



Northwest New Mexico Council of Governments

Financial Statements
and
Independent Auditor's Report

June 30, 2022

Northwest New Mexico Council of Governments

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Northwest New Mexico Council of Governments

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**Northwest New Mexico
Council of Governments
Official Roster
June 30, 2022**

DIRECTORS	POSITION	MEMBER GOVERNMENT/TITLE
Billy Moore	Chair	McKinley County - County Commissioner
Martha Garcia	1st Vice-Chair	Cibola County - County Commissioner
Michael Padilla, Sr.	Member	City of Aztec - City Councilor
Louie Bonaguidi	Board Treasurer	City of Gallup - Citizen Appointee
Linda Rodgers	Member	City of Farmington - City Councilor
Jim Cox	Member	San Juan County - Deputy County Manager
Jason Thomas	Member	City of Bloomfield - Public Works Director
Fran Palochak	Member	City of Gallup - City Councilor
Michael Shaaf	Member	City of Gallup - City Councilor
Maryann Ustick	Member	City of Gallup - City Manager
Anthony Dimas	Member	McKinley County - County Manager
Robert Baca	Member	McKinley County - County Commissioner
Genevieve Jackson	Member	McKinley County - County Commissioner
Erik Garcia	Member	City of Grants - City Councilor
Modey Hicks	Member	City of Grants - Mayor
Judy Horacek	Member	Cibola County - Projects Coordinator
Ellen Baca	Member	Village of Milan - Trustee
Administrative Officer		
Evan Williams, Executive Director & Board Secretary <i>ex officio</i>		



Independent Auditors' Report

Board of Directors
Evan Williams, Executive Director
Northwest New Mexico Council of Governments

And

Honorable Brian S. Colón, Esq., New Mexico State Auditor
Office of the State Auditor

Report on the Audit of the 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, 2021, and the related notes to the financial statements, as listed in the table of contents.

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, each major fund, and the budgetary comparison for the general fund of the Council, as of June 30, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Council and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Council's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

OFFICE LOCATIONS

TEXAS | Waco | Temple | Hillsboro | Houston
NEW MEXICO | Albuquerque



Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Council's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Council's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the Public Employee Retirement Association schedules on pages 5-14 and 46-47 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statement that collectively comprise the Council's basic financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2022, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Council's 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.

Pattillo, Brown & Hill, LLP

Albuquerque, New Mexico

November 29, 2022

**Northwest New Mexico
Council of Governments
Management’s Discussion and Analysis
For the Year Ended June 30, 2022**

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, 2022. 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 2022, the Council’s total net position increased by \$101,409 to \$909,670. This increase was almost completely in governmental activities, which began the year with net position of \$548,963 and ended the year with a net position of \$650,362. Net position of business-type activities increased by \$10 to \$259,308.

- ◆ Expenses of the Council’s governmental activities were \$1,588,191 in fiscal year 2022, an increase of \$164,662 from fiscal year 2021 expenses, all of which was for regional community development activities. The increase is primarily attributable to increased federal grant spending related to Economic Adjustment Assistance grants from the U.S. Department of Commerce.

Overview of Financial Statements

This annual report consists of four parts:

1. Management’s discussion and analysis (this section).
2. The basic financial statements.
3. Required supplementary information.
4. Compliance Section.

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:

**Northwest New Mexico
Council of Governments
Management's Discussion and Analysis
For the Year Ended June 30, 2022**

- Governmental fund financial statements report 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 report 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 provides schedules for the Council's participation in the Public Employees Retirement Association (PERA).

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* – The Council's Enterprise Loan Fund operation is reported here.

**Northwest New Mexico
Council of Governments
Management's Discussion and Analysis
For the Year Ended June 30, 2022**

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 Council-wide statements (statement of net position 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 position 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 a statement of cash flows.

**Northwest New Mexico
Council of Governments
Management's Discussion and Analysis
For the Year Ended June 30, 2022**

Financial Analysis of the Council as a Whole

Net position. As of June 30, 2020, the Council's total net position increased by \$101,409. 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>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Current and other assets	\$ 774,578	\$ 861,294	\$ 259,308	\$ 259,298	\$ 1,033,886	\$ 1,120,592
Capital assets	<u>569,462</u>	<u>546,684</u>	<u>-</u>	<u>-</u>	<u>569,462</u>	<u>546,684</u>
Total assets	<u>1,344,040</u>	<u>1,407,978</u>	<u>259,308</u>	<u>259,298</u>	<u>1,603,348</u>	<u>1,667,276</u>
Deferred outflows - pension related	<u>98,006</u>	<u>216,871</u>	<u>-</u>	<u>-</u>	<u>98,006</u>	<u>216,871</u>
Current and other liabilities	199,614	342,598	-	-	199,614	342,598
Long-term liabilities	<u>424,053</u>	<u>686,565</u>	<u>-</u>	<u>-</u>	<u>424,053</u>	<u>686,565</u>
Total liabilities	<u>623,667</u>	<u>1,029,163</u>	<u>-</u>	<u>-</u>	<u>623,667</u>	<u>1,029,163</u>
Deferred inflows - pension related	<u>168,019</u>	<u>46,725</u>	<u>-</u>	<u>-</u>	<u>168,019</u>	<u>46,725</u>
Net position						
Net investment in capital assets	569,462	546,684	-	-	569,462	546,684
Restricted	-	-	259,308	259,298	259,308	259,298
Unrestricted (deficit)	<u>80,898</u>	<u>2,277</u>	<u>-</u>	<u>-</u>	<u>80,898</u>	<u>2,277</u>
Total net position	<u>\$ 650,360</u>	<u>\$ 548,961</u>	<u>\$ 259,308</u>	<u>\$ 259,298</u>	<u>\$ 909,668</u>	<u>\$ 808,259</u>

**Northwest New Mexico
Council of Governments
Management's Discussion and Analysis
For the Year Ended June 30, 2022**

Change in Net Position. Total revenues were \$1,689,590 and \$1,896,132 for 2022 and 2021 compared with expenses of \$1,588,191 and \$1,423,529, respectively. The decrease in revenues is primarily attributable to a one-time contribution of \$250,000 received from the Tri-State Generation & Transmission Association (Tri-State) received in 2021. Total expenses increased compared to 2021 and is largely attributable to increased U.S Department of Transportation and U.S. Department of Commerce grant award expenditures. 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>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Revenues						
Program revenues						
Operating grants and contributions	\$ 1,064,938	\$ 1,326,801	\$ -	\$ -	\$ 1,064,938	\$ 1,326,801
Capital grants and contributions	138,928	138,928	-	-	138,928	138,928
Charges for services	207,070	146,000	-	-	207,070	146,000
General revenues						
Membership dues	210,345	224,500	-	-	210,345	224,500
Donation of capital assets	-	-	-	-	-	-
Gain on sale of capital assets	-	-	-	-	-	-
Miscellaneous income	68,309	55,197	10	9	68,319	55,206
Contributed capital asset	-	4,706	-	-	-	4,706
Total revenues	<u>1,689,590</u>	<u>1,896,132</u>	<u>10</u>	<u>9</u>	<u>1,689,600</u>	<u>1,896,141</u>
Expenses						
Regional community development	1,588,191	1,423,529	-	-	1,588,191	1,423,529
Enterprise loan fund	-	-	-	-	-	-
Total expenses	<u>1,588,191</u>	<u>1,423,529</u>	<u>-</u>	<u>-</u>	<u>1,588,191</u>	<u>1,423,529</u>
Change in net position	101,399	472,603	10	9	101,409	472,612
Net position, beginning of year	<u>548,961</u>	<u>76,358</u>	<u>259,298</u>	<u>259,289</u>	<u>808,259</u>	<u>335,647</u>
Net position, end of year	<u>\$ 650,360</u>	<u>\$ 548,961</u>	<u>\$ 259,308</u>	<u>\$ 259,298</u>	<u>\$ 909,668</u>	<u>\$ 808,259</u>

**Northwest New Mexico
Council of Governments
Management's Discussion and Analysis
For the Year Ended June 30, 2022**

Governmental activities

Spending for governmental activities was \$1,588,191 and \$1,423,529 for 2022 and 2021, respectively, which was offset by approximately \$1,689,590 and \$1,896,132 in revenues primarily from grants and contracts and membership dues. The decrease in revenues is primarily due to a \$250,000 contribution from Tri-State while the increases in expenses are primarily due to an increase in U.S. Department of Commerce Economic Adjustment Assistance grant awards and expenditures and increased highway planning and construction grant awards from the U.S. Department of Transportation.

Business-type activities

Activity in the Council's Revolving Loan Fund was limited to \$10 and \$9 of interest income for the years ended June 30, 2022, and 2021.

Financial Analysis of the Council's Funds

The general fund is the chief operating fund of the Council. During the year ended June 30, 2022, the general fund's fund balance increased \$55,006 to \$581,881. During the year ended June 30, 2021, the general fund's fund balance increased \$349,499 to \$526,873.

All of the Council's proprietary fund net position is restricted for economic development activities. Net position of the proprietary fund increased by \$10 to \$259,302 at June 30, 2022.

General Fund Budgetary Highlights

General fund actual revenues were under budget by \$1,271,489 while general fund expenditures were under budgeted expenditures by \$1,238,796.

Capital Assets

Governmental activities had net capital assets of \$569,462 and \$546,684 as of June 30, 2022 and 2021, respectively. Capital asset additions during 2021 consisted primarily of software. Capital asset additions during 2021 consisted primarily of roof repairs. Depreciation expense totaled \$27,161 and \$25,150 for the years ended June 30, 2022 and 2021, respectively.

Additional details for capital assets can be found in the notes to the financial statements.

**Northwest New Mexico
Council of Governments
Management's Discussion and Analysis
For the Year Ended June 30, 2021**

Economic Factors and Next Year's Activities

The Council's budget continues to reflect the overall economy of local communities, the region, State and nation, as well as public funds available from each level. Federal funding in the short-term seems to be on the rise, and local economies are recovering from COVID-19 downturns mainly through Federal injections of funding for states, municipalities, counties and tribes. The Council continues to add new services and provide value in this new environment while continuing their robust relevance and presence in the work of supporting local and regional economies and quality of life.

Public funding for the Council has been somewhat stable, and members sometimes tap other resources to subcontract with the Council for specialized services. The Council has expanded its internal capabilities to attract special projects including Comprehensive Planning, Transportation Planning, and Outdoor Recreation Projects.

Operational budget continues to be relatively stable. Other factors are outlined below:

- ◆ Membership: Membership dues have stabilized and are estimated to be slowly increasing in the coming couple of years mainly due to the value COG provides and the need for grant writing and administration services. Local governmental members have experienced increasing Federal revenue, stabilized in local gross receipt tax revenue after COVID-19, but are still very conservative in their investments due to volatility in the region's traditional industries. The COG Board of Directors approved a proposal to raise wages linked to inflation and one-time increases over several years to re-staff a San Juan County office starting in FY2023.
- ◆ US Economic Development Administration (EDA):
 - Planning and Technical Assistance Grant: Planning and technical assistance funding for the annual "Partnership Planning Program" grant to "Economic Development Districts" from EDA (U.S. Department of Commerce), administered under a renewed three-year grant agreement for Calendar Years 2022 through 2024, continuing at \$210,000 three-year agreement and with a required match of \$52,500 for each of the Federal fiscal years. 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 completed a formal Peer Review in Summer 2021.

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- ◆ US Economic Development Administration (EDA):
 - The Council continues to maintain and manage two multi-year grants awarded by EDA under the inter-agency “Assistance to Coal Communities” (ACC) initiative, tapping resources reflecting the government's commitment to coal-impacted regions.
 - Assistance to Coal Communities Grant #1: In September 2019, the Council was awarded a \$988,400 grant to develop master plans and design documents for the Prewitt and Milan Industrial Parks, respectively, and develop and implement a pilot workforce program. This funding was matched by \$540,000 in State investment. The majority of this grant was provided to contractors.
 - Assistance to Coal Communities Grant #2: In September 2020, the Council was awarded a \$988,400 grant to develop final design documents for the Milan Industrial Parks and complete a market feasibility study for Fort Wingate. This funding required no match. The majority of this grant was provided to a contractor but did allow the Council to continue its a part-time Regional Economic Development Manager position.
 - Assistance to Coal Communities Grant #2: In September 2020, the Council was awarded a \$988,400 grant to develop final design for the Milan Industrial Park, aid the Four Corners Economic Development, Inc. economic development efforts, and develop a master plan for Fort Wingate. The matching fund required was waived as COG and its members did not have the financial ability to raise funds. The majority of this grant was provided to a contractor but did allow the Council to continue its a part-time Regional Economic Development Manager position.
 - CARES Act Recovery Grant: The Council is in the second year ending June 30, 2022 set of a grant providing \$400,000 in non-competitive EDA-CARES Act funds to provide and implement a COVID-19 Recovery Plan for the region.
- ◆ State Grant-in-Aid: Annual appropriations from the State Legislature, administered by the Local Government Division and identified as grant-in-aid funding for regional planning councils were subjected to a series of budget cuts administered “across the board” in State government, reducing annual SGIA budgets by over 10% from January 2016-2019, now stabilized at \$99,000.

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◆ 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 (RTPO) is administered under two-year agreements. Annual funding for this agreement continued at \$85,000 for Federal Fiscal Year 2022 (October 2021 – September 2022 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, and managerial demands and requirements have increased in the past two years, resulting in numerous adjustments in the documentation of services and expenses for the program.

The Council received and is implementing a special planning fund grant from NMDOT for the Prewitt-Milan Transportation Master Plan (TMP) at \$120,000 with a \$30,000 match required coming from a private donation. This plan will guide transportation network development to support economic projects in the bi-county region.

- ◆ Private Contracts: On January 8, 2021, the Council was presented a private donation of \$250,000 for economic development related to the closure of the Tri-State Prewitt Escalante Generating Station. The Executive Committee has asked for a plan to utilize funding for required grant matches and other needed purposes.
- ◆ Local Grants and Contracts: Additional subcontracts have been entered into with local governments for special projects related to local and regional infrastructure, with new opportunities shaping up for fiscal year 2022.

Initiatives to grow the budget in fiscal year 2022 will continue to be pursued, e.g.:

- The Council has received guidance from the Board and its Executive Committee on strategies and direction on adding services, increasing memberships, or both.
- The Council has engaged the New Mexico Legislature's Rural Economic Opportunities Task Force to formulate a rural development strategy that would bring additional multi-year funding and positions dedicated to that work including the Federal Infrastructure Bill. This included a special appropriation for grant writing services starting on July 1, 2022.

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Management's Discussion and Analysis
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- 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 the Council.

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.

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
106 West Aztec Ave
Gallup, NM 87301
(505) 722-4327

Council-Wide Financial Statements

**Northwest New Mexico
Council of Governments**
Statement of Net Position
June 30, 2022

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Current assets			
Cash and cash equivalents	\$ 314,149	\$ -	\$ 314,149
Cash restricted for loan programs	-	259,308	259,308
Grants receivable, net	460,429	-	460,429
Total current assets	<u>774,578</u>	<u>259,308</u>	<u>1,033,886</u>
Noncurrent assets			
Nondepreciable	73,244	-	73,244
Depreciable, net of accumulated depreciation	496,218	-	496,218
Total noncurrent assets	<u>569,462</u>	<u>-</u>	<u>569,462</u>
Total assets	<u>1,344,040</u>	<u>259,308</u>	<u>1,603,348</u>
Deferred Outflows - Pension Related	<u>98,006</u>	<u>-</u>	<u>98,006</u>
Liabilities			
Current liabilities			
Accounts payable	141,882	-	141,882
Accrued payroll liabilities	17,153	-	17,153
Unearned grant revenue	33,664	-	33,664
Compensated absences, current portion	6,915	-	6,915
Total current liabilities	<u>199,614</u>	<u>-</u>	<u>199,614</u>
Noncurrent liabilities			
Net pension liability	404,372	-	404,372
Compensated absences, net of current portion	19,681	-	19,681
Total noncurrent liabilities	<u>424,053</u>	<u>-</u>	<u>424,053</u>
Total liabilities	<u>623,667</u>	<u>-</u>	<u>623,667</u>
Deferred Inflows - Pension Related	<u>168,019</u>	<u>-</u>	<u>168,019</u>
Net Position			
Net investment in capital assets	569,462	-	569,462
Restricted for loan programs	-	259,308	259,308
Unrestricted	80,898	-	80,898
Total net position	<u>\$ 650,360</u>	<u>\$ 259,308</u>	<u>\$ 909,668</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, 2022**

	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
Functions/Programs:							
Governmental activities							
Regional community development	\$ 1,588,191	\$ 207,070	\$ 1,064,938	\$ 138,928	\$ (177,255)		\$ (177,255)
Total governmental activities	<u>1,588,191</u>	<u>207,070</u>	<u>1,064,938</u>	<u>138,928</u>	<u>(177,255)</u>		<u>(177,255)</u>
Business-type activities							
Enterprise loan fund	-	-	-	-	-	-	-
Total business-type activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 1,588,191</u>	<u>\$ 207,070</u>	<u>\$ 1,064,938</u>	<u>\$ 138,928</u>	<u>(177,255)</u>	<u>-</u>	<u>(177,255)</u>
General revenues:							
Membership dues					210,345	-	210,345
Miscellaneous income					68,309	10	68,319
Contributed capital asset					-	-	-
Total general revenues					<u>278,654</u>	<u>10</u>	<u>278,664</u>
Changes in net position					101,399	10	101,409
Net position, beginning of year					<u>548,961</u>	<u>259,298</u>	<u>808,259</u>
Net position, end of year					<u>\$ 650,360</u>	<u>\$ 259,308</u>	<u>\$ 909,668</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, 2022**

	<u>General Fund</u>
Assets	
Cash and cash equivalents	\$ 314,149
Grants receivable	460,429
Total assets	<u>\$ 774,578</u>
Liabilities and Fund Balance	
Liabilities	
Accounts payable	\$ 141,882
Accrued payroll and related liabilities	17,153
Unearned grant revenue	33,664
Total liabilities	<u>192,699</u>
Fund Balance	
Unassigned	581,879
Total fund balance	<u>581,879</u>
Total liabilities and fund balance	<u>\$ 774,578</u>

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, 2022

Fund Balance - Governmental Fund	\$	581,879
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in government activities are not financial resources and, therefore, are not reported in the funds		569,462
Some liabilities, listed below, are not due and payable in the current period and, therefore, are not reported in the funds		
Compensated absences		(26,596)
Defined benefit pension plan deferred outflows are not financial resources and, therefore, are not reported in the funds		98,006
Defined benefit pension plan deferred inflows are not financial resources and, therefore, are not reported in the funds		(168,019)
The net pension liability is not due and payable in the current period and, therefore, is not reported in the funds		<u>(404,372)</u>
Net Position - Governmental Activities	\$	<u>650,360</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
Governmental Fund
For the Year Ended June 30, 2022

	<u>General Fund</u>
Revenues	
Membership dues	\$ 210,345
State and local grants and contributions	248,822
Federal grants and contracts	955,044
Project management and fiscal agent fees	207,070
Miscellaneous income	<u>68,309</u>
Total revenue	<u>1,689,590</u>
Expenditures	
Current	
Regional community development	1,584,645
Capital outlay	<u>49,939</u>
Total expenditures	<u>1,634,584</u>
Net change in fund balance	<u>55,006</u>
Fund balance, beginning of year	<u>526,873</u>
Fund balance , end of year	<u><u>\$ 581,879</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
For the Year Ended June 30, 2022**

Net change in fund balance - governmental fund \$ 55,006

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	49,939	
Contributed capital asset	-	
Depreciation expense	<u>(27,161)</u>	22,778

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		4,855
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Changes in deferred outflows of resources-pension related, deferred inflows of resources-pension related, and the net pension liability		<u>18,760</u>
---	--	---------------

Change in net position - governmental activities \$ 101,399

**Northwest New Mexico
Council of Governments**
Statement of Net Position
Proprietary Fund
June 30, 2022

	Enterprise Loan Fund
Assets	
Cash and cash equivalents	\$ 259,308
Total assets	259,308
 Net Position	
Restricted for loan programs	259,308
Total net position	\$ 259,308

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, 2022

	Enterprise Loan Fund
Operating Revenues	
Interest income	\$ 10
Total operating revenues	10
Operating income	10
Net position, beginning of year	259,298
Net position, end of year	\$ 259,308

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, 2022**

	Enterprise Loan Fund
Cash flows from operating activities	
Interest income received	\$ 10
Net cash provided by operating activities	10
Net increase in cash and cash equivalents	10
Cash and cash equivalents, beginning of year	259,298
Cash and cash equivalents, end of year	\$ 259,308
 Reconciliation of operating income to net cash provided by operating activities	
Operating income	\$ 10
Adjustments to reconcile operating income to net cash provided by operating activities	-
Total adjustments	-
Net cash provided by operating activities	\$ 10

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, 2022

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
Revenues				
Grants and contracts	\$ 3,087,079	\$ 2,694,579	\$ 1,203,866	\$ (1,490,713)
Membership dues	224,500	224,500	210,345	(14,155)
Project management and fiscal agent fees	-	-	207,070	207,070
Miscellaneous income	42,000	42,000	68,309	26,309
Total revenues	<u>3,353,579</u>	<u>2,961,079</u>	<u>1,689,590</u>	<u>(1,271,489)</u>
Expenditures				
Current				
Regional community development	3,087,703	2,712,380	1,584,645	1,127,735
Capital outlay	161,000	161,000	49,939	111,061
Total expenditures	<u>3,248,703</u>	<u>2,873,380</u>	<u>1,634,584</u>	<u>1,238,796</u>
Net change in fund balance	104,876	87,699	55,006	32,693
Fund balance, beginning of year	<u>526,873</u>	<u>526,873</u>	<u>526,873</u>	
Fund balance, end of year	<u>\$ 631,749</u>	<u>\$ 614,572</u>	<u>\$ 581,879</u>	

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

**Northwest New Mexico
Council of Governments**
Notes to the Financial Statements
June 30, 2022

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, 2021, 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
- Northwest New Mexico 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:

- Obtain grants, contracts and other sources of funds for local governments and various agencies and entities;
- Disseminate information regarding federal programs and the establishment of new programs;
- Provide technical assistance to members in the developing, financing and implementing of local programs and projects;
- Serve as a liaison and facilitator of communications between and among local members and other public and private agencies;
- Sponsor workshops, seminars and forums on local and regional issues, as well as on public and private programs available for members;
- 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; and
- Serve as a Federally designated economic development district.

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, 2022.

**Northwest New Mexico
Council of Governments
Notes to the Financial Statements
June 30, 2022**

1) Summary of Significant Accounting Policies – continued

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.

Net Position

Components of net position include the following:

- Net investment in capital assets — represents the cost of capital assets netted with accumulated depreciation and the outstanding balance of any debt, excluding unspent proceeds, that is directly attributable to the acquisition, construction or improvement of these capital assets
- Restricted net position — when constraints placed on the use of net position 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.

**Northwest New Mexico
Council of Governments
Notes to the Financial Statements
June 30, 2022**

1) Summary of Significant Accounting Policies – continued

- Unrestricted net position — represents all other net position that does 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, with 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.

The Council’s 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 the current financial resources measurement focus and the 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.

Unearned Grant Revenue

Unearned grant revenue balances represent an excess of cash received (advances) over expenditures. These balances are caused by differences in the timing of cash advances and expenditures and will reverse in the remaining grant period.

**Northwest New Mexico
Council of Governments
Notes to the Financial Statements
June 30, 2022**

1) Summary of Significant Accounting Policies – continued

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.

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.

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.

Fund Balance Classifications

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.

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

**Northwest New Mexico
Council of Governments
Notes to the Financial Statements
June 30, 2022**

1) Summary of Significant Accounting Policies – continued

Capital Assets and Depreciation

The Council capitalizes expenditures over \$5,000 according to 12-6-10 NMSA 1978. 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.

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>
Building	30
Leasehold improvements	Life of the lease
Furniture and fixtures	5-10
Software	3-5
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 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. 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 Council staff for the general and proprietary fund 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 and 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 the Financial Statements
June 30, 2022**

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 the Financial Statements
June 30, 2022**

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 Council will sometimes report 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 Council 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, 2021, the Council reported deferred outflows of resources of \$98,006 and deferred inflows of resources of \$168,019, both related to the Council’s participation in PERA.

Cash and Cash Equivalents

Cash and cash equivalents consist of short-term highly liquid investments, which are readily convertible to cash within ninety (90) days of purchase.

2) **Key Programs of the Council**

The General Fund is the general operating fund of the Council and 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.

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 balances, revenues and expenditures.

Special revenue funds are used to account for the proceeds from specific revenue 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 2022.

**Northwest New Mexico
Council of Governments
Notes to the Financial Statements
June 30, 2022**

2) Key Programs of the Council – continued

The following are the grant and contract programs included in the General Fund during fiscal year 2022:

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.

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).

**Northwest New Mexico
Council of Governments
Notes to the Financial Statements
June 30, 2022**

2) Key Programs of the Council – continued

Local and Private Grants and Contracts

McKinley: Tourism Project – The Council operated a grant from McKinley County to develop several deliverables to advance the brand and marketing of the County including the outdoor recreation economy and tourism.

Aztec: Tourism Project – The Council operated a grant from City of Aztec to oversee the planning and development of an Outdoor Recreation facility in the City.

Cibola: Comprehensive Plan – The Council operated a grant from Cibola County to update several plans including their Comprehensive Plan.

McK/Milan: ACC Match – The Council operated a combined program under three contracts received by McKinley County and the Village of Milan, respectively, that provides match for our EDA ACC grant program as follows:

- *McK: PIP* – The Council operated a grant from McKinley County to produce a plan and design the Prewitt Industrial Park including a spec-building.
- *Milan: MIP* – The Council operated a grant from the Village of Milan to produce a plan and design the Milan Industrial Park including a spec-building.
- *McK: Workforce* – The Council operated a grant from McKinley County to produce a pilot workforce program.

McK: ZMTP QA-QC & Design– The Council operated a combined program under three contracts received by McKinley County to conduct fieldwork, prepare maps and trail designs, and assist with oversight and quality control on field construction work on trails under the Zuni Mountains Trails Project.

Cib: ZMTP QA-QC & Design– The Council operated a combined program with an additional contract received by Cibola County to conduct fieldwork, prepare maps and trail designs, and assist with oversight and quality control on field construction work on trails under the Zuni Mountains Trails Project.

McK: Energy Service Performance Contract (ESPC) – The Council continues a multi-year contract with McKinley County for assistance with its guaranteed energy program.

RCAP: Research Project – The Council received some funding from the Rural Community Assistance Partnership (RCAP) for participation in a special research project on rural innovation.

TOTA: Byway Marketing – The Council received some funding from the Trail of the Ancients byway association (TOTA) based on the sale of byway maps that offset costs of maintaining a website that the Council has acquired.

**Northwest New Mexico
Council of Governments
Notes to the Financial Statements
June 30, 2022**

2) Key Programs of the Council – continued

Tri-State: Community Assistance – The Council received community assistance funding from the Tri-State Generation & Transmission that it continues to make investments and provide project matches from.

Enterprise Loan Fund

The Council administers the Enterprise Loan Fund (the “ELF”), funded in part by the US Economic Development Administration under its Revolving Loan Fund program, which makes loans to new and growing businesses through “gap” or “bridge” financing including a new capitalization through an EDA-CARES grant.

3) **Cash Balances**

In accordance with Section 6-10-17, NMSA 1978, the Council is required to obtain pledged collateral from each bank that is a depository of public funds, in an aggregate amount 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 insured depository institution. For more information, visit 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.

A summary of the Council’s deposits, as well as pledged collateral in place over deposits, is as follows:

Pinnacle Bank	Type	Balance Per Bank 6/30/2022	Balance Per Books 6/30/2022
General fund	Checking - non-interest bearing	\$ 356,793	\$ 314,149
Enterprise loan fund - revolving loan fund	Checking - non-interest bearing	101,458	101,458
Enterprise loan fund - forest service loan fund	Checking - non-interest bearing	62,316	62,316
Enterprise loan fund - sequestered	Checking - interest bearing	<u>95,534</u>	<u>95,534</u>
Total cash in banks		<u>\$ 616,101</u>	<u>\$ 573,457</u>
As reported in the financial statements:			
Cash			\$ 314,149
Cash restricted for loan programs			<u>259,308</u>
			<u>\$ 573,457</u>

**Northwest New Mexico
Council of Governments
Notes to the Financial Statements
June 30, 2022**

3) Cash Balances – continued

Pledged Collateral at Banks	Pinnacle Bank
Deposits	\$ 616,101
Less FDIC coverage	(250,000)
Total uninsured public funds	366,101
50% collateral requirement	183,051
Collateral Pledged	
Gallup McKinley: CUSIP 364010SA7 maturing 8/1/2025; security interest rate of 3.00%	137,877
GNMA 12 111 AB: CUSIP 38378BH51 maturing 9/16/2052; security interest rate of 2.25%	36,892
FNMA 13 19 DC: CUSIP 3136ACPG0 maturing 9/25/2041; security interest rate of 2.00%	222,958
Over (under) collateralized	\$ 214,676

4) **Grants Receivable**

Grant receivable balances at June 30, 2022, are composed of the following:

U.S. Department of Commerce	\$ 410,598
City of Aztec	5,308
New Mexico Department of Transportation	44,523
Total	\$ 460,429

5) **Loans Receivable**

Loans receivable in the Enterprise Loan Fund as of June 30, 2022, 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	\$ 173,438
Less allowance	(173,438)
Loans receivable, net	\$ -

**Northwest New Mexico
Council of Governments
Notes to the Financial Statements
June 30, 2022**

6) Capital Assets

A summary of changes in capital assets for governmental activities during the year ended June 30, 2022, are as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<i>Governmental activities</i>				
Capital assets not being depreciated				
Land	\$ 73,244	\$ -	\$ -	\$ 73,244
Total capital assets not being depreciated	<u>73,244</u>	<u>-</u>	<u>-</u>	<u>73,244</u>
Capital assets being depreciated				
Buildings	235,756	-	-	235,756
Building improvements	277,610	-	-	277,610
Furniture, fixtures and equipment	48,308	5,939	-	54,247
Software	42,496	44,000	-	86,496
Vehicles	<u>29,282</u>	<u>-</u>	<u>-</u>	<u>29,282</u>
Total capital assets being depreciated, at cost	<u>633,452</u>	<u>49,939</u>	<u>-</u>	<u>683,391</u>
Less accumulated depreciation for				
Buildings	37,985	7,859	-	45,844
Building improvements	18,268	13,605	-	31,873
Furniture, fixtures and equipment	38,248	2,384	-	40,632
Software	42,496	733	-	43,229
Vehicles	<u>23,015</u>	<u>2,580</u>	<u>-</u>	<u>25,595</u>
Total accumulated depreciation	<u>160,012</u>	<u>27,161</u>	<u>-</u>	<u>187,173</u>
Total capital assets being depreciated, net	<u>473,440</u>	<u>22,778</u>	<u>-</u>	<u>496,218</u>
Capital assets, net	<u>\$ 546,684</u>	<u>\$ 22,778</u>	<u>\$ -</u>	<u>\$ 569,462</u>

Depreciation expense of \$27,161 was allocated to the regional community development 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, 2022.

**Northwest New Mexico
Council of Governments**
Notes to the Financial Statements
June 30, 2022

7) Accounts Payable and Accrued Payroll Liabilities

A summary of accounts payable and accrued payroll liabilities at June 30, 2022, is as follows:

	Vendors	Salaries and Benefits	Total
<i>Governmental activities</i>			
General fund	\$ 141,882	\$ 17,153	\$ 159,035
Total government activities	<u>\$ 141,882</u>	<u>\$ 17,153</u>	<u>\$ 159,035</u>

8) Long-Term Debt

Compensated Absences

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 their hourly rate of pay.

A summary of changes in long-term debt for the year ended June 30, 2022 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amount Due Within One Year
<i>Governmental activities</i>					
Compensated absences	\$ 31,451	\$ 22,839	\$ (27,694)	\$ 26,596	\$ 6,915
Total long-term debt	<u>\$ 31,451</u>	<u>\$ 22,839</u>	<u>\$ (27,694)</u>	<u>\$ 26,596</u>	<u>\$ 6,915</u>

**Northwest New Mexico
Council of Governments
Notes to the Financial Statements
June 30, 2022**

9) Unearned Revenue

Amounts recorded as unearned revenue represents an excess of grant funds received over expenditures. Unearned revenue at June 30, 2022, represents unexpended grant funds for the Prewitt and Milan Industrial Parks projects and total \$33,664 at June 30, 2022. Management anticipates fully expending these funds on the projects during fiscal year 2022.

10) Restricted Net Position – Enterprise Loan Fund

The Enterprise Loan Fund’s restricted net position of \$259,308 at June 30, 2022 is restricted for economic development activity (i.e. loan programs) as a result of agreements with the granting organizations.

11) Membership Dues

Membership dues consist of annual assessments to member organizations. Membership dues are established by the Council based on a schedule of dues and service levels aligned with apportionment of Board seats and negotiated annually with the respective members.

12) Lease Commitments

Equipment Leases

In June 2020, the Council entered into a new copier lease agreement for office equipment. The lease is accounted for as an operating lease and has a term of 60 months.

In August 2021, the Council entered into a postage machine lease agreement. The lease is accounted for as an operating lease and has a term of 63 months.

Future minimum payments for operating leases are as follows:

<u>Year ending June 30,</u>		
2023	\$	4,313
2024		4,313
2025		4,032
2026		948
2027		237
		13,843
		\$ 13,843

**Northwest New Mexico
Council of Governments
Notes to the Financial Statements
June 30, 2022**

12) Lease Commitments – continued

Total lease expense for the year ended June 30, 2022, was approximately \$4,300. 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.

13) **Public Employees Retirement Association (PERA) Pension Plan**

General Information about the Pension Plan

Plan description. *Public Employees Retirement 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 Officers, 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 Public Employees Retirement 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), each employee and elected official of every affiliated public employer is required to be a member in the Public Employees Retirement Fund, unless specifically excluded.

Benefits Provided. Benefits are generally available at age 65 with five or more years of service or after 25 years of service regardless of age for TIER I members. Provisions also exist for retirement between ages 60 and 65, with varying amounts of service required. Certain police and fire members may retire at any age with 20 or more years of service for TIER I members. Generally, the amount of retirement pension is based on final average salary, which is defined under TIER I as the average of salary for the 36 consecutive months of credited service producing the largest average; credited service; and the pension factor of the applicable coverage plan. Monthly benefits vary depending upon the plan under which the member qualifies, ranging from 2% to 3.5% of the member's final average salary per year of service. The maximum benefit that can be paid to a retiree may not exceed a range of 60% to 90% of the final average salary, depending on the division. Benefits for duty and non-duty death and disability and for post-retirement survivors' annuities are also available.

**Northwest New Mexico
Council of Governments
Notes to the Financial Statements
June 30, 2022**

13) PERA Pension Plan – continued

TIER II. The retirement age and service credit requirements for normal retirement for PERA state and municipal general members increased effective July 1, 2013 with the passage of Senate Bill 27 in the 2013 Legislative Session. Under the new requirements (TIER II), general members are eligible to retire at any age if the member has at least eight years of service credit and the sum of the member's age and service credit equals at least 85 or at age 67 with 8 or more years of service credit. General members hired on or before June 30, 2013 (TIER I) remain eligible to retire at any age with 25 or more years of service credit. Under TIER II, police and firefighters in Plans 3, 4 and 5 are eligible to retire at any age with 25 or more years of service credit. State police and adult correctional officers, peace officers and municipal juvenile detention officers will remain in 25-year retirement plans, however, service credit will no longer be enhanced by 20%. All public safety members in TIER II may retire at age 60 with 6 or more years of service credit. Generally, under TIER II, pension factors were reduced by 0.5%, employee contributions increased 1.5% and effective July 1, 2014 employer contributions were raised 0.05%. The computation of final average salary increased as the average of salary for 60 consecutive months.

Contributions. See PERA's publicly available comprehensive annual financial report obtained at <http://www.nmpera.org/financialoverview>, for the employer and employee contribution rates in effect for fiscal year 2021.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2022, the Council reported a liability of \$404,372 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2020. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2021, using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date of June 30, 2021. There were no significant events or changes in benefit provisions that required an adjustment to the roll-forward liabilities as of June 30, 2021. The Council's proportion of the net pension liability was based on a projection of the Council's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2021, the Council's proportion was 0.0359%, which was an increase of 0.0031% from its proportion measured as of June 30, 2020.

**Northwest New Mexico
Council of Governments
Notes to the Financial Statements
June 30, 2022**

13) PERA Pension Plan – continued

For the year ended June 30, 2022, the Council recognized pension expense of \$18,760. At June 30, 2022, 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
Differences between expected and actual experience	\$ 10,066	\$ 1,384
Changes of assumptions	133	-
Net difference between projected and actual investment earnings on pension plan investments	-	166,174
Changes in proportion and differences between the Council's contributions and proportionate share of contributions	52,307	461
The Council's contributions subsequent to the measurement date	<u>35,500</u>	<u>-</u>
Total	<u>\$ 98,006</u>	<u>\$ 168,019</u>

\$35,500 reported as deferred outflows of resources related to pensions resulting from the Council's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. 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:	
2022	\$ 3,182
2023	(13,979)
2024	(26,291)
2025	<u>(68,425)</u>
Total	<u>\$ (105,513)</u>

**Northwest New Mexico
Council of Governments
Notes to the Financial Statements
June 30, 2022**

13) PERA Pension Plan – continued

Actuarial assumptions. The total pension liability in the June 30, 2021 actuarial valuation was determined using the following significant actuarial assumptions, applied to all periods included in the measurement:

Actuarial valuation date	June 30, 2020
Actuarial cost method	Entry age normal
Amortization period	Level Percentage of Pay
Asset valuation method	Solved for based on statutory rates
Actuarial assumptions:	
- Investment rate of return	7.25% annual rate, net of investment expense
- Projected benefit payment	100 years
- Payroll growth	3.00%
- Projected salary increases	3.25% to 13.50% annual rate
- Includes inflation at	2.50% and 2.75% for all other years
- Mortality assumption	The mortality assumptions are based on the RPH-2014 Blue Collar mortality table with female ages set forward one year. Future improvement in mortality rates is assumed using 60% of the MP-2017 projection scale generationally. For non-public safety groups, 25% of in-service deaths are assumed to be duty related and 35% are assumed to be duty-related for public safety groups.
- Experience study dates	July 1, 2008 to June 30, 2017 (demographic) and July 1, 2013 through June 20, 2017 (economic)

**Northwest New Mexico
Council of Governments
Notes to the Financial Statements
June 30, 2022**

13) PERA Pension Plan – continued

The total pension liability, net pension liability, and certain sensitivity information are based on an actuarial valuation performed as of June 30, 2020. The total pension liability was rolled-forward from the valuation date to the plan year ended June 30, 2021. These assumptions were adopted by the Board and used in the June 30, 2020 actuarial valuation.

The long-term expected rate of return on pension plan investments was determined using 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 allocation and best estimates 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
Global equity	35.50%	5.90%
Risk reduction and mitigation	19.50%	1.00%
Credit oriented fixed income	15.00%	4.20%
Real assets to include real estate equity	20.00%	6.00%
Multi-risk allocation	<u>10.00%</u>	6.40%
Total	<u>100.0%</u>	

Discount rate. A single discount rate of 7.25% was used to measure the total pension liability as of June 30, 2021. This single discount rate was based on a long-term expected rate of return on pension plan investments of 7.25%, compounded annually, net of expense. Based on the stated assumptions and the projection of cash flows, the plan's fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current plan members. Therefore, the 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.

The projections of cash flows used to determine this single discount rate assumed that plan member and employer contributions will be made at the current statutory levels.

**Northwest New Mexico
Council of Governments
Notes to the Financial Statements
June 30, 2022**

13) PERA Pension Plan – continued

Sensitivity of the Council's proportionate share of the net pension liability to changes in the discount rate. The following presents the Council's proportionate share of the net pension liability calculated using the discount rate of 7.25%, as well as what the Council's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25%) or 1-percentage-point higher (8.25%) than the current rate:

<u>PERA Fund Division: Municipal General</u>	<u>1% Decrease (6.25%)</u>	<u>Current Discount Rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
The Council's proportionate share of the net pension liability	\$ 725,355	\$ 404,372	138,108

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued PERA financial report.

Payables to the pension plan. At June 30, 2022, the Council did not have any payables to PERA for fiscal year 2022 contributions.

14) **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).

15) **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, 2021, the Council did not have any probable risks of loss.

**Northwest New Mexico
Council of Governments
Notes to the Financial Statements
June 30, 2022**

16) Related Party Transactions

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, 2022, was \$210,345.

17) Recently Issued Accounting Pronouncements

GASB has issued several statements which have not yet been implemented by the Council. The Council believes that none of these statements will have a significant impact on the Council.

18) Tax Abatements

None of the Council's revenue sources are impacted by tax abatements. Therefore, there is nothing to disclose under GASBS No. 77 – *Tax Abatement Disclosures*.

Required Supplementary Information

**Northwest New Mexico
Council of Governments
Schedules of Required Supplementary Information
June 30, 2022**

**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)**

Fiscal year	2022	2021	2020	2019	June 30, 2018	2017	2016	2015
Measurement date	2021	2020	2019	2018	2017	2016	2015	2014
The Council's proportion of the net pension liability (asset)	0.0359%	0.0328%	0.0318%	0.0287%	0.0438%	0.0339%	0.0304%	0.0369%
The Council's proportionate share of the net pension liability (asset)	404	663	550	\$ 458	\$ 602	\$ 542	\$ 310	\$ 288
The Council's covered-employee payroll	358	338	310	\$ 290	\$ 295	\$ 373	\$ 290	\$ 243
The Council's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	112.85%	196.15%	177.42%	157.93%	204.07%	145.31%	106.90%	118.52%
Plan fiduciary net position as a percentage of the total pension liability	77.25%	66.36%	70.52%	71.13%	73.74%	69.18%	81.29%	81.29%

**Northwest New Mexico
Council of Governments**
Schedules of Required Supplementary Information
June 30, 2022

**Schedule of the Council's Contributions to
Public Employees Retirement Association (PERA) Plan
PERA Fund Division: Municipal General
Last 10 Fiscal Years (in thousands) ***

	June 30,					
Fiscal year	2020	2019	2018	2017	2016	2015
Measurement date	2019	2018	2017	2016	2015	2014
Statutory required contribution	\$ 30	\$ 28	\$ 28	\$ 36	\$ 31	\$ 27
Contributions in relation to the statutorily required contributions	<u>30</u>	<u>28</u>	<u>28</u>	<u>36</u>	<u>31</u>	<u>27</u>
Annual contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**Governmental Accounting Standards Board Statement 68* requires ten years of historical information be presented; however, until a full 10-year trend is compiled, the statement only requires presentation of information for those years that information is available. Complete information for the Council is not available prior to fiscal year 2015, the year the statement's requirements became effective.

**Northwest New Mexico
Council of Governments**
Notes to the Required Supplementary Information
June 30, 2022

Changes of benefit terms. The PERA, COLA and retirement eligibility benefits changes in recent years are described in Note 1 of PERA's CAFR (<https://www.saonm.org>).

Assumptions. The Public Employ Retirement Association of New Mexico Annual Actuarial Valuations as of June 2021 report is available at <http://www.nmpera.org/>.

Compliance Section

Schedule of Expenditures of Federal Awards

**Northwest New Mexico
Council of Governments**
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2022

Federal Grantor / Pass-Through Grantor/ Program Title	Assistance Listing Number	Pass-through Grantor or Other Identifying Number	Federal Expenditures
U.S. Department of Transportation			
<i>Passed through the State of New Mexico, Department of Transportation</i>			
Highway Planning and Construction	20.205	D16010	\$ 99,392
Highway Planning and Construction	20.205	D18495	<u>86,929</u>
Total U.S. Department of Transportation			<u>186,321</u>
U.S. Department of Commerce			
<i>Direct Awards</i>			
Economic Development Support for Planning Organizations	11.302	ED19AUS3020021	45,820
Economic Adjustment Assistance	11.307	08-69-05337	314,377
COVID-19 Economic Adjustment Assistance	11.307	ED20AUS3070034	286,351
Economic Adjustment Assistance	11.307	08-79-05407	478,399
COVID-19 Economic Adjustment Assistance	11.307	08-79-05550	<u>8,014</u>
			<u>1,087,141</u>
Total U.S. Department of Commerce			<u>1,132,961</u>
Total expenditures of federal awards			<u>\$ 1,319,282</u>

**Northwest New Mexico
Council of Governments**
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2022

1) Reporting Entity

The accompanying schedule of expenditures of federal awards (the “Schedule”) presents the federal award activity of the Northwest New Mexico Council of Governments (the “Council”) for the year ended June 30, 2022. The Council’s reporting entity is defined in Note 1 to the Council’s basic financial statements. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Council, it is not intended to and does not present the financial position, changes in net position, or cash flows, where applicable, of the Council.

2) Basis of Accounting

Expenditures reported in the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

3) Federal Award Identification Number

The federal granting agency is responsible for providing the Council with the Assistance Listing Number for each grant or contract. In cases where the federal granting agency did not provide the Assistance Listing Number to the Council, other identifying numbers are presented on the Schedule.

In addition, for pass-through awards, the pass-through granting agencies are responsible for providing the Council with pass-through grantor numbers. In cases where the pass-through granting agency did not provide this number to the Council, it is blank on the Schedule.

4) Indirect Cost Rate

The Council has elected not to use the 10% *de minimus* indirect cost rate allowed under the Uniform Guidance.

**Northwest New Mexico
Council of Governments**
Notes to the Schedule of Expenditures of Federal Awards – continued
For the Year Ended June 30, 2022

5) Reconciliation to the Financial Statements

The following is a reconciliation of the expenditures reported on the Schedule to the expenditures reported in the financial statements for the general fund:

Expenditures from the schedule of expenditures of federal awards	\$ 1,132,961
Expenditures funded by state and nonfederal funding sources	<u>501,623</u>
Total expenditures reported in the General Fund	<u><u>\$ 1,634,584</u></u>

Independent Auditor's Report on Internal Control Over
Financial Reporting and on Compliance
And Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*

Board of Directors
Evan Williams, Executive Director
Northwest New Mexico Council of Governments
and
Honorable Brian S. Colón, Esq., New Mexico State Auditor
Office of the State Auditor

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the budgetary comparison of the general fund of the Northwest New Mexico Council of Governments (the "Council") as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Council's basic financial statements and have issued our report thereon dated November 29, 2022.

Report on 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) as a basis for designing 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.

OFFICE LOCATIONS

TEXAS | Waco | Temple | Hillsboro | Houston
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Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on 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 financial statement. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

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

Pattillo, Brown & Hill, LLP

Albuquerque, New Mexico
November 29, 2022

Independent Auditor’s Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance

Board of Directors
Evan Williams, Executive Director
Northwest New Mexico Council of Governments
and
Honorable Brian S. Colón, Esq., New Mexico State Auditor
Office of the State Auditor

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Northwest New Mexico Council of Government’s (the “Council”) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on the Council’s major federal program for the year ended June 30, 2022. The Council’s major federal program is identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Council complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Council and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of the Council’s compliance with the compliance requirements referred to above.

OFFICE LOCATIONS

TEXAS | Waco | Temple | Hillsboro | Houston
NEW MEXICO | Albuquerque

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Council's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Council's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Council's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Council's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Council's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis.

A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

Pattillo, Brown & Hill, LLP

Albuquerque, New Mexico
November 29, 2022

**Northwest New Mexico
Council of Governments**
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2022

Section I — Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued on whether the financial statements audited were prepared in accordance with GAAP:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiencies identified?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Type of auditor’s report issued on compliance for major programs:	Unmodified
Internal control over major federal programs:	
Material weaknesses identified?	No
Significant deficiencies identified?	None reported
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No

**Northwest New Mexico
Council of Governments**
Schedule of Findings and Questioned Costs – continued
For the Year Ended June 30, 2022

Section I — Summary of Auditor’s Results — continued

Identification of major programs:

<u>Federal Assistance Listing Number</u>	<u>Name of Federal Program or Cluster</u>
11.307	Economic Adjustment Assistance

Dollar threshold used to distinguish
between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? No

Section II — Financial Statement Findings

None.

Section III — Federal Award Findings and Questioned Costs

None.

**Northwest New Mexico
Council of Governments**
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2022

Financial Statement Findings

None.

Federal Award Findings

None.

**Northwest New Mexico
Council of Governments
Exit Conference
June 30, 2022**

The financial statements presented in this report were prepared by the staff of the Northwest New Mexico Council of Governments with the assistance of its contract accountants from SJT Group, LLC.

The content of this report was discussed at an exit conference held on November 29, 2021 with the following in attendance:

Northwest New Mexico Council of Governments

Evan Williams, Executive Director

Louie Bonaguidi, Treasurer

Billy Moore, Past Chairman

Fran Palochak, 2nd Vice-Chair

Martina Whitmore, Administrative Assistant

Pattillo, Brown & Hill, L.L.P.

Chris Garner, CPA, Partner

SJT Group, LLC

Armando Sanchez, CPA, CFE, Managing Principal