATION

The EPCOG depends on financial resources flowing from, or associated with, the Federal Government. Because of this dependency, the EPCOG is subject to changes in specific flows of intergovernmental

12. RESTATEMENT OF FUND BALANCE/NET POSITION

Restatements were made as follows:

<u>Fund Type</u>	<u>Purpose/Reason</u>	<u>Amount</u>
<i>Governmental Funds</i>		
	An adjustment was necessary to adjust all beginning balances to actual year end amounts. This included removing old/stagnant accounts from the books.	
General Fund		\$ <u>749,721</u>
<i>Government-wide Financials</i>		
	An adjustment was necessary to adjust all beginning balances to actual year end amounts. This included removing old/stagnant accounts from the books.	
		\$ <u>221,800</u>
<i>Component Unit</i>	Adjustments to depreciation, accrued interest, syndicated costs, and deferred developer fee payable	\$ <u>(111,549)</u>

**STATE OF NEW MEXICO
EASTERN PLAINS COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2013**

13. RECONCILIATION BETWEEN BUDGETARY BASIS AND GAAP BASIS

Because the EPCOG keeps their budgets on modified accrual basis there is no need to reconcile the budget financial statements to fund financial statements.

14. DEFERRED INFLOWS/OUTFLOWS OF RESOURCES

In addition to assets, the statement of net position and/or the balance sheet for the governmental funds 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 expense or expenditure until then. In addition to liabilities, the statement of net position and/or the balance sheet for the governmental funds 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 that applies to a future period and so will not be recognized as revenue.

The EPCOG has the following deferred inflows and outflows of resources during fiscal year 2013:

<u>Deferred Inflows of Resources</u>	<u>2013</u>
General Fund - Receivables recorded/revenue not available	\$ <u>5,346</u>
<u>Deferred Outflows of Resources</u>	
General Fund - Note receivables/time requirement not met	\$ <u>152,789</u>

15. OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES

Generally accepted accounting principles require disclosures of certain information individual funds including:

- No funds exceeded approved budgetary authority for the year ended June 30, 2013.
- No funds maintained a deficit fund balance as of June 30, 2013.

16. SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the balance sheet date but before the financial statements are issued. The EPCOG recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the balance sheet, including the estimates inherent in the process of preparing the financial statements. The EPCOG's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the balance sheet but arose after the balance sheet date and before financial statements are available to be issued. The EPCOG has evaluated subsequent events through June 27, 2014, 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**

The Board of Directors
Eastern Plains Council of Governments
Clovis, New Mexico and
Mr. Hector Balderas, State Auditor

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the aggregate discretely presented component unit, each major fund, and the budgetary comparisons of the general fund and major special revenue funds of the Eastern Plains Council of Governments (EPCOG), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the EPCOG's basic financial statements and have issued our report thereon dated June 27, 2014.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses: 2013-001, 12-02, 2012-001, 2012-002, and 2012-003.

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. We consider the deficiencies described in the accompany schedule of findings and questioned costs to be significant deficiencies: 06-01, 06-04, 06-09, and 12-03.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the EPCOG'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 express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 04-02, 06-09, 12-01, 2012-004, and 2012-005.

The EPCOG's Response to Findings

The EPCOG's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The EPCOG's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.
Albuquerque, NM
June 27, 2014



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY OMB CIRCULAR A-133**

The Board of Directors
Eastern Plains Council of Governments
Clovis, New Mexico
and
Mr. Hector Balderas, State Auditor

Report on Compliance for Each Major Federal Program

We have audited the EPCOG's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the EPCOG's major federal programs for the year ended June 30, 2013. The EPCOG's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the EPCOG's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the EPCOG's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the EPCOG, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 12-01. Our opinion on each major federal program is not modified with respect to these matters.

The EPCOG's response to the noncompliance finding identified in our audit is described in the accompanying schedule of finding and questioned costs. The EPCOG's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the EPCOG is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the EPCOG's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the EPCOG's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 04-07 and 12-01 to be significant deficiencies.

The EPCOG's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The EPCOG's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

June 27, 2014

**INDEPENDENT AUDITOR'S REPORT ON
COMPLIANCE FOR EACH MAJOR PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY OMB CIRCULAR A-133, continued**

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Hinkle & Landers, P.C.

Hinkle + Landers, P.C.
Albuquerque, NM
June 27, 2014

**STATE OF NEW MEXICO
EASTERN PLAINS COUNCIL OF GOVERNMENTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2013**

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditors' report issued Unmodified

Internal Control over financial reporting:

Material weaknesses identified? X Yes No

Significant deficiencies identified that are not considered to be material weaknesses? X Yes No

Non-compliance material to financial statements noted? Yes X No

Federal Awards

Internal Control

Material weaknesses identified? Yes X No

Significant deficiencies identified that are not considered to be material weaknesses? X Yes No

Type of auditors' report issued on major programs Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? X Yes No

Identification of major program as noted below:

CFDA Numbers Funding Source	Name of Federal Programs	Funding Source
10.415	Rental Housing Loans	U.S Department of Agricultural

Dollar threshold use to distinguish between A and B programs: \$300,000

Auditee qualified as low-risk auditee? Yes X No

**STATE OF NEW MEXICO
EASTERN PLAINS COUNCIL OF GOVERNMENTS
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For The Year Ended June 30, 2013**

SECTION II AND III- FINANCIAL STATEMENTS AND FEDERAL AWARD FINDINGS

Prior year		Status of Current and Prior Year Findings	Type of Finding*
04-02	LATE AUDIT REPORT	Repeated	C,G
04-03	GRANT MANAGEMENT	Resolved	A,D
04-04	NEGATIVE CASH BALANCES	Resolved	B
04-05	GRANT FUNDING	Resolved	A,D
04-07	DATA COLLECTION FORM	Repeated	E
05-01	CONDITION OF ACCOUNTING RECORDS	Resolved	A
05-03	ADJUSTMENTS MADE TO FUND BALANCE ACCOUNTS	Resolved	A
05-05	BUDGET RECORDS	Resolved	A
05-06	LACK OF CONTROL STRUCTURE	Resolved	A,D
05-07	INEFFICIENT PO SYSTEM	Resolved	B
05-10	TIME KEEPING RECORDS FOR FEDERAL RECORDS	Resolved	E
06-01	BANK RECONCILIATIONS	Repeated/Modified	B
06-04	APPROVAL FOR EXPENDITURES/ BACKUP DOCUMENTATION MISSING	Repeated/Modified	B
06-06	BACKUP DOCUMENTATION MISSING	Combined/Modified w/ 6-04	A,D
06-07	SEGREGATION OF DUTIES - CASH DISBURSEMENTS	Resolved	A
06-08	LACK OF ADEQUATE DOCUMENTATION FOR CREDIT CARD PURCHASES	Resolved	A
06-09	CAPITAL ASSETS	Repeated/Modified	B,G
06-10	DEFICIENCIES IN INTERNAL CONTROL STRUCTURE DESIGN, OPERATION, AND OVERSIGHT	Resolved	A
06-11	PAYROLL FUNCTION	Resolved	B
06-12	ALLOCATION OF SHARED COSTS	Resolved	E
06-13	FINANCIAL GRANT MANAGEMENT	Resolved	B,E
06-14	BUDGET COMPARISON	Resolved	B
06-15	REPORTING AND UTILIZING PROGRAM INCOME	Resolved	E
06-16	ADMINISTRATIVE COSTS	Resolved	E
06-17	TRAVEL	Resolved	B,G
06-18	JOURNAL ENTRIES	Resolved	B
06-19	MONITORING OF GRANT REVENUE/ EXPENDITURE ALLOCATION	Resolved	A, D

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EASTERN PLAINS COUNCIL OF GOVERNMENTS
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For The Year Ended June 30, 2013**

		Status of Current and Prior Year Findings	Type of Finding
06-21	UNKNOWN BANK COLLATERAL	Resolved	A, G
09-01	COMPONENT UNIT AUDIT	Resolved	G
12-01	COMPONENT UNIT'S CONTRACT NOT SUBMITTED TO OSA	Resolved	G
Current year			
2013-001	BEGINNING BALANCES COULD NOT BE RELIED ON	Current	A
Ruth Visage Findings			
12-01	LATE AUDIT REPORT/DATA COLLECTION FORM	Current	C, E, F, G
12-02	SAS 115-MATERIAL ADJUSTMENTS BY AUDITOR	Current	A
12-03	LACK OF ADEQUATE DOCUMENTATION/ APPROVAL FOR EXPENDITURES	Current	B
Component Unit Findings			
2012-001	DEPRECIATION EXPENSE/ ACCUMULATED DEPRECIATION	Current	A
2012-002	DEFERRED DEVELOPER FEE LIABILITY	Current	A
2012-003	ACCRUED INTEREST	Current	A
2012-004	LATE AUDIT REPORT	Current	C,G
2012-005	CONTRACT NOT SUBMITTED TO THE OSA IN A TIMELY MANNER	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 to Federal Awards
- G. Compliance with State Audit Rule

PRIOR YEAR FINDINGS

04-02 – LATE AUDIT REPORT (REPEATED)

Type of Finding: State Compliance

Condition:

This report was delivered to the Office of the State Auditor on June 30, 2014.

Criteria:

The New Mexico State Auditors' Office has issued 2 NMAC 2.2, Requirements for Contracting and Conducting Audits of Agencies, due dates for special purpose government audits to be in his office by December 1, 2013 and the report was due March 31, 2010 for reporting to the federal government in accordance with provisions of OMB Circular A-133.

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EASTERN PLAINS COUNCIL OF GOVERNMENTS
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For The Year Ended June 30, 2013**

Effect:

The report was not available for the New Mexico State Auditor and other state agencies to review on a timely basis.

Cause:

Due to late filing of prior year audits, fieldwork could not begin on June 30, 2013 audit until after the State Auditor's due dates.

Recommendation:

We recommend management continue to develop systems and personnel in order to keep records current and available for timely auditing.

Response:

Due to the significant backlog of past due audits that had to be completed, we were unable to get the 2013 audit completed by the Dec. 1 due date. The current administration of Eastern Plains Council of Governments remains committed to compliance with all State and Federal regulations, and will work to ensure that this problem does not recur. Submission of this audit will end the cycle of past due audits for Eastern Plains Council of Governments.

04-07 – DATA COLLECTION FORM (REPEATED)

Federal Program Information:

Funding Agencies: U.S. Dept. of Agricultural

Titles: Rental Housing Loans

CFDA Numbers: 10.415

Award Period: 2012

Type of Finding: Significant Deficiency in Compliance Related to Federal Awards

Condition:

The data collection form and reporting package was not submitted to the federal clearinghouse and federal agencies timely.

Criteria:

OMB Circular A-133.32 requires the data collection form and reporting package to be filed with the federal clearinghouse and federal agencies within 9 months after fiscal year end.

Effect:

The report was not available for federal agencies to review on a timely basis.

Cause:

Due to late filing of prior years' audits, fieldwork could not begin on June 30, 2013 audit until after the due date of the required information.

Recommendation:

We recommend management continue to develop systems and personnel in order to keep records current and available for timely auditing.

Response:

Due to the significant backlog of past due audits that had to be completed, we were unable to get the 2013 audit completed by the Dec. 1 due date. As the audit must be completed prior to submission of the Data Collection form, these reports have also been late. The current administration of Eastern

**STATE OF NEW MEXICO
EASTERN PLAINS COUNCIL OF GOVERNMENTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2013**

Plains Council of Governments remains committed to compliance with all State and Federal regulations, and will work to ensure that this problem does not recur. Submission of this audit and data collection form will end the cycle of past due audits and data collection forms for Eastern Plains Council of Governments.

06-01 – BANK RECONCILIATIONS (REPEATED/MODIFIED)

Type of Finding: Significant Deficiency in Internal Control Over Financial Reporting

Condition:

During our review of bank reconciliations, we noted that 1 out of 12 bank reconciliation was not reviewed by the ED in a timely manner.

Criteria:

Section 6-6-3 NMSA, 1978 discusses the need for the EPCOG to keep all the books, records and accounts in their respective office in the form prescribed by the local government division and conform to the rules and regulations adopted by the local government division. Good accounting practices require that bank reconciliations be performed monthly to ensure that cash receipts and cash disbursements are recorded in a correct and timely manner and that differences or errors be followed up and corrected in a timely manner.

Effect:

Without review of timely reconciled bank statements, the EPCOG does not have full assurance that all revenues and disbursements have been properly recorded.

Cause:

The EPCOG did not have policies and procedures in place to ensure bank statements are being reviewed in a timely manner.

Recommendation:

Board or management review should be implemented into the current Accounting Policies and Procedures for bank reconciliations.

Response:

While the bank reconciliations have been completed in a timely manner, due to staff shortages and increased workload the Executive Director has not always been able to review them in a timely manner. The Executive Director does however review all bank transactions online on a regular basis. We will revise this policy and involve the Treasurer of the Board to ensure that either the Executive Director or the Treasurer reviews the official bank reconciliations on a monthly basis.

06-04 – APPROVAL FOR EXPENDITURES/ BACKUP DOCUMENTION MISSING (MODIFIED/COMBINED)

Type of Finding: Significant Deficiency in Internal Control Over Financial Reporting

Condition:

During our testing of disbursements the following exceptions were noted:

- Proper approval for 2 of the 50 disbursements tested was not present.
 - \$12,819
 - \$8,260

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EASTERN PLAINS COUNCIL OF GOVERNMENTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2013**

- EPCOG was unable to provide purchase orders, invoices, or checks for 1 of the 50 disbursements tested.
 - \$12,819

Criteria:

Disbursements should be accompanied by proper authorization and supporting documentation.

Effect:

It is difficult to determine if management has approved or even reviewed supporting documentation and therefore opportunities may exist for the misappropriation of assets. In addition, problem and errors may not be identified and corrected at the earliest point possible

Cause:

There was an oversight in the internal control process, and items were not authorized through a purchase order or proper approval before the purchase was made.

Recommendation:

It is our recommendation that the internal controls that are in place are followed for all nonrecurring items.

Response:

Eastern Plains Council of Governments accepts this recommendation, and will continue to work with our accountant to strengthen our purchase order and internal control policies to ensure that funds are spent in accordance with state and federal guidelines and that all backup documentation is readily available for review. The disbursements in question resulted from the transfer of account balances of the Eastern Area Workforce Development Board to their new provider, and some of the backup documentation may have been transferred along with other records.

06-09 – CAPITAL ASSETS (MODIFIED)

Type of Finding: Significant Deficiency in Internal Control Over Financial Reporting

Condition:

For the year ended June 30, 2013, the EPCOG had not maintained a complete capital asset listing that was reconciled to the general ledger.

Criteria:

The EPCOG must have a capital assets management policy to provide accountability for the safeguarding of assets in accordance with GASB 34 and NMSA 1978 Section 12-6-10.

Effect:

Lack of sufficient records results in assets that are not properly safeguarded. Asset identification and location are essential in the prevention of theft and loss of assets due to fraudulent activity. Capital assets cannot be depreciated due to the lack of information that is being maintained. As a result, the financial statements of the EPCOG could be materially misstated due to the balances of capital assets and accumulated depreciation being materially misstated.

Cause:

Capital asset records have not been updated to ensure accuracy or accountability of the EPCOG's assets.

**STATE OF NEW MEXICO
EASTERN PLAINS COUNCIL OF GOVERNMENTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2013**

Recommendation:

The EPCOG must conduct a physical inventory of its capital assets in accordance with its capitalization policy and update the inventory annually. The inventory report must include asset identification, location and historical cost. This process will also assist the EPCOG in the determination of obsolete equipment. Finally, a complete capital assets inventory listing will be required to be completed by the EPCOG in order to be in compliance with GASB 34.

Response:

An inventory of all furnishings and equipment has been completed, and is continually updated as property is acquired or disposed of. Due to poor record keeping in the past, we have been unable to locate cost information and date purchased. We continue to search for this information, and have retained the services of a qualified accountant to ensure that our capital assets listing ties to the general ledger and are properly accounted for.

CURRENT YEAR FINDINGS (EPCOG)

2013-001 – BEGINNING BALANCES COULD NOT BE RELIED ON

Type of Finding: Material Weakness in Internal Control Over Financial Reporting

Condition:

The EPCOG's prior year balances related to the statement of net position and the governmental funds-balance sheet, and also the beginning equity, did not agree to detail ledgers or other supporting documentation and could not be relied on.

Criteria:

The beginning balances in both the statement of net position and the governmental funds-balance sheet should roll forward from one year to the next and should agree to any detail ledgers.

Effect:

Beginning balance sheet amounts could not be relied on resulting in a restatement of \$221,800 at the government-wide level and a restatement of \$749,721 at the governmental fund level.

Cause:

During the 2012 fiscal year, the EPCOG's management did not design, implement or monitor the policies and procedures needed to capture, record and present revenues, expenditures, contracts, grants, other agreements, and budgetary information completely and accurately in their financial statements. In addition, auditors have disclaimed an opinion for the prior eight EPCOG audits. As a result, the EPCOG's fiscal year 2013 beginning balances for all assets, liabilities, and net position of the EPCOG could not be relied on.

Recommendation:

Management should ensure that accounting of transactions and proper financial close procedures are in place.

Response:

Due to the unreliable past accounting records that resulted in the prior disclaimed audits, it has been difficult to determine correct balances. EPCOG has now fully reconciled all accounts, and will work with our accountant to ensure that audited ending balances are carried forward into the general ledger.

**STATE OF NEW MEXICO
EASTERN PLAINS COUNCIL OF GOVERNMENTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2013**

CURRENT YEAR FINDINGS (RUTH VISAGE)

12-01 – LATE AUDIT REPORT/DATA COLLECTION FORM

Federal Program Information:

Funding Agencies: U.S. Dept. of Agriculture

Titles: Rental Housing Loans

CFDA Numbers: 10.415

Award Period: 2012

Type of Finding: Significant Deficiency in Compliance Related to Federal Awards, State Compliance, Other Matter

Condition:

This report was mailed to the Office of the State Auditor on January 22, 2014. In addition, the data collection form and reporting package were not submitted to the federal clearinghouse and federal agencies timely.

Criteria:

The New Mexico State Auditors' Office has issued 2 NMAC 2.2, Requirements for Contracting and Conducting Audits of Agencies, due dates for special purpose government audits to be in his office by December 1, 2012 and the report was due March 31, 2010 for reporting to the federal government in accordance with provisions of OMB Circular A-133. In addition, OMB Circular A-133.32 requires the data collection form and reporting package to be filed with the federal clearinghouse and federal agencies within 9 months after fiscal year end.

Effect:

The report was not available for the New Mexico State Auditor and other state and federal agencies to review on a timely basis.

Cause:

Management was unaware of the fact that the RVSA's audit must also be submitted to the Office of the State Auditor. As a result, the data collection form has not been submitted.

Recommendation:

We recommend management continue to develop systems and personnel in order to keep records current and available for timely auditing.

Response:

The Eastern Plains Council of Governments understands the seriousness of these findings and has been working toward revising policies and procedures to address these issues as well as full reconciliation of all funds to ensure correct beginning account balances for 2013. The accounting system has been secured to limit access and ensure proper reports are produced. Personnel in charge at that time are no longer employed with the organization. This process has taken a significant amount of time to complete, and following the completion of the 2013 audit in early 2014, all late audits will be caught up and we will be on track to submit audits on time.

**STATE OF NEW MEXICO
EASTERN PLAINS COUNCIL OF GOVERNMENTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2013**

12-02 – SAS 115 MATERIAL ADJUSTMENTS BY AUDITOR

Type of Finding: Material Weakness in Internal Control Over Financial Reporting

Condition:

Statement of Auditing Standards (SAS) 115 effectively states that an auditor cannot serve as a part of the internal controls of the client, however, several material adjustments were made to the RVSA's books. Adjustments include:

- \$364,978 adjustment to accumulated depreciation
- \$31,577 adjustment to interest expense

Criteria:

Some of the key underlying concepts of Statement of Auditing Standards (SAS) 115 are:

- The auditor cannot be part of a client's internal control. Becoming part of a client's internal control impairs the auditor's independence.
- What the auditor does is independent of the client's internal control over financial reporting. Therefore, the auditor cannot be a compensating control for the client.
- A system of internal control over the financial reporting does not stop at the general ledger; rather it includes controls over the preparation of the financial statements, which would include review of the auditor's preparation of the report.

Recording these adjustments is considered a significant process that the client needs to maintain. Also since significant adjustments to the financials were made, it calls into question whether the RVSA staff has the qualifications and training to apply generally accepted accounting principles in recording the entity's financial transactions or preparing its financial statements.

Effect:

Because these adjustments were made/identified by the auditor, and not by the RVSA, it shows an internal control weakness in maintaining the general ledger and would potentially extend to the audit report. This significantly increases the potential for misstated financial statements.

Cause:

The RVSA's personnel and internal control procedures were not effective in identifying and correcting necessary accruals to the general ledger that would have resulted in material misstatement of the financial statements had they not been identified/corrected by the auditor.

Recommendation:

We recommend that the RVSA make adjustments to their general ledger in a timely manner. Asking for technical advice from the auditor or from someone else when these adjustments are needed is not considered a control deficiency as long as the staff of the RVSA initiates/makes the adjustment and understands how and why the adjustments were made.

Response:

Eastern Plains Council of Governments accepts this recommendation, and will continue to work with our accountant to strengthen our accounting practices and ensure that all fiscal records are kept according to federal guidelines.

**STATE OF NEW MEXICO
EASTERN PLAINS COUNCIL OF GOVERNMENTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2013**

12-03 – LACK OF ADEQUATE DOCUMENTATION/APPROVAL FOR EXPENDITURES

Type of Finding: Significant Deficiency in Internal Control Over Financial Reporting

Condition:

The RVSA followed the EPCOG's disbursement policy for the first half of the fiscal year. During our disbursement test work, we noted the following:

- A purchase order did not accompany all of the expenditures (14 out of 52),
- Proper approval of disbursements was not occurring on a consistent basis (14 out of 52),
- The RVSA did not have completed purchase orders before purchases were made (14 out of 52)

It should be noted that for second half of the year, a management company was hired and proper support and approval were provided for RVSA disbursements.

Criteria:

Section 6.20.2.17 of NMAC requires the EPCOG/RVSA to establish and implement written policies and procedures for purchasing which shall be in compliance with the Procurement Code, Section 13-1-21 at seq., NMSA 1978.

Effect:

At the beginning of the year, the EPCOG/RVSA had no effective spending controls in place. Those controls would have provided for the availability of funds and would have determined whether expenditure was allowable prior to initiation of the expenditure. Also, having lack of authorization for purchases made increases the risk for misappropriation, budget over expending, or fraudulent activities.

Cause:

There was an oversight in the internal control process, and items were not authorized through a purchase order or proper approval before the purchase was made.

Recommendation:

It is our recommendation that the internal controls that are in place are followed for all nonrecurring items.

Response:

Eastern Plains Council of Governments accepts this recommendation, and will continue to work with our accountant to strengthen our purchase order and internal control policies to ensure that funds are spent in accordance with state and federal guidelines.

COMPONENT UNIT FINDINGS

2012-001 – DEPRECIATION EXPENSE/ACCUMULATED DEPRECIATION

Type of Finding: Material Weakness in Internal Control Over Financial Reporting

Condition:

The Partnership has not properly accounted for depreciation expense and accumulated depreciation since 2010.

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Criteria:

Professional auditing standards as illustrated in Statement on Auditing Standard (SAS) 115 and its Exhibit B require strong internal controls and these deficiencies and weaknesses are required to be disclosed to management and the governing board. Improving internal controls reduces the opportunity for mistakes or errors to take place or to be identified and corrected in a timely manner or for reducing the opportunity for fraud to take place.

Effect:

Material adjustments were made to accumulated depreciation, depreciation expense, and partner's capital.

Cause:

The Partnership did not update its depreciation schedule or make the corresponding entries into the general ledger. In addition, it appeared that entries were made to depreciation expense and accumulated depreciation in order to reconcile with the tax return, further compounding the issue.

Recommendation:

The Partnership should update its depreciation schedule and make the appropriate adjustments in the general ledger.

Response:

EPCOG has contracted with a property management company experienced in such tax credit properties. Audit adjustments and adjusted schedules will be provided to JL Gray staff to ensure that they have the corrected information to work from.

2012-002 – DEFERRED DEVELOPER FEE LIABILITY

Type of Finding: Material Weakness in Internal Control Over Financial Reporting

Condition:

The Partnership was unable to provide appropriate supporting documentation for its deferred developer fee payable. Further inquiry revealed that the \$180,837 shown in the Partnership's books was no longer a valid liability.

Criteria:

Professional auditing standards as illustrated in Statement on Auditing Standard (SAS) 115 and its Exhibit B require strong internal controls and these deficiencies and weaknesses are required to be disclosed to management and the governing board. Improving internal controls reduces the opportunity for mistakes or errors to take place or to be identified and corrected in a timely manner or for reducing the opportunity for fraud to take place.

Effect:

Material adjustments were made to deferred fee payable and partner's equity accounts.

Cause:

The general and limited partners had not updated their understanding of the deferred developer fee agreement.

Recommendation:

Agreements between the general and limited partners should be reviewed and any changes should be accounted for in the Partnership's books.

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EASTERN PLAINS COUNCIL OF GOVERNMENTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2013**

Response:

EPCOG has contracted with a property management company experienced in such tax credit properties. Audit adjustments and adjusted schedules will be provided to JL Gray staff to ensure that they have the corrected information to work from.

2012-003 – ACCRUED INTEREST

Type of Finding: Material Weakness in Internal Control Over Financial Reporting

Condition:

The Partnership has not properly accounted for accrued interest since 2007 resulting in an adjustment of \$43,718.

Criteria:

Professional auditing standards as illustrated in Statement on Auditing Standard (SAS) 115 and its Exhibit B require strong internal controls and these deficiencies and weaknesses are required to be disclosed to management and the governing board. Improving internal controls reduces the opportunity for mistakes or errors to take place or to be identified and corrected in a timely manner or for reducing the opportunity for fraud to take place.

Effect:

Material adjustments were made to accrued interest and partner's capital.

Cause:

Unknown.

Recommendation:

The Partnership should review its loan amortization schedules and make the appropriate adjustments in the general ledger.

Response:

EPCOG has contracted with a property management company experienced in such tax credit properties. Audit adjustments and adjusted schedules will be provided to JL Gray staff to ensure that they have the corrected information to work from.

2012-004 – LATE AUDIT REPORT

Type of Finding: State Compliance

Condition:

This report was mailed to the Office of the State Auditor on January 15, 2014.

Criteria:

The New Mexico State Auditors' Office has issued 2 NMAC 2.2, *Requirements for Contracting and Conducting Audits of Agencies*, due dates for special purpose government audits to be in his office by June 1, 2013.

Effect:

The report was not available for the New Mexico State Auditor and other state agencies to review on a timely basis.

**STATE OF NEW MEXICO
EASTERN PLAINS COUNCIL OF GOVERNMENTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2013**

Cause:

Management was unaware of the fact that the Partnership's audit must also be submitted to the Office of the State Auditor.

Recommendation:

We recommend management continue to develop systems and personnel in order to keep records current and available for timely auditing.

Response:

The Eastern Plains Council of Governments understands the seriousness of these findings and has been working toward revising policies and procedures to address these issues as well as full reconciliation of all funds to ensure correct beginning account balances for 2013. The accounting system has been secured to limit access and ensure proper reports are produced. Personnel in charge at that time are no longer employed with the organization. This process has taken a significant amount of time to complete, and following the completion of the 2013 audit in early 2014, all late audits will be caught up and we will be on track to submit audits on time.

2012-005-CONTRACT NOT SUBMITTED TO THE OSA IN A TIMELY MANNER

Type of Finding: State Compliance

Condition:

The Partnership did not submit the completed contract to the Office of the State Auditor in a timely manner.

Criteria:

Section 2.2.2.8 (G)(c)(v) NMAC states, the agency shall deliver the fully completed and signed IPA Recommendation Form for Audits and the completed audit contract to the State Auditor by the due date.

Effect:

Failure to submit the IPA Recommendation Form timely could increase the potential of a late audit report and ultimately untimely financial information.

Cause:

The Partnership was unaware of the requirement to submit the IPA recommendation.

Recommendation:

The Partnership should ensure the IPA Recommendation Form is completed, signed and delivered to the Office of the State Auditor prior to the due date, incorporating time for oversight agency review and approval when necessary.

Response:

In the future, proper steps will be taken to ensure the IPA recommendation and contract are submitted in a timely manner.

**STATE OF NEW MEXICO
EASTERN PLAINS COUNCIL OF GOVERNMENTS
EXIT CONFERENCE
For The Year Ended June 30, 2013**

An exit conference was held in a closed session on June 27, 2014, and the contents of this report were discussed. Present at the exit conference were:

Wesley Schafer	Treasurer
Oscar Robinson	Vice-Chairperson
Sandy Chancey	Executive Director

Representing Hinkle + Landers, P.C.:

Farley Vener, CPA, CFE	Independent auditor, Hinkle + Landers, P.C.
Maclen Enriquez	Independent auditor, Hinkle + Landers, P.C.

PREPARATION OF FINANCIAL STATEMENTS

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