

**STATE OF NEW MEXICO
SOUTHEASTERN NEW MEXICO ECONOMIC
DEVELOPMENT DISTRICT, INC.**

**FINANCIAL STATEMENTS
Year Ended June 30, 2008**

**STATE OF NEW MEXICO
SOUTHEASTERN NEW MEXICO ECONOMIC DEVELOPMENT DISTRICT, INC.**

**Table of Contents
June 30, 2008**

INTRODUCTORY SECTION	
Table of Contents	i
Official Roster	ii
FINANCIAL SECTION	
Independent Auditor's Report.....	1
Management's Discussion & Analysis	2
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets	7
Statement of Activities	8
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet-General Fund	9
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets	10
Statement of Revenues, Expenditures and Changes in Fund Balance-General Fund	11
Reconciliation of Changes in Fund Balance of Governmental Funds to the Statement of Activities	12
Statement of Revenues and Expenditures Budget (Non-GAAP Basis) and Actual.....	13
Notes to the Financial Statements	16
COMPLIANCE	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	24
Schedule of Findings and Exit Conference	26

STATE OF NEW MEXICO
SOUTHEASTERN NEW MEXICO ECONOMIC DEVELOPMENT DISTRICT, INC.

Official Roster
June 30, 2008

OFFICERS

Manuel Madrid	President
Matt White	Vice President
Alice Eppers	Treasurer
Hubert Quintana	Secretary/Executive Director

BOARD OF DIRECTORS

Connie Andrews	April Joy Bailey
Rick Bruce	Donald Carroll
Ray Cordova	Joe Dearing
Julius Doubrava	Alice Eppers
Pete Estrada	Sam Hammons
Steve Henderson	Eileen Lovelace
Manuel Madrid	Clarissa McGinn
Michael Nivison	P.J. Parker
John Reid	James Robbins
Ysidro Salazar	Van Shamblin
Bob Stewart	Louise Tracey
John Waters	Matt White
Don Williams	Pat Wise

MILLER & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS
A PROFESSIONAL CORPORATION

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POST OFFICE BOX 2504
ROSWELL, NEW MEXICO 88202-2504

RONALD L. MILLER, CPA/ABV, CVA
RYAN L. MILLER, CPA
LARI E. GALLAGHER, CPA

INDEPENDENT AUDITOR'S REPORT

MEMBERS
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

TELEPHONE 575-622-4667
FAX 575-622-5166
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Mr. Hector H. Balderas, State Auditor of the State of New Mexico
Members of the Board of Directors
Southeastern New Mexico Economic Development District, Inc.

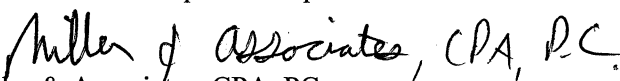
We have audited the accompanying financial statements of the governmental activities and the major fund of Southeastern New Mexico Economic Development District, Inc. (the "District") as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion 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 of America. 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 statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Southeastern New Mexico Economic Development District, Inc. as of June 30, 2008, and the respective changes in financial position and the respective budgetary comparison thereof 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 December 11, 2008, on our consideration of the District'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* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the Management's Discussion and Analysis. However, we did not audit the information and express no opinion on it.


Miller & Associates, CPA, PC
December 11, 2008

**STATE OF NEW MEXICO
SOUTHEASTERN NEW MEXICO ECONOMIC DEVELOPMENT DISTRICT, INC.**

**Management's Discussion and Analysis
(Required Supplementary Information)**

The Management's Discussion and Analysis (MD&A) for the Southeastern New Mexico Economic Development District, Inc. will provide an overview of the District's activities and programs by (1) evaluating the operating results for the year, (2) assessing its financial position and condition, (3) helping to understand its sources and uses of financial resources, (4) helping to determine if budgets were met, and (5) identifying budget issues or concerns. Finally, the MD&A will provide comparative data from fiscal 2007 and 2008.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private sector businesses. The statement of net assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid. The financial statements report the District's net assets and how they have changed.

FUND FINANCIAL STATEMENTS

The Fund Financial Statements provide a more detailed look at the District's significant funds. Funds are accounting methods that the District uses to keep track of specific sources of funding and spending for a particular purpose. The District operates on its General Fund Appropriations received from the State Legislature each year. Federal grants are also a revenue source for operation. The Fund Financial Statements also present sources and uses of liquid resources. This is the manner in which the financial plan (the budget) is typically developed. Funds are established for various purposes and the financial statement allows the demonstration of sources and uses/or budgeting compliance associated therewith.

NOTES TO THE FINANCIAL STATEMENTS

The notes provide additional information that is essential to full understanding of the data provided in the government-wide and fund financial statements.

**STATE OF NEW MEXICO
SOUTHEASTERN NEW MEXICO ECONOMIC DEVELOPMENT DISTRICT, INC.**

**Management's Discussion and Analysis
(Required Supplementary Information)**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Assets: Below is a summary of the District's net assets. The District reports balances in the following two categories of net assets: (1) invested in capital assets and (2) unrestricted.

Net Assets

	Government Activities	
	2008	2007
Current Assets	112,372	89,055
Capital Assets, net	20,874	35,355
Total Assets	<u>133,246</u>	<u>\$124,410</u>
Current Liabilities	30,199	26,745
Long-term Liabilities Outstanding	4,164	7,558
Total Liabilities	<u>34,363</u>	<u>34,303</u>
Net Assets:		
Invested in Capital Assets	13,322	19,899
Unrestricted	85,561	70,208
Total Net Assets	<u>98,883</u>	<u>90,107</u>

Statement of Activities: The following represents the revenues and expenses for fiscal year 2007.

Changes in Net Assets

	Government Activities	
	2008	2007
Revenues:		
Program Revenues		
Charges for Services	83,533	83,533
Operating Grants and Contributions	558,631	520,729
General Revenues		
Unrestricted Investment Earnings	958	644
Miscellaneous	6,010	537
Total Revenues	<u>649,132</u>	<u>605,443</u>
Expenses:		
General Government	625,875	601,521
Depreciation	14,481	14,092
Total Expenses	<u>640,356</u>	<u>615,613</u>
Change in Net Assets	8,776	(10,170)
Net Assets – Beginning (as restated)	90,107	100,277
Net Assets – Ending	<u>9,883</u>	<u>90,107</u>

**STATE OF NEW MEXICO
SOUTHEASTERN NEW MEXICO ECONOMIC DEVELOPMENT DISTRICT, INC.**

**Management's Discussion and Analysis
(Required Supplementary Information)**

The \$43,472 increase in FY08 revenues was due primarily to the carry-over of unexpended Department of Transportation grant funds leftover from the 06-07 grant period and an increase in the District's State Appropriation.

The increase in expenditures of \$24,526 from FY06 to FY07 was attributable to increases in salary, fringe, travel and additional office costs for the transportation program for a 12 month period as well as salary increases for other District staff.

The net assets increase of \$8,776 is due to the increase in revenues over expenditures.

FUND FINANCIAL ANALYSIS

Governmental Funds. The focus of the District's governmental funds is to provide information on near term inflows, outflows, and balances of spendable resources. For the current year the District had one governmental fund, the General Operating Fund. As of year-end, the General Operating Fund reported a fund balance of \$85,561 a increase of \$15,353 from the previous year.

Comparisons Budgetary

GASB 34 requires budgetary comparison schedules for the general fund and for each major special revenue fund that has a legally adopted annual budget. The budgetary comparison schedules should present both the original and the appropriated budgets for the reporting period as well as the actual inflows, outflows, and balances stated on the government's budgetary basis. As required by the Office of the State Auditor in 2 NMAC 2.2, the budgetary comparison statement is presented as a basic statement. This information is provided at the approved budget level to demonstrate compliance with legal requirements.

Original Budget compared to final budget - no significant changes.

Final budget compared to actual results - The Small Business Development Center (the "Center") incurred less reimbursable salary, fringe and travel expenses than budgeted. The Transportation program incurred less reimbursable expenses than budgeted. Any unexpended budgeted revenues will be carried over into next fiscal year. Grant Administration revenues were less than budgeted because of time delays in closing out the grants. Any budgeted revenues not received will be carried over into next fiscal year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets. The District's investment in capital assets for its government activities as of June 30, 2008 amount to \$20,874 (net of accumulated depreciation). This investment in capital assets consists of furniture, equipment, and automobiles. There were no new purchases during the year ended June 30, 2008.

Capital Assets

	<u>Governmental Activities</u>	
	<u>2008</u>	<u>2007</u>
Capital Assets Net of Accumulated Depreciation	<u>\$ 20,874</u>	<u>\$ 35,355</u>

STATE OF NEW MEXICO
SOUTHEASTERN NEW MEXICO ECONOMIC DEVELOPMENT DISTRICT, INC.

Management's Discussion and Analysis
(Required Supplementary Information)

Long-Term Debt

Long-Term Debt: At the end of the current fiscal year, the District had a total long-term debt outstanding of \$4,164. This amount consists of one note due to Bank of the Southwest. Payments totaling \$3,394 were made to service debt on the note.

	<u>Government Activities</u>	
	<u>2008</u>	<u>2007</u>
Notes Payable	<u>\$ 4,164</u>	<u>\$ 7,558</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The budget for the year ended June 30, 2009 reflects a special legislative appropriation of \$10,000, an increase in administrative contract revenues and a four percent increase in wages for District staff.

REQUESTS FOR INFORMATION

The purpose of this financial report is to provide the general public and other interested parties with a general overview of the District's finances and accountability of funds. Questions concerning this report or requests for additional information should be addressed to Southeastern New Mexico Economic Development District, 1600 SE Main Street, Roswell, New Mexico 88203.

BASIC FINANCIAL STATEMENTS

STATE OF NEW MEXICO
SOUTHEASTERN NEW MEXICO ECONOMIC DEVELOPMENT DISTRICT, INC.

Statement of Net Assets
Government -Wide
June 30, 2008

ASSETS	<u>Governmental Activities</u>
Current assets:	
Cash and cash equivalents	\$ 108,375
Prepaid expenses	3,997
Total current assets	<u>112,372</u>
Noncurrent assets:	
Capital assets, net of depreciation	<u>20,874</u>
 Total Assets	 <u><u>\$ 133,246</u></u>
 LIABILITIES	
Current liabilities:	
Payroll liabilities	\$ 54
Deferred revenue	12,500
Compensated absences - current	14,257
Current portion of notes payable	3,388
Total current liabilities	<u>30,199</u>
Noncurrent liabilities:	
Notes payable	<u>4,164</u>
Total Liabilities	<u><u>34,363</u></u>
 NET ASSETS	
Invested in capital assets, net of related debt	13,322
Unrestricted	85,561
Total Net Assets	<u><u>98,883</u></u>
 Total Liabilities and Net Assets	 <u><u>\$ 133,246</u></u>

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

STATE OF NEW MEXICO
SOUTHEASTERN NEW MEXICO ECONOMIC DEVELOPMENT DISTRICT, INC.

Statement of Activities
Government -Wide
For the Year Ended June 30, 2008

Functions/Programs	Expenses	Program Revenues		Net Program (Expense) Revenues and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Primary Government
				Government Activities
Governmental activities:				
General government	\$ 625,875	\$ 83,533	\$ 558,631	\$ 16,289
Depreciation expense	14,481	-	-	(14,481)
Total primary government	<u>\$ 640,356</u>	<u>\$ 83,533</u>	<u>\$ 558,631</u>	<u>1,808</u>
General revenues:				
Unrestricted investment earnings				958
Miscellaneous				6,010
Total general revenues				<u>6,968</u>
Change in net assets				<u>8,776</u>
Net assets - beginning				<u>90,107</u>
Net assets - ending				<u>\$ 98,883</u>

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

STATE OF NEW MEXICO
SOUTHEASTERN NEW MEXICO ECONOMIC DEVELOPMENT DISTRICT, INC.

Balance Sheet
General Fund
June 30, 2008

ASSETS

Cash and cash equivalents	\$ 108,375
Prepaid expenditures	3,997
	<hr/>
Total Assets	\$ 112,372
	<hr/> <hr/>

LIABILITIES AND FUND BALANCES

Liabilities:

Payroll liabilities	\$ 54
Compensated absences	14,257
Deferred revenue	12,500
Total Liabilities	26,811
	<hr/> <hr/>

Fund Balances:

Unreserved	85,561
Total Fund Balances	85,561
	<hr/> <hr/>

Total Liabilities and Fund Balances	\$ 112,372
	<hr/> <hr/>

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

STATE OF NEW MEXICO
SOUTHEASTERN NEW MEXICO ECONOMIC DEVELOPMENT DISTRICT, INC

**Reconciliation of Governmental Funds Balance Sheet
to the Statement of Net Assets
June 30, 2008**

Total fund balances - governmental funds		85,561
 Amounts reported for <i>governmental activities</i> in the Statement of Net Assets are different because:		
 Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:		
Furniture and equipment	\$ 27,262	
Automobiles	62,603	
Accumulated depreciation	<u>(68,991)</u>	
Total capital assets		20,874
 Long-term liabilities including loans payable are not due and payable in the current period and therefore are not reported in the funds.		
		<u>(7,552)</u>
Net assets of governmental activities		<u><u>\$ 98,883</u></u>

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

STATE OF NEW MEXICO
SOUTHEASTERN NEW MEXICO ECONOMIC DEVELOPMENT DISTRICT, INC.

Statement of Revenues, Expenditures, and Changes in Fund Balance
General Fund
For the Year Ended June 30, 2008

REVENUES

Eastern New Mexico University, Roswell, grant	\$	263,087
Dues assessed to member entities		83,533
State of New Mexico, grant		134,760
Economic Development Administration, grant		37,500
Administrative fee revenues		120,784
Other revenues		9,252
Total Revenues		648,916

EXPENDITURES

Current:

Salaries		407,893
Fringe benefits		99,206
Travel, meetings and conferences		43,945
Rent		14,400
Telephone		4,403
Equipment lease		4,122
Equipment repairs		370
Professional services		9,541
Office supplies		9,297
Contractual		2,375
Insurance		5,652
Workers compensation		2,838
Other		13,684
Postage		3,202
Printing and copying		1,924
Promotion and development		1,630
Publications, subscriptions, dues		175
Equipment Purchases		1,219

Debt Service:

Principal retirement		7,687
Interest		
Total Expenditures		633,563

Excess (deficiency) of revenues over expenditures		15,353
Fund Balances--Beginning of the Year		70,208
Fund Balances--End of the Year	\$	85,561

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

STATE OF NEW MEXICO
SOUTHEASTERN NEW MEXICO ECONOMIC DEVELOPMENT DISTRICT, INC.

**Reconciliation of Changes in Fund Balance of
Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2008**

Net change in fund balances -- total governmental funds	\$ 15,353
Amounts reported for <i>governmental activities</i> in the Statement of Activities are different because:	
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 as depreciation expense.	
This is the amount by which capital outlays exceeded depreciation in the current period:	
Capital Outlay	\$ -
Depreciation Expense	(14,481)
Excess of capital outlay over depreciation expense	<u>(14,481)</u>
Increase in notes payable	
Repayment of principal on notes payable reported as an expenditure in governmental funds, but reduces the long-term liabilities in the Statement of Net Assets	<u>7,904</u>
Change in net assets of governmental activities	<u><u>\$ 8,776</u></u>

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

STATE OF NEW MEXICO
SOUTHEASTERN NEW MEXICO ECONOMIC DEVELOPMENT DISTRICT, INC.

Statement of Revenues and Expenditures
Budget (Non-GAAP Basis) and Actual
General Fund
For the Year Ended June 30, 2008

	General Fund			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts (Budgetary Basis)	Final Budget Positive (Negative)
REVENUES				
Eastern New Mexico University, Roswell	\$ 311,198	\$ 311,198	\$ 263,087	\$ (48,111)
Dues assessed to member entities	83,668	83,668	78,335	(5,333)
Economic Development Administration, grant	50,000	50,000	50,000	-
State of New Mexico, grant	134,756	134,756	134,756	-
New Mexico Department of Agriculture	1,865	1,865		(1,865)
Administrative fee revenues	197,696	197,696	115,784	(81,912)
Restricted Revenue	-	-	5,000	5,000
Other revenue	7,750	7,750	9,255	1,505
	<u>786,933</u>	<u>786,933</u>	<u>656,217</u>	<u>(130,716)</u>
Total Revenues				
EXPENDITURES				
Current:				
Salaries	407,467	407,467	407,892	(425)
Fringe benefits	130,007	130,007	98,598	31,409
Travel, meetings, conferences	55,703	55,703	43,945	11,758
Rent	14,400	14,400	14,400	-
Equipment lease	7,000	7,000	4,122	2,878
Equipment repairs	500	500	370	130
Contractual	3,100	3,100	2,375	725
Telephone	5,900	5,900	4,403	1,497
Professional services	10,209	10,209	9,541	668
Insurance	7,000	7,000	5,410	1,590
Supplies	11,000	11,000	9,297	1,703
Workers compensation	2,800	2,800	2,791	9
Postage	3,500	3,500	3,202	299
Promotion and development	2,000	2,000	1,630	370
Printing and copying	3,000	3,000	1,924	1,076
Publications, subscriptions, dues	575	575	175	400
Other	24,000	24,000	14,904	9,096
Capital Purchase	7,000	7,000	-	7,000

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

STATE OF NEW MEXICO
SOUTHEASTERN NEW MEXICO ECONOMIC DEVELOPMENT DISTRICT, INC.

Statement of Revenues and Expenditures
Budget (Non-GAAP Basis) and Actual (continued)
General Fund
For the Year Ended June 30, 2008

	General Fund			
	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Debt Service:				
Principal retirement	14,755	14,755	7,687	7,068
Interest	-	-		-
Total Expenditures	709,916	709,916	632,666	77,250
Excess (deficiency) of revenues over expenditures	77,017	77,017	23,551	\$ 53,466
Prior year cash balance				
End of year cash balance	\$ 77,017	\$ 77,017		
 RECONCILIATION TO GAAP				
Prior year prepaids			(4,285)	
Current year prepaids			3,997	
Prior year accrued payroll			-	
Current year accrued payroll			-	
Prior year compensated absences			13,649	
Current year compensated absences			(14,257)	
Prior year deferred revenue			5,198	
Current year deferred revenue			(12,500)	
Excess (deficiency) of revenues over expenditures			\$ 15,353	

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

NOTES TO THE FINANCIAL STATEMENTS

STATE OF NEW MEXICO
SOUTHEASTERN NEW MEXICO ECONOMIC DEVELOPMENT DISTRICT, INC.

Notes to the Financial Statements
June 30, 2008

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Introduction

The Southeastern New Mexico Economic Development District, Inc. (the "District") was established in 1971 and is comprised of local government units within the following New Mexico counties – Chaves, Eddy, Lea, Lincoln and Otero. The objectives of the District are to encourage and permit member government units to join and cooperate with one another and representatives of federal and state agencies, major economic interests and citizen groups for the purpose of improving health, safety, and the general welfare of citizens and to plan for the future economic development of the participating government units. The District services a variety of functions including information dissemination, area wide and local planning, direct technical assistance, intergovernmental coordination and training. Priority considerations are given to economic development, resource planning, and programs that improve community infrastructure (water, sewer, solid waste) and transportation. The District is dependent upon annual dues from participating government units and grants received from federal and state government agencies.

The financial statements have incorporated all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on accounting procedures issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements. The more significant of the government's accounting policies are described below. The accounting and reporting framework and the more significant accounting principles and practices of the District are discussed in subsequent sections of Note 1. The remainder of the Notes are organized to provide explanations, including required disclosures, of the District's financial activities for the fiscal year ended June 30, 2008.

Financial Reporting Entity

The District's financial statements include the accounts of all District operations. The criteria for including organizations as component units within the District's reporting entity, as set forth in Section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, includes whether: (a) the organization is legally separate (can sue and be sued in their own name), (b) the District holds the corporate powers of the organization, (c) the District appoints a voting majority of the organization's board, (d) the District is able to impose its will on the organization, (e) the organization has the potential to impose a financial benefit/burden on the District, and (f) there is a fiscal dependency by the organization on the District. Based on the aforementioned criteria, the District has no component units.

Basic Financial Statements – Government-Wide

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the nonfiduciary activities of the primary government. The District is a single-program government that engages only in governmental activities. Both the government-wide and fund financial statements categorize primary activities as governmental activities.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met. As applicable, net

STATE OF NEW MEXICO
SOUTHEASTERN NEW MEXICO ECONOMIC DEVELOPMENT DISTRICT, INC.

Notes to the Financial Statements
June 30, 2008

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

assets are reported in three parts – invested in capital assets, restricted net assets, and unrestricted net assets.

The government-wide Statement of Activities reports the gross and net cost of the District's function. The function is supported by general government revenues. The Statement of Activities reduces gross expenses by related program revenues, and operating and capital grants. Program revenues must be directly associated with the function. The District includes only one function. Program revenues are comprised of charges for services which are dues paid by member governments and state and local operating grants. All indirect expenses are charged directly to the District's one function.

Basic Financial Statements – Fund Financial Statements

The Governmental General Fund is the District's main operating fund and it accounts for all financial resources. The General Fund is accounted for by providing self-balancing accounts that comprise its assets, liabilities, fund balances, revenues and expenses.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they both are measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within sixty days of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements, a reconciliation is presented on the governmental funds which set forth the adjustments necessary to convert the fund based financial statements into a government-wide presentation.

Budgetary Process

Budgets are prepared annually by District personnel and include a proposed operating budget of estimated revenues, expenditures, and transfers for the ensuing fiscal year. The budget and subsequent revisions are presented to the District's board of directors for approval. The budget amounts shown in the combined financial statements is the operating budget as adopted, amended and approved by the board of directors.

Budgetary Control – The District's annual budget is a management tool and control device that assists its users in analyzing financial activity for its fiscal year ending June 30, 2008. Budgetary control is at the fund level. Revenues and expenditures are budgeted by funding source. Management of the District is authorized to transfer budgeted amounts between line items and increase total expenditures. All budget revisions are subject to final review and approval by the board of directors. Revisions to the budget were made during the fiscal year which were approved by the board of directors.

Encumbrances – Encumbrances represent commitments related to unperformed contracts for goods or services. The commitments (purchase orders, contracts, and other commitments for the expenditure of funds) are not treated as expenditures until a liability for payment is incurred, but are merely used to facilitate

STATE OF NEW MEXICO
SOUTHEASTERN NEW MEXICO ECONOMIC DEVELOPMENT DISTRICT, INC.

Notes to the Financial Statements
June 30, 2008

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

effective budget control and cash planning and management. Encumbrance accounting where a portion of the applicable appropriation is reserved for open purchase orders is not employed by the District.

Budget Basis of Accounting – The budget for the Governmental Fund Type is prepared on the cash basis, which is a basis of accounting not in accordance with generally accepted accounting principles (GAAP). Revenues are budgeted in the year receipt is expected; and expenditures/expenses are budgeted in the year that payment is expected to be made. The reconciliation of governmental fund revenues and expenses to budget basis revenue and expense is presented on page 12.

Cash

For purposes of the Statement of Net Assets, 'cash' includes all demand and savings accounts of the District.

Prepaid Items

Payment made to vendors for services that will benefit periods beyond June 30, 2008, are recorded as prepaid items.

Deferred Revenues

Deferred revenues arise when potential revenue does not meet both the 'measurable' and 'available' criteria for recognition in the current period. Deferred revenues also arise when resources are received by the District before it has legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has legal claim to the resources, the liability for deferred revenue is removed and revenue is recognized. Deferred revenue is comprised of state grant money received for the year ended June 30, 2009.

Capital Assets

Capital assets include automobiles, office furniture and equipment. Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of 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. Depreciation on all assets is provided on the straight-line basis over a life of five years with no salvage value. GASB No. 37, requires the District to report and depreciate infrastructure assets. Infrastructure assets include roads, bridges, underground pipe, traffic signals, etc. The District does not own any infrastructure assets.

Compensated Absences

The District allows full-time employees to accumulate up to 60 days (480 hours) of sick leave. However, accumulated unused sick leave is not paid upon termination from employment or retirement and is only paid upon illness while in the employment of the District. Accordingly, no provision for accumulated unused sick leave has been made in the accompanying financial statements.

STATE OF NEW MEXICO
SOUTHEASTERN NEW MEXICO ECONOMIC DEVELOPMENT DISTRICT, INC.

Notes to the Financial Statements
June 30, 2008

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Full-time employees can accumulate up to 15 days (120 hours) of vacation leave. Accumulated vacation leave is payable upon separation of employment or retirement. The current portion of this liability is estimated based on historical trends. Accrued compensated absences of the District's governmental fund represents anticipated current expenditures.

Net Assets and Fund Equity

Net assets present the difference between assets and liabilities in the Statement of Net Assets. Net assets invested in capital assets are reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are legal limitations imposed on their use by District legislation or external restrictions by creditors, grantors, laws or regulations of other governments.

The unreserved fund balances for governmental funds represent the amount available for budgeting future operations. The designated fund balances for governmental funds represent the amount that has been identified for specific purposes.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2: CASH

At June 30, 2008, the carrying amount of the District's deposits with Pioneer Bank and the Bank of the Southwest were \$24,614 and \$83,662, respectively, and the bank balances were \$51,943 and \$78,692, respectively. According to the Federal Deposit Insurance Authority, time deposits or savings deposits of a public unit in an institution in the same state will be insured up to \$100,000 in the aggregate and separate from the \$100,000 coverage for public unit demand deposits at the same institution. Accordingly, at June 30, 2008, FDIC coverage was equal to demand deposit and saving account balances. New Mexico statutes require that all District deposits in financial institutions be collateralized in an aggregate amount equal to at least one-half of the District's deposits at the financial institutions.

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of bank failure, the government's deposits may not be returned to it. As of June 30, 2008 the District was not exposed to custodial credit risk.

At June 30, 2008 the District had funds on deposit in the following accounts with Pioneer Savings Bank and Bank of the Southwest.

STATE OF NEW MEXICO
SOUTHEASTERN NEW MEXICO ECONOMIC DEVELOPMENT DISTRICT, INC.

Notes to the Financial Statements
June 30, 2008

NOTE 2: CASH (continued)

Account Name	Account Type	Account Number	Bank Balance	Outstanding Deposits (Checks)	Book Balance
Local	Demand	01-03058897	\$ 37,772	\$ (16,952)	\$ 20,820
Federal/State	Demand	01-03058918	14,171	(10,378)	3,793
Money Market	Demand	0001208152	73,660	(30)	73,630
Auto Fund	Demand	0001322370	5,032	5,000	10,032
Petty cash	-	-	-	-	100
			<u>\$ 130,635</u>	<u>\$ (23,359)</u>	<u>\$ 108,375</u>

NOTE 3: CAPITAL ASSETS

A summary of changes in the District's capital assets and accumulated depreciation is as follows:

Capital Assets	Balance			Balance	
	July 1, 2007	Additions	Deletions	June 30, 2008	
Furniture and equipment	\$ 27,626	\$ -	\$ -	\$ 27,626	
Automobiles	62,603	-	-	62,603	
Total cost	<u>89,865</u>	<u>-</u>	<u>-</u>	<u>89,865</u>	
Less accumulated depreciation:					
Furniture and equipment	20,780	1,960	-	22,740	
Automobiles	33,730	12,521	-	46,251	
Total accum. depreciation	<u>54,510</u>	<u>14,481</u>	<u>-</u>	<u>68,991</u>	
Total capital assets, net	\$ 35,355	\$ 14,481	\$ -	\$ 20,874	

NOTE 4: NOTES PAYABLE

In August 2006, the District purchased a vehicle for \$23,356 and financed \$13,306 of the purchase price. Payments of \$310 a month are due through August 2010 and interest on the outstanding note payable is 5.5%.

A Summary of changes of the Districts notes payable and compensated absences is as follows:

	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008	Due Within One Year
Notes Payable	7,898	\$ -	\$ 3,394	\$ 7,552	\$ 3,388
Compensated Absences	\$ 13,649	\$ 23,386	\$ 22,778	\$ 14,257	\$ 14,257

STATE OF NEW MEXICO
SOUTHEASTERN NEW MEXICO ECONOMIC DEVELOPMENT DISTRICT, INC.

Notes to the Financial Statements
June 30, 2008

NOTE 4: NOTES PAYABLE (continued)

Principal maturities on long-term debt are as follows:

Year Ending June 30:	
2009	3,388
2010	3,579
2011	585
Total	<u>\$ 7,552</u>

NOTE 5: PUBLIC EMPLOYEES RETIREMENT ASSOCIATION PENSION PLAN

Plan Description

Substantially all of the District's full-time employees participate in a public employee retirement system authorized under the Public Employees Retirement Act (Chapter 10 Article 11 NMSA 1978). The Public Employee Retirement Association (PERA) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides for retirement, disability benefits, survivor benefits and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to PERA, 1120 Paseo De Peralta, PERA Building, Santa Fe, New Mexico 87504.

Funding Policy

The Plan currently provides for contributions to be paid by both the District and the employee in the following percentages – 9.15% paid by the District and 13.15% paid by the employee. The contribution requirements of plan members and the District are established under Chapter 10 Article 11 NMSA 1978. The requirements may be amended by acts of the legislature. The District's contributions to PERA for the years ending June 30, 2008, 2007, and 2006 were \$34,593, \$33,919, and \$30,434, respectively, equal to the amount of the required contributions for each year.

NOTE 6: LEASE COMMITMENTS

Effective July 1, 2006, the District entered into a lease for office space in Roswell, New Mexico. The District has the option to renew the lease for three additional one-year terms. Monthly rent expense under the lease is \$1,000 and was payable through June 2008. The lease was not renewed for 2009.

Effective March 2005, the District entered into a sixty-nine month lease for a postage machine and meter. Monthly rent expense under the lease is \$108 and is payable through December 2010.

NOTE 7: RISK MANAGEMENT

The District is exposed to various risks of losses related to torts, thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District purchases commercial

STATE OF NEW MEXICO
SOUTHEASTERN NEW MEXICO ECONOMIC DEVELOPMENT DISTRICT, INC.

Notes to the Financial Statements
June 30, 2008

NOTE 7: RISK MANAGEMENT (continued)

insurance for the risks of loss to which it is exposed. The District was not involved in litigation during the year ended June 30, 2008 and through the date of the audit report.

NOTE 8: CONTINGENCIES

In the normal course of operations the District receives grant funds from federal and state government agencies. These programs are subject to audit by the grantors or their representatives, the purpose of which is to ensure compliance with laws, regulations, and provisions of the grant agreements. Any liability for reimbursement which may arise as a result of these potential audits is not believed to be material.

NOTE 9: ACCOUNTING STANDARDS

The Governmental Accounting Standards Board (GASB) today issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. The Statement provides needed guidance regarding how to identify, account for, and report intangible assets. The new standard characterizes an intangible asset as an asset that lacks physical substance, is nonfinancial in nature, and has an initial useful life extending beyond a single reporting period. Examples of intangible assets include easements, computer software, water rights, timber rights, patents, and trademarks. The requirements Statement 51 are effective for financial statements for periods beginning after June 15, 2009. The District believes it will have no significant effect on the financial statements for the upcoming year.

In December 2006, the Governmental Accounting Standards Board (GASB) issued Statement No. 49, *Pollution Remedial Obligations*. This statement is effective for financial statements for the periods beginning after December 15, 2007. This statement establishes accounting standards for the recognition and reporting of liabilities related to environmental clean-up efforts. The District believes it will have no significant effect on the financial statements for the upcoming year.

In June 2008, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. Statement 53 is intended to improve how state and local governments report information about derivative instruments—financial arrangements used by governments to manage specific risks or make investments—in their financial statements. The guidance in this Statement also addresses hedge accounting requirements and is effective for financial statements for reporting periods beginning after June 15, 2009, with earlier application encouraged. The District believes it will have no significant effect on the financial statements for the upcoming year.

In November 2007, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*. The statement improves the quality of financial reporting by requiring endowments to report their land and other real estate investments at fair value, creating consistency in reporting among similar entities that exist to invest resources for the purpose of generating income. Reporting those investments at fair value provides more decision-useful information about their composition, current value, and recent changes in value. GASB Statement No. 52 is effective for financial statements for periods beginning after June 15, 2008. The District believes it will have not significant effect on the financial statements for the upcoming year.

COMPLIANCE

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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 H. Balderas, State Auditor of the State of New Mexico
Members of the Board of Directors
Southeastern New Mexico Economic Development District, Inc.

We have audited the financial statements of the governmental activities and the major fund of Southeastern New Mexico Economic Development District, Inc. (the "District") as of and for the year ended June 30, 2008, which collectively comprise the District's basic financials statements as listed in the table of contents. 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 District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District'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 a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliability in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the District'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 District's internal control.

Our consideration of 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 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 the District'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 District's Board of Directors, the District's management, the New Mexico Legislature, the New Mexico Department of Finance and Administration and the State of New Mexico Office of the State Auditor and is not intended to be and should not be used by anyone other than these specified parties.



Miller & Associates, CPA, PC
December 11, 2008

**STATE OF NEW MEXICO
SOUTHEASTERN NEW MEXICO ECONOMIC DEVELOPMENT DISTRICT, INC.**

**Schedule of Findings and Exit Conference
June 30, 2007**

FINDINGS – FINANCIAL STATEMENT AUDIT

None

FINDINGS – PRIOR YEAR AUDIT

None

EXIT CONFERENCE

The contents of this report were discussed at an exit conference held on December 11, 2008. The following individuals were in attendance:

Southeastern New Mexico Economic Development District, Inc.
Hubert Quintana, Executive Director
Beth Pappas, Office/Finance Manager
Steve Henderson, Board Member

Auditor
Ryan Miller, Shareholder

FINANCIAL STATEMENT PREPARATION

The financial statements of Southeastern New Mexico Economic Development District were prepared by Miller & Associates, C.P.A, P.C. from the original books and records provided by management.