



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, 2016

**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, 2016**

<u>Directors</u>	<u>Position</u>	<u>Government Represented</u>
EXECUTIVE COMMITTEE		
Fidel Madrid	Chairman	Curry County
Oscar Robinson	Vice-Chairman	Roosevelt County
Wesley Shafer	Treasurer	Curry County
Roman Garcia	Member	Harding County
George Gonzales	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
H.P. Cargile	Member	Village of Melrose
DE BACA COUNTY		
George Gonzales	Member	De Baca County
Justin Ingram	Member	Fort Sumner
GUADALUPE COUNTY		
Ernest Tapia	Member	Guadalupe County
Roman Garcia	Member	Town of Vaughn
HARDING COUNTY		
Robert Aragon	Member	Harding County
Donna Sue Milson	Member	Village of Roy
QUAY COUNTY		
Richard Primrose	Member	Quay County
Apolonio Ramirez		Village of Logan
Cynthia Lee	Member	Village of San Jon
Robert Lumpkin	Member	Tucumcari
ROOSEVELT COUNTY		
Not Members	Member	Roosevelt County
Oscar Robinson	Member	City of Portales
Jill Caviness	Member	Village of Causey
Kimberly Summers	Member	Village of Elida
Becky Frazee	Member	Village of Dora
Toni Whitecotton	Member	Village of Floyd
UNION COUNTY		
Justin Bennet	Member	Union County
Jack Chosvig	Member	City of Clayton
Terry McNabb	Member	Village of Folsom
Mignon Saddoris	Member	Village of Grenville
SPECIAL DISTRICTS		
Franklin McCasland	Member	Arch Hurley Conservancy Dist.



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, 2016, 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, 2016, and the respective changes in financial position and the respective budgetary comparisons for the general fund and major special revenue funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the Management 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 14, 2016 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 14, 2016

**STATE OF NEW MEXICO
EASTERN PLAINS COUNCIL OF GOVERNMENTS
STATEMENT OF NET POSITION
(GOVERNMENT-WIDE)
As of June 30, 2016**

	<u>Governmental Activities</u>	<u>Component Unit At 12/31/15</u>
ASSETS		
Current		
Cash and cash equivalents	\$ 19,908	2,088
Grants receivable	39,659	-
Tenant receivable	3,239	1,323
Intergovernmental receivables	12,373	-
Prepaid expenses	3,114	4,159
Total current assets	<u>78,293</u>	<u>7,570</u>
Noncurrent		
Restricted deposits		
Cash held in escrow	16,278	6,180
Cash held in reserve accounts	172,216	13,088
Cash held for security deposits	16,306	10,281
Notes receivable	200,930	-
Other receivable, net of allowance	-	-
Deferred finance costs, net	-	23,667
Capital assets, net	1,220,435	1,050,084
Total noncurrent assets	<u>1,626,165</u>	<u>1,103,300</u>
Total Assets	<u>\$ 1,704,458</u>	<u>1,110,870</u>
LIABILITIES		
Current		
Accounts payable	\$ 35,101	47,960
Accrued payroll liabilities	14,692	-
Unearned revenue	17,563	7
Accrued interest - current	-	13,205
Line of credit	9,500	-
Current portion of long term debt	22,561	5,460
Total current liabilities	<u>99,417</u>	<u>66,632</u>
Noncurrent		
Note payable	1,601,223	940,008
Compensated absences	17,586	-
Accrued interest	7,739	188,636
Security deposits	16,049	9,656
Total noncurrent liabilities	<u>1,642,597</u>	<u>1,138,300</u>
Total liabilities	<u>1,742,014</u>	<u>1,204,932</u>
NET POSITION		
Net investment in capital assets	(403,349)	-
Unrestricted net position	160,993	-
Restricted net position	204,800	-
Partners' capital	-	(94,062)
Total net position	<u>(37,556)</u>	<u>(94,062)</u>
Total liabilities and net position	<u>\$ 1,704,458</u>	<u>1,110,870</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, 2016**

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	\$ 642,593	141,910	536,457	35,774
Interest on long-term debt	93,529	-	-	(93,529)
<i>Total governmental activities</i>	<i>736,122</i>	<i>141,910</i>	<i>536,457</i>	<i>(57,755)</i>
General revenues:				
Miscellaneous income				19,221
Interest income				500
Gain on sale of assets				-
Total general revenues				19,721
Extraordinary items:				
Replacement costs of damaged units				(143,733)
Insurance proceeds				116,224
Change in net position				(65,543)
Net position, beginning of year				27,987
Net position, end of year				\$ (37,556)
Component Unit - December 31, 2015				
Rural Development Housing	\$ 176,981	109,257	-	(67,724)
General revenues:				
Miscellaneous income				5,781
Interest income				13
Total general revenues				5,794
Changes in net position				(61,930)
Partners' capital, beginning of year				(32,132)
Net income (loss)				(61,930)
Partners' capital, end of year				\$ (94,062)

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**STATE OF NEW MEXICO
EASTERN PLAINS COUNCIL OF GOVERNMENTS
BALANCE SHEET - GOVERNMENTAL FUNDS
As of June 30, 2016**

	<u>General Fund</u>	<u>Ruth Visage (12/31/2015)</u>	<u>San Jon</u>	<u>Total</u>
ASSETS:				
Cash and cash equivalents	\$ 4,133	14,038	1,737	19,908
Restricted cash and investments	940	181,502	22,358	204,800
Grants receivable	39,659	-	-	39,659
Intergovernmental receivables	-	12,373	-	12,373
Tenant receivables	-	989	2,250	3,239
Due from other funds	4,000	-	-	4,000
Prepaid expenses	239	2,875	-	3,114
Total assets	<u>48,971</u>	<u>211,777</u>	<u>26,345</u>	<u>287,093</u>
DEFERRED OUTFLOW OF RESOURCES:	<u>200,930</u>	<u>-</u>	<u>-</u>	<u>200,930</u>
Total assets and deferred outflows of resources	<u>\$ 249,901</u>	<u>211,777</u>	<u>26,345</u>	<u>488,023</u>
LIABILITIES:				
Accounts payable	\$ 2,757	2,887	29,457	35,101
Accrued payroll liabilities	14,692	-	-	14,692
Unearned revenue	15,580	1,983	-	17,563
Accrued interest	-	6,181	1,558	7,739
Deposits held in trust	-	13,489	2,560	16,049
Due to other funds	-	-	4,000	4,000
Total liabilities	<u>33,029</u>	<u>24,540</u>	<u>37,575</u>	<u>95,144</u>
DEFERRED INFLOW OF RESOURCES:	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE:				
Non-spendable: prepaid expense	239	2,875	-	3,114
Restricted: restricted cash	940	181,502	22,358	204,800
Assigned: rural developmental housing	-	2,860	-	2,860
Unassigned	215,693	-	(33,588)	182,105
Total fund balance	<u>216,872</u>	<u>187,237</u>	<u>(11,230)</u>	<u>392,879</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 249,901</u>	<u>211,777</u>	<u>26,345</u>	<u>488,023</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	\$ 392,879
Capital assets used in governmental activities are not current financial resources and therefore, are not reported in the balance sheet	1,220,435
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>	(1,633,284)
<i>Deferred inflows of resources</i>	-
<i>Accrued compensated absences</i>	(17,585)
Rounding	(1)
Statement of net position of governmental funds	<u>\$ (37,556)</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, 2016**

	General Fund	Ruth Visage (12/31/2015)	San Jon	Total
Revenues:				
Federal	\$ 138,041	50,280	10,108	198,429
State	95,486	130,804	15,024	241,314
Local	85,208	-	-	85,208
Interest income	72	384	44	500
Rental income, net of vacancy	3,100	75,248	25,702	104,050
Property management income	11,200	-	-	11,200
Miscellaneous income	20,644	77	-	20,721
Membership dues	36,666	-	-	36,666
Total revenues	390,417	256,793	50,878	698,088
Expenditures:				
Current:				
General government	380,768	162,013	34,364	577,145
Debt service:				
Principal	3,538	7,025	1,754	12,317
Interest	386	80,375	12,767	93,528
Total expenditures	384,692	249,413	48,885	682,990
Excess (deficiency) of revenues over expenditures	5,725	7,380	1,993	15,098
Other financing sources (uses)				
Proceeds from debt issuance	9,500	-	-	9,500
Extraordinary items:				
Replacement costs of damaged units	-	-	(143,733)	(143,733)
Insurance proceeds	-	-	116,224	116,224
Total other financing sources (uses) & special items	9,500	-	(27,509)	(18,009)
Net change in fund balances	15,225	7,380	(25,516)	(2,911)
Fund balance, beginning	201,647	179,857	14,286	395,790
Fund balance, ending	\$ 216,872	187,237	(11,230)	392,879

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	\$	(2,911)
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>		(61,057)
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>		12,317
<i>Debt proceeds</i>		(9,500)
Net effect of changes in accrued compensated absences		(4,393)
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
Change in net position of governmental activities	\$	(65,543)

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, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Grants and contracts	\$ 328,368	328,368	318,735	(9,633)
Property management	11,200	11,200	11,200	-
Rental income	2,500	2,500	3,100	600
Interest	-	-	72	72
Membership	38,290	38,290	36,666	(1,624)
Miscellaneous	<u>7,500</u>	<u>7,500</u>	<u>20,644</u>	<u>13,144</u>
Total revenues	387,858	387,858	390,417	2,559
Expenditures:				
General governmental	379,404	383,454	380,768	2,686
Capital outlay	-	-	-	-
Debt service:				
Principal	3,324	3,324	3,538	(214)
Interest	<u>600</u>	<u>600</u>	<u>386</u>	<u>214</u>
Total expenditures	383,328	387,378	384,692	2,686
Excess (deficiency) of revenues over expenditures	<u>4,530</u>	<u>480</u>	<u>5,725</u>	<u>5,245</u>
Other financing sources (uses)				
Debt proceeds	-	-	9,500	9,500
Proceeds from sale of assets	-	-	-	-
Operating transfers in	-	-	-	-
Operating transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	-	-	9,500	9,500
Change in fund balance	<u>\$ 4,530</u>	<u>480</u>	<u>15,225</u>	<u>14,745</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, 2015

	<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)	217,800	217,800	206,052	(11,748)
Investment income	1,900	1,900	384	(1,516)
Miscellaneous	-	-	77	77
Total revenues	<u>219,700</u>	<u>219,700</u>	<u>256,793</u>	<u>37,093</u>
Expenditures:				
General governmental	161,092	161,092	162,013	(921)
Debt service:				
Principal payments	37,158	37,158	7,025	30,133
Interest	-	-	80,375	(80,375)
Total expenditures	<u>198,250</u>	<u>198,250</u>	<u>249,413</u>	<u>(51,163)</u>
Excess (deficiency) of revenues over expenditures	<u>21,450</u>	<u>21,450</u>	<u>7,380</u>	<u>(14,070)</u>
Change in fund balance	<u>\$ 21,450</u>	<u>21,450</u>	<u>7,380</u>	<u>(14,070)</u>
Fund balance, beginning of year			179,857	
Restatement			-	
Fund balance, beginning of year-restated			<u>179,857</u>	
Fund balance, end of year			<u>\$ 187,237</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, 2016**

	<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	56,576	56,576	40,726	(15,850)
Interest	50	50	44	(6)
Miscellaneous	<u>1,145</u>	<u>1,145</u>	-	<u>(1,145)</u>
Total revenues	57,771	57,771	50,878	(6,893)
Expenditures:				
General governmental	51,020	51,020	34,364	16,656
Debt service:				
Principal payments	4,425	4,425	1,754	2,671
Interest	<u>-</u>	<u>-</u>	<u>12,767</u>	<u>(12,767)</u>
Total expenditures	55,445	55,445	48,885	19,327
Excess (deficiency) of revenues over expenditures	<u>2,326</u>	<u>2,326</u>	<u>1,993</u>	<u>12,434</u>
Other financing sources (uses)				
Proceeds from sale of assets	-	-	-	-
Operating transfers in	10,000	10,000	-	(10,000)
Operating transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	10,000	10,000	-	10,000
Change in fund balance	<u>\$ 12,326</u>	<u>12,326</u>	<u>1,993</u>	<u>22,434</u>
Fund balance provided from prior years	<u>\$ 14,286</u>	<u>14,286</u>	<u>14,286</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, 2016**

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, 2015.

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, 2016**

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, 2015.

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, 2016, 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, 2016:

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:

Type	Estimated Depreciable Life
Buildings & Improvements	27.5-40 years
Land improvements	40 years
Equipment	5-10 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 \$3,114 for the year ended June 30, 2016.

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 \$204,800 for the year ended June 30, 2016.

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, 2016.

Assigned: Assigned fund balance is constrained by the Legislature and Executive branch's intent to be used by the government for specific purposes or in some cases by legislation. Intent can be expressed by the governing body or an official or body to which the governing body delegates authority. The EPCOG has assigned fund balance of \$2,860 for the year ended June 30, 2016.

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 \$182,105 for the year ended June 30, 2016.

2. CASH BALANCES

In accordance with Section 6-10-17, NMSA, 1978 Compilation, deposits of public money are required to be collateralized. Pledged collateral is required to have an aggregate value equal to one half of the amount of public money in each account. Securities, which are obligations of the United States, State of New Mexico, its agencies, institutions, counties, municipalities or other subdivisions are accepted as security at market value. No security is required for the deposit of public money that is insured by the Federal Deposit Insurance Corporation, or the National Credit Union Administration. The 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, 2016:

<u>Account Name</u>	<u>Bank</u>	<u>Bank Balance</u>	<u>Outstanding Checks</u>	<u>Suspense Items</u>	<u>Book Balance</u>
Governmental Activities					
<i>EPCOG and San Jon</i>					
EPCOG-Operating*	Citizens Bank	\$ 29,575	25,542	-	4,033
EPCOG-Building Reserve	Citizens Bank	940	-	-	940
EPCOG-Petty cash	n/a	-	-	-	100
San Jon Apt-Operating	Wells Fargo	1,873	136	-	1,737
San Jon Apt-Sec. Dep.	Wells Fargo	2,809	-	-	2,809
San Jon Apt-Escrow	Wells Fargo	1,947	-	-	1,947
San Jon Apt-Reserve*	Citizens Bank	17,602	-	-	17,602
Total EPCOG and San Jon		<u>54,746</u>	<u>25,678</u>	<u>-</u>	<u>29,168</u>
		12/31/2015			12/31/2015
		Bank	Outstanding	Suspense	Book
		Balance	Checks	Items	Balance
Ruth Visage Apt-Operating*	Wells Fargo	13,046	730	1,622	13,938
Ruth Visage-Petty cash	n/a	-	-	-	100
Ruth Visage Apt-Sec. Dep.*	Wells Fargo	15,119	-	(1,622)	13,497
Ruth Visage Apt-Reserve*	Citizens Bank	153,674	-	-	153,674
Ruth Visage Apt-Escrow	Wells Fargo	14,331	-	-	14,331
Total Ruth Visage		<u>196,170</u>	<u>730</u>	<u>-</u>	<u>195,540</u>
Total governmental		<u>250,916</u>	<u>26,408</u>	<u>-</u>	<u>224,708</u>
Component Unit					
Rio Pecos-Operating*	Wells Fargo	4,878	2,821	-	2,057
Rio Pecos-Sec. Dep.*	Wells Fargo	10,281	-	-	10,281
Rio Pecos-Reserve*	Other	13,088	-	-	13,088
Rio Pecos-Escrow	Other	6,180	-	-	6,180
Rio Pecos-Petty cash	n/a	-	-	-	31
Total component unit		<u>34,427</u>	<u>2,821</u>	<u>-</u>	<u>31,637</u>
Total Cash		<u>285,343</u>	<u>29,229</u>	<u>-</u>	<u>256,345</u>
Total Cash - Citizens Bank		201,791			
Total Cash - Wells Fargo		64,284			
Total Cash - Other		19,268			
Less: FDIC coverage		<u>(285,343)</u>			
Uninsured balance		-			
50% collateral requirement		<u>\$ -</u>			

* denotes interest bearing accounts

Pledged Collateral held in bank's name

SBA # 509290, CUSIP #83164LKB6	
11/25/2037, face value used	\$ 1,000,000
Over (under) collateralized	<u>\$ 1,000,000</u>

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3. RECEIVABLES

Receivables consist of the following:

	General Fund	Ruth Visage (12/31/2015)	San Jon	Total
Grants and contracts	\$ 39,659	-	-	39,659
Tenant receivables	-	989	2,250	3,239
Intergovernmental receivables	-	12,373	-	12,373
Notes receivable	200,930	-	-	200,930
Other receivable (restitution)	35,769	-	-	35,769
Allowance for doubtful accounts	(35,769)	-	-	(35,769)
Total	\$ <u>240,589</u>	<u>13,362</u>	<u>2,250</u>	<u>256,201</u>

The EPCOG was awarded restitution stemming from theft of EPCOG funds in 2008. The EPCOG does not believe it will collect the restitution receivable and has elected to allowance the entire balance.

4. CAPITAL ASSETS AND DEPRECIATION

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

Governmental Activities

<i>EPCOG</i>	2015	Additions	Deletions	Adjustments	2016
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	(37,664)	(4,266)	-	-	(41,930)
Vehicles	(38,973)	-	-	-	(38,973)
Total accumulated depreciation	<u>(90,356)</u>	<u>(4,266)</u>	<u>-</u>	<u>-</u>	<u>(94,622)</u>
Net capital assets - EPCOG	\$ <u>101,154</u>	<u>(4,266)</u>	<u>-</u>	<u>-</u>	<u>96,888</u>
 <i>San Jon</i>	 2015	 Additions	 Deletions	 Adjustments	 2016
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	(89,937)	(3,827)	-	-	(93,764)
Total accumulated depreciation	<u>(92,556)</u>	<u>(3,827)</u>	<u>-</u>	<u>-</u>	<u>(96,383)</u>
Net capital assets - San Jon	<u>80,157</u>	<u>(3,827)</u>	<u>-</u>	<u>-</u>	<u>76,330</u>
Net capital assets - EPCOG and San Jon	\$ <u>181,311</u>	<u>(8,093)</u>	<u>-</u>	<u>-</u>	<u>173,218</u>
 <i>Ruth Visage</i>	 December 31, 2014	 Additions	 Deletions	 Adjustments	 December 31, 2015
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	<u>(438,848)</u>	<u>(52,964)</u>	<u>-</u>	<u>-</u>	<u>(491,811)</u>
Net capital assets - Ruth Visage	<u>1,100,180</u>	<u>(52,964)</u>	<u>-</u>	<u>-</u>	<u>1,047,217</u>
Net capital assets - governmental activities	\$ <u>1,281,491</u>	<u>(61,057)</u>	<u>-</u>	<u>-</u>	<u>1,220,435</u>

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Component Unit	December 31,				December 31,
<i>Rio Pecos Limited Partnership</i>	2014	Additions	Deletions	Adjustments	2015
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	(612,289)	(41,510)	-	-	(653,799)
Net capital assets -component unit	\$ 1,091,594	(41,510)	-	-	1,050,084

Current year depreciation expense and debt related to any capital assets for the fiscal year ended June 30, 2016 was \$61,057. Current year depreciation for the component unit was \$41,510.

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	2015	Additions	Retirements	2016	Current Portion
<i>EPCOG and San Jon</i>					
EPCOG - USDA Loan	\$ 9,538	-	(3,539)	5,999	3,715
San Jon - USDA	156,122	-	(1,754)	154,368	1,860
EPCOG - Line of credit	-	9,500	-	9,500	9,500
Total EPCOG and San Jon Debt	165,660	9,500	(5,293)	169,867	15,075
	December 31, 2014	Additions	Retirements	December 31, 2015	Current Portion
<i>Ruth Visage</i>					
Rural Development - Ruth Visage	1,170,441	-	(7,024)	1,163,417	7,486
NMMFA - Ruth Visage	300,000	-	-	300,000	-
Total Ruth Visage	1,470,441	-	(7,024)	1,463,417	7,486
Total governmental activities long term debt	\$ 1,636,101	9,500	(12,317)	1,633,284	22,561

Long term maturities for the governmental activities are as follows:

Principal					
Years	EPCOG	San Jon	Total	Year ending December 31,	Ruth Visage
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	-	2,380	2,380	2019	9,060
2021	-	2,584	2,584	2020	9,654
2022-2026	-	16,644	16,644	2021-2025	58,652
2027-2031	-	25,108	25,108	2026-2030	80,602
2032-2036	-	37,873	37,873	2031-2035	410,768
2037-2041	-	57,128	57,128	2036-2040	152,222
2042	-	6,580	6,580	2041-2045	209,191
Thereafter	-	-	-	Thereafter	509,303
Total	\$ 5,999	154,368	160,367		1,463,417

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Interest paid in relation to these maturities will be:

Interest					Year ending	
Year	EPCOG	San Jon	Total		December 31,	Ruth Visage
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	-	12,152	12,152		2019	78,378
2021	-	11,949	11,949		2020	77,784
2022-2026	-	56,016	56,016		2021-2025	382,150
2027-2031	-	47,555	47,555		2026-2030	361,552
2032-2036	-	34,790	34,790		2031-2035	320,245
2037-2041	-	15,534	15,534		2036-2040	264,344
2042	-	153	153		2041-2045	210,885
Thereafter	-	-	-		Thereafter	176,264
Total	\$ 246	215,676	215,922			2,109,950

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

Component Unit	December 31, 2014	Additions	Retirements	December 31, 2015	Current Portion
New Mexico Mortgage Finance, bears interest at 8.84%; secured by the property, matures November 2041.	\$ 522,728	-	(4,999)	517,729	5,460
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.	113,430	9,809	-	123,239	-
Total component unit long term debt	\$ 940,658	9,809	(4,999)	945,468	5,460

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Long term maturities for the component unit are as follows:

Year ending December 31,	Principal	Interest	Total
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	7,765	58,172	65,937
2021-2025	50,963	283,020	333,983
2026-2030	79,161	257,200	336,361
2031-2035	187,460	217,093	404,553
2036-2040	190,993	154,795	345,788
2041	280,843	22,735	303,578
Thereafter	123,238	-	123,238
	<u>\$ 945,468</u>	<u>1,231,720</u>	<u>2,053,950</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, 2016:

	2015	Additions	Deletions	2016	Current Portion
Annual Leave \$	<u>13,193</u>	<u>8,899</u>	<u>(4,506)</u>	<u>17,586</u>	<u>17,586</u>

7. DUE TO/FROM OTHER FUNDS

Interfund receivables/payables are as follows;

Due To	Due From	Amount
General fund	San Jon Fund	\$ <u>4,000</u>

8. 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).

9. 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 \$5,414, \$1,733, and \$3,497 for the years ending June 30, 2016, 2015, and 2014, respectively.

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The vesting schedule is as follows:

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

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 \$10,383, \$2,311, and \$4,484 for the years ending June 30, 2016, 2015, and 2014, respectively.

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

10. 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, 2016, no probable risk of loss was identified by management.

11. RELATED PARTY TRANSACTIONS

The EPCOG did not have related party transactions for the year ended June 30, 2016.

12. CONCENTRATION

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

13. RECONCILIATION BETWEEN BUDGETARY BASIS AND GAAP BASIS

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

14. DEFERRED INFLOWS/OUTFLOWS OF RESOURCES

In addition to assets, the statement of net position and/or the balance sheet for the governmental funds will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position/fund balance that applies to a future period and so will not be recognized as an expense or expenditure until then. In addition to liabilities, the statement of net position and/or the balance sheet for the governmental funds will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources,

**STATE OF NEW MEXICO
EASTERN PLAINS COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2016**

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 2016:

<u>Deferred Inflows of Resources</u>		2016	
None	\$	-	
<u>Deferred Outflows of Resources</u>			
General Fund - Note receivables/time requirement not met	\$	<u>200,930</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, 2016.
- Deficit fund balances as of June 30, 2016 were as follows:

<u>Fund</u>	<u>Fund Type</u>	<u>Amount</u>
San Jon	Governmental	\$ <u>(33,588)</u>

16. DETERMINATION OF SINGLE AUDIT

During FY 2016, EPCOG expended \$138,041 in federal funds, San Jon expended \$10,108, and Ruth Visage expended \$50,280. In addition, Ruth Visage held debt, financed through USDA, considered federal expenditures for single audit determination, of \$1,163,416. This loan was tested in accordance to USDA agreed-upon procedures, in lieu of an audit under the Uniform Guidance, 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 audit under the Uniform Guidance.

17. EXTRAORDINARY ITEMS

The EPCOG reported extraordinary items as follows relating to structural damage caused by a fire to the San Jon Estates Apartments.

Replacement costs of damaged units	\$ (143,733)
Insurance proceeds	<u>116,224</u>
Net extraordinary items	<u>\$ (27,509)</u>

18. 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 14, 2016, 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, 2016**

Agency Number	Agency Name	Agency Type	RFB#/RFP#	Type of Procurement	Vendor Name	Did Vendor Win Contract?	\$ Amount of Awarded Contract	\$ Amount of Amended Contract	Physical Address of the Vendor	Did the Vendor Provide Documentation of Eligibility for In-State Preference?	Vendor Provide Documentation of Eligibility for Veteran's Preference?	Brief Description of the Scope of Work	If the Procurement is Attributable to a Component Unit, Name of Component Unit
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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, 2016, 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 14, 2016.

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.

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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as item 2015-001.

EPCOG's Response to Findings

The EPCOG's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. 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 14, 2016

**STATE OF NEW MEXICO
EASTERN PLAINS COUNCIL OF GOVERNMENTS
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended June 30, 2016**

	Status of Current and Prior Year Findings	Type of Finding*
Prior year		
None		
Ruth Visage Findings	None	
Component Unit Findings	None	
Current year		
None		
Ruth Visage Findings	None	
Component Unit Findings		
2015-001	Contract Not Submitted to the OSA in a Timely Manner	Current G

* Legend for Type of Findings

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

**STATE OF NEW MEXICO
EASTERN PLAINS COUNCIL OF GOVERNMENTS
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended June 30, 2016**

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)

2015-001—CONTRACT NOT SUBMITTED TO THE OSA IN A TIMELY MANNER

Type of Finding: G

Statement of Condition:

Rio Pecos Estates Limited Partnership did not submit the completed contract to the Office of the State Auditor in a timely manner.

Criteria:

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

Effect:

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

Cause:

Because of budget limitations, EPCOG (the general partner of Rio Pecos Limited Partnership) has a very small staff. Tasks such as the procurement and contracting of audit services fall to the Executive Director, who has many other duties and obligations in addition to ensuring that the IPA Recommendation Form is submitted to OSA in a timely manner.

Recommendation:

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

Management Response:

To ensure that this does not happen again, the Executive Director will enlist the assistance of the EPCOG Contract Accountant and the EPCOG Executive Assistant to assist with the preparation and submittal of the contract paperwork. With more people trained in the process and watching deadlines, this should not occur again.

**STATE OF NEW MEXICO
EASTERN PLAINS COUNCIL OF GOVERNMENTS
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended June 30, 2016**

Employee position responsible for corrective action plan:

Sandy Chancey, Executive Director, Eastern Plains Council of Governments

Timeline when corrective action will be started and completed:

This will be added to our system of internal controls immediately, therefore this is considered completed.

**STATE OF NEW MEXICO
EASTERN PLAINS COUNCIL OF GOVERNMENTS
EXIT CONFERENCE
For The Year Ended June 30, 2016**

An exit conference was held in a closed session on December 14, 2016, 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.:

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