

**STATE OF NEW MEXICO**  
**NEW MEXICO**  
**BORDER AUTHORITY**  
**Financial Statements**  
**for the Year Ended**  
**June 30, 2009,**  
**and Independent**  
**Auditors' Report**

STATE OF NEW MEXICO  
NEW MEXICO BORDER AUTHORITY

Table of Contents



<b>Official Roster</b> .....	1
<b>Independent Auditors' Report</b> .....	2 – 3
<b>Management's Discussion and Analysis</b> .....	4 – 11
<b>Financial Statements:</b>	
Statement of Net Assets .....	13
Statement of Activities.....	14
<b>Fund Financial Statements:</b>	
Balance Sheet - Governmental Funds.....	15
Reconciliation of the Balance Sheet to the Statement of Net Assets – Governmental Funds .....	16
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds .....	17
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds to the Statement of Activities .....	18
Statement of Revenues and Expenditures – Major Governmental Funds - Budget and Actual (GAAP).....	19 – 22
Notes to Financial Statements.....	23 – 37
<b>Supplementary Information:</b>	
Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	39 – 41
Schedule of Findings and Responses .....	42 – 44
Summary Schedule of Prior Year Audit Findings .....	45
Exit Conference.....	46

STATE OF NEW MEXICO  
NEW MEXICO BORDER AUTHORITY

Official Roster

---

Year Ended June 30, 2009

**Board Members – Border Authority**

**Title**

Fred Mondragon  
Bob McNiel  
Edgar Lopez  
Martha Skinner  
Kris Massey  
Harold Kuentler  
Diane Denish  
Stephen Vigil  
Frank Pando

Chairman  
Vice Chairman  
Director  
Director  
Director  
Director  
Lt. Governor  
Director  
Director

**Administrative Services**

Lisa Ortiz

ASD Director

## INDEPENDENT AUDITORS' REPORT

Board of Directors  
State of New Mexico  
New Mexico Border Authority  
and  
Mr. Hector H. Balderas  
New Mexico State Auditor

We have audited the accompanying financial statements of the governmental activities and each major fund (General Fund, Hazmat Grant Fund, Special Revenue Capital Outlay Fund and Border Development Grant Fund), which collectively comprise the basic financial statements of the State of New Mexico, New Mexico Border Authority (the Authority) as of and for the year ended June 30, 2009, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we express no such opinion. 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. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 1, the financial statements of the 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 Authority. They do not purport to, and do not, present fairly the financial position of the entire State of New Mexico as of June 30, 2009, and the changes in its financial position and budgetary comparison for the year then ended in conformity with accounting principles generally accepted in the United States of America.

MEYERS + COMPANY, LLC

*Certified Public Accountants/Consultants to Business*



500 Marquette NW, Suite 800 Albuquerque, NM 87102

P 505/842-8290 F 505/842-1568 E cpa@meyers.com

www.meyers.com

*An Independent Member of the BDO Seidman Alliance*

Board of Directors  
State of New Mexico  
New Mexico Border Authority  
and  
Mr. Hector H. Balderas  
New Mexico State Auditor

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 major funds (General Fund, Hazmat Grant Fund, Special Revenue Capital Outlay Fund and Border Development Grant Fund) of the Authority as of and for the year ended June 30, 2009, and the respective changes in financial position thereof, and the budgetary comparisons for the General Fund and major special revenue funds for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2009, on our consideration of the Authority's internal control over financial reporting and 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* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis presented on pages 4 through 11 is not a required part of the basic financial statements but is supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

*Meyners + Company, LLC*

December 5, 2009

**STATE OF NEW MEXICO  
NEW MEXICO BORDER AUTHORITY**

**Management's Discussion and Analysis  
Year Ended June 30, 2009**

---

The State of New Mexico, New Mexico Border Authority's (the Authority) discussion and analysis is designed to assist the reader in focusing on significant financial issues, provide an overview of the Authority's financial activity, identify changes in the Authority's financial position and identify any financial issues or concerns. The Management's Discussion and Analysis (MD&A) is designed to focus on the past year's activities and financial changes.

As management of the Authority, we offer readers this narrative overview and analysis of the financial activities of the Authority for the year ended June 30, 2009.

**Authority Overview**

The Authority is administratively attached to one of 16 cabinet level departments within the executive branch of the New Mexico State Government (New Mexico Economic Development Department). Founded by state statute in 1991, 58-27-4, the Authority's mission is to encourage and foster development of the state by developing port facilities and infrastructure at international ports of entry; to attract new industries and business to the New Mexico Border, and to assist industries, businesses and the traveling public in their efficient and effective use of ports and related facilities. The Authority began its operations as a separate State Government Agency on 1992.

**Financial Highlights**

- In the fiscal year ended June 30, 2009, the total assets of the Authority exceeded total liabilities by \$221,393.
- The Authority acquired \$6,405 in total capital assets greater than \$5,000 during the year.
- Of the \$300,386 in total current assets, nearly 99% was in the form of cash.
- The total cost of Authority programs was \$593,094, whereas the total Authority revenue was \$588,821.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The Authority's basic financial statements comprise four components: 1) government-wide financial statements, 2) fund financial statements, 3) budget and actual comparisons, and 4) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**STATE OF NEW MEXICO  
NEW MEXICO BORDER AUTHORITY**

**Management's Discussion and Analysis - continued  
Year Ended June 30, 2009**

---

**Overview of the Financial Statements - continued**

**Government-wide Financial Statements.** The government-wide financial statements are designed to provide readers with a broad overview of the Authority's financial statements, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the Authority's assets and liabilities, with the difference between the two reported as total net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Authority that are principally supported by taxes and intergovernmental revenues (government activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Authority include economic development, program support, technology commercialization and community development. Within the Authority, there are no business-type activities.

**Fund Financial Statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Authority uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Authority can be divided into two categories: general funds and special revenue funds.

**Governmental Funds**

Governmental funds are used to account for the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

The Authority currently maintains four governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund (48000), Hazmat Grant Fund (02900), Special Revenue Capital Outlay Fund (03600) and Border Development Grant Fund (05600).

STATE OF NEW MEXICO  
NEW MEXICO BORDER AUTHORITY

Management's Discussion and Analysis - continued  
Year Ended June 30, 2009

---

**Overview of the Financial Statements - continued**

**Fund Financial Statements - continued**

The Authority adopts an annual appropriated budget for its General Fund. The basic governmental fund financial statements can be found on pages 15 and 17 of this report.

**Other Information.** In addition to the basic statements and accompanying notes, this report also presents certain required supplementary information concerning the Authority's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on pages 39 through 46 of this report.

**Government-wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Authority, assets exceeded liabilities by \$221,393 at the close of the 2009 fiscal year.

At the end of the 2009 fiscal year, the Authority is able to report positive balances in the category of net assets.

Governmental activities decreased the Authority's net assets by \$153,250.

**Financial Analysis of Governmental Funds**

The focus of the Authority's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the Authority's financial requirements.

As of the end of the 2009 fiscal year, the Authority's governmental funds reported combined ending fund balances of \$243,544, a decrease of \$7,631 in comparison with the prior year. The majority of this amount is derived from State General Fund appropriations and constitutes unreserved fund balance, which will not revert to the general fund and is available for spending in the following fiscal year. The remainder of fund balance is reserved, indicating that it is committed and not available for spending.

The general fund is the chief operating fund of the Authority. At the end of the 2009 fiscal year, unreserved fund balance of the general fund was \$153,445.

During the 2009 fiscal year, the fund balance of the Authority's general fund decreased by \$7,631.



**STATE OF NEW MEXICO  
NEW MEXICO BORDER AUTHORITY**

**Management's Discussion and Analysis - continued  
Year Ended June 30, 2009**

**Financial Analysis of the Authority as a Whole**

**Net Assets**

Table A-1 summarizes the Authority's net assets as of June 30, 2009. Net assets for Governmental Activities were \$221,393.

**Table A-1  
The Authority's Net Assets**

<b>YEARS ENDED JUNE 30,</b>	<b>2009</b>	<b>2008</b>
<b>Governmental Activities:</b>		
Assets:		
Current and other assets	\$ 300,386	300,063
Capital and non-current assets	<u>4,804</u>	<u>145,977</u>
Total Assets	305,190	446,040
Liabilities:		
Current Liabilities	<u>83,797</u>	<u>71,397</u>
Total Liabilities	83,797	71,397
Net Assets:		
Unrestricted – subsequent years' expenditures	<u>221,393</u>	<u>374,643</u>
Total Net Assets	\$ <u>221,393</u>	<u>374,643</u>

**Changes in Net Asset**

The Authority's change in assets for fiscal year 2009 was (\$153,250) (Statement of Activities). Approximately 95 percent of the Authority's revenue comes from State General Fund Appropriations; the remaining funds are from severance tax bond proceeds.

STATE OF NEW MEXICO  
NEW MEXICO BORDER AUTHORITY

Management's Discussion and Analysis - continued  
Year Ended June 30, 2009

**Financial Analysis of the Authority as a Whole - continued**

**Changes in Net Asset - continued**

**Table A-2  
Changes in the Authority's Net Assets**

YEARS ENDED JUNE 30,	2009	2008
<b>Governmental Activities:</b>		
Revenues:		
Program Revenues:		
Federal Grant	\$ _____	_____
Total Program Revenues	-	-
General Revenues:		
State General Fund appropriations (net)	560,800	557,700
Other revenue	<u>25,021</u>	<u>62,493</u>
Total General Revenues	<u>585,821</u>	<u>620,193</u>
Total Revenues	585,821	620,193
Expenses:		
Border Authority Development	<u>593,094</u>	<u>519,897</u>
Total Expenses	593,094	519,897
Other Financing Uses	<u>(145,977)</u>	_____
Decrease in Net Assets	(153,250)	100,296
Net Assets, Beginning of Year	<u>374,643</u>	<u>274,347</u>
Net Assets, End of Year	\$ <u><u>221,393</u></u>	<u><u>374,643</u></u>

STATE OF NEW MEXICO  
NEW MEXICO BORDER AUTHORITY

Management's Discussion and Analysis - continued  
Year Ended June 30, 2009

---

**Financial Analysis of the Department's Funds**

**Capital Assets and Debt Administration**

The Authority had \$4,804 in capital assets for the year ended June 30, 2009.

The Authority did not have any long-term debt for the year ended June 30, 2009.

**Original and Final Budget**

There were no significant variations between the original and final budget.

**Currently Known Facts, Decisions or Conditions Expected to Have an Effect on Operations**

The Border Authority has achieved the following:

**Foxconn**

In February 2009, Foxconn, the trade name for Taiwan-based Hon Hai Precision Industry, one of the largest electronics manufacturers in the world, established its first phase manufacturing presence in Jerónimo, Chihuahua, southwest of the Santa Teresa POE. The plant currently employs close to 4,500 persons and is scheduled to expand to 8,000 or more employees by the end of 2009. Three additional phases are planned for development over the next four years, for a total anticipated workforce of more than 20,000. Plant operations currently cover less than 100 acres with the company holding an option to expand. The completed facility is likely to cover nearly 500 acres and would include approximately 8 million square feet of structure. Foxconn is a global manufacturer of computers, laptops and servers for Apple, Nokia, Dell and Sony, among others. The company produces more cell phones than any other firm in the world.

**Expanded Port Hours**

Through efforts of the NMBA and OMA, U.S. Customs and Border Protection has permanently expanded the hours for commercial crossings from 8 a.m.-6 p.m. to 8 a.m.-8 p.m. The decision was made at the close of a pilot program that ran through February 2008, where CBP increased operating hours at the port on a temporary basis to assess traffic flows. During the program, commercial crossings at Santa Teresa/ Jerónimo increase some 30%, setting new records in the number of northbound commercial crossings and justifying the permanent expansion of hours. In addition, non-commercial (passenger vehicle) hours were recently extended from 10:00 p.m. until midnight to support employee access during second shift operations at Foxconn.

STATE OF NEW MEXICO  
NEW MEXICO BORDER AUTHORITY

Management's Discussion and Analysis - continued  
Year Ended June 30, 2009

---

**Currently Known Facts, Decisions or Conditions Expected to Have an Effect on Operations - continued**

**Infrastructure Development**

Completed construction projects in FY 2008 – 2009:

**NMBA Offices** – In May 2009, the NMBA celebrated the official dedication of its new office building, 221 Pete Domenici Highway in Santa Teresa. The new \$1.4 million structure, the NMBA's first permanent home, offers a total 3,562 square feet of office space, including a 24' x 13'6" conference room and an ample reception area. A small library and meeting room are provided as well. Some 370 square feet of office space is allocated to the OMA on the southwestern wing of the building.

**Hot Air Balloons – Sister City Event** – Temporary importation of 40 hot air balloons from Albuquerque to Chihuahua City for a Sister City event in November 2008. For the past three years, the NMBA has assisted participants and sponsors for this event.

**Professional Bull Riding World Cup Championships** – Temporary importation of 82 of the world's fiercest riding bulls southbound to Chihuahua City in September 2008 for the Professional Bull Riding World Cup Championships, the third year of the event. The bulls were returned to the United States across the Santa Teresa port after the Word Cup event, as required by law. The NMBA has provided border crossing assistance to move these high-valued performance livestock each year of the event.

**Chihuahua Express Rally Auto Race** – Temporary importation in March 2009 of 47 race cars that participated in the annual Chihuahua Express Rally auto race. A similar event, the Pan American Race, planned for October 2009, will use the Santa Teresa port-of-entry for temporary importation of an estimated 15 race cars, both southbound and back northbound.

**Pancho Villa Camp Furlong Days / Cabalgata** – Serve as U.S. sponsor for the annual Pancho Villa Camp Furlong Days when the Mexican *Cabalgata* Horse Riders enter the United States south of Columbus in commemoration of the 1916 invasion of U.S. soil by Mexican Revolutionary General Pancho Villa. Some 100 horses are allowed to be imported temporarily for this event that requires overland travel on horseback of two weeks to reach Columbus from Guerrero, Chihuahua.

**Relocation of Immigration Checkpoint – Chihuahua** – A new customs and immigration checkpoint was established 72 kilometers south of Cd. Juárez, facilitating commercial and non-commercial use of the Santa Teresa port-of-entry. The new facility will allow travel directly to Jerónimo without forcing drivers to double back to the old facility, located north of the Samalayuca Bypass, which connects Santa Teresa to the Pan American Freeway (Mexico 45).

STATE OF NEW MEXICO  
NEW MEXICO BORDER AUTHORITY

Management's Discussion and Analysis - continued  
Year Ended June 30, 2009

---

**Currently Known Facts, Decisions or Conditions Expected to Have an Effect on Operations - continued**

**Infrastructure Development - continued**

**Billboard Notification to Travelers** – Placement of four billboards notifying northbound travelers on Mexico 45 (Pan American Highway) of expanded port hours at Santa Teresa/Jerónimo. The billboards were erected by the state of Chihuahua at the request of the NMBA. The state of New Mexico also placed a billboard advertisement promoting the Santa Teresa POE along U.S. I-10 in New Mexico.

**Requests for Information**

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Administrative Services, New Mexico Economic Development Department, Joseph M. Montoya Building, 1100 Saint Francis Drive, Santa Fe, New Mexico 87505-4147.

**FINANCIAL STATEMENTS**

STATE OF NEW MEXICO  
NEW MEXICO BORDER AUTHORITY

Statement of Net Assets

---

AS OF JUNE 30, 2009

	<u>Governmental Activities</u>
<b>ASSETS:</b>	
Current assets:	
Investment in State Treasurer's Pool	\$ 300,152
Due from other state agencies	<u>234</u>
Total current assets	300,386
Capital assets, net of depreciation	<u>4,804</u>
<b>TOTAL ASSETS</b>	<b>\$ <u>305,190</u></b>
<b>LIABILITIES AND NET ASSETS:</b>	
<b>LIABILITIES:</b>	
Current liabilities:	
Accounts payable and other current liabilities	\$ 39,198
Compensated absences payable	26,955
Accrued payroll	<u>17,644</u>
Total current liabilities	<u>83,797</u>
<b>TOTAL LIABILITIES</b>	<b>83,797</b>
<b>NET ASSETS:</b>	
Invested in capital assets	4,804
Unrestricted net assets	<u>216,589</u>
<b>TOTAL NET ASSETS</b>	<b><u>221,393</u></b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ <u>305,190</u></b>

**STATE OF NEW MEXICO  
NEW MEXICO BORDER AUTHORITY**

**Statement of Activities**

**YEAR ENDED JUNE 30, 2009**

		<b>PRIMARY GOVERNMENT</b>
		<b><u>Governmental Activities Total</u></b>
<b>EXPENSES:</b>		
Border authority development	\$	<u>593,094</u>
<b>TOTAL EXPENSES</b>		593,094
<b>PROGRAM SPECIFIC OPERATING GRANTS</b>		<u>-</u>
<b>NET PROGRAM (EXPENSE) REVENUE</b>		593,094
<b>GENERAL REVENUES:</b>		
General Fund appropriation		560,800
Other revenue		<u>25,021</u>
<b>TOTAL GENERAL REVENUES</b>		<u>585,821</u>
<b>OTHER FINANCING SOURCES (USES):</b>		
Other financing sources (uses)		<u>(145,977)</u>
<b>NET OTHER FINANCING SOURCES (USES)</b>		<u>(145,977)</u>
<b>CHANGE IN NET ASSETS</b>		(153,250)
<b>NET ASSETS, June 30, 2008</b>		<u>374,643</u>
<b>NET ASSETS, June 30, 2009</b>	\$	<u><u>221,393</u></u>



STATE OF NEW MEXICO  
NEW MEXICO BORDER AUTHORITY

Balance Sheet - Governmental Funds

AS OF JUNE 30, 2009

	Major Funds				Total Governmental Funds
	General Fund	Hazmat Grant Fund	Capital Outlay Fund	Border Dev. Grant Fund	
<b>ASSETS:</b>					
Cash on deposit (Note 2)	\$ 209,279	4,524	38,023	48,326	300,152
Due from other State Agencies	-	234	-	-	234
Due from other funds	<u>1,008</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,008</u>
<b>TOTAL ASSETS</b>	<b>\$ <u>210,287</u></b>	<b><u>4,758</u></b>	<b><u>38,023</u></b>	<b><u>48,326</u></b>	<b><u>301,394</u></b>
<b>LIABILITIES:</b>					
Accounts payable and other current liabilities	\$ 39,198	-	-	-	39,198
Due to other funds	-	-	-	1,008	1,008
Accrued payroll	<u>17,644</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,644</u>
<b>TOTAL LIABILITIES</b>	<b><u>56,842</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>1,008</u></b>	<b><u>57,850</u></b>
<b>FUND BALANCES:</b>					
Unreserved/undesignated	<u>153,445</u>	<u>4,758</u>	<u>38,023</u>	<u>47,318</u>	<u>243,544</u>
<b>TOTAL FUND BALANCES</b>	<b><u>153,445</u></b>	<b><u>4,758</u></b>	<b><u>38,023</u></b>	<b><u>47,318</u></b>	<b><u>243,544</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ <u>210,287</u></b>	<b><u>4,758</u></b>	<b><u>38,023</u></b>	<b><u>48,326</u></b>	<b><u>301,394</u></b>

STATE OF NEW MEXICO  
NEW MEXICO BORDER AUTHORITY

Reconciliation of the Balance Sheet to the  
Statement of Net Assets - Governmental Funds

---

YEAR ENDED JUNE 30, 2009

<b>Total Fund Balance - Governmental Funds</b> <b>(Governmental Fund Balance Sheet)</b>	\$	243,544
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital Assets		4,804
Accrual for compensated absences		<u>(26,955)</u>
<b>Net assets of governmental activities (Statement of Net Assets)</b>	\$	<u><u>221,393</u></u>

STATE OF NEW MEXICO  
NEW MEXICO BORDER AUTHORITY

Statement of Revenues, Expenditures and Changes in  
Fund Balances - Governmental Funds

AS OF JUNE 30, 2009

	Major Funds				Total Governmental Funds
	General Fund	Hazmat Grant Fund	Capital Outlay Fund	Border Dev. Grant Fund	
<b>REVENUES:</b>					
Other revenue	\$ 25,021	-	-	-	25,021
<b>TOTAL REVENUES</b>	<u>\$ 25,021</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,021</u>
<b>EXPENDITURES:</b>					
Current:					
Personal services	\$ 398,154	-	-	-	398,154
Operating costs	154,574	-	-	-	154,574
Contractual services	34,319	-	-	-	34,319
Capital outlay	6,405	-	-	-	6,405
<b>TOTAL EXPENDITURES</b>	<u>593,452</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>593,452</u>
<b>DEFICIENCY OF REVENUES OVER EXPENDITURES</b>	<u>(568,431)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(568,431)</u>
<b>OTHER FINANCING SOURCES (USES):</b>					
State General Fund appropriations	560,800	-	-	-	560,800
<b>NET OTHER FINANCING SOURCES (USES)</b>	<u>560,800</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>560,800</u>
<b>NET CHANGE IN FUND BALANCES</b>	(7,631)	-	-	-	(7,631)
<b>FUND BALANCES, June 30, 2008</b>	161,076	4,758	38,023	47,318	251,175
<b>FUND BALANCES, June 30, 2009</b>	<u>\$ 153,445</u>	<u>4,758</u>	<u>38,023</u>	<u>47,318</u>	<u>243,544</u>

STATE OF NEW MEXICO  
NEW MEXICO BORDER AUTHORITY

Reconciliation of the Statement of Revenues, Expenditures,  
and Changes in Fund Balances - Governmental Funds  
to the Statement of Activities

---

YEAR ENDED JUNE 30, 2009

Net Changes in Fund Balances - Total Governmental Funds  
(Statement of Revenues, Expenditures, and Changes in Fund Balances) \$ (7,631)

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

Capital asset additions	6,405	
Depreciation expense	<u>(1,601)</u>	
		4,804

Transfer of Construction in Process to General Services Department (145,977)

In the Statement of Activities, certain operating expenses - compensated absences (sick and annual leave) - are measured by the amounts earned during the year. In the Governmental Funds, however, expenditures for these items are measured by the amounts of financial resources used (essentially, the amounts actually paid). The net increase in the liabilities for the year was:

(4,446)

Change in net assets of governmental activities (Statement of Activities) \$ (153,250)

STATE OF NEW MEXICO  
NEW MEXICO BORDER AUTHORITY

Statement of Revenues and Expenditures -  
Major Governmental Funds -  
Budget and Actual (GAAP)

YEAR ENDED JUNE 30, 2009

	GENERAL FUND (FUND 48000)			
	Budgeted Amounts		Actual Amounts	Variance From Final Budget
	Original	Final	(Budgetary Basis)	Positive (Negative)
<b>REVENUES:</b>				
Intergovernmental revenue:				
General fund appropriation	\$ 625,100	610,800	560,800	(50,000)
Other sources	-	-	25,021	25,021
<b>TOTAL REVENUES</b>	<u>625,100</u>	<u>610,800</u>	585,821	(24,979)
<b>EXPENDITURES:</b>				
General government:				
Personnel services	385,900	391,300	398,154	(6,854)
Contractual services	76,000	36,300	34,319	1,981
Operating costs	<u>163,200</u>	<u>183,200</u>	160,979	22,221
<b>TOTAL EXPENDITURES</b>	<u>625,100</u>	<u>610,800</u>	593,452	17,348
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER FUNDING SOURCES (USES)</b>	\$ <u>900</u>	-	(7,631)	<u>(976)</u>
<b>FUND BALANCE, BEGINNING</b>			161,076	
<b>ADJUSTMENTS TO CONFORM WITH GAAP:</b>				
(Increase) decrease in accounts payable			-	
<b>FUND BALANCE, JUNE 30, 2008 (GAAP BASIS)</b>			\$ <u>153,445</u>	

STATE OF NEW MEXICO  
NEW MEXICO BORDER AUTHORITY

Statement of Revenues and Expenditures -  
Major Governmental Funds -  
Budget and Actual (GAAP) - continued

YEAR ENDED JUNE 30, 2009

	HAZMAT GRANT (FUND 02900)			
	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Intergovernmental revenue:				
Federal funds	\$ -	-	-	-
Other state sources	-	-	-	-
<b>TOTAL REVENUES</b>	-	-	-	-
<b>EXPENDITURES:</b>				
General government:				
Personnel services	-	-	-	-
Contractual services	-	-	-	-
Operating costs	-	-	-	-
<b>TOTAL EXPENDITURES</b>	-	-	-	-
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER FUNDING SOURCES (USES)</b>	\$ -	-	-	-
<b>FUND BALANCE, BEGINNING</b>			4,758	
<b>ADJUSTMENTS TO CONFORM WITH GAAP:</b>				
Increase (decrease) in receivables			-	
(Increase) decrease in accounts payable			-	
<b>FUND BALANCE, JUNE 30, 2009 (GAAP BASIS)</b>			\$ 4,758	

STATE OF NEW MEXICO  
NEW MEXICO BORDER AUTHORITY

Statement of Revenues and Expenditures -  
Major Governmental Funds -  
Budget and Actual (GAAP) - continued

YEAR ENDED JUNE 30, 2009

	SPECIAL REVENUE CAPITAL OUTLAY (FUND 03600)			
	Budgeted Amounts		Actual	Variance From
	Original	Final	Amounts (Budgetary Basis)	Final Budget Positive (Negative)
<b>REVENUES:</b>				
Intergovernmental revenue:				
Local governments	\$ -	-	-	-
Other state sources	-	-	-	-
<b>TOTAL REVENUES</b>	-	-	-	-
<b>EXPENDITURES:</b>				
General government:				
Personnel services	-	-	-	-
Contractual services	-	-	-	-
Capital Outlay	-	-	-	-
<b>TOTAL EXPENDITURES</b>	-	-	-	-
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER FUNDING SOURCES (USES)</b>	\$ -	-	-	-
<b>FUND BALANCE, BEGINNING</b>			38,023	
<b>ADJUSTMENTS TO CONFORM WITH GAAP:</b>				
Increase (decrease) in receivables			-	
(Increase) decrease in accounts payable			-	
<b>FUND BALANCE, JUNE 30, 2009 (GAAP BASIS)</b>			\$ 38,023	

STATE OF NEW MEXICO  
NEW MEXICO BORDER AUTHORITY

Statement of Revenues and Expenditures -  
Major Governmental Funds -  
Budget and Actual (GAAP) - continued

YEAR ENDED JUNE 30, 2009

	BORDER DEVELOPMENT GRANT (FUND 05600)			
	Budgeted Amounts		Actual Amounts	Variance From Final Budget
	Original	Final	(Budgetary Basis)	Positive (Negative)
<b>REVENUES:</b>				
Intergovernmental revenue:				
Local governments	\$ -	-	-	-
Other state sources	-	-	-	-
<b>TOTAL REVENUES</b>	-	-	-	-
<b>EXPENDITURES:</b>				
General government:				
Contractual services	-	-	-	-
Other operating expense	-	-	-	-
Capital Outlay	-	-	-	-
<b>TOTAL EXPENDITURES</b>	-	-	-	-
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER FUNDING SOURCES (USES)</b>	\$ -	-	-	-
<b>FUND BALANCE, BEGINNING</b>			47,318	
<b>ADJUSTMENTS TO CONFORM WITH GAAP:</b>				
Increase (decrease) in receivables			-	
(Increase) decrease in accounts payable			-	
<b>FUND BALANCE, JUNE 30, 2009 (GAAP BASIS)</b>			\$ 47,318	



## **NATURE OF ORGANIZATION**

### **Reporting Entity**

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:

- Encouraging and fostering development of the State, its cities and its 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.
- 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.
- 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

• **Principles of Accounting**

The financial statements for the Authority have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. Pronouncements of the Financial Accounting Standard Board (FASB) issued after November 30, 1989 are not applied in the preparation of the financial statements of the proprietary fund type in accordance with GASB No. 20. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards, which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The more significant of these accounting policies are described below.

• **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.

• **Government-wide and Fund Financial Statements**

The basic financial statements include both government-wide (based on the Authority as a whole) and fund financial statements. The reporting model focus is on either the Authority as a 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 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 are otherwise being supported by general governmental revenues. The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital gains. Program revenues included in the Statement of Activities include revenues from two program specific grants. The Authority only charges direct expenses to these grants. The program revenues must be directly associated with the function. The Authority included only one function (general government).

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

• **Financial Reporting Entity - continued**

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 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.

The governmental fund statements are presented on a current financial resource and modified accrual basis of accounting. This presentation is deemed appropriate to (a) demonstrate legal compliance, (b) demonstrate the source and use of liquid resources, and (c) demonstrate how the 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, 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 governmental-wide presentation.

• **Measurement Focus and Basis of Accounting**

The Government-wide financial statements are prepared using the economic resources measurement focus and the accrued 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

• **Measurement Focus and Basis of Accounting - continued**

Unreimbursed state and federal grants associated with current fiscal period are all considered to be 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.

In applying the “susceptible to accrual” concept to intergovernmental revenues pursuant to Governmental Accounting Standards Board Statement No. 33 (GASB 33), Accounting and Financial Reporting for Nonexchange Transactions, the provider should recognize liabilities and expenses and the recipient should recognize receivables and revenues when the applicable eligibility requirements, including time requirements, are met. Resources transmitted before the eligibility requirements are met, under most circumstances, should be reported as advances by the provider and deferred revenue by the recipient.

• **Basis of Presentation**

The financial transactions of the Authority are maintained on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, expenditures or expenses and other financing sources or uses. Government resources are allocated to, and accounted for, in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

GASB No. 34 sets forth minimum criteria for the determination of major funds based on a percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or governmental and enterprise combined. The Authority reports all funds to be major governmental funds. The following funds are reported in the financial statements.

**General Fund.** 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.

**Special Revenue Funds.** The Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. Sources of revenue are primarily special appropriations of State, Federal and local Governments and private grants and revenues generated by various activities of the Department.

**Hazmat Grant.** This fund is used to account for the activities of a federal grant from the Federal Highway Administration (FHWA) and passed through the New Mexico Department of Transportation (DOT). 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 Ana. All capital outlay items purchased under this grant are transferred to the

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

• **Basis of Presentation - continued**

Hazmat Grant - continued

County of Dona Ana for further administration per a Memorandum of Agreement dated February 6, 2003.

Capital Outlay Fund. This 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 of 2003, Chapter 110 Laws of 2003, Chapter 338 Laws of 2001, Chapter 23 Laws of 2000 Special Session, Chapter 18 Laws of 2000 Special Session, and Chapter 2 Laws of 1999 Special Session, collectively.

Border Development Grant. This 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 agreement 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 government-wide financial statements except for receivables between government and business-type funds. The Authority eliminated all interfund transactions for the current fiscal year.

• **Budgets and Budgetary Accounting**

The New Mexico State Legislature makes appropriations to the 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 Authority follows these procedures in establishing the budgetary data reflected in the financial statements:

- No later than September 1, the Authority prepares a budget request by appropriation unit to be presented to the next Legislature.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

• **Budgets and Budgetary Accounting - continued**

- The appropriation request is submitted to the Department of Finance and the Administration's Budget Division (DFA) and to the Legislative Finance Committee (LFC).
- DFA makes recommendations and adjustments to the appropriation request, which become the Governor's proposal to the Legislature.
- The LFC holds hearings on the appropriation request, also submitting recommendations and adjustments before presentation to the Legislature.
- Both the DFA and LFC-recommended appropriation proposals are presented to the Legislature for approval of the final budget plan.
- Budgetary control is exercised at the appropriation unit level of the Sixth Judicial District Attorney as a whole, and changes are approved by the DFA.
- The Authority's budget for the fiscal year ended June 30, 2009, 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.
- 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.
- 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 in 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

• **Budgets and Budgetary Accounting – continued**

Each year the Legislature approves multiple year appropriations, which the State considers as continuing appropriations. The Legislature authorizes these appropriations for two to five years; however, it does not identify the authorized amount by fiscal year. Consequently, the appropriation is budgeted in its entirety the first year the Legislature authorizes it. The unexpended portion of the budget is carried forward as the next year's beginning budget balance until either the project period has expired or the appropriation has been fully expended. The budget presentations in these financial statements are consistent with this budgeting methodology.

• **Encumbrances**

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

• **Cash and Cash Equivalents**

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

• **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.

• **Due To/From Other Funds**

Internal balances due to/from in the governmental funds are netted as part of the reconciliation to the government-wide columnar presentation, as such eliminating internal activity in the Statement of Activities.

• **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

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

- **Capital Assets - continued**

The 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.

- **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 the 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.

- **Reverting Funds**

Reverting funds are all funds that are not identified by law as non-reverting. Such funds are in excess of budgeted expenditures and budgeted and actual revenues. Examples of such reverting funds currently generated by the Authority are miscellaneous revenues, sales and services revenues, and telephone monitoring revenues. Revenues for Joint Power Agreements (JPA) are reimbursements for actual costs, and as such, are a receivable due to the Authority. Any amounts collected for these revenues over estimated budget are revertible funds, since they would be replacing reverting general funds that were temporarily used to support such activities. Reversions for JPA revenues are dependent on two criteria: 1) Period of receipt (current year versus prior year), and 2) Period of accrual (revenue recognition).

- **Non-Reverting Funds**

All funds which are either appropriated to or earned by the Authority, and by law or statute, are not required to be reverted to the state treasury upon completion of a fiscal period or project are non-reverting funds. The Authority currently classifies the following revenues and sources as non-reverting:

- i) Hazmat Grant Fund (Fund 02900). The source of these funds is from a grant from the Federal government, and, as such, is not revertible to the State General Fund. However, any overdrawn grant funds must be reverted to the federal grantor agency. Additionally, any State match funds appropriated from the State General Fund or from revertible Non-General Fund sources must be reverted to the State General Fund upon completion of the Project. (Section 6-5-10 NMSA 1978)



1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

- **Non-Reverting Funds - continued**

ii) Grant Funds (All Funds). Grant funds from any governmental source, such as federal or state, direct or indirect, do not revert to the State General Fund unless specifically identified in the grant contract or appropriation law. Instead, any overdrawn grant funds must be reverted to the granting agency. Currently, all grants in operation by the Department are in the form of a reimbursement basis, whereby reimbursement for grant costs is requested from the granting agency after the grant-related expenditure has occurred. (Section 6-5-10 NMSA 1978)

Unexpended and unencumbered cash balances of certain funds revert to the State General Fund at year-end. For certain funds, cash recoveries during the fiscal year from stale dated warrants and prior year reimbursements are also due to the State General Fund. There were no amounts due to the State General Fund as of June 30, 2009.

- **Revenues, Expenditures and Expenses**

Substantially all governmental fund revenues are accrued. The Authority recognizes revenue when earned.

- **Program Revenues**

Program revenues are revenues that (1) originate from the program or from parties other than the government's taxpayers or citizens as a whole, and (2) reduce the expenses of the function that has to be financed by general revenues. Revenues of this type can originate from a governmental source, but the proceeds are a charge for services or products produced by a government agency, where that agency is considered a vendor within the market place. Additionally, program revenues are fees charged by the government agency that are used to support a specific operation of that governmental unit.

- **Net Assets**

The government-wide and business-type fund financial statements utilize a net asset presentation. Net assets are categorized as investment in fixed assets (net of related debt) and unrestricted.

**Investment in Capital Assets** (net of related debt) is intended to reflect the portion of net assets which are associated with non-liquid, capital assets less outstanding capital asset related debt. The net related debt is the debt less the outstanding liquid assets and any associated unamortized cost.

**Unrestricted Assets** represent unrestricted liquid assets.

The Authority applies unrestricted resources first for payment of expenditures.

**STATE OF NEW MEXICO  
NEW MEXICO BORDER AUTHORITY**

**Notes to Financial Statements - continued**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

- **Use of 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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**2. CASH ON DEPOSIT – INVESTMENT IN STATE TREASURER’S POOL**

<u>Account Name</u>	<u>STO Number</u>	<u>Fund Type</u>	<u>Per Depository</u>
Operational cash:			
State Treasurer:			
Operating	417-480	General	\$ 209,279
Hazmat Grant	417-029	Special Revenue	4,524
Capital Outlay Grant	417-036	Special Revenue	38,023
Border Dev. Grant	417-056	Special Revenue	<u>48,326</u>
Total operational cash			\$ <u>300,152</u>

- **Interest Rate Risk**

The Department does not have an investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

- **Credit Risk**

The New Mexico State Treasurer’s Office Pool is not rated.

For additional GASB 40 disclosure information related to the above investment pool, the reader should refer to the separate audit report for the State Treasurer’s Office for the fiscal year ended June 30, 2009.

STATE OF NEW MEXICO  
NEW MEXICO BORDER AUTHORITY

Notes to Financial Statements - continued

**3. DUE TO/FROM OTHER FUNDS**

This amount represents a receivable arising from expenditures paid by one fund on behalf of the other fund.

Interfund receivables:

Fund Type	<u>SHARE Fund</u>	\$	<u>Due From</u>	<u>Due To</u>
General Fund	48000		1,008	-
Border Dev. Grant Fund	05600		-	<u>1,008</u>
Total		\$	<u>1,008</u>	<u>1,008</u>

**4. CHANGES IN CAPITAL ASSETS**

A summary of changes in capital assets is as follows:

	<u>Balance</u> <u>7/1/2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>6/30/2009</u>
Construction in process	\$ 145,977	-	(145,977)	-
Depreciable assets:				
Furniture, fixtures and equipment	-	6,405	-	6,405
Accumulated depreciation	<u>-</u>	<u>(1,601)</u>	<u>-</u>	<u>(1,601)</u>
Total capital assets	\$ <u>145,977</u>	<u>4,804</u>	<u>(145,977)</u>	<u>4,804</u>

Depreciation expense was \$1,601 for the current year. Construction in process consisting of costs of \$145,977 associated with buildings and structures were transferred to the New Mexico State General Services Department as of June 30, 2009.

**5. COMPENSATED ABSENCES**

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

	<u>Balance</u> <u>7/1/2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>6/30/2009</u>	<u>Due in</u> <u>One Year</u>
Compensated absences payable	\$ <u>22,509</u>	<u>10,951</u>	<u>(6,505)</u>	<u>26,955</u>	<u>26,955</u>

**5. COMPENSATED ABSENCES - continued**

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. RETIREMENT PLANS (STATE PERA)**

• **PERA Plan Description**

Substantially all of the Authority's full-time employees participate in a public employee retirement system authorized under the Public Employees' Retirement Act (Chapter 10, Article 11 NMSA 1978). The Public 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 for the plan. A copy of that report may be obtained by writing to PERA, P.O. Box 2123, Santa Fe, New Mexico 87504-2123. The report is also available on PERA's website at [www.pera.state.nm.us](http://www.pera.state.nm.us).

• **Funding Policy**

Plan members are required to contribute 7.42% of their gross salary. The Authority is required to contribute 16.59% of the gross covered salary. From the 2009 legislative session House Bill 854 temporarily shifts the burden of 1.5% of employer PERA contributions to state employees whose annual salaries exceed \$20,000. For the two-year period from July 1, 2009 to June 30, 2011, the employer contribution rates will be reduced by 1.5% and the employee contribution rates will be increased by 1.5%. After this temporary shift the burden will return to the employer. The contribution requirements of plan members and the Authority are established under Chapter 10 Article 11 NMSA 1978. The requirements may be amended by acts of the legislature. The Authority's contributions to PERA for the years ending June 30, 2009, 2008 and 2007 were \$50,451, \$49,124 and \$45,104, respectively, equal to the amount of the required contribution for each year.

**POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN**

• **Plan Description**

The Authority contributes to the New Mexico Retiree Health Care Fund, a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the New Mexico Retiree Health Care Authority (RHCA). The RHCA provides health care insurance and prescription drug benefits to retired employees of participating New Mexico government agencies, their spouses, dependents, and surviving spouses and dependents. The RHCA Board was established by the Retiree Health Care Act (Chapter 10, Article 7C, NMSA 1978). The Board is responsible for establishing and

7. **POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN - continued**

• **Plan Description – continued**

amending benefit provisions of the healthcare plan and is also authorized to designate optional and/or voluntary benefits like dental, vision, supplemental life insurance, and long-term care policies.

Eligible retirees are: 1) retirees 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 RHCA plan on the person's behalf unless that person retires before the employer's RHCA effective date, in which the event the time period required for employee and employer contributions shall become the period of time between the employer's effective date and the date of retirement; 2) retirees defined by the Act who retired prior to July 1, 1990; 3) former legislators who served at least two years; and 4) former governing authority members who served at least four years.

The RHCA issues a publicly available stand-alone financial report that includes financial statements and required supplementary information for the postemployment healthcare plan. That report and further information can be obtained by writing to the Retiree Health Care Authority at 4308 Carlisle NE, Suite 104, Albuquerque, NM 87107.

• **Funding Policy**

The Retiree Health Care Act (Section 10-7C-13 NMSA 1978) authorizes the RHCA Board to establish the monthly premium contributions that retirees are required to pay for healthcare benefits. Each participating retiree pays a monthly premium according to a service based subsidy rate schedule for the medical plus basic life plan plus an additional participation fee of five dollars if the eligible participant retired prior to the employer's RHCA effective date or is a former legislator or former governing authority member. Former legislators and governing authority members are required to pay 100% of the insurance premium to cover their claims and the administrative expenses of the plan. The monthly premium rate schedule can be obtained from the RHCA or viewed on their website at [www.nmrhca.state.nm.us](http://www.nmrhca.state.nm.us).

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. The statute requires each participating employer to contribute 1.3% of each participating employee's annual salary; each participating employee is required to contribute .65% of their salary. Employers joining the program after 1/1/98 are also required to make a surplus-amount contribution to the RHCA based on one of two formulas at agreed-upon intervals.

The RHCA plan is financed on a pay-as-you-go basis. The employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the contributions can be changed by the New Mexico State Legislature.

STATE OF NEW MEXICO  
NEW MEXICO BORDER AUTHORITY

Notes to Financial Statements - continued

7. **POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN - continued**

• **Funding Policy - continued**

The Authority's contributions to the RHCA for the years ended June 30, 2009, 2008 and 2007 were \$2,682, \$2,618 and \$2,401, respectively, which equal the required contributions for each year.

8. **CONTINGENT LIABILITIES (CLAIMS AND JUDGMENTS)**

The 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 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 Authority pays an annual premium to New Mexico Risk Management Division for its general insurance coverage and all risk of loss if transferred.

The 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 Authority is a party.

9. **OPERATING TRANSFERS**

During the fiscal year, the Department received funds that were recorded as “State General Fund Appropriations” in the financial statements. These amounts include State General Fund Appropriations of \$560,800, which includes \$8,500 which was appropriated to Department of Finance and Administration (DFA) for distribution to the Authority as part of the compensation increase for its employees. Construction in process costs of \$145,977 paid for and capitalized by the Department were transferred to the General Services Department.

	<u>SHARE</u>		<u>Transfers In</u>	<u>Transfers Out</u>
	<u>Agency/Fund</u>			
General Fund:				
(1) SHARE System Fund 48000	34100-62000	\$	552,300	-
(2) SHARE System Fund 48000	34100-62000		8,500	-
(3) SHARE System Fund 48000	35000-36400		<u>-</u>	<u>145,977</u>
		\$	<u>560,800</u>	<u>145,977</u>

**10. BUDGET VERSUS ACTUAL EXPENDITURES**

The Department exceeded budgeted expenditures for personal services category in the amount of \$6,854 as of June 30, 2009.

**SUPPLEMENTARY INFORMATION**



**REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND  
COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT  
AUDITING STANDARDS***

Board of Directors  
New Mexico Border Authority  
and  
Mr. Hector H. Balderas  
New Mexico State Auditor

We have audited the financial statements of the governmental activities and each major fund of the New Mexico Border Authority (Authority), as of and for the year ended June 30, 2009, and have issued our report thereon dated December 5, 2009. 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.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our audit procedures 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 Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

Our consideration of 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, we identified certain deficiencies in internal control over financial reporting that we 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 a combination of control deficiencies, that adversely affects the 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 Authority's financial statements that is



Board of Directors  
New Mexico Border Authority  
and  
Mr. Hector H. Balderas  
New Mexico State Auditor

### **Internal Control Over Financial Reporting - continued**

more than inconsequential will not be prevented or detected by the Authority's internal control. Significant deficiencies are identified in the accompanying schedule of findings and responses as items 08-01 and 08-02.

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 Authority's internal control.

Our 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 internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we considered to be a material weakness, as defined above.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of 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 two instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and which are described in the accompanying schedules of findings and responses as items 08-01 and 09-01.

We noted certain matters that are required to be reported under *Government Auditing Standards January 2007 Revision* paragraphs 5.14 and 5.16, and Section 12-6-5, NMSA 1978, which are described in the accompanying schedule of findings and responses as finding 08-01.

The Authority's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the Authority's response and, accordingly, we express no opinion on it.

Board of Directors  
New Mexico Border Authority  
and  
Mr. Hector H. Balderas  
New Mexico State Auditor

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

*Mayne + Company, LLC*

December 5, 2009

STATE OF NEW MEXICO  
NEW MEXICO BORDER AUTHORITY

Schedule of Findings and Responses

---

YEAR ENDED JUNE 30, 2009

**A. SUMMARY OF AUDITORS' RESULTS**

1. The auditors' report expresses an unqualified opinion on the basic financial statements of the New Mexico Border Authority (Authority).
2. Two significant deficiencies were disclosed during the audit of the financial statements.
3. There were no instances of noncompliance material to the financial statements of the Authority disclosed during the audit.

**B. FINDINGS - FINANCIAL STATEMENT AUDIT**

**09-01 INTERFUND BALANCES**

**Condition:** During our test work over interfund balances, we noted that there was one interfund balance in the amount of \$1,008 that has not been paid out and has been on the books for a period greater than one year.

**Criteria:** GASB 34, Par. 112(a)(1) states that, "If repayment is not expected within a reasonable time, the interfund balances should be reduced and the amount that is not expected to be repaid should be reported as a transfer from the fund that made the loan to the fund that received the loan."

**Cause:** Lack of management oversight.

**Effect:** The Authority is not in compliance with GASB 34, Par. 112(a)(1).

**Recommendation:** We recommend that the Authority's management analyze the interfund balance and make the appropriate transfers/repayments in a timely fashion.

**Management's Response:** The operating transfer was an oversight on EDD's part and, in the future, management will ensure any pending operating transfers must occur in a timely manner.

STATE OF NEW MEXICO  
NEW MEXICO BORDER AUTHORITY

Schedule of Findings and Responses - continued

---

YEAR ENDED JUNE 30, 2009

**B. FINDINGS - FINANCIAL STATEMENT AUDIT - continued**

**08-01 OVERSPENDING OF BUDGETED EXPENDITURES (Significant Deficiency)**

**Condition:** The Authority overspent budgeted expenditures for personal services in the General Fund by \$6,854.

**Criteria:** According to State Auditor Rule 2.2.2.10, if an agency's expenditures exceed its budget in any category, this fact must be disclosed in a finding.

**Cause:** The Authority had a positive budget variance in revenues and spent the excess revenues without processing a budget adjustment resolution for the expenditures.

**Effect:** The Authority is not in compliance with statutory requirements to obtain approval prior to making expenditures.

**Recommendation:** The Authority should establish procedures by which actual vs. budgeted expenditures are monitored on a monthly basis.

**Management's Response:** Due to DFA not posting the accrued payroll, this caused the Authority not to project this cost of \$6,854 in the payroll projections at this time and management did not project adequate funding to cover this cost. In the future, management will ensure accrued payroll is included in projections.

**08-02 GENERAL LEDGER ADJUSTMENT/CASH BALANCES (Significant Deficiency)**

**Condition:** A prior year audit adjustment was booked incorrectly on the Authority's books, causing the following balances in the General Fund to be misstated over the course of the year:

- Internal Balances – Due to Other Funds – overstated by \$168,420
- Cash – overstated by \$336,840
- Due to Other State Agencies – overstated by \$168,420

**Criteria:** All journal entries should be reviewed and approved to ensure their propriety. Furthermore, reconciliations should be performed to ensure that account balances are properly stated during the course of the year.

**Cause:** Lack of formal journal entry review policy and account reconciliation procedures.

STATE OF NEW MEXICO  
NEW MEXICO BORDER AUTHORITY

Schedule of Findings and Responses - continued

---

YEAR ENDED JUNE 30, 2009

**B. FINDINGS - FINANCIAL STATEMENT AUDIT - continued**

**08-02 GENERAL LEDGER ADJUSTMENT/CASH BALANCES (Significant Deficiency) - continued**

**Effect:** Management decisions could be made based on incorrect financial data that could have a negative impact on the Authority, such as overspending of budgeted expenditures.

**Recommendation:** We recommend that the Authority institute journal entry review policy and institute account reconciliation procedures to ensure that journal entries are appropriate and account balances are accurately reflected.

**Management's Response:** The journal entry that was prepared according to the FY 2007 audit adjustments should have been reconciled after posting and noting the general ledger was incorrect. Since the Border Authority is not familiar with accounting adjustments, this makes ASD more responsible for any adjustments to the general ledger. In the future, any adjusting entries will be reconciled immediately for accuracy to the Border Authority general ledger.

**STATE OF NEW MEXICO  
NEW MEXICO BORDER AUTHORITY**

**Summary Schedule of Prior Year Audit Findings**

---

- 08-1 Overspending of Budgeted Expenditures (Significant Deficiency) – Repeated
- 08-2 General Ledger Adjustment/Cash Balances (Significant Deficiency) – Repeated

**STATE OF NEW MEXICO  
NEW MEXICO BORDER AUTHORITY**

**Exit Conference**

---

An exit conference was held with the Authority on December 9, 2009, at New Mexico Border Authority's offices in Albuquerque, New Mexico. In attendance were:

**NEW MEXICO BORDER AUTHORITY**

Fred Mondragon, Chairman, New Mexico Border Authority  
Lisa Ortiz, ASD Director

**MEYNER + COMPANY, LLC**

Patrick J. Wilkins, CPA, Partner  
Janet Pacheco-Morton, CPA, CGFM, Director  
Mury Sutherlin, CPA, Senior Accountant  
Donald MacQuigg, In Charge Accountant  
Jenn White, Staff Accountant

**PREPARATION OF FINANCIAL STATEMENTS**

The financial statements presented in this report have been prepared by the independent auditor. However, they are the responsibility of management, as addressed in the Independent Auditors' Report.