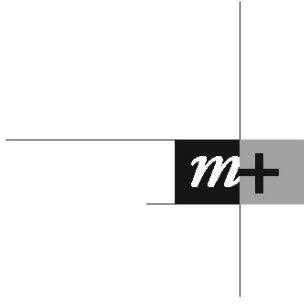


STATE OF NEW MEXICO
NEW MEXICO
BORDER AUTHORITY
Financial Statements
for the Year Ended
June 30, 2010,
and Independent
Auditors' Report



STATE OF NEW MEXICO
NEW MEXICO BORDER AUTHORITY

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

Official Roster

Year Ended June 30, 2010

Board Members – Border Authority

Title

Fred Mondragon	Chairman
Bob McNiel	Vice Chairman
Edgar Lopez	Director
Martha Skinner	Director
Elmer Garcia	Director
Harold Kuentler	Director
Diane Denish	Lt. Governor
Frank Pando	Director

Administrative Services

Lisa Ortiz	ASD Director
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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 and the budgetary comparisons of the general fund and major special revenue funds of the State of New Mexico, New Mexico Border Authority (the Authority) as of and for the year ended June 30, 2010, which collectively comprise the Authority's basic financial statements 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, 2010, 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.



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 each major fund of the Authority as of and for the year ended June 30, 2010, 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 10, 2010, 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.



December 10, 2010

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

**Management's Discussion and Analysis
Year Ended June 30, 2010**

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, 2010.

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 with their efficient and effective use of ports and related facilities. The Authority began its operations as a separate State Government Agency in 1992.

The Border Authority is legislatively established as an independent executive branch agency operating in the capacity of a public "port authority" at our international border with Mexico. The Border Authority is mandated under the Border Development Act, Section 58-27-1 et seq., NMSA 1978, to provide leadership in development of infrastructure [on both sides of the border] that will support and foster an increase in trade activity at federal ports of entry. The agency serves as a point of contact for those interested in opportunities related to shipping/crossing international trade goods through the ports. To accomplish its assigned mission, the agency works continuously with the local trade community, local government jurisdictions and the federal border enforcement agencies, not only in the United States, but also in the State of Chihuahua and in Mexico City. The agency serves as the border point of contact for the Governor and as the eyes and ears of the state's Congressional delegation in matters related to the border. The agency promotes and markets our ports of entry as an integral part of our border development partnership with Chihuahua and our trade platform with Mexico.

Financial Highlights

- In the fiscal year ended June 30, 2010, the total assets of the Authority exceeded total liabilities by \$369,456.
- The Authority acquired \$83,406 in total capital assets greater than \$5,000 during the year.
- Of the \$374,638 in total current assets, nearly 100% was in the form of cash.
- The total cost of Authority programs was \$510,692, whereas the total Authority revenue was \$606,949.

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

**Management's Discussion and Analysis - continued
Year Ended June 30, 2010**

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.

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 appropriations, 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.

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

**Management's Discussion and Analysis - continued
Year Ended June 30, 2010**

Overview of the Financial Statements - continued

Governmental Funds – continued

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).

The Authority adopts an annual appropriated budget for its General Fund. The basic governmental fund financial statements can be found on pages 15 and 22 of this report.

Other Information. In addition to the basic statements and accompanying notes, this report also presents certain required supplementary information. Required supplementary information can be found on pages 41 through 45 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 \$369,456 at the close of the 2010 fiscal year.

At the end of the 2010 fiscal year, the Authority is able to report positive balances in the category of net assets.

Governmental activities increased the Authority's net assets by \$148,063.

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 2010 fiscal year, the Authority's governmental funds reported combined ending fund balances of \$309,085, an increase of \$65,541 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 2010 fiscal year, unreserved fund balance of the general fund was \$218,986.

During the 2010 fiscal year, the fund balance of the Authority's general fund increased by \$65,541.

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

**Management's Discussion and Analysis - continued
Year Ended June 30, 2010**

Financial Analysis of the Authority as a Whole

Net Assets

Table A-1 summarizes the Authority's net assets as of June 30, 2010. Net assets for Governmental Activities were \$369,456.

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

YEARS ENDED JUNE 30,	2010	2009
Governmental Activities:		
Assets:		
Current and other assets	\$ 374,638	300,386
Capital and non-current assets	<u>86,608</u>	<u>4,804</u>
Total Assets	461,246	305,190
Liabilities:		
Current Liabilities	<u>91,970</u>	<u>83,797</u>
Total Liabilities	91,970	83,797
Net Assets:		
Invested in capital assets	86,608	-
Unrestricted – subsequent years' expenditures	<u>282,848</u>	<u>221,393</u>
Total Net Assets	\$ <u>369,456</u>	<u><u>221,393</u></u>

Changes in Net Asset

The Authority's change in assets for fiscal year 2010 was \$148,063 (Statement of Activities). Approximately 85 percent of the Authority's revenue comes from State General Fund Appropriations.

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

Management's Discussion and Analysis - continued
Year Ended June 30, 2010

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,	2010	2009
Governmental Activities:		
Revenues:		
Program Revenues:		
Land Transfer	\$ <u>83,406</u>	<u>-</u>
Total Program Revenues	83,406	-
General Revenues:		
State General Fund appropriations (net)	513,600	560,800
Other revenue	<u>93,349</u>	<u>25,021</u>
Total General Revenues	<u>606,949</u>	<u>585,821</u>
Total Revenues	690,355	585,821
Expenses:		
Border Authority Development	<u>510,692</u>	<u>593,094</u>
Total Expenses	510,692	593,094
Other Financing Uses	<u>(31,600)</u>	<u>(145,977)</u>
Increase (Decrease) in Net Assets	148,063	(153,250)
Net Assets, Beginning of Year	<u>221,393</u>	<u>374,643</u>
Net Assets, End of Year	\$ <u><u>369,456</u></u>	<u><u>221,393</u></u>

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

**Management's Discussion and Analysis - continued
Year Ended June 30, 2010**

Financial Analysis of the Department's Funds

Capital Assets and Debt Administration

The Authority had \$86,608 in capital assets for the year ended June 30, 2010.

The Authority did not have any long-term debt for the year ended June 30, 2010.

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 New Mexico Border Authority (NMBA) has achieved the following:

Trade with Mexico processed through New Mexico ports of entry has increased from \$742 million in 2001 to about \$12 billion in 2010, over a 1,500% increase in ten years. The vast majority of trade flows through Santa Teresa and is wide-ranging, including livestock, cement and cement products, chile and beans, candy, construction equipment, automobile parts, scrap metal, computers and hundreds of other commodities.

In 2008, Foxconn, a Taiwanese contract manufacturer of consumer electronics, and one of the largest employers in the world, approached the Border Authority and asked its assistance in locating at Jeronimo, just across the border from Santa Teresa. The agency assisted Foxconn in meetings with Mexican and U.S. Customs as well as the U.S. General Services Administration to make sure the proposed Foxconn operation was feasible.

Today, the Foxconn facility at Jeronimo is the largest industrial site in northern Mexico, employing over 7,000 workers producing Dell Computers. Foxconn management and technical staff live in or near Santa Teresa and manufacturing imports flow through Santa Teresa based logistics operations. Foxconn, which plans three additional phases equal to its first, is the anchor operation that is already attracting major new industry to both sides of the border at Santa Teresa.

Traffic through New Mexico ports has sharply increased in the past ten years. Last year, over 2.3 million persons crossed the border at Santa Teresa. Northbound non-commercial traffic through the port has increased 510% in the past ten years, from approximately 81,000 vehicles in 2000 to about 510,000 vehicles in 2010.

The Border Authority continually works with the Congressional delegation, U.S. Customs and Border Protection, the U.S. General Services Administration, and state agencies to assure the expansion of port facilities and staffing to accommodate new trade and traffic. Similar work with the Mexican government has also been a key to success. Mexican staffing and facilities necessary for temporary permitting of American vehicles in

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

**Management's Discussion and Analysis - continued
Year Ended June 30, 2010**

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

Mexico were established at the Jeronimo at the agency's request. Now, more travelers to the Mexican interior cross at Santa Teresa during the holiday season than cross at the El Paso ports.

At the close of 2010, over \$25 million in design and construction projects are underway at New Mexico's ports of entry, including:

Antelope Wells Port Replacement	\$10 million	ARRA funding
Columbus Port Commercial Bypass	3 million	federal funding
Columbus Port Expansion (design)	3 million	ARRA funding
Santa Teresa Port Expansion	10 million	ARRA funding

The U.S. General Services Administration intends to include construction of the Columbus port project in the FY12 federal budget, with an estimated cost of about \$50 million.

The Border Authority was and is intimately involved in all of the projects except Antelope Wells. Most importantly, the agency successfully lobbied for project funding. In addition, the agency was responsible for all of the early management of the Columbus bypass project, including negotiating necessary right of way acquisition. The agency is also coordinating critical complementary expansion of the Palomas port of entry and permitting of new roadways into Mexico for commercial vehicles. Among other tasks, the agency is reviewing the design plans for the state and assisting in land acquisition for the expansion.

The Border Authority chaired the public-private partnership with Dell and Foxconn that successfully lobbied the federal government for unexpended ARRA monies for Santa Teresa. The public-private partnership will be a model for future large scale port development on the entire southern border with Mexico.

A. Port Hours and Operations.

Operational hours at New Mexico ports often must be extended or modified to better accommodate rapidly increasing trade and traffic. The Border Authority conducts almost continuous surveys and studies to determine traffic flows and requirements. When justified, the agency petitions Customs and Border Protection, Mexican Customs, and Mexican Immigration for hours or operational changes. Often the decisions are made in Washington or Mexico City, but the agency has a very good success rate. In the past five years, the Border Authority has been able to have both non-commercial and commercial hours extended multiple times at Santa Teresa, as well as annual commercial extensions at Columbus during the Chile import season.

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

**Management's Discussion and Analysis - continued
Year Ended June 30, 2010**

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

B. Santa Teresa Rail Bypass

El Paso and Cd. Juarez have been a bi-national rail hub for the Paso del Norte Region since the first tracks were laid in 1882. As the cities expanded and rail traffic increased, conflict with roadway traffic and urban congestion became more and more problematic. Rail relocation was first considered almost one hundred years ago. In the past few years, relocation has become even more critical because of border security and environmental issues such as rail-borne hazardous materials and air emissions.

In 2004, the City of El Paso and the three converging railroads--Burlington Northern Santa Fe, Union Pacific, and Ferromex—conducted preliminary studies to determine the best location to relocate the interchange of rail traffic between the United States and Mexico. Both studies agreed that Santa Teresa was by far the best location.

On September 30, 2009, at a meeting in Santa Teresa, a joint directive of the governors of New Mexico and Chihuahua, the mayors of Cd. Juarez and El Paso, and senior executives of the three railroads directed New Mexico to conduct studies to more conclusively determine project feasibility and to accomplish federal permitting for a new rail border crossing.

The Border Authority is the lead state agency for the project because of its statutory responsibility for border crossings and because of the intense coordination with Mexican agencies that is necessary to accomplish the work.

FINANCIAL STATEMENTS

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

Statement of Net Assets

AS OF JUNE 30, 2010

		PRIMARY GOVERNMENT Governmental Activities
		<u> </u>
ASSETS:		
Current assets:		
Investment in State Treasurer's Pool	\$	374,613
Due from other state agencies		<u>25</u>
Total current assets		374,638
Capital assets, net of depreciation		<u>86,608</u>
TOTAL ASSETS	\$	<u>461,246</u>
LIABILITIES AND NET ASSETS:		
LIABILITIES:		
Current liabilities:		
Accounts payable and other current liabilities	\$	15,898
Compensated absences payable		26,237
Due to State General Fund		31,600
Accrued payroll		<u>18,055</u>
Total current liabilities		<u>91,790</u>
TOTAL LIABILITIES		91,790
NET ASSETS:		
Invested in capital assets		86,608
Unrestricted		<u>282,848</u>
TOTAL NET ASSETS		<u>369,456</u>
TOTAL LIABILITIES AND NET ASSETS	\$	<u>461,246</u>

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

Statement of Activities

YEAR ENDED JUNE 30, 2010

	<u>PRIMARY GOVERNMENT Governmental Activities Total</u>
EXPENSES:	
Border authority development	\$ <u>510,692</u>
TOTAL EXPENSES	510,692
PROGRAM REVENUES:	
Charges for service	-
Operating grants and contributions	-
Capital grants and contributions	<u>-</u>
TOTAL PROGRAM REVENUES	<u>-</u>
NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS	<u>510,692</u>
GENERAL REVENUES AND TRANSFERS	
Transfers in:	
General Fund appropriation	513,600
Capital asset	83,406
Other revenue	93,349
Transfers out:	
Reversion FY2010	<u>(31,600)</u>
TOTAL GENERAL REVENUES AND TRANSFERS	<u>658,755</u>
CHANGE IN NET ASSETS	148,063
NET ASSETS, June 30, 2009	<u>221,393</u>
NET ASSETS, June 30, 2010	\$ <u><u>369,456</u></u>

STATE OF NEW MEXICO
NEW MEXICO BORDER AUTHORITY

Balance Sheet - Governmental Funds

AS OF JUNE 30, 2010

	Major Funds				Total Governmental Funds
	General Fund	Hazmat Grant Fund	Capital Outlay Fund	Border Dev. Grant Fund	
ASSETS:					
Cash on deposit	\$ 284,539	4,733	38,023	47,318	374,613
Due from other State Agencies	-	25	-	-	25
TOTAL ASSETS	\$ 284,539	4,758	38,023	47,318	374,638
LIABILITIES:					
Accounts payable and other current liabilities	\$ 15,898	-	-	-	15,898
Due to State General Fund	31,600	-	-	-	31,600
Accrued payroll	18,055	-	-	-	18,055
TOTAL LIABILITIES	65,553	-	-	-	65,553
FUND BALANCES:					
Unreserved/undesignated	218,986	4,758	38,023	47,318	309,085
TOTAL FUND BALANCES	218,986	4,758	38,023	47,318	309,085
TOTAL LIABILITIES AND FUND BALANCES	\$ 284,539	4,758	38,023	47,318	374,638

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

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

AS OF JUNE 30, 2010

Total Fund Balance - Governmental Funds (Governmental Fund Balance Sheet)	\$ 309,085
 Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital Assets	86,608
Compensated Absences	<u>(26,237)</u>
Net assets of governmental activities (Statement of Net Assets)	\$ <u><u>369,456</u></u>

STATE OF NEW MEXICO
NEW MEXICO BORDER AUTHORITY

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

YEAR ENDED JUNE 30, 2010

	Major Funds				Total Governmental Funds
	General Fund	Hazmat Grant Fund	Capital Outlay Fund	Border Dev. Grant Fund	
REVENUES:					
Other revenue	\$ 93,349	-	-	-	93,349
TOTAL REVENUES	<u>\$ 93,349</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>93,349</u>
EXPENDITURES:					
Current:					
Personal services	\$ 356,333	-	-	-	356,333
Operating costs	98,364	-	-	-	98,364
Contractual services	55,111	-	-	-	55,111
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL EXPENDITURES	<u>509,808</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>509,808</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(416,459)	-	-	-	(416,459)
OTHER FINANCING SOURCES (USES):					
State General Fund appropriations	513,600	-	-	-	513,600
Reversions to State General Fund:					
Fiscal year 2010	<u>(31,600)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(31,600)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>482,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>482,000</u>
NET CHANGE IN FUND BALANCES	65,541	-	-	-	65,541
FUND BALANCES, June 30, 2009	<u>153,445</u>	<u>4,758</u>	<u>38,023</u>	<u>47,318</u>	<u>243,544</u>
FUND BALANCES, June 30, 2010	<u>\$ 218,986</u>	<u>4,758</u>	<u>38,023</u>	<u>47,318</u>	<u>309,085</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, 2010

Net Changes in Fund Balances - Total Governmental Funds

(Statement of Revenues, Expenditures, and Changes in Fund Balances) \$ 65,541

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

Capital asset additions	-	
Depreciation expense	<u>(1,602)</u>	(1,602)

In the Statement of Activities, transfers in for capital from another state agency are recorded; however, because general capital assets are not capitalized in governmental funds, there is no effect in those funds. 83,406

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: 718

Change in net assets of governmental activities (Statement of Activities) \$ 148,063

STATE OF NEW MEXICO
NEW MEXICO BORDER AUTHORITY

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

YEAR ENDED JUNE 30, 2010

	GENERAL FUND (FUND 48000)			
	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
State general fund	\$ 553,800	513,600	513,600	-
Other state funds	-	40,000	93,349	53,349
TOTAL REVENUES	553,800	553,600	606,949	53,349
Cash balance budgeted	-	14,000	-	(14,000)
TOTAL REVENUES AND CASH	553,800	567,600	606,949	39,349
EXPENDITURES:				
Personnel services	362,900	369,800	356,333	13,467
Contractual services	75,300	75,300	55,111	20,189
Operating costs	115,600	122,500	98,364	24,136
TOTAL EXPENDITURES	553,800	567,600	509,808	57,792
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER FUNDING SOURCES (USES)	\$ -	-	97,141	97,141
REVERSIONS NOT BUDGETED			(31,600)	
NET CHANGE IN FUND BALANCE			\$ 65,541	

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, 2010

	HAZMAT GRANT (FUND 02900)			
	Budgeted Amounts		Actual Amounts	Variance From Final Budget
	Original	Final	(Budgetary Basis)	Positive (Negative)
REVENUES:				
State general fund	\$			
Other state funds	-	-	-	-
	-	-	-	-
TOTAL REVENUES	-	-	-	-
EXPENDITURES:				
General government:				
Personnel services	-	-	-	-
Contractual services	-	-	-	-
Operating costs	-	-	-	-
TOTAL EXPENDITURES	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	\$ -	-	-	-

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, 2010

	SPECIAL REVENUE CAPITAL OUTLAY (FUND 03600)			
	Budgeted Amounts		Actual Amounts	Variance From Final Budget
	Original	Final	(Budgetary Basis)	Positive (Negative)
REVENUES:				
State general fund	\$			
Other state funds		-	-	-
		-	-	-
TOTAL REVENUES		-	-	-
EXPENDITURES:				
General government:				
Personnel services		-	-	-
Contractual services		-	-	-
Capital Outlay		-	-	-
TOTAL EXPENDITURES		-	-	-
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	\$	-	-	-

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, 2010

	BORDER DEVELOPMENT GRANT (FUND 05600)			
	Budgeted Amounts		Actual Amounts	Variance From Final Budget
	Original	Final	(Budgetary Basis)	Positive (Negative)
REVENUES:				
State general fund	\$			
Other state funds		-	-	-
		-	-	-
TOTAL REVENUES		-	-	-
EXPENDITURES:				
General government:				
Contractual services		-	-	-
Other operating expense		-	-	-
Capital Outlay		-	-	-
TOTAL EXPENDITURES		-	-	-
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	\$	-	-	-

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 the Economic Development Department be the 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. 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 must be directly associated with a function. The 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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

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.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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

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

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

- **Basis of Presentation - continued**

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.
- The appropriation request is submitted to the Department of Finance and the Administration's Budget Division (DFA) and to the Legislative Finance Committee (LFC).

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

• **Budgets and Budgetary Accounting - continued**

- 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, 2010, 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**

Investments held by the State Treasurer's Office consist of required deposits made to the State Treasurer's Office. The State Treasurer's Office monitors the accounts and the State Treasurer issues separate financial statements, which disclose the collateral pledged to secure these deposits. The State Treasurer invests all public monies held in excess of the minimum compensating balance maintained with the fiscal agent bank in accordance with an investment policy approved by the State Board of Finance.

It is the Authority's position that all deposits at the State Treasurer's Office are reported at carrying value, which reasonably estimates fair value.

The investments are valued at fair value based on quoted market prices as of the valuation date.

For additional GASB 40 disclosure information regarding cash held by the New Mexico State Treasurer's State General Fund Investment Pool, the reader should see the separate audit report for the New Mexico State Treasurer's Office for the fiscal year ended June 30, 2010.

- **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.

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

Notes to Financial Statements - continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

• **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, per Section 12-6-10 NMSA 1978. 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

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**

Qualified employees are entitled to accumulate annual leave according to a graduated leave schedule of 80 to 160 hours per year, depending upon length of service and employee hire date. A maximum of 30 working days (240 hours) or such accumulated annual leave may be carried forward into the beginning of the calendar year and any excess leave is lost.

When employees terminate, they are compensated for accumulated unpaid annual leave as of the date of termination, up to a maximum of 240 hours. Accumulated annual leave is not expected to be liquidated with expendable available financial resources and is reported in the general long-term debt group.

Qualified employees are entitled to accumulate sick leave at the rate of one day for each calendar month of service. There is no limit to the amount of sick leave that an employee may accumulate. Once per fiscal year in either January or July, employees may elect to be paid up to 50% of accrued sick leave in excess of 600 up to 720 hours, but not to exceed 120 hours (net 60 hours can be paid). In the case of retiring employees, up to 200 net hours in excess of 600 hour minimum limit can be paid. All sick leave balances from 600 to 720 hours have been recorded at 50% of the employee's current hourly rate in the general long-term debt account group, including those amounts paid in July because no expendable financial resources are available as of the balance sheet date to liquidate the liability.

• **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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

- **Reverting Funds - continued**

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

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. The amount due to the State General Fund at June 30, 2010 was \$31,600, see Note 10.

- **Revenues, Expenditures and Expenses**

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

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

• **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), restricted 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.

Restricted Assets are liquid assets (generated from revenues and not bond proceeds), which have third-party (statutory, bond covenant or granting agency) limitations on their use, or are legally restricted by enabling legislation.

Unrestricted Assets represent unrestricted liquid assets.

The Authority applies unrestricted resources first for payment of expenditures.

• **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**

All funds allotted to the Authority are held by the New Mexico State Treasurer. Deposits are non-interest bearing. Money deposited by the Authority with the State Treasurer is pooled and invested by the State Treasurer. Fund on deposit with the State Treasurer totaled \$374,613 at June 30, 2010.

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

Notes to Financial Statements - continued

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

<u>Account Name</u>	<u>STO Number</u>	<u>Fund Type</u>	<u>Per Depository</u>
Operational cash:			
State Treasurer:			
Operating	417-480	General	\$ 284,539
Hazmat Grant	417-029	Special Revenue	4,733
Capital Outlay Grant	417-036	Special Revenue	38,023
Border Dev. Grant	417-056	Special Revenue	<u>47,318</u>
Total operational cash			\$ <u>374,613</u>

Cash balances at June 30, 2010 consisted of cash invested with the New Mexico State Treasurer, known as the State General Fund Investment Pool. In general, all deposits held by the New Mexico State Treasurer must be collateralized at a minimum level of 50%, in compliance with Section 6-10-17, NMSA 1978. The New Mexico State Treasurer is in compliance with this requirement. Separate financial statements of the New Mexico State Treasurer indicate collateral, categories of risk and market value of purchased investments, which may differ from the cash deposited by the Department.

• **Interest Rate Risk**

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

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**

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The New Mexico State Treasurer’s Office Pool is not rated for credit risk.

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, 2010.

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

Notes to Financial Statements - continued

3. CHANGES IN CAPITAL ASSETS

A summary of changes in capital assets is as follows:

	<u>Balance</u> <u>7/1/2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>6/30/2010</u>
Land	\$ -	83,406	-	83,406
Depreciable assets:				
Furniture, fixtures and equipment	6,405	-	-	6,405
Accumulated depreciation	<u>(1,601)</u>	<u>(1,602)</u>	<u>-</u>	<u>(3,203)</u>
Total capital assets	\$ <u>4,804</u>	<u>81,804</u>	<u>-</u>	<u>86,608</u>

The land acquired in the current year of \$83,406 was not a current year capital outlay expenditure, but was a transfer from the Property Control Division of the New Mexico General Services Department and, therefore, was not recognized at the fund-level.

Depreciation expense was \$1,602 for the year ended June 30, 2010.

4. COMPENSATED ABSENCES

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

	<u>Balance</u> <u>6/30/2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>6/30/2010</u>	<u>Due in</u> <u>One Year</u>
Compensated absences payable	\$ <u>26,955</u>	<u>7,553</u>	<u>(8,271)</u>	<u>26,237</u>	<u>26,237</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.

5. RETIREMENT PLANS - PUBLIC EMPLOYEES RETIREMENT ASSOCIATION

• **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 benefits, 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. That report may be obtained by writing to PERA,

5. **RETIREMENT PLANS - PUBLIC EMPLOYEES RETIREMENT ASSOCIATION**
continued

• **Plan Description - continued**

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.

• **Funding Policy**

Plan members are required to contribute 8.92% of their gross salary. The Authority is required to contribute 15.09% of the gross covered salary. The contribution requirements of plan members and the Authority are established in State statute 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, 2010, 2009 and 2008 were \$45,535, \$50,451 and \$49,124, respectively, equal to the amount of the required contribution for each year.

6. **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 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.

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

• **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.

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. During the fiscal year ended June 30, 2010, the statute required each participating employer to contribute 1.3% of each participating employee’s annual salary; each participating employee was required to contribute .65% of their salary. In the fiscal year ending June 30, 2011 through June 30, 2013, the contribution rates for employees and employers will rise as follows:

For employees who are not members of an enhanced retirement plan, the contribution rates will be:

Fiscal Year	Employer Contribution Rate	Employee Contribution Rate
FY11	1.666%	.833%
FY12	1.834%	.917%
FY13	2.000%	1.000%

Also, employers joining the program after January 1, 1998 are 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.

The Authority’s contributions to the RHCA for the years ended June 30, 2010, 2009 and 2008 were \$3,386, \$2,682 and \$2,618, respectively, which equal the required contributions for each year.

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

Notes to Financial Statements - continued

7. RISK MANAGEMENT

The Authority, as a State Agency defined in the New Mexico Tort Claims Act, is insured through the Risk Management Division of the General Services Department of the State of New Mexico. The Office of Risk Management Division pays annual premiums for coverage provided in the following areas:

- Liability and civil rights protection for claims made by others against the State of New Mexico;
- Coverage to protect the State of New Mexico’s property and assets; and
- Fringe benefit coverage for State of New Mexico employees.

In the case of civil actions or claims against the Authority for financial damages, the Authority’s certificate of insurance with Risk Management does not cover claims for back wages but does cover civil rights claims for other compensatory damages.

The Authority paid the following amounts to Risk Management for the years ended June 30, 2010 and 2009 respectively \$5,261 and \$2,920. The Department's exposure is limited to \$1,000 per any first party incurred property loss, with the exception of theft, which has a \$5,000 deductible. After conferring with legal counsel concerning pending litigation and claims, the Department believes that the outcome of pending litigation should not have a materially adverse effect on the financial position or operations of the Department. In addition, for the years ended June 30, 2008, 2009 and 2010, the Department had no claims for which the Risk Management Division has returned as “not covered” that would become the responsibility of the Department.

8. 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 \$513,600 and reversions of \$31,600. In addition, there was a transfer in of capital assets (land) from the General Services Department for \$83,406 that was recorded at the government-wide level.

	SHARE Agency		Transfers In	Transfers Out
General Fund:				
SHARE Fund 48000	34100	\$	513,600	31,600
		\$	513,600	31,600
Governmental Activities	35000	\$	83,406	

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

Notes to Financial Statements - continued

9. REVERSIONS DUE TO NEW MEXICO STATE GENERAL FUND

In accordance with statute Section 6-5-10 (A) NMSA 1978, all unreserved, undesignated fund balances in reverting funds and accounts as reflected in the central accounting system as of June 30 shall revert. The Authority did not have any additional reversions for FY10. \$31,600 is payable at June 30, 2010 and due by September 30, 2010. This payable may be adjusted within 45 days of the release of this audit by the New Mexico Office of the State Auditor.

General Fund Executive Order 2009-044 Reversion, 2010	\$ <u>31,600</u>
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10. NEW PRONOUNCEMENTS

Effective for fiscal years beginning after June 15, 2010, GASB 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, will provide modifications to, and additional types of, fund balance classifications. This statement will enhance the usefulness of fund balance information to provide more consistency among the classifications and will establish reporting standards for all governments that report governmental funds. Although early implementation is encouraged, the State of New Mexico has decided to implement this new pronouncement for fiscal year ending June 30, 2011. The impact on the Authority's financial statements has not yet been determined.

Effective for fiscal years beginning after June 15, 2010, GASB 59, *Financial Instruments Omnibus*, will update and improve existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. This statement provides for the following amendments:

- National Council on Governmental Accounting Statement 4, *Accounting and Financial Reporting Principles for Claims and Judgments and Compensated Absences*, is updated to be consistent with the amendments to GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, regarding certain financial guarantees.
- Statements No. 25, *Financial Reporting for Defined Benefit Pensions Plans and Note Disclosures for Defined Contribution Plans*, and No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, are amended to remove the fair value exemption for unallocated insurance contracts. The effect of this amendment is that investments in unallocated insurance contracts should be reported as interest-earning investment contracts according to the provisions of paragraph 8 of Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*.

10. NEW PRONOUNCEMENTS - continued

- Statement 31 is clarified to indicate that a 2a7-like pool, as described in Statement 31, is an external investment pool that operates in conformity with the Securities and Exchange Commission's (SEC) Rule 2a7 as promulgated under the Investment Company Act of 1940, as amended.
- Statement No. 40, *Deposit and Investment Risk Disclosures*, is amended to indicate that interest rate risk information should be disclosed only for debt investment pools – such as bond mutual funds and external bond investment pools – that do not meet the requirements to be reported as a 2a7-like pool.

Although early implementation is encouraged, the State of New Mexico has decided to implement these new pronouncements for fiscal year ending June 30, 2011. The impact on the Authority's financial statements has not yet been determined.

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, each major fund, and the budgetary comparisons of the general fund and major special revenue funds of the New Mexico Border Authority (Authority), as of and for the year ended June 30, 2010, and have issued our report thereon dated December 10, 2010. 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.

A **deficiency in internal control** exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A **material weakness** is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.



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

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We did not note any other 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.

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.

A handwritten signature in black ink that reads "Meyers + Company, LLC". The signature is written in a cursive, flowing style.

December 10, 2010

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

Schedule of Findings and Responses

YEAR ENDED JUNE 30, 2010

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. No significant deficiencies or material weaknesses 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.

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

Summary Schedule of Prior Year Audit Findings

- 08-1 Overspending of Budgeted Expenditures (Significant Deficiency) – Resolved
- 08-2 General Ledger Adjustment/Cash Balances (Significant Deficiency) – Resolved
- 09-1 Interfund Balances - Resolved

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

Exit Conference

An exit conference was held with the Authority on December 14, 2010, at New Mexico Border Authority's offices in Albuquerque, New Mexico. In attendance were:

NEW MEXICO BORDER AUTHORITY

Alan Oliver, Acting Secretary, Economic Development Department
Lisa Ortiz, ASD Director

MEYNER + COMPANY, LLC

Janet Pacheco-Morton, CPA, CGFM, Director
Matthew Walker, CPA, Senior 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.