


**STATE OF NEW MEXICO
ECONOMIC DEVELOPMENT
DEPARTMENT
Financial Statements
for the Year Ended
June 30, 2008,
and Independent
Auditors' Report**

STATE OF NEW MEXICO
ECONOMIC DEVELOPMENT DEPARTMENT

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**STATE OF NEW MEXICO
ECONOMIC DEVELOPMENT DEPARTMENT**

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STATE OF NEW MEXICO
ECONOMIC DEVELOPMENT DEPARTMENT

Official Roster

Year Ended June 30, 2008

Office of the Secretary

Title

Fred Mondragon
Kelly O'Donnell
Michael Henningson
Elizabeth Davis

Cabinet Secretary
Deputy Cabinet Secretary
Communications Director
Director of Marketing

Administrative Services

Lisa Ortiz
Alfonso Trujillo

ASD Director
Accounting Bureau Chief

INDEPENDENT AUDITORS' REPORT

Mr. Fred Mondragon, Secretary
State of New Mexico
Economic Development Department and
Mr. Hector H. Balderas
New Mexico State Auditor

We have audited the accompanying financial statements of the governmental activities, each major fund (General Fund, Capital Projects Fund and In-Plant Training Fund) and the aggregate remaining fund information of the State of New Mexico Economic Development Department (Department) as of and for the year ended June 30, 2008, which collectively comprise the Department's basic financial statements, as listed in the table of contents. We also have audited the financial statements of each of the Department's non-major governmental funds presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2008, as listed in the table of contents. These financial statements are the responsibility of the Department'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 Department'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 Department are intended to present the financial position and the changes in financial position of only that portion of the government activities, each major fund and the aggregate remaining fund information of the State of New Mexico that is attributable to the transactions of the Department. They do not purport to, and do not present fairly the financial position of the entire State of New Mexico as of June 30, 2008, and the changes of financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

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Mr. Fred Mondragon, Secretary
State of New Mexico
Economic Development Department 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, each major fund (General Fund, Capital Project Fund and In-Plant Training Fund) and the aggregate remaining fund information of the Department as of and for the year ended June 30, 2008, and the respective changes in financial position thereof, and the respective budgetary comparisons for the general fund and major special revenue fund for the year then ended, in conformity with accounting principles generally accepted in United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each non-major governmental fund of the Department as of and for the year ended June 30, 2008, and the respective changes in financial position and the respective budgetary comparisons for the major capital project fund and all non-major 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 8, 2008, on our consideration of the Department'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 14 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.

Mayners + Company, LLC

December 8, 2008

**STATE OF NEW MEXICO
ECONOMIC DEVELOPMENT DEPARTMENT**

**Management's Discussion and Analysis
Year Ended June 30, 2008**

The State of New Mexico Economic Development Department's (Department) discussion and analysis is designed to assist the reader in focusing on significant financial issues, provide an overview of the Department's financial activity, identify changes in the Department'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 Department, we offer readers this narrative overview and analysis of the financial activities of the Department for the year ended June 30, 2008.

Department Overview

The Department is one of 16 cabinet level departments within the executive branch of the New Mexico State Government. Founded by State statute in 1978, the Department's mission is to facilitate the creation, retention and expansion of jobs and to increase investment through public/private partnerships to establish a stable diverse economy in an effort to improve the quality of life for New Mexicans.

To achieve our mission, the Department provides leadership and technical assistance to communities, businesses and economic development organizations - this is done to empower both the public and private sectors to facilitate economic growth. Our emphasis is on the creation of diverse jobs that have a significant economic impact on the communities in which they occur.

Financial Highlights

- In the fiscal year ended June 30, 2008, the total net assets of the Department exceeded total liabilities by \$45,959,280.
- The Department acquired \$5,386 in total capital assets greater than \$5,000.
- Of the \$49,136,028 in total current assets, nearly 99% was in the form of cash.
- The total cost of Department programs was \$28,310,519, whereas the total Department revenue was \$51,905,729.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Department's basic financial statements. The Department'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
ECONOMIC DEVELOPMENT DEPARTMENT

Management's Discussion and Analysis - continued
Year Ended June 30, 2008

Overview of the Financial Statements

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

The statement of net assets presents information on all of the Department'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 Department 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 Department 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 Department include economic development, program support, technology commercialization and community development. Within the Department, 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 Department uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Department can be divided into two categories: general funds and special revenue 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 Department maintains five individual 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, the Capital Projects fund, and the Special Revenue funds, three of which are considered to be major funds (General fund 18900, Capital Projects fund 02800 and In-Plant Training fund 63800). Data from the other seven governmental funds are combined into non-major funds. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements on pages 48 and 49 of this report.

**STATE OF NEW MEXICO
ECONOMIC DEVELOPMENT DEPARTMENT**

**Management's Discussion and Analysis - continued
Year Ended June 30, 2008**

Overview of the Financial Statements - continued

Governmental Funds

The Department adopts an annual appropriated budget for its general fund. The basic governmental fund financial statements can be found on pages 19 and 21 of this report.

Other Information

In addition to the basic statements and accompanying notes, this report also presents certain required supplementary information concerning the Department's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on pages 47 through 56 of this report.

Government-Wide Financial Analysis

As mentioned earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Department, net assets exceeded liabilities by \$45,959,280 at the close of the 2008 fiscal year.

The largest portion of Department net assets (more than 99%) are from cash and cash equivalents associated with the Community Development Loan Fund and the Industrial Development Training Program. The Department uses this cash to assist businesses in providing on-the-job training and job opportunities to New Mexicans, while offering funding assistance to New Mexico businesses.

At the end of the 2008 fiscal year, the Department is able to report positive balances in the category of net assets. The same situation held true for the prior fiscal year.

Governmental Activities

Governmental activities decreased the Department's net assets by \$23,861,956.

Financial Analysis of the Government's Funds

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

**STATE OF NEW MEXICO
ECONOMIC DEVELOPMENT DEPARTMENT**

**Management's Discussion and Analysis - continued
Year Ended June 30, 2008**

Governmental Activities - continued

Financial Analysis of the Government's Funds - continued

As of the end of the 2008 fiscal year, the Department's governmental funds reported combined ending fund balances of \$46,181,661, an increase of \$23,906,871 in comparison with the prior year. The majority of this amount is derived from the In-Plant Training (fund 63800) 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 Department. At the end of the 2008 fiscal year, unreserved fund balance of the general fund was \$2,588,297. This amount is not associated with non-committed funding from the In-Plant Training Program and Community Development Loan Fund.

During the 2008 fiscal year, the fund balance of the Department's general fund decreased by \$55,322.

The Department's assets at the fund level are mostly comprised of cash. 99%, or \$48,703,654, is the total cash and percentage of assets. The fund liabilities are made up mostly of accounts payable. The balance of \$2,480,518, or 82%, is from accounts payable and caused the largest increase in liabilities during the year. As mentioned earlier, the Department's largest source of income comes from State General Fund Appropriations. The Department spends 39%, or \$10,913,336, on "other" expenditures, which include funding the in-plant training fund and other programs. The next largest expenditure category is in contractual services. The Department spends \$12,067,002, or 43%, in this category.

**STATE OF NEW MEXICO
ECONOMIC DEVELOPMENT DEPARTMENT**

**Management's Discussion and Analysis - continued
Year Ended June 30, 2008**

Financial Analysis of the Department as a Whole

Net Assets

Table A-1 summarizes the Department's net assets for the fiscal year ended June 30, 2008. Net assets for Governmental Activities were \$45,813,305.

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

YEARS ENDED JUNE 30,	2008	2007
Governmental Activities:		
Assets:		
Current and other assets	\$ 49,136,028	27,262,328
Capital and non-current assets	<u>17,460</u>	<u>37,126</u>
Total Assets	49,153,488	27,299,454
Liabilities:		
Current Liabilities	<u>3,340,183</u>	<u>5,202,130</u>
Total Liabilities	3,340,183	5,202,130
Net Assets:		
Invested in capital assets	17,460	37,126
Restricted	1,973,976	9,598,883
Unrestricted – subsequent years' expenditures	<u>43,821,869</u>	<u>12,461,315</u>
Total Net Assets	\$ <u>45,813,305</u>	<u>22,097,324</u>

Changes in Net Assets

The Department's change in assets for fiscal year 2008 was \$23,861,956 (Statement of Activities). Almost one hundred percent of the Department's revenue comes from State General Fund Appropriations.

STATE OF NEW MEXICO
ECONOMIC DEVELOPMENT DEPARTMENT

Management's Discussion and Analysis - continued
Year Ended June 30, 2008

Financial Analysis of the Department as a Whole - continued

Changes in Net Assets - continued

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

YEARS ENDED JUNE 30,	2008	2007
Governmental Activities:		
Revenues:		
Program Revenues:		
Operating grants	\$ -	<u>100,000</u>
Total Program Revenues	-	100,000
General Revenues:		
State General Fund appropriations (net)	49,651,095	10,328,805
Others	<u>2,254,634</u>	<u>862,340</u>
Total General Revenues	<u>51,905,729</u>	<u>11,191,145</u>
Total Revenues	51,905,729	11,291,145
Expenses:		
Economic Development	(28,310,519)	(34,632,430)
Other sources (uses):		
Operating financing uses	<u>266,746</u>	<u>400,899</u>
Total Expenses	(28,043,773)	(34,131,531)
Increase (Decrease) in Net Assets	23,861,956	(22,940,386)
Net Assets, Beginning of Year	22,097,324	46,738,856
Prior Period Adjustment	<u>(145,975)</u>	<u>(1,701,146)</u>
Net Assets, Beginning of Year, Restated	<u>21,951,349</u>	<u>45,037,710</u>
Net Assets, End of Year	\$ <u>45,813,305</u>	<u>22,097,324</u>

**STATE OF NEW MEXICO
ECONOMIC DEVELOPMENT DEPARTMENT**

**Management's Discussion and Analysis - continued
Year Ended June 30, 2008**

Financial Analysis of the Department's Funds

Capital Assets and Debt Administration

The Department's investment in capital assets for its governmental activities amounts to \$17,460 (net of accumulated depreciation). This investment in capital assets includes machinery and equipment. The Department expended \$5,386 in capital assets greater than \$5,000 for the year. Additional information on the Department's capital assets can be found in the notes to this report.

The Department's total liabilities decreased \$1,861,947 over the previous fiscal year. The key factors in this increase were the change in accounts payable, reversions and compensated absences payable in one year. The Department does not have any long-term debt.

Original and Final Budget

There were significant variations between the original and final budget. The Department recorded the 2008 appropriations in fiscal year 2007. The funds were appropriated by Laws of 2007, Chapter 28, Section 5, which made funds available to be used in fiscal year 2007. The variance between final budget and actual was very slight because the Department spent most of the money as appropriated by the State General Fund during the fiscal year.

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

The Department has had many successes to celebrate in fiscal year 2008. The Department has two approaches to creating jobs and wealth in New Mexico: growing communities and growing businesses.

- With a target of 6200, over 5,582 jobs were created, including 1,890 in rural areas. Two companies were recruited to the State, including Schott Solar and Fidelity Investments. The Job Training Incentive Program (JTIP) allocated over \$7.0 million to 60 projects, providing training for more than 1,951 new jobs. JTIP also reviewed some of its policies and made some positive changes for improving the quality of jobs it funds. These changes included changes in the minimum wage requirements with regard to eligibility for training hours.
- Increased special wage requirements for contract-based call centers.
- Defined manufacturing and allowed distribution centers.
- Tracking the Governor's priority to bring more clean energy industries, JTIP expanded its eligible industries to include renewable power generation.

The Community Development Team continues to assist communities in achieving "Certified Community" status, ending the year with 40 certified communities. MainStreet™ now serves 27 New Mexico towns and cities, including two new start-up communities: Santa Rosa and Tucumcari; and seven satellite communities:

**STATE OF NEW MEXICO
ECONOMIC DEVELOPMENT DEPARTMENT**

**Management's Discussion and Analysis - continued
Year Ended June 30, 2008**

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

Bayard, Capitan, Dona Ana, Espanola, Eunice, Reserve and Roy. MainStreet™ contributed to the creation of 569 new jobs and 28 new communities participating in Mainstreet during the year.

Spaceport America celebrated several milestones in FY08 as well. In September, the New Mexico Spaceport Authority (NMSA), representatives from Virgin Galactic and a team of U. S. and British architects unveiled the design renderings for Spaceport America at a press conference in Las Cruces. URS Corporation and Fosters + Partners were awarded the design of the facilities. Construction on the 100,000 square foot hangar and terminal is scheduled to begin later this year.

In February, NMSA officials reported that the final layout and design for Spaceport America is 90 percent complete. All design-related activity (water and power distribution, internal road design, runway and related airfield construction) for the onsite infrastructure is anticipated this summer. In addition, the projected cost for the onsite infrastructure is on target within the original budget. This progress moves the Spaceport closer to the first bid package for construction.

The New Mexico Department of Transportation (NMDOT) initiated the bid process for road improvements to Spaceport America in June. The bid notifications were initially posted on that day, and bids are currently being accepted by NMDOT. Initial work on the road south from Engle, NM, to the turn off for Spaceport America is planned to begin on or around September 2008, depending on weather and other factors. Once completed, the improved road will allow the construction process of the Spaceport to continue on schedule.

In April, the voters of Sierra County, New Mexico, approved an increase in local gross receipts tax to support the construction of the Spaceport by a 2 to 1 margin, with record voter turnout. Sierra County is now poised to join adjacent Doña Ana County in forming a Tax Development District (TDD) as required by the New Mexico State Legislature to fund the spaceport project. The measure approved an increase in local gross receipts tax by one-quarter of one percent and demonstrated continuing positive community support for the project.

Environmental Activity Tracking End of 2008 Decision. The draft Environmental Impact Statement (EIS) was released in March to the cooperating agencies. The agencies' comments were received and the FAA will release the EIS for public comment in July 2008. This is an important milestone in moving towards the final EIS and Record of Decision (ROD) from the FAA. Spaceport America's site license application was also submitted in June. The license will provide Spaceport America with the ability to perform launch activity above the amateur class. The license can only be received upon successful completion of the EIS and ROD.

Breakthrough Agreements. In April, the NMSA agreed to Memorandums of Understanding (MOU) with three vital Spaceport partners. First, UP Aerospace, Inc., the first company to launch a commercial payload at Spaceport America, jointly announced an MOU for a ten-year agreement with the NMSA to make Spaceport America its home for spaceflight operations. Currently based out of Colorado, UP Aerospace, has already

**STATE OF NEW MEXICO
ECONOMIC DEVELOPMENT DEPARTMENT**

**Management's Discussion and Analysis - continued
Year Ended June 30, 2008**

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

conducted several launches from Spaceport America. Lockheed Martin, one of the world's top aerospace companies, also entered into an MOU to conduct operations from the Spaceport. This paves the way for Lockheed Martin, which has already been testing new launch technologies at the Spaceport in conjunction with UP Aerospace, to continue research and development at the Spaceport. Microgravity Enterprises Inc. (MEI), an Albuquerque commercial space development company focused on affordable rocket flight for commercial and educational purposes, has made a commitment to NMSA to designate Spaceport America as their primary base of operations. This MOU with NMSA will allow MEI to continue their business plan focusing on space-based production and manufacturing of pharmaceuticals and special materials. Microgravity has commercialized several products to assist in funding their business plan. MEI flies ingredients to space, which are then used to create the world's first space water (Space2O), Comets Tail Amber beer and Antimatter energy drink. Payload Specialties signed an MOU in June to make Spaceport America its primary launch site and ultimately move their operations from Missouri to New Mexico. Payload Specialties performs vertical launches with a strong focus on education. Payload Specialties' goal is to manufacture and provide launch services for other companies and individuals.

Launches. UP Aerospace conducted a successful launch in December. The brief test flight was a non-public, unpublished event at the request of the UP Aerospace client, who is testing proprietary advanced launch technologies. The launch marked the second successful launch in 2007 from Spaceport America, and the only one in FY2008. UP Aerospace has several launches planned for FY2009.

New Web site launched for Spaceport America. NMSA's new web site greets visitors with a sleek, modern and intuitive interface that reflects the technologically advanced mission of Spaceport America. Visitors are greeted by an appropriately space-themed welcome page that allows them to easily navigate through a wealth of information and resources concerning Spaceport America, including launch videos, a tour of the Spaceport, podcasts, and an online merchandise store. The site can be viewed at www.spaceportamerica.com.

This has been a record-breaking year for filming in New Mexico. At the end of FY2008, the Film Office announced that the state had surpassed 100 major film productions shot during the administration of Governor Bill Richardson. Oscar winning stars such as Christopher Walken, Renee Zellweger, Charlize Theron, Joe Pesci, and Helen Mirren brought their celebrity to New Mexico. Hollywood's new stars, like Scarlett Johansson, Jake Gyllenhaal, Natalie Portman, Eva Mendes, and Tobey McGuire also shot films here. The world was captivated by 2007 Best Film Oscar winner "No Country for Old Men," shot in Albuquerque, Las Vegas, Santa Fe and other New Mexico locations. Behind the scenes, there were rewarding stories in job training, support for filmmakers and showcases for local talent.

FY2008 Production Highlights. *Love N' Dancing* filmed in and around Albuquerque in August and September and hired about 50 New Mexico crew members. The USA network television series *In Plain Sight* shot in New

STATE OF NEW MEXICO
ECONOMIC DEVELOPMENT DEPARTMENT

Management's Discussion and Analysis - continued
Year Ended June 30, 2008

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

Mexico from August through December, hiring 75 crew members. The MGM feature film, *Angelmaker*, was shot in and around Albuquerque in August and September, hiring approximately 75 crew members.

Five Dollars a Day, starring Christopher Walken, shot in and around Albuquerque in September and October, hiring 75 New Mexico crew members, 25 local principal actors and 250 – 350 local extras. *Appaloosa*, shot in and around Santa Fe from October through November, hired approximately 90 New Mexico crew members and 500 local background actors. Ed Harris produced, starred and directed. Other principal cast members included Viggo Mortensen and Renee Zellweger. The Odd Lot Entertainment/Lionsgate production, *The Spirit*, starring Samuel L. Jackson, Scarlett Johansson, Eva Mendes and Gabriel Macht, shot at Albuquerque Studios in Albuquerque from October through December and hired approximately 75 New Mexico crew members. *The Burning Plain*, starring Charlize Theron, shot in and around Las Cruces from November through December and hired approximately 75 New Mexico crew members and 800 local principal actors and background talent. *Hamlet II*, starring Steve Coogan and Catherine Keener, shot in and around Albuquerque from September through October and hired approximately 80 New Mexico crew members and 750 local principal actors and background talent. *Felon*, shot in and around Santa Fe from October through November, hired approximately 60 New Mexico crew members and over 300 local principal actors and background talent. *Love Ranch*, starring two Oscar winners (Helen Mirren and Joe Pesci), was based in central New Mexico and employed 75 New Mexico crew members. 250 New Mexico crew members worked on *Brothers*, starring Jake Gyllenhaal, Natalie Portman, and Tobey Maguire. Locations included Las Vegas, Santa Fe, Los Alamos, Abiquiu, and Glorieta. *Not Forgotten* was shot in Santa Fe and Las Vegas. *Beer for My Horses*, featuring Country singer Toby Keith, shot in Santa Fe, Las Vegas, and other central New Mexico locations, and employing 75 state crew members.

Legion was shot in and around Santa Fe. Approximately 134 New Mexico crew members and 433 actors, including background talent, were hired. *Spoken Word*, shot in Chimayo, Santa Fe and Truchas, hired approximately 100 New Mexico crew members and over 500 actors. This film was the first fully New Mexican production, produced by Santa Feans Karen Koch, Bill Conway and Kent Kirkpatrick. *Terminator Salvation: The Future*, in production until August, is the first film in a new Terminator trilogy. It is the largest picture shot in the state, to date. The movie will feature Christian Bale and is directed by McG. Michael Bay will return to New Mexico to film major sequences for *Transformers: Revenge of the Fallen*. The next installment of the box office hit has been prepping in Alamogordo and expects to begin filming in the fall. The first film, starring Shia LaBeouf, Tyrese Gibson, Josh Duhamel, Megan Fox and John Turturro, grossed more than \$700million world-wide. Lifetime Original Movie *Sex & Lies in Sin City*, starring Mena Suvari and Matthew Modine, shot in June in Santa Fe. Approximately 80 New Mexico crew members and over 650 actors and background talent were used.

Crash, based on the Academy Award-winning motion picture, began shooting in June and will wrap in October. The production expects to hire approximately 145 New Mexico crew members, as well as local actors and background talent.

STATE OF NEW MEXICO
ECONOMIC DEVELOPMENT DEPARTMENT

Management's Discussion and Analysis - continued
Year Ended June 30, 2008

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

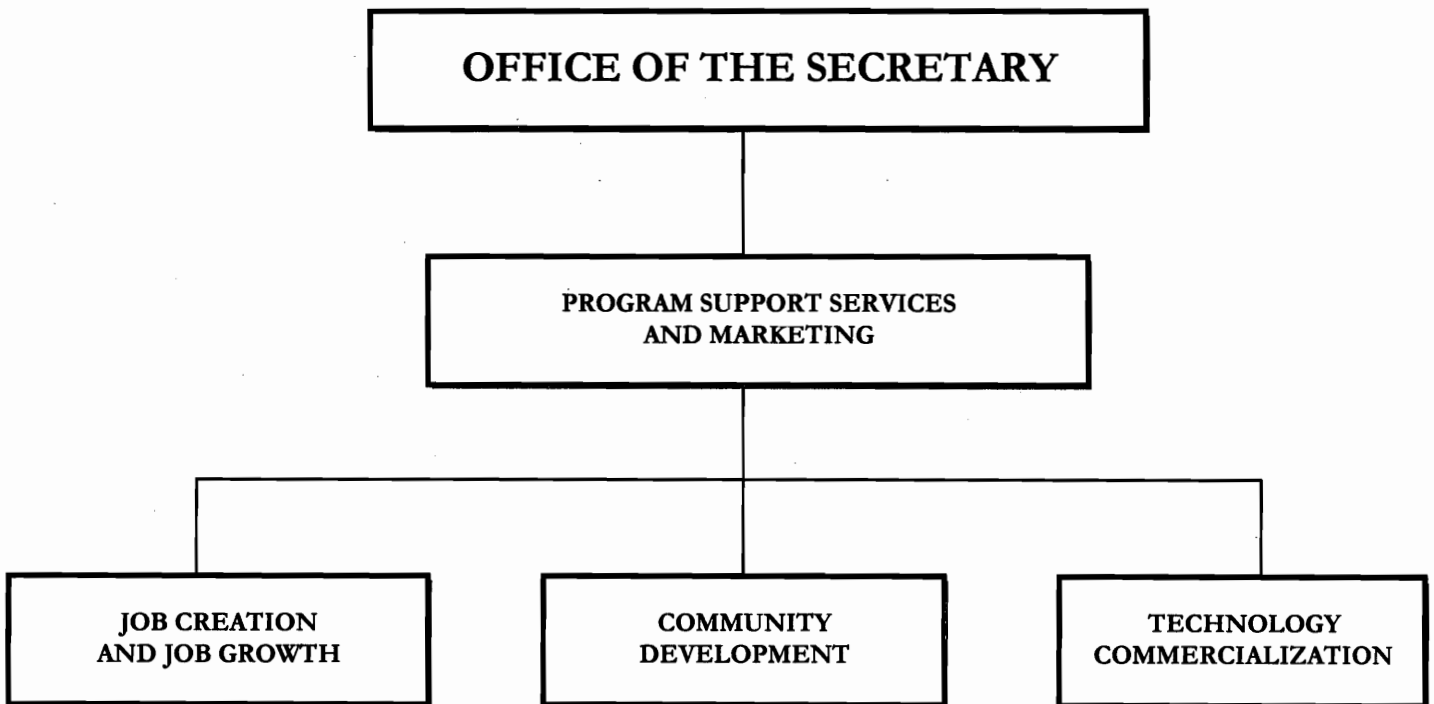
Run For Her Life, a feature film starring Dermot Mulroney and Diane Kruger, began shooting in June in Santa Fe. The production will employ approximately 90 local crew members and 300 local actors.

Requests for Information

This financial report is designed to provide a general overview of the Department'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

STATE OF NEW MEXICO
ECONOMIC DEVELOPMENT DEPARTMENT

Organizational Chart



FINANCIAL STATEMENTS

**STATE OF NEW MEXICO
ECONOMIC DEVELOPMENT DEPARTMENT**

Statement of Net Assets

AS OF JUNE 30, 2008

		PRIMARY GOVERNMENT Governmental Activities Total
ASSETS:		
Investment in State Treasurer's Investment Pool	\$	48,703,654
Receivables (net of allowance for doubtful debts)		430,922
Prepaid expenses		<u>1,452</u>
		49,136,028
 CAPITAL ASSETS, net of accumulated depreciation:		
Machinery and equipment		600,105
Less accumulated depreciation		<u>(582,645)</u>
		<u>17,460</u>
 TOTAL ASSETS	 \$	 <u><u>49,153,488</u></u>
 LIABILITIES:		
Accounts payable	\$	2,480,518
Accrued payroll		206,052
Compensated absences payable:		
Expected to be paid within one year		239,841
Due to State General Fund		12,910
Due to other state agencies		148,429
Deferred revenue		<u>252,433</u>
 TOTAL LIABILITIES		 3,340,183
 NET ASSETS:		
Invested in capital assets		17,460
Restricted for:		
Reserve for community development		1,972,524
Reserve for prepaid expenses		1,452
Reserve for capital projects		-
Unrestricted		<u>43,821,869</u>
 TOTAL NET ASSETS		 <u><u>45,813,305</u></u>
 TOTAL LIABILITIES AND NET ASSETS	 \$	 <u><u>49,153,488</u></u>

STATE OF NEW MEXICO
ECONOMIC DEVELOPMENT DEPARTMENT

Statement of Activities

YEAR ENDED JUNE 30, 2008

	<u>PRIMARY GOVERNMENT Governmental Activities Total</u>
EXPENSES:	
Economic development	\$ (28,293,125)
Depreciation expense	<u>(17,394)</u>
TOTAL EXPENSES	(28,310,519)
PROGRAM SPECIFIC OPERATING GRANTS	<u>-</u>
NET PROGRAM (EXPENSE) REVENUE	(28,310,519)
GENERAL REVENUES:	
General Fund appropriation (net of reversions)	49,716,535
Interest on loans	4,628
Other revenue	<u>2,407,066</u>
TOTAL GENERAL REVENUES	<u>52,128,229</u>
OTHER FINANCING SOURCES (USES):	
Other financing sources	51,904
Other financing uses	-
Loss on disposal	<u>(7,658)</u>
NET OTHER FINANCING SOURCES (USES)	<u>44,246</u>
CHANGE IN NET ASSETS	23,861,956
NET ASSETS, June 30, 2007	22,097,324
RESTATEMENT	<u>(145,975)</u>
NET ASSETS, June 30, 2007, restated	<u>21,951,349</u>
NET ASSETS, June 30, 2008	<u>\$ 45,813,305</u>

STATE OF NEW MEXICO
ECONOMIC DEVELOPMENT DEPARTMENT

Balance Sheet - Governmental Funds

AS OF JUNE 30, 2008

	Major Funds			Other Governmental Funds	Total
	General Fund	In-Plant Training	Capital Projects		
ASSETS:					
Investment in State Treasurer's Investment Pool	\$ 3,335,961	16,729,693	26,792,319	1,845,681	48,703,654
Prepaid expenses	1,452	-	-	-	1,452
Due from State General Fund	5	-	247,000	-	247,005
Due from Other Funds	-	88,420	-	-	88,420
Notes receivable	-	-	-	183,056	183,056
Accrued interest receivable	-	-	-	861	861
TOTAL ASSETS	\$ 3,337,418	16,818,113	27,039,319	2,029,598	49,224,448
LIABILITIES:					
Accounts payable	\$ 437,833	1,725,205	317,480	-	2,480,518
Accrued payroll	206,052	-	-	-	206,052
Deferred revenue	-	-	247,000	5,433	252,433
Due to other funds	88,420	-	-	-	88,420
Due to State General Fund:	12,910	-	-	-	12,910
Due to other state agencies	148,429	-	-	-	148,429
TOTAL LIABILITIES	893,644	1,725,205	564,480	5,433	3,188,762
FUND BALANCES:					
Reserve for encumbrances:					
Fiscal year 2007					-
Fiscal year 2006	-	7,830,504	746,599	-	8,577,103
Fiscal year 2005		988,956	-	-	988,956
Fiscal year 2004		-	85,262	-	85,262
Reserve for community development	-	-	-	1,972,524	1,972,524
Reserve for prepaid expenses	1,452	-	-	-	1,452
Reserve for capital projects	-	-	25,642,978	-	25,642,978
Unreserved, designated for subsequent years' expenditures	2,442,322	6,273,448	-	51,641	8,767,411
TOTAL FUND BALANCES	2,443,774	15,092,908	26,474,839	2,024,165	46,035,686
TOTAL LIABILITIES AND FUND BALANCES	\$ 3,337,418	16,818,113	27,039,319	2,029,598	49,224,448

STATE OF NEW MEXICO
ECONOMIC DEVELOPMENT DEPARTMENT

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

YEAR ENDED JUNE 30, 2008

Total Fund Balance - Governmental Funds
(Governmental Fund Balance Sheet)

\$ 46,035,686

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. These assets consist of:

Machinery and equipment	600,105
Accumulated depreciation	<u>(582,645)</u>
Total capital assets	17,460
Compensated absences payable	<u>(239,841)</u>
Net assets of governmental activities (Statement of Net Assets)	\$ <u>45,813,305</u>

STATE OF NEW MEXICO
ECONOMIC DEVELOPMENT DEPARTMENT

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

YEAR ENDED JUNE 30, 2008

	Major Funds			Other Governmental Funds	Total
	General Fund	In-Plant Training Fund	Capital Projects		
REVENUES:					
Interest on loans	\$ -	-	-	4,628	4,628
Other revenue	21	157,060	2,249,985	-	2,407,066
TOTAL REVENUES	21	157,060	2,249,985	4,628	2,411,694
EXPENDITURES:					
Current:					
Personal services and benefits	4,766,567	-	520,971	-	5,287,538
Contractual services	4,835,497	51,058	7,180,447	-	12,067,002
Other	1,216,332	9,161,652	535,352	-	10,913,336
Capital outlay	5,386	-	-	-	5,386
TOTAL EXPENDITURES:	<u>10,823,782</u>	<u>9,212,710</u>	<u>8,236,770</u>	-	<u>28,273,262</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(10,823,761)	(9,055,650)	(5,986,785)	4,628	(25,861,568)
OTHER FINANCING SOURCES (USES):					
State General Fund appropriations	10,777,000	15,000,000	24,000,000	-	49,777,000
Inter-agency transfers in	51,904	-	-	-	51,904
Reversions to State General Fund:					
Fiscal year 2007	(60,465)	-	-	-	(60,465)
Other financing uses	-	-	-	-	-
NET OTHER FINANCING SOURCES (USES)	<u>10,768,439</u>	<u>15,000,000</u>	<u>24,000,000</u>	-	<u>49,768,439</u>
NET CHANGE IN FUND BALANCES	(55,322)	5,944,350	18,013,215	4,628	23,906,871
FUND BALANCES, June 30, 2007	2,645,071	9,148,558	8,461,624	2,019,537	22,274,790
RESTATEMENT	(145,975)	-	-	-	(145,975)
FUND BALANCES, June 30, 2007, restated	<u>2,499,096</u>	<u>9,148,558</u>	<u>8,461,624</u>	<u>2,019,537</u>	<u>22,128,815</u>
FUND BALANCES, June 30, 2008	\$ <u>2,443,774</u>	<u>15,092,908</u>	<u>26,474,839</u>	<u>2,024,165</u>	<u>46,035,686</u>

**STATE OF NEW MEXICO
ECONOMIC DEVELOPMENT DEPARTMENT**

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

YEAR ENDED JUNE 30, 2008

Net Changes in Fund Balances - Total Governmental Funds
(Statement of Revenues, Expenditures, and Changes in Fund Balances) **\$ 23,906,871**

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

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: (25,249)

Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. In the current period, these amounts are:

Loss on disposal	(7,658)
Capital outlay	5,386
Depreciation expense	<u>(17,394)</u>
Excess of depreciation expense and loss on disposal over capital outlay	<u>(19,666)</u>

Change in net assets of governmental activities
(Statement of Activities) **\$ 23,861,956**

STATE OF NEW MEXICO
ECONOMIC DEVELOPMENT DEPARTMENT

Statement of Revenues and Expenditures -
Major Governmental Funds -
Budget and Actual (Modified Accrual Basis)

YEAR ENDED JUNE 30, 2008

	GENERAL FUND - EDD OPERATING FUND 18900			
	Budgeted Amounts		Actual	Variance From
	Original	Final	Amounts (Budgetary Basis)	Final Budget Positive (Negative)
REVENUES:				
State General Fund appropriation	\$ 8,659,500	10,579,500	10,554,500	(25,000)
Other revenue	<u>222,500</u>	<u>222,500</u>	<u>274,425</u>	<u>51,925</u>
TOTAL REVENUES	8,882,000	10,802,000	10,828,925	<u>26,925</u>
BEGINNING FUND BALANCE	<u>-</u>	<u>-</u>	<u>2,328,150</u>	
TOTAL REVENUES AND BEGINNING FUND BALANCE	\$ <u>8,882,000</u>	<u>10,802,000</u>	<u>13,157,075</u>	<u>26,925</u>
EXPENDITURES:				
Current:				
Personal services and benefits	\$ 4,632,300	4,774,974	4,766,598	8,376
Contractual services	3,164,200	4,838,004	4,835,497	2,507
Other	<u>1,085,500</u>	<u>1,189,022</u>	<u>1,171,890</u>	<u>17,132</u>
TOTAL EXPENDITURES	\$ <u>8,882,000</u>	<u>10,802,000</u>	<u>10,773,985</u>	<u>28,015</u>

STATE OF NEW MEXICO
ECONOMIC DEVELOPMENT DEPARTMENT

Statement of Revenues and Expenditures -
Major Governmental Funds -
Budget and Actual (Modified Accrual Basis)

YEAR ENDED JUNE 30, 2008

IN-PLANT TRAINING FUND 63800				
	Budgeted Amounts		Actual	Variance From
	Original	Final	Amounts (Budgetary Basis)	Final Budget Positive (Negative)
REVENUES:				
State General Fund appropriation	\$ 7,000,000	26,708,702	15,000,000	(11,708,702)
Internal service funds	-	-	-	-
Reimbursements	-	-	157,060	157,060
TOTAL REVENUES	7,000,000	26,708,702	15,157,060	(11,551,642)
BEGINNING FUND BALANCE	-	-	3,138,293	
TOTAL REVENUES AND BEGINNING FUND BALANCE	\$ <u>7,000,000</u>	<u>26,708,702</u>	<u>18,295,354</u>	<u>(8,413,348)</u>
EXPENDITURES - current:				
Personal services and benefits	\$ -	-	-	-
Contractual services	-	100,000	51,058	48,943
Other	<u>7,000,000</u>	<u>26,608,702</u>	<u>11,424,395</u>	<u>15,184,307</u>
TOTAL EXPENDITURES	\$ <u>7,000,000</u>	<u>26,708,702</u>	<u>11,475,453</u>	<u>15,233,249</u>

NATURE OF ORGANIZATION

• Reporting Entity

The reporting entity is the Economic Development Department (Department) of the State of New Mexico. The chief executive of the Department is the Secretary, who is appointed by the Governor of New Mexico and is a member of the Governor's Cabinet. The Department is a part of the executive branch of the primary government (the State of New Mexico) and these financial statements include all funds, account groups and activities over which the Department Secretary has oversight responsibility and which are controlled by or dependent on the Department. Control or dependence is determined by criteria such as budget adoption, taxing authority, funding and appointment of the respective government board. Using these criteria, no entities qualify for inclusion in these financial statements as component units of the Department.

The Department was established by the Economic Development Department Act, effective July 1, 1983, and as amended in Laws of 1991, Senate Bill 228 enacted by the legislature of the State of New Mexico. The purposes of the Department are as follows:

- Provide a coordinated statewide perspective with regard to economic development activities.
- Provide a database for local and regional economic development groups and serve as a comprehensive source of information and assistance to businesses wishing to locate or expand in New Mexico.
- Positively encourage new economic enterprises to locate in New Mexico and assist existing businesses to expand.
- Monitor the progress of state supported economic development activities and prepare annual reports of such activities, their status and their impact.
- Create and encourage methods designed to provide rapid economic diversification development that will create new employment opportunities for the citizens of the State, including the issuance of grants and loans to municipalities and counties for economic enhancements projects.
- Provide for technology commercialization projects as an incentive to industry locating or expanding in the State.
- Support technology transfer programs.
- Promote New Mexico as a technology state.
- Promote and market federal and state technology commercialization programs.
- Develop and implement enhanced statewide procurement programs.

STATE OF NEW MEXICO
ECONOMIC DEVELOPMENT DEPARTMENT

Notes to Financial Statements - continued

NATURE OF ORGANIZATION - continued

• **Reporting Entity - continued:**

- Provide support and assistance in the creation and operation of development finance mechanisms, such as business development corporations and the industrial and agricultural finance authorities, in order to ensure capital availability for business expansion and economic diversification.

• **Office of the Secretary**

The Secretary is empowered to organize the Department and its divisions and may transfer or merge functions between divisions in the interest of efficiency and economy. The Administrative Services Division provides overall support.

• **Administrative Services Division**

The Director of the Administrative Services Division is responsible to the Secretary to provide administrative support to all divisions and top-level managers. This division is responsible for the data processing, financial systems, budget, accounting, purchasing, personnel, financial reporting and federal grant functions of the other following divisions.

Economic Development Division. To provide a coordinated statewide perspective with regard to economic development activities. To serve as a comprehensive source of information and assistance to businesses to expand and encourage economic enterprises in New Mexico.

Science and Technology Division. The Science and Technology Division is the forerunner in New Mexico's effort to become the "Technology State" by fostering partnerships of government, industry, laboratories and universities in the technology department.

Trade Division. To promote and market New Mexico products and services to domestic and international consumers worldwide; establish New Mexico as the gateway to Mexico, encouraging American and foreign businesses to invest and relocate in the New Mexico-NAFTA region; and to assist the private sector in the creation, expansion and retention of export related jobs while increasing state revenues in collaboration with other divisions' efforts within the Department.

New Mexico Film Division. To promote and facilitate motion picture production in New Mexico; and to make better use of the State's resources for film, video and other media.

**STATE OF NEW MEXICO
ECONOMIC DEVELOPMENT DEPARTMENT**

Notes to Financial Statements - continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements for the Department 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.

The Department implemented the provisions of GASB No. 34 effective July 1, 2001. As a part of this statement, there is a new reporting requirement regarding the local government's infrastructure (roads, bridges, etc.). The Department does not own any infrastructure assets and, therefore, is unaffected by this requirement.

• **Financial Reporting Entity**

The chief executive of the Department is the Secretary, who is appointed by the Governor of New Mexico and is a member of the Governor's Cabinet. The Department is a component unit of the executive branch and these financial statements include all funds, account groups and activities over which the Department Secretary has oversight responsibility. Even though the Governor appoints the Secretary, that person has decision-making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters.

The Department is a "department" of the State of New Mexico and will be included in any statewide Comprehensive Annual Financial Report. In accordance with the criteria set forth in GASBS 39 for determining component units, the Department does not have any component units.

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

The basic financial statements include both government-wide (based on the Department as a whole) and fund financial statements. The new reporting model focus is on either the Department as a whole, or major individual funds (within the fund financial statements). In the government-wide Statement of Net Assets, both the governmental and business-type activities columns are presented on a consolidated basis by column, and are reflected on a full accrual, economic resources basis, which incorporates long-term assets and receivables as well as long-term debt and obligations.

The government-wide Statement of Activities reflects both the gross and net costs that are being supported by general government revenues. The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. The program revenues must be directly associated with the function or a business-type activity. The primary function of the Department is to facilitate the creation, retention and expansion of jobs in New Mexico.

STATE OF NEW MEXICO
ECONOMIC DEVELOPMENT DEPARTMENT

Notes to Financial Statements - continued

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

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

The net cost (by function or business-type activity) is normally covered by general revenues (taxes, intergovernmental revenues, interest income, etc.). Historically, the previous model did not summarize or present net cost by function or activity. The Department does not currently employ indirect cost allocation systems.

This government-wide focus is more on the sustainability of the Department 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. Emphasis here is on the major funds in either the governmental or business-type categories. Non-major funds (by category) or fund type are summarized into a single column.

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 Department'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.

The Department does not have any fiduciary funds. By definition, assets in a fiduciary fund are held for the benefit of a third party and cannot be used to address activities or obligations of the government. These funds would not be incorporated into the government-wide statements.

• **Basis of Presentation – Fund Accounting**

The financial transactions of the Department 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. The various funds are summarized by type in the accompanying financial statements. The various funds are reported by generic classification within the financial statements. 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.

STATE OF NEW MEXICO
ECONOMIC DEVELOPMENT DEPARTMENT

Notes to Financial Statements - continued

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

• **Basis of Presentation – Fund Accounting - continued**

The Department uses the following fund types:

General Fund. The General Fund (SHARE Fund 18900) is the general operating fund of the Department and is used to account for all financial resources except those required to be accounted for in another fund. The General Fund is funded primarily through appropriations from the State of New Mexico General 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.

In-Plant Training Fund – to provide quick-response classroom and in-plant training to furnish qualified manpower resources for new or expanding industries and non-retail service sector business in New Mexico, created by 21-19-11, NMSA 1978. (SHARE Fund 63800)

Revolving Loan Community Development – to account for the Community Development Assistance Revolving Loan Fund created by Chapter 299, Laws of 1983. Low-interest loans are made to political subdivisions of New Mexico for the construction or implementation of projects encouraging the expansion of industry within the political subdivisions. (SHARE Fund 02300)

Federal Programs - to develop information and data resources to support the recruitment of new jobs and investment to New Mexico. Federal Fiscal Relief Funds, Sections 401 (b) Jobs and Growth Tax Relief Reconciliation Act of 2003. Also to provide social services in empowerment zones and enterprise communities as awarded under the provisions of Section 2007 of the Title XX of the Social Security Act. (SHARE Fund 29500)

Technology Enterprise Fund - to account for financial resources legally restricted to expenditures mandated by statute for the Technology Enterprise Division created by Laws of 1991, Chapter 21, Section 9-15-19. (SHARE fund 38400)

Capital Projects Fund. The Capital Projects Fund accounts for the acquisition and construction of major capital facilities in Silver City, which is in Grant County. Created by Laws of 2003, Chapter 429, Section 31. (SHARE fund 02800)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

• **Measurement Focus and Basis of Accounting**

Basis of accounting refers to the point at which revenues or expenditure/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made, regardless of the measurement focus applied.

The Government-wide Financial Statements are presented on an accrual basis of accounting. The Governmental Funds in the Fund Financial Statements are presented on a modified accrual basis.

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.

• **Accrual**

Revenues are recognized when earned and expenses are recognized when incurred.

• **Modified Accrual**

All governmental funds are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual (i.e., both measurable and available). “Available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period, normally within 60 days of year-end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general long-term debt, if any, is recognized when due.

In applying the “susceptible to accrual” concept to intergovernmental revenues pursuant to GASB No. 33 (as it relates to non-exchange and exchange 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.

• **Budgets and Budgetary Accounting**

The budget is adopted on a modified accrual basis of accounting, except for accounts payable accrued at the end of the fiscal year that do not get paid by the statutory deadline (Section 6-10-4 NMSA 1978), that must be paid out of the next year’s budget. This change was implemented with the Laws of 2004,

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

• **Budgets and Budgetary Accounting - continued**

Chapter 114, Section 3, paragraph N and paragraph O. This change is effective for fiscal years beginning July 1, 2004. In prior years, the budgetary basis of accounting was not considered a GAAP basis of accounting. There remains a difference, however, between the budgetary basis and GAAP presentation which is a result of receipts in prior year and payments made in the current year on outstanding prior year encumbrances. Budgetary comparisons presented in the financial statements are not presented on a GAAP basis.

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.

The Department follows these procedures in establishing the budgetary data reflected in the financial statements:

- No later than September 1, the Department submits to the Legislative Finance Committee (LFC), and the Budget Division of the Department of Finance and Administration (DFA), an appropriation request for the fiscal year commencing the following July 1. The appropriation request includes proposed expenditures and the means of financing them.
- Budget hearings are scheduled before the New Mexico House Appropriations and Senate Finance Committees. The final outcome of those hearings is incorporated into the State's General Appropriation Act.
- The Act is signed into Law by the Governor of the State of New Mexico within the legally prescribed time limit, at which time the approved budget becomes a legally binding document.
- Not later than May 1, the Department submits to DFA an annual operating budget by appropriation unit and object code based upon the appropriation made by the Legislature. The DFA-Budget Division reviews and approves the operating budget, which becomes effective on July 1.
- Formal budgetary integration is employed as a management control device during the fiscal year for the General and Special Revenue funds.

STATE OF NEW MEXICO
ECONOMIC DEVELOPMENT DEPARTMENT

Notes to Financial Statements - continued

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

- **Cash and Cash Equivalents**

The Department has defined cash and cash equivalents to include investments with the State Treasurer General Fund Investment Pool, cash on hand and demand deposits. All cash is deposited with and monitored by the State Treasurer. See Note 2 for additional investment disclosure.

- **Deferred Revenues**

Deferred revenues represent a liability for the Governmental Funds. Deferred revenues are used to account for (1) amounts received from federal grants prior to expenditures occurring, or (2) amounts identified as accounts receivable that have not been received within 60 days of the end of the fiscal year, and are accounted for on the modified accrual basis in the fund financial statements.

- **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.

- **Due to State General Fund (Reversions)**

Reversions to the State General Fund by the Department are based on the definitions of both reverting and non-reverting funds. Reversions are calculated by applying the percentage of reverting fund (to total budget for the category) to the amount unexpended for the category at fiscal year-end.

- **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 Department 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 Department. 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 Department, 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 Department currently classifies the following revenues and sources as non-reverting:

- i) Federal Capital Project Funds (Fund 02800). 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 over-

STATE OF NEW MEXICO
ECONOMIC DEVELOPMENT DEPARTMENT

Notes to Financial Statements - continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

- **Non-Reverting Funds - continued**

drawn 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. Amounts due to the State General Fund for the year ending June 30, 2008 were paid on August 31, 2008. This amount was not needed and budgeted in fiscal year 2008.

- **Reservations of Fund Balance**

Reservations of fund balances on the Governmental Funds are created to either (1) satisfy legal covenants that require that a portion of the fund balance be segregated, or (2) identify the portion of the fund balance that is not appropriated for future expenditures. Specific reservations of fund balance accounts are summarized below:

Reserved for Encumbrances. This reserve was created to represent encumbrances outstanding at the end of the year based on purchase orders and contracts signed by the Department but not completed as of the close of the fiscal year for multi-year contracts.

- **Revenues, Expenditures and Expenses**

Substantially all governmental fund revenues are accrued. The Department recognizes revenue when earned. Interest is earned and accrued on Notes Receivable (Note 4).

Expenditures are recognized when the related fund liability is incurred, except for the following permitted by accounting principles generally accepted in the United States of America:

Prepaid items and inventory costs are reported in the period when inventory items are consumed, rather than in the period purchased.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

- **Revenues, Expenditures and Expenses - continued**

When an expense is incurred that meets the requirements of both restricted and unrestricted resources, the Department will first apply it to available restricted net assets.

- **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.

Unrestricted Assets represent unrestricted liquid assets.

The Department 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.

**STATE OF NEW MEXICO
ECONOMIC DEVELOPMENT DEPARTMENT**

Notes to Financial Statements - continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

- **Comparability of Prior Year Financial Statements**

With the conversion to the new Statewide Human Resource, Accounting and Management Reporting (SHARE), the Combining Balance Sheet – General Fund by Program and related Combining Statement of Revenues, Expenditures and Changes in Fund Balance – General Fund – by Program are not presented for fiscal year ended June 30, 2007. This information was presented in prior years for purposes of additional analysis and is not a required part of the Basic Financial Statements. The program information is not available in a comparable manner with the previous accounting system.

2. CASH (INVESTMENT IN STATE TREASURER’S INVESTMENT POOL)

<u>Fund</u>	<u>SHARE Fund No.</u>	<u>Investment</u>	<u>Maturities</u>	<u>Fair Value June 30, 2008</u>
General Fund:				
Economic-Operating	18900	NM STO General Fund Investment Pool	1 day to 3 years	\$ 3,335,961
Special Revenue:				
Development Fund	02300			1,788,607
Federal Programs	29500			5,433
Technology Enterprise	38400			51,641
Industrial Development	63800			16,729,693
Capital Project Fund	02800			<u>26,792,319</u>
Total investments				\$ <u>48,703,654</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, 2008.

**STATE OF NEW MEXICO
ECONOMIC DEVELOPMENT DEPARTMENT**

Notes to Financial Statements - continued

2. CASH (INVESTMENT IN STATE TREASURER'S INVESTMENT POOL) - continued

Name of Depository	Fund Type	SHARE System Fund No.	Type of Account	Bank/DFA Statement Balance 6/30/08	Reconciled Book Balance 6/30/08
General Fund:					
NM State Treasurer	General	18900	State Treasury	\$ 3,335,961	3,335,961
Special Revenue Funds:					
NM State Treasurer	Special Revenue	02300	State Treasury	1,788,607	1,788,607
NM State Treasurer	Special Revenue	29500	State Treasury	5,433	5,433
NM State Treasurer	Special Revenue	38400	State Treasury	51,641	51,641
NM State Treasurer	Special Revenue	63800	State Treasury	16,729,693	16,729,693
Capital Project Fund:					
NM State Treasurer	Capital Project	02800	State Treasury	<u>26,792,319</u>	<u>26,792,319</u>
Total				\$ <u>48,703,654</u>	<u>48,703,654</u>

3. DUE TO/FROM OTHER FUNDS

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

Interagency receivables:

Fund Type	SHARE Fund	Due From	Due to
General Fund	18900	\$ -	88,420
In Plant Training Fund	63800	<u>88,420</u>	<u>-</u>
Total		\$ <u>88,420</u>	<u>88,420</u>

4. NOTES RECEIVABLE

A development fund was created by Chapter 299, Laws of 1983, amended by Senate Bill 228, to provide assistance to political subdivisions of the State for the construction and implementation of projects

**STATE OF NEW MEXICO
ECONOMIC DEVELOPMENT DEPARTMENT**

Notes to Financial Statements - continued

4. NOTES RECEIVABLE - continued

encouraging the location of industry in the political subdivisions. For this purpose, the Department is authorized to make low-interest loans to political subdivisions of the State. The amount of \$1,000,000 specifically appropriated for the development fund, plus interest earned thereon, is shown as reserved for community development. The development fund is non-reverting.

No allowance for uncollectible accounts has been recognized, since the Department considers these notes to be fully collectible.

	<u>Principal</u>	<u>Accrued Interest</u>	<u>Total</u>
Due from Village of Jemez Springs, semi-annual payments of \$13,199, including interest at 2.70%, final payment due June 10, 2010. (Original note of \$230,000.)	\$ 50,763	105	50,868
Town of Red River, semi-annual payments of \$13,945, including interest at 2.130%, final payment due on April 1, 2013. (Original note of \$250,000.)	<u>132,293</u>	<u>757</u>	<u>133,050</u>
	<u>\$ 183,056</u>	<u>862</u>	<u>183,918</u>

5. CAPITAL ASSETS

Property, plant and equipment purchased or acquired is carried at historical cost or estimated historical cost. Contributed assets are recorded at the fair market values as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. The State's capitalization policy (i.e., the dollar value above which asset acquisitions are added to the capital accounts) is \$5,000. However, all capital outlay purchases may not necessarily be capitalized.

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives with no salvage value. The Department utilizes IRS Publication 946 to estimate the useful lives on fixed assets as follows:

- Buildings and Structures – 40 years
- Office Furniture, Fixtures and Equipment - 10 years
- Data Handling Equipment, except Computers - 5 years
- Computers and Software - 3 years

The Department had no internal software development in the current year.

5. CAPITAL ASSETS - continued

GASB No. 34 requires the recording and depreciation of infrastructure assets. Infrastructure assets include roads, bridges, traffic signals, etc. The Department does not own any infrastructure assets. The Department has no debt related to capital assets.

House Bill 1074 was enacted, which amended part of the Audit Act (12-6-10 NMSA 1978) to require agencies to capitalize only acquisitions whose cost is over \$5,000.

All capital assets listed below are being depreciated. The Department does not have any capital assets that are not being depreciated, such as land.

	<u>Balance</u> <u>06/30/07</u>	<u>Additions</u>	<u>Deletions,</u> <u>including</u> <u>Inventory</u> <u>Exempt</u>	<u>Balance</u> <u>06/30/08</u>
Equipment	\$ 115,980	5,386	(3,140)	118,226
Furniture & fixtures	21,131	-	-	21,131
Data processing and software	524,585	-	(74,616)	449,969
Building & structures	<u>10,779</u>	<u>-</u>	<u>-</u>	<u>10,779</u>
Total capital assets	672,475	5,386	(77,756)	600,105
Accumulated depreciation:				
Equipment & machinery	105,474	5,725	(3,140)	108,059
Furniture & fixtures	15,147	1,092	-	16,239
Data processing and software	503,949	10,577	(66,958)	447,568
Buildings & structures	<u>10,779</u>	<u>-</u>	<u>-</u>	<u>10,779</u>
Total accumulated depreciation	<u>635,349</u>	<u>17,394</u>	<u>(70,098)</u>	<u>582,645</u>
Net capital assets	\$ <u>37,126</u>	<u>(12,008)</u>	<u>(7,658)</u>	<u>17,460</u>

**STATE OF NEW MEXICO
ECONOMIC DEVELOPMENT DEPARTMENT**

Notes to Financial Statements - continued

6. COMPENSATED ABSENCES

Qualified employees are entitled to accumulate annual leave as follows: A maximum of 240 hours of such accumulated annual leave may be carried forward into the beginning of the calendar year and any excess 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.

Qualified employees are entitled to accumulate sick leave at the rate of 3.69 hours per pay period.

Employees who have accumulated 600 hours of unused sick leave are entitled to be paid for additional unused sick leave at a rate equal to 50 percent of their hourly rate of pay for up to 120 hours of sick leave. Payment for unused sick leave may be made only once per fiscal year on either the payday immediately following the first full pay period in January or the first full pay period in July. Immediately prior to retirement from the service, employees who have accumulated 600 hours of unused sick leave are entitled to be paid for additional unused sick leave at a rate equal to 50 percent of their hourly rate for up to 400 hours of sick leave.

All sick leave balances from 600 to 1,000 hours have been recorded at 50 percent of the employee's current hourly rate, including those amounts paid in July of the subsequent fiscal year, because no expendable financial resources are available as of the balance sheet date to liquidate the liability. The current portion of compensated absences payable expected to be paid within one year is \$216,481.

The changes in compensated absences for government type activities are as follows:

	<u>Balance, June 30, 2007</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance, June 30, 2008</u>	<u>Due Within One Year</u>
Annual leave \$	211,475	208,139	186,021	233,593	233,593
Sick leave	814	154,840	152,577	3,077	3,077
Comp time	<u>2,303</u>	<u>3,171</u>	<u>2,303</u>	<u>3,171</u>	<u>3,171</u>
\$	<u>214,592</u>	<u>366,150</u>	<u>340,901</u>	<u>239,841</u>	<u>239,841</u>

The General Fund was used to liquidate long-term liabilities in prior years.

There was no short-term debt activity in FY2008.

STATE OF NEW MEXICO
ECONOMIC DEVELOPMENT DEPARTMENT

Notes to Financial Statements - continued

7. REVERSIONS

Current year reversions due to the State General Fund as of June 30, 2008 were as follows:

	<u>SHARE System</u> <u>Fund 18900</u>
2007 reversions	\$ 60,465

8. PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION

• **Plan Description**

Substantially all of the Department'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, P.O. Box 2123, Santa Fe, NM 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 7.42% of their gross salary. The Department is required to contribute 16.59% of the gross covered salary. The contribution requirements of plan members and the Department are established in State statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The Department's contributions to PERA for the fiscal years ending June 30, 2008, 2007 and 2006 were \$583,366, \$561,842, and \$521,983, respectively, which equal the amount of the required contributions for each fiscal year.

9. POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN

• **Plan Description**

The Department 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.

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

• **Plan Description - continued**

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.

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.

The Department's contributions to the RHCA for the years ended June 30, 2008, 2007 and 2006 were \$45,714, \$42,200 and \$40,913, respectively, which equal the required contributions for each year.

STATE OF NEW MEXICO
ECONOMIC DEVELOPMENT DEPARTMENT

Notes to Financial Statements - continued

10. OPERATING LEASE COMMITMENT

The Department is committed under lease for some of the Department's office equipment, and office space in Las Cruces, New Mexico. These leases are considered for accounting purposes to be operating leases and are not reflected in the Department's account groups. Lease expenditures for the year ended June 30, 2008 amounted to \$267,205.

The following is a schedule by years of future minimum lease payments required under operating leases that have initial or remaining non-cancelable terms in excess of one year as of June 30, 2008.

Years ending June 30:	<u>Lease Amounts</u>
2008	\$ 153,525
2009	68,052
2010	67,330
2011	27,994
2012	<u> -</u>
	\$ <u>316,901</u>

11. CONTINGENT LIABILITIES (CLAIMS AND JUDGMENTS)

The Department 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 Department for financial damages, the Department's certificate of insurance with Risk Management does not cover claims for back wages but does cover civil rights claims for other compensatory damages.

STATE OF NEW MEXICO
ECONOMIC DEVELOPMENT DEPARTMENT

Notes to Financial Statements - continued

12. JOINT POWERS AGREEMENTS

The Department was a party to the following Joint Powers Agreements (JPA) during the fiscal year.

New Mexico Department of Finance and Administration - JPA between NMEDD and the New Mexico Department of Finance and Administration (DFA) to provide administrative oversight of the MainStreet™ Program and to municipalities for designated downtown projects for MainStreet™ Districts in New Mexico.

- Responsible Party for Operations Department of Finance and Administration
- Time Period October 6, 2006 to June 30, 2010
- Total Estimated Amount of Project \$2,000,000
- Portion Applicable to NMEDD \$2,000,000
- Amount Agency Contributed in Current Year \$2,000,000
- Audit Responsibility Department of Finance and Administration

New Mexico Department of Finance and Administration - JPA between NMEDD (Film Division) and DFA to provide administrative oversight for film development, production, and post production of films on videos under the program to be known as “New Visions/New Mexico”.

- Responsible Party for Operations Department of Finance and Administration
- Time Period September 26, 2006 to June 30, 2010
- Total Estimated Amount of Project \$160,000
- Portion Applicable to NMEDD \$160,000
- Amount Agency Contributed in Current Year \$160,000
- Audit Responsibility Department of Finance and Administration

New Mexico Department of Finance and Administration - JPA between NMEDD (Film Division) and DFA to provide administrative support of the planning, design, equipping and furnishing of a New Mexico Filmmakers Resource Center.

- Responsible Party for Operations NMEDD Film Division
- Time Period October 13, 2006 to June 30, 2010
- Total Estimated Amount of Project \$360,000
- Portion Applicable to NMEDD \$360,000
- Amount Agency Contributed in Current Year \$360,000
- Audit Responsibility Department of Finance and Administration

**STATE OF NEW MEXICO
ECONOMIC DEVELOPMENT DEPARTMENT**

Notes to Financial Statements - continued

12. JOINT POWERS AGREEMENTS - continued

New Mexico Economic Development Corporation - JPA between NMEDD, and the New Mexico Economic Development Corporation "Corporation", to delineate the responsibilities of each in the Corporation's recruiting and marketing efforts being funded by NMEDD.

- Responsible Party for Operations New Mexico Economic Development Corp.
- Time Period July 1, 2006 to June 30, 2007
- Total Estimated Amount of Project \$1,410,000
- Portion Applicable to NMEDD \$1,410,000
- Amount Agency Contributed in Current Year \$1,410,000
- Audit Responsibility New Mexico Economic Development Corp.

13. BUDGET TO ACTUAL EXPENDITURE RECONCILIATION

The Statement of Revenues, Expenditures and Changes in Fund Balance for governmental funds (page 17) is presented in accordance with the modified actual basis of accounting. The State of New Mexico has a modified accrual budget basis except for the payment of accounts payable that are paid past the 31 day cut-off after year end. Therefore, these payments to record accounts payable for payments made after this cut-off date are presented below to reconcile the difference between budgetary basis and modified accrual.

	SHARE Fund 18900	SHARE Fund 63800	SHARE Fund 02800
Expenditures:			
Total expenditures on budgetary basis	\$ 10,823,782	11,475,453	7,660,738
Accounts payable posted after 31 day cut-off	(49,797)	546,452	576,032
Prior year accrual	-	<u>(2,809,195)</u>	-
Actual on modified accrual basis	\$ <u>10,773,985</u>	<u>9,212,710</u>	<u>8,236,770</u>

14. OPERATING TRANSFERS

During the fiscal year, the Department received funds that were recorded as "Other Financing Sources" in the financial statements. These amounts include State General Fund Appropriations: (1) \$49,777,000, which includes \$222,500, which was appropriated to Department of Finance and Administration (DFA) for distribution to the Economic Development Department as part of the compensation increase for its employees; (2) \$51,904, which were reimbursements from the State General Fund for overclaims on the JTIP Program; and (3) \$60,465, which was received from the New Mexico Tourism Department in order to promote the annual X-Prize Cup Competition; and (3) \$60,465, which the Department transferred to the State General Fund as part of its reversions (additional information on this amount can be found on page 37, Note 7).

STATE OF NEW MEXICO
ECONOMIC DEVELOPMENT DEPARTMENT

Notes to Financial Statements - continued

14. OPERATING TRANSFERS - continued

	<u>SHARE Agency/Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
State General Fund Appropriations:			
(1) SHARE System Fund 18900	34100-85300	\$ 10,777,000	-
(1) SHARE System Fund 63800	34100-85300	15,000,000	-
(1) SHARE System Fund 02800	34100-85300	<u>24,000,000</u>	<u>-</u>
		49,777,000	-
General Fund:			
(2) SHARE System Fund 18900	34100-62000	<u>51,904</u>	<u>-</u>
Total Inter-Agency Transfers In – General Fund		49,828,904	-
State General Fund Reversions:			
(3) SHARE System Fund 18900	34100-85300	<u>-</u>	<u>60,465</u>
		\$ <u>49,828,904</u>	<u>60,465</u>

15. RESTATEMENTS

The Department received \$145,975 in appropriations on behalf of Military Base Planning Department in fiscal year 2007. The amount was still owed to Military Base Planning Department as of June 30, 2008.

	<u>General Fund</u>
Statement of Revenues, Expenditures and Changes in Fund Balances:	
Fund Balances, June 30, 2007	\$ 2,645,071
Restatement	<u>(145,975)</u>
Fund Balances, June 30, 2007, restated	\$ <u>2,443,774</u>
Statement of Activities:	
Net Assets, June 30, 2007	\$ 22,097,324
Restatement	<u>(145,975)</u>
Net Assets, June 30, 2007, restated	\$ <u>21,951,349</u>

SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO
ECONOMIC DEVELOPMENT DEPARTMENT

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

YEAR ENDED JUNE 30, 2008

	CAPITAL PROJECTS FUND 02800			
	Budgeted Amounts		Actual	Variance From
	Original	Final	Amounts (Budgetary Basis)	Final Budget Positive (Negative)
REVENUES:				
State General Fund appropriation	\$ 38,174,438	38,174,438	24,000,000	(14,174,438)
Bond proceeds	-	1,050,000	803,000	(247,000)
Other revenue	-	-	1,446,985	1,446,985
TOTAL REVENUES	38,174,438	39,224,438	26,249,985	(12,974,453)
BEGINNING FUND BALANCE	-	-	7,652,732	7,652,732
TOTAL REVENUES AND BEGINNING FUND BALANCE	\$ 38,174,438	39,224,438	33,902,717	(5,321,721)
EXPENDITURES:				
Current:				
Personal services and benefits	\$ -	-	-	-
Contractual services	35,729,049	36,776,899	7,477,387	29,299,512
Other	565,689	563,989	183,352	380,638
Other financing uses	1,879,700	1,883,550	352,000	1,531,550
TOTAL EXPENDITURES	\$ 38,174,438	39,224,438	7,660,738	29,680,150

STATE OF NEW MEXICO
ECONOMIC DEVELOPMENT DEPARTMENT

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

YEAR ENDED JUNE 30, 2008

REVOLVING LOAN COMMUNITY DEVELOPMENT FUND 02300

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance From</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
			<u>(Budgetary Basis)</u>	<u>Positive (Negative)</u>
REVENUES:				
Interest on loans	\$ -	-	4,628	4,628
TOTAL REVENUES	<u>\$ -</u>	<u>-</u>	<u>4,628</u>	<u>4,628</u>
EXPENDITURES	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>

FEDERAL PROGRAMS FUND 29500

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance From</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
			<u>(Budgetary Basis)</u>	<u>Positive (Negative)</u>
REVENUES:				
Other revenue	\$ -	-	-	-
TOTAL REVENUES	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXPENDITURES	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>

STATE OF NEW MEXICO
ECONOMIC DEVELOPMENT DEPARTMENT

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

YEAR ENDED JUNE 30, 2008

TECHNOLOGY ENTERPRISE FUND 38400

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance From</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u> <u>(Budgetary Basis)</u>	<u>Final Budget</u> <u>Positive (Negative)</u>
REVENUES:				
Interest on loans	\$ -	-	-	-
TOTAL REVENUES	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXPENDITURES	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>

TOTAL NON-MAJOR GOVERNMENT FUNDS

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance From</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u> <u>(Budgetary Basis)</u>	<u>Final Budget</u> <u>Positive (Negative)</u>
REVENUES:				
Other revenue	\$ -	-	4,628	4,628
TOTAL REVENUES	<u>\$ -</u>	<u>-</u>	<u>4,628</u>	<u>4,628</u>
EXPENDITURES	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>

STATE OF NEW MEXICO
ECONOMIC DEVELOPMENT DEPARTMENT

Combining Balance Sheet -
Non-Major Governmental Funds

AS OF JUNE 30, 2008

	02300	29500	38400	Total
	Revolving Loan Community Development	Federal Programs	Technology Enterprise	Non-Major Governmental Funds
ASSETS:				
Investment in State Treasurer's Investment Pool	\$ 1,788,607	5,433	51,641	1,845,681
Prepaid expenses	-	-	-	-
Due from State General Fund	-	-	-	-
Other receivables	-	-	-	-
Notes receivable	183,056	-	-	183,056
Accrued interest receivable	861	-	-	861
TOTAL ASSETS	\$ 1,972,524	5,433	51,641	2,029,598
LIABILITIES:				
Accounts payable	\$ -	-	-	-
Accrued payroll	-	-	-	-
Other liabilities	-	-	-	-
Deferred revenue	-	5,433	-	5,433
Due to State General Fund: Fiscal year 2006 reversions	-	-	-	-
TOTAL LIABILITIES	-	5,433	-	5,433
FUND BALANCES:				
Reserve for encumbrances:				
Fiscal year 2007	-	-	-	-
Fiscal year 2006	-	-	-	-
Fiscal year 2005	-	-	-	-
Fiscal year 2004	-	-	-	-
Reserve for community development	1,972,524	-	-	1,972,524
Reserved for prepaid expenses	-	-	-	-
Unreserved, designated for subsequent years' expenditures	-	-	51,641	51,641
TOTAL FUND BALANCES	1,972,524	-	51,641	2,024,165
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,972,524	5,433	51,641	2,029,598

STATE OF NEW MEXICO
ECONOMIC DEVELOPMENT DEPARTMENT

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

YEAR ENDED JUNE 30, 2008

	<u>02300</u>	<u>29500</u>	<u>38400</u>	Total
	Revolving Loan Community Development	Federal Programs	Technology Enterprise	Non-Major Government Funds
REVENUES:				
Intra-State transfers federal funds	\$ -	-	-	-
Interest on loans	4,628	-	-	4,628
Other revenue	-	-	-	-
TOTAL REVENUES	<u>4,628</u>	-	-	4,628
EXPENDITURES:				
Personal services and benefits	-	-	-	-
Contractual services	-	-	-	-
Other	-	-	-	-
Capital Outlay	-	-	-	-
TOTAL EXPENDITURES	<u>-</u>	-	-	-
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	4,628	-	-	4,628
OTHER FINANCING SOURCES (USES):				
State General Fund appropriations	-	-	-	-
Other financing sources	-	-	-	-
Reversions to State General Fund:				
Fiscal year 2007	-	-	-	-
Other financing uses	-	-	-	-
NET OTHER FINANCING SOURCES (USES)	<u>-</u>	-	-	-
NET CHANGE IN FUND BALANCES	4,628	-	-	4,628
FUND BALANCES, June 30, 2007	1,967,896	-	51,641	2,019,537
PRIOR PERIOD ADJUSTMENTS	<u>-</u>	-	-	-
FUND BALANCES, June 30, 2007, restated	<u>1,967,896</u>	-	<u>51,641</u>	<u>2,019,537</u>
FUND BALANCES, June 30, 2008	\$ <u>1,972,524</u>	<u>-</u>	<u>51,641</u>	<u>2,024,165</u>

**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***

Mr. Fred Mondragon, Secretary
State of New Mexico
Economic Development Department and
Mr. Hector H. Balderas
New Mexico State Auditor

We have audited the financial statements of the governmental activities, each major fund (General Fund, Capital Project Fund and In-Plant Training Fund), the aggregate remaining fund information, the budgetary comparisons for the general fund and major special revenue fund, and the combining and individual funds, and all the budgetary comparisons presented as supplemental schedules of the State of New Mexico Economic Development Department (Department), as of and for the year ended June 30, 2008, and have issued our report thereon dated December 8, 2008. 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 Department'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 Department's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control over financial reporting.

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 Department'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 Department's financial statements that is more than inconsequential will not be prevented or detected by the Department's internal control.

MEYNER'S + COMPANY, LLC

Certified Public Accountants/Consultants to Business



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An Independent Member of the BDO Seidman Alliance

Mr. Fred Mondragon, Secretary
State of New Mexico
Economic Development Department and
Mr. Hector Balderas
New Mexico State Auditor

Internal Control Over Financial Reporting - continued

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 Department'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 and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as described above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Department'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*.

This report is intended solely for the information and use of management, the Office of the State Auditor, the New Mexico Legislature, the New Mexico Department of Finance and Administration, and applicable federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Meiners + Company, LLC
December 8, 2008

**STATE OF NEW MEXICO
ECONOMIC DEVELOPMENT DEPARTMENT**

Schedule of Findings and Responses

YEAR ENDED JUNE 30, 2008

A. SUMMARY OF AUDITORS' RESULTS

1. The auditors' report expresses an unqualified opinion on the basic financial statements of the New Mexico Economic Development Department (Department).
2. No 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 Department disclosed during the audit.

STATE OF NEW MEXICO
ECONOMIC DEVELOPMENT DEPARTMENT

Schedule of Findings and Responses - continued

B. FINDINGS - FINANCIAL STATEMENT AUDIT

None.

**STATE OF NEW MEXICO
ECONOMIC DEVELOPMENT DEPARTMENT**

Summary Schedule of Prior Year Audit Findings

- 07-1 Loans Receivable Reconciliation/Adjustments – Resolved
- 07-2 Monthly Reconciliations – Resolved

**STATE OF NEW MEXICO
ECONOMIC DEVELOPMENT DEPARTMENT**

Exit Conference

An exit conference was held with the Department on December 10, 2008, at the Department's offices in Albuquerque, New Mexico. In attendance were:

ECONOMIC DEVELOPMENT DEPARTMENT

Fred Mondragon, Secretary
Lisa Ortiz, ASD Director

MEYNNERS + COMPANY, LLC

Patrick J. Wilkins, CPA, Principal
Janet Pacheco-Morton, CPA, CGFM, Senior Manager
Joel Blackman, CPA, In Charge

PREPARATION OF FINANCIAL STATEMENTS

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