



**Accounting &  
Consulting Group, LLP**  
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*State of New Mexico*

***Southeastern  
New Mexico  
Economic  
Development  
District***

*Annual Financial Report*

*June 30, 2014*

**Accounting & Consulting Group, LLP**  
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Roswell, New Mexico 88201

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**STATE OF NEW MEXICO**  
**SOUTHEASTERN NEW MEXICO ECONOMIC**  
**DEVELOPMENT DISTRICT**  
**ANNUAL FINANCIAL REPORT**  
**JUNE 30, 2014**



## **INTRODUCTORY SECTION**

**STATE OF NEW MEXICO**  
Southeastern New Mexico Economic Development District  
Table of Contents  
June 30, 2014

	Exhibit / Schedule	Page
<b>INTRODUCTORY SECTION</b>		
Table of Contents		4
Official Roster		5
<b>FINANCIAL SECTION</b>		
Independent Auditors' Report		9-10
<b>BASIC FINANCIAL STATEMENTS</b>		
Government-wide Financial Statements		
Statement of Net Position	A-1	12
Statement of Activities	A-2	13
Fund Financial Statements		
Balance Sheet- Governmental Funds	B-1	14
Reconciliation of the Balance Sheet to the Statement of Net Position		15
Statement of Revenues, Expenditures, and Change in Fund Balance- Governmental Funds	B-2	16
Reconciliation of the Statement of Revenues, Expenditures, and Change in Fund Balance to the Statement of Activities		17
Statement of Revenues, Expenditures, and Change in Fund Balance- Budget (Non-GAAP Budgetary Basis) and Actual- General Fund	C-1	18
Notes to Financial Statements		19-30
<b>SUPPORTING SCHEDULE</b>		
Schedule of Deposit and Investment Accounts	I	32
<b>COMPLIANCE SECTION</b>		
Independent Auditors' 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>		35-36
Schedule of Findings and Responses	II	37-38
<b>OTHER DISCLOSURES</b>		39

**STATE OF NEW MEXICO**  
Southeastern New Mexico Economic Development District  
Official Roster  
June 30, 2014

<u>Name</u>		<u>Title</u>
<b><u>Board of Directors</u></b>		
<u>Chaves County</u>		
Connie Andrews		Member, Town of Hagerman
Steve Henderson		Member, City of Roswell
Ysidro Salazar		Member, Town of Lake Arthur
Mitch Daubert		Member, Town of Dexter
Phelps Anderson		Private Sector, Chaves County
<u>Eddy County</u>		
Royce Pearson		Member, Eddy County
Phil Burch		Member, City of Artesia
Pete Estrada		Member, Village of Loving
Nick Salcido		Member, City of Carlsbad
Rudy Sales		Member, Village of Hope
Jim Grantner		Private Sector, Eddy County
<u>Lea County</u>		
Mike Gallagher		Member, Lea County
Kevin Robinson		Member, City of Hobbs
Bob Gallagher		Member, City of Jal
Matt White		Member, City of Eunice
James Williams		Member, City of Lovington
Marilyn Burns		Member, Town of Tatum
Lisa Hardison		Private Sector, Lea County
<u>Lincoln County</u>		
Dallas Draper		Member, Lincoln County
Dennis Haskell		Member, Village of Capitan
Debi Lee		Member, Village of Ruidoso
Gary Williams		Member, City of Ruidoso Downs
Yovanne Lucero		Member, Town of Carrizozo
Sam Seeley		Member, Village of Corona
Rebecca Brooks		Private Sector, Lincoln County
<u>Otero County</u>		
Pamela Heltner		Member, Otero County
Al Hernandez		Member, City of Alamogordo
David Venable		Member, Village of Cloudcroft
Bill Mershon		Private Sector, Otero County
<b><u>Executive Board of Directors</u></b>		
Marilyn Burns		President
David Venable		Vice President
Steve Henderson		Treasurer
Hubert Quintana		Secretary/Executive Director SENMEDD
Royce Pearson		Board Member
Gary Williams		Board Member

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**FINANCIAL SECTION**

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## INDEPENDENT AUDITORS' REPORT

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

### Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the general fund, and the budgetary comparison for the general fund of the Southeastern New Mexico Economic Development District (the "District"), as of and for the year ended June 30, 2014, and the related notes to the financial statements which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### 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 the general fund of the District, as of June 30, 2014, and the respective change in financial position and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Management has omitted the *Management's Discussion and Analysis* that accounting principles generally accepted in the United States of America requires 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 that missing information.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section and the additional schedule listed as schedule I in the table of contents are required by 2.2.2 NMAC and are presented for purposes of additional analysis. They are not a required part of the basic financial statements.

The additional schedule I is the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with the auditing standards generally accepted in the United States of America. In our opinion, the additional schedule is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

## Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2014 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* in considering the District's internal control over financial reporting and compliance.

*Accounting & Consulting Group, LLP*

Accounting & Consulting Group, LLP  
Roswell, New Mexico  
December 5, 2014

## **BASIC FINANCIAL STATEMENTS**

**STATE OF NEW MEXICO**  
Southeastern New Mexico Economic Development District  
Statement of Net Position  
June 30, 2014

Exhibit A-1

	<u>Governmental Activities</u>
<b>Assets</b>	
Current assets	
Cash and cash equivalents	\$ 27,802
Accounts receivable	<u>40,307</u>
Total current assets	<u>68,109</u>
Noncurrent assets	
Capital assets	100,699
Less: accumulated depreciation	<u>(69,394)</u>
Total noncurrent assets	<u>31,305</u>
Total assets	<u><u>\$ 99,414</u></u>
<b>Liabilities</b>	
Current liabilities	
Accounts payable	\$ 3,254
Accrued payroll	25,801
Accrued compensated absences	17,285
Current portion of notes and leases payable	<u>10,375</u>
Total current liabilities	<u>56,715</u>
Noncurrent liabilities	
Accrued compensated absences	13,588
Notes and leases payable	<u>7,861</u>
Total noncurrent liabilities	<u>21,449</u>
Total liabilities	<u>78,164</u>
<b>Net position</b>	
Net investment in capital assets	13,069
Unrestricted	<u>8,181</u>
Total net position	<u>21,250</u>
Total liabilities and net position	<u><u>\$ 99,414</u></u>

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO**  
Southeastern New Mexico Economic Development District  
Statement of Activities  
For the Year Ended June 30, 2014

Exhibit A-2

<b>Functions/Programs</b>	<b>Program Revenues</b>		<b>Net (Expense) Revenues and Change in Net Position</b>
	Expenses	Charges for Services	Operating Grants and Contributions
			Governmental Activities
<b>Primary government</b>			
General government	\$ 662,557	\$ 189,489	\$ 312,602
	<u>\$ 662,557</u>	<u>\$ 189,489</u>	<u>\$ 312,602</u>
Total governmental activities	<u>\$ 662,557</u>	<u>\$ 189,489</u>	<u>\$ 312,602</u>
			<b>General revenues</b>
			Licenses and fees 157,578
			Investment income 32
			Miscellaneous 188
			<u>157,798</u>
			Total general revenues
			<u>157,798</u>
			Change in net position
			<u>(2,668)</u>
			Net position- beginning of year 19,330
			Restatement (Note 15) 4,588
			<u>23,918</u>
			Net position- beginning of year, restated
			<u>23,918</u>
			Net position- end of year
			<u>\$ 21,250</u>

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO**  
Southeastern New Mexico Economic Development District  
Balance Sheet  
Governmental Funds  
June 30, 2014

	<u>General Fund</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 27,802
Accounts receivable	40,307
Total assets	\$ 68,109
 <b>Liabilities</b>	
Accounts payable	\$ 3,254
Accrued payroll	25,801
Total liabilities	29,055
 <b>Fund balance</b>	
Spendable	
Unassigned	39,054
Total fund balance	39,054
Total liabilities and fund balance	\$ 68,109



**STATE OF NEW MEXICO**  
Southeastern New Mexico Economic Development District  
Reconciliation of the Balance Sheet to the Statement of Net Position  
June 30, 2014

Exhibit B-1  
Page 2 of 2

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

Fund balance- governmental funds	\$ 39,054
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	31,305
Some liabilities, including compensated absences payable, are not due and payable in the current period and, therefore, are not reported in the funds	
Accrued compensated absences	(30,873)
Notes and leases payable	<u>(18,236)</u>
Total net position	<u><u>\$ 21,250</u></u>

**STATE OF NEW MEXICO**  
Southeastern New Mexico Economic Development District  
Statement of Revenues, Expenditures, and Change in Fund Balance  
Governmental Funds  
For the Year Ended June 30, 2014

	<u>General Fund</u>
<b>Revenues</b>	
Intergovernmental	
Federal operating grants	\$ 216,859
State operating grants	95,743
Charges for services	189,489
Licenses and fees	157,578
Investment income	32
Miscellaneous	188
	<u>659,889</u>
Total revenues	<u>659,889</u>
<b>Expenditures</b>	
Current	
General government	643,416
Debt service	
Principal	9,732
Interest	1,481
	<u>654,629</u>
Total expenditures	<u>654,629</u>
Excess (deficiency) of revenues over expenditures	<u>5,260</u>
Net change in fund balance	5,260
Fund balance- beginning of year	33,794
	<u>39,054</u>
Fund balance- end of year	<u>\$ 39,054</u>

**STATE OF NEW MEXICO**  
Southeastern New Mexico Economic Development District  
Reconciliation of the Statement of Revenues, Expenditures, and Change  
in Fund Balance to the Statement of Activities  
For the Year Ended June 30, 2014

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

Net change in fund balance- total governmental funds	\$	5,260
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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:

Depreciation expense		(15,013)
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:

Decrease in accrued compensated absences		(2,647)
Principal payments on notes and leases payable		<u>9,732</u>

Change in net position of governmental activities	\$	<u><u>(2,668)</u></u>
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**STATE OF NEW MEXICO**  
Southeastern New Mexico Economic Development District  
General Fund  
Statement of Revenues, Expenditures, and Change in Fund Balance  
Budget (Non-GAAP Budgetary Basis) and Actual  
For the Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance Favorable (Unfavorable) Final to Actual
	Original	Final		
<b>Revenues</b>				
Intergovernmental				
Federal operating grants	\$ 258,305	\$ 258,305	\$ 216,859	\$ (41,446)
State operating grants	95,743	95,743	95,743	-
Charges for services	174,833	174,833	171,288	(3,545)
Licenses and fees	155,673	155,673	157,578	1,905
Investment income	250	250	32	(218)
Miscellaneous	-	-	188	188
Total revenues	684,804	684,804	641,688	(43,116)
<b>Expenditures</b>				
Current				
General government	670,804	670,804	628,682	42,122
Debt service				
Principal	14,000	14,000	8,943	5,057
Interest	-	-	1,481	(1,481)
Total expenditures	684,804	684,804	639,106	45,698
Excess (deficiency) of revenues over expenditures	-	-	2,582	(2,582)
<b>Other financing sources (uses)</b>				
Designated cash (budgeted increase in cash)	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balance	-	-	2,582	2,582
Fund balance- beginning of year	-	-	25,220	25,220
Fund balance- end of year	\$ -	\$ -	\$ 27,802	\$ 27,802
Net change in fund balance				\$ 2,582
Adjustments to revenue for accounts receivable				18,201
Adjustments to expenditures for accounts payable and accrued payroll				(15,523)
Net change in fund balance (GAAP basis)				\$ 5,260

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO**  
Southeastern New Mexico Economic Development District  
Notes to Financial Statements  
June 30, 2014

**NOTE 1. Summary of Significant Accounting Policies**

The Southeastern New Mexico Economic Development District (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.

This summary of significant accounting policies of the District is presented to assist in the understanding of District’s financial statements. The financial statements and notes are the representation of District’s management who is responsible for their integrity and objectivity. The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units.

During the year ended June 30, 2014, the District adopted Governmental Accounting Standards Board (GASB) Statements No. 65, 66, and 67. GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. 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 or resources, certain items that were previously reported as assets and liabilities. GASB Statement No. 66, *Technical Corrections-2012-An Amendment of GASB Statements No. 10 and No. 62*. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54 and No. 62. GASB Statement No. 67, *Financial Reporting for Pension Plans-An Amendment of GASB Statement No. 25*. The objective of this Statement is to improve financial reporting by state and local governmental pension plans. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency.

**A. Financial Reporting Entity**

The financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete.

In evaluating how to define the District for financial reporting purposes, management has considered all potential component units. The decision to include any potential component units in the financial reporting entity was made by applying the criteria set forth in GASB Statement No. 14, as amended by GASB Statement No. 39 and GASB Statement No. 61. Blended component units, although legally separate entities, are in substance part of the government’s operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body’s ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters.

**STATE OF NEW MEXICO**  
Southeastern New Mexico Economic Development District  
Notes to Financial Statements  
June 30, 2014

**NOTE 1. Summary of Significant Accounting Policies (continued)**

**A. Financial Reporting Entity(continued)**

A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens.

A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Finally, the nature and significance of a potential component unit to the primary government could warrant its inclusion within the reporting entity.

Based upon the application of these criteria, the District does not have any component units required to be reported under GASB Statements No. 14, No. 39, or No. 61.

**B. Government-wide and fund financial statements**

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

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

In the government-wide Statement of Net Position, the governmental column (a) is presented on a consolidated basis by column, (b) and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net position is reported in three parts- net investment in capital assets; restricted net position; and unrestricted net position.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, and major individual governmental funds are reported as separate columns in the fund financial statements.

**C. Measurement focus, basis of accounting, and financial statement presentation**

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 revenue as soon as all eligibility requirements imposed by the provider have been met.

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 are both 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 60 days of the end 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

**STATE OF NEW MEXICO**  
Southeastern New Mexico Economic Development District  
Notes to Financial Statements  
June 30, 2014

**NOTE 1. Summary of Significant Accounting Policies (continued)**

**C. Measurement focus, basis of accounting, and financial statement presentation (continued)**

expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period, subject to the availability criterion. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met, subject to the availability criterion. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Program revenues included in the Statement of Activities are derived directly from the program itself or from parties outside the District's taxpayer or citizenry, as a whole; program revenues reduce the cost of the function to be financed from the District's general revenues. Program revenues are categorized as (a) charges for services, which include revenues collected for fees and use of District's facilities, etc., (b) program-specific operating grants, which includes revenues received from state and federal sources to be used as specified within each program grant agreement, and (c) program-specific capital grants and contributions, which include revenues from state sources to be used for capital projects. Internally dedicated resources are reported as *general revenues* rather than as program revenues.

The District reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. The District does not currently employ indirect cost allocation systems. Depreciation expense is specifically identified by function and is included in the direct expense of each function. Interest on general long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

Under the requirements of GASB Statement No. 34, the District is required to present certain of its governmental funds as major based upon certain criteria. The major fund presented in the fund financial statements includes the following:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government.

**D. Assets, Liabilities, and Net Position or Equity**

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

State statutes authorize the District to invest in Certificates of Deposit, obligations of the U.S. Government, and the State Treasurer's Investment Pool.

**Receivables and Payables:** Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses.

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

**Prepaid Expenses:** Prepaid expenses include insurance and contract payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

**STATE OF NEW MEXICO**  
Southeastern New Mexico Economic Development District  
Notes to Financial Statements  
June 30, 2014

**NOTE 1. Summary of Significant Accounting Policies (continued)**

**D. Assets, Liabilities, and Net Position or Equity (continued)**

**Restricted Assets:** Restricted assets consist of those funds expendable for operating purposes but restricted by donors or other outside agencies as to the specific purpose for which they may be used.

**Capital Assets:** Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Pursuant to the implementation of GASB Statement No. 34, the historical cost of infrastructure assets, (retroactive to 1979) are included as part of the governmental capital assets reported in the government wide statements. Information Technology Equipment including software is being capitalized and included in furniture, fixtures, and equipment in accordance with NMAC 2.20.1.9 C (5). Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The total interest expense capitalized by the District during the current fiscal year was \$0.

Property, plant, and equipment of the primary government are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Furniture and Equipment	5-7
Vehicles	5

**Accrued Expenses:** Accrued expenses are comprised of the payroll expenditures based on amounts earned by the employees through June 30, 2014, along with applicable PERA, FICA, and Medicare payable.

**Deferred Inflows of Resources:** Deferred inflows of resources is an acquisition of net position by the District that is applicable to a future reporting period. The District does not have any identifiable deferred inflows of resources as of June 30, 2014.

**Compensated Absences:** The District's policies regarding vacation time permit employees to accumulate earned but unused vacation leave. The liability for these compensated absences is recorded as long-term debt in the government-wide statements. The current portion on this debt is estimated based on historical trends. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources.

Qualified employees are entitled to accumulate annual leave according to a graduated leave schedule depending on length of service. No more than thirty (30) working days, or two hundred forty (240) hours of annual leave, may be carried forward from one calendar year to the next. All excess annual leave shall be forfeited, if not used, unless extenuating circumstances warrant approval of an extension by the District Board.

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. In prior years, substantially all of the related expenditures have been liquidated by the general fund. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported in the government-wide statement of net assets.



**STATE OF NEW MEXICO**  
Southeastern New Mexico Economic Development District  
Notes to Financial Statements  
June 30, 2014

**NOTE 1. Summary of Significant Accounting Policies (continued)**

**D. Assets, Liabilities, and Net Position or Equity (continued)**

**Long-term Obligations:** In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. For fund financial reporting, bond premiums and discounts are recognized in the period the bonds are issued. Bond proceeds are reported as another financing source net of the applicable premium or discount. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures. With the adoption of GASB Statement No. 65, debt issuance costs are no longer amortized over the life of the related. Debt issuance costs not related to prepaid insurance are recognized as an expense in the period incurred.

**Net Position or Fund Equity:**

*Fund Balance Classification Policies and Procedures:* For restricted fund balances, the District includes amounts that can be spent only for the specific purposes stipulated by Statute, Ordinance, Resolutions, or enabling Legislation. Fund balances in this category represent the remaining amount that is restricted for future use in the specific fund.

For committed fund balances, the District includes amounts for specific purposes by formal action of the District Board.

For assigned fund balances, the District includes amounts that are intended to be spent for specific purposes, but are not restricted or committed.

Regarding the District's spending policies, in all cases, restricted, then committed, and then assigned fund balances are to be expended in that order, prior to infusion and expenditures of any general (unassigned) funds designated for supplementing any given department. In this manner, only after restricted, committed, or assigned funds are expended will the District Board permit general unassigned funds be spent to meet a specific fund's objectives.

*Restricted Fund Balance:* At June 30, 2014, the restricted fund balance on the governmental funds balance sheet is \$0.

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

- a. *Net investment in capital assets:*  
This component consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any related debt attributable to the acquisition, construction, or improvement of those assets.
- b. *Restricted net position:*  
Consist of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulation of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. *Unrestricted net position:*  
All other net position that does not meet the definition of "restricted" or "net investment in capital assets."

**Estimates:** The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Significant estimates in the

**STATE OF NEW MEXICO**  
Southeastern New Mexico Economic Development District  
Notes to the Financial Statements  
June 30, 2014

**NOTE 1. Summary of Significant Accounting Policies (continued)**

***D. Assets, Liabilities, and Net Position or Equity (continued)***

District's financial statements include depreciation on capital assets and the current portion of compensated absences.

**NOTE 2. Stewardship, Compliance, and Accountability**

*Budgetary Information*

Budgets are prepared annually by District personnel and include a proposed operating budget of estimated revenues and expenditures 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. Line items within each budget may be over-expended; however, it is not legally permissible to over-expend any budget in total by fund.

These budgets are prepared on a non-GAAP basis, excluding encumbrances, and secure appropriation of funds for only one year. Carryover funds must be re-appropriated in the budget of the subsequent fiscal year.

The budgetary information presented in these financial statements has been properly amended by District Board 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		
Governmental Funds		
General Fund	\$           -	\$           -

The accompanying Statement of Revenues, Expenditures, and Change in Fund Balance- Budget (Non-GAAP Budgetary Basis) and Actual presents comparisons of the legally adopted budget with actual data on a budgetary basis.

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 accounting principles generally accepted in the United States of America (GAAP), 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, 2014 is presented. Reconciliations between the non-GAAP budgetary basis amounts and the financial statements on the GAAP basis by fund can be found on the budgetary statement.

**NOTE 3. Deposits and Investments**

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, 2014.

Deposits of funds may be made in interest or noninterest 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

**STATE OF NEW MEXICO**  
Southeastern New Mexico Economic Development District  
Notes to the Financial Statements  
June 30, 2014

**NOTE 3. Deposits and Investments (continued)**

insured by an agency of the United States or collateralized as required by statute. The financial institution must provide pledged collateral of 50.00% of the deposit amount in excess of the deposit insurance.

The rate of interest in nondemand 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 (FDIC), public unit deposits are funds owned by the public unit. Time deposits, savings deposits, and negotiable order of withdrawal (NOW) accounts of a public unit in an institution in the same state will be insured up to \$250,000 in aggregate and separate from the \$250,000 coverage for public unit demand deposits at the same institution.

*Custodial Credit Risk- Deposits* 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 does not have a deposit policy for custodial credit risk, other than following state statutes as set forth in the Public Money Act (Section 6-10-1 to 6-10-63, NMSA 1978). At June 30, 2014, \$0 of the District's deposits of \$35,738 was 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.

	<u>Pioneer Bank</u>	<u>Bank of the Southwest</u>	<u>Total</u>
Amount of deposits	\$ 15,763	\$ 19,975	\$ 35,738
FDIC Coverage	<u>(15,763)</u>	<u>(19,975)</u>	<u>(35,738)</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	-	-	-
Uninsured and uncollateralized	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Collateral requirement (50% of uninsured funds)	\$ -	\$ -	\$ -
Pledged Collateral	-	-	-
Over (Under) collateralized	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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. The District was not required to have collateral pledged for the year ended June 30, 2014.

**STATE OF NEW MEXICO**  
Southeastern New Mexico Economic Development District  
Notes to the Financial Statements  
June 30, 2014

**NOTE 4. Receivables**

Receivables as of June 30, 2014, are as follows:

	<u>Total</u>
Administrative Fees	\$ 13,881
Intergovernmental	
State	16,791
Other	<u>9,635</u>
Totals by category	<u>\$ 40,307</u>

Receivables for governmental activities are considered to be 100% collectible.

**NOTE 5. Capital Assets**

Capital asset and depreciation activity as of and for the year ended June 30, 2014 were as follows:

	<u>Balance 6/30/2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/2014</u>
Capital assets being depreciated				
Furniture and equipment	31,028	-	-	31,028
Vehicles	<u>69,671</u>	<u>-</u>	<u>-</u>	<u>69,671</u>
Total capital assets being depreciated	<u>100,699</u>	<u>-</u>	<u>-</u>	<u>100,699</u>
Less accumulated depreciation				
Furniture and equipment	27,431	1,079	-	28,510
Vehicles	<u>26,950</u>	<u>13,934</u>	<u>-</u>	<u>40,884</u>
Total accumulated depreciation	<u>54,381</u>	<u>15,013</u>	<u>-</u>	<u>69,394</u>
Total capital assets, net of depreciation	<u>\$ 46,318</u>	<u>\$ (15,013)</u>	<u>\$ -</u>	<u>\$ 31,305</u>

Depreciation expense in its entirety of \$15,013 was charged to the General Government function.

**STATE OF NEW MEXICO**  
Southeastern New Mexico Economic Development District  
Notes to the Financial Statements  
June 30, 2014

**NOTE 6. Long-term Debt**

**Governmental Activities:** During the year ended June 30, 2014, the following changes occurred in the liabilities reported in the government-wide Statement of Net Position:

	Balance 6/30/2013	Resatement	Balance 6/30/2013	Additions	Retirements	Balance 6/30/2014	Due Within One Year
Notes payable	\$ 24,491	\$ -	\$ 24,491	\$ -	\$ 8,371	\$ 16,120	\$ 8,823
Leases payable	3,477	-	3,477	-	1,361	2,116	1,552
Compensated absences	32,814	(4,588)	28,226	27,607	24,960	30,873	17,285
<b>Total long-term debt</b>	<b>\$ 60,782</b>	<b>\$ (4,588)</b>	<b>\$ 56,194</b>	<b>\$ 27,607</b>	<b>\$ 34,692</b>	<b>\$ 49,109</b>	<b>\$ 27,660</b>

Typically, the general fund has been used to liquidate the compensated absences.

**Loans:**

On October 19, 2011, the District received a loan from the Bank of the Southwest in the amount of \$18,311 for the purchase of a 2011 Dodge Nitro. The loan is financed over a period of four years at a 5.33% interest rate.

On October 26, 2012, the District received a loan from the Bank of the Southwest in the amount of \$15,735 for the purchase of a 2013 Chevy Equinox. The loan is financed over a period of four years at a 5.25% interest rate.

Debt service requirements on long-term debt for governmental activities at June 30, 2014 are as follows:

**Notes Payable**

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2015	\$ 8,823	\$ 645	\$ 9,468
2016	5,855	218	6,073
2017	1,442	16	1,458
	<u>\$ 16,120</u>	<u>\$ 879</u>	<u>\$ 16,999</u>

**Leases Payable**

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2015	\$ 1,552	\$ 188	\$ 1,740
2016	564	16	580
	<u>\$ 2,116</u>	<u>\$ 204</u>	<u>\$ 2,320</u>

**STATE OF NEW MEXICO**  
Southeastern New Mexico Economic Development District  
Notes to the Financial Statements  
June 30, 2014

**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 insurance for the risks of loss to which it is exposed.

**NOTE 8. Other Required Individual Fund Disclosures**

Generally accepted accounting principles require disclosures of certain information concerning individual funds including:

- A. Deficit fund balance of individual funds. The District had no deficit fund balances as of June 30, 2014.
- B. Actual expenditures in excess of amount budgeted at the budgetary authority level. The District had no actual expenditures in excess of approved budgetary authority for the year ended June 30, 2014.
- C. Designated cash appropriations in excess of available balances. The District had no cash appropriations in excess of available balances for the year ended June 30, 2014.

**NOTE 9. Public Employees Retirement Association (PERA) 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 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, New Mexico 87504-2123. The report is also available on PERA's website at <http://www.pera.state.nm.us>.

*Funding Policy:* Plan members are required to contribute 14.65% of their gross salary. The District is required to contribute 9.55% 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 fiscal years ended June 30, 2014, 2013, and 2012 were \$33,437, \$37,334, and \$39,189, respectively, which equal the amount of the required contributions for each fiscal year.

**NOTE 10. Post-Employment Benefits– State Retiree Health Care Plan**

The District did not participate in the Retiree Health Care Plan provided under the Retiree Health Care Act (10-7c-1 to 10-7c-17, NMSA 1978) during the year ended June 30, 2014.

**NOTE 11. Contingent Liabilities**

There is no pending litigation that would warrant disclosure in the notes to the financial statements.

**STATE OF NEW MEXICO**  
Southeastern New Mexico Economic Development District  
Notes to the Financial Statements  
June 30, 2014

**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 believed to be material.

**NOTE 13. 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 amendments to Federal and State laws and Federal and State appropriations.

**NOTE 14. Joint Powers Agreement**

The District entered into a joint powers agreement with Eastern New Mexico University (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
Responsible Party	Both
Description	To initiate, manage, and staff the Small Business Development Center to be located on the ENMU-Roswell campus.
Beginning and Ending Dates	7/1/13-6/30/14 with annual renewals permitted
Estimated Amount of Project	\$208,000
Amount Contributed in Fiscal Year	None
Audit Responsibility	Southeastern New Mexico Economic Development District
Fiscal agent	N/A
Agency where the entity reports	Southeastern New Mexico Economic Development District

**STATE OF NEW MEXICO**  
Southeastern New Mexico Economic Development District  
Notes to the Financial Statements  
June 30, 2014

**NOTE 15. Restatements**

The District has restated net position due to incorrectly recorded accrued leave at the full accrual basis in the prior year. The restatement is as follows:

<u>Fund Name</u>	<u>Net Position June 30, 2013</u>	<u>Prior Year Accrued Leave</u>	<u>Restated Net Position June 30, 2013</u>
Governmental Funds	\$ 19,330	\$ 4,588	\$ 23,918

**NOTE 16. Subsequent Pronouncements**

In June 2012, GASB Statement No. 68 *Accounting and Financial Reporting for Pension Plans – an amendment of GASB Statement No. 27*. Effective Date: The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2014. Earlier application is encouraged. This Statement will be implemented during the fiscal year ending June 30, 2015.

In January 2013, GASB Statement No. 69 *Government Combinations and Disposals of Government Operations*. Effective Date: The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2013. Earlier application is encouraged. The District is analyzing the effects that this Statement will have on their financial statements.

In April 2013, GASB Statement No. 70 *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. Effective Date: The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2013. Earlier application is encouraged. The District is analyzing the effects that this Statement will have on their financial statements.

In November 2013, GASB Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date-An Amendment of GASB Statement No. 68*. Effective Date: The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2014. Earlier application is encouraged. This Statement will be implemented during the fiscal year ending June 30, 2015.



**SUPPORTING SCHEDULE**

**STATE OF NEW MEXICO**  
Southeastern New Mexico Economic Development District  
Schedule of Deposit and Investment Accounts  
For the Year Ended June 30, 2014

Schedule I

Account Name	Account Type	Pioneer Bank	Bank of the Southwest	Total
<b>Deposits</b>				
Federal and state account	Checking- noninterest bearing	\$ 3,957	\$ -	\$ 3,957
Local account	Checking- noninterest bearing	11,806	-	11,806
Money market	Money market	-	14,549	14,549
Auto fund	Savings	-	5,426	5,426
Total amount of deposits in bank		15,763	19,975	35,738
Less: FDIC coverage		(15,763)	(19,975)	(35,738)
Total uninsured public funds		-	-	-
50% collateral requirements		-	-	-
Pledged securities		-	-	-
Over/(under) collateralized		-	-	-
<b>Bank balance</b>		15,763	19,975	35,738
Outstanding items		(29,625)	-	(29,625)
Deposits in transit		21,583	6	21,589
<b>Book balance</b>		<u>\$ 7,721</u>	<u>\$ 19,981</u>	27,702
Plus: Petty cash				100
Total deposits and investments				<u>\$ 27,802</u>
Cash and cash equivalents per Exhibit A-1				<u>\$ 27,802</u>

See independent auditors' report

**COMPLIANCE SECTION**

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**INDEPENDENT AUDITORS' 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 H. Balderas  
New Mexico State Auditor  
Board of Directors  
Southeastern New Mexico Economic Development District  
Roswell, New Mexico

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the general fund, and the budgetary comparison of the general fund of the Southeastern New Mexico Economic Development District (the "District"), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 5, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and responses as item FS 2013-003 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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*.

### District's Response to Findings

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on them.

### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly this communication is not suitable for any other purpose. This report is intended solely for the information and use of management, others within the District, the Board of Directors, the State Auditor, the New Mexico Legislature, the New Mexico Department of Finance and Administration, 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 5, 2014

**STATE OF NEW MEXICO**  
Southeast New Mexico Economic Development District  
Schedule of Findings and Responses  
June 30, 2014

**Section I- Summary of Audit Results**

*Financial Statements:*

- |  |            |
|--|------------|
| 1. Type of auditors' report issued   | Unmodified |
| 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         |

**Section II- Prior Year Audit Findings**

FS 2011-001 (2011-01) Segregation of Duties Over Bank Reconciliations- Resolved

FS 2013-001 (2013-01) Computer Controls- Resolved

FS 2013-002 (2013-02) Lack of Internal Controls Over Voided Checks- Resolved

FS 2013-003 (2013-03) Inaccurate Accounts Receivable Listing- Revised and Repeated

FS 2013-004 (2013-04) Capital Asset Certification- Resolved

**Section III- Financial Statement Findings and Responses**

**FS 2013-003 Inaccurate Accounts Receivables Listing (Material Weakness)**

*Condition:* The District did not provide an accurate accounts receivable listing. During the subsequent receipt testwork, it was noted that material journal entries in the amount of \$35,310 were necessary for accounts receivable to appear to be fairly stated at year end. It was also noted during review of outstanding administrative fees from member agency grants that it was necessary to record an additional \$9,996 in revenue.

*Criteria:* *The Codification of Statements on Auditing Standards* (SAS AU) paragraph 110.03 states that the financial statements are management's responsibility. Management is responsible for adopting sound accounting policies, and for establishing and maintaining internal control that will, among other things, initiate, authorize, record, process, and report transactions (as well as events and conditions) consistent with management's assertions embodied in the financial statements.

*Effect:* Because the District did not provide an accurate listing, it creates the possibility that accounts receivable could be materially misstated for the current year end.

*Cause:* The District did not prepare a grants receivable listing at year end and did not account for all accounts receivable items appropriately.

*Auditors' Recommendations:* We recommend that the District maintain a clear listing of services performed for members and the monies that are still to be received from those members for each fiscal year to ensure that the receivables listing is accurate at the end of each fiscal year.

*Views of Responsible Officials and Planed Corrective Actions:* The District now has procedures in place to correct this finding for the next year. Contract and fees income will be tracked, and a listing will be provided to the auditor at year end for fees billed but not received in the fiscal year. In addition, the District will look closer at subsequent items to ensure that there is an accurate accounts receivable listing at year end.



**STATE OF NEW MEXICO**  
Southeastern New Mexico Economic Development District  
Other Disclosures  
June 30, 2014

**Exit Conference**

The contents of this report were discussed on December 5, 2014. The following individuals were in attendance:

**Representing the Southeastern New Mexico Economic Development District**

Steve Henderson	Board Member
Hubert Quintana	Executive Director
Pansy Moffitt	Finance Director

**Representing Accounting & Consulting Group, LLP**

Jessica Huff, CPA	In-charge Senior Accountant
Eric Olson	Staff Accountant

**Auditor Prepared Financial Statements**

Although it would be preferred and desirable for the District to prepare its own financial statements, the District's personnel did not have the time to prepare them. Accounting & Consulting Group, LLP prepared the financial statements of the Southeastern New Mexico Economic Development District from the original books and records provided to them by the management of the District. Management is responsible for the financial statements.