



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, 2014

**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, 2014**

<u>Directors</u>	<u>Position</u>	<u>Government Represented</u>
EXECUTIVE COMMITTEE		
Fidel Madrid	Chairman	Curry County
Oscar Robinson	Vice-Chairman	City of Portales
Wesley Shafer	Treasurer	Curry County
Rebecca Smith	Member	Harding County
Bill Cathey	Member	Roosevelt County
Becky Harris	Member	De Baca County
Cynthia Lee	Member	Quay County
Jack Chosvig	Member	Union County
CURRY COUNTY		
Tim Ashley	Member	Curry County
Fidel Madrid	Member	City of Clovis
Wesley Shafer	Member	Village of Grady
Lewis Cooper	Member	Town of Texico
Tuck Monk	Member	Village of Melrose
DE BACA COUNTY		
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		
Rebecca Smith	Member	Harding County
Linda Lewis	Member	Village of Mosquero
Chandra Gonzales	Member	Village of Roy
QUAY COUNTY		
Richard Primrose	Member	Quay County
Cynthia Lee	Member	Village of San Jon
Vacant	Member	Tucumcari
ROOSEVELT COUNTY		
Bill Cathey	Member	Roosevelt County
LaVerne Lee	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
Lynn Wiseman	Member	Village of Grenville
SPECIAL DISTRICTS		
Franklin McCasland	Member	Arch Hurley Conservancy Dist.
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, 2014, 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, of the EPCOG as of June 30, 2014, 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.

Emphasis of Matter

As discussed in Note 12 to the financial statements, the 2014 financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other 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 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The *schedule of expenditures of federal awards* is the responsibility of management and was derived from and relates 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 is 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 December 15, 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, P.C.

Hinkle + Landers, PC
Albuquerque, NM
December 15, 2014

**STATE OF NEW MEXICO
EASTERN PLAINS COUNCIL OF GOVERNMENTS
STATEMENT OF NET POSITION
(GOVERNMENT-WIDE)
As of June 30, 2014**

	Governmental Activities	Component Unit At 12/31/13
ASSETS		
Current		
Cash and cash equivalents	\$ 45,580	62,566
Grants receivable	111,409	-
Tenant receivable	1,545	108
Intergovernmental receivables	9,303	-
Prepaid expenses	200	5,040
Total current assets	<u>168,037</u>	<u>67,714</u>
Noncurrent		
Restricted Deposits		
Cash held in escrow	8,726	10,557
Cash held in reserve accounts	172,630	13,641
Cash held for security deposits	13,722	6,898
Notes receivable	182,959	-
Deferred finance costs, net	-	25,523
Capital assets, net	<u>1,325,996</u>	<u>933,485</u>
Total noncurrent assets	<u>1,704,033</u>	<u>990,104</u>
Total Assets	<u>\$ 1,872,070</u>	<u>1,057,818</u>
LIABILITIES		
Current		
Accounts payable	\$ 46,392	26,681
Accrued payroll liabilities	3,314	-
Unearned revenue	11,155	63,427
Accrued interest - current	-	11,986
Line of credit	50,000	-
Current portion of long term debt	<u>11,538</u>	<u>4,578</u>
Total current liabilities	122,399	106,672
Noncurrent		
Note payable	1,636,140	922,258
Compensated absences	11,783	-
Accrued interest	7,334	163,580
Security deposits	<u>12,956</u>	<u>6,897</u>
Total noncurrent liabilities	<u>1,668,213</u>	<u>1,092,735</u>
Total liabilities	1,790,612	1,199,407
NET POSITION		
Net investment in capital assets	(321,682)	-
Unrestricted net position	403,140	-
Partners' Capital	-	(141,589)
Total net position	<u>81,458</u>	<u>(141,589)</u>
Total liabilities and net position	<u>\$ 1,872,070</u>	<u>1,057,818</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, 2014

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	\$ 747,110	123,217	507,872	(116,021)
General revenues:				
Miscellaneous income				65,943
Interest income				544
Gain on sale of assets				38,613
Total general revenues				105,100
Change in net position				(10,921)
Net position, beginning of year				92,379
Restatement				-
Net position, beginning of year - restated				92,379
Net position, end of year				\$ 81,458
Component Unit - December 31, 2013				
Rural Development Housing	\$ 194,468	104,099	-	(90,369)
General revenues:				
Miscellaneous income				4,259
Interest income				21
Total general revenues				4,280
Changes in net position				(86,089)
Partners' capital, beginning of year				(55,500)
Additional capital contributions				-
Amortization				-
Restatement				-
Net income (loss)				(86,089)
Partners' capital, end of year				\$ (141,589)

SEE INDEPENDENT AUDITOR'S REPORT
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**STATE OF NEW MEXICO
EASTERN PLAINS COUNCIL OF GOVERNMENTS
BALANCE SHEET - GOVERNMENTAL FUNDS
As of June 30, 2014**

	General Fund	Ruth Visage (12/31/2013)	San Jon	Total
ASSETS:				
Cash and cash equivalents	\$ 18,573	23,178	3,829	45,580
Restricted cash and investments	993	170,474	23,611	195,078
Grants receivable	111,409	-	-	111,409
Intergovernmental receivables	-	9,303	-	9,303
Tenant receivables	-	30	1,515	1,545
Prepaid expenses	200	-	-	200
Total assets	131,175	202,985	28,955	363,115
DEFERRED OUTFLOW OF RESOURCES:	182,959	-	-	182,959
 Total assets and deferred outflows of resources	\$ 314,134	202,985	28,955	546,074
LIABILITIES:				
Accounts payable	\$ 26,335	18,242	1,816	46,393
Accrued payroll liabilities	3,313	-	-	3,313
Unearned revenue	9,344	1,430	381	11,155
Accrued development fee	-	-	-	-
Accrued interest	-	6,253	1,081	7,334
Deposits held in trust	-	10,251	2,705	12,956
Total liabilities	38,992	36,176	5,983	81,151
DEFERRED INFLOW OF RESOURCES:	-	-	-	-
FUND BALANCE:				
Non-spendable: prepaid expense	200	-	-	200
Restricted: restricted cash	993	170,474	23,611	195,078
Assigned: rural developmental housing	-	-	-	-
Unassigned	273,949	(3,665)	(639)	269,645
Total fund balance	275,142	166,809	22,972	464,923
Total liabilities, deferred inflows of resources, and fund balance	\$ 314,134	202,985	28,955	546,074

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	\$	464,923
Capital assets used in governmental activities are not current financial resources and therefore, are not reported in the balance sheet		1,325,996
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>		(1,697,678)
<i>Deferred inflows of resources</i>		-
<i>Accrued compensated absences</i>		(11,783)
Statement of net position of governmental funds	\$	81,458

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, 2014**

	General Fund	Ruth Visage (12/31/2013)	San Jon	Total
Revenues:				
Federal	\$ 128,131	50,280	10,108	188,519
State	95,743	92,288	20,536	208,567
Local	116,132	-	-	116,132
Interest income	149	351	44	544
Rental income, net of vacancy	1,500	74,163	14,194	89,857
Miscellaneous income	59,433	-	6,345	65,778
Membership Dues	<u>33,358</u>	<u>-</u>	<u>-</u>	<u>33,358</u>
Total revenues	434,446	217,082	51,227	702,755
Expenditures:				
Current:				
General government	401,393	163,750	37,680	602,823
Capital outlay	46,818	-	-	46,818
Debt service:				
Principal	3,089	6,186	2,970	12,245
Interest	<u>715</u>	<u>83,655</u>	<u>13,035</u>	<u>97,405</u>
Total expenditures	<u>452,015</u>	<u>253,591</u>	<u>53,685</u>	<u>759,291</u>
Excess (deficiency) of revenues over expenditures	<u>(17,569)</u>	<u>(36,509)</u>	<u>(2,458)</u>	<u>(56,536)</u>
Other financing sources (uses)				
Proceeds from debt issuance	50,000	-	-	50,000
Proceeds from the sale of capital assets	<u>68,988</u>	<u>-</u>	<u>-</u>	<u>68,988</u>
Total other financing sources (uses)	118,988	-	-	118,988
Net change in fund balances	101,419	(36,509)	(2,458)	62,452
Fund balance, beginning	173,723	209,603	25,430	408,756
Restatement	<u>-</u>	<u>(6,285)</u>	<u>-</u>	<u>(6,285)</u>
Fund balance, beginning - restated	<u>173,723</u>	<u>203,318</u>	<u>25,430</u>	<u>402,471</u>
Fund balance, ending	<u>\$ 275,142</u>	<u>166,809</u>	<u>22,972</u>	<u>464,923</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	\$ 62,452
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>	(43,969)
<i>Capital Outlay</i>	46,818
<i>Proceeds from the sale of capital assets</i>	(68,988)
<i>Gain on disposal of assets</i>	38,613
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>	12,245
<i>Debt proceeds</i>	(50,000)
Net effect of changes in accrued compensated absences	(1,229)
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>\$ (10,921)</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, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Grants and contracts	\$ 271,028	338,130	340,006	1,876
Rental income	-	-	1,500	1,500
Interest	-	-	149	149
Membership	29,721	29,721	33,358	3,637
Miscellaneous	-	48,450	59,433	10,983
Total revenues	<u>300,749</u>	<u>416,301</u>	<u>434,446</u>	<u>18,145</u>
Expenditures:				
General governmental	318,969	468,639	401,393	67,246
Capital outlay	-	-	46,818	
Debt service:				
Principal	3,174	3,174	3,089	85
Interest	<u>750</u>	<u>750</u>	<u>715</u>	<u>35</u>
Total expenditures	<u>322,893</u>	<u>472,563</u>	<u>452,015</u>	<u>67,331</u>
Excess (deficiency) of revenues over expenditures	<u>(22,144)</u>	<u>(56,262)</u>	<u>(17,569)</u>	<u>85,476</u>
Other financing sources (uses)				
Debt proceeds	-	-	50,000	
Proceeds from sale of assets	80,000	80,000	68,988	(11,012)
Operating transfers in	-	-	-	-
Operating transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>80,000</u>	<u>80,000</u>	<u>118,988</u>	<u>(38,988)</u>
Change in fund balance	<u>\$ 57,856</u>	<u>23,738</u>	<u>101,419</u>	<u>46,488</u>
Fund balance provided from prior years	<u>\$ 173,723</u>	<u>173,723</u>	<u>173,723</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, 2013**

	<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	166,451	(4,549)
Investment income	650	650	351	(299)
Miscellaneous	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	171,650	171,650	217,082	45,432
Expenditures:				
General governmental	166,751	166,751	163,750	3,001
Debt service:				
Principal payments	37,158	37,158	6,186	30,972
Interest	<u>-</u>	<u>-</u>	<u>83,655</u>	<u>(83,655)</u>
Total expenditures	203,909	203,909	253,591	(49,682)
Excess (deficiency) of revenues over expenditures	<u>(32,259)</u>	<u>(32,259)</u>	<u>(36,509)</u>	<u>(4,250)</u>
Change in fund balance	<u>(32,259)</u>	<u>(32,259)</u>	<u>(36,509)</u>	<u>(4,250)</u>
Fund balance, beginning of year			209,603	
Restatement			(6,285)	
Fund balance, beginning of year-restated			<u>203,318</u>	
Fund balance, end of year	\$		<u>166,809</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, 2014**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Grants and contracts	\$ -	-	10,108	10,108
Rental income	35,568	35,568	34,730	(838)
Interest	25	25	44	19
Miscellaneous	<u>5,544</u>	<u>5,544</u>	<u>6,345</u>	<u>801</u>
Total revenues	41,137	41,137	51,227	10,090
Expenditures:				
General governmental	36,159	36,159	37,680	(1,521)
Debt service:				
Principal payments	-	-	2,970	(2,970)
Interest	<u>-</u>	<u>-</u>	<u>13,035</u>	<u>(13,035)</u>
Total expenditures	36,159	36,159	53,685	(4,491)
Excess (deficiency) of revenues over expenditures	<u>4,978</u>	<u>4,978</u>	<u>(2,458)</u>	<u>5,599</u>
Other financing sources (uses)				
Proceeds from sale of assets	-	-	-	-
Operating transfers in	-	-	-	-
Operating transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	-	-	-	-
Change in fund balance	<u>\$ 4,978</u>	<u>4,978</u>	<u>(2,458)</u>	<u>5,599</u>
Fund balance provided from prior years	<u>\$ 25,430</u>	<u>25,430</u>	<u>25,430</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, 2014**

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, 2013.

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, 2014

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, 2013.

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, 2014, 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, 2014:

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's has non-spendable fund balance of \$200 for the year ended June 30, 2014.

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 has restricted fund balance of \$195,078 for the year ended June 30, 2014.

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, 2014.

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 does not have assigned fund balance for the year ended June 30, 2014.

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 \$269,645 for the year ended June 30, 2014.

2. CASH BALANCES

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

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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, 2014:

<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	\$ 26,193	7,620	-	18,573
EPCOG-Building Reserve	Citizens Bank	993	-	-	993
San Jon Apt-Operating	Wells Fargo	4,075	246	-	3,829
San Jon Apt-Sec. Dep.	Wells Fargo	2,946	-	-	2,946
San Jon Apt-Escrow	Wells Fargo	2,056	-	-	2,056
San Jon Apt-Reserve*	Citizens Bank	18,609	-	-	18,609
Total EPCOG and San Jon		<u>54,872</u>	<u>7,866</u>	<u>-</u>	<u>47,006</u>
		12/31/2013			12/31/2013
		Bank Balance	Outstanding Checks	Suspense Items	Book Balance
Ruth Visage Apt-Operating*	Wells Fargo	23,886	808	-	23,078
Ruth Visage-Petty cash	n/a	-	-	-	100
Ruth Visage Apt-Sec. Dep.*	Wells Fargo	10,776	-	-	10,776
Ruth Visage Apt-Reserve*	Citizens Bank	153,028	-	-	153,028
Ruth Visage Apt-Escrow	Wells Fargo	6,670	-	-	6,670
Total Ruth Visage		<u>194,360</u>	<u>808</u>	<u>-</u>	<u>193,652</u>
Total governmental		<u>249,232</u>	<u>8,674</u>	<u>-</u>	<u>240,658</u>
Component Unit					
Rio Pecos-Operating*	Wells Fargo	62,541	6	-	62,535
Rio Pecos-Sec. Dep.*	Wells Fargo	6,898	-	-	6,898
Rio Pecos-Reserve*	Other	13,641	-	-	13,641
Rio Pecos-Escrow	Other	10,557	-	-	10,557
Rio Pecos-Petty cash	n/a	31	-	-	31
Total component unit		<u>93,668</u>	<u>6</u>	<u>-</u>	<u>93,662</u>
Total Cash		<u>342,900</u>	<u>8,680</u>	<u>-</u>	<u>334,320</u>
Total Cash - Citizens Bank		198,823			
Total Cash - Wells Fargo		119,848			
Total Cash - Other		24,198			
Less: FDIC coverage		<u>(342,869)</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	\$ 111,409	-	-	111,409
Tenant receivables	-	30	1,515	1,545
Intergovernmental receivables	-	9,303	-	9,303
Notes receivable	182,959	-	-	182,959
Total	<u>\$ 294,368</u>	<u>9,333</u>	<u>1,515</u>	<u>305,216</u>

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

<u>EPCOG</u>	<u>2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>2014</u>
Land	\$ 27,000	-	(12,000)	15,000
Furniture and equipment	13,719	-	-	13,719
Buildings & improvements	105,000	46,818	(28,000)	123,818
Vehicles	38,973	-	-	38,973
Total	<u>184,692</u>	<u>46,818</u>	<u>(40,000)</u>	<u>191,510</u>
Less accumulated depreciation				
Furniture and equipment	(13,719)	-	-	(13,719)
Buildings and improvements	(40,338)	(2,685)	9,624	(33,399)
Vehicles	(38,973)	-	-	(38,973)
Total accumulated depreciation	<u>(93,030)</u>	<u>(2,685)</u>	<u>9,624</u>	<u>(86,091)</u>
Net capital assets - EPCOG	<u>\$ 91,662</u>	<u>44,133</u>	<u>(30,376)</u>	<u>105,419</u>
 <u>San Jon</u>	 <u>2013</u>	 <u>Additions</u>	 <u>Deletions</u>	 <u>2014</u>
Land	17,009	-	-	17,009
Furniture and equipment	2,619	-	-	2,619
Buildings & improvements	153,085	-	-	153,085
Total	<u>172,713</u>	<u>-</u>	<u>-</u>	<u>172,713</u>
Less accumulated depreciation				
Furniture and equipment	(2,619)	-	-	(2,619)
Buildings and improvements	(82,283)	(3,827)	-	(86,110)
Total accumulated depreciation	<u>(84,902)</u>	<u>(3,827)</u>	<u>-</u>	<u>(88,729)</u>
Net capital assets - San Jon	<u>87,811</u>	<u>(3,827)</u>	<u>-</u>	<u>83,984</u>
Net capital assets - EPCOG and San Jon	<u>179,473</u>	<u>40,306</u>	<u>(30,376)</u>	<u>189,403</u>
 <u>Ruth Visage</u>	 <u>December 31, 2012</u>	 <u>Additions</u>	 <u>Deletions</u>	 <u>December 31, 2013</u>
Land	\$ 45,652	-	-	45,652
Furniture and equipment	36,876	-	-	36,876
Buildings & improvements	1,456,500	-	-	1,456,500
Total	<u>1,539,028</u>	<u>-</u>	<u>-</u>	<u>1,539,028</u>
Less accumulated depreciation	(364,978)	(37,457)	-	(402,435)
Net capital assets - Ruth Visage	<u>1,174,050</u>	<u>(37,457)</u>	<u>-</u>	<u>1,136,593</u>
Net capital assets - governmental activities	<u>\$ 1,353,523</u>	<u>2,849</u>	<u>(30,376)</u>	<u>1,325,996</u>

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Component Unit	December 31,			December 31,
<i>Rio Pecos Limited Partnership</i>	2012	Additions	Deletions	2013
Land	50,800	-	-	50,800
Furniture and equipment	28,643	6,124	-	34,767
Buildings & improvements	1,618,315	-	-	1,618,315
Total	1,697,758	6,124	-	1,703,882
Less accumulated depreciation	(710,681)	(59,716)	-	(770,397)
Net capital assets -component unit	\$ 987,077	(53,592)	-	933,485

Current year depreciation expense and debt related to any capital assets for the fiscal year ended June 30, 2014 was \$43,969. Current year depreciation for the component unit was \$59,716.

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	2013	Additions	Retirements	2014	Current Portion
<i>EPCOG and San Jon</i>					
EPCOG - USDA Loan	\$ 15,995	-	(3,089)	12,906	3,369
San Jon - USDA	159,191	-	(1,453)	157,738	1,577
EPCOG - Line of credit	-	50,000	-	50,000	50,000
Total EPCOG and San Jon Debt	175,186	50,000	(4,542)	220,644	54,946
<i>Ruth Visage</i>					
	December 31, 2012	Additions	Retirements	December 31, 2013	Current Portion
Rural Development - Ruth Visage	1,183,220	-	(6,186)	1,177,034	6,592
NMMFA - Ruth Visage	300,000	-	-	300,000	-
Total Ruth Visage	1,483,220	-	(6,186)	1,477,034	6,592
Total governmental activities long term debt	1,658,406	50,000	(10,728)	1,697,678	61,538

Long term maturities for the governmental activities are as follows:

Principal				Year ending	
Years	EPCOG	San Jon	Total	December 31,	Ruth Visage
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	2,284	2,019	4,303	2017	7,978
2019	-	2,192	2,192	2018	8,501
2020-2024	-	14,120	14,120	2019-2023	51,648
2025-2029	-	21,299	21,299	2024-2028	70,978
2030-2034	-	32,129	32,129	2029-2033	397,542
2035-2039	-	48,466	48,466	2034-2038	134,045
2040-2044	-	32,364	32,364	2039-2043	184,212
Thereafter	-	-	-	Thereafter	601,027
Total	\$ 12,906	157,738	170,644		1,477,034

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Interest						
Year	EPCOG	San Jon	Total	Year ending December 31,	Ruth Visage	
2015	\$ 555	12,955	13,510	2014	80,846	
2016	386	12,820	13,206	2015	80,413	
2017	209	12,673	12,882	2016	79,952	
2018	37	12,514	12,551	2017	79,460	
2019	-	12,340	12,340	2018	78,936	
2020-2024	-	58,541	58,541	2019-2023	385,541	
2025-2029	-	51,361	51,361	2024-2028	366,212	
2030-2034	-	40,532	40,532	2029-2033	332,648	
2035-2039	-	24,196	24,196	2034-2038	273,144	
2040-2044	-	3,520	3,520	2038-2043	222,978	
Thereafter	-	-	-	Thereafter	213,297	
Total	\$ 1,187	241,451	242,638		2,193,427	

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

Component Unit	December 31, 2012	Additions	Retirements	December 31, 2013	Current Portion
New Mexico Mortgage Finance, bears interest at 8.84%; secured by the property, matures November 2041.	\$ 531,498	-	(4,192)	527,306	4,578
New Mexico Mortgage Fiance 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	6,741	-	95,030	-
Total component unit long term debt	\$ 924,287	6,741	(4,192)	926,836	4,578

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Long term maturities for the component unit are as follows:

Year ending December 31,	Principal	Interest	Total
2014	\$ 4,578	61,359	65,937
2015	4,999	60,938	65,937
2016	5,460	60,478	65,938
2017	5,963	59,975	65,938
2018	6,511	59,426	65,937
2019-2023	42,732	286,954	329,686
2024-2028	66,375	263,311	329,686
2029-2033	167,601	226,585	394,186
2034-2038	160,146	169,540	329,686
2039-2043	462,471	92,063	554,534
	<u>\$ 926,836</u>	<u>1,340,629</u>	<u>2,267,465</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, 2014:

	2013	Additions	Deletions	2014	Current Portion
Annual Leave	\$ <u>10,554</u>	<u>7,783</u>	<u>(6,554)</u>	<u>11,783</u>	<u>11,783</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 \$1,733, \$3,497, and \$10,956, for the years ending June 30, 2014, 2013, and 2012, respectively.

The vesting schedule is as follows:

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

**STATE OF NEW MEXICO
EASTERN PLAINS COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2014**

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 \$2,311, \$4,484, and \$13,528 for the years ending June 30, 2014, 2013, and 2012, 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, 2014, no probable risk of loss was identified by management.

10. RELATED PARTY TRANSACTIONS

Related party transactions are as follows for the year ended June 30, 2014.

<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	\$ 2,041
Oscar Robinson/Council Member	City of Portales	Board Member	47,607
			<u>\$ 49,648</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 revenues based on modifications to Federal laws and Federal appropriations.

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>		
	Adjustment was necessary to adjust beginning fund balance for overstated debt service payments in the prior year	
Ruth Visage		\$ <u>(6,285)</u>

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.

**STATE OF NEW MEXICO
EASTERN PLAINS COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2014**

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 2014:

<u>Deferred Inflows of Resources</u>	<u>2014</u>
None	\$ <u><u>-</u></u>
<u>Deferred Outflows of Resources</u>	
General Fund - Note receivables/time requirement not met	\$ <u><u>182,959</u></u>

15. OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES

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

- No funds exceeded approved budgetary authority for the year ended June 30, 2014.
- Deficit fund balances as of June 30, 2014 were as follows:

<u>Fund</u>	<u>Fund Type</u>	<u>Amount</u>
Ruth Visage	Governmental	\$ (3,665)
San Jon	Governmental	(639)
		\$ <u><u>(4,304)</u></u>

16. EVALUATION OF 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 December 15, 2014, which is the date the financial statements were available to be issued.

**STATE OF NEW MEXICO
EASTERN PLAINS COUNCIL OF GOVERNMENTS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended June 30, 2014**

Federal Grantor/Program Title	Federal CFDA Number	Pass- through Identifying Number	Grant Award Expended
<i>Direct programs</i>			
U.S. Department of Agriculture			
Rural Rental Housing Loans - Ruth Visage*	10.415		\$ 1,177,034 (Loan)
Interest Subsidy - Ruth Visage	10.xxx		50,280
Interest Subsidy - San Jon	10.xxx		<u>10,108</u>
Total Department of Agriculture			1,237,422
U.S. Department of Transportation passed through New Mexico State Highway and Transportation Department			
Regional Planning Organization	20.205	M01033	<u>62,785</u>
Total Department of Labor			62,785
Department of Commerce			
Economic Development Administration (EDA)	11.302		<u>60,000</u>
Total Department of Commerce			60,000
Total federal awards expended			\$ <u><u>1,360,207</u></u>
 <i>Reconciliation to financial statement:</i>			
Federal revenue			\$ 188,519
Rural Rental Housing Loans - Ruth Visage			1,177,034
Net reclassification of unavailable revenue to deferred inflow of resources			<u>(5,346)</u>
			\$ <u><u>1,360,207</u></u>

Selected Disclosures

1. The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Eastern Plains Council of Governments, and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-
2. The Eastern Plains Council of Governments did not receive any noncash assistance.
3. Payments to subrecipients-n/a None



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

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, 2014, and the related notes to the financial statements, which collectively comprise the EPCOG's basic financial statements and have issued our report thereon dated December 15, 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.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs, that we consider to be significant deficiencies: 2014-001, 2014-003, 2014-004.

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 12-01[RV2012-101], 2014-002, 2013-001.

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
December 15, 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, 2014. 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, 2014.

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.

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. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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



Hinkle + Landers, P.C.
Albuquerque, NM
December 15, 2014

**STATE OF NEW MEXICO
EASTERN PLAINS COUNCIL OF GOVERNMENTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2014**

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor's report issued Unmodified

Internal Control over financial reporting:

Material weaknesses identified? ___ Yes X 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? ___ Yes X No

Type of auditor's 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? ___ Yes X 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 Agriculture

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
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2014**

SECTION II AND III- FINANCIAL STATEMENTS AND FEDERAL AWARD FINDINGS

		Status of Current and Prior Year Findings	Type of Finding*
Prior year			
04-02	LATE AUDIT REPORT	Resolved	C,G
04-07	DATA COLLECTION FORM	Resolved	E
06-01	BANK RECONCILIATIONS	Resolved	B
06-04	APPROVAL FOR EXPENDITURES/ BACKUP DOCUMENTATION MISSING	Resolved	B
06-09	CAPITAL ASSETS	Resolved	B,G
2013-001	BEGINNING BALANCES COULD NOT BE RELIED ON	Resolved	A
Ruth Visage Findings			
12-01 [RV 2012-001]	LATE AUDIT REPORT	Modified/Repeated	C, G
12-02	SAS 115-MATERIAL ADJUSTMENTS BY AUDITOR	Resolved	A
12-03	LACK OF ADEQUATE DOCUMENTATION/ APPROVAL FOR EXPENDITURES	Resolved	B
Component Unit Findings			
2012-001	DEPRECIATION EXPENSE/ ACCUMULATED DEPRECIATION	Resolved	A
2012-002	DEFERRED DEVELOPER FEE LIABILITY	Resolved	A
2012-003	ACCRUED INTEREST	Resolved	A
2012-004	LATE AUDIT REPORT	Resolved	C,G
2012-005	CONTRACT NOT SUBMITTED TO THE OSA IN A TIMELY MANNER	Resolved	G
Current year			
2014-001	Financial Close and Reporting	Current	B
2014-002	IPA Recommendation Form Not Submitted Timely	Current	G
2014-003	Review and Approval of Journal Entries	Current	B
2014-004	Lack of Adequate Supporting Documentation for Personnel Files	Current	B
Ruth Visage Findings			
2013-001	Contract Not Submitted to the OSA in a Timely Manner	Current	C, G
Component Unit Findings			
	None		

* Legend for Type of Findings

- A. Material Weakness in Internal Control Over Financial Reporting
- B. Significant Deficiency in Internal Control Over Financial Reporting
- C. Other Matters Involving Internal Control Over Financial Reporting
- D. Material Weakness in Internal Control Over Compliance of Federal Awards
- E. Significant Deficiency in Internal Control Over Compliance of Federal Awards
- F. Instance of Noncompliance to Federal Awards
- G. Compliance with State Audit Rule

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EASTERN PLAINS COUNCIL OF GOVERNMENTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2014**

PRIOR YEAR FINDINGS (EPCOG)

None

PRIOR YEAR FINDINGS (RUTH VISAGE)

12-01 [RV2012-001]–LATE AUDIT REPORT

Type of Finding: C, G

Statement of Condition

Ruth Visage's report for the fiscal year ended December 31, 2013 was mailed to the Office of the State Auditor on August 13, 2014.

Criteria

Per 2 NMAC 2.2, *Requirements for Contracting and Conducting Audits of Agencies*, due dates for agencies with fiscal year-end other than June 30 must submit the audit no later than 5 months after the 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

The 2012 audit wasn't submitted until November 2013, which consequently delayed the beginning of the 2013 audit.

Recommendation

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

Management's Response

EPCOG has recently completed a number of past due audits, which caused a delay in the completion of this audit. We have met with the auditors and our management company, and developed a schedule for completion of all EPCOG audits, including Ruth Visage Senior Apartments, by their designated due dates. EPCOG management is committed to ensuring compliance with all State and Federal regulations, and will ensure that these audits are completed in a timely manner from this point forward.

PRIOR YEAR FINDINGS (COMPONENT UNIT)

None

CURRENT YEAR FINDINGS (EPCOG)

2014-001–FINANCIAL CLOSE AND REPORTING

Type of Finding: B

Statement of Condition:

The EPCOG did not include the San Jon Estates Apartments (a department of the EPCOG), in its financial close and reporting process for the year ended June 30, 2014. The financial close should

**STATE OF NEW MEXICO
EASTERN PLAINS COUNCIL OF GOVERNMENTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2014**

include but not be limited to:

- Identifying all sources of financial and non-financial data (routine and non-routine events and transactions) that will be needed in order to maintain and systematically adjust the San Jon's general ledger and include it in the EPCOG's general ledger.
- Establishing and implementing procedures and records to initiate, authorize, record, process, correct, transfer to the general ledger, and report the San Jon's transactions within the context of the EPCOG.
- Monitoring the third party management company.

Criteria

There are several key underlying accounting standards related to an organization designing and implementing an effective financial close and reporting process. Auditors, are required to identify and communicate internal weaknesses according to "Statement On Auditing Standards (SAS) 115 Communication of Internal Control Related Matters Identified in an Audit". The following are a few concepts associated with this standard:

- The auditor cannot be part of a client's internal control because becoming part of a client's internal control impairs auditor independence;
- The auditor's work is independent of the client's internal control over financial reporting, and the auditor cannot be a compensating control for the client; and
- A system of internal control over the financial reporting does not stop at the general ledger – it includes controls over the presentation of the financial statements.

The Financial Close is considered a significant process of internal control and should be performed by the EPCOG staff.

Effect

The San Jon's beginning balances did not tie to prior year ending balances resulting in a several audit adjustments to reconcile San Jon's fund balance.

Cause

The EPCOG did not include San Jon in its financial close and reporting process for the year ended June 30, 2014.

Recommendation

We recommend the EPCOG include San Jon in its monthly/quarterly and year-end/financial close procedures.

Management Response

We will consider the auditor's recommendation and will ensure that the balances of the San Jon property are included in our ending trial balance.

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EASTERN PLAINS COUNCIL OF GOVERNMENTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2014**

2014-002—IPA RECOMMENDATION FORM NOT SUBMITTED TIMELY

Type of Finding: G

Statement of Condition

The EPCOG did not submit the completed IPA Recommendation Form to the Office of the State Auditor by the due date.

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 June 1.

Cause

The EPCOG was unaware it could submit the form prior to the completion of the FY 2013 audit.

Effect

Submitting the IPA Recommendation Form untimely may increase the potential of a late audit report and ultimately untimely financial information.

Recommendation

The EPCOG should ensure the IPA Recommendation Form is completed, signed and delivered to the Office of the State Auditor prior to the June 1 due date, incorporating time for oversight agency review and approval when necessary.

Management's Response

We will ensure the audit contracting process is followed including applicable deadlines, as required.

2014-003—REVIEW AND APPROVAL OF JOURNAL ENTRIES

Type of Finding: B

Statement of Condition

Journal entries to the general ledger do not require approval at the present time, nor are they reviewed by someone other than the Financial Manager who enters them into MIP.

Criteria

Good internal controls require that journal entries be approved by a responsible individual not involved in the journal entry preparation or posting, as they can significantly affect the financial statements.

Effect

Unnecessary or incorrect journal entries could be entered into the system and go undetected.

Cause

The EPCOG did not have a formal process by which journal entries are reviewed and approved by someone other than the Financial Manager.

Recommendation

Controls over journal entries should be established as soon as possible. The person creating the journal entry should initial and date the entry and a responsible official should initial and date the approval of the entry and the records supporting the reason for the journal entry should be maintained. It is important that the reviewer of the journal entry be a member of upper management. Also it is important that the reviewer review the relationship between the accounts that are being

**STATE OF NEW MEXICO
EASTERN PLAINS COUNCIL OF GOVERNMENTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2014**

adjusted and verify that the accounts are expected to go together. Example, revenue and receivables go together but revenue and equipment rarely go together unless you received an in-kind contribution of equipment.

Management's Response

Journal entries will be reviewed by appropriate personnel and records maintained accordingly.

2014-004-LACK OF ADEQUATE SUPPORTING DOCUMENTATION FOR PERSONNEL FILES

Type of Finding: B

Statement of Condition

During testing of payroll transactions it was noted that documentation of an approved pay rate increase could not be located for two personnel files. As a result, the amount paid was in excess of the approved pay rate in 4 of the 35 payroll transactions tested as follows:

<u>Check #</u>	<u>Authorized Salary</u>	<u>Gross Check Amount</u>	<u>Overpayment</u>
37996 \$	1,228.59	\$ 1,257.05	\$ 28.46
38184	1,228.59	1,257.05	28.46
38257	1,228.59	1,257.05	28.46
38267 \$	1,411.21	\$ 1,443.91	32.70
		\$	<u><u>118.08</u></u>

Criteria

Personnel files should contain proper documentation to support payroll transactions.

Cause

EPCOG did not maintain proper documentation in the personnel files to support payroll transactions.

Effect

There is an increased risk of the possibility of misstated financial statements due to a loss from fraud or error.

Recommendation

EPCOG should maintain proper documentation in the personnel files to support payroll transactions.

Management Response

Management will ensure that appropriate documentation is maintained to support approved pay rates. The situation in question came about when the office switched to a four day workweek, and incorrect pay rates were recorded on the personnel action forms. These have been updated accordingly to reflect the correct pay rates.

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EASTERN PLAINS COUNCIL OF GOVERNMENTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2014**

CURRENT YEAR FINDINGS (RUTH VISAGE)

2013-001-CONTRACT NOT SUBMITTED TO THE OSA IN A TIMELY MANNER

Type of Finding: C, G

Statement of Condition:

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

Recommendation:

The RVSA 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.

Management Response:

Due to time taken to complete the 2012 EPCOG Audit, the contract for 2013 was not submitted until April, 2014. EPCOG is now current on all audits, and remains committed to ensuring compliance with all Federal and State regulations, all audit contracts will be submitted on time in the future.

**STATE OF NEW MEXICO
EASTERN PLAINS COUNCIL OF GOVERNMENTS
EXIT CONFERENCE
For The Year Ended June 30, 2014**

An exit conference was held in a closed session on December 15, 2014, and the contents of this report were discussed. Present at the exit conference were:

Fidel Madrid	Chairman
Wesley Schafer	Treasurer
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.