



# **Northwest New Mexico Council of Governments**

Financial Statements  
and  
Independent Auditors' Report

June 30, 2015

# Northwest New Mexico Council of Governments

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**Northwest New Mexico  
Council of Governments  
Official Roster  
June 30, 2015**

<b>DIRECTORS</b>	<b>POSITION</b>	<b>MEMBER GOVERNMENT/TITLE</b>
Billy Moore	Chairman	McKinley County - Citizen Appointee
GloJean Todacheene	1st Vice-Chair	San Juan County - Commissioner
Lloyd Felipe	2nd Vice-Chair	Cibola County - Commissioner
Louie Bonaguidi	Board Treasurer	City of Gallup - Citizen Appointee
Dr. William Hall	Immediate Past Chair	City of Farmington - Citizen Appointee
Jeffrey G. Kiely	Board Secretary ( <i>ex officio</i> )	Northwest NM Council of Governments
Joshua Ray	Member	City of Aztec - Manager
Teresa Brevik	Member	City of Bloomfield - Projects Director
Yogash Kumar	Member	City of Gallup - Councilor
Allan Landavazo	Member	City of Gallup - Councilor
Maryann Ustick	Member	City of Gallup - Manager
Genevieve Jackson	Member	McKinley County - Commissioner
Doug Decker	Member	McKinley County - Attorney
Carol Bowman Muskett	Member	McKinley County - Commissioner
Ruben Sandoval	Member	City of Grants - Councilor
Michael Lewis	Member	City of Grants - Councilor
Pat Simpson	Member	Cibola County - Commissioner
George Knotts	Member	Village of Milan - Mayor
<b>Administrative Officers</b>		
Jeff Kiely, Executive Director		
Evan Williams, Deputy Director		
Teresa Mecale, Finance and Human Resources Manager		

## Independent Auditors' Report

Board of Directors  
Jeff Kiely, Executive Director  
Northwest New Mexico Council of Governments  
Gallup, New Mexico  
and  
Mr. Tim Keller, New Mexico State Auditor  
Office of the State Auditor  
Santa Fe, New Mexico

### **Report on Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the budgetary comparison for the general fund of the Northwest New Mexico Council of Governments (the "Council"), as of and for the year ended June 30, 2015 and the related notes to the financial statements, as listed in the table of contents. We also have audited the budgetary comparison for the Council's enterprise loan fund, presented as supplementary information, as defined by the Governmental Accounting Standards Board, in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2015, 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 business-type activities and each major fund of the Council as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above presents fairly, in all material respects, the budgetary comparison for the Council's enterprise loan fund as of June 30, 2015, in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

### *Change in Accounting Principle*

As discussed in Note 19 to the financial statements, in 2015 the Council adopted new accounting guidance, *GASB Statement No. 68, Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5-14 and the Public Employee Retirement Account schedules on pages 49-50 be presented to supplement the basic financial statements. Such 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements and the budgetary comparisons. 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, 2015, on our consideration of the Council'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 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 the Council's internal control over financial reporting and compliance.

Loftis Group <sup>LLC</sup>

Albuquerque, New Mexico  
December 14, 2015

**Northwest New Mexico  
Council of Governments  
Management's Discussion and Analysis  
For the Year Ended June 30, 2015**

This section of the financial report presents a discussion and analysis of the Northwest New Mexico Council of Governments (the "Council") financial performance during the fiscal year ended June 30, 2015. Please read it in conjunction with the Council's financial statements, which follow this section.

The Management's Discussion and Analysis and the accompanying financial statements cover all activities of the Council.

### **Financial Highlights**

- ◆ During fiscal year 2015 the Council's total net position decreased approximately \$288,000 to a deficit of approximately \$62,000. The net position of the governmental activities decreased approximately \$284,000 to a deficit of approximately \$371,000 at June 30, 2015, while net position of the business-type activities decreased approximately \$4,000 to approximately \$309,000 at June 30, 2015.
- ◆ Expenses of the Council's governmental activities were approximately \$583,000 for 2015, a decrease of approximately \$151,000 from 2014 expenses, all of which was for regional community development activities. The decrease is primarily attributable to the McKinley County Bureau of Reclamation Rural water Supply project being substantially completed in the prior year.

### **Overview of Financial Statements**

This annual report consists of two parts:

1. Management's discussion and analysis (this section).
2. The basic financial statements.

The basic financial statements include two kinds of statements that present different views of the Council. The first two statements, the statement of net position and the statement of activities, are Council-wide financial statements that provide both long-term and short-term information about the Council's overall financial status. The remaining statements are fund financial statements that focus on individual parts of the Council, reporting operations in more detail than the Council-wide statements. The fund financial statements include the following:



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Management's Discussion and Analysis  
For the Year Ended June 30, 2015**

- ◆ Governmental fund financial statements tell how the Council's regional community development activities were financed in the short-term as well as what remains for future spending.
- ◆ Proprietary fund financial statements that offer short and long-term financial information on the Council's Enterprise Loan Fund enterprise.

The financial statements also include notes that explain some of the information in the financial statements and provide more detail. The statements are followed by a section of required supplementary information that compares budget and actual activities for the Council's general fund.

### **Council-wide Statements**

The Council-wide financial statements are designed to provide readers with a broad overview of the Council's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the Council's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position serves as a useful indicator of whether the financial position of the Council is improving or deteriorating.

The statement of activities presents information showing how the Council's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. accrued vacation leave).

In the statement of net position and the statement of activities, we divide the Council into two kinds of activities:

- ◆ *Governmental Activities* – The Council's regional community development activities are reported here. These activities are financed primarily through federal, state and local grants, and membership dues.
- ◆ *Business-Type Activities* – Include the Council's Enterprise Loan Fund enterprise.

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**Fund Financial Statements**

The fund financial statements provide detailed information about the most significant funds, not the Council as a whole. Separate funds are established by the Council to help control and manage revenues and expenditures for particular purposes or to show that it is meeting legal responsibilities for using certain grants and other money. The two fund types, governmental and proprietary, use different accounting approaches:

- ◆ *Governmental Funds* – Most of the Council's services are reported in governmental funds. Governmental funds focus on how cash and other financial assets flow in and out, and the balances left at year-end are available for spending. Consequently, the governmental funds provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Council's programs. Because this information does not encompass the additional long-term focus of the Council-wide statements, we provide additional information at the bottom of the governmental funds balance sheet, or on a subsequent page, that explains the relationship (or differences) between the amounts reported in the statement of net assets and the statement of activities and the governmental funds statements.
  
- ◆ *Proprietary Funds* – When the Council charges customers for the services it provides these services are generally reported in proprietary funds, which are reported the same way that all activities are reported in the statement of net assets and the statement of activities. In fact, the proprietary funds present the same information as the business-type activities reported in the Council-wide statements but provide more detail and additional information, such as cash flows.

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Management's Discussion and Analysis  
For the Year Ended June 30, 2015**

**Financial Analysis of the Council as a Whole**

*Net position.* As of June 30, 2015, the Council's total net position decreased by approximately \$288,000. During the year ended June 30, 2015, net capital assets decreased approximately \$283,000 due to a loss on disposal of leasehold improvements as a result of the building housing the Council's office being condemned and the Council having to relocate. Table 1 summarizes the Council's net position of its governmental and business-type activities.

**Table 1  
The Council's Net Position  
As of June 30,**

	Governmental Activities		Business-Type Activities		Totals	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Current and other assets	\$ 101,622	\$ 119,060	\$ 309,060	\$ 321,894	\$ 410,682	\$ 440,954
Capital assets	24,111	307,579	-	-	24,111	307,579
<b>Total assets</b>	<b>125,733</b>	<b>426,639</b>	<b>309,060</b>	<b>321,894</b>	<b>434,793</b>	<b>748,533</b>
Deferred outflows - pension related	24,154	-	-	-	24,154	-
Current and other liabilities	97,968	104,849	-	8,784	97,968	113,633
Long-term liabilities	310,097	19,953	-	-	310,097	19,953
<b>Total liabilities</b>	<b>408,065</b>	<b>124,802</b>	<b>-</b>	<b>8,784</b>	<b>408,065</b>	<b>133,586</b>
Deferred inflows - pension related	112,813	-	-	-	112,813	-
Net position						
Investment in capital assets	24,111	307,579	-	-	\$ 24,111	307,579
Restricted	-	-	309,060	313,110	309,060	313,110
Unrestricted (deficit)	(395,102)	(5,742)	-	-	(395,102)	(5,742)
<b>Total net position (deficit)</b>	<b>\$(370,991)</b>	<b>\$301,837</b>	<b>309,060</b>	<b>313,110</b>	<b>\$(61,931)</b>	<b>614,947</b>

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Management's Discussion and Analysis  
For the Year Ended June 30, 2015**

*Change in Net Position.* Total revenues for 2015 and 2014 were approximately \$580,000 and \$686,000 compared with expenses of approximately \$868,000 and \$749,000, respectively. The decrease in revenues is due primarily to a decrease in federal grant expenditures and revenues. The McKinley County Bureau of Reclamation Rural Water Supply Project was completed in fiscal year 2014. Regional community development expenses decreased comparably and for the same reason as the decrease in revenue, however, total expenses increased significantly due to the loss on disposal of capital assets. Table 2 summarizes the Council's change in net position for its governmental and business-type activities:

**Table 2  
Changes in the Council's Net Position  
For the Years Ended June 30,**

	Governmental Activities		Business-Type Activities		Totals	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Revenues						
Program revenues						
Operating grants and contributions	\$ 294,568	\$422,920	\$ -	\$ -	\$294,568	\$422,920
Capital grants and contributions	8,502	6,000	-	-	8,502	6,000
Charges for services	266,318	251,500	3,787	2,328	270,105	253,828
General revenues						
Interest income	-	5	-	-	-	5
Other	6,386	3,368	-	-	6,386	3,368
Total revenues	<u>575,774</u>	<u>683,793</u>	<u>3,787</u>	<u>2,328</u>	<u>579,561</u>	<u>686,121</u>
Expenses						
Regional community development	582,552	734,444	-	-	582,552	734,444
Enterprise loan fund	-	-	7,837	14,189	7,837	14,189
Loss on disposal of capital assets	277,414	-	-	-	277,414	-
Total expenses	<u>859,966</u>	<u>734,444</u>	<u>7,837</u>	<u>14,189</u>	<u>867,803</u>	<u>748,633</u>
Change in net position	(284,192)	(50,651)	(4,050)	(11,861)	(288,242)	(62,512)
Net position, beginning of year	301,837	352,488	313,110	324,971	614,947	677,459
Restatement	(388,636)	-	-	-	(388,636)	-
Net position, beginning of year, as restated	<u>(86,799)</u>	<u>352,488</u>	<u>313,110</u>	<u>324,971</u>	<u>226,311</u>	<u>677,459</u>
Net position, end of year	<u>\$(370,991)</u>	<u>\$301,837</u>	<u>\$309,060</u>	<u>\$313,110</u>	<u>\$(61,931)</u>	<u>\$614,947</u>

**Northwest New Mexico  
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Management's Discussion and Analysis  
For the Year Ended June 30, 2015**

***Governmental activities***

Spending for governmental activities was approximately \$583,000 and \$734,000 for 2015 and 2014, respectively, which was offset by approximately \$576,000 and \$684,000 in revenues primarily from grants and contracts and membership dues. The decrease in expenses and revenues is mainly due to less grant monies being spent as the McKinley County Bureau of Reclamation Rural Water Supply project was completed in fiscal year 2014. The governmental activities also incurred a loss of approximately \$277,000 on the disposal of leasehold improvements as a result of the building housing the Council's office being condemned and the Council having to relocate.

***Business-type activities***

Spending for business-type activities was approximately \$7,800 and \$14,000 for 2015 and 2014, respectively, which was offset by approximately \$3,800 and \$2,300 of revenues in each year for charges for services. The decrease in expenses is mainly due to less bad debt expense incurred compared to the prior year. Bad debt expense in 2015 was \$6,000 compared to \$13,000 in 2014.

**Financial Analysis of the Council's Funds**

The general fund is the chief operating fund of the Council. During the year ended June 30, 2015, the general fund's fund balance decreased approximately \$10,000 to approximately \$11,000.

Substantially all of the Council's proprietary fund net position is restricted for economic development activities. Net position of the proprietary fund decreased approximately \$4,000 to \$309,000 at June 30, 2015 and primarily due to loan write-offs.

**General Fund Budgetary Highlights**

General fund revenues exceeded budgeted revenues by approximately \$4,000. General fund expenditures exceeded budgeted expenditures by approximately \$10,000.

**Capital Assets**

As of June 30, 2015, governmental activities had net capital assets of approximately \$24,000 compared to approximately \$308,000 at June 30, 2014. The decrease in capital assets was due to a loss on the disposal of leasehold improvements as the building housing the Council's offices was condemned and which required the Council to relocate. Business-type activities capital assets had become fully depreciated in prior years. Additional details for capital assets can be found in the notes to the financial statements.

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Management's Discussion and Analysis  
For the Year Ended June 30, 2015**

**Economic Factors and Next Year's Activities**

The Council's budget each year reflects to a large extent the overall economy of local communities, the region, the State and the nation, and in particular, the public funds available from each of those levels. In that light, as federal grants have become less available and more competitive, and as states, municipalities, counties and tribe have seen their own resources stretched to their limits, auxiliary entities such as the Council of Governments have likewise struggled to re-shape their budget resources while continuing their robust relevance and presence in the work of supporting local and regional economies and quality of life.

Recent audits reveal a downward trend in public funding for the Council, while several members continue to turn to the organization for various kinds of technical assistance, sometimes tapping other resources to enter into subcontracts with the Council for specialized services. Among those services, the New Mexico Governor's Executive Order 2013-006 imposed severe restrictions on all units of government in the State with problematic financial reporting or audit issues. In order to allow for the continued flow of appropriated funds to those entities, the Governor's office has permitted the identification of "alternative fiscal agents" who can provide the necessary oversight on the expenditure of the State's funds by these affected localities. The State has authorized the Council of Governments to serve as an alternative fiscal agent for these purposes and to charge a fee for this service. The Northwest Council has entered into alternative fiscal agency agreements with four of these entities, covering more than 15 different appropriated projects. Once these projects are completed and the funds are drawn down, the Council will be reimbursed in accordance with the percentage management fee. These revenues will, in part, enable the Council to shore up its short and long-term reserve, and to apply some of the proceeds toward urgent capital purposes.

On the operational side of the budget, the Council expects its expenditures to remain relatively stable. Other factors and specific trends are outlined here below:

- ◆ Membership: Membership dues should continue at similar levels in the coming couple of years to those realized in fiscal years 2014 and 2015, still topping out at a total that is about 20% below pre-recession levels. Stresses remain in the budgets of local government members, reflecting ongoing decreases in state and federal funding, uncertainties in local gross receipt tax revenue, projected decreases resulting from the progressive phasing out of the "hold harmless" compensations to local governments related to elimination of the food tax, and volatility in the region's traditional industries.

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*Economic Factors and Next Year's Activities-continued*

- ◆ State Grant-in-Aid: The annual appropriations from the State Legislature, administered by the Local Government Division and identified as grant-in-aid funding for regional planning councils, has remained steady at about \$95,000, with a similar level committed for fiscal year 2016. In the 2015 legislative session, there was strong legislative support for increased appropriations to the seven regional councils (organized collectively as the New Mexico Association of Regional Councils or ("NewMARC")), although it failed final approval in the process. There is similar support heading into the 2016 session, and the Council is hopeful of additional support from the State for its planning and technical assistance activities.
  
- ◆ U.S. Economic Development Administration: Funding for the annual grant to "Economic Development Districts" from the Economic Development Administration (EDA) of the U.S. Department of Commerce, administered under three-year grant agreements, continued at \$60,000 per year in FY 2015, but the Council has been informed to expect an additional \$10,000 per annum, or \$70,000 total annual grant revenues, in its new three-year contract to be effective January 1, 2016 through December 31, 2018. The Council matches the federal funds at the rate of 25% of grant funds (which computes to 20% of "total project cost") for this economic development function. Annual renewal is assumed within the agreement, but may be subject to certain factors, including (a) Congressional reauthorization of and appropriations to the EDA and (b) EDA compliance and peer reviews. The Council served on the Peer Review Committee of the Southwest Region Executive Directors Association (SWREDA), which carried out EDA's mandated peer review process involving economic development districts in the five Southwestern states under contract with the EDA Austin Regional Office, and the Council's own participation as a reviewee will be required in FY 2017.
  
- ◆ New Mexico Department of Transportation Regional Transportation Planning (NMDOT): The Council's annual contract from the NMDOT for management of the Northwest Regional Transportation Planning Organization (NWRTPO) is administered under three-year agreements. Funding for this agreement was increased by about \$20,000 to \$85,000 for Federal fiscal year 2014 (October 2013-September 2014 funding cycle), with the requirement of a 25% match (or 20% of total project). Future funding is subject to numerous federal and state budget processes, including anticipated reauthorization of the Federal Transportation bill. Working relationships with NMDOT remain strong, and this year the Council continued to receive positive feedback from NMDOT's program audit.

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Management's Discussion and Analysis  
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NMDOT further invested in the Council with \$120,000 in separate funding in fiscal year 2015 for the "Four Corners Integrated Transportation Equinox" (4CITE) study on road infrastructure systems supporting economic development in the Gallup metro area, matched by \$30,000 contributed by local participating entities. The majority of these funds will actually be expended in FY 2016.

Initiatives to grow the budget in fiscal years 2016 and 2017 will continue to be pursued, e.g.:

- Contracts with local governments for legislative appropriations and planning grants under the Community Development Block Grant program administered by the State Department of Finance and Administration (DFA) under annual funding from the U.S. Department of Housing and Urban Development;
- Specialized and supplemental technical assistance to local governments and other public entities in the field of planning, organizational development and funding;
- Continued research into funding opportunities for which the Council would be eligible;
- Continued management of short-term grants and contracts, which can serve as an implementation avenue for various initiatives while at the same time diversifying funding into the Council and building short and long-term reserves; and
- Continued evaluation of the feasibility and benefit of forming a nonprofit corporation as a partner to the Council, with the ability to attract and utilize resources from foundations and other private sources, as an adjunct to the Council's core work program and with the potential for increasing revenue flow into the Council budget over time.
- Future follow-up funding from the Federal government under the inter-agency "POWER-Plus" initiative (Partnerships for Opportunity and Workforce and Economic Revitalization), based on conversations with federal representatives who characterize the current POWER grant as a "down payment" on the government's commitment to coal-impacted regions.



**Northwest New Mexico  
Council of Governments  
Management's Discussion and Analysis  
For the Year Ended June 30, 2015**

**Request for Information**

This financial report is designed to provide a general overview of the Council's finances and demonstrate its accountability for funds received. If you have questions about this report or need additional financial information contact the Council at the following address:

Northwest New Mexico Council of Governments  
409 South 2<sup>nd</sup> Street  
Gallup, NM 87301  
(505) 722-4327

## **Financial Statements**

**Northwest New Mexico  
Council of Governments**  
Statement of Net Position  
June 30, 2015

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Current assets			
Cash and cash equivalents	\$ 9,089	\$ -	\$ 9,089
Cash restricted for loan programs	-	263,851	263,851
Receivables, net	82,067	-	82,067
Internal balances	10,466	(10,466)	-
Loans receivable, net	-	55,675	55,675
Total current assets	<u>101,622</u>	<u>309,060</u>	<u>410,682</u>
Noncurrent assets			
Capital assets	114,344	4,178	118,522
Less accumulated depreciation	<u>(90,233)</u>	<u>(4,178)</u>	<u>(94,411)</u>
Total noncurrent assets	<u>24,111</u>	<u>-</u>	<u>24,111</u>
Total assets	<u>125,733</u>	<u>309,060</u>	<u>434,793</u>
<b>Deferred outflows - pension related</b>	<u>24,154</u>	<u>-</u>	<u>24,154</u>
<b>Liabilities</b>			
Current liabilities			
Accounts payable	60,552	-	60,552
Accrued payroll liabilities	29,603	-	29,603
Compensated absences	<u>7,813</u>	<u>-</u>	<u>7,813</u>
Total current liabilities	<u>97,968</u>	<u>-</u>	<u>97,968</u>
Noncurrent liabilities			
Net pension liability	287,860	-	287,860
Compensated absences	<u>22,237</u>	<u>-</u>	<u>22,237</u>
Total noncurrent liabilities	<u>310,097</u>	<u>-</u>	<u>310,097</u>
Total liabilities	<u>408,065</u>	<u>-</u>	<u>408,065</u>
<b>Deferred inflows - pension related</b>	<u>112,813</u>	<u>-</u>	<u>112,813</u>
<b>Net position</b>			
Investment in capital assets	24,111	-	24,111
Restricted	-	309,060	309,060
Unrestricted (deficit)	<u>(395,102)</u>	<u>-</u>	<u>(395,102)</u>
Total net position (deficit)	<u>\$ (370,991)</u>	<u>\$ 309,060</u>	<u>\$ (61,931)</u>

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

**Northwest New Mexico  
Council of Governments  
Statement of Activities  
For the Year Ended June 30, 2015**

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Functions/Programs</b>							
Governmental activities							
General government	\$ 582,552	\$ 266,318	\$ 294,568	\$ 8,502	\$ (13,164)		\$ (13,164)
Total governmental activities	<u>582,552</u>	<u>266,318</u>	<u>294,568</u>	<u>8,502</u>	<u>(13,164)</u>		<u>(13,164)</u>
Business-type activities							
Enterprise loan fund	7,837	3,787	-	-	-	(4,050)	(4,050)
Total business-type activities	<u>7,837</u>	<u>3,787</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,050)</u>	<u>(4,050)</u>
<b>Total</b>	<u>\$ 590,389</u>	<u>\$ 270,105</u>	<u>\$ 294,568</u>	<u>\$ 8,502</u>	<u>(13,164)</u>	<u>(4,050)</u>	<u>(17,214)</u>
General revenues:							
Loss on disposal of capital assets					(277,414)	-	(277,414)
Miscellaneous income					6,386	-	6,386
Total general revenues					<u>(271,028)</u>	<u>-</u>	<u>(271,028)</u>
Changes in net position					<u>(284,192)</u>	<u>(4,050)</u>	<u>(288,242)</u>
Net position, beginning of year					301,837	313,110	614,947
Restatement recognized by GASB 68 (Note 19)					<u>(388,636)</u>	<u>-</u>	<u>(388,636)</u>
Net position (deficit), beginning, as restated					<u>(86,799)</u>	<u>313,110</u>	<u>226,311</u>
Net position (deficit), end of year					<u>\$ (370,991)</u>	<u>\$ 309,060</u>	<u>\$ (61,931)</u>

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

## **Fund Financial Statements**

**Northwest New Mexico  
Council of Governments  
Balance Sheet  
Governmental Fund  
June 30, 2015**

	General Fund
<b>Assets</b>	
Cash and cash equivalents	\$ 9,089
Grants receivable	82,067
Due from enterprise loan fund	10,466
Total assets	\$ 101,622
<b>Liabilities and Fund Balance</b>	
Liabilities	
Accounts payable	\$ 60,552
Accrued payroll liabilities	29,603
Total liabilities	90,155
Fund balance	
Unassigned	11,467
Total fund balance	11,467
Total liabilities and fund balance	\$ 101,622

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

**Northwest New Mexico  
Council of Governments**  
**Reconciliation of the Governmental Fund Balance Sheet  
to the Statement of Net Position**  
**June 30, 2015**

<b>Fund Balance - Governmental Fund</b>	<b>\$</b>	<b>11,467</b>
Amounts reported for governmental activities in the statement of net position are different because capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		24,111
Some liabilities, listed below, are not due and payable in the current period and, therefore, are not reported in the funds		
Compensated absences		(30,050)
Defined benefit pension plan deferred outflows are not financial resources and, therefore, are not reported in the funds		24,154
Defined benefit pension plan deferred inflows are not financial resources and, therefore, are not reported in the funds		(112,813)
The net pension liability is not due and payable in the current period and, therefore, is not reported in the funds		<u>(287,860)</u>
<b>Net position of governmental activities</b>	<b>\$</b>	<b><u>(370,991)</u></b>

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

**Northwest New Mexico  
Council of Governments**  
Statement of Revenues, Expenditures and Changes in Fund Balance  
Governmental Fund  
For the Year Ended June 30, 2015

	General Fund
<b>Revenues</b>	
Membership dues	\$ 266,318
State and local grants and contributions	158,672
Federal grants and contracts	144,398
Miscellaneous income	<u>6,386</u>
Total revenue	<u>575,774</u>
<b>Expenditures</b>	
General government	577,027
Capital outlay	<u>8,502</u>
Total expenditures	<u>585,529</u>
Net change in fund balance	(9,755)
Fund balance, beginning of year	<u>21,222</u>
<b>Fund balance</b> , end of year	<u><u>\$ 11,467</u></u>

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



# Northwest New Mexico Council of Governments

## Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities June 30, 2015

**Net change in fund balances - governmental fund** (9,755)

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

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense:

Capital outlay	8,502
Loss on disposal of capital assets	(277,414)
Depreciation expense	(14,556)

Expenses reported in the statement of activities that do not require the use of current financial resources are not reported as expenditures in governmental funds:

Current year increase in compensated absences	(3,086)
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Changes in long-term liabilities

Change in the net pension liability	<u>12,117</u>
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**Change in net position of governmental activities** \$ (284,192)

**Northwest New Mexico  
Council of Governments**  
Statement of Net Position  
Proprietary Fund  
June 30, 2015

	<u>Enterprise Loan Fund</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 263,851
Loans receivable, net	<u>55,675</u>
Total assets	<u><u>\$ 319,526</u></u>
<b>Liabilities and Net Position</b>	
Liabilities	
Due to other funds	<u>\$ 10,466</u>
Total liabilities	<u>10,466</u>
Net Position	
Restricted for economic development	<u>309,060</u>
Total net position	<u>309,060</u>
Total liabilities and net position	<u><u>\$ 319,526</u></u>

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

**Northwest New Mexico  
Council of Governments**  
Statement of Revenues, Expenses and Changes in Fund Net Position -  
Proprietary Fund  
For the Year Ended June 30, 2015

	Enterprise Loan Fund
<b>Operating Revenues</b>	
Interest income	\$ 3,237
Miscellaneous income	550
Total operating revenues	3,787
<b>Operating Expenses</b>	
Personnel and fringe	1,837
Bad debt	6,000
Total operating expenses	7,837
Operating loss	(4,050)
Net position, beginning of year	313,110
<b>Net position, end of year</b>	<b>\$ 309,060</b>

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

**Northwest New Mexico  
Council of Governments  
Statement of Cash Flows  
Proprietary Fund  
For the Year Ended June 30, 2015**

	<u>Enterprise Loan Fund</u>
<b>Cash flows from operating activities</b>	
Cash received from customers	\$ 27,422
Cash paid to employees	(1,837)
Cash paid for loans	<u>(48,318)</u>
Net cash used by operating activities	<u>(22,733)</u>
Net decrease in cash and cash equivalents	(22,733)
Cash and cash equivalents, beginning of year	<u>286,584</u>
<b>Cash and cash equivalents, end of year</b>	<u><b>\$ 263,851</b></u>
<b>Reconciliation of operating loss to net cash used by operating activities</b>	
Operating loss	<u>\$ (4,050)</u>
Adjustments to reconcile operating loss to net cash used by operating activities	
Provision for loan losses	6,000
Change in assets and liabilities	
Loans receivable	(26,365)
Due to other funds	<u>1,682</u>
Total adjustments	<u>(18,683)</u>
Net cash used by operating activities	<u><b>\$ (22,733)</b></u>

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

**Northwest New Mexico  
Council of Governments**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual – General Fund**  
**For the Year Ended June 30, 2015**

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget Positive (Negative)
<b>Revenues</b>				
Grants and contracts	\$ 317,147	\$ 276,946	\$ 303,070	\$ 26,124
Membership dues	246,500	268,840	266,318	(2,522)
Miscellaneous income	2,500	23,813	6,386	(17,427)
Total revenues	<u>566,147</u>	<u>569,599</u>	<u>575,774</u>	<u>6,175</u>
<b>Expenditures</b>				
General government	566,147	569,599	577,027	(7,428)
Capital outlay	-	-	8,502	(8,502)
Total expenditures	<u>566,147</u>	<u>569,599</u>	<u>585,529</u>	<u>(15,930)</u>
Revenues over/(under) expenditures	-	-	(9,755)	(9,755)
Fund balance, beginning of year	<u>21,222</u>	<u>21,222</u>	<u>21,222</u>	
Fund balance, end of year	<u>\$ 21,222</u>	<u>\$ 21,222</u>	<u>\$ 11,467</u>	

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

**Northwest New Mexico  
Council of Governments  
Notes to Financial Statements  
June 30, 2015**

**1) Summary of Significant Accounting Policies**

Reporting Entity

The Northwest New Mexico Council of Governments (the "Council") was established in 1968 pursuant to New Mexico State Law and Executive Order to serve as State Planning District I, initially serving local governments in McKinley County and subsequently adding local governments in Cibola and San Juan Counties. For the fiscal year ended June 30, 2015, the Council was composed of ten units of local government, including:

- Cibola, McKinley and San Juan Counties,
- The incorporated communities of Gallup, Grants, Farmington, Milan, Aztec and Bloomfield, and
- NWNM Regional Solid Waste Authority.

Funding comes from each member government, as well as, many public and private funding sources.

The basic activities are as follows:

1. Obtain grants, contracts and other sources of funds for local governments and various agencies and entities;
2. Disseminate information regarding federal programs and the establishment of new programs;
3. Provide technical assistance to members in the developing, financing and implementing local programs and projects;
4. Serve as a liaison and facilitator of communications between and among local members and other public and private agencies;
5. Sponsor workshops, seminars and forums on local and regional issues, as well as on public and private programs available for members;
6. Develop regional plans and initiatives for addressing local and regional needs, such as in the areas of water, community development, housing transportation, energy and economic development;
7. Serve as a Federally-designated economic development district.

**Northwest New Mexico  
Council of Governments  
Notes to Financial Statements  
June 30, 2015**

1) Summary of Significant Accounting Policies – continued

The Council is the primary government and is not a component unit of any other entity. It is the financial reporting entity, and it did not have any component units during the fiscal year ended June 30, 2015.

Accounting Standards

The financial statements of the Council conform with generally accepted accounting principles (GAAP) applicable to state and local governments. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. GASB statements and interpretations constitute GAAP for governments and their enterprises.

**Basis of Presentation – Fund Accounting**

The accounting system is organized and operated on a fund basis. A “fund” is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying out specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

**Basis of Accounting**

Council-wide Financial Statements

The Council-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. 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 reconciliations with brief explanations to better identify the relationship between the Council-wide statements and the governmental fund statements. The Council-wide focus is more on the sustainability of the Council as an entity and the change in aggregate financial position resulting from the activities of the period. Neither fiduciary funds nor component units that are fiduciary in nature are included in the Council-wide financial statements.

**Northwest New Mexico  
Council of Governments  
Notes to Financial Statements  
June 30, 2015**

1) Summary of Significant Accounting Policies – continued

Net Position Restricted by Enabling Legislation — Council-wide

Net position in the Council-wide financial statements are reported as *restricted* when constraints placed on net position use is either externally imposed by law through constitutional provisions or enabling legislation. Legal enforceability means that a government can be compelled by an external party-such as citizens, public interest groups, or the judiciary-to use resources created by enabling legislation only for the purposes specified by the legislation. Generally, the enforceability of an enabling legislation restriction is determined by professional judgment, which may be based on actions such as analyzing the legislation to determine if it meets the qualifying criteria for enabling legislation, reviewing determinations made for similar legislation of the government or other governments, or obtaining the opinion of legal counsel. However, enforceability cannot ultimately be proven unless tested through the judicial process, which may never occur. The determination of legal enforceability should be based on the underlying facts and circumstances surrounding each individual restriction. The determination that a particular restriction is not legally enforceable may lead a government to reevaluate the legal enforceability of similar enabling legislation restrictions, but should not necessarily lead a government to conclude that all enabling legislation restrictions are unenforceable.

Other components of net position include:

Net investment in capital assets — represents the cost of capital assets netted with accumulated depreciation and any outstanding balance of debt, excluding unspent proceeds, that is directly attributable to acquisition, construction or improvement of these capital assets; and

Unrestricted net position — represents all other net position that do not meet the definition of “restricted” or “net investment in capital assets.”

Fund Financial Statements

The fund financial statements provide information about the Council’s funds. Separate statements for each fund category-governmental and proprietary-are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. The Council’s sole governmental fund is its general fund.



**Northwest New Mexico  
Council of Governments  
Notes to Financial Statements  
June 30, 2015**

1) Summary of Significant Accounting Policies – continued

The Council's major, and only, enterprise fund is as follows:

- *Enterprise Loan Fund* – makes loans to new and growing businesses through “gap” or “bridge” financing. It is the intent of this fund to fill the gap in financing, by partnering with a bank or other lending agency.

The Council-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when liabilities are incurred, regardless of when the related cash flow takes place.

Proprietary fund *operating* revenues result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. *Operating* expenses of proprietary funds include the cost of services and administrative expenses. All revenues and expenses not meeting these definitions are reported as *nonoperating* revenues and expenses.

The governmental fund statements are presented on a current financial resource and modified accrual basis of accounting. 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. This presentation is deemed appropriate to (a) demonstrate legal compliance, (b) demonstrate the source and use of liquid resources, and (c) demonstrate how the Council's actual experience conforms to the budget plan.

Revenue Recognition

In applying the “susceptible to accrual concept” under the modified accrual basis, revenue is recognized when it is 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). Reimbursements from state and federally funded projects are accrued as revenue at the time the expenditures are made. If funds are received in advance, the revenue is deferred until expenditures are made.

**Northwest New Mexico  
Council of Governments**  
Notes to Financial Statements  
June 30, 2015

1) Summary of Significant Accounting Policies – continued

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, as well as, other long-term liabilities (e.g. accrued leave) are recognized when paid. Expenditures charged to federal programs are recorded utilizing the cost principles prescribed by the various funding sources.

GASB Statement 54

In February 2009, the GASB issued Statement No. 54 Fund Balance Reporting and Governmental Fund Type Definitions (GASB 54). This statement enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied. GASB 54 also clarifies governmental fund type definitions.

The fund balance amounts for governmental funds included in this report have been reclassified in accordance with GASB 54. As a result, in the governmental fund financial statements, fund balances previously reported as reserved and unreserved are now reported according to a hierarchy of classifications established in GASB 54, which are based on the extent to which the Council is bound to honor constraints on the specific purpose for which amounts in that fund can be spent.

GASB 54 fund balance classifications include:

*Nonspendable* — amounts cannot be spent because they are either (1) not in spendable form or (2) are legally or contractually required to be maintained intact;

*Restricted* — amounts constrained to specific purposes that are externally imposed or imposed by law through constitutional provisions or enabling legislation;

*Committed* — amounts can only be used for specific purposes pursuant to constraints imposed by formal action of the highest level of decision-making authority (Board of Directors);

*Assigned* — constrained by the Council's intent to be used for a specific purpose(s); and

*Unassigned* — the residual classification for remaining amounts after all other classifications have been considered.

**Northwest New Mexico  
Council of Governments  
Notes to Financial Statements  
June 30, 2015**

1) Summary of Significant Accounting Policies – continued

Capital Assets and Depreciation

The Council capitalizes expenditures over \$5,000. Capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair market value on the date they are donated, and when construction is financed, interest during construction is capitalized. The Council has no debt relating to capital assets.

Although depreciation is not funded, it must be considered in order to properly reflect the results of operations and the replacement of the equipment and furniture. Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows:

<u>Assets</u>	<u>Years</u>
Leasehold improvements	Life of the lease
Furniture and equipment	5
Software	5
Vehicles	5

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the New Mexico Public Employees Retirement Association (PERA) and additions to/deductions from PERA’s fiduciary net position have been determined on the same basis as they are reported by PERA, on the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Budgets

An annual operating budget is prepared by the Council staff for the general and proprietary funds after the New Mexico Department of Finance and Administration (DFA) notifies the Council’s Board of Directors of the amount of state grants-in-aid available to be allocated. The Council must obtain non-federal matching funds or services, or both, from local governments or private sources at least equal to the amount of the state grant-in-aid. The governing board of the Council certifies that the budget adopted is consistent with the expenditure of state and local funds under the Planning District Act.

**Northwest New Mexico  
Council of Governments  
Notes to Financial Statements  
June 30, 2015**

1) Summary of Significant Accounting Policies – continued

The adopted budget is then presented to and certified by DFA with respect to the budget and work program under the State Grant in Aid funding. The Council's Board of Directors exercises budgetary control at the fund level for capital outlay and all other operations. Subsequent budget adjustments must be approved by the governing board of the Council but are not subject to approval by the Department of Finance and Administration. The president or treasurer of the Council's Board of Directors certifies from time to time that the matching funds from local or private sources are on deposit in the Council's own account before quarterly payment of state grant-in-aid is made.

Any state funds unexpended on June 30th each year revert to the state's General Fund and, if any state funds have been used for any purpose not within the purposes of the Planning District Act, the amount shall be reimbursed to the state. The Council has received no funds from the state's General Fund.

The Council records and maintains the general fund budget on the modified accrual basis, and therefore, a reconciliation of the budget financial statements to the fund financial statements is not necessary.

Spending Policy

When an expenditure/expense is incurred for purposes for which both restricted and unrestricted resources are available, it is the Council'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 Council's policy to spend committed resources first.

Indirect Cost

The Council does not have a negotiated Indirect Cost Rate with federal grantors. Expenditures not directly attributable to specific programs are allocated monthly among all funds based upon the budgeted expenditures for each fund as a percentage of total budgeted expenditures.

Interfund Receivable and Payables – Due To/Due From

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds, and those related to goods and services type transactions are classified as "due to and from other funds." Short-term interfund loans are reported as "interfund receivables and payables," and these amounts are presented at the net amounts for each fund. Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position.

**Northwest New Mexico  
Council of Governments  
Notes to Financial Statements  
June 30, 2015**

1) Summary of Significant Accounting Policies – continued

Use of Estimates

The preparation of financial statements in conformity with 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.

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Financial Position 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 that applies to future period(s) and so will not be recognized as an outflow of resources (expense/expenditures) until then. Also, in addition to liabilities, the Statement of Net Position 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(s) and so will not be recognized as an inflow of resources (revenue) until that time. At June 30, 2015, the Council reported \$24,154 of deferred outflows and \$112,813 of deferred inflows as a result of the implementation of GASBS No. 68, *Accounting and Financial Reporting for Pensions*.

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.

Encumbrances

Encumbrances are not used by this entity.

Program Revenues

Program revenues are made up of fees received from members of the Council and grants and contracts that have been used to meet the operational or capital requirements of a particular program.

2) **Key programs of the Council**

The General Fund is the general operating fund of the Council and it is used to account for all financial resources except those required to be accounted for in another fund. The General Fund is always considered a major fund.

**Northwest New Mexico  
Council of Governments  
Notes to Financial Statements  
June 30, 2015**

2) Key programs of the Council – continued

The key programs of the Council are organized by “funds” (also referred to administratively as “programs” or “projects”, or alternatively as “departments” by the Council’s accounting system), each of which is considered a separate accounting entity for internal record-keeping purposes. The operations of each fund (program) are accounted for with a unique set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenue and expenditures

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 Council did not have any special revenue funds during fiscal year 2015.

The following are the grant and contract programs included in the General Fund during fiscal year 2015:

**Federal Grants and Contracts**

*EDA/Planning and Technical Assistance* — A multi-year grant from the Economic Development Administration (EDA) of the U.S. Department of Commerce to establish and maintain a Comprehensive Economic Development Strategy (CEDS) process, including: economic demographics work; coordinating economic development planning with other economic development entities; notifying the EDA Austin Regional Office of any plant closures or significant downsizing disaster designations, base realignments or closures, or any other sudden and severe economic dislocation within the district; providing staff support to develop and monitor projects that will increase economic opportunities within the district; and providing technical assistance as appropriate to member agencies.

**State Grants and Contracts**

*NMLGD/State Grant-in-Aid* — The Council utilizes State-appropriated Grant-in-Aid funds, administered by the Local Government Division of the New Mexico Department of Finance and Administration, in combination with other funds, to support planning and technical assistance activities in program management, project development and technical assistance in Grantsmanship, Community Development Block Grants (CDBG) for local members, local Infrastructure Capital Improvement Plans (ICIP), legislative relations, infrastructure capital outlay, rural community development, water planning, and general regional planning.

**Northwest New Mexico  
Council of Governments  
Notes to Financial Statements  
June 30, 2015**

2) Key programs of the Council – continued

*NMDOT/Regional Transportation Planning Organization (RTPO)* — A multi-year grant from the New Mexico Department of Transportation (NMDOT), renewed annually and funded in part by Federal appropriations to New Mexico by the Federal Highway Administration, to provide staffing services in support of regional transportation planning under the auspices of the Northwest Regional Transportation Planning Organization (NWRTPO), including coordination and staffing of the NWRTPO Committee comprised of representation from the region's local and tribal governments, networking with transportation partners within the region and the state, preparation of general and special regional plans in collaboration with the State (such as in freight and long-range planning), and annual submission to NMDOT of regional recommendations for project inclusion in the State Transportation Improvement Program (STIP).

*NMDOT/Regional Planning Organization Program – 4CITE* – The Council, through its Regional Transportation Planning Organization, has been challenged to provide a level of technical assistance and analysis that is beyond our current capacity. Special study sources are being sought and obtained for the purposes of readying infrastructure and supporting a private-public-tribal partnership to provide a first class multimodal network to serve an emerging economic boom in northwestern New Mexico, while balancing safety and movement of residential, tourist, and regional consumer traffic.

**Local and Private Grants and Contracts**

*NMCC/Microenterprise Incubator* – A subgrant from New Mexico Community Capital under the New Mexico Impact Fund established by the Tides Foundation under targeted New Mexico funding from the W.K. Kellogg Foundation. The Council partnered with local agencies to plan and implement a rural microenterprise incubator in conjunction with the opening and operation of the Navajo Tourism & Welcome Center at Sheep Springs, New Mexico.

*WWKF: NMIF* – An agreement with New Mexico Community Capital (NMCC) to provide resources to perform tasks on projects directed by the NMCC. Tasks include but not limited to establishing a micro-enterprise incubator program for Navajo Artisans and micro-entrepreneurs with a particular focus on women entrepreneurs.

*McK/BOR-RWS* – An intergovernmental services agreement with McKinley County to manage a grant from the US Bureau of Reclamation to conduct an advanced study of rural water system regionalization in the County.

**Northwest New Mexico  
Council of Governments  
Notes to Financial Statements  
June 30, 2015**

2) Key programs of the Council – continued

The Council has also entered into fiscal agent agreements with the City of Gallup; McKinley County; Cibola County and the Village of Milan in connection with funding for capital outlay projects as appropriated by the State Legislature.

**Enterprise Loan Fund**

The Council administers the Enterprise Loan Fund (the “ELF”), which makes loans to new and growing businesses through “gap” or “bridge” financing. It is the intent of this fund to fill the gap in financing, by partnering with a bank or other lending agency. Typically, the ELF program can lend up to 50 percent of the total project cost and cannot exceed \$150,000. Average loans are \$38,000. Job creation is the primary goal of the ELF with a target of one job created or saved for every \$25,000 borrowed.

3) **Cash Balances**

In accordance with Section 6-10-17, NMSA 1978 Compilation, deposits of public money are required to be collateralized in amounts in an aggregated 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 (FDIC), or the National Credit Union Administration.

Deposits (cash or cash equivalents) are carried at cost, which approximates market value. For the period beginning January 1, 2013, the standard maximum deposit insurance amount is \$250,000 per depositor at each separately chartered Federal Deposit Insurance Corporation (FDIC) insured depository institution. For more information, visit [www.fdic.gov](http://www.fdic.gov).

*Custodial Credit Risk* is the risk that in the event of a bank failure, the Council’s deposits may not be returned to it. The Council’s deposit policy is to collateralize one-half of the uninsured public money amount in each account.



**Northwest New Mexico  
Council of Governments**  
Notes to Financial Statements  
June 30, 2015

3) Cash Balances - continued

<u>Pinnacle Bank</u>	<u>Type</u>	<u>Balance Per Bank 6/30/2015</u>	<u>Balance Per Books 6/30/2015</u>
General fund	Checking	\$ 57,379	\$ 6,487
General fund	Savings	2,602	2,602
Enterprise loan fund - revolving loan fund	Checking	106,068	106,068
Enterprise loan fund - forest service loan fund	Checking	62,316	62,316
Enterprise loan fund - sequestered	Checking	<u>95,467</u>	<u>95,467</u>
Total cash in banks		<u>\$ 323,832</u>	<u>\$ 272,940</u>
As reported in the financial statements:			
Cash		\$ 9,089	
Restricted cash		<u>263,851</u>	
		<u>\$ 272,940</u>	

<u>Pledged Collateral at Banks</u>	<u>Pinnacle Bank</u>
Deposits	\$ 323,832
Less FDIC coverage	<u>(250,000)</u>
Total uninsured public funds	<u>73,832</u>
50% collateral requirement	36,916

<u>Collateral Pledged</u>	
Zuni NM Public: Cusip 98981 RAHO maturing 8/1/2019; security interest rate of 4%	<u>142,787</u>
Over(under) collateralized	<u>\$ 105,871</u>

**Northwest New Mexico  
Council of Governments  
Notes to Financial Statements  
June 30, 2015**

**4) Grants receivable**

Grant receivable balances at June 30, 2015, are composed of the following:

U.S. Department of Commerce	\$ 15,000
Regional Planning Organization	23,195
State of New Mexico Local Government Division	23,872
U.S. Department of Agriculture	40,000
Allowance for doubtful accounts	<u>(20,000)</u>
Total	<u><u>\$ 82,067</u></u>

**5) Loans Receivables**

Loans receivable in the Enterprise Loan Fund as of June 30, 2015 consist of five loans made through the Revolving Loan Fund loan program for business and job creation in the tri-county region of Cibola County, San Juan County, and McKinley County.

Loans receivable	\$ 178,027
Less allowance	<u>(122,688)</u>
Loans receivable, net	<u><u>\$ 55,339</u></u>

The following is the breakdown of the interest receivable as of June 30, 2015:

Interest receivable	\$ 7,888
Less allowance	<u>(7,552)</u>
Interest receivable, net	<u><u>\$ 336</u></u>

**Northwest New Mexico  
Council of Governments  
Notes to Financial Statements  
June 30, 2015**

**6) Capital Assets**

A summary of changes in capital assets for governmental activities during the year ended June 30, 2015, are as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<i>Governmental activities</i>				
Capital assets not being depreciated				
Software development in progress	\$ 12,000	\$ -	\$ -	\$ 12,000
Total capital assets not being depreciated	<u>12,000</u>	<u>-</u>	<u>-</u>	<u>12,000</u>
Capital assets being depreciated				
Leasehold improvements	478,087	8,502	471,821	14,768
Furniture & fixtures	24,759	-	2,943	21,816
Software	30,496	-	-	30,496
Vehicles	<u>35,264</u>	<u>-</u>	<u>-</u>	<u>35,264</u>
Total capital assets being depreciated	<u>568,606</u>	<u>8,502</u>	<u>474,764</u>	<u>102,344</u>
Less accumulated depreciation for				
Leasehold improvements	182,508	14,556	194,407	2,657
Furniture & fixtures	24,759	-	2,943	21,816
Software	30,496	-	-	30,496
Vehicles	<u>35,264</u>	<u>-</u>	<u>-</u>	<u>35,264</u>
Total accumulated depreciation	<u>273,027</u>	<u>14,556</u>	<u>197,350</u>	<u>90,233</u>
Capital assets, net	<u>\$ 307,579</u>	<u>\$ (6,054)</u>	<u>\$ 277,414</u>	<u>\$ 24,111</u>

Depreciation expense of \$14,556 was allocated to the general government function in the Council-wide statement of activities, which is the Council's only governmental activity function.

Business-type activities capital assets is made up of a software program with an acquisition cost of \$4,178 that became fully depreciated in a prior fiscal year. There was no business-type capital asset activity during the year ended June 30, 2015.

**Northwest New Mexico  
Council of Governments  
Notes to Financial Statements  
June 30, 2015**

**7) Accounts Payable and Accrued Liabilities**

A summary of accounts payable and accrued liabilities at June 30, 2015, is as follows:

	Vendors	Salaries and Benefits	Total
<i>Governmental activities</i>			
General fund	\$ 60,552	\$ 29,603	\$ 90,155
Total government activities	\$ 60,552	\$ 29,603	\$ 90,155

**8) Compensated Absences**

Accrued Benefits

Employees are paid for annual leave and absences due to sickness by a prescribed formula based on length of service. Annual leave benefits anticipated to be liquidated with expendable available resources are accrued and reported as liabilities in the Council-wide financial statements. These liabilities are allocated to the general fund and the enterprise loan fund based on indirect cost formulas. No more than 240 hours of annual leave may be carried over from a previous fiscal year. Upon termination for whatever reason, the employee shall be paid for any unused annual leave at the employee's then-current rate of pay. Sick leave benefits are not accrued but rather expensed in the applicable fund(s) as they are paid.

Regular employees may carry over a maximum of 480 hours of sick leave from a previous fiscal year. Upon retirement or termination, all unused accrued sick leave shall be forfeited, except that, employees participating and vested in the PERA retirement program and with not less than five years of employment with the Council, shall be entitled to compensation for unused sick leave hours up to but not exceeding 480 hours, at a rate equal to thirty-three percent of hourly rate of pay.

**Northwest New Mexico  
Council of Governments  
Notes to Financial Statements  
June 30, 2015**

8) **Compensated Absences - continued**

A summary of changes in long-term liabilities for the year ended June 30, 2015 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amount Due Within One Year
Governmental activities					
Compensated absences	\$ 26,964	\$ 21,433	\$ 18,347	\$ 30,050	\$ 7,813
Total long-term liabilities	<u>\$ 26,964</u>	<u>\$ 21,433</u>	<u>\$ 18,347</u>	<u>\$ 30,050</u>	<u>\$ 7,813</u>

9) **Restricted Net Position – Enterprise Loan Fund**

The Enterprise Loan Fund's restricted net position of \$309,060 at June 30, 2015 is restricted for economic development activity (i.e. loan programs) as a result of agreements with the granting organizations.

10) **Membership Dues**

Membership dues consist of annual assessments to member organizations. Membership dues are determined by a formula established by the Council based on membership level.

11) **Lease Commitments**

Office Leases

The Council leases office facilities from McKinley County. The lease agreement was initiated on July 1, 2005, and is for 20 years. This lease is accounted for as an operating lease and future minimum payments under this lease are \$1.00 a year for the next five years. At the end of each five year increment the County reserves the right to negotiate a new rental rate.

**Northwest New Mexico  
Council of Governments  
Notes to Financial Statements  
June 30, 2015**

11) Lease Commitments - continued

Equipment Leases

In November 2011, the Council entered into a new copier lease agreement for office equipment. The lease is accounted for as an operating lease and future minimum payments are as follows:

<u>Year ending June 30,</u>	
2016	\$ 2,470
	<u>\$ 2,470</u>

Total lease expense for the year ended June 30, 2015 was approximately \$6,000. All leases may be terminated at any time with sixty days' notice if the New Mexico Legislature does not grant sufficient appropriation for the lease or if the Council decides that termination is necessary to protect the best interests of the State of New Mexico.

12) **General Information about the Pension Plan**

**Plan description.** The Public Employees Retirement Fund (PERA Fund) is a **cost-sharing, multiple employer defined benefit pension plan**. This fund has six divisions of members, including State General, State Police/Adult Correction Officer, Municipal General, Municipal Police/Detention Officers, Municipal fire, and State Legislative Divisions, and offers 24 different types of coverage within the PERA plan.

All assets accumulated may be used to pay benefits, including refunds of member contributions, to any of the plan members or beneficiaries, as defined by the terms of this plan. Certain coverage plans are only applicable to a specific division. Eligibility for membership in the PERA Fund is set forth in the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). Except as provided for in the Volunteer Firefighters Retirement Act (10-11A-1 to 10-11A-7, NMSA 1978), the Judicial Retirement Act (10-12B-1 to 10-12B-19, NMSA 1978), the Magistrate Retirement Act (10-12C-1 to 10-12C-18, NMSA 1978), and the Educational Retirement Act (Chapter 22, Article 11, NMSA 1978), and the provisions of Sections 29-4-1 through 29-4-11, NMSA 1978 governing the State Police Pension Fund, each employee and elected official of every affiliated public employer is required to be a member in the PERA Fund.

**Northwest New Mexico  
Council of Governments  
Notes to Financial Statements  
June 30, 2015**

12) General Information about the Pension Plan - continued

PERA issues a publicly available financial report and a comprehensive annual financial report that can be obtained at <http://saonm.org/> using the Audit Report Search function for agency 366.

**Benefits provided.** For a description of the benefits provided and recent changes to the benefits See Note 1 in the PERA audited financial statements for the fiscal year ended June 30, 2014 available at:

[http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366\\_Public\\_Employees\\_Retirement\\_Association\\_2014.pdf](http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366_Public_Employees_Retirement_Association_2014.pdf).

**Contributions.** The contribution requirements of defined benefit plan members and the Council are established in state statute under Chapter 10, Article 11, NMSA 1978. The contribution requirements may be amended by acts of legislature. For the employer and employee contribution rates in effect for FY14 for the various PERA coverage options, for both Tier I and Tier II, see the tables available in the note disclosures on pages 29 through 31 of the PERA FY14 annual audit report at:

[http://osanm.org/media/audits/366\\_Public\\_Employees\\_Retirement\\_Association\\_2014.pdf](http://osanm.org/media/audits/366_Public_Employees_Retirement_Association_2014.pdf).

The PERA coverage option applicable to the Council is Municipal Plan 1. Statutorily required contributions to the pension plan from the Council were \$24,154.

**Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions.** The PERA pension liability amounts, net pension liability amounts, and sensitivity information were based on an annual actuarial valuation performed as of June 30, 2013. The PERA pension liability amounts for each division were rolled forward from the valuation date to the Plan year ending June 30, 2014, using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date of June 30, 2014.

The assets of the PERA fund are held in one trust, but there are six distinct membership groups (municipal general members, municipal police members, municipal fire members, state general members, state police members and legislative members) for whom separate contribution rates are determined each year pursuant to chapter 10, Article 11 NMSA 1978.

**Northwest New Mexico  
Council of Governments  
Notes to Financial Statements  
June 30, 2015**

12) General Information about the Pension Plan - continued

Therefore, the calculations of the net pension liability, pension expense and deferred Inflows and Outflows were performed separately for each of the membership groups: municipal general members; municipal police members; municipal fire members; state general members; state police members and legislative members. The Council's proportion of the net pension liability for each membership group that the employer participates in is based on the employer contributing entity's percentage of that membership group's total employer contributions for the fiscal year ended June 30, 2014. Only employer contributions for the pay period end dates that fell within the period of July 1, 2013 to June 30, 2014, were included in the total contributions for a specific employer. Regular and any adjustment contributions that applied to FY 2014 are included in the total contribution amounts. In the event that an employer is behind in reporting to PERA its required contributions, an estimate (receivable) was used to project the unremitted employer contributions. This allowed for fair and consistent measurement of the contributions with the total population. This methodology was used to maintain consistent measurement each year in determining the percentages to be allocated among all the participating employers.

At June 30, 2015, the Council reported a liability of \$287,860 for its proportionate share of the net pension liability. At June 30, 2014, the Council's proportion was 0.0369%, which was unchanged from its proportion measured as of June 30, 2013, due to the insignificance of the difference.

For the year-ended June 30, 2015, the Council recognized pension expense of \$12,009. At June 30, 2015, the Council reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 112,813
Council contributions subsequent to the measurement date	24,154	-
Total	\$ 24,154	\$ 112,813



**Northwest New Mexico  
Council of Governments  
Notes to Financial Statements  
June 30, 2015**

12) General Information about the Pension Plan - continued

\$24,154 reported as deferred outflows of resources related to pensions resulting from Council contributions subsequent to the measurement date of June 30, 2014 will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:		
2016	\$	28,203
2017		28,203
2018		28,203
2019		28,203
2020		<u>1</u>
Total	\$	<u>112,813</u>

**Actuarial assumptions.** As described above, the PERA Fund member group pension liabilities and net pension liabilities are based on actuarial valuations performed as of June 30, 2013 for each of the membership groups.

Then each PERA Fund member group pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2014 using generally accepted actuarial principles. There were no significant events or changes in benefit provisions that required an adjustment to the roll-forward liabilities as of June 30, 2014. These actuarial methods and assumptions were adopted by the Board for use in the June 30, 2014 actuarial valuation.

Actuarial valuation date	June 30, 2013
Actuarial cost method	Entry age normal
Amortization method	Level percentage pay
Amortization period	Solved for based on statutory rates
Asset valuation method	Fair value
Actuarial assumptions:	
- Investment rate of return	7.75% annual rate, net of investment expense
- Payroll growth	3.50% annual rate
- Projected salary increases	3.50% to 14.25% annual rate
- Includes inflation at	3.00% annual rate

**Northwest New Mexico  
Council of Governments  
Notes to Financial Statements  
June 30, 2015**

12) General Information about the Pension Plan – continued

The long-term expected rate of return on pension plan investments was determined using a statistical analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and most recent best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

All Funds - Asset Class	Target Allocation	Long-term Expected Real Rate of Return
US Equity	21.1%	5.0%
International Equity	24.8%	5.2%
Private Equity	7.0%	8.2%
Core and Global Fixed Income	26.1%	1.9%
Fixed Income Plus Sectors	5.0%	4.8%
Real Estate	5.0%	5.3%
Real Assets	7.0%	5.7%
Absolute Return	<u>4.0%</u>	4.2%
Total	<u>100%</u>	

**Discount rate.** The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that future contributions will be made in accordance with statutory rates. On this basis, the pension plan's fiduciary net position together with the expected future contributions are sufficient to provide all projected future benefit payments of current plan members as determined in accordance with GASBS 67. Therefore, the 7.75% assumed long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the Council's proportionate share of the net pension liability to changes in the discount rate.** The following tables show the sensitivity of the net pension liability to changes in the discount rate. In particular, the tables, present the Council's net pension liability in the PERA Fund Division that the Council participates in, under the current single rate assumption, as if it were calculated using a discount rate one percentage point lower (6.75%) or one percentage point higher (8.75%) than the single discount rate.

**Northwest New Mexico  
Council of Governments  
Notes to Financial Statements  
June 30, 2015**

12) General Information about the Pension Plan – continued

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
<b>PERA Fund Division: Municipal General</b>			
Council's proportionate share of the net pension liability	\$ 542,680	\$ 287,860	90,999

***Pension plan fiduciary net position.*** Detailed information about the pension plan's fiduciary net position is available in the separately issued FY14 Restated PERA financial report. The report is available at:

<http://www.pera.state.nm.us/publications.html>.

***Payables to the pension plan.*** At June 30, 2015, the Council owed approximately \$2,300 PERA for fiscal year 2015 contributions.

13) **Post-employment Benefits**

The Council 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).

14) **Risk Management**

The Council is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions and natural disasters for which the Council carries commercial insurance. Settled claims have not exceeded this commercial coverage in the past year. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. As of June 30, 2015, the Council did not have any probable risk of loss.

15) **Interfund Transactions and Balances**

Interfund receivables and payables are amounts due from and to other funds of the Council, and all amounts are expected to be paid within one year or less. As of June 30, 2015, \$10,466 was due to the general fund from the enterprise loan fund for reimbursement purposes. There were no interfund transfers for the fiscal year ended June 30, 2015.

**Northwest New Mexico  
Council of Governments**  
Notes to Financial Statements  
June 30, 2015

**16) Related Party Transaction**

The by-laws of the Council require the composition of the Board of Directors to represent member governments. As a result, many members of the Board of Directors are employed by, or serve in an elected capacity for, member governments. Due to the nature of the Council, Board members have a significant interest in the Council's transactions related to the furnishing of services to their respective governments. Total membership dues paid by the member governments to the Council for the fiscal year ended June 30, 2015 was \$266,318.

**17) Other Required Individual Fund Disclosures**

There were no funds in a deficit fund balance position as of June 30, 2015. The general fund exceeded its final approved budgeted expenditure amount of \$569,599 by \$15,930 and the enterprise loan fund exceeded its final approved budgeted expenses amount of \$1,906 by \$5,931.

**18) Subsequent Events**

Subsequent events are events or transactions that occur after the balance sheet date but before the financial statements are issued. The Council 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 Council'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 Council has evaluated subsequent events through December 14, 2015, which is the date the financial statements were available to be issued.

**19) Restatement**

As a result of implementation of GASB No. 68, *Accounting and Financial Reporting for Pensions*, net position at June 30, 2015 was restated in the amount of \$(388,636).

## **Required Supplementary Information**

**Northwest New Mexico  
Council of Governments**  
Schedules of Required Supplementary Information  
Schedule of the Council's Proportionate Share of the  
Net Pension Liability of PERA Fund Division: Municipal General  
Public Employees Retirement Association (PERA) Plan  
Last 10 Fiscal Years (in thousands)\*

	2015
Council's proportion of the net pension liability (asset)	0.0369%
Council's proportionate share of the net pension liability (asset)	\$ 288
Council's covered-employee payroll	\$ 243
Council's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	118.52%
Plan fiduciary net position as a percentage of the total pension liability	81.29%

**Northwest New Mexico  
Council of Governments**  
Schedules of Required Supplementary Information  
Schedule of the Council's Contributions  
Public Employees Retirement Association (PERA) Plan  
PERA Fund Division: Municipal General  
Last 10 Fiscal Years (in thousands)\*

	2015
Contractually required contribution	\$ 27
Contributions in relation to the contractually required contribution	27
Contribution deficiency (excess)	\$ -
Council's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	118.52%
Plan fiduciary net position as a percentage of the total pension liability	81.29%

\*The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Council will present information for those years for which information is available.

**Northwest New Mexico  
Council of Governments**  
Notes to Required Supplementary Information  
June 30, 2015

**Changes of benefit terms.** The PERA Fund COLA and retirement eligibility benefits changes in recent years are described in Note 1 of the PERA FY14 audit available at [http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366\\_Public\\_Employees\\_Retirement\\_Association\\_2014.pdf](http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366_Public_Employees_Retirement_Association_2014.pdf).

**Changes of assumptions.** The Public Employees Retirement Association (PERA) of New Mexico Annual Actuarial Valuation as of June 30, 2014 report is available at [http://www.pera.state.nm.us/pdf/Investments/RetirementFundValuationReports/6-30-2014%20PERA%20Valuation%20Report\\_Final.pdf](http://www.pera.state.nm.us/pdf/Investments/RetirementFundValuationReports/6-30-2014%20PERA%20Valuation%20Report_Final.pdf). The Summary of Key Findings for the PERA Fund (on page 2 of the report) states, “based on a recent experience study for the five year period ending June 30, 2013, the economic and demographic assumptions were updated for this valuation. The changes in assumptions resulted in a decrease of \$30.8 million to Fund liabilities and an increase of 0.13% to the funded ratio. For details about changes in the actuarial assumptions, see Appendix B on page 60 of the report.

## **Supplemental Information**



**Northwest New Mexico  
Council of Governments**  
Statement of Revenues, Expenses and Changes in Net Position  
Budget and Actual – Enterprise Loan Fund  
For the Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
<b>Operating revenue</b>				
Interest	\$ 1,500	\$ 1,906	\$ 3,237	\$ 1,331
Miscellaneous income	-	-	550	550
Total revenues	<u>1,500</u>	<u>1,906</u>	<u>3,787</u>	<u>1,881</u>
<b>Operating expenses</b>				
Personnel	1,500	1,906	1,837	69
Bad debt	-	-	6,000	(6,000)
Total expenses	<u>1,500</u>	<u>1,906</u>	<u>7,837</u>	<u>(5,931)</u>
Revenues over/(under) expenses	<u>-</u>	<u>-</u>	<u>(4,050)</u>	<u>(4,050)</u>
Net position, beginning of year	<u>313,110</u>	<u>313,110</u>	<u>313,110</u>	
Net position, end of year	<u>\$ 313,110</u>	<u>\$ 313,110</u>	<u>\$ 309,060</u>	

## **Other Information**

**Northwest New Mexico  
Council of Governments**

Schedule of Vendor Information for Purchases Exceeding \$60,000 (excluding GRT)

For the Year Ended June 30, 2015

Prepared by Council Staff Name: Teresa Mecale Date December 7, 2015.

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

Independent Auditors' 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*

Board of Directors  
Jeff Kiely, Executive Director  
Northwest New Mexico Council of Governments  
Gallup, New Mexico  
and  
Mr. Timothy Keller, New Mexico State Auditor  
Office of the State Auditor  
Santa Fe, New Mexico

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 business-type activities, each major fund, and the budgetary comparison of the general and enterprise loan funds of the Northwest New Mexico Council of Governments (the "Council") as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Council's basic financial statements and have issued our report thereon dated December 14, 2015.

### **Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.

Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item FS 2015-001, which we consider to be a significant deficiency.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Council'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 are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item FS 2015-001.

### **The Council's Response to the Finding**

The Council's response to the finding in our audit is described in the accompanying schedule of findings and questioned costs. The Council'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.

Loftis Group <sup>uc</sup>

Albuquerque, New Mexico  
December 14, 2015

**Northwest New Mexico  
Council of Governments  
Summary Schedule of Prior Audit Findings  
For the Year Ended June 30, 2015**

**Section I – Status of Prior Year Audit Findings**

Finding FS 2014-001 – Financial Statement Preparation

*Condition:* Council personnel were unable to provide an accurate trial balance for audit. The Council had to contract with a Certified Public Accountant to assist them with account reconciliations and as a result many significant adjusting journal entries were required after the accounting records were closed for the year ended June 30, 2014.

*Current status:* Resolved.

Finding FS 2014-002 – Credit Card Charges Supporting Documentation and Personal Use

*Condition:* In testing the propriety of credit card charges we noted several instances where the charges were not supported by itemized receipts or other documentation necessary for us to determine the nature and propriety of the charge. We also noted two transactions that were personal charges and noted that personal charges to the Council credit card were not always paid back on a timely basis.

*Current status:* Resolved.

Finding FS 2014-003 Health Premiums Supporting Documentation

*Condition:* During internal control testwork over payroll transactions we noted that the Council could not provide support to substantiate the amount of health insurance premiums withheld from employee compensation.

*Current status:* Resolved.

FS 2014-004 – Timely Submission of Financial Statements

*Condition:* The fiscal year 2014 financial statements were not submitted to the New Mexico Office of the State Auditor by the December 15, 2014 submission deadline.

*Current status:* Resolved.

**Northwest New Mexico  
Council of Governments  
Schedule of Findings and Responses  
For the Year Ended June 30, 2015**

**Section II — Financial Statement Findings**

**FS 2015-001 Excess of Expenditures over Budget (Significant Deficiency and Noncompliance in Accordance with the New Mexico State Audit Rule)**

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*Condition:* Actual expenditures exceeded budgeted expenditures at the total fund level for the following funds:

General Fund	\$15,930
Enterprise Loan Fund	\$ 5,931

*Criteria:* NMAC 2.2.2.10 requires a finding when actual expenditures exceed budgeted expenditures.

*Effect:* The Council's expenditures in the above funds exceeded the total approved budgeted expenditures by \$21,861.

*Cause:* Budgetary controls were not in place to adequately monitor and regularly compare budget to actual results. As a result, measures were not taken to avoid or minimize the amount that actual expenditures exceeded the approved budget for the Council's general and enterprise loan funds.

*Auditor's Recommendation:* Budget adjustment requests should be presented to and approved by the Council's Board of Director's before expending funds in excess of budget. Control's should be implemented to ensure that budgeted amounts are compared to actual on a regular basis and the budget effectively utilized for controlling expenses and managing cash flow.

*Management Response:* Management accepts the finding as presented. The Council is establishing procedures to ensure budget action on expenditure items arising outside of prior budget approvals, with particular attention to year-end budget adjustments, and to ensure that expenditures do not exceed budget. The Executive Director will oversee the corrective action and will work with the Finance Manager to make these changes and have them adopted by the Executive Committee of the Board of Directors by March 31, 2016.

**Northwest New Mexico  
Council of Governments  
Exit Conference  
June 30, 2015**

The financial statements presented in this report were prepared by the auditors, Loftis Group, LLC.

The content of this report was discussed at an exit conference held on December 14, 2015 with the following in attendance:

**Northwest New Mexico Council of Governments**

Jeff Kiely, Executive Director

Evan Williams, Deputy Director

Teresa Mecale, Finance Manager

Martina Whitmore, Finance Assistant

Billy Moore, Board Chairman

Louie Bonaguidi, Board Treasurer

**Loftis Group, LLC**

Armando Sanchez, CPA, CFE, Principal

We appreciate the many courtesies and assistance extended to us by the management and employees of the Northwest New Mexico Council of Governments.