



FOX, GARCIA & Co, LLC

CERTIFIED PUBLIC ACCOUNTANTS

**State of New Mexico
Eastern Plains Council of Governments**

*Independent Auditor's Report
and Financial Statements
For the Year Ended
June 30, 2018*

State of New Mexico
Eastern Plains Council of Governments
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For The Year Ended June 30, 2018

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State of New Mexico
Eastern Plains Council of Governments
OFFICIAL ROSTER
For The Year Ended June 30, 2018

Directors	Position	Government Represented
EXECUTIVE COMMITTEE		
Fidel Madrid	Chairman	Curry County
Oscar Robinson	Vice-Chairman	Roosevelt County
Wesley Shafer	Treasurer	Curry County
Ernest Tapia	Member	Guadalupe County
Donna Sue Milson	Member	Harding County
Amanda Lucero	Member	De Baca County
Cynthia Lee	Member	Quay County
Leroy Montoya	Member	Union County
CURRY COUNTY		
Robert Thornton	Member	Curry County
Fidel Madrid	Member	City of Clovis
Wesley Shafer	Member	Village of Grady
Carolyn Johnson	Member	Town of Texico
H.P. Cargile	Member	Village of Melrose
DE BACA COUNTY		
Amanda Lucero	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
Vanita Menapace	Member	Village of Mosquero
Donna Sue Milson	Member	Village of Roy
QUAY COUNTY		
Richard Primrose	Member	Quay County
Russell Feerer	Member	Village of Logan
Cynthia Lee	Member	Village of San Jon
Ruth Ann Litchfield	Member	Tucumcari
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 Bennett	Member	Union County
Leroy Montoya	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.
Wade Holderman	Member	Ft. Sumner Irrigation District
Sandy Chancey	Executive Director	



FOX, GARCIA & Co. LLC
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of

Eastern Plains Council of Governments
Clovis, New Mexico
and Mr. Wayne Johnson, State Auditor

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major general fund and the major San Jon fund, and the budgetary comparisons of the general fund and the major special revenue fund, San Jon of the Eastern Plains Council of Governments (EPCOG), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the EPCOG's basic financial statement as listed in the table of contents. We did not audit the financial statements of Rio Pecos which is a discretely presented component unit or Ruth Visage, which is a major fund or its budgetary comparisons. Ruth Visage represents 73% and 38%, respectively, of the assets and revenues of the governmental activities per the Government Wide Financial statements; and 44% and 38% of the assets and revenues of the fund financial statements. The audit of Rio Pecos disclosed a going concern which is a discretely presented component unit of the EPCOG. The discretely presented component unit would not affect the ability of the EPCOG to continue as a going concern. Additionally, as disclosed in Note P, Rio Pecos is pending to be sold.

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 did not audit the financial statements of Rio Pecos or Ruth Visage. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for EPCOG is based solely on the report of the other auditors. 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, based on our audit and the report of other auditors, 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, each major fund, and the budgetary comparisons for the general fund and major special revenue funds of Eastern Plains Council of Governments as of June 30, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2018, on our consideration of Eastern Plains Council of Governments' internal control over financial reporting and 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 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 Eastern Plains Council of Governments' internal control over financial reporting and compliance.



Fox, Garcia & Company, LLC

December 6, 2018
Big Spring, Texas

State of New Mexico
Eastern Plains Council of Governments
STATEMENT OF NET POSITION
(GOVERNMENT-WIDE)
As of June 30, 2018

	Governmental Activities	Component Unit at 12/31/2017
ASSETS:		
Current		
Cash and Cash Equivalents	\$ 16,048	\$ 973
Grants Receivable	33,089	0
Intergovernmental Receivables	18,665	0
Prepaid Expenses	3,154	4,958
Total Current Assets	70,956	5,931
Noncurrent		
Restricted Deposits		
Cash Held in Escrow	24,511	4,629
Cash Held in Reserve Accounts	169,298	22,739
Cash Held for Security Deposits	16,149	8,179
Notes Receivable	214,561	0
Other Receivable, Net of Allowance	0	0
Deferred Finance Costs, Net	0	21,810
Capital Assets, Net	1,098,321	968,378
Total Noncurrent Assets	1,522,840	1,025,735
Total Assets	1,593,796	1,031,666
LIABILITIES:		
Current		
Accounts Payable	24,175	42,863
Accrued Payroll Liabilities	1,756	0
Unearned Revenue	6,698	29
Accrued Interest - Current	7,130	14,420
Current Maturities of Long-Term Debt	10,746	6,511
Total Current Liabilities	50,505	63,823
Noncurrent		
Note Payables	1,587,168	947,576
Compensated Absences	17,832	0
Accrued Interest	0	213,692
Deposits Held in Trust	14,940	7,229
Total Noncurrent Liabilities	1,619,940	1,168,497
Total Liabilities	1,670,445	1,232,320
DEFERRED INFLOW OF RESOURCES:		
Earnest Deposit	46,426	0

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

State of New Mexico
Eastern Plains Council of Governments
STATEMENT OF NET POSITION
(GOVERNMENT-WIDE)
As of June 30, 2018

NET POSITION:	Governmental Activities	Component Unit at 12/31/2017
Net Investment in Capital Assets	(499,593)	0
Unrestricted Net Position	166,560	0
Restricted Net Position	209,958	0
Partners' Capital	0	(200,654)
Total Net Position	<u>(123,075)</u>	<u>(200,654)</u>
Total Liabilities and Net Position	<u>\$ 1,593,796</u>	<u>\$ 1,031,666</u>

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of these financial statements*

State of New Mexico
Eastern Plains Council of Governments
STATEMENT OF ACTIVITIES
(GOVERNMENT-WIDE)
For The Year Ended June 30, 2018

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Program Operating Grants and Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Position for Governmental Activities</u>
Primary Government				
Governmental Activities:				
General Government	\$ 664,460	122,951	592,139	50,630
Interest on Long-Term Debt	94,210			(94,210)
<i>Total Governmental Activities</i>	<u>758,670</u>	<u>122,951</u>	<u>592,139</u>	<u>(43,580)</u>
General Revenues:				
Miscellaneous Income				9,721
Interest Income				498
Gain on Sale of Assets				0
Total General Revenues				<u>10,219</u>
Change in Net Position				<u>(33,361)</u>
Net Position, Beginning of Year				(89,714)
Net Position, End of Year				<u>\$ (123,075)</u>
Component Unit 12/31/2017				
Rural Development Housing	\$ 172,325	113,046	0	(59,279)
General Revenues:				
Miscellaneous Income				4,895
Interest Income				30
Total General Revenues				<u>4,925</u>
Change in Net Position				<u>(54,354)</u>
Partners' Capital, Beginning of Year				(146,300)
Net Income (Loss)				(54,354)
Partners' Capital, End of Year				<u>\$ (200,654)</u>

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of these financial statements*

State of New Mexico
Eastern Plains Council of Governments
BALANCE SHEET - GOVERNMENTAL FUNDS
As of June 30, 2018

	<u>General Fund</u>	<u>Ruth Visage 12/31/2017</u>	<u>San Jon</u>	<u>Total</u>
ASSETS:				
Cash and Cash Equivalents	\$ 2,033	12,904	1,111	16,048
Restricted Cash and Investments	849	190,565	18,544	209,958
Grants Receivable	33,089	0	0	33,089
Intergovernmental Receivables	0	13,951	4,714	18,665
Other Receivable, Net of Allowance	0	0	0	0
Prepaid Expenses	104	3,050	0	3,154
Total Assets	<u>36,075</u>	<u>220,470</u>	<u>24,369</u>	<u>280,914</u>
DEFERRED OUTFLOW OF RESOURCES:	<u>214,561</u>	<u>0</u>	<u>0</u>	<u>214,561</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 250,636</u>	<u>220,470</u>	<u>24,369</u>	<u>495,475</u>
LIABILITIES:				
Accounts Payable	12,576	8,616	2,983	24,175
Accrued Payroll Liabilities	1,756	0	0	1,756
Unearned Revenue	6,028	411	259	6,698
Accrued Interest - Current	0	6,099	1,031	7,130
Deposits Held in Trust	0	12,660	2,280	14,940
Total Liabilities	<u>20,360</u>	<u>27,786</u>	<u>6,553</u>	<u>54,699</u>
DEFERRED INFLOW OF RESOURCES:				
Earnest Deposit	<u>46,426</u>	<u>0</u>	<u>0</u>	<u>46,426</u>
FUND BALANCE:				
Non-spendable: Prepaid Expense	104	3,050	0	3,154
Restricted: Restricted Cash	849	190,565	18,544	209,958
Unassigned	182,897	(931)	(728)	181,238
Total Fund Balance	<u>183,850</u>	<u>192,684</u>	<u>17,816</u>	<u>394,350</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 250,636</u>	<u>220,470</u>	<u>24,369</u>	<u>495,475</u>

*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, 2018

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	\$ 394,350
Capital assets used in governmental activities are not current financial resources and therefore, are not reported in the balance sheet	1,098,321
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>	(1,597,914)
<i>Accrued compensated absences</i>	<u>(17,832)</u>
Statement of net position of governmental funds	<u><u>\$ (123,075)</u></u>

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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, 2018

	General Fund	Ruth Visage 12/31/2017	San Jon	Total
Revenues:				
Federal	\$ 150,091	50,280	48,586	248,957
State	104,714	148,196	0	252,910
Local	75,872	0	0	75,872
Interest Income	78	386	34	498
Rental Income, Net of Vacancy	0	77,324	8,784	86,108
Miscellaneous Income	9,576	52	93	9,721
Property Management Income	14,400	0	0	14,400
Membership Dues	36,843	0	0	36,843
Total Revenues	<u>391,574</u>	<u>276,238</u>	<u>57,497</u>	<u>725,309</u>
Expenditures:				
Current:				
General Government	372,731	182,538	44,566	599,835
Debt Service:				
Principal	25,785	7,978	2,078	35,841
Interest	2,341	79,418	12,451	94,210
Total Expenditures	<u>400,857</u>	<u>269,934</u>	<u>59,095</u>	<u>729,886</u>
Excess (Deficiency) of Revenues over Expenditures:	<u>(9,283)</u>	<u>6,304</u>	<u>(1,598)</u>	<u>(4,577)</u>
Other Financing Sources (Uses):				
Proceeds from Debt Issuance	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Other Financing Sources (Uses) & Special Items	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balances	(9,283)	6,304	(1,598)	(4,577)
Fund Balance, Beginning	193,133	186,380	19,414	398,927
Fund Balance, Ending	<u>\$ 183,850</u>	<u>192,684</u>	<u>17,816</u>	<u>394,350</u>

*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, 2018

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 different because:

Net Change in Fund Balances - Total Governmental Funds	\$ (4,577)
<p>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:</p>	
<i>Depreciation Expense</i>	(61,057)
<p>Long-term debt is not included in the Governmental Funds until paid; recorded as long-term liabilities in the Statement of Net Position:</p>	
<i>Debt principal payments</i>	35,841
<i>Debt proceeds</i>	0
Net effect of changes in accrued compensated absences	(3,568)
Change in net position of governmental activities	<u><u>\$ (33,361)</u></u>

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 BALANCES
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL (MODIFIED ACCRUAL BASIS)

For The Year Ended June 30, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Grants and Contracts	\$ 325,928	318,792	330,677	11,885
Property Management	11,200	15,200	14,400	(800)
Rental Income	0	0	0	0
Interest	0	0	78	78
Membership	42,172	43,314	36,843	(6,471)
Miscellaneous	8,000	8,684	9,576	892
Total Revenues	<u>387,300</u>	<u>385,990</u>	<u>391,574</u>	<u>5,584</u>
Expenditures:				
General Governmental	360,527	372,797	372,731	(66)
Capital Outlay	0	0	0	0
Debt Service:				
Principal	18,715	27,214	25,785	(1,429)
Interest	209	209	2,341	2,132
Total Expenditures	<u>379,451</u>	<u>400,220</u>	<u>400,857</u>	<u>637</u>
Excess (Deficiency) of Revenues over Expenditures	<u>7,849</u>	<u>(14,230)</u>	<u>(9,283)</u>	<u>4,947</u>
Other Financing Sources (Uses)				
Debt Proceeds	0	0	0	0
Proceeds From Sale of Assets	0	0	0	0
Operating Transfers In	0	0	0	0
Operating Transfers Out	0	0	0	0
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Change in Fund Balance	<u>\$ 7,849</u>	<u>(14,230)</u>	<u>(9,283)</u>	<u>4,947</u>
Fund Balance Provided from Prior Years			<u>\$ 193,133</u>	

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 BALANCES
(MODIFIED ACCRUAL BUDGETARY BASIS) TO ACTUAL

For the Year Ended December 31, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Federal	\$ 0	0	50,280	50,280
Rental Income (Includes State Grants)	217,046	217,046	225,520	8,474
Investment Income	400	400	386	(14)
Miscellaneous	<u>0</u>	<u>0</u>	<u>52</u>	<u>52</u>
Total Revenues	<u>217,446</u>	<u>217,446</u>	<u>276,238</u>	<u>58,792</u>
Expenditures:				
General Governmental	154,062	154,062	182,538	28,476
Debt Service:				
Principal Payments	31,158	37,158	7,978	(29,180)
Interest	<u>0</u>	<u>0</u>	<u>79,418</u>	<u>79,418</u>
Total Expenditures	<u>185,220</u>	<u>191,220</u>	<u>269,934</u>	<u>78,714</u>
Excess (Deficiency) of Revenues over Expenditures	<u>32,226</u>	<u>26,226</u>	<u>6,304</u>	<u>(19,922)</u>
Change in Fund Balance	<u>\$ 32,226</u>	<u>26,226</u>	<u>6,304</u>	<u>(19,922)</u>
Fund Balance, Beginning of Year			<u>186,380</u>	
Fund Balance, End of Year			<u>\$ 192,684</u>	

*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, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Federal	\$ 61,924	61,924	48,586	(13,338)
Rental Income	15,739	15,739	8,784	(6,955)
Interest	50	50	34	(16)
Miscellaneous	0	0	93	93
Total Revenues	<u>77,713</u>	<u>77,713</u>	<u>57,497</u>	<u>(20,216)</u>
Expenditures:				
General Governmental	62,354	62,354	44,566	(17,788)
Debt Service:				
Principal Payments	1,938	1,938	2,078	140
Interest	12,596	12,596	12,451	(145)
Total Expenditures	<u>76,888</u>	<u>76,888</u>	<u>59,095</u>	<u>(17,793)</u>
Excess (Deficiency) of Revenues over Expenditures	<u>825</u>	<u>825</u>	<u>(1,598)</u>	<u>(2,423)</u>
Other Financing Sources (Uses)				
Proceeds From Sale of Assets	0	0	0	0
Operating Transfers In	0	0	0	0
Operating Transfers Out	0	0	0	0
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Change in Fund Balance	<u>\$ 825</u>	<u>825</u>	<u>(1,598)</u>	<u>(2,423)</u>
Fund Balance Provided from Prior Years			<u>19,414</u>	
Fund Balance, End of Year			<u>\$ 17,816</u>	

*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, 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. 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, 2017.

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.

State of New Mexico
Eastern Plains Council of Governments
Notes to Financial Statements
For The Year Ended June 30, 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2. Basis of Accounting

a. Government-Wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. This is the same approach used in preparation of proprietary fund financial statements, but differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds. Also, fiduciary funds 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.

b. 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, 2017.

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.

c. 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.

State of New Mexico
Eastern Plains Council of Governments
Notes to Financial Statements
For The Year Ended June 30, 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

d. 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, 2018, the EPCOG elected to present all their funds as major funds. Therefore, there were no non-major funds.

e. 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.

f. 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.

g. 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.

h. 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.

State of New Mexico
Eastern Plains Council of Governments
Notes to Financial Statements
For The Year Ended June 30, 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2018:

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.

i. 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).

j. 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.

k. GASB Statement #77

In August 2015, the GASB issued Statement No. 77, Tax Abatement Disclosures. This statement details disclosure requirements for governments that enter into tax abatement agreements. EPCOG is a Council of Governments and not a state or local government. As a Council of Governments, EPCOG does not have any taxing authority. Therefore they do not participate in tax abatements that would require disclosure in compliance with GASB Statement 77.

State of New Mexico
Eastern Plains Council of Governments
Notes to Financial Statements
For The Year Ended June 30, 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3. 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.

4. 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 \$3,154 for the year ended June 30, 2018.

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 \$209,958 for the year ended June 30, 2018.

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, 2018.

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. EPCOG does not have an assigned fund balance for the year ended June 30, 2018.

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 \$181,238 for the year ended June 30, 2018.

State of New Mexico
Eastern Plains Council of Governments
Notes to Financial Statements
For The Year Ended June 30, 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5. 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

6. 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.

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 SJE). All budget revisions at this level are subject to final review and approval by the board of directors.

The RVSA and SJE 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 SJE prepare their budgets on the modified accrual budgetary basis. Depreciation and interest expense are not budgeted by the RVSA and SJE.

State of New Mexico
Eastern Plains Council of Governments
Notes to Financial Statements
For The Year Ended June 30, 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

7. 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.
8. 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.
9. 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.
10. 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 unrestricted funds when applicable. Designated fund balances represent tentative plans for future use of financial resources.

NOTE B - 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 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.

State of New Mexico
Eastern Plains Council of Governments
Notes to Financial Statements
For The Year Ended June 30, 2018

NOTE B - CASH BALANCES (continued)

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, 2018:

<u>Account Name</u>	<u>Bank</u>	<u>Bank Balance</u>	<u>Outstanding Checks</u>	<u>Suspense Items</u>	<u>Book Balance</u>
<u>Governmental Activities</u>					
<i>EPCOG and San Jon</i>					
EPCOG-Operating*	Citizens Bank	\$ 5,009	\$ 3,128	\$ 0	\$ 1,881
EPCOG-Building Reserve	Citizens Bank	849	0	0	849
EPCOG-Petty Cash	N/A	152	0	0	152
San Jon Apt-Operating	Wells Fargo	1,489	378	0	1,111
San Jon Apt-Sec Dep	Wells Fargo	2,844	0	0	2,844
San Jon Apt-Escrow	Wells Fargo	1,707	0	0	1,707
San Jon Apt-Reserve*	Citizens Bank	13,993	0	0	13,993
Total EPCOG and San Jon		<u>26,043</u>	<u>3,506</u>	<u>0</u>	<u>22,537</u>
		<u>12/31/2017 Bank Balance</u>	<u>Outstanding Checks</u>	<u>Suspense Items</u>	<u>12/31/2017 Book Balance</u>
Ruth Visage-Operating*	Wells Fargo	13,645	841	0	12,804
Ruth Visage-Petty Cash	N/A	100	0	0	100
Ruth Visage-Sec Dep*	Wells Fargo	13,305	0	0	13,305
Ruth Visage-Reserve	Citizens Bank	154,456	0	0	154,456
Ruth Visage-Escrow	Wells Fargo	22,804	0	0	22,804
Total Ruth Visage		<u>204,310</u>	<u>841</u>	<u>0</u>	<u>203,469</u>
Total Governmental		<u>230,353</u>	<u>4,347</u>	<u>0</u>	<u>226,006</u>
<u>Component Unit</u>					
Rio Pecos-Operating*	Wells Fargo	1,241	299	0	942
Rio Pecos-Sec Dep*	Wells Fargo	8,179	0	0	8,179
Rio Pecos-Reserve*	Other	22,739	0	0	22,739
Rio Pecos-Escrow	Other	4,629	0	0	4,629
Rio Pecos-Petty Cash	N/A	31	0	0	31
Total Component Unit		<u>36,819</u>	<u>299</u>	<u>0</u>	<u>36,520</u>
Total Cash		<u>267,172</u>	<u>\$ 4,646</u>	<u>\$ 0</u>	<u>\$ 262,526</u>
Total Cash-Citizens Bank		174,307			
Total Cash-Wells Fargo		65,214			
Total Cash-Other		<u>27,368</u>			
Less: FDIC Coverage		<u>266,889</u>			
Uninsured Balance		<u>0</u>			
50% Collateral Requirement		<u>0</u>			

* Denotes Interest Bearing Accounts

State of New Mexico
Eastern Plains Council of Governments
Notes to Financial Statements
For The Year Ended June 30, 2018

NOTE B - CASH BALANCES (continued)

Pledged Collateral Held in Bank's Name

SBA # 509290, CUSIP #83164LKB6	
11/25/2037, Face Value Used	\$1,000,000
Over (Under) Collateralized	\$1,000,000

NOTE C - RECEIVABLES

Receivables consist of the following:

	<u>General Fund</u>	<u>Ruth Visage 12/31/2017</u>	<u>San Jon</u>	<u>Total</u>
Grants & Contracts	\$ 33,089	\$ 0	\$ 0	\$ 33,089
Tenant Receivables	0	0	0	0
Intergovernmental Receivables	0	13,951	4,714	18,665
Notes Receivable	214,561	0	0	214,561
Other Receivable (Restitution)	35,694	0	0	35,694
Allowance for Doubtful Accounts	(35,694)	0	0	(35,694)
Total	<u>\$ 247,650</u>	<u>\$ 13,951</u>	<u>\$ 4,714</u>	<u>\$ 266,315</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.

NOTE D - CAPITAL ASSETS AND DEPRECIATION

A summary of changes in capital assets for the fiscal year ended June 30, 2018:

Governmental Activities

<u>EPCOG</u>	<u>2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>2018</u>
Land	\$ 15,000	\$ 0	\$ 0	\$ 15,000
Furniture & Equipment	13,719	0	0	13,719
Buildings & New Improvements	123,818	0	0	123,818
Vehicles	38,973	0	0	38,973
Total	<u>191,510</u>	<u>0</u>	<u>0</u>	<u>191,510</u>
Less Accumulated Depreciation				
Furniture & Equipment	(13,719)	0	0	(13,719)
Buildings & New Improvements	(46,195)	(4,266)	0	(50,461)
Vehicles	(38,973)	0	0	(38,973)
Total Accumulated Depreciation	<u>(98,887)</u>	<u>(4,266)</u>	<u>0</u>	<u>(103,153)</u>
Net Capital Assets-EPCOG	<u>92,623</u>	<u>(4,266)</u>	<u>0</u>	<u>88,357</u>

State of New Mexico
Eastern Plains Council of Governments
Notes to Financial Statements
For The Year Ended June 30, 2018

NOTE D - CAPITAL ASSETS AND DEPRECIATION (continued)

San Jon	2017	Additions	Deletions	2018
Land	17,009	0	0	17,009
Furniture & Equipment	2,619	0	0	2,619
Buildings & New Improvements	153,085	0	0	153,085
Total	<u>172,713</u>	<u>0</u>	<u>0</u>	<u>172,713</u>
Less Accumulated Depreciation				
Furniture & Equipment	(2,619)	0	0	(2,619)
Building & New Improvements	(97,592)	(3,827)	0	(101,419)
Total Accumulated Depreciation	<u>(100,211)</u>	<u>(3,827)</u>	<u>0</u>	<u>(104,038)</u>
Net Capital Assets-San Jon	<u>72,502</u>	<u>(3,827)</u>	<u>0</u>	<u>68,675</u>
Net Capital Assets-EPCOG & San Jon	<u>\$ 165,125</u>	<u>\$ (8,093)</u>	<u>\$ 0</u>	<u>\$ 157,032</u>
Ruth Visage				
Land	\$ 45,652	\$ 0	\$ 0	\$ 45,652
Furniture & Equipment	36,876	0	0	36,876
Buildings & Improvements	1,456,500	0	0	1,456,500
Total	<u>1,539,028</u>	<u>0</u>	<u>0</u>	<u>1,539,028</u>
Less Accumulated Depreciation	<u>(544,775)</u>	<u>(52,964)</u>	<u>0</u>	<u>(597,739)</u>
Net Capital Assets-Ruth Visage	<u>994,253</u>	<u>(52,964)</u>	<u>0</u>	<u>941,289</u>
Net Capital Assets - Governmental Activities	<u>1,159,378</u>	<u>(61,057)</u>	<u>0</u>	<u>1,098,321</u>
Component Unit				
Rio Pecos LP				
Land	50,800	0	0	50,800
Furniture & Equipment	28,768	0	0	28,768
Buildings & Improvements	1,624,315	0	0	1,624,315
Total	<u>1,703,883</u>	<u>0</u>	<u>0</u>	<u>1,703,883</u>
Less Accumulated Depreciation	<u>(695,244)</u>	<u>(40,261)</u>	<u>0</u>	<u>(735,505)</u>
Net Capital Assets - Component Unit	<u>\$ 1,008,639</u>	<u>\$ (40,261)</u>	<u>\$ 0</u>	<u>\$ 968,378</u>

Current year depreciation expense and debt related to any capital assets for the fiscal year ended June 30, 2018 was \$61,057. Current year depreciation for the component unit was \$40,261.

NOTE E - 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.

State of New Mexico
Eastern Plains Council of Governments
Notes to Financial Statements
For The Year Ended June 30, 2018

NOTE E - LONG-TERM DEBT (continued)

Governmental Activities	<u>2017</u>	<u>Additions</u>	<u>Retirements</u>	<u>2018</u>	<u>Current Portion</u>
<u>EPCOG & San Jon</u>					
EPCOG-USDA Loan	\$ 2,285	\$ 0	\$ (2,285)	\$ 0	\$ 0
San Jon-USDA Loan	152,030	0	(2,068)	149,962	2,245
EPCOG-Line of Credit	23,500	0	(23,500)	0	0
Total EPCOG & San Jon Debt	<u>177,815</u>	<u>0</u>	<u>(27,853)</u>	<u>149,962</u>	<u>2,245</u>
<u>Ruth Visage</u>	<u>12/31/2016</u>	<u>Additions</u>	<u>Retirements</u>	<u>12/31/2017</u>	<u>Current Portion</u>
Ruth Visage-USDA Loan	1,155,930	0	(7,978)	1,147,952	8,501
Ruth Visage-NMMFA	300,000	0	0	300,000	0
Total Ruth Visage	<u>1,455,930</u>	<u>0</u>	<u>(7,978)</u>	<u>1,447,952</u>	<u>8,501</u>
Total Governmental Activities Long-Term Debt	<u>\$ 1,633,745</u>	<u>\$ 0</u>	<u>\$ (35,831)</u>	<u>\$ 1,597,914</u>	<u>\$ 10,746</u>

Long-term maturities for the governmental activities are as follows:

<u>Principal Years</u>	<u>San Jon</u>	<u>Year Ending December 31,</u>	<u>Ruth Visage</u>
2019	\$ 2,245	2018	\$ 8,501
2020	2,385	2019	9,060
2021	2,589	2020	9,654
2022	2,811	2021	10,288
2023	3,052	2022	10,963
2024 - 2028	19,659	2023 - 2027	66,605
2029 - 2033	29,654	2028 - 2032	391,532
2034 - 2038	44,732	2033 - 2037	125,788
2039 - 2043	42,835	2038 - 2042	172,864
2044 - 2048	0	2043 - 2047	237,558
2049 - 2054	0	2048 - 2052	326,463
2055 - 2059	0	2053	78,676
Total	<u>\$ 149,962</u>	Total	<u>\$ 1,447,952</u>

State of New Mexico
Eastern Plains Council of Governments
Notes to Financial Statements
For The Year Ended June 30, 2018

NOTE E - LONG-TERM DEBT (continued)

Interest paid in relation to these maturities will be:

<u>Interest Years</u>	<u>San Jon</u>	<u>Year Ending December 31,</u>	<u>Ruth Visage</u>
2019	\$ 12,336	2018	\$ 78,936
2020	12,148	2019	78,378
2021	11,943	2020	77,784
2022	11,721	2021	77,150
2023	11,481	2022	76,474
2024 - 2028	53,002	2023 - 2027	370,584
2029 - 2033	43,007	2028 - 2032	345,657
2034 - 2038	27,929	2033 - 2037	286,402
2039 - 2043	6,614	2038 - 2042	234,326
2044 - 2048	0	2043 - 2047	169,632
2049 - 2053	0	2048 - 2052	80,727
2054 - 2058	0	2053	2,707
Total	<u>\$ 190,181</u>	Total	<u>\$ 1,878,757</u>

State of New Mexico
Eastern Plains Council of Governments
Notes to Financial Statements
For The Year Ended June 30, 2018

NOTE E - LONG-TERM DEBT (continued)

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

Component Unit	<u>12/31/2016</u>	<u>Additions</u>	<u>Retirements</u>	<u>12/31/2017</u>	<u>Current Portion</u>
New Mexico Mortgage Finance, bears interest at 8.84%; secured by the property, matures November 2041.	\$ 512,260	\$ 0	\$ (5,963)	\$ 506,297	\$ 6,511
 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	 0	 0	 240,000	 0
 Eastern Plains Council of Governments (EPCOG), bears interest at 1% and is pay able 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	 0	 0	 64,500	 0
 The Partnership has an obligation to the Eastern Plains Council of Governments (EPCOG) bearing no interest and pay able solely from excess operating revenue. Loan is unsecured.	 136,859	 6,431	 0	 143,290	 0
Total component unit long-term debt	<u>\$ 953,619</u>	<u>\$ 6,431</u>	<u>\$ (5,963)</u>	<u>\$ 954,087</u>	<u>\$ 6,511</u>

State of New Mexico
Eastern Plains Council of Governments
Notes to Financial Statements
For The Year Ended June 30, 2018

NOTE E - LONG-TERM DEBT (continued)

Long-term maturities for the component unit are as follows:

Year Ending December 31,	Principal	Interest	Total
2018	6,511	59,426	65,937
2019	7,111	58,826	65,937
2020	7,766	58,172	65,938
2021	8,481	57,457	65,938
2022	9,261	56,676	65,937
2023 - 2027	60,780	268,906	329,686
2028 - 2032	94,409	235,277	329,686
2033 - 2037	146,645	183,041	329,686
2038 - 2042	405,333	94,469	499,802
Total	<u>\$ 746,297</u>	<u>\$ 1,072,250</u>	<u>\$ 1,818,547</u>

NOTE F - ACCRUED ANNUAL LEAVE

Compensated vacation can be accumulated, but upon separation of service any unused vacation leave will be payable to the employee, not to exceed the maximum that the employee can accumulate per year. The cost of vacation pay is recognized when payments are made to employees.

Vacation leave may be accrued as follows:

Years of Service	Max Hours
0-4 Years	160
5-9 Years	240
10 Years of More	336

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, 2018:

	2017	Additions	Deletions	2018	Current Portion
Annual Leave	<u>14,264</u>	<u>12,527</u>	<u>(8,959)</u>	<u>17,832</u>	<u>17,832</u>

NOTE G - 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).

State of New Mexico
Eastern Plains Council of Governments
Notes to Financial Statements
For The Year Ended June 30, 2018

NOTE H - 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 \$5,350, \$5,350, and \$5,414 for the years ending June 30, 2018, 2017, and 2016, respectively.

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 \$10,500, \$10,735, and \$10,383 for the years ending fiscal year ended June 30, 2018, 2017, and 2016, respectively.

Both plans are managed by ICMA Retirement Corporation based in Washington DC advisor located in Albuquerque New Mexico with Vantage Point Trust Company being the transfer agent holding the funds.

NOTE I - 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, 2018, no probable risk of loss was identified by management.

NOTE J - RELATED PARTY TRANSACTIONS

The EPCOG did not have related party transactions for the year ended June 30, 2018.

State of New Mexico
Eastern Plains Council of Governments
Notes to Financial Statements
For The Year Ended June 30, 2018

NOTE K - 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.

NOTE L - RECONCILIATION BETWEEN BUDGET 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.

NOTE M - DEFERRED INFLOWS/OUTFLOWS OF RESOURCES

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

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

<u>Deferred Inflows of Resources</u>	
General Fund - Escrow Deposit on Sale of Real Estate	<u>\$46,426</u>
<u>Deferred Outflows of Resources</u>	
General Fund - None Receivables/Time Requirement Not Met	<u>\$214,561</u>

NOTE N - OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES

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

1. No funds exceeded approved budgetary authority for the year ended June 30, 2018.
2. No deficit fund balances were noted as of June 30, 2018.

State of New Mexico
Eastern Plains Council of Governments
Notes to Financial Statements
For The Year Ended June 30, 2018

NOTE O - DETERMINATION OF SINGLE AUDIT

During FY 2018, EPCOG expended \$150,091 in federal funds, San Jon expended \$48,586, and Ruth Visage expended \$50,280. In addition, Ruth Visage held debt, financed through USDA, considered federal expenditures for single audit determination, of \$1,147,952. 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.

NOTE P - SALE OF RENTAL PROPERTIES

On June 7, 2017, the EPCOG's Board voted to offer all of the rental properties for sale and in October 2017 entered into an option for purchase for RVSA, San Jon and Rio Pecos Estates with JL Gray Company (current contract property management company). EPCOG received \$50,000 from JL Gray Company as an earnest payment to facilitate the process of appraisals and legal fees. These funds are netted with payments made for appraisals on the projects and reported as a deferred inflow of resources as of June 30, 2018.

NOTE Q - 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 6, 2018 which is the date the financial statements were available to be issued.

Sale of Rental Properties

As disclosed in Note P, the sale of all the rental properties is expected to be finalized during the next year. The terms of option for purchase have all been met with the exception of the closing deadline. The sale is pending finalization as of the audit report date.



FOX, GARCIA & Co. LLC
CERTIFIED PUBLIC ACCOUNTANTS

Diane R. Fox, CPA
Shelley D. Garcia, CPA
Ph: 214-842-8464

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*

To the Board of Directors of

Eastern Plains Council of Governments
Clovis, New Mexico
and Mr. Wayne Johnson, 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 major general fund and the major San Jon fund, and the budgetary comparisons of the general fund and the major special revenue fund, San Jon of the Eastern Plains Council of Governments (EPCOG), as of and for the year ended June 30, 2018, 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 6, 2018.

Our report includes a reference to other auditors who audited the financial statements of Rio Pecos, which is a discretely presented component unit and Ruth Visage, which is a major fund, as described in our report on the EPCOG's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

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 opinion 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. 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 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.

A handwritten signature in cursive script that reads "Fox, Garcia & Company".

Fox, Garcia & Company, LLC

December 6, 2018
Big Spring, Texas

State of New Mexico
Eastern Plains Council of Governments
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended June 30, 2018

		Status of Current and Prior Year Findings	Type of Finding*
Prior Year			
	None Noted		
Ruth Visage Findings			
2016-001	Budget Controls - State Compliance	Resolved	D
Component Unit Findings			
	None Noted		
Current Year			
	None Noted		
Ruth Visage Findings			
	None Noted		
Component Unit Findings			
	None Noted		

*Legend for Type of Findings

- a. Material Weakness in Internal Control Over Financial Reporting
- b. Significant Deficiency in Internal Control Over Financial Reporting
- c. Material Noncompliance
- d. Other Non-compliance
- e. Findings that do not rise to the level of a Significant Deficiency

State of New Mexico
Eastern Plains Council of Governments
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended June 30, 2018

EPCOG

Current Year Audit Findings:

Our audit disclosed no findings that are required to be reported.

Ruth Visage

Current Year Audit Findings:

Our audit disclosed no findings that are required to be reported.

Component Unit

Current Year Audit Findings:

Our audit disclosed no findings that are required to be reported.

State of New Mexico
Eastern Plains Council of Governments
EXIT CONFERENCE
For The Year Ended June 30, 2018

EXIT CONFERENCE

An exit conference was held on December 6, 2018, which was attended by the following:

Fidel Madrid	Chairman
Sandy Chancey	Executive Director

Fox, Garcia & Company, LLC

Diane Fox	Owner/Engagement Partner
Shelley Garcia	Owner/Engagement Manager

Preparation of Financial Statements

The financial statements presented in this report were compiled by the auditor Fox, Garcia & Company, LLC. However, the contents of the financial statements remain the responsibility of management.