

STATE OF NEW MEXICO

SOUTHEASTERN NEW MEXICO ECONOMIC  
DEVELOPMENT DISTRICT

Annual Financial Report  
June 30, 2016



**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, 2016**

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**STATE OF NEW MEXICO  
SOUTHEASTERN NEW MEXICO ECONOMIC DEVELOPMENT DISTRICT  
OFFICIAL ROSTER  
JUNE 30, 2016**

<u>Name</u>		<u>Title</u>
	<b><u>Board of Directors</u></b>	
	<b><u>Chaves County</u></b>	
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
Hubert Quintana		Private Sector, Chaves County
	<b><u>Eddy County</u></b>	
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
	<b><u>Lea County</u></b>	
Mike Gallagher		Member, Lea County
Todd Randall		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
	<b><u>Lincoln County</u></b>	
Dallas Draper		Member, Lincoln County
Laura McInnes		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
	<b><u>Otero County</u></b>	
Pamela Heltner		Member, Otero County
Al Hernandez		Member, City of Alamogordo
Ray Cordova		Member, Village of Tularosa
David Venable		Member, Village of Cloudcroft
Bill Mershon		Private Sector, Otero County
	<b><u>Executive Board of Directors</u></b>	
David Venable		President
Royce Pearson		Vice President
Steve Henderson		Treasurer
Dora Batista		Secretary/Executive Director SENMEDD
James Williams		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, 2016, 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, 2016, 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.

## **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 December 13, 2016 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.



Axiom CPAs and Business Advisors, LLC.  
Albuquerque, New Mexico  
December 13, 2016



## **BASIC FINANCIAL STATEMENTS**

STATE OF NEW MEXICO  
SOUTHEASTERN NEW MEXICO ECONOMIC DEVELOPMENT DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2016

	<b>Governmental Activities</b>
<b>ASSETS</b>	
<b>Current assets</b>	
Cash and cash equivalents	\$ 17,966
Accounts receivable	30,804
<i>Total current assets</i>	<u>48,770</u>
<b>Noncurrent assets</b>	
Capital assets	103,194
Less: accumulated depreciation	(95,424)
<i>Total noncurrent assets</i>	<u>7,770</u>
<b>Total assets</b>	<u>56,540</u>
<b>DEFERRED OUTFLOWS - Pension Related</b>	<u>72,888</u>
<b>LIABILITIES</b>	
<b>Current liabilities</b>	
Accounts payable	2,580
Accrued payroll	45,093
Current portion of accrued compensated absences	13,033
Current portion of notes and capital leases payable	4,133
<i>Total current liabilities</i>	<u>64,839</u>
<b>Noncurrent liabilities</b>	
Accrued compensated absences	19,488
Net pension liability	525,087
<i>Total noncurrent liabilities</i>	<u>544,575</u>
<b>Total liabilities</b>	<u>609,414</u>
<b>DEFERRED INFLOWS - Pension Related</b>	<u>13,496</u>
<b>NET POSITION</b>	
Net investment in capital assets	3,637
Unrestricted (Deficit)	(497,119)
<b>Total net position</b>	<u>\$ (493,482)</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, 2016

<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>
<b>Primary Government:</b>				
General government	\$ 649,437	458,247	155,486	(35,704)
Interest on long-term debt	213	-	-	(213)
Total government activities	<u>\$ 649,650</u>	<u>458,247</u>	<u>155,486</u>	<u>(35,917)</u>
General revenues				
Investment Income			\$ 17	
Miscellaneous				<u>7,764</u>
Total general revenues				<u>7,781</u>
<b>Change in net position</b>				(28,136)
Net position-beginning of year				<u>(465,346)</u>
Net position-end of year			\$	<u><u>(493,482)</u></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, 2016**

	<u>General Fund</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 17,966
Accounts receivable	<u>30,804</u>
Total current assets	<u>\$ 48,770</u>
<b>Liabilities and Fund Balance</b>	
Accounts payable	\$ 2,580
Accrued payroll	<u>45,093</u>
Total current liabilities	<u>47,673</u>
Fund Balance	
Unassigned	<u>1,097</u>
Total fund balance	<u>1,097</u>
Total liabilities and fund balance	<u>\$ 48,770</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, 2016**

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

Fund balance- governmental fund	\$ 1,097
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	7,770
Defined benefit pension plan deferred outflows are not financial resources and, therefore, are not reported in the funds	72,888
Defined benefit pension plan deferred inflows are not due and payable in the current period, and therefore, are not reported in the funds	(13,496)
Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds	
Accrued compensated absences	(32,521)
Notes and leases payable	(4,133)
Net pension liability	<u>(525,087)</u>
<b>Total Net Position</b>	<b>\$ <u><u>(493,482)</u></u></b>

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, 2016

	<u>General Fund</u>
<b>Revenues</b>	
Intergovernmental	
Federal operating grants	\$ 60,000
State operating grants	95,486
Charges for services	458,247
Investment income	17
Miscellaneous	<u>7,764</u>
<i>Total Revenues</i>	<u>621,514</u>
<b>Expenditures</b>	
Current	
General government	618,108
Debt Service	
Principal	6,931
Interest	<u>213</u>
<i>Total Expenditures</i>	<u>625,252</u>
<b>Net change in fund balance</b>	(3,738)
Fund balance - beginning of year	<u>4,835</u>
Fund balance - end of year	\$ <u><u>1,097</u></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, 2016**

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

Net change in fund balance - governmental fund	\$ (3,738)
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	(10,127)
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	(3,387)
Principal payments on notes and leases payable	6,931
Change in net pension liability	<u>(17,815)</u>
Change in net position of governmental activities	<u>\$ (28,136)</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, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
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	626,910	469,506	(157,404)
Investment income	250	250	17	(233)
Miscellaneous	-	-	7,764	7,764
Total Revenue	<u>782,903</u>	<u>782,903</u>	<u>632,773</u>	<u>(150,130)</u>
<b>Expenditures:</b>				
Current				
General Government	768,093	768,093	625,430	142,663
Debt Service				
Principal	12,000	12,000	6,931	5,069
Interest	-	-	213	(213)
Total expenditures	<u>780,093</u>	<u>780,093</u>	<u>632,574</u>	<u>147,519</u>
Excess (deficiency) of revenues over expenditures	<u>2,810</u>	<u>2,810</u>	<u>199</u>	<u>(2,611)</u>
Other financing sources (uses)				
Designated cash (budgeted increase in cash)	-	-	-	(2,781)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,781)</u>
Net change in fund balance	<u>2,810</u>	<u>2,810</u>	<u>199</u>	<u>(5,392)</u>
Fund balance- beginning of year	-	-	17,757	17,757
Fund balance- end of year	<u>\$ -</u>	<u>-</u>	<u>17,956</u>	<u>12,365</u>
Net change in fund balance			\$ 199	
Adjustments to revenue for accounts receivable			(11,259)	
Adjustments to expenditures for accounts payable and accrued payroll			<u>7,322</u>	
Net change in fund balance (GAAP basis)			<u>\$ (3,738)</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  
YEAR ENDED JUNE 30, 2016**

**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  
YEAR ENDED JUNE 30, 2016

**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  
YEAR ENDED JUNE 30, 2016

**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  
YEAR ENDED JUNE 30, 2016

**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  
 YEAR ENDED JUNE 30, 2016

**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, 2016, 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.

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YEAR ENDED JUNE 30, 2016

**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.

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**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, 2016, 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."

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**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, 2016 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, 2016.



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**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	\$ 248,132	11,290	259,422
FDIC coverage	<u>(248,132)</u>	<u>(11,290)</u>	<u>(259,422)</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, 2016, \$0 of the District's deposits of \$259,422 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, 2016.

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**NOTE 4. RECEIVABLES**

Receivables as of June 30, 2016, are as follows:

Member administrative fees	\$	23,068
Intergovernmental -state		<u>7,736</u>
Total accounts receivable	\$	<u><u>30,804</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, 2016 were as follows:

	<u>Balance</u> <u>6/30/2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>6/30/2016</u>
<i>Capital assets being depreciated</i>				
Furniture and equipment	\$ 27,529	-	-	27,529
Vehicles	<u>75,665</u>	<u>-</u>	<u>-</u>	<u>75,665</u>
<i>Total Capital assets being depreciated</i>	<u>103,194</u>	<u>-</u>	<u>-</u>	<u>103,194</u>
<i>Less accumulated depreciation</i>				
Furniture and equipment	(26,466)	(333)	-	(26,799)
Vehicles	<u>(58,831)</u>	<u>(9,794)</u>	<u>-</u>	<u>(68,625)</u>
<i>Total accumulated depreciation</i>	<u>(85,297)</u>	<u>(10,127)</u>	<u>-</u>	<u>(95,424)</u>
<i>Total capital assets, net of depreciation</i>	<u>\$ 17,897</u>	<u>(10,127)</u>	<u>-</u>	<u>7,770</u>

Depreciation expense in its entirety of \$10,127 was charged to the General Government function.

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**NOTE 6. LONG-TERM DEBT**

**Governmental Activities:** During the year ended June 30, 2016, the following changes occurred in the liabilities reported in the government-wide Statement of Net Position:

	<u>Balance</u> <u>06/30/2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>06/30/2016</u>	<u>Due</u> <u>Within</u> <u>One Year</u>
Notes payable	\$ 10,500	-	6,367	4,133	4,133
Leases payable	564	-	564	-	-
Compensated absences	29,134	23,839	20,452	32,521	13,033
Total long - term debt	<u>\$ 40,198</u>	<u>23,839</u>	<u>27,383</u>	<u>36,654</u>	<u>17,166</u>

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

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, 2016 are as follows:

**Notes Payable**

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2017	\$ 4,133	15	4,148
	<u>\$ 4,133</u>	<u>15</u>	<u>4,148</u>

**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, 2016 including:

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**NOTE 8. OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES (CONTINUED)**

**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, 2015 available at:

<http://www.nmpera.org/assets/uploads/downloads/gasb-67-supplemental-reports/NM-PERA-Employer-Allocation-Report-FINAL-2015.pdf>.

**Contributions.** The contribution requirements of defined benefit plan members and the 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 FY15 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-B\\_PERA\\_Schedule\\_of\\_Employer\\_Allocations\\_FY2015.pdf](http://osanm.org/media/audits/366-B_PERA_Schedule_of_Employer_Allocations_FY2015.pdf)

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

The PERA coverage options that apply to District is the Municipal Plan 3. Statutorily required contributions to the pension plan from the District were \$40,745 and employer paid member benefits that were “picked up” by the employer were \$0 for the year ended June 30, 2016.

***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, 2014. The PERA pension liability amounts for each division were rolled forward from the valuation date to the Plan year ending June 30, 2015, using generally accepted actuarial principles. Therefore, the employer’s portion was established as of the measurement date June 30, 2015.

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 performed 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, 2015. Only employer contributions for the pay period end dates that fell within the period of July 1, 2014 to June 30, 2015 were included in the total contributions for a specific employer. Regular and any adjustment contributions that applied to FY 2015 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, 2016, the Southeastern New Mexico Economic Development District reported a liability of \$525,087 for its proportionate share of the net pension liability. At June 30, 2015, the District’s proportion was 0.052% percent, which was decrease of .041% from its proportion measured as of June 30, 2014, due to the insignificance of the difference.

For the year ended June 30, 2016, the Southeastern New Mexico Economic Development District recognized PERA Fund Division municipal plan 3 pension expense of \$32,081. At June 30, 2016, 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:

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	11,631
Changes of assumptions	-	205
Net difference between projected and actual earnings on pension plan investments	-	1,661
Changes in proportion and differences between Southeastern New Mexico Economic Development District contributions and proportionate share of contributions	38,270	-
Southeastern New Mexico Economic Development District contributions subsequent to the measurement date	<u>34,168</u>	<u>-</u>
Total	<u>\$ 72,438</u>	<u>13,497</u>

\$34,168 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, 2015 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:		
2017	\$	(1,920)
2018		(1,920)
2019		(1,920)
2020		30,984
2021		<u>-</u>
Total	\$	<u>25,224</u>

**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, 2014 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, 2015 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, 2015. These actuarial methods and assumptions were adopted by the Board for use in the June 30, 2015 actuarial valuation.

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SOUTHEASTERN NEW MEXICO ECONOMIC DEVELOPMENT DISTRICT  
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**NOTE 9. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA) PENSION PLAN (CONTINUED)**

Actuarial valuation date	June 30, 2014
Actuarial cost method	Entry age normal
Amortization method	Level of percentage pay, open
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
Projected benefit payments	100 years
Payroll growth	3.50% annual rate
Projected salary increases	3.50% to 14.25% annual rate
Includes inflation at	3.00% annual rate
Mortality assumption	RP-2000 mortality tables (combined tabled for health post-retirements, employee table for active members, and disabled table for disabled retirees before retirement age) with projection to 2018 using Scale AA
Experience study dates	July 1, 2008 to June 30, 2013

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>	

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**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.

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
PERA Municipal Plan 3			
District's proportionate share of net pension liability	\$ 894,015	525,087	218,349

**Payables to the pension plan.** At June 30, 2016, the Southeastern New Mexico Economic Development District had \$14,828 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, 2016.

**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.



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**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	7/1/15-6/30/16 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 February 2015, the GASB issued statement No. 72, *Fair Value Measurement and Application*. This Statement provides guidance for determining the fair value and applying the fair value to certain investments and note disclosures. GASB Statement No. 72 was effective for periods ending after June 15, 2016. The adoption of GASB Statement No. 72 did not have any effect on the District's Financial Statements.

In June 2015, the GASB issued statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements No. 67 and 68*. This Statement establishes requirements for defined benefit pension plans and other pension plans not addressed under GASB Statement No. 68. This Statement also amends some requirements of GASB Statement No. 67 and GASB Statement No. 68. GASB Statement No. 73 clarifies requirements of GASB Statements No. 67 and 68 regarding the

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**NOTE 14. RECENT ACCOUNTING PRONOUNCEMENTS**

information that must be presented as notes to the required supplemental 10 year schedules, accounting and financial reporting for certain liabilities for individual employers and non-employer contributing entities, and the revenue recognition for non-employer contributing entities that are not in a special funding situation.

This statement requires that all pensions under GASB Statement No. 68 that are not administered through trusts and meet the requirements of GASB Statement No. 68 not be classified as pension plan assets. The implementation of GASB No. 73 did not have an impact on the District's Financial Statements.

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 2016, with no significant impact to the District's financial statements

In December 2015, the GASB issued Statement No. 79, *Certain External Investment Pools and Pool Participants*. This Statement establishes criteria that must be met for an external investment pool to be permitted to measure its investments at the amortized cost for financial reporting purposes. This Statement also requires that the pool participants of external investment pools that meet the criteria also report their investments at the amortized cost for financial reporting purposes. External Investment Pools that not meet the requirement are required to follow paragraph 16 of GASB Statement No. 31. GASB Statement No. 79 requires additional note disclosures to be made in qualifying external investment pools financial statements. The additional note disclosures are also required to be made in the pool participants financial statements. The adoption of GASB Statement No. 79 did not have a significant impact on the District's financial statements.

**NOTE 15. NEW ACCOUNTING PRONOUNCEMENTS**

The following GASB pronouncements have been issued, but are not yet effective at June 30, 2016.

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*

GASB Statement No. 77, *Tax Abatement Disclosures*

STATE OF NEW MEXICO  
SOUTHEASTERN NEW MEXICO ECONOMIC DEVELOPMENT DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2016

**NOTE 15. NEW ACCOUNTING PRONOUNCEMENTS (CONTINUED)**

GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*

GASB Statement No. 80, *Blending Requirements for Certain Units – an amendment to GASB Statement No. 14*

GASB Statement No. 81, *Irrevocable Split-Interest Agreements*

GASB Statement No. 82, *Pension Issues (an Amendment of GASB Statements No. 67, No. 68, and No. 73)*

The District will implement the new GASB pronouncements in the fiscal year no later than the required effective date.

**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, 2016**

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

	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>
District's Proportion of the Net Pension Liability (Asset)	0.011%	0.052%	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	525,087	-	-	-	-	-	-	-	-
District's Covered-Employee Payroll	\$ 429,651	357,783	-	-	-	-	-	-	-	-
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Its Covered-Employee Payroll	81.71%	146.76%	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%	76.99%	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, 2015

STATE OF NEW MEXICO  
SOUTHEASTERN NEW MEXICO ECONOMIC DEVELOPMENT DISTRICT  
SCHEDULE OF DISTRICT CONTRIBUTIONS  
June 30, 2016

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	40,745	-	-	-	-	-	-	-	-
Contributions in Relation to the Contractually Required Contribution	33,438	40,745	-	-	-	-	-	-	-	-
Contribution Deficiency (Excess)*	\$ -	-	-	-	-	-	-	-	-	-

Increase (Decrease) in Pension Expense over Recognition Periods

Year	Total Amount Deferred	Amortization Years	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
2014	\$ 137,577	5		\$ 34,394	34,394	34,394	34,394	1				
2015	25,223	5			(1,920)	(1,920)	(1,920)	30,983	-			
2016	-	5				-	-	-	-	-		
2017	-	5					-	-	-	-	-	
2018	-	5						-	-	-	-	-
2019	-	5							-	-	-	-
2020	-	5								-	-	-
2021	-	5									-	-
2022	-	5										-
2023	-	5										
	\$ 162,800			\$ 34,394	32,474	32,474	32,474	30,984	-	-	-	-

\*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, 2016

**Changes of Benefit Terms.** The PERA and COLA and retirement eligibility benefits changes in recent years are described in Note 1 (pages 48-50). This report is available at:

<http://www.nmpera.org/assets/uploads/downloads/comprehensive-annual-financial-reports/CAFR-2015.pdf>

**Assumptions.** The Public Employees Retirement Association (PERA) of New Mexico Annual Actuarial Valuation as of June 30, 2015 report is available at:

<http://www.nmpera.org/assets/uploads/downloads/retirement-fund-valuation-reports/6-30-2015-PERA-Valuation-Report-FINAL.pdf>

The assumptions can be found in Appendix B on page 53 of the report.

**Other.** The pension schedules in the required supplementary information are intended to show information for ten years. Additional information will be presented as it becomes available.

**SUPPLEMENTARY INFORMATION**



**STATE OF NEW MEXICO  
SOUTHEASTERN NEW MEXICO ECONOMIC DEVELOPMENT DISTRICT  
SCHEDULE OF DEPOSIT AND INVESTMENT ACCOUNTS  
FOR THE YEAR ENDED JUNE 30, 2016**

<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	\$ 8,863	-	8,863
Local account	Checking- noninterest bearing	239,269	-	239,269
Money market	Money market	-	5,851	5,851
Auto fund	Savings	-	5,439	5,439
Total amount of deposits in bank		<u>248,132</u>	<u>11,290</u>	<u>259,422</u>
Less: FDIC coverage		<u>(248,132)</u>	<u>(11,290)</u>	<u>(259,422)</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		\$ 248,132	11,290	259,422
Outstanding items		(241,556)	-	(241,556)
Deposits in transit		<u>-</u>	<u>-</u>	<u>-</u>
Book balance		<u>\$ 6,576</u>	<u>11,290</u>	<u>17,866</u>
Add: Petty cash				<u>100</u>
Total deposits and investments at June 30, 2016 per Statement of Net Position				<u>\$ 17,966</u>

SNMEDD  
 SCHEDULE OF VENDOR INFORMATION for Purchases Exceeding \$60,000 (excluding GRT)  
 For the Year Ended June 30, 2016

<i>Agency Number</i>	<i>Agency Name</i>	<i>Agency Type</i>	<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 ALL 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>
809	Southeastern NM Economic Development District	Special District	None	None	None	None	None	None	None	None	None

**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, 2016, 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 13, 2016.

**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.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether 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 are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the 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.



Axiom CPAs and Business Advisors, LLC.  
Albuquerque, New Mexico  
December 13, 2016

**STATE OF NEW MEXICO  
SOUTHEASTERN NEW MEXICO ECONOMIC DEVELOPMENT DISTRICT  
SCHEDULE OF FINDINGS AND RESPONSES  
YEAR ENDED JUNE 30, 2016**

**FINANCIAL STATEMENT FINDINGS**

None

**PRIOR YEAR FINDINGS**

FS 2013-003 (2013-03) Inaccurate Accounts Receivables Listing (Material Weakness) – Resolved

FS 2015-001 Internal Controls over Disbursements (Other Matters) – Resolved

**STATE OF NEW MEXICO  
SOUTHEASTERN NEW MEXICO ECONOMIC DEVELOPMENT DISTRICT  
EXIT CONFERENCE  
JUNE 30, 2016**

**Exit Conference**

The contents of this report were discussed on December 12, 2016. The following individuals were in attendance:

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

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

**Representing Axiom Certified Public Accountants and Business Advisors, LLC**

Chris Garner, CPA	Partner
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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.