



# 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, 2015**



**STATE OF NEW MEXICO  
EASTERN PLAINS COUNCIL OF GOVERNMENTS  
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For The Year Ended June 30, 2015**

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**STATE OF NEW MEXICO**  
**EASTERN PLAINS COUNCIL OF GOVERNMENTS**  
**OFFICIAL ROSTER**  
**For The Year Ended June 30, 2015**

<u>Directors</u>	<u>Position</u>	<u>Government Represented</u>
<b>EXECUTIVE COMMITTEE</b>		
Fidel Madrid	Chairman	Curry County
Oscar Robinson	Vice-Chairman	Roosevelt County
Wesley Shafer	Treasurer	Curry County
Vanita Menapace	Member	Harding County
Becky Harris	Member	De Baca County
Cynthia Lee	Member	Quay County
Jack Chosvig	Member	Union County
<b>CURRY COUNTY</b>		
Tim Ashley	Member	Curry County
Fidel Madrid	Member	City of Clovis
Wesley Shafer	Member	Village of Grady
Lewis Cooper	Member	Town of Texico
Tuck Monk	Member	Village of Melrose
<b>DE BACA COUNTY</b>		
George Gonzales	Member	De Baca County
Justin Ingram	Member	Fort Sumner
<b>GUADALUPE COUNTY</b>		
Ernest Tapia	Member	Guadalupe County
Roman Garcia	Member	Town of Vaughn
<b>HARDING COUNTY</b>		
Vanita Menapace	Member	Harding County
Chandra Gonzales	Member	Village of Roy
<b>QUAY COUNTY</b>		
Richard Primrose	Member	Quay County
Cynthia Lee	Member	Village of San Jon
Robert Lumpkin	Member	Tucumcari
<b>ROOSEVELT COUNTY</b>		
Jake Lopez	Member	Roosevelt County
Oscar Robinson	Member	City of Portales
Jill Caviness	Member	Village of Causey
Kimberly Summers	Member	Village of Elida
Becky Frazee	Member	Village of Dora
Toni Whitecotton	Member	Village of Floyd
<b>UNION COUNTY</b>		
Jack Chosvig	Member	City of Clayton
Terry McNabb	Member	Village of Folsom
Katie Braniblett	Member	Village of Grenville
<b>SPECIAL DISTRICTS</b>		
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. Tim Keller, 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, 2015, 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, 2015, 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 16 to the financial statements, the 2015 beginning balance of the component unit's net position has been restated. Our opinion is not modified with respect to this matter.

**Other Matters**

*Required Supplementary Information*

Management has omitted the Management 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*

The schedule of vendor information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2015 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  
December 15, 2015

**STATE OF NEW MEXICO  
EASTERN PLAINS COUNCIL OF GOVERNMENTS  
STATEMENT OF NET POSITION  
(GOVERNMENT-WIDE)  
As of June 30, 2015**

	Governmental Activities	Component Unit At 12/31/14
<b>ASSETS</b>		
<b>Current</b>		
Cash and cash equivalents	\$ 17,409	31
Grants receivable	18,763	-
Tenant receivable	4,083	-
Intergovernmental receivables	12,189	-
Prepaid expenses	2,880	4,059
<b>Total current assets</b>	<b>55,324</b>	<b>4,090</b>
<b>Noncurrent</b>		
Restricted Deposits		
Cash held in escrow	11,732	5,642
Cash held in reserve accounts	171,842	18,458
Cash held for security deposits	12,704	7,572
Notes receivable	200,930	-
Deferred finance costs, net	-	24,595
Capital assets, net	1,281,491	1,091,594
<b>Total noncurrent assets</b>	<b>1,678,699</b>	<b>1,147,861</b>
<b>Total Assets</b>	<b>\$ 1,734,023</b>	<b>1,151,951</b>
<b>LIABILITIES</b>		
<b>Current</b>		
Bank overdraft	-	208
Accounts payable	\$ 20,214	46,872
Accrued payroll liabilities	6,140	-
Unearned revenue	9,194	68
Accrued interest - current	-	12,597
Current portion of long term debt	12,237	4,999
<b>Total current liabilities</b>	<b>47,785</b>	<b>64,744</b>
<b>Noncurrent</b>		
Note payable	1,623,864	935,659
Compensated absences	13,193	-
Accrued interest	7,668	176,108
Security deposits	13,526	7,572
<b>Total noncurrent liabilities</b>	<b>1,658,251</b>	<b>1,119,339</b>
<b>Total liabilities</b>	<b>1,706,036</b>	<b>1,184,083</b>
<b>NET POSITION</b>		
Net investment in capital assets	(354,610)	-
Unrestricted net position	186,319	-
Restricted net position	196,278	-
Partners' Capital	-	(32,132)
<b>Total net position</b>	<b>27,987</b>	<b>(32,132)</b>
<b>Total liabilities and net position</b>	<b>\$ 1,734,023</b>	<b>1,151,951</b>

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, 2015

Functions/Programs	Expenses	Charges for Services	Program Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position for Governmental Activities
<b>Primary government</b>				
Governmental activities:				
General government	\$ 739,354	136,781	523,412	(79,161)
General revenues:				
Miscellaneous income				25,120
Interest income				570
Gain on sale of assets				-
Total general revenues				25,690
Change in net position				(53,471)
Net position, beginning of year				81,458
Net position, end of year				\$ 27,987
<b>Component Unit - December 31, 2014</b>				
Rural Development Housing	\$ 184,798	90,469	-	(94,329)
General revenues:				
Miscellaneous income				2,918
Interest income				17
Total general revenues				2,935
Changes in net position				(91,394)
Partners' capital, beginning of year				(141,589)
Additional capital contributions				-
Amortization				-
Restatement				200,851
Net income (loss)				(91,394)
Partners' capital, end of year				\$ (32,132)

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, 2015**

	<u>General Fund</u>	<u>Ruth Visage (12/31/2014)</u>	<u>San Jon</u>	<u>Total</u>
<b>ASSETS:</b>				
Cash and cash equivalents	\$ 2,220	15,189	-	17,409
Restricted cash and investments	993	175,202	20,083	196,278
Grants receivable	18,763	-	-	18,763
Intergovernmental receivables	-	12,189	-	12,189
Tenant receivables	-	2,033	2,050	4,083
Prepaid expenses	322	2,558	-	2,880
Total assets	<u>22,298</u>	<u>207,171</u>	<u>22,133</u>	<u>251,602</u>
<b>DEFERRED OUTFLOW OF RESOURCES:</b>	<u>200,930</u>	<u>-</u>	<u>-</u>	<u>200,930</u>
Total assets and deferred outflows of resources	<u>\$ 223,228</u>	<u>207,171</u>	<u>22,133</u>	<u>452,532</u>
<b>LIABILITIES:</b>				
Accounts payable	\$ 7,758	8,536	3,920	20,214
Accrued payroll liabilities	6,140	-	-	6,140
Unearned revenue	7,683	1,504	7	9,194
Accrued interest	-	6,218	1,450	7,668
Deposits held in trust	-	11,056	2,470	13,526
Total liabilities	<u>21,581</u>	<u>27,314</u>	<u>7,847</u>	<u>56,742</u>
<b>DEFERRED INFLOW OF RESOURCES:</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCE:</b>				
Non-spendable: prepaid expense	322	2,558	-	2,880
Restricted: restricted cash	993	175,202	20,083	196,278
Assigned: rural developmental housing	-	2,097	-	2,097
Unassigned	<u>200,332</u>	<u>-</u>	<u>(5,797)</u>	<u>194,535</u>
Total fund balance	<u>201,647</u>	<u>179,857</u>	<u>14,286</u>	<u>395,790</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 223,228</u>	<u>207,171</u>	<u>22,133</u>	<u>452,532</u>

**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	\$ 395,790
Capital assets used in governmental activities are not current financial resources and therefore, are not reported in the balance sheet	1,281,491
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>	(1,636,101)
<i>Deferred inflows of resources</i>	-
<i>Accrued compensated absences</i>	(13,192)
Statement of net position of governmental funds	<u>\$ 27,988</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 REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
For The Year Ended June 30, 2015**

	<b>General Fund</b>	<b>Ruth Visage (12/31/2014)</b>	<b>San Jon</b>	<b>Total</b>
<b>Revenues:</b>				
Federal	\$ 146,935	50,280	10,346	207,561
State	95,486	133,631	20,610	249,727
Local	66,125	-	-	66,125
Interest income	113	413	44	570
Rental income, net of vacancy	2,935	76,024	19,933	98,892
Miscellaneous income	25,053	67	-	25,120
Membership Dues	<u>37,890</u>	<u>-</u>	<u>-</u>	<u>37,890</u>
Total revenues	374,537	260,415	50,933	685,885
<b>Expenditures:</b>				
Current:				
General government	392,727	159,965	45,097	597,789
Capital outlay	-	-	-	-
Debt service:				
Principal	53,369	6,592	1,616	61,577
Interest	<u>1,936</u>	<u>80,810</u>	<u>12,906</u>	<u>95,652</u>
Total expenditures	<u>448,032</u>	<u>247,367</u>	<u>59,619</u>	<u>755,018</u>
Excess (deficiency) of revenues over expenditures	<u>(73,495)</u>	<u>13,048</u>	<u>(8,686)</u>	<u>(69,133)</u>
Other financing sources (uses)				
Proceeds from debt issuance	-	-	-	-
Proceeds from the sale of capital assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	(73,495)	13,048	(8,686)	(69,133)
Fund balance, beginning	<u>275,142</u>	<u>166,809</u>	<u>22,972</u>	<u>464,923</u>
Fund balance, ending	<u>\$ 201,647</u>	<u>179,857</u>	<u>14,286</u>	<u>395,790</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	\$ (69,133)
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>	(44,506)
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>	61,577
<i>Debt proceeds</i>	-
Net effect of changes in accrued compensated absences	(1,410)
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.	-
Rounding	1
<b>Change in net position of governmental activities</b>	<u>\$ (53,471)</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, 2015**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Revenues:</b>				
Grants and contracts	\$ 290,868	350,868	308,546	(42,322)
Rental income	-	-	2,935	2,935
Interest	-	-	113	113
Membership	38,290	38,290	37,890	(400)
Miscellaneous	-	25,100	25,053	(47)
Total revenues	<u>329,158</u>	<u>414,258</u>	<u>374,537</u>	<u>(39,721)</u>
<b>Expenditures:</b>				
General governmental	324,733	430,065	392,727	37,338
Capital outlay	-	-	-	-
Debt service:				
Principal	3,324	53,324	53,369	(45)
Interest	600	2,000	1,936	64
Total expenditures	<u>328,657</u>	<u>485,389</u>	<u>448,032</u>	<u>37,357</u>
Excess (deficiency) of revenues over expenditures	<u>501</u>	<u>(71,131)</u>	<u>(73,495)</u>	<u>(2,364)</u>
Other financing sources (uses)				
Operating transfers in	-	-	-	-
Operating transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in fund balance	<u>\$ 501</u>	<u>(71,131)</u>	<u>(73,495)</u>	<u>(2,364)</u>
Fund balance provided from prior years	<u>\$ -</u>	<u>82,450</u>	<u>275,143</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, 2014**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Revenues:</b>				
Federal	\$ -	-	50,280	50,280
Rental income (includes State grants)	217,800	217,800	209,655	(8,145)
Investment income	1,800	1,800	413	(1,387)
Miscellaneous	<u>-</u>	<u>-</u>	<u>67</u>	<u>67</u>
Total revenues	219,600	219,600	260,415	40,815
<b>Expenditures:</b>				
General governmental	162,464	162,464	159,965	2,499
Debt service:				
Principal payments	37,158	37,158	6,592	30,566
Interest	<u>-</u>	<u>-</u>	<u>80,810</u>	<u>(80,810)</u>
Total expenditures	199,622	199,622	247,367	(47,745)
Excess (deficiency) of revenues over expenditures	<u>19,978</u>	<u>19,978</u>	<u>13,048</u>	<u>(6,930)</u>
Change in fund balance	\$ <u>19,978</u>	<u>19,978</u>	<u>13,048</u>	<u>(6,930)</u>
Fund balance, beginning of year			166,809	
Restatement			-	
Fund balance, beginning of year-restated			<u>166,809</u>	
Fund balance, end of year			\$ <u>179,857</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, 2015**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Revenues:</b>				
Grants and contracts	\$ -	-	10,346	10,346
Rental income	47,424	47,424	40,543	(6,881)
Interest	25	25	44	19
Miscellaneous	620	620	-	(620)
Total revenues	<u>48,069</u>	<u>48,069</u>	<u>50,933</u>	<u>2,864</u>
<b>Expenditures:</b>				
General governmental	40,591	40,591	45,097	(4,506)
Debt service:				
Principal payments	4,281	4,281	1,616	2,665
Interest	-	-	12,906	(12,906)
Total expenditures	<u>44,872</u>	<u>44,872</u>	<u>59,619</u>	<u>(1,841)</u>
Excess (deficiency) of revenues over expenditures	<u>3,197</u>	<u>3,197</u>	<u>(8,686)</u>	<u>1,023</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>\$ 3,197</u>	<u>3,197</u>	<u>(8,686)</u>	<u>1,023</u>
Fund balance provided from prior years	<u>\$ 22,972</u>	<u>22,972</u>	<u>22,972</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, 2015**

**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, 2014.

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 financial statements, but differs from the manner in which governmental fund financial

**STATE OF NEW MEXICO  
EASTERN PLAINS COUNCIL OF GOVERNMENTS  
NOTES TO FINANCIAL STATEMENTS  
For The Year Ended June 30, 2015**

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, 2014.

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 U.S generally accepted accounting principles. 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, 2015, 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, 2015:

*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 \$2,880 for the year ended June 30, 2015.

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 \$196,278 for the year ended June 30, 2015.

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, 2015.

Assigned: Assigned fund balance is constrained by the Legislature and Executive branch's intent to be used by the government for specific purposes or in some cases by legislation. Intent can be expressed by the governing body or an official or body to which the governing body delegates authority. The EPCOG has assigned fund balance of \$2,097 for the year ended June 30, 2015.

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 \$199,534 for the year ended June 30, 2015.

**2. CASH BALANCES**

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

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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, 2015:

<u>Account Name</u>	<u>Bank</u>	<u>Bank Balance</u>	<u>Outstanding Checks</u>	<u>Suspense Items</u>	<u>Book Balance</u>
<b>Governmental Activities</b>					
<i>EPCOG and San Jon</i>					
EPCOG-Operating*	Citizens Bank	\$ 8,379	6,609	350	2,120
EPCOG-Building Reserve	Citizens Bank	993	-	-	993
EPCOG-Petty cash	n/a	-	-	-	100
San Jon Apt-Operating	Wells Fargo	48	104	56	-
San Jon Apt-Sec. Dep.	Wells Fargo	2,510	-	-	2,510
San Jon Apt-Escrow	Wells Fargo	15	-	-	15
San Jon Apt-Reserve*	Citizens Bank	17,558	-	-	17,558
Total EPCOG and San Jon		<u>29,503</u>	<u>6,713</u>	<u>406</u>	<u>23,296</u>
		<b>12/31/2014</b>			<b>12/31/2014</b>
		<b>Bank</b>	<b>Outstanding</b>	<b>Suspense</b>	<b>Book</b>
		<b>Balance</b>	<b>Checks</b>	<b>Items</b>	<b>Balance</b>
Ruth Visage Apt-Operating*	Wells Fargo	15,923	834	-	15,089
Ruth Visage-Petty cash	n/a	-	-	-	100
Ruth Visage Apt-Sec. Dep.*	Wells Fargo	10,194	-	-	10,194
Ruth Visage Apt-Reserve*	Citizens Bank	153,291	-	-	153,291
Ruth Visage Apt-Escrow	Wells Fargo	11,717	-	-	11,717
Total Ruth Visage		<u>191,125</u>	<u>834</u>	<u>-</u>	<u>190,391</u>
Total governmental		<u>220,628</u>	<u>7,547</u>	<u>406</u>	<u>213,687</u>
<b>Component Unit</b>					
Rio Pecos-Operating*	Wells Fargo	(208)	-	-	(208)
Rio Pecos-Sec. Dep.*	Wells Fargo	7,572	-	-	7,572
Rio Pecos-Reserve*	Other	18,458	-	-	18,458
Rio Pecos-Escrow	Other	5,642	-	-	5,642
Rio Pecos-Petty cash	n/a	-	-	-	31
Total component unit		<u>31,464</u>	<u>-</u>	<u>-</u>	<u>31,495</u>
Total Cash		<u>252,092</u>	<u>7,547</u>	<u>406</u>	<u>245,182</u>
Total Cash - Citizens Bank		180,221			
Total Cash - Wells Fargo		47,771			
Total Cash - Other		24,100			
Less: FDIC coverage		<u>(252,092)</u>			
Uninsured balance		-			
50% collateral requirement		<u>\$ -</u>			

\* denotes interest bearing accounts

**Pledged Collateral held in bank's name**

GNR 2010-129 PQ, CUSIP #38377MEL6	
4/20/2039, face value used	\$ 3,400,000
GNR 2014-55 LB, CUSIP #38379BJF6	
10/20/2040, face value used	<u>2,209,636</u>
Total	<u>5,609,636</u>
Over (under) collateralized	<u>\$ 5,609,636</u>

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**3. RECEIVABLES**

Receivables consist of the following:

	<b>General Fund</b>	<b>Ruth Visage (12/31/2014)</b>	<b>San Jon</b>	<b>Total</b>
Grants and contracts	\$ 18,763	-	-	18,763
Tenant receivables	-	2,033	2,050	4,083
Intergovernmental receivables	-	12,189	-	12,189
Notes receivable	200,930	-	-	200,930
Total	<u>\$ 219,693</u>	<u>14,222</u>	<u>2,050</u>	<u>235,965</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**

<i>EPCOG</i>	2014	Additions	Deletions	Adjustments	2015
Land	\$ 15,000	-	-	-	15,000
Furniture and equipment	13,719	-	-	-	13,719
Buildings & improvements	123,818	-	-	-	123,818
Vehicles	38,973	-	-	-	38,973
Total	<u>191,510</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>191,510</u>
Less accumulated depreciation					
Furniture and equipment	(13,719)	-	-	-	(13,719)
Buildings and improvements	(33,398)	(4,266)	-	-	(37,664)
Vehicles	(38,973)	-	-	-	(38,973)
Total accumulated depreciation	<u>(86,090)</u>	<u>(4,266)</u>	<u>-</u>	<u>-</u>	<u>(90,356)</u>
Net capital assets - EPCOG	<u>\$ 105,420</u>	<u>(4,266)</u>	<u>-</u>	<u>-</u>	<u>101,154</u>
<i>San Jon</i>	2014	Additions	Deletions	Adjustments	2015
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>-</u>	<u>172,713</u>
Less accumulated depreciation					
Furniture and equipment	(2,619)	-	-	-	(2,619)
Buildings and improvements	(86,110)	(3,827)	-	-	(89,937)
Total accumulated depreciation	<u>(88,729)</u>	<u>(3,827)</u>	<u>-</u>	<u>-</u>	<u>(92,556)</u>
Net capital assets - San Jon	<u>83,984</u>	<u>(3,827)</u>	<u>-</u>	<u>-</u>	<u>80,157</u>
Net capital assets - EPCOG and San Jon	<u>189,404</u>	<u>(8,093)</u>	<u>-</u>	<u>-</u>	<u>181,311</u>
<i>Ruth Visage</i>	December 31, 2013	Additions	Deletions	Adjustments	December 31, 2014
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>-</u>	<u>1,539,028</u>
Less accumulated depreciation	(402,435)	(36,413)	-	-	(438,848)
Net capital assets - Ruth Visage	<u>1,136,593</u>	<u>(36,413)</u>	<u>-</u>	<u>-</u>	<u>1,100,180</u>
Net capital assets - governmental activities	<u>\$ 1,325,997</u>	<u>(44,506)</u>	<u>-</u>	<u>-</u>	<u>1,281,491</u>

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<b>Component Unit</b>	December 31,				December 31,
<i>Rio Pecos Limited Partnership</i>	\$ 2013	Additions	Deletions	Adjustments	2014
Land	50,800	-	-	-	50,800
Furniture and equipment	34,768	-	-	-	34,768
Buildings & improvements	1,618,315	-	-	-	1,618,315
Total	1,703,883	-	-	-	1,703,883
Less accumulated depreciation	(770,397)	(42,743)	-	200,851	(612,289)
Net capital assets -component unit	\$ 933,486	(42,743)	-	200,851	1,091,594

Current year depreciation expense and debt related to any capital assets for the fiscal year ended June 30, 2015 was \$44,506. Current year depreciation for the component unit was \$42,743.

**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.

<b>Governmental Activities</b>	2014	Additions	Retirements	2015	Current Portion
<i>EPCOG and San Jon</i>					
EPCOG - USDA Loan	\$ 12,906	-	(3,368)	9,538	3,538
San Jon - USDA	157,738	-	(1,616)	156,122	1,674
EPCOG - Line of credit	50,000	-	(50,000)	-	-
Total EPCOG and San Jon Debt	220,644	-	(54,984)	165,660	5,212
	December 31, 2013	Additions	Retirements	December 31, 2014	Current Portion
<i>Ruth Visage</i>					
Rural Development - Ruth Visage	1,177,034	-	(6,593)	1,170,441	7,025
NMMFA - Ruth Visage	300,000	-	-	300,000	-
Total Ruth Visage	1,477,034	-	(6,593)	1,470,441	7,025
Total governmental activities long term debt	1,697,678	-	(61,577)	1,636,101	12,237

Long term maturities for the governmental activities are as follows:

<b>Principal Years</b>	EPCOG	San Jon	Total	Year ending December 31,	Ruth Visage
2016	\$ 3,538	1,674	5,212	2015	7,025
2017	3,715	1,860	5,575	2016	7,486
2018	2,285	2,019	4,304	2017	7,978
2019	-	2,192	2,192	2018	8,501
2020	-	8,477	8,477	2019	9,060
2021-2025	-	15,331	15,331	2020-2024	55,039
2026-2030	-	23,126	23,126	2025-2029	75,637
2031-2035	-	34,884	34,884	2030-2034	403,944
2036-2040	-	52,619	52,619	2035-2039	142,845
2041-2045	-	13,940	13,940	2040-2044	196,304
Thereafter	-	-	-	Thereafter	556,622
Total	\$ 9,538	156,122	170,644		1,470,441

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Interest paid in relation to these maturities will be:

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
<b>Total</b>	<b>\$ 1,187</b>	<b>241,451</b>	<b>242,638</b>		<b>2,193,427</b>

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

Component Unit	December 31, 2013	Additions	Retirements	December 31, 2014	Current Portion
New Mexico Mortgage Finance, bears interest at 8.84%; secured by the property, matures November 2041.	\$ 527,306	-	(4,578)	522,728	4,999
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.	95,030	18,400	-	113,430	-
<b>Total component unit long term debt</b>	<b>\$ 926,836</b>	<b>18,400</b>	<b>(4,578)</b>	<b>940,658</b>	<b>4,999</b>

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Long term maturities for the component unit are as follows:

Year ending December 31,	Principal	Interest	Total
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	7,111	58,826	65,937
2020-2024	46,666	283,020	329,686
2025-2029	72,487	257,200	329,687
2030-2034	177,093	217,093	394,186
2035-2039	174,891	154,795	329,686
2040-2044	439,477	82,447	521,924
	\$ 940,658	1,294,198	2,234,856

**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, 2015:

	2014	Additions	Deletions	2015	Current Portion
Annual Leave \$	11,783	16,215	(14,805)	13,193	13,193

**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 \$3,972 \$1,733, and \$3,497 for the years ending June 30, 2015, 2014, and 2013, 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, 2015**

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 \$4,638, \$2,311, and \$4,484 for the years ending June 30, 2015, 2014, and 2013, 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, 2015, no probable risk of loss was identified by management.

**10. RELATED PARTY TRANSACTIONS**

The EPCOG did not have related party transactions for the year ended June 30, 2015.

**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. 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.

**13. 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.

**STATE OF NEW MEXICO  
EASTERN PLAINS COUNCIL OF GOVERNMENTS  
NOTES TO FINANCIAL STATEMENTS  
For The Year Ended June 30, 2015**

The EPCOG has the following deferred inflows and outflows of resources during fiscal year 2015:

<b><u>Deferred Inflows of Resources</u></b>		<b><u>2015</u></b>
None	\$	<u><u>-</u></u>
<b><u>Deferred Outflows of Resources</u></b>		
General Fund - Note receivables/time requirement not met	\$	<u><u>200,930</u></u>

**14. 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, 2015.
- Deficit fund balances as of June 30, 2015 were as follows:

<u>Fund</u>	<u>Fund Type</u>	<u>Amount</u>
San Jon	Governmental	(5,797)
	\$	<u><u>(5,797)</u></u>

**15. DETERMINATION OF SINGLE AUDIT**

During FY 2015, EPCOG expended \$146,935 in federal funds, San Jon expended \$10,346, and Ruth Visage expended \$50,280. In addition, Ruth Visage held debt, financed through USDA, considered federal expenditures for single audit determination, of \$1,220,721. This loan was tested in accordance to USDA agreed-upon procedures, in lieu of an OMB A-133 audit, as described in the audit report for Ruth Visage. To obtain a copy of this report, please contact EPCOG at 418 N Main Clovis, NM 88101. The remaining federal expenditures did not exceed the threshold required to perform an OMB A-133 audit.

**16. RESTATEMENT**

The EPCOG's restatement for the year ending 2015 is as follows:

<u>Fund Type</u>	<u>Purpose/Reason</u>	<u>Amount</u>
<i>Component Unit</i>		
Rio Pecos	Adjustment for accumulated depreciation as a result of a change in the estimate useful life of the Partnership's fixed assets	\$ <u><u>200,851</u></u>

**17. 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, 2015, which is the date the financial statements were available to be issued.

STATE OF NEW MEXICO  
 EASTERN PLAINS COUNCIL OF GOVERNMENTS  
 SCHEDULE OF VENDOR INFORMATION  
 For the Year Ended June 30, 2015

<i>RFB#/RFP#</i>	<i>Type of Procurement</i>	<i>Awarded Vendor</i>	<i>\$ Amount of Awarded Contract</i>	<i>\$ Amount of Amended Contract</i>	<i>Name and Physical Address per the procurement documentation, of ALL Vendor(s) that responded</i>	<i>In-State/ Out-of- State Vendor (Y or N) (Based on Statutory Definition)</i>	<i>Was the vendor in-state and chose Veteran's preference (Y or N) For federal funds answer N/A</i>	<i>Brief Description of the Scope of Work</i>
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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. Tim Keller, 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, 2015, 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, 2015.

**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. However, material weaknesses may exist that have not been identified.

December 15, 2015

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

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**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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

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

*Hinkle & Landers, P.C.*

Hinkle + Landers, P.C.  
Albuquerque, NM  
December 15, 2015

**STATE OF NEW MEXICO  
EASTERN PLAINS COUNCIL OF GOVERNMENTS  
SCHEDULE OF FINDINGS AND RESPONSES  
For The Year Ended June 30, 2015**

		Status of Current and Prior Year Findings	Type of Finding*
<b>Prior year</b>			
2014-001	Financial Close and Reporting	<b>Resolved</b>	B
2014-002	IPA Recommendation Form Not Submitted Timely	<b>Resolved</b>	G
2014-003	Review and Approval of Journal Entries	<b>Resolved</b>	B
2014-004	Lack of Adequate Supporting Documentation for Personnel Files	<b>Resolved</b>	B
Ruth Visage Findings			
12-01 [RV 2012-001]	LATE AUDIT REPORT	<b>Resolved</b>	C, E, F, G
2013-001	Contract Not Submitted to the OSA in a Timely Manner	<b>Resolved</b>	C, G
Component Unit Findings			
None			

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**Current year**

None

Ruth Visage Findings

None

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

**STATE OF NEW MEXICO  
EASTERN PLAINS COUNCIL OF GOVERNMENTS  
SCHEDULE OF FINDINGS AND RESPONSES  
For The Year Ended June 30, 2015**

***PRIOR YEAR FINDINGS (EPCOG)***

None

***PRIOR YEAR FINDINGS (RUTH VISAGE)***

None

***PRIOR YEAR FINDINGS (COMPONENT UNIT)***

None

***CURRENT YEAR FINDINGS (EPCOG)***

None

***CURRENT YEAR FINDINGS (RUTH VISAGE)***

None

***CURRENT YEAR FINDINGS (COMPONENT UNIT)***

None

**STATE OF NEW MEXICO  
EASTERN PLAINS COUNCIL OF GOVERNMENTS  
EXIT CONFERENCE  
For The Year Ended June 30, 2015**

An exit conference was held in a closed session on December 15, 2015, and the contents of this report were discussed. Present at the exit conference were:

Fidel Madrid	Chairman
Sandy Chancey	Executive Director

Representing Hinkle + Landers, P.C.:

Maclen Enriquez	Independent auditor, Hinkle + Landers, P.C.
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**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.