

**STATE OF NEW MEXICO**

**SOUTHEASTERN NEW MEXICO  
ECONOMIC DEVELOPMENT  
DISTRICT**

**Annual Financial Report**

**June 30, 2017**



**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, 2017**

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**STATE OF NEW MEXICO  
SOUTHEASTERN NEW MEXICO ECONOMIC DEVELOPMENT DISTRICT  
OFFICIAL ROSTER  
JUNE 30, 2017**

| <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. Wayne Johnson  
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, 2017, 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, 2017, 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 28 and 29, 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 schedule of deposit and investment accounts required by 2.2.2 NMAC is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of deposit and investment accounts 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 schedule of deposits and investments required by Section 2.2.2 NMAC is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2017 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  
December 1, 2017



## **BASIC FINANCIAL STATEMENTS**

**STATE OF NEW MEXICO  
SOUTHEASTERN NEW MEXICO ECONOMIC DEVELOPMENT DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2017**

|   | <u>Governmental<br/>Activities</u> |
|---|------------------------------------|
| <b>ASSETS</b>                                   |                                    |
| <b>Current assets</b>                           |                                    |
| Cash and cash equivalents                       | \$ 35,025                          |
| Accounts receivable                             | 41,775                             |
| <i>Total current assets</i>                     | <u>76,800</u>                      |
| <b>Noncurrent assets</b>                        |                                    |
| Capital assets                                  | 103,194                            |
| Less: accumulated depreciation                  | <u>(101,566)</u>                   |
| <i>Total noncurrent assets</i>                  | <u>1,628</u>                       |
| <b>Total assets</b>                             | <u>78,428</u>                      |
| <b>DEFERRED OUTFLOWS - Pension Related</b>      | 258,213                            |
| <b>LIABILITIES</b>                              |                                    |
| <b>Current liabilities</b>                      |                                    |
| Accounts payable                                | 5,949                              |
| Accrued payroll                                 | 6,217                              |
| Current portion of accrued compensated absences | 8,568                              |
| <i>Total current liabilities</i>                | <u>20,734</u>                      |
| <b>Noncurrent liabilities</b>                   |                                    |
| Accrued compensated absences                    | 16,508                             |
| Net pension liability                           | 661,433                            |
| <i>Total noncurrent liabilities</i>             | <u>677,941</u>                     |
| <b>Total liabilities</b>                        | <u>698,675</u>                     |
| <b>DEFERRED INFLOWS - Pension Related</b>       | 86,365                             |
| <b>NET POSITION (DEFICIT)</b>                   |                                    |
| Net investment in capital assets                | 1,628                              |
| Unrestricted (Deficit)                          | <u>(450,027)</u>                   |
| <b>Total net position</b>                       | <u>\$ (448,399)</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, 2017**

| <u>Functions/Programs</u>      | <u>Program Revenues</u> |                                 |   | <u>Net (Expense)<br/>Revenues and<br/>Change in Net<br/>Position</u> |
|--------------------------------|-------------------------|---------------------------------|---|--|
|                                | <u>Expenses</u>         | <u>Charges for<br/>Services</u> | <u>Operating<br/>Grants and<br/>Contributions</u> | <u>Governmental<br/>Activities</u>                                   |
| <b>Primary Government:</b>     |                         |                                 |   |  |
| General government             | \$ 571,789              | 464,906                         | 151,143   | 44,260   |
| Interest on long-term debt     | 15                      | -                               | -   | (15)   |
| Total government activities    | <u>\$ 571,804</u>       | <u>464,906</u>                  | <u>151,143</u>                                    | <u>44,245</u>  |
| General revenues               |                         |                                 |   |  |
| Investment Income              |                         |                                 |   | \$ 30  |
| Miscellaneous                  |                         |                                 |   | 808  |
| Total general revenues         |                         |                                 |   | <u>838</u>   |
| <b>Change in net position</b>  |                         |                                 |   | 45,083   |
| Net position-beginning of year |                         |                                 |   | <u>(493,482)</u>   |
| Net position-end of year       |                         |                                 |   | <u>\$ (448,399)</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, 2017**

|                                     | <u>General Fund</u>     |
|-------------------------------------|-------------------------|
| <b>Assets</b>                       |                         |
| Cash and cash equivalents           | \$ 35,025               |
| Accounts receivable                 | <u>41,775</u>           |
| Total current assets                | <u>76,800</u>           |
| <b>Liabilities and Fund Balance</b> |                         |
| Accounts payable                    | 5,949                   |
| Accrued payroll                     | <u>6,217</u>            |
| Total current liabilities           | <u>12,166</u>           |
| <b>Fund Balance</b>                 |                         |
| Unassigned                          | <u>64,634</u>           |
| Total fund balance                  | <u>64,634</u>           |
| Total liabilities and fund balance  | \$ <u><u>76,800</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 BALANCE SHEET - GOVERNMENTAL FUND  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2017**

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

|   |                                   |
|---|-----------------------------------|
| Fund balance- governmental fund   | \$ 64,634                         |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.                 |                                   |
| Capital Assets  | 103,194                           |
| Accumulated Depreciation  | <u>(101,566)</u>                  |
|   | 1,628                             |
| Defined benefit pension plan deferred outflows are not financial resources and, therefore, are not reported in the funds                  | 258,213                           |
| Defined benefit pension plan deferred inflows are not due and payable in the current period, and therefore, are not reported in the funds | (86,365)                          |
| The net pension liability is not due in the current period and, therefore, is not reported in the funds.                                  | (661,433)                         |
| Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds                              |                                   |
| Accrued compensated absences  | <u>(25,076)</u>                   |
| <b>Total Net Position (Deficit)</b>   | <b><u><u>\$ (448,399)</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, 2017**

|   | <u>General Fund</u>         |
|---|-----------------------------|
| <b>Revenues</b>                             |                             |
| Intergovernmental                           |                             |
| Federal operating grants                    | \$ 65,000                   |
| State operating grants                      | 86,143                      |
| Charges for services                        | 464,906                     |
| Investment income                           | 30                          |
| Miscellaneous                               | 808                         |
| <b>Total Revenues</b>                       | <u>616,887</u>              |
| <br><b>Expenditures</b>                     |                             |
| Current                                     |                             |
| General government                          | 551,903                     |
| Debt Service                                |                             |
| Principal                                   | 1,432                       |
| Interest                                    | 15                          |
| <b>Total Expenditures</b>                   | <u>553,350</u>              |
| <br><b>Net Change in Fund Balance</b>       | <br>63,537                  |
| <br><b>Fund Balance - Beginning of Year</b> | <br><u>1,097</u>            |
| <br><b>Fund Balance - End of Year</b>       | <br>\$ <u><u>64,634</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, 2017**

**Net Change in Fund Balance - Governmental Fund** \$ 63,537

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

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 | (6,142) |
|----------------------|---------|

|   |          |
|---|----------|
| Changes in deferred outflows of resources-pension related,<br>deferred inflows of resources-pension related, and the<br>net pension liability | (21,189) |
|---|----------|

Some expenses reported in the Statement of Activities do not require the use of  
current financial resources and, therefore, are not reported as expenditures in  
the governmental funds:

|  |              |
|--|--------------|
| Decrease in accrued compensated absences | 7,445        |
| Principal payments on notes payable      | <u>1,432</u> |

**Change in Net Position of Statement of Activities** \$ 45,083

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 ACTUAL - (NON - GAAP BUDGETARY BASIS)  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2017**

|  | <u>Budgeted Amounts</u> |                | <u>Actual</u>                         | <u>Variances</u>                                       |
|--|-------------------------|----------------|---------------------------------------|--|
|  | <u>Original</u>         | <u>Final</u>   | <u>(Non-GAAP<br/>Budgetary Basis)</u> | <u>Favorable<br/>(Unfavorable)<br/>Final To Actual</u> |
| <b>Revenues:</b>                       |                         |                |                                       |  |
| Intergovernmental                      |                         |                |                                       |  |
| Federal operating grants               | \$ 60,000               | 60,000         | 65,000                                | 5,000  |
| State operating grants                 | 86,143                  | 86,143         | 86,143                                | -  |
| Charges for services                   | 639,187                 | 639,187        | 465,194                               | (173,993)  |
| Investment income                      | 250                     | 250            | 30                                    | (220)  |
| Miscellaneous                          | -                       | -              | 808                                   | 808  |
| <b>Total Revenue</b>                   | <u>785,580</u>          | <u>785,580</u> | <u>617,175</u>                        | <u>(168,405)</u>                                       |
| <b>Expenditures:</b>                   |                         |                |                                       |  |
| Current                                |                         |                |                                       |  |
| General Government                     | 781,853                 | 781,853        | 594,732                               | 187,121  |
| Debt Service                           |                         |                |                                       |  |
| Principal                              | 12,000                  | 12,000         | 1,432                                 | 10,568   |
| Interest                               | -                       | -              | 15                                    | (15)   |
| <b>Total expenditures</b>              | <u>793,853</u>          | <u>793,853</u> | <u>596,179</u>                        | <u>197,674</u>   |
| <i>Excess (Deficiency) of Revenues</i> |                         |                |                                       |  |
| Over (Under) Expenditures              | <u>(8,273)</u>          | <u>(8,273)</u> | <u>20,996</u>                         | <u>29,269</u>  |
| <b>Net Change in Fund Balance</b>      | <u>(8,273)</u>          | <u>(8,273)</u> | <u>20,996</u>                         | <u>29,269</u>  |
| <b>Fund Balance- Beginning of Year</b> | -                       | -              | 17,757                                | 17,757   |
| <b>Fund Balance- End of Year</b>       | <u>\$ -</u>             | <u>-</u>       | <u>38,753</u>                         | <u>47,026</u>  |
| <b>Reconcilaion to GAAP Basis:</b>     |                         |                |                                       |  |
| Excess (Deficiency) of Revenues Over   |                         |                |                                       |  |
| (Under) Expenditures                   |                         |                | \$ 20,996                             |  |
| Adjustments to revenue                 |                         |                | (288)                                 |  |
| Adjustments to expenditures            |                         |                | 42,829                                |  |
| <b>Net Change in Fund Balance</b>      |                         |                | <u>\$ 63,537</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, 2017**

**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.

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.

**STATE OF NEW MEXICO  
SOUTHEASTERN NEW MEXICO ECONOMIC DEVELOPMENT DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

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

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

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

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

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

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

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

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

**STATE OF NEW MEXICO  
SOUTHEASTERN NEW MEXICO ECONOMIC DEVELOPMENT DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***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.

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.

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**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

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.

**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.

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**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

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.

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

|                         |              |
|-------------------------|--------------|
| Furniture and Equipment | 5 to 7 years |
| Vehicles                | 5 years      |

**Accrued Expenses:** Accrued expenses are comprised of the payroll expenditures based on amounts earned by the employees through June 30, 2017, 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.

**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.

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**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

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.

**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.

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**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

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.”

**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.

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**NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY – BUDGETARY INFORMATION  
(CONTINUED)**

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, 2017 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, 2017.

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<br/>Bank</u> | <u>Bank of the<br/>Southwest</u> | <u>Total</u>    |
|------------------------------|-------------------------|----------------------------------|-----------------|
| Amount of deposits           | \$ 37,857               | 11,681                           | 49,538          |
| FDIC coverage                | <u>(37,857)</u>         | <u>(11,681)</u>                  | <u>(49,538)</u> |
| Total uninsured public funds | \$ <u><u>-</u></u>      | <u><u>-</u></u>                  | <u><u>-</u></u> |



**STATE OF NEW MEXICO  
SOUTHEASTERN NEW MEXICO ECONOMIC DEVELOPMENT DISTRICT  
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**NOTE 3. DEPOSITS AND INVESTMENTS (CONTINUED)**

*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). The District's deposits of \$49,538 were not exposed to custodial credit risk as of June 30, 2017.

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, 2017.

**NOTE 4. CAPITAL ASSETS**

Capital asset and depreciation activity as of and for the year ended June 30, 2017 were as follows:

|  | <u>Balance<br/>6/30/2016</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance<br/>6/30/2017</u> |
|--|------------------------------|------------------|------------------|------------------------------|
| <i>Capital assets being depreciated</i>          |                              |                  |                  |                              |
| Furniture and equipment                          | \$ 27,529                    | -                | -                | 27,529                       |
| Vehicles   | 75,665                       | -                | -                | 75,665                       |
| <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                          | (26,799)                     | (333)            | -                | (27,132)                     |
| Vehicles   | (68,625)                     | (5,809)          | -                | (74,434)                     |
| <i>Total accumulated depreciation</i>            | <u>(95,424)</u>              | <u>(6,142)</u>   | <u>-</u>         | <u>(101,556)</u>             |
| <i>Total capital assets, net of depreciation</i> | <u>\$ 7,770</u>              | <u>(6,142)</u>   | <u>-</u>         | <u>1,628</u>                 |

Depreciation expense in its entirety of \$6,142 was charged to the General Government function.

**NOTE 5. COMPENSATED ABSENCES**

A summary of changes in compensated absences for the year ended June 30, 2017 is as follows:

|                      | <u>Balance<br/>June 30,<br/>2016</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance<br/>June 30,<br/>2017</u> | <u>Due Within<br/>One Year</u> |
|----------------------|--------------------------------------|------------------|------------------|--------------------------------------|--------------------------------|
| Compensated absences | \$32,521                             | 16,147           | 23,592           | 25,076                               | 8,568                          |

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**NOTE 6. LONG-TERM DEBT**

**Governmental Activities:** During the year ended June 30, 2017, the following changes occurred in the liabilities reported in the government-wide Statement of Net Position:

|               | <u>Balance</u><br><u>06/30/2016</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance</u><br><u>06/30/2017</u> | <u>Due</u><br><u>Within</u><br><u>One</u><br><u>Year</u> |
|---------------|-------------------------------------|------------------|------------------|-------------------------------------|--|
| Notes payable | \$ 1,428                            | -                | (1,428)          | -                                   | -  |

On October 26, 2012, the District received a line of credit from Dell Business Credit in the amount of \$22,000 for the purchase of a computers. The line of credit has a corresponding 18.24% interest rate. The amount outstanding was \$4,471 as of the year ending June 30, 2017.

**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, 2017 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.** Public Employees Retirement 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 Officers, 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 Public Employees Retirement 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 (10-12C-1 to 10-12C-18, NMSA 1978), and the Educational Retirement Act (Chapter 22, Article 11, NMSA 1978), each employee and elected official of every affiliated public employer is required to be a member in the Public Employees Retirement Fund, unless specifically excluded.

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

**Benefits Provided.** Benefits are generally available at age 65 with five or Benefits are generally available at age 65 with five or more years of service or after 25 years of service regardless of age for TIER I members. Provisions also exist for retirement between ages 60 and 65, with varying amounts of service required. Certain police and fire members may retire at any age with 20 or more years of service for Tier I members. Generally, the amount of retirement pension is based on final average salary, which is defined under Tier I as the average of salary for the 36 consecutive months of credited service producing the largest average; credited service; and the pension factor of the applicable coverage plan. Monthly benefits vary depending upon the plan under which the member qualifies, ranging from 2% to 3.5% of the member's final average salary per year of service. The maximum benefit that can be paid to a retiree may not exceed a range of 60% to 90% of the final average salary, depending on the division. Benefits for duty and non-duty death and disability and for post-retirement survivors' annuities are also available.

**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 FY15 annual audit report.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:** At June 30, 2017, the District reported a liability of \$661,433 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2016 using generally accepted actuarial principles. Therefore, the District portion was established as of the measurement date of June 30, 2016. There were no significant events or changes in benefit provision that required an adjustment to the roll-forward liabilities as of June 30, 2016. The District name's proportion of the net pension liability was based on a projection of the District name's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2016, the District name's proportion was 0.0414 %, which was a decrease of 0.0101% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the District name recognized pension expense of \$51,085. At June 30, 2017, District name reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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

|  | <b>Deferred<br/>Outflows of<br/>Resources</b> | <b>Deferred<br/>Inflows of<br/>Resources</b> |
|--|---|--|
| Differences between expected and actual experience   | \$ 33,049                                     | (6,455)                                      |
| Changes of assumptions   | 38,785  | (110)  |
| Net difference between projected and actual earnings on pension plan investments   | 121,702                                       | -  |
| Changes in proportion and differences between Southeastern New Mexico Economic Development District contributions and proportionate share of contributions | 37,209  | (79,800)                                     |
| Southeastern New Mexico Economic Development District contributions subsequent to the measurement date   | <u>27,468</u>                                 | <u>-</u>                                     |
| Total  | \$ <u>258,213</u>                             | <u>(86,365)</u>                              |

The amount of \$27,468 reported as deferred outflows of resources related to pensions resulting from the Districts contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. 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: |    |                |
|---------------------|----|----------------|
| 2018                | \$ | 31,629         |
| 2019                |    | 31,629         |
| 2020                |    | 52,653         |
| 2021                |    | 28,469         |
| 2022                |    | <u>-</u>       |
| Total               | \$ | <u>144,380</u> |

**Actuarial assumptions.** The total pension liability in the June 30, 2016 actuarial valuation was determined using the following significant actuarial assumptions, applied to all periods included in the measurement.

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

|                            |   |
|----------------------------|---|
| Actuarial valuation date   | June 30, 2015   |
| 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  | 7.48% annual rate, net of investment expense  |
| Projected benefit payments | 100 years   |
| Payroll growth             | 2.75% annual rate   |
| Projected salary increases | 2.75% to 14.00% annual rate   |
| Includes inflation at      | 3.25% annual rate   |
|                            | RP-2000 mortality tables (combined table 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 |
| Mortality assumption       |   |
| Experience study dates     | July 1, 2008 to June 30, 2015   |

The total pension liability, net pension liability, and certain sensitivity information are based on an actuarial valuation performed as of June 30, 2015. The total pension liability was rolled-forward from the valuation date to the plan year ended June 30, 2016. These assumptions were adopted by the Board use in the June 30, 2015 actuarial valuation.

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> |
|--------------------------------|--------------------------|---|
| Global Equity                  | 43.5%                    | 7.39%   |
| Risk Reduction & Mitigation    | 21.5                     | 1.79  |
| Credit Oriented Fixed Income   | 15.0                     | 5.77  |
| Real Assets                    | 20.0                     | 7.35  |
| Total                          | <u>100.0%</u>            |   |

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

**Discount rate.** A single discount rate of 7.48% was used to measure the total pension liability as of June 30, 2016. This single discount rate was based on a long-term expected rate of return on pension plan investments of 7.48%, compounded annually, net of expense. Based on the stated assumptions and the projection of cash flows, the plan’s fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all period of projected benefit payments to determine the total pension liability.

The projections of cash flows used to determine this single discount rate assumed that plan member and employer contributions will be made at the current statutory levels.

**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 presents the District’s proportionate share of the net pension liability calculated using the discount rate of 7.48 percent, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.48 percent) or 1-percentage-point higher (8.48 percent) than the current rate.

| <b>PERA Municipal Plan 3</b>                               | <b>1% Decrease<br/>(6.48%)</b> | <b>Current Discount<br/>Rate (7.48%)</b> | <b>1% Increase<br/>(8.48%)</b> |
|--|--------------------------------|--|--------------------------------|
| District’s proportionate share<br>of net pension liability | \$ <u>986,137</u>              | <u>661,433</u>                           | <u>392,106</u>                 |

**Payables to the pension plan.** At June 30, 2017, the District had \$0 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, 2017.

**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.

**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.

**STATE OF NEW MEXICO  
SOUTHEASTERN NEW MEXICO ECONOMIC DEVELOPMENT DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 13. NEW ACCOUNTING PRONOUNCEMENTS**

The following GASB pronouncements have been issued, but are not yet effective at June 30, 2017.

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

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)

GASB Statement No. 83, Certain Asset Retirement Obligations

GASB Statement No. 84, Fiduciary Activities

GASB Statement No. 85, Omnibus

GASB Statement No. 86, Certain Debt Extinguishment Issues

GASB Statement No. 87, Leases

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, 2017**

**Public Employees Retirement Association of New Mexico  
Last Ten Fiscal Years\*  
(Dollars in Thousands)**

|  | <b>2015</b> | <b>2016</b> | <b>2017</b> |
|--|-------------|-------------|-------------|
| Statutory required contributions                                     | \$ 33       | 41          | 27          |
| Contributions in Relation to the Contractually Required Contribution | 33          | 41          | 27          |
| Annual contribution deficiency (excess)                              | \$ -        | -           | -           |

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\**Governmental Accounting Standards Board Statement No. 68* requires ten years of historical information be presented; however, until a full 10-year trend is compiled, the statement only requires presentation of information for those years that information is available. Complete information for The District is not available prior to fiscal year 2015, the year the statement's requirements became effective.

**STATE OF NEW MEXICO  
SOUTHEASTERN NEW MEXICO ECONOMIC DEVELOPMENT DISTRICT  
SCHEDULE OF CONTRIBUTIONS  
JUNE 30, 2017**

**Public Employees Retirement Association of New Mexico  
For Last 10 Fiscal Years\*  
(Dollars in Thousands)**

|   | Fiscal Year<br>Measurement Date | 30-Jun       |              |              |
|---|---------------------------------|--------------|--------------|--------------|
|   |                                 | 2017<br>2016 | 2016<br>2015 | 2015<br>2014 |
| District's Proportion of the Net Pension Liability (Asset)  |                                 | 0.041%       | 0.052%       | 0.011%       |
| District's Proportionate Share of Net Pension Liability (Asset)   | \$                              | 661          | 525          | 351          |
| District's Covered-Employee Payroll   | \$                              | 298          | 358          | 430          |
| District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Its Covered-Employee Payroll |                                 | 221.81%      | 146.76%      | 81.71%       |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability  |                                 | 68.18%       | 76.99%       | 81.29%       |

\*Governmental Accounting Standards Board Statement No. 68 requires ten years of historical information be presented; however, until a full 10-year trend is compiled, the statement only requires presentation of information for those years that information is available. Complete information for The District is not available prior to fiscal year 2015, the year the statement's requirements became effective.

**SUPPLEMENTARY INFORMATION**

**STATE OF NEW MEXICO  
SOUTHEASTERN NEW MEXICO ECONOMIC DEVELOPMENT DISTRICT  
SCHEDULE OF DEPOSIT AND INVESTMENT ACCOUNTS  
FOR THE YEAR ENDED JUNE 30, 2017**

| <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 | \$ 18,555           | -                            | 18,555               |
| Local account   | Checking- noninterest bearing | 19,302              | -                            | 19,302               |
| Money market  | Money market                  | -                   | 6,070                        | 6,070                |
| Auto fund   | Savings                       | -                   | 5,611                        | 5,611                |
| Total amount of deposits in bank  |                               | <u>37,857</u>       | <u>11,681</u>                | <u>49,538</u>        |
| Less: FDIC coverage   |                               | <u>(37,857)</u>     | <u>(11,681)</u>              | <u>(49,538)</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  |                               | \$ 37,857           | 11,681                       | 49,538               |
| Outstanding items   |                               | (14,668)            | -                            | (14,668)             |
| Deposits in transit   |                               | <u>55</u>           | <u>-</u>                     | <u>55</u>            |
| Book balance  |                               | <u>\$ 23,244</u>    | <u>11,681</u>                | <u>34,925</u>        |
| Add: Petty cash   |                               |                     |                              | <u>100</u>           |
| Total deposits and investments at June 30, 2017 per Statement of Net Position |                               |                     | \$                           | <u><u>35,025</u></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. Wayne Johnson  
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, 2017, 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 1, 2017.

**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. 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.



Albuquerque, New Mexico  
December 1, 2017

**STATE OF NEW MEXICO  
SOUTHEASTERN NEW MEXICO ECONOMIC DEVELOPMENT DISTRICT  
SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2017**

**FINANCIAL STATEMENT FINDINGS**

No matters were reported.

**PRIOR YEAR FINDINGS**

No prior year findings.



**STATE OF NEW MEXICO  
SOUTHEASTERN NEW MEXICO ECONOMIC DEVELOPMENT DISTRICT  
EXIT CONFERENCE  
JUNE 30, 2017**

**Exit Conference**

The contents of this report were discussed on November 28, 2017. The following individuals were in attendance:

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

|                 |                    |
|-----------------|--------------------|
| Steve Henderson | Treasurer          |
| Dora Batista    | Executive Director |
| Pansy Moffitt   | Finance Director   |

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

|              |            |
|--------------|------------|
| Bryan Runyan | Supervisor |
|--------------|------------|

**Auditor Prepared Financial Statements**

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