

STATE OF NEW MEXICO
SOUTHEASTERN NEW MEXICO EDUCATIONAL
RESOURCE CENTER

Audit Report

For the Year Ended June 30, 2013

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, 2013

COUNCIL

Dwain Haynes.....President
T. J. Parks..... Member
Gary Perkowski..... Member
Steve Starkey Member
Dr. Kristine Baca Member
Israel Carrera..... Member
Michael Grossman Member
Darin Manes..... Member
Buddy Little Member
Dr. Crit Caton..... Member
Patricia Parsons..... Member
Paul Shoemaker Member

ADMINISTRATIVE

Jimmy Derrick Director
Christine Hendershot Business Manager

STATE OF NEW MEXICO
Southeastern New Mexico Educational Resource Center

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INDEPENDENT AUDITOR'S REPORT

Hector Balderas
New Mexico State Auditor
The Office of Management and Budget and
The Governing Council
Southeastern New Mexico Educational Resource Center
Artesia, New Mexico

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons for the general fund of the Southeastern New Mexico Educational Resource Center, as of and for the year ended June 30, 2013, and the related notes to the financial statements which collectively comprise Southeastern New Mexico Educational Resource Center's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation fo these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation for financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to Southeastern New Mexico Educational Resource Center preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Southeastern New Mexico Educational Resource Center's internal control Accordingly, we express no such opinion. An audit also includes evaluation the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Southeastern New Mexico Educational Resource Center, as of June 30, 2013, and the respective changes in financial position where applicable, cash flows thereof and the budgetary comparisons for the General fund for the year then ended in conformity with accounting principles generally accepted in the United States of America

Other Matters

Required Supplementary Information

Management has omitted the MD & A which is required to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements is required by GASB who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Our audit was conducted for the purpose of forming opinions on Southeastern New Mexico Educational Resource Center financial statements the combining and individual fund financial statements, and the budgetary comparisons. The other schedules as required by 2.22.2 NMAC are presented for the purposes of additional analysis and are not a required part of the basic financial statements. The other schedules required by 2.2.2 NMAC are the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the financial statements. Such 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 standard generally accepted in the United states of America. In our opinion, the other schedules as required by 2.2.2 NMAC 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 September 5, 2013, on our consideration of the Southeastern New Mexico Educational Resource Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, in considering Southeastern New Mexico Educational Resource Center internal control over financial reporting and Compliance.



Ronny Fouts, CPA
Melrose, New Mexico
September 5, 2013

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

June 30, 2013

ASSETS	<u>Governmental Activities</u>
Cash and Cash Equivalents	\$ 264,265
Non-current Capital Assets	23,121
Less Accumulated Depreciation	<u>(23,121)</u>
TOTAL ASSETS	<u>\$ 264,265</u>
 LIABILITIES AND NET POSITION	
Current:	
Accounts Payable	\$ -
Deferred Revenue	<u>-</u>
Total Current Liabilities	<u>-</u>
 NET POSITION	
Invested in capital assets	-
Restricted	<u>264,265</u>
TOTAL NET POSITION	<u>\$ 264,265</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, 2013

Functions/Programs	Program Revenues			Net (Expenses) Revenue & Changes in Net Assets	
	Expenses	Charges for Services	Operating Grants and Contributions		Capital Grants and Contributions
Primary Government:					
Governmental activities:					
Support Services - Students	164,257	164,257	-	-	-
Support Services - Instruction	-	-	-	-	-
Support Services - General Administration	58,870	58,870	-	-	-
Support Services - School Administration	16,347	16,347	-	-	-
Support Services - Central Services	3,065	3,065	-	-	-
Operation & Maintenance of Plant	974	974	-	-	-
Total Governmental Activities	<u>\$ 243,513</u>	<u>\$ 243,513</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>

General Revenues	-
Fees	70,607
Total General Revenues	<u>70,607</u>
Change in net position	70,607
Net position - beginning	<u>193,658</u>
Net position- ending	<u>\$ 264,265</u>

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

STATE OF NEW MEXICO
 SOUTHEASTERN NEW MEXICO EDUCATIONAL RESOURCE CENTER

BALANCE SHEET - GOVERNMENTAL FUNDS

Year ended June 30, 2013

	GENERAL 26101	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS			
Cash on Deposit	\$ 264,265	\$ -	\$ 264,265
Due from other Governments	-	-	-
TOTAL ASSETS	\$ 264,265	\$ -	\$ 264,265
LIABILITIES AND FUND BALANCE			
LIABILITIES			
Accounts Payable	\$ -	\$ -	\$ -
Deferred Revenue	-	-	-
TOTAL LIABILITIES	-	-	-
FUND BALANCE			
Fund Balance			
Restricted	264,265		264,265
TOTAL FUND BALANCE	264,265	-	264,265
TOTAL LIABILITIES AND FUND BALANCE	\$ 264,265	\$ -	\$ 264,265

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 POSITION

June 30, 2013

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

Fund Balance - total governmental funds		\$	264,265
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>(23,121)</u>		<u>-</u>
Net position of governmental activities		\$	<u>264,265</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, 2013

	GENERAL 26101	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUE			
Fees	314,120	-	314,120
TOTAL REVENUES	314,120	-	314,120
EXPENDITURES			
Current			
Support Services - Students	163,753	-	163,753
Support Services - Instruction	-	-	-
Support Services - General Administration	58,870	-	58,870
Support Services - School Administration	16,347	-	16,347
Support Services - Central Services	3,065	-	3,065
Operation & Maintenance of Plant	974	-	974
TOTAL EXPENDITURES	243,009	-	243,009
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	71,111	-	71,111
Other financing Sources (Uses)			
Transfer in (out)	-	-	-
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES and OTHER USES	71,111	-	71,111
FUND BALANCE - JUNE 30, 2012	193,154	-	193,154
FUND BALANCE - JUNE 30, 2013	\$ 264,265	\$ -	\$ 264,265

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, 2013

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

Net change in fund balance - total governmental funds \$ 71,111

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 Depreciation exceeded capital outlays for the year (504)

Change in Net Assets \$ 70,607

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 - BUDGET (NON-GAAP)
AND ACTUAL -GENERAL FUND 26101

Year Ended June 30, 2013

	ORIGINAL BUDGET	ADJUSTED BUDGET	ACTUAL	VARIANCE Favorable (Unfavorable)
REVENUE				
State Revenue	\$ -	\$ -	\$ -	\$ -
Services	-	378,000	314,120	(63,880)
TOTAL REVENUE	-	378,000	\$ 314,120	\$ (63,880)
BUDGETED CASH BALANCE	-	-		
TOTAL REVENUE & CASH	\$ -	\$ 378,000		
EXPENDITURES				
Current				
Support Services - Students	\$ -	\$ 170,000	\$ 163,753	\$ 6,247
Support Services - Instruction	-	-	-	-
Support Services - General Administration	-	179,292	58,870	120,422
Support Services - School Administration	-	16,500	16,347	153
Support Services - Central Services	-	9,408	3,065	6,343
Operation & Maintenance of Plant	-	2,800	974	1,826
TOTAL EXPENDITURES	\$ -	\$ 378,000	\$ 243,009	\$ 134,991

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

Sources/Inflows of Resources

Actual amounts (budgetary basis)	\$ 314,120
Differences budget to GAAP	-
Prior Year Deferral	-
Current Year Deferral	-
Total Revenues (GAAP Basis)	\$ 314,120

Uses/Outflows of Resources

Actual amounts (budgetary basis)	\$ 243,009
Differences-budget to GAAP	-
Current Year Accounts Payable	-
Total Expenditures (GAAP Basis)	\$ 243,009

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. 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, 2013

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 (PVREC). SNMERC is a separately structured activity of the PVREC 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, Jal Public Schools,

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June 30, 2013

Lake Arthur Municipal Schools, Loving Municipal Schools, Lovington Public Schools, Tatum Municipal Schools, Carlsbad Municipal Schools, Sandia National Labs, Carlsbad Office, 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.

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

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.

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.

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.

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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.
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.

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Notes To The Financials Statements
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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.
- (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

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Notes To The Financials Statements
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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

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

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

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 Notes To The Financials Statements
 June 30, 2013

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>		
General	\$ 265,664	\$264,265
TOTAL Deposited	\$ 265,664	\$264,265
Less: FDIC Coverage	<u>(250,000)</u>	
Over (Under) requirement	(15,664)	
50% collateral requirement	7,832	
Pledged securities	<u>7,832</u>	
Over (Under) requirement	<u><u>-</u></u>	

Custodial Credit Risk-Deposits

<u>Depository Account</u>	<u>Bank Balance</u>
Insured	\$ 250,000
Collateralized:	
Collateral Held by the Pledging Bank	7,832
SNMERC's Name	-
Uninsured and uncollateralized	<u>7,832</u>
Total Deposits	<u>\$ 265,664</u>

The collateral is held by FHLB Cusip 545562PD Los Luna NM School Dist Bonds due 7/15/17 \$7,832 Pledged.

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, 2013 \$7,832 of the SNMERC's bank balance of \$265,664 was exposed to custodial credit risk.

NOTE C: CAPITAL ASSETS

Capital Assets Balances and Activity for the Year Ended June 30, 2013, is as follows:

	<u>6/30/12</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 6/30/13</u>
Governmental Activities				
Other Capital Assets				
Equipment	\$ 23,121	\$ -	-	\$ 23,121
Total Capital				
Assets at Historical Cost	<u>23,121</u>	-	-	<u>23,121</u>
Less Accumulated Depreciation				
Equipment	22,617	504	-	23,121
Total Accumulated Depreciation	<u>22,617</u>	<u>504</u>	-	<u>23,121</u>
Capital Assets, net	<u>\$ 504</u>	<u>\$ (504)</u>	<u>\$ -</u>	<u>\$ -</u>

Depreciation expense was charged to governmental activities

Support Services - Students	<u>\$ 504</u>
Total depreciation expenses	<u>\$ 504</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, 2013, there were no interfund receivables or payables.

NOTE G: PENSION PLAN

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.

NOTE L: SUBSEQUENT EVENT

Starting July 1, 2013 the SNMERC will be included in the operation of Pecos Valley Regional Educational Cooperative. The management will remain the same.

RONNY FOUTS
CERTIFIED PUBLIC ACCOUNTANT
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Melrose, NM 88124

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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**

INDEPENDENT AUDITOR'S REPORT

Hector Balderas
New Mexico State Auditor
The Office of Management and Budget and
The Governing Council
Southeastern New Mexico Educational Resource Center
Artesia, New Mexico

We have audited, 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, the financial statements of the governmental activities, each major fund, the aggregate remaining fund information and the budgetary comparisons of the general fund and the combining and individual fund and related budgetary comparisons presented as supplemental information of the Southeastern New Mexico Educational Resource Center as of and for the year ended June 30, 2013, and the related notes to financial statements, which collectively comprise Southeastern New Mexico Educational Resource Center's basic financial statements, and the combining and individual funds and related budgetary comparisons of Southeastern New Mexico Educational Resource Center presented as supplemental information, and have issued our report thereon dated September 5, 2013.

Internal Control over Financial Reporting

Management of Southeastern New Mexico Educational Resource Center is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Southeastern New Mexico Educational Resource Center's internal control over financial reporting to determine the auditing 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 Southeastern New Mexico Educational Resource Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the Southeastern New Mexico Educational Resource Center'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 function, 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 reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency or a combination of

deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting 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 significant deficiencies or material weaknesses and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we considered to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Southeastern New Mexico Educational Resource Center 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 disclose no instances of noncompliance or other matters that is 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 result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or 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.



Ronny Fouts, CPA
Melrose, New Mexico
September 5, 2013

STATE OF NEW MEXICO
SOUTHEASTERN NEW MEXICO EDUCATIONAL RESOURCE CENTER
Schedule of Findings and Responses
For the Year Ended June 30, 2013

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 5 , 2013. Those present were Mike Grossman, Board Member, Lesa Dodd, Board Member, David Willden, Executive Director, Christine Hendershot, Business Manager, Leslie Smith, Interim Business Manager, Karen Kilpatrick, Secretary and Ronny Fouts, CPA.