

**STATE OF NEW MEXICO**  
**SOUTHEASTERN NEW MEXICO EDUCATIONAL**  
**RESOURCE CENTER**

*Audit Report*

For the Year Ended June 30, 2009

**RONNY FOUTS**  
**CERTIFIED PUBLIC ACCOUNTANT**  
Melrose, New Mexico

STATE OF NEW MEXICO  
**SOUTHEASTERN NEW MEXICO EDUCATIONAL RESOURCE CENTER**  
Official Roster  
For the year ended June 30, 2009

**COUNCIL**

Mike Grossman ..... President  
Rick Ferguson ..... Member  
Larry Harvey ..... Member  
Steve Starkey ..... Member  
David Chavez ..... Member  
Pat Parsons ..... Member  
Cliff Burch ..... Member  
Steven O’Quinn ..... Member  
Buddy Little ..... Member  
Mike Phipps ..... Member

**ADMINISTRATIVE**

Jimmy Derrick ..... Director  
Janet Grice ..... Business Manager

STATE OF NEW MEXICO  
SOTHEASTERN NEW MEXICO EDUCATIONAL RESOURCE CENTER

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June 30, 2009

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## **FINANCIAL SECTION**

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**INDEPENDENT AUDITOR'S REPORT**

Mr. Hector Balderas  
State Auditor of the State of New Mexico  
Board Members of the Southeastern New Mexico Educational Resource Center

Mr. Balderas and Members of the Board

We have audited the accompanying financial statements of the governmental activities, each major governmental fund, the respective budget comparisons for the General Fund and major Special Revenue Fund, and the aggregate remaining fund information of SOUTHEASTERN NEW MEXICO EDUCATIONAL RESOURCE CENTER (SNMERC), as of and for the year ended June 30, 2008, which collectively comprise the SNMERC's financial statements as listed in the table of contents. We have also audited the financial statements of each of the SNMERC's nonmajor governmental funds, including budget comparisons, presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2009, as listed in the table of contents. These financial statements are the responsibility of the SNMERC's management. Our responsibility is to express opinions on these financial statements based on our audit.

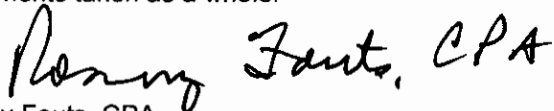
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the SNMERC, as of June 30, 2009, and the respective changes in financial position thereof and the budgetary comparison for the General fund and Science Kits Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each nonmajor governmental fund of the SNMERC as of June 30, 2009, and the respective changes in financial position, and the respective budgetary comparisons for the nonmajor governmental funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2009, on our consideration of District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

For the year ended June 30, 2009, SNMERC has not presented the Management's Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the basic financial statements and on the combining and individual fund financial statements and the respective budgetary comparisons. The additional schedules listed as "supplementary data" in the table of contents are presented for purposes of additional analysis and is not a required part of the financial statements of the SNMERC. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



Ronny Fouts, CPA  
Melrose, New Mexico  
September 28, 2009

## **Basic Financial Statements**

STATE OF NEW MEXICO  
 SOUTHEASTERN NEW MEXICO EDUCATIONAL RESOURCE CENTER  
 STATEMENT OF NET ASSETS

June 30, 2009

<b>ASSETS</b>	<u>Governmental Activities</u>
Cash and Cash Equivalents	\$ 99,089
Non-current Capital Assets	23,121
Less Accumulated Depreciation	<u>(21,105)</u>
TOTAL ASSETS	<u>\$ 101,105</u>
 <b>LIABILITIES</b>	
Current:	
Accounts Payable	\$ -
Deferred Revenue	<u>-</u>
Total Current Liabilities	<u>-</u>
 <b>NET ASSETS</b>	
Invested in capital assets	2,016
Unrestricted	<u>99,089</u>
TOTAL NET ASSETS	<u>\$ 101,105</u>

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



STATE OF NEW MEXICO  
 SOUTHEASTERN NEW MEXICO EDUCATIONAL RESOURCE CENTER  
 STATEMENT OF ACTIVITIES

Year ended June 30, 2009

Functions/Programs	Expenses	Program Revenues		Net (Expenses) Revenue & Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	
Primary Government:				
Governmental activities:				
Support Services - Students	50,315	59,905	-	9,590
Support Services - General Administration	59,061	59,061	-	-
Support Services - School Administration	20,963	20,963	-	-
Support Services - Central Services	9,251	9,251	-	-
Operation & Maintenance of Plant	3,592	3,592	-	-
<b>Total Governmental Activities</b>	<b>\$ 143,182</b>	<b>\$ 152,772</b>	<b>\$ -</b>	<b>\$ 9,590</b>

General Revenues

Grants	-
<b>Total General Revenues</b>	<b>-</b>

Change in net assets	9,590
Net assets beginning	91,515
<b>Net Assets- ending</b>	<b>\$ 101,105</b>

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

**Fund Financial Statements**

STATE OF NEW MEXICO  
 SOUTHEASTERN NEW MEXICO EDUCATIONAL RESOURCE CENTER

BALANCE SHEET - GOVERNMENTAL FUNDS

Year ended June 30, 2009

	GENERAL 26101	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<b>ASSETS</b>			
Cash on Deposit	\$ 99,089	\$ -	\$ 99,089
Due from other Governments	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 99,089</b>	<b>\$ -</b>	<b>\$ 99,089</b>
<b>LIABILITIES AND FUND BALANCE</b>			
Accounts Payable	\$ -	\$ -	\$ -
Deferred Revenue	-	-	-
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>FUND BALANCE</b>			
Fund Balance			
Unreserved, Reported in			
General Fund	99,089	-	99,089
Special Revenue Fund	-	-	-
<b>TOTAL FUND BALANCE</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 99,089</b>	<b>\$ -</b>	<b>\$ 99,089</b>

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

STATE OF NEW MEXICO  
SOUTHEASTERN NEW MEXICO EDUCATIONAL RESOURCE CENTER  
RECONCILIATION OF THE BALANCE SHEET  
ALL GOVERNMENTAL FUNDS TO THE  
STATEMENT OF NET ASSETS

June 30, 2009

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

Fund Balance - total governmental funds		\$	99,089
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds			
Capital Assets Cost	23,121		
Accumulated depreciation	<u>(21,105)</u>		2,016
Net assets of governmental activities		\$	<u>101,105</u>

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

STATE OF NEW MEXICO  
 SOUTHEASTERN NEW MEXICO EDUCATIONAL RESOURCE CENTER

STATEMENT OF REVENUE, EXPENDITURES AND  
 CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS

Year ended June 30, 2009

	GENERAL 26101	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<b>REVENUE</b>			
Fees	152,772	-	152,772
<b>TOTAL REVENUES</b>	<b>152,772</b>	<b>-</b>	<b>152,772</b>
<b>EXPENDITURES</b>			
Current			
Support Services - Students	52,331	-	52,331
Support Services - General Administration	59,061	-	59,061
Support Services - School Administration	20,963	-	20,963
Support Services - Central Services	9,251	-	9,251
Operation & Maintenance of Plant	3,592	-	3,592
<b>TOTAL EXPENDITURES</b>	<b>145,198</b>	<b>-</b>	<b>145,198</b>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES</b>	<b>7,574</b>	<b>-</b>	<b>7,574</b>
Other financing Sources (Uses)			
Transfer in (out)	3,306	(3,306)	-
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES and OTHER USES</b>	<b>10,880</b>	<b>(3,306)</b>	<b>7,574</b>
<b>FUND BALANCE - JUNE 30, 2008</b>	<b>88,209</b>	<b>3,306</b>	<b>91,515</b>
<b>FUND BALANCE - JUNE 30, 2009</b>	<b>\$ 99,089</b>	<b>\$ -</b>	<b>\$ 99,089</b>

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

STATE OF NEW MEXICO  
SOUTHEASTERN NEW MEXICO EDUCATIONAL RESOURCE CENTER

RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCE-  
ALL GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended June 30, 2009

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

Net change in fund balance - total governmental funds	\$	7,574
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current year.		<u>2,016</u>
Change in Net Assets	\$	<u>9,590</u>

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

## Major Funds

STATE OF NEW MEXICO  
 SOUTHEASTERN NEW MEXICO EDUCATIONAL RESOURCE CENTER

STATEMENT OF REVENUE & EXPENDITURES - BUDGET (NON-GAAP)  
 AND ACTUAL -GENERAL FUND 26101

Year Ended June 30, 2009

	ORIGINAL BUDGET	ADJUSTED BUDGET	ACTUAL	VARIANCE Favorable (Unfavorable)
<b>REVENUE</b>				
State Revenue	\$ -	\$ -	\$ -	\$ -
Services	191,848	191,848	152,772	(39,076)
<b>TOTAL REVENUE</b>	<b>191,848</b>	<b>191,848</b>	<b>152,772</b>	<b>(39,076)</b>
<b>BUDGETED CASH BALANCE</b>	<b>-</b>	<b>-</b>		
<b>TOTAL REVENUE &amp; CASH</b>	<b>\$ 191,848</b>	<b>\$ 191,848</b>		

**EXPENDITURES**

Current

Support Services - Students	\$ 84,926	\$ 84,926	\$ 52,331	\$ 32,595
Support Services - General Administration	69,775	69,775	59,061	10,714
Support Services - School Administration	21,000	21,000	20,963	37
Support Services - Central Services	9,347	9,347	9,251	96
Operation & Maintenance of Plant	6,800	6,800	3,592	3,208
<b>TOTAL EXPENDITURES</b>	<b>\$ 191,848</b>	<b>\$ 191,848</b>	<b>\$ 145,198</b>	<b>\$ 46,650</b>

Explanation of Difference between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures

**Sources/Inflows of Resources**

Actual amounts (budgetary basis)	\$ 152,772
Differences budget to GAAP	
Prior Year Deferral	-
Current Year Deferral	-
<b>Total Revenues (GAAP Basis)</b>	<b>\$ 152,772</b>

**Uses/Outflows of Resources**

Actual amounts (budgetary basis)	\$ 145,198
Differences-budget to GAAP	
Current Year Accounts Payable	-
<b>Total Expenditures (GAAP Basis)</b>	<b>\$ 145,198</b>

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



**NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Southeastern New Mexico Educational Resource Center (SNMERC) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 that do not conflict with or contradict GASB pronouncements. The more significant of the SNMERC's accounting policies are described below.

In June 1999, the Governmental Accounting Standards Board (GASP) unanimously approved Statement No. 34 *Basic Financial Statements - and Management's Discussion and Analysis for State and Local Governments*. Some of the significant changes in the Statement include the following:

- A Management's Discussion and Analysis (MD & A) providing an analysis of the SNMERC's overall financial position and results of operations.
- Financial Statements prepared using full-accrual accounting for all the SNMERC's activities.
- A change in fund financial statements to focus on major funds.

These and other changes are reflected in the accompanying financial statements (including the notes to the financial statements) as of June 30, 2009

In addition in June 2001, the GASB issued Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus* – an amendment of GASB Statement No. 21 and No. 34 and Statement No. 38, *Certain Financial Note Disclosures*. These two statements clarify, modify, establish and rescind certain disclosure requirements under GASB No. 34. Both statements are being implemented in conjunction with GASB Statement No. 34. These statements do not have an impact on the results of operations or the financial position of the SNMERC.

**Financial Reporting Entity**

Southeastern New Mexico Educational Resource Center (SNMERC), through the governing council, has established as its purpose the delivery to local member schools and communities those services deemed critical to the ongoing success of regular and special education programs provided by the local agencies.

The Southeastern New Mexico Educational Resource Center (SNMERC) is an educational resource center established under the auspices of the Pecos Valley Regional Education Cooperative No. 8.

The joint powers agreement was entered into by and among the signatory school districts within the State of New Mexico and the Pecos Valley Regional Education Cooperative No. 8 (PVSNMERC). SNMERC is a separately structured activity of the PVSNMERC to pool efforts and resources in order to make more efficient use of resources available and to bring additional resources to the respective school districts.

The SNMERC members are Artesia Public Schools, Dexter Consolidated Schools, Eunice Municipal Schools, Hagerman Municipal Schools, Hobbs Municipal Schools, Jai Public Schools,

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Notes To The Financials Statements  
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Lake Arthur Municipal Schools, Loving Municipal Schools, Lovington Public Schools, Tatum Municipal Schools, and the Pecos Valley Regional Education Cooperative.

The financial statements of the Southeastern New Mexico Educational Resource Center have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the SNMERC's accounting policies are described below.

GASB Statement No. 14 established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, the SNMERC is considered a primary government, since it is a special-purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state or local governments. As used in GASB Statement No. 14, fiscally independent means that the SNMERC may, without the approval or consent of another governmental entity, determine or modify its own budget with the approval of Public Education Department.

The SNMERC has no component units, defined by GASB Statement No. 14 as other legally separate organizations for which the elected SNMERC members are financially accountable. There are no other primary governments with which the Board Members are financially accountable. There are no other primary governments with which the SNMERC has a significant relationship.

The accounts of the SNMERC are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

The following funds are used by the SNMERC:

**Governmental Funds**

Governmental funds are used to account for the SNMERC's general government activities, including the collection and disbursement of specific or legally restricted monies, the acquisition or construction of capital assets and servicing of general long-term debt.

Operational Fund – The Operational Fund is the general operating fund of the SNMERC and accounts for all revenues and expenditures of the SNMERC not encompassed within other funds.

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

The SNMERC reports the following major governmental funds:

**GENERAL FUND (26101)**

To account for resources and expenditures that are not required to be accounted for in another fund.

To account for a portion of the annual dues collected from members to complete the science kits for the seventh and eighth grades at the member schools. The fund was established by local board authority.

### **Measurement Focus and Basis of Accounting**

#### **Government-Wide Financial Statements (GWFS)**

The Statement of Net Assets and the Statement of Activities displays information about the reporting government as a whole. Fiduciary funds are not included in the GWFS. Fiduciary Funds are reported only in the Statement of Fiduciary Net Assets at the fund financial level.

The Statement of New Assets and the Statement of Activities were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, and liabilities resulting from nonexchange transactions are recognized in accordance with the requirement of GASB Statement No. 33 "Accounting and Financial Reporting for Nonexchange Transactions."

#### **Program Revenues**

Program revenues included in the Statement of Activities derive directly from the program itself or from parties outside the SNMERC's taxpayers or citizenry, as a whole; program revenues reduce the cost of the function to be financed from the SNMERC's general revenues. Program revenues include: 1) charges for services to students or applicants who purpose, use or directly benefit from the goods or services provided by the given function 2) program-specific operating grants and contributions, and 3) program specific capital grants and contributions.

#### **Fund Financial Statements (FFS)**

##### **Governmental Funds**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting revenues are recognized when susceptible to accrual (i.e., when they are "measureable and available"). "Measureable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The government considers all revenues available if they are collected within 30 days after year-end. Expenditures are recorded when the related fund liability is incurred, except for unmatured principal and interest on general long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expenditures available financial resources. Any effect of interfund activity has been eliminated from the district-wide financial statements.

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Notes To The Financials Statements  
June 30, 2009

Revenues

Ad valorem taxes are susceptible to full accrual on the government wide financial statements. Property Tax revenues recognize revenues net of estimated refunds and uncollectible accounts in the period for which the taxes are levied.

*Entitlement and shared revenues* (which include state equalization and state revenue sharing) are recorded as unrestricted grants-in-aid at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met and the susceptible to accrual criteria have been met.

Other receipts become measurable and available when cash is received by the SNMERC and are recognized as revenue at that time.

Expenditures

Salaries are recorded as paid. Salaries for nine-month employees are paid to the end of the fiscal year and therefore are not accrued. Salaries for the twelve month employees payroll are accrued.

Other Financing Sources (Uses)

Transfers between funds that are not expected to be repaid (or any other types, such as capital lease transactions, sale of fixed assets, debt extinguishments, long-term debt proceeds, etc.) are accounted for as other financing sources (uses). These other financing sources (uses) are recognized at the time the underlying events occur.

Basis of Budgeting

Formal budgetary integration is employed as a management control device during the year.

Budgets for the General and Special Revenue Funds are adopted on a basis inconsistent with generally accepted accounting principles (GAAP). These budgets are prepared using the cash basis of accounting. Budgetary comparisons for the various funds in this report are on the non-GAAP budgetary basis.

The SNMERC follows the following procedures in establishing data reflected in the financial statements.

1. Prior to April 15, (unless a later date is fixed by the Secretary of Education) the local SNMERC board submits to the School Budget and Finance Analysis Unit (SBFAU) of the New Mexico Public Education Department an estimated budget for the SNMERC for the ensuing fiscal year beginning July 1. The operating budget includes proposed expenditures and the means of financing them. All budgets submitted to the New Mexico Public Education Department (PED) by the SNMERC shall contain headings and details as prescribed by law.
2. Prior to June 20, of each year, the proposed "operating" budget will be reviewed and approved by the SBFAU and certified and approved by the SNMERC board at the public hearing of which notice has been published by the local SNMERC board which fixed the estimated budget for the SNMERC for the subsequent year.

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3. The "operating" budget will be used by the SNMERC until they have been notified that the budget has been approved by the SBFAU and the local SNMERC board. The budget shall be integrated formally in to the accounting system. Encumbrances shall be used as an element for control and shall be integrated in the budget system.
4. The SNMERC shall make corrections, revisions and amendments to the estimated budgets fixed by the local SNMERC board to recognize actual cash balances and carryover funds, if any. These adjustments shall be reviewed and approved by the SBFAU.
5. No board member or officer or employee of the SNMERC shall make any expenditures or incur any obligation for the expenditures of public funds unless such expenditure or contractual obligation is made in accordance with an operating budget approved by the division. But this does not prohibit the transfer of funds between line items within a series of a budget.
6. Budget change requests are processed in accordance with Supplement I (Budget Preparation and Maintenance) of the Manual of Procedures Public School Accounting and Budgeting. Such changes are initiated by the SNMERC and approved by the SBFAU.
7. Legal budget control for expenditures is by function.
8. Appropriations lapse at fiscal year end. Funds unused during the fiscal year may be carried over into the next fiscal year by budgeting those in the subsequent fiscal year's budget. The budget of the SNMERC has been amended during the current fiscal year in accordance with these procedures. The budget schedules included in the accompanying financial statements reflect the approved budget and amendments thereto.

#### Cash and Cash Equivalents

The SNMERC's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

The SNMERC is authorized under the provisions of Chapter 6, Article 10, NMSA 1978, to deposit its money in banks, savings and loan associations and/or credit unions whose accounts are insured by an agency of the United States.

#### Investments

All money not immediately necessary for the public uses of the SNMERC may be invested in:

- (a) bonds or negotiable securities of the United States, the state or any county, municipality or school which has a taxable valuation of real property for the last preceding year of at least one million dollars (1,000,000) and has not defaulted in the payment of any interest or sinking fund obligation or failed to meet any bonds at maturity at any time within five years last preceding;
- (b) securities that are issued by the United States government or by its agencies or instrumentalities and that are either direct obligations of the United States or are backed by the full faith and credit of the United States government or agencies guaranteed by the United States government.

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(c) In contracts with banks, savings and loan associations or credit unions for the present purchase and resale at a specified time in the future of specific securities at specified prices at a price differential representing the interest income to be earned by the investor. The contract shall be shown on the books of the financial institution as being the property of the investor and the designation shall be contemporaneous with the investment. The contract shall be fully secured by obligations of the United States having a market value of at least one hundred two percent of the contract. The collateral

required for investment in the contracts provided for in this subsection shall be shown on the books of the financial institution as being the property of the investor and the designation shall be contemporaneous with investment.

Receivables and Payables

Receivables include property taxes, interfund loans that are expected to be paid back and amount due from state government agencies related to various grant agreements. Payables represent routine monthly bills for services rendered and products purchased and accrued salaries and benefits.

Elimination and Reclassifications of Certain Receivables and Payables

In the process of aggregating data for the Statement of Net Assets and the Statement of Activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

Capital Assets

Salvage value). Capital assets are defined by the SNMERC as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Donated capital assets are recorded at their estimated fair market value in the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

Estimated useful life is management's estimate of how long the asset is expected to meet service demands. Straight-line depreciation is used based on the following estimated useful lives:

Buildings & Improvements	20-50 Years
Equipment, Vehicles, Information Technology Equipment, Software & Library Books	3-15 Years

Restricted Net Assets

For the government-wide statement of net assets, net assets are reported as restricted when constraints placed on net assets used are either:

Externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments;

Imposed by law through constitutional provisions or enabling legislation.

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available it will first be applied to restricted resources.

Find Balanced of Fund Financial Statements

STATE OF NEW MEXICO  
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 Notes To The Financials Statements  
 June 30, 2009

Reserved fund balance indicates that portion of fund equity which has been segregated for specific purposes.

Unreserved fund balance indicates that a portion of fund equity which is available for budgeting in future periods.

Interfund Transfers

In the governmental funds, transfers should be reported as other financing uses in the funds making transfers and as other financing sources in the funds receiving transfers.

Deferred Revenue

The SNMERC reports deferred revenues in its Statement of Net Assets and Fund Balance Sheet. Deferred revenues arise when resources are received by the SNMERC before it has legal claim to them, as when grant monies are received prior to the occurrence of qualifying expenditures. Unexpected amounts revert back the grantor. In subsequent periods, when the SNMERC has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and the revenue is recognized. Deferred revenues also occur in the fund financial statement when revenue is earned but is not available. The revenue becomes available if received within 30 days of the fiscal year.

Compensated Absences

All employees are paid through Pecos Valley Regional Center Cooperative No. 8, therefore no compensated absences are reflected in the SNMERC audit.

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.

**NOTE B: CASH AND INVESTEMENTS**

The SNMERC is required by New Mexico State Statue (Section 6-10-17) to be 50% collateralized. Following is a schedule calculating the requirement and disclosing the pledged securities.

<u>Name of Account</u>			
Operational	\$ 99,089	\$99,089	Checking
TOTAL Deposited	\$ 99,089	\$99,089	
Less: FDIC Coverage	(99,089)		
Over (Under) requirement	-		
50% collateral requirement	0		
Pledged securities	0		
Over (Under) requirement	-		

STATE OF NEW MEXICO  
 SOUTHEASTERN NEW MEXICO EDUCATIONAL RESOURCE CENTER  
 Notes To The Financials Statements  
 June 30, 2009

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<u>Depository Account</u>	<u>Bank Balance</u>
Insured	\$ 99,089
Collateralized:	
Colleteral Held by the Pledging Bank	
SNMERC's Name	-
Uninsured and uncollateralized	-
Total Deposits	<u>\$ 99,089</u>

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. As of June 30, 2009 none of the SNMERC's bank balance of \$99,089 was exposed to custodial credit risk.

**NOTE C: CAPITAL ASSETS**

Capital Assets Balances and Activity for the Year Ended June 30, 2009, is as follows:



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 June 30, 2009

Other Capital Assets

Equipment	\$	18,080	\$	5,041	-	\$	23,12
Total Capital							
Assets at Historical Cost		18,080		5,041		-	23,12
<b>Less Accumulated Depreciation</b>							
Equipment		18,080		3,025		-	21,10
Total Accumulated Depreciation		18,080		3,025		-	21,10
Capital Assets, net	\$	-	\$	2,016	\$	-	\$ 2,016

Depreciation expense was charged to governmental activities as follows:

Support Services - Students	\$	3,025
Total depreciation expenses	\$	<u>3,025</u>

**NOTE D. CONSORTIUM**

The SOUTHEASTERN NEW MEXICO EDUCATIONAL RESOURCE CENTER (SNMERC) has a joint powers agreement with the Pecos Valley Regional Education Cooperative No. 8 (PVREC) and signatory school SNMERC's within the State of New Mexico. The purpose of the agreement is to become a separately structured activity of the PVREC for the purpose of pulling efforts and resources in order to make more efficient use of resources available and to bring additional resources to the respective school

*Responsible Party for Operations and Audit*

SOUTHEASTERN NEW MEXICO EDUCATIONAL RESOURCE CENTER

*Beginning and Ending Date of Agreement*

The agreement shall take effect when signed by all parties and continue until it is rescinded or terminated by a majority vote of the participating School SNMERC's.

*Total Estimated Amount of Project and Actual Amount Contributed.*

See individual school financial statements as listed in the table of contents of this report.

**NOTE F: INTERFUND BALANCES AND ACTIVITY**

As of June 30, 2009, there were no interfund receivables or payables.

**NOTE G: PENSION PLAN**

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Notes To The Financials Statements  
June 30, 2009

The employees of SOUTHEASTERN NEW MEXICO EDUCATIONAL RESOURCE CENTER are paid by Pecos Valley Regional Cooperative No. 8 (PVREC), the retirement information is disclosed in the PVREC audit. SNMERC reimburses PVREC for all cost related to payroll.

**NOTE H: RETIREE HEALTH CARE ACT CONTRIBUTIONS**

The employees of SOUTHEASTERN NEW MEXICO EDUCATIONAL RESOURCE CENTER are paid by Pecos Valley Regional Education Cooperative No. 8, the Retiree Health Care information is disclosed in the PVREC audit. SNMERC reimburses PVREC for all cost related to payroll.

**NOTE I: DEFERRED COMPENSATION PLAN**

The employees of SOUTHEASTERN NEW MEXICO EDUCATIONAL RESOURCE CENTER are paid by Pecos Valley Regional Education Cooperative No. 8, the deferred compensation plan information is disclosed in the PVREC audit. SNMERC reimburses PVREC for all expense related to payroll.

**NOTE J: RISK MANAGEMENT**

The SNMERC is exposed to various risks for loss due to torts, theft of, damage to and destruction of assets, errors and omissions and natural disasters for which the SNMERC carries insurance with the New Mexico Public Insurance Authority (NMPSIA) for a shared premium cost. The NMPSIA acts as the common carrier for the State of New Mexico School's. All risk is transferred to NMPSIA. There were no reductions in coverage from the prior year. The SNMERC is responsible for the deductible in property and liability losses. There after, the NMPSIA is responsible for any loss.

**NOTE K: SURETY BOND**

The officials and certain employees of the SNMERC are covered by surety bond as required by Section 12. 6-7, NMSA, 1978 Compilation.

## **Non-Major Funds**

STATE OF NEW MEXICO  
 SOUTHEASTERN NEW MEXICO EDUCATIONAL RESOURCE CENTER

COMBINING STATEMENT OF REVENUE, EXPENDITURES AND  
 CHANGES IN FUND BALANCE - NON MAJOR SPECIAL GOVERNMENTAL FUNDS

Year ended June 30, 2009

	CAREER DREAMS 25377	TOTAL NON MAJOR
<b>REVENUE</b>		
Fees	-	-
<b>TOTAL REVENUES</b>	<b>-</b>	<b>-</b>
<b>EXPENDITURES</b>		
Current		
Support Services - Students	-	-
Support Services - General Administration	-	-
Support Services - Central Services	-	-
Operation & Maintenance of Plant	-	-
<b>TOTAL EXPENDITURES</b>	<b>-</b>	<b>-</b>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES</b>	<b>-</b>	<b>-</b>
Other financing Sources (Uses)		
Transfer in (out)	(3,306)	(3,306)
<b>FUND BALANCE - JUNE 30, 2008</b>	<b>3,306</b>	<b>3,306</b>
<b>FUND BALANCE - JUNE 30, 2009</b>	<b>\$ -</b>	<b>\$ -</b>

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

## **OTHER SUPPLEMENTAL INFORMATION**

STATE OF NEW MEXICO  
SOUTHEASTERN NEW MEXICO EDUCATIONAL RESOURCE CENTER

CASH RECONCILIATION  
Year Ended June 30, 2009

Cash June 30, 2008	\$ 91,515
Add 2008-09 Revenues	<u>152,772</u>
Total Cash Available	244,287
Less 2008-09 Expenditures	<u>145,198</u>
Cash June 30, 2009	<u><u>\$ 99,089</u></u>
Balance per bank June 30, 2009	\$ 99,089
Less: Outstanding Checks	<u>-</u>
Total Cash June 30, 2009	<u><u>\$ 99,089</u></u>

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

**RONNY FOUTS**  
*CERTIFIED PUBLIC ACCOUNTANT*  
P.O. Box 425  
Melrose, NM 88124

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Fax: (505) 253-4727

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**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**

Mr. Hector Balderas  
State Auditor of the State of New Mexico  
Board Members of the Southeastern New Mexico Educational Resource Center

Mr. Balderas and Members of the Board

We have audited the financial statements of the governmental activities, each major fund, the aggregate remaining fund information, the budgetary comparisons for the general fund and special revenue funds, and the combining and individual funds presented as supplemental information of the SOUTHEASTERN NM EDUCATIONAL RESOURCE CENTER (SNMERC), as of and for the year ended June 30, 2009, and have issued our report thereon dated September 28, 2009. 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.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the SNMERC's internal control over financial reporting as a basis for designing the auditing procedures 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 SNMERC's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the agency's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the SNMERC's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the SNMERC's financial statements that is more than inconsequential will not be prevented or detected by the SNMERC's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the SNMERC's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not

identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether SNMERC's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the administration, the board members, the Public Education Department, the Office of the State Auditor, the New Mexico State Legislature and federal awarding agencies, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Ronny Fouts, CPA". The signature is written in a cursive style.

Ronny Fouts, CPA  
Melrose, New Mexico  
September 28, 2009



**STATE OF NEW MEXICO**  
**SOUTHEASTERN NEW MEXICO EDUCATIONAL RESOURCE CENTER**  
Schedule of Findings and Responses  
For the Year Ended June 30, 2009

**Prior Year Audit Findings**

There were no prior year audit findings.

**Current Year Audit Findings**

There are no current year audit findings

**Financial Statement Preparation**

The financial statements were prepared by SNMERC personnel with assistance from Ronny Fouts, CPA.

**Exit Conference**

An exit conference was held on September 28, 2009. Those present were Mike Grossman, Board Member, Jimmy Derrick, Executive Director, Janet Grice, Business Manager, and Ronny Fouts, CPA.