

**State of New Mexico  
New Mexico Border Authority  
Audited Financial Statements  
June 30, 2007**

**Dan Austin CPA, PC  
700 Mechem Drive Ste. 15  
Ruidoso, NM 88345**

417



## **OFFICE OF THE STATE AUDITOR**

**Hector H. Balderas**

December 30, 2008

SAO Ref. No. 417

Jaime C. Campos, Executive Director  
NM Border Authority  
P.O. Drawer 1379  
Santa Teresa, NM 88008-1379

**SUBJECT:** Audit Report—NM Border Authority—2006-2007 Fiscal Year—Prepared by Dan Austin, CPA, PC

Your agency audit report was received by the Office of the State Auditor (Office) on August 22, 2008. The State Auditor examination of the audit report required by Section 12-6-14 (D), NMSA 1978, has been completed. This letter is the authorization to make the final payment to the independent public accountant (IPA) who contracted to perform the agency's financial and compliance audit. In accordance with the Section 2 (B) of the audit contract, the IPA will deliver the specified number of copies of the audit to the agency.

Per Section 12-6-5 (A), NMSA 1978, **the audit report does not become public record until ten days after the date of this letter.** Once the ten day waiting period has passed the audit report shall be:

- released by the Office of the State Auditor to the Legislative Finance Committee, the Department of Finance and Administration, and the State Treasurer; and
- presented by the agency to a quorum of the agency's governing authority at a public meeting, for approval, per Section 2.2.2.10.J.(3)(d) of 2.2.2 NMAC *Requirements for Contracting and Conducting Audits of Agencies.*

The independent public accountant's findings and comments are included in the audit report on pages 30 - 32. **It is ultimately the responsibility of the governing authority of the agency to take corrective action on all findings and comments.**

A handwritten signature in black ink, appearing to read "Hector H. Balderas".

HECTOR H. BALDERAS  
STATE AUDITOR

cc: Legislative Finance Committee  
Department of Finance and Administration  
Financial Control Division & Budget Division  
Office of the State Treasurer  
Dan Austin, CPA, PC

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**Introductory Section**

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**State of New Mexico  
New Mexico Border Authority  
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**State of New Mexico  
New Mexico Border Authority  
Official Roster  
June 30, 2007**

<b><u>BOARD OF DIRECTORS</u></b>	<b><u>TITLE</u></b>
Fred Mondragon	Chairman
Bob McNiel	Vice Chairman
Edgar Lopez	Secretary
Martha Skinner	Director
Harold Kuenstler	Director
Kris Massey	Director
Elmer Garcia	Director
Lt. Gov. Diane Denish	Ex-Officio Member
<b><u>MANAGEMENT</u></b>	<b><u>TITLE</u></b>
Jaime C. Campos	Executive Director
Emma Johnson-Ortiz	Deputy Director
James D. Creek	Project Manager
Sandra Franco	Administrator
Marco Herrera	Logistics Manager

**Financial Section**

**DAN AUSTIN CPA, PC  
700 MECHEM DRIVE STE 15  
RUIDOSO, NEW MEXICO 88345**

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**Independent Auditor's Report**

Hector Balderas, State Auditor, and  
Board of Directors of the New Mexico Border Authority,  
The Citizens of the State of New Mexico

I have audited the accompanying financial statements of the governmental activities and each major fund of the New Mexico Border Authority, as of and for the year ended June 30, 2007, which collectively comprise the New Mexico Border Authority's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the New Mexico Border Authority's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and with standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

As discussed in Note 2, the financial statements of the New Mexico Border Authority are intended to present the financial position and the changes in financial position of only that portion of the governmental activities and each major fund of the State of New Mexico that is attributable to the transactions of the New Mexico Border Authority. They do not purport to, and do not present fairly the financial position of the State of New Mexico as of June 30, 2007, the changes in financial position, or, where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The State of New Mexico implemented a new accounting system for all state agencies (SHARE) during the fiscal year 2007. As a result of this implementation, The New Mexico Border Authority could not provide accurate cash reconcilements between the SHARE accounting system and the New Mexico State Treasurer. If this information had been provided to the auditor, different financial results might have resulted.

In my opinion, except for the effects of not reconciling cash of the Authority using the State of New Mexico SHARE accounting system to the records of the New Mexico State Treasurer, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the New Mexico Border Authority, as of June 30, 2007, and the respective changes in the financial position and the respective budgetary comparisons there of for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The New Mexico Border Authority has not presented the Management's Discussion and Analysis that the Governmental Accounting Standards Board (GASB) has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

In accordance with *Government Auditing Standards*, I have also issued a report dated July 14, 2008 on my consideration of the New Mexico Border Authority's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of my audit.



July 14, 2008

**Basic Financial Statements**



**State of New Mexico**  
**New Mexico Border Authority**  
**Statement of Net Assets**  
**June 30, 2007**

	<u>Governmental Activities</u>
<b>Assets</b>	
Current assets:	
Cash on deposit (Note 3)	\$ <u>339,587</u>
Total Current Assets	<u>339,587</u>
Noncurrent assets:	
Capital assets, net of depreciation ( Note 4)	<u>-</u>
Total Assets	<u>339,587</u>
<b>Liabilities</b>	
Current liabilities	
Accounts payable and other current liabilities	32,069
Compensated absences payable (Note 5)	18,484
Accrued payroll	<u>14,687</u>
Total Current Liabilities	<u>65,240</u>
Total Liabilities	<u>65,240</u>
<b>Net Assets</b>	
Unrestricted net assets	<u>274,347</u>
Total unrestricted net assets	<u>\$ 274,347</u>

**The accompanying notes are an integral part of the financial statements.**

**State of New Mexico**  
**New Mexico Border Authority**  
**Statement of Activities**  
**Year Ended June 30, 2007**

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government Governmental Activities	Total
<b>Primary Government:</b>					
<b>Governmental activities:</b>					
General government	\$ 447,955	\$ 24,440	\$ -	\$ (423,515)	\$ (423,515)
Health and Welfare	225,991	-	246,771	20,780	20,780
<b>Total governmental activities</b>	<u>673,946</u>	<u>24,440</u>	<u>246,771</u>	<u>(402,735)</u>	<u>(402,735)</u>
<b>Total primary government</b>	<u>\$ 673,946</u>	<u>\$ 24,440</u>	<u>\$ 246,771</u>	<u>\$ (402,735)</u>	<u>\$ (402,735)</u>
General Revenues:					
General Fund Appropriation				\$ 632,100	\$ 632,100
Total general revenues				<u>632,100</u>	<u>632,100</u>
Changes in Net Assets				229,365	229,365
Net assets, beginning				<u>44,982</u>	<u>44,982</u>
Net assets, ending				<u>\$ 274,347</u>	<u>\$ 274,347</u>

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

**State of New Mexico**  
**New Mexico Border Authority**  
**Balance Sheet - Governmental Funds**  
**June 30, 2007**

	Other Major Governmental Funds				Total Governmental Funds
	General Fund	Hazmat Grant Fund	Capital Outlay Fund	Border Dev Grant Fund	
<b>Assets</b>					
Current assets:					
Cash on Deposit (Note 3)	\$ 84,787	\$ 22,474	\$ 184,000	\$ 48,326	\$ 339,587
Due from other funds	1,008	-	-	-	1,008
<b>Total Assets</b>	<b>\$ 85,795</b>	<b>\$ 22,474</b>	<b>\$ 184,000</b>	<b>\$ 48,326</b>	<b>\$ 340,595</b>
<b>Liabilities</b>					
Liabilities					
Accounts payable and other current liabilities	\$ 26,093	\$ 5,976	\$ -	\$ -	\$ 32,069
Due to other funds	-	-	-	1,008	1,008
Accrued payroll	7,104	7,583	-	-	14,687
<b>Total Liabilities</b>	<b>33,197</b>	<b>13,559</b>	<b>-</b>	<b>1,008</b>	<b>47,764</b>
<b>Fund Balance</b>					
Fund Balance (Note 8)					
Unreserved/undesignated	52,598	8,915	184,000	47,318	292,831
<b>Total fund balance</b>	<b>52,598</b>	<b>8,915</b>	<b>184,000</b>	<b>47,318</b>	<b>292,831</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 85,795</b>	<b>\$ 22,474</b>	<b>\$ 184,000</b>	<b>\$ 48,326</b>	<b>\$ 340,595</b>

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

**State of New Mexico**  
**New Mexico Border Authority**  
**Reconciliation of the Balance Sheet - Governmental Funds**  
**to the Government - Wide Statement of Net Assets**  
**June 30, 2007**

Total Fund balance-Governmental Funds	\$	292,831
<p>Amounts reported for governmental activities in the Statement  Net Assets are different because:</p>		
Accrual for Compensated Absences		(18,484)
<p>Capital assets used in governmental activities are not current  financial resources and, therefore, are not reported in the  Governmental Funds Balance Sheet</p>		
<p>These assets consist of:</p>		
Furniture, fixtures and equipment	\$	17,350
accumulated depreciation		<u>(17,350)</u>
Total Ending Net Assets	\$	<u>274,347</u>

**The accompanying notes are an integral part of the financial statements.**

**State of New Mexico**  
**New Mexico Border Authority**  
**Statement of Revenues, Expenditures and Changes in**  
**Fund Balances - Governmental Funds**  
**Year Ended June 30, 2007**

	Other Major Government Funds				Total
	General Fund	Hazmat Grant Fund	Capital Outlay Fund	Border Dev Grant Fund	
<b>Revenues:</b>					
Federal funds		\$ 54,700	\$ -	\$ -	\$ 54,700
General fund appropriation	458,100	-	-	-	458,100
Other state sources	-	-	-	-	-
Other sources	8,416	-	174,000	192,071	374,487
<b>Total revenues</b>	<b>466,516</b>	<b>54,700</b>	<b>174,000</b>	<b>192,071</b>	<b>887,287</b>
<b>Expenditures:</b>					
<b>Current:</b>					
Personnel Services	336,014	-	-	153,154	489,168
Operating costs	60,426	70,411	-	2,425	133,262
Contractual Services	36,720	-	-	-	36,720
<b>Total expenditures</b>	<b>433,160</b>	<b>70,411</b>	<b>-</b>	<b>155,579</b>	<b>659,150</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>33,356</b>	<b>(15,711)</b>	<b>174,000</b>	<b>36,492</b>	<b>228,137</b>
<b>Fund balance, beginning</b>	<b>19,242</b>	<b>24,626</b>	<b>10,000</b>	<b>10,826</b>	<b>64,694</b>
<b>Fund balance, end of year</b>	<b>\$ 52,598</b>	<b>\$ 8,915</b>	<b>\$ 184,000</b>	<b>\$ 47,318</b>	<b>\$ 292,831</b>

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

**State of New Mexico  
New Mexico Border Authority  
Reconciliation of the Statement of Revenues, Expenditures  
and Changes in Fund Balances - Governmental Funds  
to the Government-Wide Statement of Activities  
Year ended June 30, 2007**

Net Change in fund balance-Governmental Funds	\$ 228,137
Amounts reported for governmental activities in the Statement of Activities are different because:	
Current year accrual for Compensated Absences	<u>1,228</u>
Change in net assets of governmental activities	<u>\$ 229,365</u>

**The accompanying notes are an integral part of the financial statements.**

**State of New Mexico**  
**New Mexico Border Authority**  
**Statement of Revenues, Expenditures and Changes in Fund Balances -**  
**Budget (modified accrual budgetary basis) and Actual - General Fund**  
**Year Ended June 30, 2007**

	General Fund (Fund 480)			Variance with Final Budget Positive (Negative)
	Original Approved Budget	Final Approved Budget	Actual Budgetary Basis	
Revenues:				
Intergovernmental revenue:				
General fund appropriation	\$ 422,600	\$ 458,100	\$ 458,100	\$ -
Other sources	4,700	4,700	24,440	19,740
Total Revenues	<u>427,300</u>	<u>462,800</u>	<u>482,540</u>	<u>19,740</u>
Expenditures:				
General government				
Personnel services	344,100	356,200	336,014	20,186
Contractual services	22,800	42,401	23,906	18,495
Operating costs	60,400	91,000	89,264	1,736
Total expenditures	<u>427,300</u>	<u>489,601</u>	<u>449,184</u>	<u>40,417</u>
Excess (deficiency) of revenue and other sources over expenditures and other uses	<u>\$ -</u>	<u>\$ (26,801)</u>	\$ 33,356	<u>\$ 60,157</u>
Fund balance - beginning			19,242	
Adjustments to conform with GAAP:				
(Increase) decrease in accounts payable			-	
Fund Balance June 30 (GAAP Basis)			<u>\$ 52,598</u>	

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

**State of New Mexico**  
**New Mexico Border Authority**  
**Statement of Revenues, Expenditures and Changes in Fund Balances -**  
**Budget (modified accrual budgetary basis) and Actual - Hazmat Grant**  
**Year Ended June 30, 2007**

	<u>Other Government Fund-Hazmat Grant (Fund 029)</u>			
	<u>Original Approved Budget</u>	<u>Final Approved Budget</u>	<u>Actual Budgetary Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues:</b>				
Intergovernmental revenue:				
Federal funds	\$ 530,000	\$ 530,000	\$ 54,700	\$ (475,300)
Other state sources	-	-	-	-
<b>Total Revenues</b>	<u>530,000</u>	<u>530,000</u>	<u>54,700</u>	<u>(475,300)</u>
<b>Expenditures:</b>				
General government				
Personnel services	35,800	35,800	-	35,800
Contractual services	-	-	-	-
Operating costs	476,600	476,600	70,411	406,189
<b>Total expenditures</b>	<u>512,400</u>	<u>512,400</u>	<u>70,411</u>	<u>441,989</u>
<b>Excess (deficiency) of revenue and other sources over expenditures and other uses</b>	<u>\$ 17,600</u>	<u>\$ 17,600</u>	\$ (15,711)	<u>\$ (33,311)</u>
<b>Fund balance - beginning</b>			24,626	
<b>Adjustments to conform with GAAP:</b>				
Increase (decrease) in receivables			-	
(Increase) decrease in accounts payable			-	
<b>Fund Balance June 30 (GAAP Basis)</b>			<u>\$ 8,915</u>	

**The accompanying notes are an integral part of the financial statements.**



**State of New Mexico**  
**New Mexico Border Authority**  
**Statement of Revenues, Expenditures and Changes in Fund Balances -**  
**Budget (modified accrual budgetary basis) and Actual - Capital Outlay Fund**  
**Year Ended June 30, 2007**

	<u>Other Government Fund-Special Revenue Capital Outlay (Fund 036)</u>			
	<u>Original Approved Budget</u>	<u>Final Approved Budget</u>	<u>Actual Budgetary Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Intergovernmental revenue:				
Local governments	\$ -	\$ -	\$ -	\$ -
Other state sources	-	174,000	174,000	-
Total Revenues	<u>-</u>	<u>174,000</u>	<u>174,000</u>	<u>-</u>
Expenditures:				
General government				
Personnel services	-	-	-	-
Contractual services	-	-	-	-
Capital Outlay	10,000	174,000	-	174,000
Total expenditures	<u>10,000</u>	<u>174,000</u>	<u>-</u>	<u>174,000</u>
Excess (deficiency) of revenue and other sources over expenditures and other uses	<u>\$ (10,000)</u>	<u>\$ -</u>	<u>\$ 174,000</u>	<u>\$ 174,000</u>
Fund balance - beginning			10,000	
<b>Adjustments to conform with GAAP:</b>				
Increase (decrease) in receivables			-	
(Increase) decrease in accounts payable			-	
<b>Fund Balance June 30 (GAAP Basis)</b>			<u>\$ 184,000</u>	

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

**State of New Mexico**  
**New Mexico Border Authority**  
**Statement of Revenues, Expenditures and Changes in Fund Balances -**  
**Budget (modified accrual budgetary basis) and Actual - Border Development Grant**  
**Year Ended June 30, 2007**

	<u>Other Government Fund-Border Development Grant (Fund 056)</u>			
	<u>Original Approved Budget</u>	<u>Final Approved Budget</u>	<u>Actual Budgetary Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues:</b>				
Intergovernmental revenue:				
Local governments	\$ 77,000	\$ 152,276	\$ 192,071	\$ 39,795
Other state sources	-	-	-	-
<b>Total Revenues</b>	<u>77,000</u>	<u>152,276</u>	<u>192,071</u>	<u>39,795</u>
<b>Expenditures:</b>				
General government				
Contractual services	57,000	132,276	153,154	(20,878)
Other operating expense	20,000	20,000	2,425	17,575
Capital Outlay	-	-	-	-
<b>Total expenditures</b>	<u>77,000</u>	<u>152,276</u>	<u>155,579</u>	<u>(3,303)</u>
<b>Excess (deficiency) of revenue and other sources over expenditures and other uses</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 36,492</u>	<u>\$ 36,492</u>
<b>Fund balance - beginning</b>			10,826	
<b>Adjustments to conform with GAAP:</b>				
Increase (decrease) in receivables			-	
(Increase) decrease in accounts payable			-	
<b>Fund Balance June 30 (GAAP Basis)</b>			<u>\$ 47,318</u>	

**State of New Mexico**  
**New Mexico Border Authority**  
**Notes to the Financial Statements**  
**June 30, 2007**

**1. Summary of Significant Accounting Policies**

The financial statements of the New Mexico Border Authority (the Authority) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the New Mexico Border Authority's accounting policies are described below.

The New Mexico Border Authority is an autonomous executive branch state agency which was created by the New Mexico Legislature in 1991 for the purpose of:

- A. Encouraging and fostering development of the state, its cities, and counties, by development to attract new industries and businesses, thereby creating new job opportunities in the state while resolving transportation and logistical problems that may arise as ports of entry develop.
- B. Actively promoting and assisting public and private sectors' infrastructure development to attract new industries and businesses, thereby creating new job opportunities in the state while resolving transportation and logistical problems that may arise as ports of entry develop.
- C. Designing, financing, equipping, and operating port facilities necessary to ensure the timely, planned and efficient development of the border area between New Mexico and the Mexican state of Chihuahua.

**Prohibitions**

The Authority is expressly prohibited from operating any project as a business or in any manner except as a lessor, and from expending funds or incurring indebtedness for improvements, repairs, maintenance, or additions to any real or personal property owned by those other than the Authority.

**Financing Powers**

The New Mexico Border Authority has been granted two methods for financing its projects, subject to the approval of the State Board of Finance; borrowing and issuing revenue bonds. The Authority has been granted specific powers and authorities respective to each instrument and is restricted in those powers for each instrument.

**Administrative Attachment**

The Border Development Act was amended effective July 1, 1996, to change the number of Directors to seven and provide that the Cabinet Secretary of Economic development be Chairman of the Board of Directors for the New Mexico Border Authority. The amended legislation provided that the New Mexico Border Authority be administratively attached to the Economic Development Department. Through this administrative attachment the Economic Development Department provides human resource services, accounting functions, and information systems support. The New Mexico Border Authority does not have component units.

**2. Summary of Significant Accounting Policies**

The financial statements of the New Mexico Border Authority have been prepared in conformity with accounting principles generally accepted (US GAAP) in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The

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GASB periodically updated its codification of the existing Governmental Accounting and Financial Reporting Standards, which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes US GAAP for governmental units and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principal Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The more significant of the New Mexico Border Authority's accounting policies are described below.

**A. Financial Reporting Entity**

The New Mexico Border Authority is a component unit of the Executive Branch of the State of New Mexico and is legally separate and fiscally independent of other State agencies, has decision-making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters. The New Mexico Border Authority is not included in any other governmental "reporting entity" as defined in Section 2100, "Codification of Governmental Accounting and Financial Reporting Standards". Included within the reporting entity is the New Mexico Border Authority as described above. Other Executive Branch entities of government are excluded because they are established separately by statutes.

**B. Government-wide and Fund Financial Statements**

The basic financial statements include both government-wide (based on the New Mexico Border Authority as a whole) and fund statements. The reporting model focus is on either the New Mexico Border Authority as whole or major individual funds (within the fund financial statements). Both the government-wide and the fund financial statements (within the basic financial statements) categorize primary activities as either governmental or business type activities. The New Mexico Border Authority has only governmental type activities. In the government-wide Statement of Net Assets, the governmental column reflects a full accrual, economic resources basis, which incorporates long-term assets as well as long-term debt and obligations.

The government-wide Statement of Activities reflects both the gross and net cost per functional category, which is otherwise being supported by general governmental revenues. The Statement of Activities reduced gross expenses (including depreciation) by the related program revenues, operating and capital gains. Program revenues included in the Statement of Activities include revenues from two program specific grants. The Authority does not allocate indirect expenses to these grants. The Authority only charges direct expenses to these grants.

The program revenues must be directly associated with the function. The New Mexico Border Authority included only one function (general government).

General revenues (General Fund appropriation, transfers-in from other State agencies, Federal aid, etc. normally cover the net cost (by function). Historically, the previous model did not summarize or present net cost by function or activity.

This government-wide focus is more on the sustainability of the New Mexico Border Authority as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The fund financial statements are similar to the financial statements presented in the previous accounting model.

**State of New Mexico  
New Mexico Border Authority  
Notes to the Financial Statements  
June 30, 2007**

The governmental fund statements are presented on a current financial resource and modified accrual basis of accounting. This presentation is deemed appropriate to demonstrate legal compliance, demonstrate the source and use of liquid resources, and demonstrate how the New Mexico Border Authority's actual experience conforms to the budget or fiscal plan. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental column, a reconciliation is presented on the page following each statement, which briefly explains the adjustment necessary to transform the fund based financial statements into the governmental column on the government-wide presentation.

**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 the liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The use of financial resources to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as expenditures. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements rather than as a funding source. Amounts paid to reduce long-term debt of the Authority are reported as a reduction of the liability, rather than as an expenditure in the government-wide financial statements.

Government 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. For this purpose, the Authority considers all revenues to be available if they are collected within 60 days of the end of the current fiscal year. 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.

Unreimbursed state and federal grants associated with current fiscal period are all considered to susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenues are considered to be measurable and available only when cash is received by the Authority.

The Authority reports all funds to be major governmental funds. The following funds are reported in the financial statements.

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except for those to be accounted for in another fund.

The Hazmat Grant - The fund is used to account for the activities of a federal grant form the Federal Highway Administration (FHWA) and passed through the New Mexico Department of Transportation Department. The funds are appropriated under Section 330 of the FY 2002 DOT Appropriations Act (Public Law 107-87). The Authority agreed to administer the grant for the County of Dona Anna. All Capital Outlay items purchased under this grant are transferred to the County of Dona Ana for further administration per a Memorandum of Agreement dated February 6, 2003.

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The Capital Outlay Fund - The fund is used to account for the activities relating to the appropriation by the State of New Mexico from the sale of severance tax bonds pursuant to Chapter 429, Laws 2003, Chapter 110 Laws 2003, Chapter 338 Laws 2001, Chapter 23 Laws 2000 Special Session, Chapter 18 Laws 2000 Special Session, and Chapter 2 Laws 1999 Special Session collectively.

The Border Development Grant – The fund is used to account for the activities of a grant awarded to the County of Hidalgo pursuant to New Mexico Laws of 2004 Chapter 126 resulting in a joint powers between the County of Hidalgo and the New Mexico Border Authority to administer the grant.

As a general rule, interfund transfers are eliminated in the form the government-wide financial statements except for receivables between government and business-type funds. The Authority eliminated all interfund transactions for the current fiscal year.

#### **D. Stewardship, Compliance, and Accountability**

##### **Budgetary Information**

The New Mexico State Legislature makes appropriations to the New Mexico Border Authority. Legal compliance is monitored through the establishment of a budget (modified cash basis) and a financial control system, which permits a budget to actual comparison. Expenditures may not legally exceed appropriations for each budget at the appropriation unit level.

Budgeted appropriation unit amounts may be amended upon approval from the Budget Division of the State of New Mexico Department of Finance and Administration within the limitations as specified in the General Appropriation Act. The budget amounts shown in the financial statements are both the original appropriation and the final authorized amounts as legally revised during the year.

The New Mexico Border Authority follows these procedures in establishing the budgetary data reflected in the financial statements:

1. By September 1<sup>st</sup>, the New Mexico Border Authority prepares a budget request by appropriation unit to be presented to the next Legislature.
2. The appropriation request is submitted to the Department of Finance and the Administration's Budget Division (DFA) and to the Legislative Finance Committee (LFC).
3. DFA makes recommendations and adjustments to the appropriation request which become the Governor's proposal to the Legislature.
4. LFC holds hearings on the appropriation request, also submitting recommendations and adjustments before presentation to the Legislature.
5. Both the DFA and LFC recommended appropriation proposals are presented to the Legislature for approval of the final budget plan.
6. Budgetary control is exercised at the appropriation unit level of the New Mexico Border Authority as a whole and changes are approved by the DFA.

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7. The New Mexico Border Authority's budget for the fiscal year ending June 30, 2007 was amended in a legally permissible manner by increasing or reallocating appropriation unit totals as the need arose during the year. Individual amendments were not material in relation to the original budget.
8. Single year appropriations lapse at the end of the year except for goods and services received by the last day of the fiscal year which are reclassified as accounts payable.
9. Budgets for the Government Funds are presented on a modified accrual basis. Current year encumbrances are included as expenditures and payment of prior-year encumbrances are excluded from current-year budgeted expenditures. Budget expenditures record changes prepaid expenses, accounts payable and accrued payroll. Budgetary comparisons presented for the Government Funds in this report are on the modified accrual basis, which conforms to accounting principles generally accepted in the United States of America as encumbrances are treated as accounts payable and expenditures. This procedure conforms to the Department of Finance and Administration and State requirements.

The Schedule of Revenues and Expenditures – Modified Accrual Basis and Actual does not include funds with multiple-year budgets. If they were included, the schedule would be misleading. The adjustments to the actual (US GAAP) basis to arrive at the budgetary basis are presented in Note 10.

**E. Encumbrances**

Encumbrances outstanding at year-end do not represent US GAAP expenditures unless they are reclassified as accounts payable. All governmental fund budgets are maintained on the modified accrual basis of accounting.

**F. Cash and Cash Equivalents**

The New Mexico Border Authority has defined cash and cash equivalents to include cash on deposit with the State Treasurer.

**G. Receivables**

Receivables consist of amounts due from other state or federal governments. No allowance for doubtful accounts is established since all amounts are collected in the subsequent fiscal year.

**H. Capital Assets**

Capital assets are tangible assets that are used in operations and that have initial useful lives that extend beyond a single reporting period. Capital assets are reported in the Statement of Net Assets at historical cost or estimated fair value, if donated. Capital assets are depreciated using the straight-line method over their estimated useful lives. Items with a cost of less than \$5,000 are expensed in the year of acquisition. Repairs and maintenance expenses are charged to operations when incurred and major betterments and replacements are capitalized. The major classifications of capital assets and their related depreciable lives are as follows:

Machinery and equipment	4 years
Data Processing equipment	4 years
Furniture and fixtures	4 years

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The New Mexico Border Authority per the General Services Department of the State of New Mexico includes software in the capital assets.

The Authority does not develop, capitalize or depreciate internally developed software.

**I. Accrued Compensated Absences**

Employees are entitled to accumulate annual leave at a rate based on appointment date and length of continuous service. A maximum of 240 hours of annual leave may be carried forward after the pay period beginning in December and ending in January. When employees terminate, they are compensated at their current hourly rate for accumulated unpaid annual leave as of the date of termination, up to a maximum of 240 hours.

Employees are entitled to accumulate sick leave at a rate of 3.69 hours per pay period. There is no limit to the amount of sick leave which an employee may accumulate. State agencies are allowed to pay fifty percent of each employee's hourly rate for accumulated sick leave over 600 hours up to 120 hours. Payment may be only once per fiscal year at a specified pay period in either January or July. In accordance with GASB No. 16, accrued compensated absences consist of accumulated annual leave and related salary payments.

**J. Reversions**

Chapter 76 Laws of 2003 states that unexpended or unencumbered balances of the State General Fund appropriation are generally reverted to the State General Fund unless strictly excluded by state law. Per NMSA 58-27-25 the funding from the General Fund appropriations of the Authority are non-reverting.

**K. Restricted and Unrestricted Net Assets**

It is the policy of the New Mexico Border Authority to first apply unrestricted resources when and expenditure is incurred by a fund for purposes of which both restricted and unrestricted net assets of the fund are available.

**3. Cash on Deposit**

Cash accounts of the New Mexico Border Authority at June 30, 2007:

Account Name	STO SHARE #	Fund Type	Per Depository	Outstanding Warrants	Other	Financial Statements
<b>Operational Cash:</b>						
State Treasurer:						
Operating	417-48000	General	\$ 84,787	\$ -	\$ -	\$ 84,787
Hazmat Grant	417-02900	Special Rev.	22,474	-	-	22,474
Capital Outlay Grant	417-03600	Special Rev.	184,000	-	-	184,000
Border Dev. Grant	417-05600	Special Rev.	48,326	-	-	48,326
Total Operational Cash			<u>339,587</u>	<u>-</u>	<u>-</u>	<u>339,587</u>

All cash is on deposit with the State Treasurer. In general, state statutes require that all deposits held by the State Treasurer be collateralized at the minimum level of 50 percent. Collateral pledged to secure these deposits is monitored by the State Treasurer's Office (STO) and the STO issues separate financial statements which disclose the collateral pledged to these deposits.



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*Custodial Credit Risk:* Custodial credit risk is the risk that in the event of a circumstance such as a bank failure, the Authority bank deposits may not be returned to it. The Authority does not have a deposit policy for custodial credit risk. As of June 30, 2007, the Authority's total deposits of \$111,424 were deposited with the New Mexico State Treasurer and the Authority is exposed to no custodial credit risk.

**4. Changes in Capital Assets**

A summary of changes in capital assets is as follows:

	Balance 7/1/2006	Additions	Deletions	Balance 6/30/2007
Furniture, Fixtures & Equipment	\$ 17,350	\$ -	\$ -	\$ 17,350
Accumulated Depreciation	(17,350)	-	-	(17,350)
Total Capital Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

There was no depreciation expense for the current year.

**5. Compensated Absences**

A summary of the changes in compensated absences is as follows:

	Balance 7/1/2007	C/Y Additions	C/Y Deletions	Balance 6/30/2007	Due In One Year
Compensated Absence Payable	<u>\$ 19,712</u>	<u>\$ 61,389</u>	<u>\$ (62,617)</u>	<u>\$ 18,484</u>	<u>\$ 13,175</u>

Funds from general operations have been used to liquidate the liability associated with compensated absences. New Mexico State Agencies do not budget in the current year, funds to pay for any portion of the compensated absence liability at the end of the fiscal year.

**6. Fund Balance**

Reservation of fund balance of governmental funds are created to either satisfy legal covenants that require that a portion of the fund balance be segregated or identify the portions of the fund balance that is not appropriate for future expenditures.

Specific reservations of the fund balance account are summarized below:

Reserved for encumbrances – This reserve represents encumbrances outstanding at year-end based on purchase orders and contracts signed by the New Mexico Border Authority but not completed as of the close of the fiscal year. The Authority converted to a modified accrual basis for the year ended June 30, 2007. All encumbrances lapse at the end of the year. Following is a reconciliation of the encumbrances as shown in the financial statements:

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	Current Year Encumbrances Per DFA	Prior Year Encumbrances Per DFA	Encumbrances Reclassified Accounts Payable	Total Valid Encumbrances
<b>General Fund (Fund 480):</b>				
Operating costs	\$ 26,093	\$ -	\$ 26,093	\$ -
Other	-	-	-	-
<b>Total expenditures</b>	<b>\$ 26,093</b>	<b>\$ -</b>	<b>\$ 26,093</b>	<b>\$ -</b>
<b>Hazmat Grant Fund (Fund 029):</b>				
Operating costs	\$ 5,976	\$ -	\$ 5,976	\$ -
Other	-	-	-	-
<b>Total expenditures</b>	<b>\$ 5,976</b>	<b>\$ -</b>	<b>\$ 5,976</b>	<b>\$ -</b>

**7. PERA Pension Plan**

*Plan Description.* Substantially all of the New Mexico Border Authority's full time employees participate in a public employees retirement system authorized under the Public Employees Retirement Act (Chapter 10, Article 11 NMSA 1978). The Public Employees Retirement Association (PERA) is the administrator of the plan, which is a cost sharing multiple-employer defined benefit retirement plan. The plan provides for retirement, disability benefits, survivor benefits and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to PERA, PO Box 2123, Santa Fe, NM 87504-2123.

*Funding Policy.* Plan members are required to contribute 7.42% of their gross salary. New Mexico Border Authority is required to contribute 16.59% of the gross covered salary. The contribution requirements of plan members and the New Mexico Border Authority are established under Chapter 10, Article 11 NMSA 1978. The Requirements may be amended by acts of the Legislature. The New

Mexico Border Authority's contributions to PERA for the year ended June 30, 2007, 2006, and 2005 were \$45,104, \$37,584, and \$39,059, equal to the amount of the required contributions for the year.

**8. Post-Employment Benefits**

The Retiree Health Care Act (10-7C-1 to 10-7C-16, NMSA 1978) provides comprehensive care group health insurance for persons who have retired from certain public service in New Mexico as authorized under Section 9D of Chapter 6, Laws of 1990. The Retiree Health Authority is the administrator of the plan. The purpose is to provide eligible retirees, their spouses, dependents and surviving spouses and dependents with health insurance consisting of a plan, or optional plans, of benefits that can be purchased by funds flowing into the Retiree Health Care Fund and by co-payments or out of pocket payments of eligible retirees. Monies flow to the Retiree Health Care Fund on a pay-as-you-go basis from eligible employers and eligible retirees.

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Eligible employers are institutions of higher education, school districts, or other entities participating in the Public School Insurance Authority, and State agencies, State courts, magistrate courts, municipalities and counties, which are affiliated under or covered by the Educational Retirement Act, the Public Employees Retirement Act, Volunteer Firefighters Retirement Act, Judicial Retirement Act, or the Magistrate Retirement Act.

Eligible retirees are those who make contributions to the fund for at least five years prior to retirement and whose eligible employer, during that period of time, made contributions as a participant in the Retiree Health Care Act on the person's behalf unless that person retires on or before the NMRHCA effective date, in which event the time period required for employer and employee contributions shall become the period of time between the employer's effective date and the date of retirement; or retires defined by the Act who retired prior to July 1, 1990 and former legislatures who served at least two years.

Each participating employer makes contributions to the fund in the amount of 1.3 percent of each participating employee's annual salary. Each employee contributes to the fund an employee contribution in the amount equal to .65 percent of the employee's salary. Each participating retiree pays a monthly premium for the medical plus basic life plan and additional fee of five dollars (\$5.00) if the participant retired prior to the employer's NMRHCA effective date or is a former legislator. Participants may also enroll in optional plans of coverage.

Contributions from participating employers become the property of the Retiree Health Care Fund and are not refundable under any circumstances, including termination of the employment or termination of the participating employer's operation or participation in the Retiree Health Care Act. The employer, employee, and retiree contributions are required to be remitted to the Retiree Health Care Authority on a monthly basis.

The Retiree Health Care Authority issues a separate, publicly available audited financial report that includes post employment benefit expenditures of premiums and claims paid participant contributions and net expenditures for the fiscal year. The report also includes the approximate number of retirees participating in the plan. That report may be obtained by writing to the Retiree Health Care Authority, Albuquerque State Government Center, 4308 Carlisle Blvd., Suite 104, Albuquerque, NM 87107.

For the fiscal year ended June 30, 2007, the New Mexico Border Authority remitted \$2,973 in employer contributions and \$1,473 in employee contributions to the Retiree Health Care Authority.

### **9. Risk Management and Litigation**

The New Mexico Border Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Because the New Mexico Border Authority was unable to obtain insurance at a cost it considered economically justifiable, it joined together with other State agencies and obtained insurance coverage with New Mexico Risk Management Division, a public entity risk pool currently operating as a common risk management and insurance program for member agencies. The New Mexico Border Authority pays an annual premium to New Mexico Risk Management Division for its general insurance coverage and all risk of loss if transferred.

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The New Mexico Border Authority continues to carry commercial insurance coverage for other risks of loss, including employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years. There are no pending or known threatened legal proceedings involving material matters to which the New Mexico Border Authority is a party.

## Compliance Section

**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**

Mr. Hector Balderas, State Auditor  
Board of Directors, New Mexico Border Authority  
Citizens of the State of New Mexico

I have audited the accompanying financial statements of the governmental activities and each major fund of the New Mexico Border Authority, as of and for the year ended June 30, 2007 and have issued my report thereon dated July 14, 2008. I conducted my 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.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the New Mexico Border Authority's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the New Mexico Border Authority's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the New Mexico Border Authority's internal control over financial reporting.-

My consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, I identified certain deficiencies in internal control over financial reporting that I consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the New Mexico Border Authority's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the New Mexico Border Authority's financial statements that is more than inconsequential will not be prevented or detected by the New Mexico Border Authority's internal control. I consider the deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting and reported as 2007-1, 2007-2, 2007-3, 2007-4 and 2007-5.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the New Mexico Border Authority's internal control.

My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, I consider item 2007-1 to be a material weakness.

Compliance and Other Matters

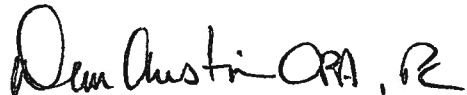
As a part of obtaining reasonable assurance about whether the New Mexico Border Authority's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect

on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of

my tests disclosed no instances of noncompliance that is required to be reported under *Government Auditing Standards*.

The New Mexico Border Authority responses to the findings identified in my audit on pages 30-32 are described in the accompanying Schedule of Findings, Responses, Other Disclosures and Exit Conference. I did not audit the New Mexico Border Authority's response and accordingly, I express no opinion on it.

This report is intended solely for the information and use of the management, the Office of the State Auditor, the New Mexico State Legislature and its committees, and the New Mexico Department of Finance and Administration and is not intended to be and should not be used by anyone other than the specified parties.



July 14, 2008

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**Prior Year Findings**

None

**Current Year Findings**

**07- 1 Cash Reconcilements**

**Condition:** Timely and accurate reconciliations of cash balance between the Authority general ledger and the balances per the State Treasurer's Office in SHARE were not done during the fiscal year.

**Criteria:** Section 6-10-2 NMSA 1978 requires that cash be reconciled on a monthly basis.

**Effect:** Possible errors due poor internal control over cash resulting in poor financial reporting to management.

**Cause:** Inadequate planning related to the implementation of the SHARE accounting system.

**Recommendation:** Require accounting staff of the Authority and the Economic Development Department to prepare reconcilements timely and be approved by Authority management.

**Response:** The State Treasurer Office did not have cash reports for each agency to reconcile.

**07- 2 Financial Reporting**

**Condition:** Share trial balances, revenues and expenditures reports, fund balance sheets, budget reports and federal grant expenditures reports generated during all periods of the fiscal year were not available to Authority staff in order to monitor accounting entries resulting in numerous classification errors and in the financial records.

**Criteria:** Per Section 6-5-2 NMSA 1978 financial reports should be prepared and reviewed by the Authority Staff in order to monitor the financial condition and accuracy of the accounting records of the agency.

**Effect:** During the fiscal year Authority management was unable to monitor the financial condition of the agency resulting in ineffective management with inaccurate financial information.

**Cause:** Inadequate planning related to the implementation of the SHARE accounting system.

**Recommendation:** Require that adequate financial reporting be provided to monitor the financial condition of the agency.



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**Response:** EDD/ASD is responsible for all share reports, expenditures, revenue, fund balance, trial balances. The Authority financial person had not been trained to prepare these documents on the new share system. EDD/ASD had experienced trained staff to complete the financial duties. NMBA will obtain training on the SHARE system and will have full access to the SHARE financials to monitor documents.

**07- 3 Year-End Journal Entries**

**Condition:** A large amount of journal entries were generated and posted to the general ledger in order to correct accounting data with the share accounting system, including a number of material correction entries that were generated and posted to SHARE system after the end of the fiscal year.

**Criteria:** Section 6-5-2 NMSA 1978 requires periodic reconciliation and accurate financial reporting in order to safeguard Authority assets.

**Effect:** Financial reporting provided to the Authority resulted in uncertainty as to the financial condition of the Authority and management's inability to make financial decisions based accurate financial information

**Cause:** Inadequate planning related to the implementation of the SHARE accounting system and failure of the Economic Development Department to monitor accounting activities during the fiscal year.

**Recommendation:** The Authority should monitor financial reports monthly to insure that this type of situation does not occur in the future.

**Response:** Several journal entries were discussed with the ASD, auditor and DFA and were in agreement. They have not been entered into SHARE at this time until the audit is completed.

**07- 4 Journal Entry Approval**

**Condition:** Journal entries created by Economic Development Department were not known or approved by the financial personnel of the Authority.

**Criteria:** Per the C-FRAS Policies and Procedures Manual Chapter 8, individuals responsible for the financial activities of the Authority are required to approve adjustments to the financial records.

**Effect:** Inadequacies relating to internal control over financial reporting resulting in limited financial oversight by the management of the Authority.

**Cause:** Inadequate planning related to the implementation of the SHARE accounting system and the failure of Economic Development

**Recommendation:** Require all journal entries be approved by Authority financial staff.

**Response:** EDD/ASD monitored the financial activity, the only journal entries that were prepared were to correct deposits that were posted incorrectly. Journal entries were not prepared that severely adjusted the trial balance and the Authority did not have a trained financial person, the responsibility was put on EDD/ASD. The DFA, ASD Director and the auditor had a discussion of journal entries that needed to be made and had not been posted at this time until the audit was complete.

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**07- 5 Staff Training**

**Condition:** The Authority's staff was not adequately trained to monitor the financial activities of the Agency.

**Criteria:** The C-FRAS Policies and Procedures Manual Chapter 1, requires that the agencies financial accounting staff should be trained to monitor the financial condition of the agency.

**Effect:** Ineffective staff relating to financial matters resulting in marginal financial oversight by management.

**Cause:** Failure to adequately train new staff.

**Recommendation:** Obtain training financial accounting staff.

**Response:** NMBA will be trained with ASD and will have full access to SHARE. All accounting documents will remain with the EDD/ASD. The NMBA can keep a copy of financial documents for their files. Unless otherwise provided by law, the agency shall hire its own personnel in accordance with the Personnel Act.

**07-6 Late Audit Report**

**Condition:** The audit report was delivered to the NM State Auditor on August 21, 2008 due to problems with the SHARE accounting system. The due date was December 15, 2007.

**Criteria:** The State Audit Rule 2.2.2.9 requires submission by December 15, 2007.

**Effect:** Financial information of the Authority will not be delivered to the public timely.

**Cause:** Operational problems with the SHARE accounting system.

**Recommendation:** Complete audit report timely.

**Response:** 2008 report will be prepared timely.

**Other Disclosures** – The New Mexico Border Authority is responsible for the contents. However the financial statements and notes to the financial statements were prepared by the independent certified public accountant performing the audit.

**Exit Conference** –An exit conference was held July 14, 2008 at the Dona Anna County offices. Those participating were Bob McNeil, Vice Chairman, Emma Johnson-Ortiz Deputy Director, Lisa Ortiz, Economic Development Department, by telephone and Dan Austin CPA. The audit report and findings were discussed.