

STATE OF NEW MEXICO
SOUTHEASTERN NEW MEXICO
ECONOMIC DEVELOPMENT
DISTRICT

Annual Financial Report

June 30, 2015



AXIOM

*Certified Public Accountants
and Business Advisors LLC*

INTRODUCTORY SECTION

**STATE OF NEW MEXICO
SOUTHEASTERN NEW MEXICO ECONOMIC DEVELOPMENT DISTRICT
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JUNE 30, 2015**

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**STATE OF NEW MEXICO
SOUTHEASTERN NEW MEXICO ECONOMIC DEVELOPMENT DISTRICT
OFFICIAL ROSTER
JUNE 30, 2015**

<u>Name</u>	<u>Board of Directors</u>	<u>Title</u>
	<u>Chaves County</u>	
Connie Andrews		Member, Town of Hagerman
Robert Corn		Member, Chaves County
Ysidro Salazar		Member, Town of Lake Arthur
Mitch Daubert		Member, Town of Dexter
Dennis Kintigh		Member, City of Roswell
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
Lisa Anaya-Flores		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
Tim Battin		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
George Straface		Member, City of Alamogordo
Ray Cordova		Member, Village of Tularosa
David Venable		Member, Village of Cloudcroft
Bill Mershon		Private Sector, Otero County
	<u>Executive Board of Directors</u>	
Marilyn Burns		President
David Venable		Vice President
Steve Henderson		Treasurer
Hubert Quintana		Secretary/Executive Director
		SENMEDD
Royce Pearson		Board Member
Gary Williams		Board Member

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

To the Executive Board of Directors
Southeastern New Mexico Economic Development District
and Mr. Tim Keller
New Mexico State Auditor

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major 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, 2015, 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 misstatement, 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, 2015, and the respective changes in financial position thereof 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.

Change in Accounting Principle

As discussed in Note 16 to the financial statements, in 2015 the District adopted new accounting guidance, *GASB Statement No. 68, Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*. Our opinion is not modified with respect to this matter.

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 the appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by that missing information.

Accounting principles generally accepted in the United States of America require that the Schedule of District's Proportionate Share of the Net Pension Liability, and Schedule of District Contributions on pages 32 and 33, respectively, be presented to supplement the basic financial statements. Such 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 individual fund financial statements, and the budgetary comparison. The other schedule as required by 2.2.2 NMAC is presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other schedule required by Section 2.2.2 NMAC is the responsibility of management and was 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 auditing standards generally accepted in the United States of America. In our opinion, the other schedule required by Section 2.2.2 NMAC is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Schedule of Vendors have 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 them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2015 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.



Albuquerque, New Mexico
November 16, 2015

BASIC FINANCIAL STATEMENTS

STATE OF NEW MEXICO
SOUTHEASTERN NEW MEXICO ECONOMIC DEVELOPMENT DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2015

	Governmental Activities
ASSETS	
Current assets	
Cash and cash equivalents	\$ 17,767
Accounts receivable	42,063
<i>Total current assets</i>	<u>59,830</u>
Noncurrent assets	
Capital assets	103,194
Less: accumulated depreciation	<u>(85,297)</u>
<i>Total noncurrent assets</i>	<u>17,897</u>
Total assets	<u>77,727</u>
DEFERRED OUTFLOWS - Pension Related	<u>40,745</u>
LIABILITIES	
Current liabilities	
Accounts payable	7,782
Accrued payroll	47,213
Current portion of accrued compensated absences	15,030
Current portion of notes and capital leases payable	<u>9,636</u>
<i>Total current liabilities</i>	<u>79,661</u>
Noncurrent liabilities	
Accrued compensated absences	14,104
Notes and capital leases payable	1,428
Net pension liability	<u>351,048</u>
<i>Total noncurrent liabilities</i>	<u>366,580</u>
Total liabilities	<u>446,241</u>
DEFERRED INFLOWS - Pension Related	<u>137,577</u>
NET POSITION	
Net investment in capital assets	6,833
Unrestricted (Deficit)	<u>(472,179)</u>
Total net position	<u>\$ (465,346)</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, 2015

<u>Functions/Programs</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenues and Change in Net Position</u>
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
Primary Government:				
General government	\$ 710,206	541,707	155,486	(13,013)
Interest on long-term debt	1,323	-	-	(1,323)
Total government activities	<u>\$ 711,529</u>	<u>541,707</u>	<u>155,486</u>	<u>(14,336)</u>
General revenues				
Investment Income				\$ 25
Miscellaneous				<u>1,682</u>
Total general revenues				<u>1,707</u>
Change in net position				<u>(12,629)</u>
Net position-beginning of year				21,250
Restatement (Note 16)				<u>(473,967)</u>
Net position-beginning of year as restated				<u>(452,717)</u>
Net position-end of year				<u>\$ (465,346)</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 FUND
 JUNE 30, 2015

	<u>General Fund</u>
Assets	
Cash and cash equivalents	\$ 17,767
Accounts receivable	<u>42,063</u>
Total current assets	<u>\$ 59,830</u>
Liabilities and Fund Balance	
Accounts payable	\$ 7,782
Accrued payroll	<u>47,213</u>
Total current liabilities	<u>54,995</u>
Fund Balance	
Unassigned	<u>4,835</u>
Total fund balance	<u>4,835</u>
Total liabilities and fund balance	<u>\$ 59,830</u>

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO
SOUTHEASTERN NEW MEXICO ECONOMIC DEVELOPMENT DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUND
TO THE STATEMENT OF NET POSITION
JUNE 30, 2015**

Amounts reported for governmental activities in the Statement of Net Position are different because:

Fund balance- governmental fund	\$ 4,835
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	17,897
Defined benefit pension plan deferred outflows are not financial resources and, therefore, are not reported in the funds	40,745
Defined benefit pension plan deferred inflows are not due and payable in the current period, and therefore, are not reported in the funds	(137,577)
Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds	
Accrued compensated absences	(29,134)
Notes and leases payable	(11,064)
Net pension liability	<u>(351,048)</u>
Total Net Position	\$ <u><u>(465,346)</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 REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
GOVERNMENTAL FUND
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>General Fund</u>
Revenues	
Intergovernmental	
Federal operating grants	\$ 60,000
State operating grants	95,486
Charges for services	541,707
Investment income	25
Miscellaneous	<u>1,682</u>
<i>Total Revenues</i>	<u>698,900</u>
Expenditures	
Current	
General government	724,624
Debt Service	
Principal	11,581
Interest	<u>1,323</u>
<i>Total Expenditures</i>	<u>737,528</u>
Excess (deficiency) of revenues over expenditures	<u>(38,628)</u>
Other financing sources (uses)	
Proceeds from issuance of debt	4,409
<i>Total other financing sources (uses)</i>	<u>4,409</u>
Net change in fund balance	(34,219)
Fund balance - beginning of year	<u>39,054</u>
Fund balance - end of year	<u>\$ 4,835</u>

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO
SOUTHEASTERN NEW MEXICO ECONOMIC DEVELOPMENT DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGE
IN FUND BALANCE - GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015**

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

Net change in fund balance - governmental fund	\$ (34,219)
The governmental fund reports capital outlays as an expenditure. However, in the Statement of Activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense:	
Depreciation expense	(13,408)
Issuance of long -term debt provides current financial resources to governmental funds, but issuing debt increase long-term liabilities in the Statement of Net Position:	
Issuance of long - term debt	(4,409)
Some expenses reported in the Statement of Activities do no require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:	
Decrease in accrued compensated absences	1,739
Principal payments on notes and leases payable	11,581
Change in net pension liability	<u>26,087</u>
Change in net position of governmental activities	<u>\$ (12,629)</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
SOUTHEASTERN NEW MEXICO ECONOMIC DEVELOPMENT DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACCRUAL - (NON - GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED JUNE 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental				
Federal operating grants	\$ 60,000	60,000	60,000	-
State operating grants	95,743	95,743	95,486	(257)
Charges for services	626,910	643,623	539,951	(103,672)
Investment income	250	250	25	(225)
Miscellaneous	-	-	1,682	1,682
Total Revenue	<u>782,903</u>	<u>799,616</u>	<u>697,144</u>	<u>(102,472)</u>
Expenditures:				
Current				
General Government	768,093	794,806	698,684	96,122
Debt Service				
Principal	12,000	12,000	11,581	419
Interest	-	-	1,323	(1,323)
Total expenditures	<u>780,093</u>	<u>806,806</u>	<u>711,588</u>	<u>95,218</u>
Excess (deficiency) of revenues over expenditures	<u>2,810</u>	<u>(7,190)</u>	<u>(14,444)</u>	<u>(7,254)</u>
Other financing sources (uses)				
Designated cash (budgeted increase in cash)	-	7,190	4,409	(2,781)
Total other financing sources (uses)	<u>-</u>	<u>7,190</u>	<u>4,409</u>	<u>(2,781)</u>
Net change in fund balance	<u>2,810</u>	<u>-</u>	<u>(10,035)</u>	<u>(10,035)</u>
Fund balance- beginning of year	-	-	27,802	27,802
Fund balance- end of year	<u>\$ -</u>	<u>-</u>	<u>17,767</u>	<u>17,767</u>
Net change in fund balance			\$ (10,035)	
Adjustments to revenue for accounts receivable			1,756	
Adjustments to expenditures for accounts payable and accrued payroll			<u>(25,940)</u>	
Net change in fund balance (GAAP basis)			<u>\$ (34,219)</u>	

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO
SOUTHEASTERN NEW MEXICO ECONOMIC DEVELOPMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

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.

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 THE FINANCIAL STATEMENTS
JUNE 30, 2015

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*.

STATE OF NEW MEXICO
SOUTHEASTERN NEW MEXICO ECONOMIC DEVELOPMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Government-wide and fund financial statements (continued)

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 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.

STATE OF NEW MEXICO
SOUTHEASTERN NEW MEXICO ECONOMIC DEVELOPMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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 Fund Balance

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.

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.

STATE OF NEW MEXICO
 SOUTHEASTERN NEW MEXICO ECONOMIC DEVELOPMENT DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, and Net Position or Fund Balance (continued)

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, 2015, along with applicable PERA, FICA, and Medicare payable.

Deferred Inflows of Resources: Deferred inflows of resources represent an acquisition of net position by the District that is applicable to a future reporting period.

Deferred Outflows of Resources: Deferred Outflows of resources represent a consumption of net position by the District that is applicable to a future reporting period.

STATE OF NEW MEXICO
SOUTHEASTERN NEW MEXICO ECONOMIC DEVELOPMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, and Net Position or Fund Balance (continued)

Pensions: For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the New Mexico Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA, on the economic resources measurement focus and accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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.

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.

STATE OF NEW MEXICO
SOUTHEASTERN NEW MEXICO ECONOMIC DEVELOPMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, and Net Position or Fund Balance (continued)

Net Position or Fund Balance:

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, 2015, the restricted fund balance on the governmental funds balance sheet is \$0.

Fund balance 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."

**STATE OF NEW MEXICO
SOUTHEASTERN NEW MEXICO ECONOMIC DEVELOPMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, and Net Position or Fund Balance (continued)

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 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. The accompanying Statement of Revenues, Expenditures, and Change in Fund Balance- Budget and Actual (Non-GAAP Budgetary Basis) on page 12 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, 2015 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, 2015.

**STATE OF NEW MEXICO
SOUTHEASTERN NEW MEXICO ECONOMIC DEVELOPMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 3. DEPOSITS AND INVESTMENTS (CONTINUED)

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 insured by an agency of the United States or collateralized as required by statute. The financial institution must provide pledged collateral of 50% of the deposit amount in excess of the deposit insurance.

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 (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.

	<u>Pioneer Bank</u>	<u>Bank of the Southwest</u>	<u>Total</u>
Amount of deposits	\$ 28,346	11,077	39,423
FDIC coverage	<u>(28,346)</u>	<u>(11,077)</u>	<u>(39,423)</u>
Total uninsured public funds	\$ <u>-</u>	<u>-</u>	<u>-</u>

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, 2015, \$0 of the District's deposits of \$39,423 were exposed to custodial credit risk. \$0 were uninsured and uncollateralized.

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, 2015.

STATE OF NEW MEXICO
SOUTHEASTERN NEW MEXICO ECONOMIC DEVELOPMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 4. RECEIVABLES

Receivables as of June 30, 2015, are as follows:

Member administrative fees	\$	21,516
Intergovernmental -state		<u>20,547</u>
Total accounts receivable	\$	<u><u>42,063</u></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, 2015 were as follows:

	<u>Balance 6/30/2014</u>	<u>Additions</u>	<u>Reclass/ Deletions</u>	<u>Balance 6/30/2015</u>
<i>Capital assets being depreciated</i>				
Furniture and equipment	\$ 31,028	-	(3,499)	27,529
Vehicles	<u>69,671</u>	-	<u>5,994</u>	<u>75,665</u>
<i>Total Capital assets being depreciated</i>	<u>100,699</u>	<u>-</u>	<u>2,495</u>	<u>103,194</u>
<i>Less accumulated depreciation</i>				
Furniture and equipment	(28,510)	(511)	(2,555)	(26,466)
Vehicles	<u>(40,884)</u>	<u>(12,897)</u>	<u>(5,050)</u>	<u>(58,831)</u>
<i>Total accumulated depreciation</i>	<u>(69,394)</u>	<u>(13,408)</u>	<u>(2,495)</u>	<u>(85,297)</u>
<i>Total capital assets, net of depreciation</i>	\$ <u><u>31,305</u></u>	<u><u>(13,408)</u></u>	<u><u>-</u></u>	<u><u>17,897</u></u>

Depreciation expense in its entirety of \$13,408 was charged to the General Government function.

NOTE 6. LONG-TERM DEBT

Governmental Activities: During the year ended June 30, 2015, the following changes occurred in the liabilities reported in the government-wide Statement of Net Position:

STATE OF NEW MEXICO
 SOUTHEASTERN NEW MEXICO ECONOMIC DEVELOPMENT DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2015

NOTE 6. LONG-TERM DEBT (CONTINUED)

	<u>Balance</u> <u>06/30/2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>06/30/2015</u>	<u>Due</u> <u>Within</u> <u>One Year</u>
Notes payable	\$ 16,120	4,409	10,029	10,500	9,072
Leases payable	2,116	-	1,552	564	564
Compensated absences	30,873	26,140	27,879	29,134	15,030
Total long - term debt	<u>\$ 49,109</u>	<u>30,549</u>	<u>39,460</u>	<u>40,198</u>	<u>24,666</u>

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

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.

The note payable addition was related to the purchase of computer equipment. The purchase was made through Dell Financial Services and all financing is considered current.

Debt service requirements on long-term debt for governmental activities at June 30, 2015 are as follows:

Notes Payable

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2016	\$ 9,072	213	9,285
2017	1,428	15	1,443
	<u>\$ 10,500</u>	<u>228</u>	<u>10,728</u>

Leases Payable

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2016	\$ 564	16	580
	<u>\$ 564</u>	<u>16</u>	<u>580</u>

STATE OF NEW MEXICO
SOUTHEASTERN NEW MEXICO ECONOMIC DEVELOPMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

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 for the year ended June 30, 2015 including:

A. Deficit fund balance of individual funds. The District had no deficit fund balances.

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.

C. Designated cash appropriations in excess of available balances. The District had no cash appropriations in excess of available balances.

NOTE 9. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA) PENSION PLAN

Plan description. The Public Employees Retirement Fund (PERA Fund) is a cost-sharing, multiple employer defined benefit pension plan. This fund has six divisions of members, including State General, State Police/Adult Correction Officer, Municipal General, Municipal Police/Detention Officers, Municipal fire, and State Legislative Divisions, and offers 24 different types of coverage within the PERA plan. All assets accumulated may be used to pay benefits, including refunds of member contributions, to any of the plan members or beneficiaries, as defined by the terms of this plan. Certain coverage plans are only applicable to a specific division. Eligibility for membership in the PERA Fund is set forth in the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). Except as provided for in the Volunteer Firefighters Retirement Act (10-11A-1 to 10-11A-7, NMSA 1978), the Judicial Retirement Act (10-12B-1 to 10-12B-19, NMSA 1978), the Magistrate Retirement Act (10-12C1 to 10-12C-18, NMSA 1978), and the Educational Retirement Act (Chapter 22, Article 11, NMSA 1978), and the provisions of Sections 29-4-1 through 29-4-11, NMSA 1978 governing the State Police Pension Fund, each employee and elected official of every affiliated public employer is required to be a member in the PERA Fund.

PERA issues a publicly available financial report and a comprehensive annual financial report that can be obtained at <http://saonm.org/> using the Audit Report Search function for agency 366.

Benefits provided. For a description of the benefits provided and recent changes to the benefits see Note 1 in the PERA audited financial statements for the fiscal year ended June 30, 2014 available at http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366_Public_Employees_Retirement_Association_2014.pdf.

STATE OF NEW MEXICO
SOUTHEASTERN NEW MEXICO ECONOMIC DEVELOPMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 9. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA) PENSION PLAN (CONTINUED)

Contributions. The contribution requirements of defined benefit plan members and the Southeastern New Mexico Economic Development District are established in state statute under Chapter 10, Article 11, NMSA 1978. The contribution requirements may be amended by acts of the legislature. For the employer and employee contribution rates in effect for FY14 for the various PERA coverage options, for both Tier I and Tier II, see the tables available in the note disclosures on pages 29 through 31 of the PERA FY14 annual audit report at http://osanm.org/media/audits/366_Public_Employees_Retirement_Association_2014.pdf. The PERA coverage option that applies to the Southeastern New Mexico Economic Development District is the municipal plan 3. Statutorily required contributions to the pension plan from the Southeastern New Mexico Economic Development District were \$33,438 and employer paid no member benefits that were “picked up” by the employer for the year ended June 30, 2015.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: The PERA pension liability amounts, net pension liability amounts, and sensitivity information were based on an annual actuarial valuation performed as of June 30, 2013. The PERA pension liability amounts for each division were rolled forward from the valuation date to the Plan year ending June 30, 2014, using generally accepted actuarial principles. Therefore, the employer’s portion was established as of the measurement date June 30, 2014.

The assets of the PERA fund are held in one trust, but there are six distinct membership groups (municipal general members, municipal police members, municipal fire members, state general members, state police members and legislative members) for whom separate contribution rates are determined each year pursuant to chapter 10, Article 11 NMSA 1978. Therefore, the calculations of the net pension liability, pension expense and deferred Inflows and Outflows were preformed separately for each of the membership groups: municipal general members; municipal police members; municipal fire members; state general members; state police members and legislative members. The Southeastern New Mexico Economic Development District’s proportion of the net pension liability for each membership group that the employer participates in is based on the employer contributing entity’s percentage of that membership group’s total employer contributions for the fiscal year ended June 30, 2014. Only employer contributions for the pay period end dates that fell within the period of July 1, 2013 to June 30, 2014 were included in the total contributions for a specific employer. Regular and any adjustment contributions that applied to FY 2014 are included in the total contribution amounts. In the event that an employer is behind in reporting to PERA its required contributions, an estimate (receivable) was used to project the unremitted employer contributions. This allowed for fair and consistent measurement of the contributions with the total population. This methodology was used to maintain consistent measurement each year in determining the percentages to be allocated among all the participating employers.

For PERA Fund Division municipal plan 3, at June 30, 2015, the Southeastern New Mexico Economic Development District reported a liability of \$351,048 for its proportionate share of the net pension liability. At June 30, 2014, the District’s proportion was 0.002 percent, which was unchanged from its proportion measured as of June 30, 2013, due to the insignificance of the difference.

**STATE OF NEW MEXICO
SOUTHEASTERN NEW MEXICO ECONOMIC DEVELOPMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 9. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA) PENSION PLAN (CONTINUED)

For the year ended June 30, 2015, the Southeastern New Mexico Economic Development District recognized PERA Fund Division municipal plan 3 pension expense of \$14,658. At June 30, 2015, the District reported PERA Fund Division municipal plan 3 deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	-
Changes of assumptions	-	238
Net difference between projected and actual earnings on pension plan investments	-	137,339
Changes in proportion and differences between Southeastern New Mexico Economic Development District contributions and proportionate share of contributions	-	-
Southeastern New Mexico Economic Development District contributions subsequent to the measurement date	<u>40,745</u>	<u>-</u>
Total	<u>\$ 40,745</u>	<u>137,577</u>

\$40,745 reported as deferred outflows of resources related to pensions resulting from Southeastern New Mexico Economic Development District contributions subsequent to the measurement date June 30, 2014 will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:		
2016	\$	34,394
2017		34,394
2018		34,394
2019		34,394
2020		<u>1</u>
Total	\$	<u>137,577</u>

STATE OF NEW MEXICO
SOUTHEASTERN NEW MEXICO ECONOMIC DEVELOPMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 9. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA) PENSION PLAN (CONTINUED)

Actuarial assumptions. As described above, the PERA Fund member group pension liabilities and net pension liabilities are based on actuarial valuations performed as of June 30, 2013 for each of the membership groups. Then each PERA Fund member group pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2014 using generally accepted actuarial principles. There were no significant events or changes in benefit provisions that required an adjustment to the roll-forward liabilities as of June 30, 2014. These actuarial methods and assumptions were adopted by the Board for use in the June 30, 2014 actuarial valuation.

Actuarial valuation date	June 30, 2013
Actuarial cost method	Entry age normal
Amortization method	Level percentage of pay
Amortization period	Solved for based on statutory rates
Asset valuation method	Fair value
Actuarial assumptions:	
• Investment rate of return	7.75% annual rate, net of investment expense
• Payroll growth	3.50% annual rate
• Projected salary increases	3.50% to 14.25% annual rate
• Includes inflation at	3.00% annual rate

The long-term expected rate of return on pension plan investments was determined using a statistical analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and most recent best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>ALL FUNDS - Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	21.1%	5.00%
International Equity	24.8	5.20
Private Equity	7.0	8.20
Core and Global Fixed Income	26.1	1.85
Fixed Income Plus Sectors	5.0	4.80
Real Estate	5.0	5.30
Real Assets	7.0	5.70
Absolute Return	4.0	4.15
Total	<u>100.0%</u>	

STATE OF NEW MEXICO
 SOUTHEASTERN NEW MEXICO ECONOMIC DEVELOPMENT DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2015

NOTE 9. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA) PENSION PLAN (CONTINUED)

Discount rate: The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that future contributions will be made in accordance with statutory rates. On this basis, the pension plan's fiduciary net position together with the expected future contributions are sufficient to provide all projected future benefit payments of current plan members as determined in accordance with GASBS 67. Therefore, the 7.75% assumed long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Southeastern New Mexico Economic Development District's proportionate share of the net pension liability to changes in the discount rate. The following tables show the sensitivity of the net pension liability to changes in the discount rate. In particular, the tables present the Southeastern New Mexico Economic Development District's net pension liability in each PERA Fund Division that the District participates in, under the current single rate assumption, as if it were calculated using a discount rate one percentage point lower (6.75%) or one percentage point higher (8.75%) than the single discount rate.

PERA Municipal Plan 3	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of net pension liability	\$ 661,805	351,048	110,974

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued FY14 Restated PERA financial report. The report is available at <http://www.pera.state.nm.us/publications.html>.

Payables to the pension plan. At June 30, 2015, the Southeastern New Mexico Economic Development District had \$8,609 payable to the pension plan.

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, 2015.

NOTE 11. COMMITMENTS AND CONTINGENCIES

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.

**STATE OF NEW MEXICO
SOUTHEASTERN NEW MEXICO ECONOMIC DEVELOPMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 12. 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 13. 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	7/1/14-6/30/15 with annual renewals permitted
Estimated Amount of Project	\$210,000
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

NOTE 14. RECENT ACCOUNTING PRONOUNCEMENTS

In August 2012, the GASB issued Statement No.68, *Accounting and Financial Reporting for Pensions — an amendment of GASB Statement 27*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. The District provides substantially all of its employees with pension benefits through the state’s multiple employer cost-sharing defined-benefit retirement plan administered by the Public Employees Retirement Association of New Mexico (PERA). GASB Statement 68 requires cost-sharing employers participating in the PERA program, such as the District, to record their proportionate share, as defined in GASB Statement 68, of District’s unfunded pension liability. The District has no legal obligation to fund this shortfall nor does it have any ability to affect funding, benefit, or annual required contribution decisions made by PERA. GASB Statement 68 is effective for periods beginning after June 15, 2014. The District adopted GASB Statement No.68 during fiscal year 2015 and, as a result, restated beginning fund balance in the amount of \$473,967. The requirement of GASB Statement 68 to record a portion of PERA’s unfunded liability has negatively impacted the District’s unrestricted net position.

**STATE OF NEW MEXICO
SOUTHEASTERN NEW MEXICO ECONOMIC DEVELOPMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 14. RECENT ACCOUNTING PRONOUNCEMENTS (CONTINUED)

Information regarding PERA's current funding status can be found in their financial report.

In January 2013, the GASB issued statement No. 69, Government Combinations and Disposals of Government Operations. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term government combination includes a variety of transactions referred to as mergers, acquisitions, and transfers of operations. This Statement improves the decision usefulness of financial reporting by requiring that disclosures be made by governments about combination arrangements in which they engage and for disposals of government operations. GASB Statement 69 is effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013 and should be applied on a prospective basis.

The District was not a party to any combinations or disposals in the current year and therefore the adoption of GASB Statement 69 does not have any impact on the District's financial statements.

In November 2013, the GASB issued statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68. Statement No. 68 requires a state or local government employer to recognize a net pension liability measured as of the measurement date, no earlier than the end of its prior fiscal year. If a state or local government employer makes a contribution to a defined benefit pension plan between the measurement date of the reported net pension liability and the end of the government's reporting period, Statement No. 68 requires that the government recognize its contribution as a deferred outflow of resources. If it is not practical to determine the amounts of all deferred outflows of resources and deferred inflows of resources related to pensions, contributions made after the measurement date of the beginning net pension liability could not have been reported as deferred outflows of resources at transition.

Accordingly, Statement No. 71 amends paragraph 137 of Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The District adopted GASB Statement No.71 during fiscal year 2015.

In June 2015, the GASB issued Statement No. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments. Statement No. 76, which supersedes Statement No. 55, aims to identify, in the context of the current governmental financial reporting environment, the hierarchy of U.S. GAAP, which consists of the sources of accounting principles used to prepare the financial statements of state and local governments entities in conformity with U.S. GAAP, as well as the framework for selecting those principles. The District adopted GASB Statement No. 76 during fiscal year 2015, with no significant impact to the District's financial statements.

**STATE OF NEW MEXICO
SOUTHEASTERN NEW MEXICO ECONOMIC DEVELOPMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 15. NEW ACCOUNTING PRONOUNCEMENTS

The following GASB pronouncements have been issued, but are not yet effective at June 30, 2015.

GASB Statement No. 72, *Fair Value Measurement and Application*

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*

The District will implement the new GASB pronouncements in the fiscal year no later than the required effective date. The District believes that the above listed new GASB pronouncements will not have a significant financial impact to the District or in issuing its financial statements.

NOTE 16. RESTATEMENT

As a result of implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, net position at June 30, 2014 was restated in the amount of \$(473,967).

REQUIRED SUPPLEMENTARY INFORMATION

**STATE OF NEW MEXICO
SOUTHEASTERN NEW MEXICO ECONOMIC DEVELOPMENT DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
June 30, 2015**

**Public Employees Retirement Association of New Mexico
Schedule of Ten Year Tracking Data***

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
District's Proportion of the Net Pension Liability (Asset)	0.011%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 351,048	-	-	-	-	-	-	-	-	-
District's Covered-Employee Payroll	\$ 429,651	-	-	-	-	-	-	-	-	-
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Its Covered-Employee Payroll	81.71%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	81.29%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

*The amounts presented for each fiscal year were determined as of June 30, 2014

**STATE OF NEW MEXICO
SOUTHEASTERN NEW MEXICO ECONOMIC DEVELOPMENT DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
June 30, 2015**

**Public Employees Retirement Association of New Mexico
Schedule of Ten Year Tracking Data**

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Contractually Required Contribution	\$ 33,438	-	-	-	-	-	-	-	-	-
Contributions in Relation to the Contractually Required Contribution	33,438	-	-	-	-	-	-	-	-	-
Contribution Deficiency (Excess)*	\$ -	-	-	-	-	-	-	-	-	-

Increase (Decrease) in Pension Expense over Recognition Periods

Year	Total Amount Deferred	Amortization Years	Increase (Decrease) in Pension Expense over Recognition Periods											
			2015	2016	2017	2018	2019	2020	2021	2022	2023	2024		
2014	\$ 137,577	5		\$ 34,394	34,394	34,394	34,394	1						
2015	-	5												
2016	-	5												
2017	-	5												
2018	-	5												
2019	-	5												
2020	-	5												
2021	-	5												
2022	-	5												
2023	-	5												
	<u>\$ 137,577</u>			<u>\$ 34,394</u>	<u>34,394</u>	<u>34,394</u>	<u>34,394</u>	<u>34,394</u>	<u>1</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

*Excess contributions represent the employee portion covered by the employer

**STATE OF NEW MEXICO
SOUTHEASTERN NEW MEXICO ECONOMIC DEVELOPMENT DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2015**

Changes of Benefit Terms. The PERA Fund COLA and retirement eligibility benefits changes in recent years are described in Note 1 of the PERA FY14 audit available at http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366_Public_Employees_Retirement_Association_2014.pdf.

Changes of assumptions. The Public Employees Retirement Association (PERA) of New Mexico Annual Actuarial Valuation as of June 30, 2014 report is available at http://www.pera.state.nm.us/pdf/Investments/RetirementFundValuationReports/6-30-2014%20PERA%20Valuation%20Report_FINAL.pdf. The summary of Key Findings for the PERA Fund (on page 2 of the report) states “based on a recent experience study for the five-year period ending June 30, 2013, the economic and demographic assumptions were updated for this valuation. The changes in assumptions resulted in a decrease of \$30.8 million to Fund liabilities and an increase of 0.13% to the funded ratio. For details about changes in the actuarial assumptions, see Appendix B on page 60 of the report.

SUPPLEMENTARY INFORMATION

**STATE OF NEW MEXICO
SOUTHEASTERN NEW MEXICO ECONOMIC DEVELOPMENT DISTRICT
SCHEDULE OF DEPOSIT AND INVESTMENT ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2015**

<u>Account Name</u>	<u>Account Type</u>	<u>Pioneer Bank</u>	<u>Bank of the Southwest</u>	<u>Total</u>
Federal and state account	Checking- noninterest bearing	\$ 20,684	-	20,684
Local account	Checking- noninterest bearing	7,662	-	7,662
Money market	Money market	-	5,642	5,642
Auto fund	Savings	-	5,435	5,435
Total amount of deposits in bank		<u>28,346</u>	<u>11,077</u>	<u>39,423</u>
Less: FDIC coverage		<u>(28,346)</u>	<u>(11,077)</u>	<u>(39,423)</u>
Total uninsured public funds		<u>-</u>	<u>-</u>	<u>-</u>
50% collateral requirements		-	-	-
Pledged securities		<u>-</u>	<u>-</u>	<u>-</u>
Over/(under) collateralized		<u>\$ -</u>	<u>-</u>	<u>-</u>
Bank balance		\$ 28,346	11,077	39,423
Outstanding items		(21,811)	-	(21,811)
Deposits in transit		<u>55</u>	<u>-</u>	<u>55</u>
Book balance		<u>\$ 6,590</u>	<u>11,077</u>	<u>17,667</u>
Add: Petty cash				<u>100</u>
Total deposits and investments at June 30, 2015 per Statement of Net Position				<u>\$ 17,767</u>

COMPLIANCE SECTION

INDEPENDENT AUDITOR’S 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

To the Executive Board of Directors
Southeastern New Mexico Economic Development District
and Mr. Tim Keller
New Mexico State Auditor

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, 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, 2015, and the related notes to the financial statements, which collectively comprise the District’s basic financial statements and have issued our report thereon dated November 16, 2015.

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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District’s internal control. 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 of this section 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 that we consider to be a material weakness.

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 deficiency described in the accompanying schedule of findings and responses as item 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. We did not identify any deficiencies in internal control that we consider to be significant deficiencies.

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 one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2015-001.

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 results 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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

The logo for Axiom, featuring the word "Axiom" in a blue, cursive script font.

Albuquerque, New Mexico
November 16, 2015

**STATE OF NEW MEXICO
SOUTHEASTERN NEW MEXICO ECONOMIC DEVELOPMENT DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2015**

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 a material journal entry in the amount of \$33,343 was necessary for accounts receivable to be fairly stated at fiscal year end. The District made efforts to remediate this issue following the prior year finding by, evaluating and providing a listing of what was presumed to be the entirety of the District's accounts receivable balance at year end. Despite these efforts, balances were missed due to a lack of identifying revenues earned during the current year and received subsequently.

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 fiscal year end.

CAUSE: The District did not prepare an accurate accounts receivable listing at fiscal year end. As a consequence, not all accounts receivable items were appropriately included.

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.

MANAGEMENT RESPONSE: Management and staff have met and a monthly listing of Accounts Receivable will be maintained and recorded accordingly. The Executive Director, Program Manager and Office/Finance Administrator have had an initial meeting to discuss these issues and develop a process for maintaining an accurate listing of accounts receivable. This team will meet on a monthly basis going forward to ensure said listings maintain completeness and accuracy. The Office/Finance Administrator will be responsible for maintaining said listing while the Executive Director will be responsible for review.

**STATE OF NEW MEXICO
SOUTHEASTERN NEW MEXICO ECONOMIC DEVELOPMENT DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2015**

2015-001 Internal Controls over Disbursements (Other Matters)

CONDITION: 2 out of 40 cash disbursement samples tested in the amount of \$1,669 did not have proper authorization prior to disbursement. Both transactions were over \$500, requiring a purchase order and dual signatures from the Executive Director and one Board Member.

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. The District's cash disbursement policy states that all disbursements greater than \$500 must have a purchase order completed and authorized prior to purchase. Additionally, the policy also states, that disbursements greater than \$500 must have an authorization signature from both the Executive Director and one Member of the Board of Directors.

EFFECT: The District was at risk for disbursing funds in error or at the incorrect amount. The district was additionally no in compliance with controls over disbursements in accordance with aforementioned statute.

CAUSE: The District did not prepare an accounts receivable listing at year end and did not account for all accounts receivable items appropriately.

RECOMMENDATIONS: We recommend that management continue to refine the processes required to maintain compliance with statutory requirements, and their internal policies.

MANAGEMENT RESPONSE: Management erred regarding a purchase and payment that was considered pass-through money from donors for a non-business related program. In the future, all pay-through monies and purchase will be handled as regular business related purchases and payments. The District has taken immediate steps to ensure the cash disbursement processed is followed. The Office/Finance Administrator has committed to ensuring the error will not be repeated.

**STATE OF NEW MEXICO
SOUTHEASTERN NEW MEXICO ECONOMIC DEVELOPMENT DISTRICT
SUMMARY OF PRIOR AUDIT FINDINGS
JUNE 30, 2015**

FS 2013-003 (2013-03) Inaccurate Accounts Receivables Listing (Material Weakness) – Revised and Repeated

OTHER INFORMATION

SNMEDD

SCHEDULE OF VENDOR INFORMATION for Purchases Exceeding \$60,000 (excluding GRT)

For the Year Ended June 30, 2015

Prepared by Agency Staff Name: Pansy Moffitt Title: Office/Finance Administrator Date 11/17/2015

<i>RFB#/RFP#</i>	<i>Type of Procurement</i>	<i>Awarded Vendor</i>	<i>\$ Amount of Awarded Contract</i>	<i>\$ Amount of Amended Contract</i>	<i>Name and Physical Address per the procurement documentation, of <u>ALL</u> Vendor(s) that responded</i>	<i>In-State/ Out-of-State Vendor (Y or N) (Based on Statutory Definition)</i>	<i>Was the vendor in-state and chose Veteran's preference (Y or N) For federal funds answer N/A</i>	<i>Brief Description of the Scope of Work</i>
None	None	None	None	None	None	None	None	None

**STATE OF NEW MEXICO
SOUTHEASTERN NEW MEXICO ECONOMIC DEVELOPMENT DISTRICT
EXIT CONFERENCE
JUNE 30, 2015**

Exit Conference

The contents of this report were discussed on November 18, 2015. 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 Axiom Certified Public Accountants and Business Advisors, LLC

Jim Cox, CPA	Manager
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Auditor Prepared Financial Statements

The financial statements were prepared with the assistance of Axiom Certified Public Accountants & Business Advisors, LLC from the books and records of the Southeastern New Mexico Economic Development District.