

Accounting & Consulting Group, LLP

Certified Public Accountants

State of New Mexico
**Southeastern New Mexico Economic
Development District, Inc.**

Annual Financial Report

Year Ended June 30, 2012



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

ANNUAL FINANCIAL REPORT

JUNE 30, 2012

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STATE OF NEW MEXICO
Southeastern New Mexico Economic Development District, Inc.
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June 30, 2012

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STATE OF NEW MEXICO
Southeastern New Mexico Economic Development District, Inc.
Directory of Officials
June 30, 2012

<u>Name</u>	<u>Board</u>	<u>Title</u>
	<u>Chaves County</u>	
Dave White		Member, Town of Dexter
Connie Andrews		Member, Town of Hagerman
Ysidro Salazar		Member, Town of Lake Arthur
Steve Henderson		Member, City of Roswell
	<u>Eddy County</u>	
Phil Burch		Member, City of Artesia
Nick Salcido		Member, City of Carlsbad
Bonnie Rogers		Member, Village of Hope
Pete Estrada		Member, Village of Loving
	<u>Lea County</u>	
Mike Gallagher		Member, Lea County
Matt White		Member, City of Eunice
Kevin Robinson		Member, City of Hobbs
Curtis Schrader		Member, City of Jal
Scott Gandy		Member, City of Lovington
	<u>Lincoln County</u>	
Eileen Sedillo		Member, Lincoln County
Dennis Haskell		Member, Village of Capitan
Lee Gross		Member, Town of Carrizozo
Sam Seeley		Member, Village of Corona
Debi Lee		Member, Village of Ruidoso
	<u>Otero County</u>	
Pamela Heltner		Member, Otero County
David Venable		Member, Village of Cloudcroft
Al Hernandez		Member, City of Alamogordo
	<u>Officers</u>	
Ray Cordova		President
Marilyn Burns		Vice President
Richard Taylor		Treasurer
Hubert Quintana		Secretary/Executive Director
Lewis Derrick		Executive Director
Tommy Hood		Executive Director

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FINANCIAL SECTION

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Accounting & Consulting Group, LLP

Certified Public Accountants

Independent Auditors' Report

Hector Balderas
New Mexico State Auditor
The Board of Directors
Southeastern New Mexico Economic Development District, Inc.
Roswell, New Mexico

We have audited the accompanying financial statements of the governmental activities, the general fund, and the budgetary comparison for the general fund of Southeastern New Mexico Economic Development District, Inc. (District) as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Southeastern New Mexico Economic Development District, Inc.'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, and the standards applicable to financial statement audits contained in the New Mexico State Audit Rule 2.2.2 NMAC. 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we express no such opinion. 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the general fund of Southeastern New Mexico Economic Development District, Inc., as of June 30, 2012, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, the budget statement referred to above presents fairly, in all material respects the budgetary comparison for the general fund for the year then ended in conformity with the budgetary basis more fully described in Note 1 which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2012 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.

Management has omitted the *Management's Discussion and Analysis* that governmental accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. 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 the District's basic financial statements and the budgetary comparison. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on it.

Accounting & Consulting Group, LLP

Accounting & Consulting Group, LLP
Roswell, New Mexico
December 13, 2012

BASIC FINANCIAL STATEMENTS

STATE OF NEW MEXICO
Southeastern New Mexico Economic Development District, Inc.
Statement of Net Assets
Government -Wide
June 30, 2012

A-1

	<u>Governmental Activities</u>
ASSETS	
Current assets	
Cash and cash equivalents	\$ 46,341
Accounts receivable	36,094
Prepaid expenses	<u>2,666</u>
Total current assets	85,101
Noncurrent assets	
Capital assets, net of depreciation	<u>42,270</u>
 Total assets	 <u><u>\$ 127,371</u></u>
LIABILITIES	
Current liabilities	
Accounts payable	\$ 3,251
Payroll liabilities	924
Current portion compensated absences	19,005
Current portion long-term debt	<u>11,524</u>
Total current liabilities	34,704
Noncurrent liabilities	
Compensated absences	11,508
Notes payable	<u>17,707</u>
Total liabilities	<u>63,919</u>
NET ASSETS	
Invested in capital assets, net of related debt	24,563
Unrestricted	<u>38,889</u>
Total net assets	<u>63,452</u>
 Total liabilities and net assets	 <u><u>\$ 127,371</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, 2012

A-2

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net Program (Expense) Revenues and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Primary Government</u>
Governmental activities				
General government	732,253	\$ 150,531	\$ 567,849	\$ (13,873)
Total primary government	<u>\$ 732,253</u>	<u>\$ 150,531</u>	<u>\$ 567,849</u>	<u>(13,873)</u>
General revenues				
Unrestricted investment earnings				96
Miscellaneous				386
Gain (loss) on sale of assets				<u>4,000</u>
Total general revenues				<u>4,482</u>
Change in net assets				(9,391)
Net assets - beginning				86,058
Restatement (Note 16)				<u>(13,215)</u>
Net assets - beginning, as restated				<u>72,843</u>
Net assets - ending				<u>\$ 63,452</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, 2012

B-1

ASSETS

Cash and cash equivalents	\$ 46,341
Accounts receivable	36,094
Prepaid expenditures	<u>2,666</u>
Total assets	<u><u>\$ 85,101</u></u>

LIABILITIES AND FUND BALANCES

Liabilities

Accounts payable	\$ 3,251
Payroll liabilities	924
Total liabilities	<u>4,175</u>

Fund balance

Nonspendable	2,666
Unassigned	<u>78,260</u>
Total fund balance	<u>80,926</u>

Total liabilities and fund balance	<u><u>\$ 85,101</u></u>
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The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO

B-2

Southeastern New Mexico Economic Development District, Inc.
Reconciliation of Governmental Funds Balance Sheet
to the Statement of Net Assets
June 30, 2012

Total fund balances - governmental funds	\$	80,926
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.		42,270
Long-term liabilities including loans payable are not due and payable in the current period and therefore are not reported in the funds.		
Accrued compensated absences		(30,513)
Notes and capital leases payable		<u>(29,231)</u>
Net assets of governmental activities	\$	<u><u>63,452</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, 2012

B-3

REVENUES

Federal operating grants	\$	60,006
State operating grants and contracts		245,579
Local and private grants and contributions		262,264
Membership assessment		150,531
Bank interest		96
Other		386
Total revenues		718,862

EXPENDITURES

Current		
Administration		717,152
Capital outlay		27,706
Debt service		
Principal		9,152
Interest		1,694
Total expenditures		755,704

Excess (deficiency) of revenues over expenditures		(36,842)
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OTHER FINANCING SOURCES (USES)

Proceeds from sale of assets		4,000
Loan proceeds		23,706
Total other financing sources		27,706

Net change in fund balance		(9,136)
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Fund balance - beginning of the year		103,277
Restatement (Note 16)		(13,215)
Fund balance - beginning of the year, as restated		90,062

Fund balance- end of the year	\$	80,926
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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, 2012

Net change in fund balance -- total governmental funds	\$ (9,136)
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.	
Capital expenditures recorded in capital outlay	27,706
Depreciation expense	(13,002)
Compensated absences reported as an expenditures in governmental funds, but increases the long-term liabilities in the Statement of Net Assets	(405)
Repayment of principal and issuance of principal on notes payable reported as an expenditure in governmental funds, but changes the long-term liabilities in the Statement of Net Assets	
Proceeds from the issuance of debt	(23,706)
Principal payments on notes and capital leases payable	9,152
	<hr/>
Change in net assets of governmental activities	<u><u>\$ (9,391)</u></u>

STATE OF NEW MEXICO

C-1

Southeastern New Mexico Economic Development District, Inc.
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
General Fund
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance
	Original	Final	(Non-GAAP Budgetary Basis)	Favorable (Unfavorable) Final to Actual
REVENUES				
Federal operating grants	\$ 60,000	\$ 60,000	\$ 60,006	\$ 6
State operating grants and contracts	415,103	415,103	258,465	(156,638)
Local and private grants and contributions	254,589	254,589	273,797	19,208
Membership assessment	155,673	155,673	153,133	(2,540)
Bank interest	500	500	96	(404)
Other	-	-	386	386
Total revenues	885,865	885,865	745,883	(139,982)
EXPENDITURES				
Current:				
Administration	870,085	870,085	728,897	141,188
Debt service:				
Principal retirement	-	-	9,152	(9,152)
Interest	-	-	1,694	(1,694)
Total expenditures	870,085	870,085	739,743	130,342
Excess (deficiency) of revenues over expenditures	15,780	15,780	6,140	9,640
OTHER FINANCING SOURCES (USES)				
Designated cash (budgeted increase)	(15,780)	(15,780)	-	(15,780)
Proceeds from sale of assets	-	-	4,000	(4,000)
Loan proceeds	-	-	23,706	23,706
Total other financing sources (uses)	(15,780)	(15,780)	27,706	3,926
Net change in fund balance	-	-	33,846	33,846
Fund balance - beginning of year	-	-	61,842	61,842
Restatement (Note 16)	-	-	(49,347)	(49,347)
Fund balance - beginning of year, as restated	-	-	12,495	12,495
Fund balance - end of year	\$ -	\$ -	\$ 46,341	\$ 46,341
Net change in fund balance (non-GAAP budgetary basis)				\$ 33,846
Adjustments to revenue for accounts receivable				(27,021)
Adjustments to expenses for accounts payable				(15,961)
Net change in fund balance (GAAP)				\$ (9,136)

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

STATE OF NEW MEXICO
Southeastern New Mexico Economic Development District, Inc.
Notes to the Financial Statements
June 30, 2012

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, 2012.

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 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.

STATE OF NEW MEXICO
Southeastern New Mexico Economic Development District, Inc.
Notes to the Financial Statements
June 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the District first uses restricted resources then unrestricted resources.

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, 2012. 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 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 – Since accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with generally accepted accounting principles, a reconciliation of resultant basis, perspective, equity, and timing differences in the excess (deficiency) of revenues and other sources of financial resources for the year ended June 30, 2012 is presented. Reconciliations between the Non-GAAP budgetary basis amounts and the financial statements on the GAAP basis by fund type can be found in each individual budgetary statement.

STATE OF NEW MEXICO
Southeastern New Mexico Economic Development District, Inc.
Notes to the Financial Statements
June 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Budgetary Process (continued)

The budgetary information presented in these financial statements has been amended in accordance with the above procedures. These amendments resulted in the following changes:

	Excess (deficiency) of revenues over expenditures	
	Original Budget	Final Budget
Budgeted Funds:		
General Fund	\$ 15,780	\$ 15,780

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, 2012, 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, 2012.

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.

Full-time employees can accumulate up to 30 days (240 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.

STATE OF NEW MEXICO
Southeastern New Mexico Economic Development District, Inc.
Notes to the Financial Statements
June 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Balance Classification Policies and Procedures:

For committed fund balance the District has self-imposed limitations for specific purposes set in place by formal action of the Council of Governments. Committed resources cannot be used for any other purposes cannot be used for any other purpose unless the Council of Governments removes or changes the specified use by taking the same form of action it used to impose the limitation. Committed fund balance at June 30, 2012 on the governmental fund balance sheet is \$0.

For assigned fund balance the District includes amounts that are intended to be spent for a specific purpose, but are not restricted or committed. The District has latitude in spending the funds for general fund requirements if the Council of Governments approves such in the budget. Assigned fund balance at June 30, 2012 on the governmental funds balance sheet is \$0.

For the classification of fund balances the District will expend resources as follows: restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance.

Nonspendable Fund Balance:

At June 30, 2012, the Nonspendable fund balance in the general fund is made up of prepaid expenses in the amount of \$2,666 that is not in spendable form.

Restricted Fund Balance:

At June 30, 2012, the restricted fund balance on the governmental funds balance sheet is \$0.

Equity Classifications for Government-wide Financial Statements:

Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt – Net assets invested in capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

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.

STATE OF NEW MEXICO
Southeastern New Mexico Economic Development District, Inc.
Notes to the Financial Statements
June 30, 2012

NOTE 2: DEPOSITS

State statutes authorize the investment of District funds in a wide variety of instruments including certificates of deposit and other similar obligations, state investment pool, money market accounts, and United States Government obligations. The District is not aware of any invested funds that did not meet the State investment requirements as of June 30, 2012.

Deposits of funds may be made in interest or non-interest bearing checking accounts in one or more banks or savings and loan associations within the geographical boundaries of the District. Deposits may be made to the extent that they are insured by an agency of the United States or collateralized as required by statute.

The rate of interest in non-demand interest-bearing accounts shall be set by the State Board of Finance, but in no case shall the rate of interest be less than one hundred percent of the asked price on United States treasury bills of the same maturity on the day of deposit.

Excess of funds may be temporarily invested in securities which are issued by the State or by the United States government, or by their departments or agencies, and which are either direct obligations of the State or the United States or are backed by the full faith and credit of those governments.

According to the Federal Deposit Insurance Corporation, public unit deposits are funds owned by the public unit. Under the Transaction Account Guarantee Program (TAGP) in effect from July 1, 2010 to December 31, 2010, time deposits, savings deposits and interest bearing negotiable order of withdrawal (NOW) accounts of a public unit in an institution in the same state were insured up to \$250,000 in aggregate and separate from the \$250,000 coverage for public unit demand deposits at the same institution. The TAGP program expired on December 31, 2010. On November 9, 2010, the FDIC Board of Directors issued a final rule to implement the section of the Dodd-Frank Wall Street Reform and Consumer Protection Act that provides temporary unlimited coverage for noninterest-bearing transaction accounts at all FDIC-insured depository institutions. The separate coverage on noninterest-bearing transaction accounts became effective on December 31, 2010 and will terminate on December 31, 2012. From July 21, 2011 to December 31, 2012 accounts held by an official custodian for a government unit are insured as follows:

- Up to \$250,000 for the combined total of all time and savings deposits (including NOW accounts), and
- Unlimited coverage for noninterest-bearing transaction (demand deposit) accounts.

Through December 31, 2012, there is no difference in deposit insurance coverage when an official custodian deposits money in-state or out-of-state.

Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's policy regarding types of deposits allowed and collateral requirements is to deposit monies in compliance with state statute. New Mexico State Statutes require collateral pledged for deposits in excess of the federal deposit insurance to be delivered, or a joint safekeeping receipt be issued, to the District for at least one half of the amount on deposit with the institution. As of June 30, 2012, \$0 of the District's deposits totaling \$52,852 were exposed to custodial credit risk. \$0 was uninsured and collateralized by collateral held by the pledging bank's trust department, not in the District's name, and \$0 was uninsured and uncollateralized.

Section 6-10-17, New Mexico Statutes Annotated, 1978 Compilation requires that all depositories provide collateral equal to at least one-half of the amount of public monies on deposit. The types of collateral allowed are limited to direct obligations of the United States Government and all bonds issued by any agency, district or political subdivision of the State of New Mexico. All depositories held collateral exceeding the amount required by law. The schedule listed below will meet the State of New Mexico Office of the State Auditor's requirements in reporting the insured portion of the deposits.

STATE OF NEW MEXICO
Southeastern New Mexico Economic Development District, Inc.
Notes to the Financial Statements
June 30, 2012

NOTE 2: DEPOSITS (continued)

	<u>Bank of the Southwest</u>	<u>Pioneer Bank</u>	<u>Total</u>
Total amounts of deposits	\$ 33,149	\$ 19,703	\$ 52,852
FDIC Coverage	<u>(33,149)</u>	<u>(19,703)</u>	<u>(52,852)</u>
Total uninsured public funds	<u>-</u>	<u>-</u>	<u>-</u>
Collateralized by securities held by pledging institutions or by its trust department or agent in other than the District's name	<u>-</u>	<u>-</u>	<u>-</u>
Uninsured and uncollateralized	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
Collateral requirement (50% of uninsured funds)	\$ -	\$ -	\$ -
Pledged Collateral	<u>-</u>	<u>-</u>	<u>-</u>
Over (Under) collateralized	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

Reconciliation to Statement of Net Assets

The carrying amounts of deposits shown above are included in the District's statements of net assets as follows:

	<u>June 30, 2012</u>
Petty cash	\$ 100
Deposits	52,852
Reconciling items	<u>(6,611)</u>
Carrying amount	<u><u>\$ 46,341</u></u>
Cash and cash equivalents per Exhibit A-1	<u><u>\$ 46,341</u></u>

STATE OF NEW MEXICO
Southeastern New Mexico Economic Development District, Inc.
Notes to the Financial Statements
June 30, 2012

NOTE 3: CAPITAL ASSETS

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

	Balance June 30, 2011	Additions	Deletions	Balance June 30, 2012
Capital assets being depreciated:				
Furniture and equipment	27,262	5,395	1,629	34,286
Automobiles	67,950	22,311	23,356	113,617
Total capital assets being depreciated	95,212	27,706	24,985	147,903
Less accumulated depreciation:				
Furniture and equipment	27,262	719	1,629	29,610
Automobiles	40,384	12,283	23,356	76,023
Total accumulated depreciation	67,646	13,002	24,985	105,633
Total capital assets, net of depreciation	\$ 27,566	\$ 14,704	\$ -	\$ 42,270

Current year depreciation expense is \$13,002, and is charged to the general government function.

NOTE 4: LONG-TERM DEBT

In December 2009, the District purchased a vehicle for \$22,625 and financed it in its entirety. Payments of \$524 a month are due through December 2013 and interest on the outstanding note payable is 5.25%. In October 2011, the District purchased a vehicle for \$22,311 and financed \$18,311 of the purchase. Payments of \$424 a month are due through October 2015 and interest on the outstanding note payable is 5.326%.

In October 2011, the District negotiated a lease purchase agreement with Canon Financial Services for a copier in the amount of \$5,395 with an interest rate of 13.243%. The lease calls for monthly payments of \$145 and will be paid in full in October 2015.

The following summarizes changes in long-term liabilities during the fiscal year ended June 30, 2012:

	Balance, June 30, 2011	Additions	Retirements	Balance, June 30, 2012	Due Within One Year
Notes Payable	\$ 14,677	\$ 18,311	\$ 8,426	\$ 24,562	\$ 10,332
Leases Payable	-	5,395	726	4,669	1,192
Total Long-Term Debt	\$ 14,677	\$ 23,706	\$ 9,152	\$ 29,231	\$ 11,524

Interest expense for the fiscal year ending June 30, 2012, was \$1,694.

STATE OF NEW MEXICO
Southeastern New Mexico Economic Development District, Inc.
Notes to the Financial Statements
June 30, 2012

NOTE 4: LONG-TERM DEBT (continued)

Annual debt service requirements to maturity for all long-term debt (both current and long-term portions) are as follows:

Notes Payable:

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2013	\$ 10,332	\$ 1,053	\$ 11,385
2014	7,687	529	8,216
2015	4,865	231	5,096
2016	1,678	19	1,698
	<u>\$ 24,562</u>	<u>\$ 1,832</u>	<u>\$ 26,395</u>

Leases Payable:

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2013	\$ 1,192	\$ 548	\$ 1,740
2014	1,360	380	1,740
2015	1,552	188	1,740
2016	565	16	581
	<u>\$ 4,669</u>	<u>\$ 1,132</u>	<u>\$ 5,801</u>

NOTE 5: COMPENSATED ABSENCES

The Authority's policy allows employees to accumulate limited amounts of vacation and sick pay, which are payable to the employee upon termination or retirement.

	Balance, June 30, 2011	Additions	Retirements	Balance, June 30, 2012	Due Within One Year
Compensated Absences	\$ 30,108	\$ 19,410	\$ 19,005	\$ 30,513	\$ 19,005
	<u>\$ 30,108</u>	<u>\$ 19,410</u>	<u>\$ 19,005</u>	<u>\$ 30,513</u>	<u>\$ 19,005</u>

STATE OF NEW MEXICO
Southeastern New Mexico Economic Development District, Inc.
Notes to the Financial Statements
June 30, 2012

NOTE 6: ACCOUNTS RECEIVABLE

Governmental accounts receivable as of June 30, 2012, are as follows:

	General Fund	Total
Accounts receivable:		
Intergovernmental-grants:		
State Appropriations	\$ 36,094	\$ 36,094
Totals by category	\$ 36,094	\$ 36,094

The above receivables are deemed 100% collectible.

NOTE 7: PERA RETIREMENT 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 benefits, 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 for the plan. That report may be obtained by writing to PERA, P. O. Box 2123, Santa Fe, NM 87504-2123. The report is also available on PERA’s website at www.pera.state.nm.us.

Funding Policy: Plan members are required to contribute 13.15% of their gross salary. The District is required to contribute 16.59% of the gross covered salary. The contribution requirements of plan members and the District are established in State Statute 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, 2012, 2011, and 2010 were \$39,189, \$37,515, and \$37,016, respectively.

NOTE 8: 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 insurance for the risks of loss to which it is exposed. The District was not involved in litigation during the year ended June 30, 2012 and through the date of the audit report.

NOTE 9: 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 10: POST EMPLOYMENT BENEFITS

The Retiree Health Care Act, Chapter IV, Article 7C, NMSA 1978 provides comprehensive core group health insurance for persons who have retired from certain public service in New Mexico. The District has elected not to participate in the post-employment health insurance plan.

STATE OF NEW MEXICO
Southeastern New Mexico Economic Development District, Inc.
Notes to the Financial Statements
June 30, 2012

NOTE 11: SUBSEQUENT EVENTS

The date to which events occurring after June 30, 2012, the date of the most recent balance sheet, have been evaluated for possible adjustment to the financial statements or disclosures is December 13, 2012 which is the date on which the financial statements were available to be issued.

NOTE 12: FEDERAL AND STATE GRANTS

In the normal course of operations, the District receives grant funds from various federal and state agencies. Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as a result of these audits is not expected to be material.

NOTE 13: JOINT POWERS AGREEMENT

The District entered into a joint powers agreement with ENMU-Roswell for the purpose of providing education and training to small business principals and employees in Chaves and Lincoln Counties

Participants	Southeastern New Mexico Economic Development District and ENMU-Roswell
Party Responsible for operations	ENMU-Roswell
Description	To initiate, manage, and staff the Small Business Development Center to be located on the ENMU-Roswell campus.
Beginning and Ending Dates	7/1/11-6/30/12
Total Estimated Cost	\$267,014
Amount Contributed in the Current Year	None
Audit Responsibility	ENMU-Roswell
Fiscal agent	N/A
Agency where the entity reports	N/A

NOTE 14: SUBSEQUENT PRONOUNCEMENTS

In November 2010 the Governmental Accounting Standards Board (GASB) issued GASB Statement 60, *Accounting and Financial Reporting for Service Concession Arrangement*, effective for periods beginning after December 15, 2011. The objective of this Statement is to improve financial reporting by addressing issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. As used in this Statement, an SCA is an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a "facility") in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. The District is analyzing the effects that this pronouncement will have on their financial statements.

In December 2010 the Governmental Accounting Standards Board (GASB) issued GASB Statement 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, effective for periods beginning after December 15, 2011. The objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included

STATE OF NEW MEXICO
Southeastern New Mexico Economic Development District, Inc.
Notes to the Financial Statements
June 30, 2012

NOTE 14: SUBSEQUENT PRONOUNCEMENTS (continued)

in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements:

1. Financial Accounting Standards Board (FASB) Statements and Interpretations,
2. Accounting Principles Board Opinions, and
3. Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure.

In June 2011 the Governmental Accounting Standards Board (GASB) issued GASB Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, effective for periods beginning after December 15, 2011. This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities.

In April 2011 the Financial Accounting Standards Board (FASB) issued FASB Codification Accounting Standards Update No. 2011-03, *Reconsideration of Effective Control for Repurchase Agreements*, effective for periods beginning on or after December 15, 2011. The main objective of this Update is to improve the accounting for repurchase agreements (repos) and other agreements that both entitle and obligate a transferor to repurchase or redeem financial assets before their maturity. The amendments in this Update remove from the assessment of effective control (1) the criterion requiring the transferor to have the ability to repurchase or redeem the financial assets on substantially the agreed terms, even in the event of default by the transferee, and (2) the collateral maintenance implementation guidance related to that criterion.

In March 2012, the Governmental Accounting Standards Board (GASB) issued GASB Statement 65, *Items Previously Reported as Assets and Liabilities*, effective for periods beginning after December 15, 2012. The objective of this Statement is to establish accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

The District is analyzing the effects that these pronouncements will have on their financial statements

NOTE 15: CONCENTRATIONS

The District depends on financial resources flowing from, or associated with, both the Federal Government and the State of New Mexico. Because of this dependency, the District is subject to changes in specific flows of intergovernmental revenues based on modifications to Federal and State laws and Federal and State appropriations.

NOTE 16: RESTATEMENT

The District has restated budgetary fund balance by (\$49,347) due to errors in the reporting of fund balance on the budgetary statements in prior years. The District has restated, fund balance in the general fund, and net assets of the governmental activities by (\$13,215) due to revenues that were incorrectly posted in fiscal year 2011 and subsequently moved to fiscal year 2012 after the audit report for fiscal year 2011 had been issued.

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COMPLIANCE SECTION

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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***

Hector Balderas
New Mexico State Auditor
The Board of Directors
Southeastern New Mexico Economic Development District, Inc.
Roswell, New Mexico

We have audited the financial statements of the governmental activities, the general fund, and the budgetary comparison for the general fund of Southeastern New Mexico Economic Development District, Inc. (District), as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents and have issued our report thereon dated December 13, 2012. 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, and the standards applicable to financial statement audits contained in the New Mexico State Audit Rule 2.2.2 NMAC.

Internal Control Over Financial Reporting

Management of the District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Southeastern New Mexico Economic Development District, Inc.'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, but not for the purpose of expressing an opinion on the effectiveness of the Southeastern New Mexico Economic Development District, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Southeastern New Mexico Economic Development District, Inc.'s internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying scheduling of findings and responses, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses 2010-2, 2011-01, and 2011-04.

A significant deficiency is a deficiency, or 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. The results of our test disclosed no significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Southeastern New Mexico Economic Development District, Inc.'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 is required to be reported under *Government Auditing Standards*.

Southeastern New Mexico Economic Development District, Inc.'s responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit Southeastern New Mexico Economic Development District, Inc.'s responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, others within Southeastern New Mexico Economic Development District, Inc., the audit committee, the State Auditor, the New Mexico Department of Finance and Administration, the New Mexico Legislature, and applicable federal grantors, and is not intended to be and should not be used by anyone other than these parties.

Accounting + Consulting Group, LLP

Accounting & Consulting Group, LLP
Roswell, New Mexico
December 13, 2012

STATE OF NEW MEXICO
Southeast New Mexico Economic Development District, Inc.
Schedule of Findings and Responses
June 30, 2012

Section I – Summary of Audit Results

Financial Statements:

- | | |
|--|-------------|
| 1. Type of auditors' report issues | Unqualified |
| 2. Internal control over financial reporting | |
| a. Material weaknesses identified? | Yes |
| b. Significant deficiencies identified not considered to be material weaknesses? | No |
| c. Noncompliance material to the financial statements noted? | No |

STATE OF NEW MEXICO
Southeast New Mexico Economic Development District, Inc.
Schedule of Findings and Responses
June 30, 2012

Section II – Financial Statement Findings and Responses

2010-2– Preparation of Financial Statements (Material Weakness)

Condition: The financial statements and related disclosures are not being prepared by the District. The District does not have procedures in place to detect and correct material misstatements in the financial statements.

Criteria: According to the American Institute of Certified Public Accountants’ Statement on Auditing Standards No. 115, a system of internal control over financial reporting does not stop at the general ledger. It includes controls over financial statement preparation, including footnote disclosures. The fact that the auditor prepares the financial statements may mean they are correct, but it doesn’t eliminate the control deficiency.

Effect: The District has a control deficiency since there are not sufficient controls over the preparation of financial statements and related disclosures. The risk of material misstatement of the financial statements is increased by the lack of procedures over the preparation of the District’s financial statements.

Cause: The District’s personnel do not have the time and have not been trained in the preparation of financial statements and related disclosures.

Auditor’s Recommendation: We recommend that the District’s management and personnel receive training on preparation of financial statements and related disclosures under Generally Accepted Accounting Standards, or contract with a consultant to assist with the preparation and implement procedures to detect and correct misstatements.

Views of Responsible Officials and Planned Corrective Actions: The Financial Statements are being prepared in the same format that our Office Administrator was trained by our retired Financial Officer. The Office Administrator was enrolled and took a class on the preparation of financial statements using QuickBooks. The District will take steps to further the training of the Office Administrator in the preparation of financial statements by contracting with a consultant to provide additional training and will look at enrolling the Office Administrator in an AICPA training program for the preparation of financial statements. We will continue to look at time and staff issues to resolve the finding.

STATE OF NEW MEXICO
Southeast New Mexico Economic Development District, Inc.
Schedule of Findings and Responses
June 30, 2012

Section II – Financial Statement Findings and Responses

2011-01 – Segregation of Duties Over Bank Reconciliations (Material Weakness)

Condition: There is a lack of segregation of duties concerning the review of the bank reconciliation as well as inadequate segregation of duties concerning an independent individual preparing and reviewing the bank reconciliations from the individual who receives and reviews the bank statements.

Criteria: Systems of internal control with the most favorable designs allow for an adequate segregation of duties to reduce the risk of error or fraud because they are structured using a combination of controls designed to either detect instances of error or fraud that occur, or optimally, to prevent instances of error or fraud before they occur. (AU 325) Section 6-5-2, NMSA 1978, requires that state agencies shall implement internal control accounting controls designed to prevent accounting errors and violations of state and federal law and rules related to financial matters.

Effect: Absent an adequate segregation of duties, an entity's financial statements are exposed to additional risks of misstatement due to error or fraud.

Cause: The District didn't know that bank reconciliations should be reviewed by a second person.

Auditor's Recommendation: Proper segregation is not always possible in a small organization. However, we recommend that one of the directors conducts the review of the bank reconciliations each month after they are prepared. In addition, we recommend that the one who receives the bank statements to open them and review them before handing them to the individual who prepares the bank reconciliation.

Views of Responsible Officials and Planned Corrective Actions: The bank reconciliations are reviewed on a monthly basis by the Executive Director after the reconciliation process has been completed by the Office Administrator. The Secretary/Receptionist has been instructed to open the bank statements and review them when received prior to making them available to the Office Administrator. The Secretary will sign and date the Bank Statements on the date the statements are received. To insure the audit trail on the review of the reconciliations is complete, the Executive Director has begun to initial and date the bank reconciliations on the day the reconciliation and review is completed.

The finding was corrected after notification by the auditor of the need for providing procedures to further segregate the duties over bank reconciliations.

STATE OF NEW MEXICO
Southeast New Mexico Economic Development District, Inc.
Schedule of Findings and Responses
June 30, 2012

Section II – Financial Statement Findings and Responses

2011-04 - Manual Journal Entries (Material Weakness)

Condition: The District is not maintaining manual journal entry files as well as not having entries approved by the Executive Director each time one is made.

Criteria: Systems of internal control with the most favorable designs allow for an adequate segregation of duties to reduce the risk of error or fraud because they are structured using a combination of controls designed to either detect instances of error or fraud that occur, or optimally, to prevent instances of error or fraud before they occur. (AU 325)

Effect: The District is susceptible to material misstatement of financials if someone is posting manual journal entries without proper supervision.

Cause: Management indicated that it reviews the entries prior to posting. However, there is no documentation to prove it.

Auditor's Recommendation: We recommend that the District maintain journal entry files that are authorized by the Executive Director each time an entry is made. In addition, we recommend that the District attach supporting documentation to each entry to justify it.

Views of Responsible Officials and Planned Corrective Actions: The Executive Director is aware of all Journal Entries. The Office Administrator and Executive Director meet on every occasion when it becomes necessary to make a journal entry. The discussion entailed on why and how each journal entry was to be made is discussed. All decisions on journal entries are made by the Executive Director. However, the Executive Director did not initial each journal entry to indicate approval or that the journal entry had been discussed because we had not been made aware by the auditor of the need to do such. The District will continue to provide documentation in addition to the explanation provided as a footnote to the journal entry in the ledger.

STATE OF NEW MEXICO
Southeast New Mexico Economic Development District, Inc.
Schedule of Findings and Responses
June 30, 2012

Section III – Schedule of Prior Year Audit Findings

2010-2 – Preparation of Financial Statements	Revised and repeated
2011-01 – Segregation of Duties over Bank Reconciliations	Revised and repeated
2011-02 – Compensated Absences Policy Violation	Resolved
2011-03 – Expenditures in Excess of Budget Amounts	Resolved
2011-04 – Manual Journal Entries	Revised and repeated

STATE OF NEW MEXICO
Southeastern New Mexico Economic Development District, Inc.
Other Disclosures
June 30, 2012

A. AUDITOR PREPARED FINANCIAL STATEMENTS

Although it would be preferred and desirable for the District to prepare its own GAAP-basis financial statements, it is felt that the District's personnel do not have the time to prepare them. Therefore, the outside auditor prepared the GAAP-basis financial statements and footnotes for inclusion in the annual audit report.

B. EXIT CONFERENCE

The contents of this report were discussed on December 13, 2012. The following individuals were in attendance.

Southeast New Mexico Economic Development District, Inc.
Hubert Quintana, Executive Director
Pansy Moffitt, Office/Finance Manager
David White, Board Member

Accounting & Consulting Group, LLP
Bethany Benavides, Senior Accountant
Christine Smith, Staff Accountant