

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

**STATE OF NEW MEXICO
ECONOMIC DEVELOPMENT DEPARTMENT**

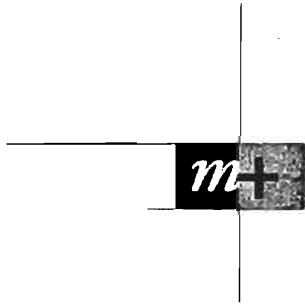


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STATE OF NEW MEXICO
ECONOMIC DEVELOPMENT DEPARTMENT

Official Roster

Year Ended June 30, 2009

Office of the Secretary

Title

Fred Mondragon
Daniela Glick
Toni Balzano
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, 2009, 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, 2009, 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, 2009, and the changes of financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

MEYNER + COMPANY, LLC

Certified Public Accountants/Consultants to Business



500 Marquette NW, Suite 800 Albuquerque, NM 87102

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

www.meyners.com

An Independent Member of the BDO Seidman Alliance

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, 2009, 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, 2009, 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 4, 2009, 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 17 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.

Our audit was conducted for the purpose of forming opinions on the basic financial statements, and the combining and individual fund financial statements and budgetary comparisons. The additional schedules listed as "other supplemental information" in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Meyners + Company, LLC

December 4, 2009

**STATE OF NEW MEXICO
ECONOMIC DEVELOPMENT DEPARTMENT**

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

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, 2009.

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, 2009, the total assets of the Department exceeded total liabilities by \$21,544,360.
- The Department acquired \$10,513 in total capital assets with individual acquisition values greater than \$5,000.
- Of the \$25,017,968 in total current assets, nearly 98% was in the form of cash.
- The total cost of Department programs was \$36,828,718, whereas the total Department revenue was \$12,578,149.

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, 2009**

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 two 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 55 and 56 of this report.

**STATE OF NEW MEXICO
ECONOMIC DEVELOPMENT DEPARTMENT**

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

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 22 and 24 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 54 through 66 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, assets exceeded liabilities by \$21,544,360 at the close of the 2009 fiscal year.

The largest portion of Department net assets (more than 98%) 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 2009 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 \$24,254,419.

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, 2009**

Governmental Activities - continued

Financial Analysis of the Government's Funds - continued

As of the end of the 2009 fiscal year, the Department's governmental funds reported combined ending fund balances of \$21,796,364, a decrease of \$24,224,796 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 as well as from the Capital Projects fund (02800), which is classified as reserved for capital projects. 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 2009 fiscal year, unreserved fund balance of the general fund was \$997,913. This amount is not associated with non-committed funding from the In-Plant Training Program and Community Development Loan Fund.

During the 2009 fiscal year, the fund balance of the Department's general fund decreased by \$1,256,394.

The Department's assets at the fund level are mostly comprised of cash. \$24,655,991 or 98%, is the total cash and percentage of assets. The fund liabilities are made up mostly of accounts payable. The balance of \$2,886,267, or 89%, 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 64%, or \$23,672,718, on contractual services. The next largest expenditure category is "other" expenditures, which include funding the in-plant training fund and other programs. The Department spends \$8,020,405, or 22%, in this category.

**STATE OF NEW MEXICO
ECONOMIC DEVELOPMENT DEPARTMENT**

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

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, 2009. Net assets for Governmental Activities were \$21,544,360.

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

YEARS ENDED JUNE 30,	2009	2008
Governmental Activities:		
Assets:		
Current and other assets	\$ 25,017,968	49,136,028
Capital and non-current assets	<u>17,362</u>	<u>17,460</u>
Total Assets	25,035,330	49,153,488
Liabilities:		
Current Liabilities	<u>3,490,970</u>	<u>3,340,183</u>
Total Liabilities	3,490,970	3,340,183
Net Assets:		
Invested in capital assets	17,362	17,460
Restricted	8,486,473	1,973,976
Unrestricted – subsequent years' expenditures	<u>13,040,525</u>	<u>43,821,869</u>
Total Net Assets	\$ <u>21,544,360</u>	<u>45,813,305</u>

Changes in Net Assets

The Department's change in assets for fiscal year 2009 was a decrease of \$24,167,557 (Statement of Activities). Approximately eighty five 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, 2009**

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,	2009	2008
Governmental Activities:		
Revenues:		
Program Revenues:		
Operating grants	\$ _____ -	_____ -
Total Program Revenues	-	-
General Revenues:		
State General Fund appropriations (net)	10,594,107	49,651,095
Other	<u>30,901</u>	<u>1,451,634</u>
Total General Revenues	<u>10,625,008</u>	<u>51,102,729</u>
Total Revenues	10,625,008	51,102,729
Expenses:		
Economic Development	(36,828,718)	(28,310,519)
Other sources (uses):		
Severance tax bond proceeds	1,953,141	803,000
Operating financing sources (uses)	<u>(3,850)</u>	<u>266,746</u>
Total Expenses	(34,879,427)	(27,240,773)
Increase (Decrease) in Net Assets	(24,254,419)	23,861,956
Net Assets, Beginning of Year	45,813,305	22,097,324
Prior Period Adjustment	<u>(14,526)</u>	<u>(145,975)</u>
Net Assets, Beginning of Year, Restated	<u>45,798,779</u>	<u>21,951,349</u>
Net Assets, End of Year	\$ <u>21,544,360</u>	<u>45,813,305</u>

**STATE OF NEW MEXICO
ECONOMIC DEVELOPMENT DEPARTMENT**

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

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 \$17,362 (net of accumulated depreciation). This investment in capital assets includes machinery and equipment. The Department expended \$10,513 in capital assets whose individual acquisition values are 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 increased \$150,787 over the previous fiscal year. The key factors in this increase were an increase in accounts payable, offset by decreases in amounts due to other state agencies and deferred revenue. 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 several 2009 special appropriations in fiscal year 2008. The funds were appropriated by Laws of 2008, Chapter 28, Section 5, which made funds available to be used in fiscal year 2008.

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

The Department expects to continue to cut expenditures and costs while still facilitating 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. The national and state financial situation for the upcoming Fiscal Year 2010 is anticipated to be bleaker than that experienced during Fiscal Year 2009. For the Department, this means that operating budgets will likely end up lower than the levels appropriated during February 2009 for fiscal year 2010. The projected shortfall in reduced state revenue will impact the Department and may require reductions in the levels of service provided as a result of the anticipated reductions in state General Fund appropriations to the Department.

The Department has had many successes to celebrate in fiscal year 2009. The Department has two approaches to creating jobs and wealth in New Mexico: growing communities and growing businesses.

- With a target of 6,000, over 3,650 jobs were created, including 1,230 in rural areas. 2 companies were recruited to the State, including Schott Solar. The Job Training Incentive Program (JTIP) allocated over \$3 million to projects, providing training for more than 1,369 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.

**STATE OF NEW MEXICO
ECONOMIC DEVELOPMENT DEPARTMENT**

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

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

- 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 30 New Mexico towns and cities, including Farmington, Grants, Los Alamos, Corrales, Albuquerque, Raton, Clayton, Las Vegas, Tucumcari, Santa Rosa, Portales, Clovis, Roswell, Artesia, Lovington, Hobbs, Carlsbad, Las Cruces, Deming and Taos. MainStreet™ contributed to the creation of 190 new jobs and 30 new communities participating in Mainstreet during the year, including 3 new start-up communities and satellite communities.

Spaceport America's Historic Groundbreaking

The Economic Development Department helped celebrate the historic groundbreaking of Spaceport America with a series of events held June 18-19, 2009. The celebrations marked the culmination of New Mexico's long journey towards establishing the world's first purpose-built commercial spaceport. Governor Richardson was on hand to address the crowds at each event, stressing the economic and educational benefits of the Spaceport. Economic Development Department Deputy Cabinet Secretary/Spaceport Chairwoman Daniela Glick hosted the festivities on both days. On Friday morning, June 19, 500-plus invited guests and upwards of 60 press members from around the world traveled from Truth or Consequences to the remote site of Spaceport America for groundbreaking festivities. In addition to speeches from the Governor and Deputy Secretary, Virgin Galactic President Will Whitehorn, and executive director of Spaceport America Steve Landeene addressed the crowd. Following the presentations, a bulldozer officially broke ground on the future site of the 110,000 plus square-foot facility. The event concluded with a mass launch of small rockets, including a rocket that had been filled with a canister of earth from the site. The gesture symbolized the continuation of New Mexico's pioneering spirit, from the exploration of the El Camino Real 400 years ago to the exciting future of commercial space travel. Build out of Spaceport America will provide 400 construction jobs. Construction is expected to begin in July with anticipated completion in late 2010 or early 2011. Virgin Galactic signed an historic 20-year lease agreement to bring Virgin Galactic's worldwide headquarters to New Mexico. The company, which has already invested over \$300 million in developing a new space launch system, will base their commercial astronaut operations at Spaceport America. By securing an anchor tenant, the final requirement for Spaceport funding set by the New Mexico Legislature has been met. UP Aerospace, Lockheed Martin and Armadillo Aerospace have also committed to join Virgin Galactic at the Spaceport.

**STATE OF NEW MEXICO
ECONOMIC DEVELOPMENT DEPARTMENT**

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

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

Spaceport Tax District Established

On July 22, 2008, Dona Ana County commissioners approved a spaceport tax district that will oversee spaceport tax dollars from both Sierra and Dona Ana Counties. In October, the spaceport tax district was officially formed with ratification of the district by the New Mexico Spaceport Authority. The formation of the spaceport tax district is required by statute to collect the estimated \$58 million in gross receipts, which will become part of the \$198 million dollar construction cost of Spaceport America.

FAA/AST Provides EIS Record of Decision and Site Launch License

On December 15, 2008, the New Mexico Spaceport Authority (NMSA) received its vertical launch license from the Federal Aviation Administration's Associate Administrator for Commercial Space Transportation (FAA/AST). The FAA/AST issued Spaceport America a license for vertical launches after providing the Environmental Impact Study (EIS) Record of Decision (ROD).

Sweden Signed As 'Sister Spaceport'

The Spaceport Authority entered into a Memorandum of Understanding (MOU) with Spaceport Sweden to align the two as 'Sister Spaceports'. The relationship will strengthen the development of the global commercial space industry, as well as provide collaboration in areas of economic development, education, technology and tourism.

First Annual Education Launch

Spaceport America and the New Mexico Space Grant Consortium conducted the first annual education launch on May 2, 2009. This historic SL-3 mission utilized a SpaceLoft XL launch vehicle, provided by UP Aerospace, featuring 11 multi-sensor experiments designed and created by students from 10 New Mexico high schools, institutes and universities. Students from the participating schools attended the launch, along with their teachers, state dignitaries and local officials. This curriculum-based program is thought to be the first of its kind and will provide New Mexico students with applied learning and workforce development.

FILM AND MEDIA EXPANSION

2009 was another outstanding year for film and media expansion in New Mexico. The State continues to be a leading destination for filmmakers, boosting our economy with each new production. A short sampling of the acting talent on New Mexico sets included: Denzel Washington, Renee Zellweger, Jeff Bridges, Robert Duvall, George Clooney, Kevin Spacey, Hillary Swank, Hugh Grant, Sarah Jessica Parker and Jessica Alba. Of course, not all the hard work was in front of the camera. The Film Office signed an historic agreement with film legend

**STATE OF NEW MEXICO
ECONOMIC DEVELOPMENT DEPARTMENT**

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

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

Robert Redford to help Native American and Hispanic filmmakers. The State continues to train local talent, honor homegrown filmmakers, and add film and digital media showcases. Here are the impressive highlights of the last 12 months:

Production Highlights

The CW television series *Easy Money* was shot from July to October in Albuquerque using 100 local crew members and 75 local actors. The second season of the hit AMC TV series *Breaking Bad* shot from July to December in Albuquerque. Bryan Cranston continued his Emmy-winning role as a family man who turns to a life of crime to ensure his family's well being after learning he has cancer. Nearly 175 local crew members were hired.

Renee Zellweger, Kevin Bacon and Chris Noth star in the film *My One and Only*. Shot over one week in August, the Albuquerque and Santa Fe sets employed 90 local crew and 190 actors.

The film *Saint John of Las Vegas* was filmed in Albuquerque in July and August, using 70 local crew and over 300 actors.

Crazy Heart, featuring 4-time Academy Award nominee Jeff Bridges, Maggie Gyllenhaal and Academy Award winner Robert Duvall, was filmed in and around Santa Fe in August and September.

The Bollywood production *Kites* was shot from July through September in Albuquerque and Santa Fe using over 100 local actors.

Transformers: Revenge of the Fallen was filmed in Alamogordo in September and October. Released in June 2009, it scored the second highest five-day box office total in history, taking in over \$201 million. It also set the record for the best-ever non-weekend, non holiday weekend box office take, and had the 7th largest opening weekend in film history.

Steven Segal's action film *The Keeper* employed approximately 200 local actors and 75 local crew and was shot in September and October. An Italian television movie-of-the-week, *Doc West*, shot in and around Santa Fe October through December, using 90 local crewmembers and over 200 actors.

The TNT pilot for *Night and Day*, was shot in New Mexico in October and November, hiring approximately 75 local crew members, 5 principal actors and over 150 background talent. William Fichtner and Sherry Stringfield star in the drama.

Academy Award winner George Clooney, Oscar nominee Jeff Bridges, Ewan McGregor and two-time Academy

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

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

Award winner Kevin Spacey shot *The Men Who Stare at Goats* in New Mexico in November and December. The picture was filmed in Albuquerque, Alamogordo, Roswell and Zia Pueblo, and employed approximately 175 New Mexican crew members.

The Spy Next Door, starring Jackie Chan, was shot in and around Albuquerque in October, November and December. Approximately 150 local crew members and over 600 actors, including principal and background talent, were hired.

The USA Network television series, *In Plain Sight*, starring Mary McCormack and Fred Weller, returned to New Mexico to film a second season. The production consisted of 16 episodes shot in and around Albuquerque from October 2008 through May 2009, employing approximately 75 New Mexico crew members.

Lifetime brings the story of Georgia O'Keeffe to television, starring three-time Academy Award, Golden Globe and Emmy Award nominee Joan Allen and Academy Award, Golden Globe and Emmy Award winner Jeremy Irons. The production shot in and around Santa Fe in November and December, with approximately 200 locals making up 98% of the crew. Over 250 actors, including principal and background talent were used in the production.

The German production, *Friendship!*, filmed in Albuquerque in December and January. The film hired 60 local crew members and over 325 local actors, including principals and background talent.

The Denzel Washington film, *The Book of Eli*, shot in Carrizozo, Albuquerque, Santa Fe, Alamogordo, T or C, and Cochiti Pueblo February through March. The film hired approximately 250 local crew members. In May, Jessica Alba, Casey Affleck and Kate Hudson filmed in Santa Fe County for the feature *The Killer Inside Me*. The film shot for five days employing 30 local crewmembers.

Hugh Grant and Sarah Jessica Parker filmed the comedy *Did You Hear About the Morgans?* in May and June. The film shoot employed 75 locals and as many as 1,000 extras. It was filmed in Santa Fe, Galisteo, Pecos, Los Alamos and Roy. *Stargate: Universe* shot for five days in Alamogordo in May.

Two-time Academy Award Winner Hillary Swank shot the suspense thriller *Invasion of Privacy* in and around Albuquerque. Filming took place from May through July, and employed at least 200 local crew members, over 200 "background talent" and 14 speaking roles.

The Dry Land, featuring Academy Award nominee Melissa Leo and America Ferrera, filmed in May around Albuquerque, Belen, Edgewood, Stanley and Moriarty. At least 30 local crew members and over 70 background talent were hired for the shoot.

**STATE OF NEW MEXICO
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**Management's Discussion and Analysis - continued
Year Ended June 30, 2009**

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

Events and Agreements: Expanding the Reach of Film and Digital Media

The Film Office helped to celebrate and nurture New Mexico talent through various events, clinics and historic collaborations. Perhaps the most significant was the announcement in May of a new collaboration between Robert Redford and the State of New Mexico. The "Sundance in New Mexico" initiative will partner with the Department of Cultural Affairs and the New Mexico Film Office to create and expand training programs in film, arts, and the environment. These programs will be designed specifically for New Mexico's Native American and Hispanic filmmakers. Additional notable events included:

The Institute of American Indian Arts and Disney/ABC summer television and film workshops wrapped up six weeks of hard work with a July 25th screening. Fifteen Native American students premiered their original films. In July, filmmaker Don Gray's *Things We Do for Love* won the "Best of Show" Grand Jury Prize and an "Audience Favorite" award at the 2008 "No Fear Film Festival" in Salt Lake. The short film was written and shot by Gray and filmed in several New Mexico locales.

The Governor's Council on Film and Media Industries hosted a town hall in September to gather input from local businesses, governments and interested parties on the future of the State's film industry. The Town Hall focused on education and career training for film and digital media and its impact on communities including location concerns, entrepreneurial opportunities, incentives and economic impact. The 2008 New Visions/New Mexico contract award winners were named in November. The program provides 14 contracts totaling \$160,000 for New Mexico-based producers and directors to create narrative films, documentaries, animated and experimental works. Over the course of the last three years, New Visions awardees have trained dozens of interns and apprentices, provided classroom instruction statewide, submitted their work to festivals across the country, and provided free screenings for hundreds of New Mexicans across the State. Nearly 150 entrants submitted proposals. In November, the Film Office celebrated a weekend of films, lecture and dance by our own Native American residents in honor of American Indian Heritage Month. A proclamation honoring the festival was signed by Governor Richardson, along with a free public showcase of Native American films and a reception for Native American leaders in the State. In January, Fat Man Media, a New Mexico-based film production company, received 5 "Indie" awards from the Indie Distribution Festival. Their short film "On the Bus" won the Award of Excellence for a film, an Award of Excellence for its lead actor, Mark Schrier, an Award of Merit for directing, and two Awards of Merit for writing. The Film Office celebrated a weekend of films, lecture and music by our own African American residents in honor of Black History Month. Contributions of creative work by and about African Americans took place the weekend of February 20th and 21st. For the second year, New Mexico hosted the National Association of Latino Independent Producers (NALIP) for their seventh annual Writers Lab, May 27-31st.

**STATE OF NEW MEXICO
ECONOMIC DEVELOPMENT DEPARTMENT**

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

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

Angel Investment Tax Credit Program

The Angel Investment tax credit continues to thrive under the auspices of OST. Eighteen qualified Angel investors have helped fund eleven technology start-up companies. Additionally, the program has received national recognition through presentations at the World's Best Technology Conference, National Security Conference, NM Bio association, and the Border Governors' Science and Technology Conference.

SUSTAINABLE GREEN ENERGY DEVELOPMENT

Greening Our Energy Grid

The need for improving the nation's energy distribution grid has reached the critical stage. Ten months ago the State (and OST) launched an accelerated program to form a consortium of scientists, researchers, energy specialists and members of the state and federal government to prepare a comprehensive plan for New Mexico's participation in improving the nation's grid. This plan called for the testing of new materials, the combination of renewable energy technologies, and new applications of those technologies in New Mexico. The plan took a new and important turn with the advent of the American Reinvestment and Recovery Act (ARRA). The plan gained considerable strength, and with the vocal support of the Governor, helped to modify U.S. Department of Energy (DOE) grant requirements for the initiative. The project attracted the attention of the Japanese Government, and talks have been underway for several months to create a cooperative working agreement between New Mexico and Japan to work together to produce a winning 'Green Grid' proposal – a proposal that involves renewable energy project submissions from all over the State.

Green Jobs Cabinet Created

In January 2009, EDD Cabinet Secretary Fred Mondragón was selected to chair Governor Richardson's newly-created Green Jobs Cabinet. The Cabinet brings key state agencies together to develop recommendations on building the "green economy." The goals of the Cabinet include building sustainable green jobs, attracting clean technology companies, ensuring New Mexico's workforce is prepared to take these new jobs, and continuing to aggressively pursue a comprehensive statewide clean energy economic policy. The Cabinet will report their initial findings, based on significant expert and public input, to the Governor by August 15th.

Solar Success

With leadership from the Economic Development Department, New Mexico's solar manufacturing cluster continues to grow. This year Schott Solar opened its doors in Albuquerque, employing 350 people. Signet Solar and Berken Energy have made commitments to locating manufacturing facilities in the State. Solar Array Ventures announced in April that it plans to invest \$210 million in the first phase of the company's new

**STATE OF NEW MEXICO
ECONOMIC DEVELOPMENT DEPARTMENT**

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

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

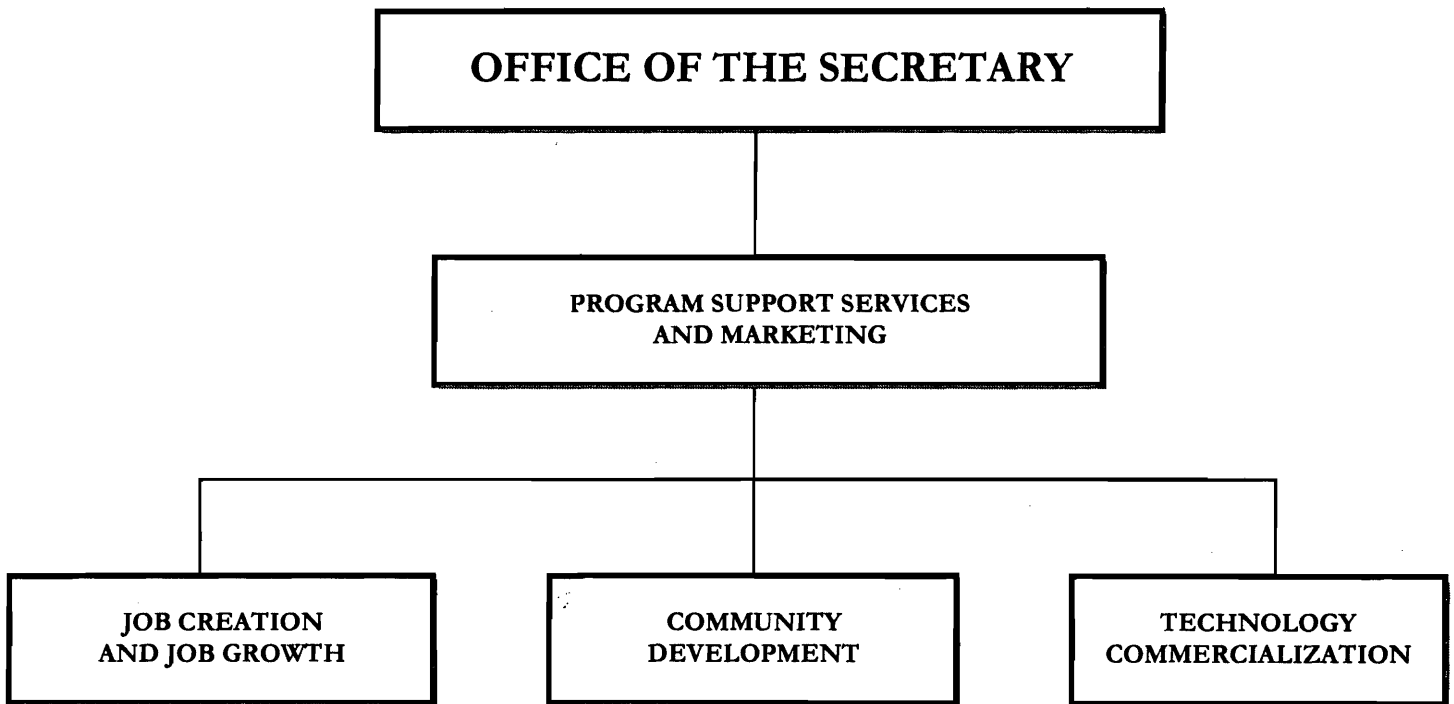
headquarters and manufacturing plant in the Cordero Mesa Business Park outside of Albuquerque. The thin-film photovoltaic's manufacturer expects to hire 1,000 employees within the next five years. Tri-State Generation announced a 30 MW photovoltaic solar farm in northeastern New Mexico, which will be the largest such facility in the U.S. El Paso Electric announced a 92 MW solar thermal plant in southwestern New Mexico. These plants will create important construction, and operations and maintenance jobs in our rural communities.

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, 2009

		PRIMARY GOVERNMENT
		Governmental Activities Total
ASSETS:		
Investment in State Treasurer's Investment Pool	\$	24,655,991
Receivables (net of allowance for doubtful debts)		357,982
Prepaid expenses		<u>3,995</u>
		25,017,968
CAPITAL ASSETS, net of accumulated depreciation:		
Machinery and equipment		610,618
Less accumulated depreciation		<u>(593,256)</u>
		<u>17,362</u>
TOTAL ASSETS	\$	<u>25,035,330</u>
LIABILITIES:		
Accounts payable	\$	2,886,267
Accrued payroll		243,163
Compensated absences payable:		
Expected to be paid within one year		269,366
Due to State General Fund		<u>92,174</u>
TOTAL LIABILITIES		3,490,970
NET ASSETS:		
Invested in capital assets		17,362
Restricted for:		
Reserve for community development		1,975,784
Reserve for prepaid expenses		3,995
Reserve for capital projects		6,506,694
Unrestricted		<u>13,040,525</u>
TOTAL NET ASSETS		<u>21,544,360</u>
TOTAL LIABILITIES AND NET ASSETS	\$	<u>25,035,330</u>

**STATE OF NEW MEXICO
ECONOMIC DEVELOPMENT DEPARTMENT**

Statement of Activities

YEAR ENDED JUNE 30, 2009

	PRIMARY GOVERNMENT Governmental Activities Total
EXPENSES:	
Economic development	\$ (36,818,107)
Depreciation expense	<u>(10,611)</u>
TOTAL EXPENSES	(36,828,718)
PROGRAM SPECIFIC OPERATING GRANTS	<u>-</u>
NET PROGRAM (EXPENSE) REVENUE	(36,828,718)
GENERAL REVENUES:	
General Fund appropriation (net of reversions)	10,594,107
Interest on loans	3,260
Other revenue	<u>27,641</u>
TOTAL GENERAL REVENUES	<u>10,625,008</u>
OTHER FINANCING SOURCES (USES):	
Severance tax bond proceeds	1,953,141
Other financing uses	<u>(3,850)</u>
NET OTHER FINANCING SOURCES (USES)	<u>1,949,291</u>
CHANGE IN NET ASSETS	(24,254,419)
NET ASSETS, June 30, 2008	45,813,305
RESTATEMENT	<u>(14,526)</u>
NET ASSETS, June 30, 2008, restated	<u>45,798,779</u>
NET ASSETS, June 30, 2009	<u>\$ 21,544,360</u>

STATE OF NEW MEXICO
ECONOMIC DEVELOPMENT DEPARTMENT

Balance Sheet - Governmental Funds

AS OF JUNE 30, 2009

	Major Funds			Other Non-Major Governmental Funds	Total
	General Fund	In-Plant Training	Capital Projects		
ASSETS:					
Investment in State Treasurer's Investment Pool	\$ 2,126,950	12,886,572	7,722,060	1,920,409	24,655,991
Prepaid expenses	3,995	-	-	-	3,995
Due from State General Fund	190,886	-	-	-	190,886
Due from Other State Agencies	60,080	-	-	-	60,080
Due from Other Funds	-	88,420	-	-	88,420
Notes receivable	-	-	-	106,395	106,395
Accrued interest receivable	-	-	-	621	621
TOTAL ASSETS	\$ 2,381,911	12,974,992	7,722,060	2,027,425	25,106,388
LIABILITIES:					
Accounts payable	\$ 785,300	1,717,462	383,505	-	2,886,267
Accrued payroll	243,163	-	-	-	243,163
Due to other funds	88,420	-	-	-	88,420
Due to State General Fund:	92,174	-	-	-	92,174
TOTAL LIABILITIES	1,209,057	1,717,462	383,505	-	3,310,024
FUND BALANCES:					
Reserve for encumbrances:					
Fiscal year 2006	-	988,956	746,599	-	1,735,555
Fiscal year 2005	170,587	7,830,504	-	-	8,001,091
Fiscal year 2004	359	-	85,262	-	85,621
Reserve for community development	-	-	-	1,975,784	1,975,784
Reserve for prepaid expenses	3,995	-	-	-	3,995
Reserve for capital projects	-	-	6,506,694	-	6,506,694
Unreserved, designated for subsequent years' expenditures	997,913	2,438,070	-	51,641	3,487,624
TOTAL FUND BALANCES	1,172,854	11,257,530	7,338,555	2,027,425	21,796,364
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,381,911	12,974,992	7,722,060	2,027,425	25,106,388

**STATE OF NEW MEXICO
ECONOMIC DEVELOPMENT DEPARTMENT**

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

YEAR ENDED JUNE 30, 2009

Total Fund Balance - Governmental Funds
(Governmental Fund Balance Sheet) \$ 21,796,364

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	610,618
Accumulated depreciation	<u>(593,256)</u>
Total capital assets	17,362
Compensated absences payable	<u>(269,366)</u>
Net assets of governmental activities (Statement of Net Assets)	\$ <u>21,544,360</u>

STATE OF NEW MEXICO
ECONOMIC DEVELOPMENT DEPARTMENT

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

YEAR ENDED JUNE 30, 2009

	Major Funds			Other Non-Major Governmental Funds	Total
	General Fund	In-Plant Training Fund	Capital Projects		
REVENUES:					
Interest on loans	\$ -	-	-	3,260	3,260
Other revenue	2,716	24,925	-	-	27,641
TOTAL REVENUES	2,716	24,925	-	3,260	30,901
EXPENDITURES:					
Current:					
Personal services and benefits	5,095,459	-	-	-	5,095,459
Contractual services	4,804,729	-	18,867,989	-	23,672,718
Other	1,922,516	5,860,303	237,586	-	8,020,405
Capital outlay	10,513	-	-	-	10,513
TOTAL EXPENDITURES:	11,833,217	5,860,303	19,105,575	-	36,799,095
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(11,830,501)	(5,835,378)	(19,105,575)	3,260	(36,768,194)
OTHER FINANCING SOURCES (USES):					
State General Fund appropriations	10,685,269	2,000,000	-	-	12,685,269
Reversions to State General Fund:					
Fiscal year 2009	(111,162)	-	(1,980,000)	-	(2,091,162)
Severance tax bond proceeds	-	-	1,953,141	-	1,953,141
Other financing uses	-	-	(3,850)	-	(3,850)
NET OTHER FINANCING SOURCES (USES)	10,574,107	2,000,000	(30,709)	-	12,543,398
NET CHANGE IN FUND BALANCES	(1,256,394)	(3,835,378)	(19,136,284)	3,260	(24,224,796)
FUND BALANCES, June 30, 2008	2,443,774	15,092,908	26,474,839	2,024,165	46,035,686
RESTATEMENT	(14,526)	-	-	-	(14,526)
FUND BALANCES, June 30, 2008, restated	2,429,248	15,092,908	26,474,839	2,024,165	46,021,160
FUND BALANCES, June 30, 2009	\$ 1,172,854	11,257,530	7,338,555	2,027,425	21,796,364

**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, 2009

Net Changes in Fund Balances - Total Governmental Funds
(Statement of Revenues, Expenditures, and Changes in Fund Balances) **\$ (24,224,796)**

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: (29,525)

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:

Capital outlay	10,513
Depreciation expense	<u>(10,611)</u>

Excess of depreciation expense and loss on disposal over capital outlay	<u>(98)</u>
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Change in net assets of governmental activities (Statement of Activities)	\$ <u>(24,254,419)</u>
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**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, 2009

GENERAL FUND - EDD OPERATING FUND 18900				
	Budgeted Amounts		Actual	Variance From
	Original	Final	Amounts	Final Budget
			(Budgetary Basis)	Positive (Negative)
REVENUES:				
State General Fund appropriation	\$ 9,715,200	11,730,200	10,380,200	(1,350,000)
Other revenue	<u>109,300</u>	<u>300,181</u>	<u>307,785</u>	<u>7,604</u>
TOTAL REVENUES	\$ <u>9,824,500</u>	<u>12,030,381</u>	<u>10,687,985</u>	<u>(1,342,396)</u>
EXPENDITURES:				
Current:				
Personal services and benefits	\$ 5,074,200	5,196,254	5,095,459	100,795
Contractual services	3,700,500	4,899,026	4,754,932	144,094
Other	<u>1,049,800</u>	<u>1,935,101</u>	<u>1,933,029</u>	<u>2,072</u>
TOTAL EXPENDITURES	\$ <u>9,824,500</u>	<u>12,030,381</u>	<u>11,783,420</u>	<u>246,961</u>

**STATE OF NEW MEXICO
ECONOMIC DEVELOPMENT DEPARTMENT**

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

YEAR ENDED JUNE 30, 2009

IN-PLANT TRAINING FUND 63800				
	Budgeted Amounts		Actual	Variance From
	Original	Final	Amounts	Final Budget
			(Budgetary Basis)	Positive (Negative)
REVENUES:				
State General Fund appropriation	\$ 7,254,949	9,254,949	2,000,000	(7,254,949)
Other revenue	-	1,000,000	-	(1,000,000)
Reimbursements	<u>-</u>	<u>-</u>	<u>24,925</u>	<u>24,925</u>
TOTAL REVENUES	\$ <u>7,254,949</u>	<u>10,254,949</u>	<u>2,024,925</u>	<u>(8,230,024)</u>
EXPENDITURES - current:				
Other	\$ <u>7,254,949</u>	<u>10,254,949</u>	<u>4,906,984</u>	<u>5,347,965</u>
TOTAL EXPENDITURES	\$ <u>7,254,949</u>	<u>10,254,949</u>	<u>4,906,984</u>	<u>5,347,965</u>

**STATE OF NEW MEXICO
ECONOMIC DEVELOPMENT DEPARTMENT**

Notes to Financial Statements

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. This is a major fund of the Department. (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)

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. This is a major fund of the Department. (SHARE fund 02800)

• **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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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

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

• **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, 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

• **Budgets and Budgetary Accounting - continued**

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

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.

• **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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

- **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.

i) 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)

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

• **Non-Reverting Funds - continued**

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, 2009 were paid on August 31, 2009. This amount was not needed and budgeted in fiscal year 2009.

• **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.

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.

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

- **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.

- **Severance Tax Bond Proceeds**

Severance tax bond proceeds were allocated by the State Legislature to the agency to administer disbursements to the project recipients, and the Department is not obligated in any manner for the related indebtedness. The Department recognizes severance tax bond proceeds as revenue when draw requests are issued for reimbursement from severance tax bond proceeds of project expenditures made by the Department.

**STATE OF NEW MEXICO
ECONOMIC DEVELOPMENT DEPARTMENT**

Notes to Financial Statements - continued

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, 2009</u>
General Fund:				
Economic-Operating	18900	NM STO General Fund Investment Pool	1 day to 3 years	\$ 2,126,950
Special Revenue:				
Development Fund	02300			1,868,768
Technology Enterprise	38400			51,641
Industrial Development	63800			12,886,572
Capital Project Fund	02800			<u>7,722,060</u>
Total investments				\$ <u>24,655,991</u>

- **Interest Rate Risk**

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Department does not have an investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

- **Credit Risk**

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

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

**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 6/30/09	Reconciled Book Balance 6/30/09
General Fund:					
NM State Treasurer	General	18900	State Treasury	\$ 2,126,950	2,126,950
Special Revenue Funds:					
NM State Treasurer	Special Revenue	02300	State Treasury	1,868,768	1,868,768
NM State Treasurer	Special Revenue	38400	State Treasury	51,641	51,641
NM State Treasurer	Special Revenue	63800	State Treasury	12,886,572	12,886,572
Capital Project Fund:					
NM State Treasurer	Capital Project	02800	State Treasury	<u>7,722,060</u>	<u>7,722,060</u>
Total				\$ <u>24,655,991</u>	<u>24,655,991</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.

Interfund 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>

**STATE OF NEW MEXICO
ECONOMIC DEVELOPMENT DEPARTMENT**

Notes to Financial Statements - continued

4. DUE TO/FROM OTHER STATE AGENCIES

NMEDD Fund	Purpose	Agency Name	State Agency	Agency Fund	Due From	Due To
18900	To fund Agency's salaries	Spaceport Authority	49500	81700	\$ 60,080	-
18900	To fund Agency's salaries	Dept. of Finance & Administration	34100	85300	190,886	-
18900	FY 2009 reversions	Dept. of Finance & Administration	34100	85300	<u>-</u>	<u>92,174</u>
Total					\$ <u>250,966</u>	<u>92,174</u>

5. 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 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>
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>106,395</u>	<u>621</u>	<u>107,016</u>

6. 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.

**STATE OF NEW MEXICO
ECONOMIC DEVELOPMENT DEPARTMENT**

Notes to Financial Statement - continued

6. CAPITAL ASSETS - continued

	<u>Balance 06/30/08</u>	<u>Additions</u>	<u>Deletions, including Inventory Exempt</u>	<u>Balance 06/30/09</u>
Equipment	\$ 118,226	-	-	118,226
Furniture & fixtures	21,131	-	-	21,131
Data processing and software	449,969	10,513	-	460,482
Building & structures	<u>10,779</u>	<u>-</u>	<u>-</u>	<u>10,779</u>
Total capital assets	600,105	10,513	-	610,618
Accumulated depreciation:				
Equipment & machinery	108,059	4,319	-	112,378
Furniture & fixtures	16,239	972	-	17,211
Data processing and software	447,568	5,320	-	452,888
Buildings & structures	<u>10,779</u>	<u>-</u>	<u>-</u>	<u>10,779</u>
Total accumulated depreciation	<u>582,645</u>	<u>10,611</u>	<u>-</u>	<u>593,256</u>
Net capital assets	\$ <u>17,460</u>	<u>(98)</u>	<u>-</u>	<u>17,362</u>

**STATE OF NEW MEXICO
ECONOMIC DEVELOPMENT DEPARTMENT**

Notes to Financial Statements - continued

6. CAPITAL ASSETS - continued

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.

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.

7. 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.

**STATE OF NEW MEXICO
ECONOMIC DEVELOPMENT DEPARTMENT**

Notes to Financial Statements - continued

7. COMPENSATED ABSENCES - continued

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 \$269,366.

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

		<u>Balance, June 30, 2008</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance, June 30, 2009</u>	<u>Due Within One Year</u>
Compensated absences	\$	<u>239,841</u>	<u>212,806</u>	<u>183,281</u>	<u>269,366</u>	<u>269,366</u>
	\$	<u>239,841</u>	<u>212,806</u>	<u>183,281</u>	<u>269,366</u>	<u>269,366</u>

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

There was no short-term debt activity in FY2009.

8. REVERSIONS

Current year reversions to the State General Fund as of June 30, 2009 were as follows:

<u>Appropriation Year</u>	<u>Fund Type</u>	<u>SHARE SystemFund</u>	<u>Reversion</u>
Laws of 2008	General Fund	18900	\$ 111,162
Laws of 2008	Capital Projects Fund	02800	<u>1,980,000</u>
	Total		\$ <u>2,091,162</u>

9. **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. From the 2009 legislative session, House Bill 854 temporarily shifts the burden of 1.5% of employer PERA contributions to state employees whose annual salaries exceed \$20,000. For the two-year period from July 1, 2009 to June 30, 2011, the employer contribution rates will be reduced by 1.5% and the employee contribution rates will be increased by 1.5%. After this temporary shift, the burden will return to the employer. The contribution requirements of plan members and the 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, 2009, 2008 and 2007 were \$628,073, \$583,366 and \$561,842, respectively, which equal the amount of the required contributions for each fiscal year.

10. **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.

10. **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, 2009, 2008 and 2007 were \$49,216, \$45,714 and \$42,200, respectively, which equal the required contributions for each year.

**STATE OF NEW MEXICO
ECONOMIC DEVELOPMENT DEPARTMENT**

Notes to Financial Statements - continued

11. 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, 2009 amounted to \$290,740.

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, 2009.

Years ending June 30:	<u>Lease Amounts</u>
2010	\$ 179,509
2011	171,587
2012	114,875
2013	-
2014	-
2015 and thereafter	<u>-</u>
	\$ <u>465,971</u>

12. 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

13. JOINT POWERS AGREEMENTS & MEMORANDA OF UNDERSTANDING - continued

Village of Fort Sumner - MOU between the Department, and Village of Fort Sumner, to be used toward the purchase of infrastructure that will assist in controlling condensation as required by the USDA inspectors in order to increase production.

- Responsible Party for Operations Village of Fort Sumner
- Time Period July 14, 2008 to December 31, 2008
- Total Estimated Amount of Project \$5,000
- Portion Applicable to the Department \$5,000
- Amount Agency Contributed in Current Year \$5,000
- Audit Responsibility / Fiscal Agent Village of Fort Sumer

YWCA Middle Rio Grande - MOU between the Department, and YWCA Middle Rio Grande to prepare a comprehensive feasibility study for the development of a Business Incubator in the Bernalillo County area.

- Responsible Party for Operations YWCA Middle Rio Grande
- Time Period October 8, 2008 to June 30, 2010
- Total Estimated Amount of Project \$10,000
- Portion Applicable to the Department \$10,000
- Amount Agency Contributed in Current Year \$10,000
- Audit Responsibility / Fiscal Agent YWCA Middle Rio Grande

City of Albuquerque, New Mexico - MOU between the Department, and City of Albuquerque, New Mexico, to provide assistance to a solar equipment economic development project in Bernalillo County.

- Responsible Party for Operations City of Albuquerque, New Mexico
- Time Period February 27, 2009 to June 30, 2012
- Total Estimated Amount of Project \$8,000,000
- Portion Applicable to the Department \$8,000,000
- Amount Agency Contributed in Current Year \$8,000,000
- Audit Responsibility / Fiscal Agent City of Albuquerque, New Mexico

**STATE OF NEW MEXICO
ECONOMIC DEVELOPMENT DEPARTMENT**

Notes to Financial Statements - continued

14. 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.

	<u>SHARE</u> <u>Fund 18900</u>	<u>SHARE</u> <u>Fund 63800</u>	<u>SHARE</u> <u>Fund 02800</u>
Expenditures:			
Total expenditures on budgetary basis	\$ 11,783,420	4,906,984	19,665,457
Accounts payable posted after 31 day cut-off	-	1,499,771	20,000
Prior year accrual	<u>49,797</u>	<u>(546,452)</u>	<u>(576,032)</u>
Actual on modified accrual basis	\$ <u>11,833,217</u>	<u>5,860,303</u>	<u>19,109,425</u>

15. 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) \$12,685,269, which includes \$109,300, 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) \$3,850, which the Department transferred to the State General Fund as part of its reversions; and (3) \$2,091,162, which the Department transferred to the State General Fund as part of its reversions (additional information on this amount can be found on page 43, Note 8).

	<u>SHARE</u> <u>Agency/Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
State General Fund Appropriations:			
(1) SHARE System Fund 18900	34100-85300	\$ 10,685,269	-
(1) SHARE System Fund 63800	34100-85300	<u>2,000,000</u>	<u>-</u>
Total Inter-Agency Transfers In		12,685,269	-
Capital Projects Fund:			
(2) SHARE System Fund 02800	50500-69800	<u>-</u>	<u>3,850</u>
State General Fund Reversions:			
(3) SHARE System Fund 18900	34100-85300	-	1,980,000
(3) SHARE System Fund 02800	34100-85300	<u>-</u>	<u>111,162</u>
		\$ <u>12,685,269</u>	<u>2,095,012</u>

STATE OF NEW MEXICO
ECONOMIC DEVELOPMENT DEPARTMENT

Notes to Financial Statements - continued

16. PRIOR PERIOD ADJUSTMENTS

The following prior period adjustments were recorded as of June 30, 2009:

	SHARE Fund	Amount	Purpose
18900	General Fund	\$ 13,027	To reflect additional expenses from prior year
18900	General Fund	<u>1,499</u>	To show prior year reversion
	Total	\$ <u>14,526</u>	

OTHER SUPPLEMENTAL 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, 2009

CAPITAL PROJECTS FUND 02800				
	Budgeted Amounts		Actual	Variance From
	Original	Final	Amounts (Budgetary Basis)	Final Budget Positive (Negative)
REVENUES:				
State General Fund appropriation	\$ 28,405,785	26,405,785	-	(26,405,785)
Bond proceeds	<u>4,247,000</u>	<u>4,747,000</u>	<u>1,953,141</u>	<u>(2,793,859)</u>
TOTAL REVENUES	\$ <u>32,652,785</u>	<u>31,152,785</u>	<u>1,953,141</u>	<u>(29,199,644)</u>
EXPENDITURES:				
Current:				
Contractual services	\$ 30,742,748	29,242,748	19,424,021	9,818,727
Other	382,337	382,337	237,586	144,751
Other financing uses	<u>1,527,700</u>	<u>1,527,700</u>	<u>3,850</u>	<u>1,523,850</u>
TOTAL EXPENDITURES AND OTHER FINANCING SOURCES (USES)	\$ <u>32,652,785</u>	<u>31,152,785</u>	<u>19,665,457</u>	<u>11,487,328</u>

**STATE OF NEW MEXICO
ECONOMIC DEVELOPMENT DEPARTMENT**

**Combining Balance Sheet -
Non-Major Governmental Funds**

AS OF JUNE 30, 2009

	02300	38400	Total
	Revolving Loan Community Development	Technology Enterprise	Non-Major Governmental Funds
ASSETS:			
Investment in State Treasurer's Investment Pool	\$ 1,868,768	51,641	1,920,409
Notes receivable	106,395	-	106,395
Accrued interest receivable	621	-	621
TOTAL ASSETS	\$ 1,975,784	51,641	2,027,425
LIABILITIES:			
Accounts payable	\$ -	-	-
TOTAL LIABILITIES	-	-	-
FUND BALANCES:			
Reserve for community development	1,975,784	-	1,975,784
Unreserved, designated for subsequent years' expenditures	-	51,641	51,641
TOTAL FUND BALANCES	1,975,784	51,641	2,027,425
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,975,784	51,641	2,027,425

**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, 2009

	02300	38400	Total
	Revolving Loan Community Development	Technology Enterprise	Non-Major Government Funds
REVENUES:			
Interest on loans	\$ 3,260	-	3,260
TOTAL REVENUES	3,260	-	3,260
EXPENDITURES:			
Personal services and benefits	-	-	-
Contractual services	-	-	-
Other	-	-	-
Capital Outlay	-	-	-
TOTAL EXPENDITURES	-	-	-
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	3,260	-	3,260
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)	-	-	-
NET CHANGE IN FUND BALANCES	3,260	-	3,260
FUND BALANCES, June 30, 2008	1,972,524	51,641	2,024,165
PRIOR PERIOD ADJUSTMENTS	-	-	-
FUND BALANCES, June 30, 2008, restated	1,972,524	51,641	2,024,165
FUND BALANCES, June 30, 2009	\$ 1,975,784	51,641	2,027,425

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, 2009

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	\$ -	-	3,260	3,260
TOTAL REVENUES	\$ -	-	3,260	3,260
EXPENDITURES	\$ -	-	-	-

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>Final Budget</u>
			<u>(Budgetary Basis)</u>	<u>Positive (Negative)</u>
REVENUES:				
Other revenue	\$ -	-	-	-
TOTAL REVENUES	\$ -	-	-	-
EXPENDITURES	\$ -	-	-	-

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>Final Budget</u>
			<u>(Budgetary Basis)</u>	<u>Positive (Negative)</u>
REVENUES:				
Other revenue	\$ -	-	3,260	3,260
TOTAL REVENUES	\$ -	-	3,260	3,260
EXPENDITURES	\$ -	-	-	-

**STATE OF NEW MEXICO
ECONOMIC DEVELOPMENT DEPARTMENT**

**Multiple-Year Capital Projects Funded by
Special Capital Outlay Appropriations from the State**

YEAR ENDED JUNE 30, 2009

Project #	Project Description	Expiration	Amount Appropriated	Current Year Expenditures	Expenditures To Date	Encumbrance Balance as of June 30, 2009	Remaining Appropriation
Special Capital Outlay Appropriations							
A041250	Silver City Economic Development	6/30/2009	\$ 85,262	-	81,158	-	4,104
A040183	Las Cruces Revitalization	6/30/2009	200,000	7,865	61,430	-	138,570
A040540	Santa Teresa Binational	6/30/2009	25,000	-	-	-	25,000
A040659	Film Production, Education	6/30/2009	50,000	-	50,000	-	-
A050046	Pittsburg/Midway Mine	6/30/2010	100,000	-	-	-	100,000
A051040	Abq/Bernalillo E.D. Infrastructure	6/30/2010	2,000,000	-	2,000,000	-	-
A051041	Pittsburg/Midway Mine	6/30/2010	35,000	-	15,674	-	19,326
A051042	Southwest Reg Spaceport	6/30/2010	814,129	-	728,623	-	85,506
A051044	EDD Smart Money Initiative	6/30/2010	10,000,000	-	10,000,000	-	-
A060778	Hagerman Garage Door Manu	6/30/2010	250,000	-	2,500	-	247,500
A060779	Chimayo/Santa Fe Co Chile	6/30/2010	427,000	-	390,213	-	36,787
A060780	Cuba Small Business Incubator	6/30/2010	150,000	-	1,500	-	148,500
A060781	Business Incubator Improvement	6/30/2010	500,000	118,600	246,031	142,812	111,157
A060782	Mainstreet Central Business	6/30/2010	2,000,000	-	2,000,000	-	-
A060783	Alb Tricentennial Digital	6/30/2010	275,000	-	275,000	-	-
A060784	Film/Media Promotion	6/30/2010	50,000	6,656	49,480	-	520
A066100	Film Media	6/30/2010	340,000	34,288	339,524	476	-
A066200	Film Makers	6/30/2010	160,000	1,868	160,000	-	-
A073049	Ramah Chp Meat Processing	6/30/2011	85,000	-	-	-	85,000
A073923	Ramah Chp Meat Processing	6/30/2011	385,000	3,850	3,850	-	381,150
A073924	Mainstreet Central Busine	6/30/2011	1,500,000	176,413	176,413	1,323,587	-
A051212	Film Media Production	6/30/2010	5,900	-	5,900	-	-
A061279	Film Media Production	6/30/2010	144,100	-	144,100	-	-
A073027	Capital Proj Santa Teresa	6/30/2011	250,000	250,000	250,000	-	-
A074612	Capital Project Fund	6/30/2011	1,000,000	786,419	1,000,000	-	-
A083041	Bernalillo Co Automobile	6/30/2012	-	-	-	-	-
A083411	Economic Development Grant	6/30/2012	7,000,000	709,760	773,040	3,500,000	2,726,960
A083412	Economic Development Proj	6/30/2012	7,500,000	7,500,000	7,500,000	-	-
A083413	Economic Development Proj	6/30/2012	7,500,000	7,500,000	7,500,000	-	-
A083414	Alb Eclipse Aviation	6/30/2012	20,000	-	-	-	20,000
A061279	Film Media Production	6/30/2010	<u>500,000</u>	<u>60,565</u>	<u>60,565</u>	<u>114,000</u>	<u>325,435</u>
Total Special Capital Outlay Appropriations			43,351,391	17,156,284	33,815,001	5,080,875	4,455,515
Severance Tax Bond Proceeds							
A073784	Ultra Short Pulse Laser Systems	6/30/2011	1,000,000	247,000	1,000,000	-	-
A060021	Las Vegas Wood Harvesting	6/30/2010	500,000	362,536	380,169	119,831	-
A050047	Mainstreet Central Business	6/30/2010	50,000	-	-	50,000	-
A040184	Southwest Reg Spaceport	6/30/2010	<u>4,000,000</u>	<u>1,343,605</u>	<u>1,901,501</u>	<u>1,914,120</u>	<u>184,379</u>
Total Severance Tax Bond Proceeds			<u>5,550,000</u>	<u>1,953,141</u>	<u>3,281,670</u>	<u>2,083,951</u>	<u>184,379</u>
Total Capital Outlay Funding			\$ <u>48,901,391</u>	<u>19,109,425</u>	<u>37,096,671</u>	<u>7,164,826</u>	<u>4,639,894</u>

YEAR ENDED JUNE 30, 2009

	<u>Appropriation Amount</u>	<u>Expenditures Inception to June 30, 2009</u>
<u>General Fund</u>		
Laws of 2008, Chapter 3, Section 5	\$ 100,000	100,000
Laws of 2008, Chapter 3, Section 5	1,000,000	1,000,000
Laws of 2008, Chapter 3, Section 5	500,000	500,000
Laws of 2008, Chapter 3, Section 5	250,000	247,095
Laws of 2008, Chapter 6, Section 12, Item 001	200,000	143,470
Laws of 2008, Chapter 6, Section 12, Item 002	10,000	-
Laws of 2008, Chapter 6, Section 12, Item 003	50,000	46,300
Laws of 2008, Chapter 6, Section 12, Item 004	20,000	-
Laws of 2008, Chapter 6, Section 12, Item 005	10,000	9,173
Laws of 2008, Chapter 6, Section 12, Item 006	25,000	25,000
Laws of 2008, Chapter 6, Section 12, Item 007	64,000	46,282
Laws of 2008, Chapter 6, Section 12, Item 008	20,000	20,000
Laws of 2008, Chapter 6, Section 12, Item 010	10,000	9,300
Laws of 2008, Chapter 6, Section 12, Item 011	5,000	4,600
Laws of 2008, Chapter 6, Section 12, Item 012	5,000	4,600
Laws of 2008, Chapter 6, Section 12, Item 013	6,000	5,600
Laws of 2008, Chapter 6, Section 12, Item 014	10,000	9,300
Laws of 2008, Chapter 6, Section 12, Item 015	7,700	7,100
Laws of 2008, Chapter 6, Section 12, Item 016	<u>100,000</u>	<u>100,000</u>
 Total general fund	 2,392,700	 2,277,820
<u>Special Revenue Fund</u>		
Laws of 2008, Chapter 3, Section 5 (non-reverting)	<u>7,000,000</u>	<u>4,906,985</u>
 Total special revenue fund	 <u>7,000,000</u>	 <u>4,906,985</u>
 Total all fund types	 \$ <u><u>9,392,700</u></u>	 <u><u>7,184,805</u></u>

STATE OF NEW MEXICO
ECONOMIC DEVELOPMENT DEPARTMENT

Supplemental Schedule of Special Appropriations

<u>Encumbrance Balance as of June 30, 2009</u>	<u>Reappropriation Amount</u>	<u>Reversion Amount</u>	<u>Balance as of June 30, 2009</u>
-	-	-	-
-	-	-	-
-	-	-	-
-	-	2,905	-
-	-	56,530	-
-	-	10,000	-
-	-	3,700	-
-	-	20,000	-
-	-	827	-
-	-	-	-
3,718	-	14,000	-
-	-	-	-
-	-	700	-
-	-	400	-
-	-	400	-
-	-	400	-
-	-	700	-
-	-	600	-
-	-	-	-
3,718	-	111,162	-
497	-	-	2,092,518
497	-	-	2,092,518
4,215	-	111,162	2,092,518

NEW MEXICO ECONOMIC DEVELOPMENT DEPARTMENT

Notes to Supplemental Schedule of Special Appropriations

- **General Fund**

The following amounts are appropriated from the general fund to the Economic Development Department for expenditure in fiscal year 2009 for the purposes specified and, unless otherwise indicated, any unexpended or unencumbered balance of the appropriations remaining at the end of fiscal year 2009 shall revert to the general fund:

Laws of 2008, Chapter 3, Section 5: \$100,000 for New Mexico community capital to enhance access to capital for underserved businesses.

Laws of 2008, Chapter 3, Section 5: 1,000,000 to the Mainstreet capital outlay grant fund to provide low-cost financial assistance to owners of eligible properties for the redevelopment of central business districts statewide.

Laws of 2008, Chapter 3, Section 5: Up to \$500,000 is appropriated from the appropriation contingency fund for operations of the x-prize cup provided that a spaceport district is formed by the passage of a spaceport district tax by a local government in addition to Dona Ana county and a third local government has passed a resolution to seek a spaceport district tax and has scheduled the district tax election before December 2008.

Laws of 2008, Chapter 3, Section 5: 250,000 for operations of the x-prize cup.

Laws of 2008, Chapter 6, Section 12, item 1: \$200,000 for Hispanic and Native American filmmaking.

Laws of 2008, Chapter 6, Section 12, item 2: \$10,000 for recruiting new business in New Mexico.

Laws of 2008, chapter 6, Section 12, item 3: \$50,000 for Gallup to plan and administer its convention and visitors bureau, including promoting convention sales, convention services, tourism and events and other activities relating to economic development.

Laws of 2008, Chapter 6, Section 12, item 4: \$20,000 for economic development of the New Mexico wine industry.

Laws of 2008, Chapter 6, Section 12 item 5: \$10,000 for an assistant program director for the Mainstreet program.

Laws of 2008, Chapter 6, section 12, item 6: \$25,000 to expand performance excellence training, assessment services and assistance to New Mexico businesses and organizations in order to encourage economic development and prosperity statewide by strengthening competitiveness and improving effectiveness using the Baldrige criteria for performance excellence.

Laws of 2008, Chapter 6, Section 12, item 7: \$64,000 to promote economic empowerment through business development, work force preparation, convention networking and tourism, with an emphasis on small businesses and Hispanic businesspeople.

NEW MEXICO ECONOMIC DEVELOPMENT DEPARTMENT

Notes to Supplemental Schedule of Special Appropriations - continued

- **General Fund - continued**

Laws of 2008, Chapter 6, Section 12, item 8: \$20,000 for economic development partnerships.

Laws of 2008, Chapter 6, Section 12, item 10: \$10,000 for economic development efforts in Springer.

Laws of 2008, Chapter 6, Section 12, item 11: \$5,000 for the Artesia Mainstreet program.

Laws of 2008, Chapter 6, Section 12, item 12: \$5,000 for the Carlsbad Mainstreet program.

Laws of 2008, Chapter 6, Section 12, item 13: \$6,000 for the Gallup business improvement district.

Laws of 2008, Chapter 6, Section 12, item 14: \$10,000 for a Gallup film office.

Laws of 2008, Chapter 6, Section 12, item 15: \$7,700 to continue economic development through enterprise facilitation with leaders from several communities in Taos county.

Laws of 2008, Chapter 6, Section 12, item 16: \$100,000 for the manufacturing extension program.

- **Special Revenue Fund**

Laws of 2008, Chapter 3, Section 5: \$7,000,000 to the development training fund for the job training incentive program.

**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, 2009, and have issued our report thereon dated December 4, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the 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.

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

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

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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

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. We consider the deficiency described in the accompanying schedule of findings and responses to be a significant deficiency in internal control over financial reporting. Reference number: 09-1.

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. However, we believe that the significant deficiency described above is not a material weakness.

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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 09-1 and 09-2.

We noted certain matters that are required to be reported under *Government Auditing Standards January 2007 Revision* paragraphs 5.14 and 5.16, and Section 12-6-5, NMSA 1978, which are described in the accompanying schedule of findings and responses as findings 09-1 and 09-2.

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

Compliance and Other Matters - continued

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

This report is intended solely for the information and use of management, others within the agency, the audit committee, the State Auditor, the New Mexico Legislature, and applicable federal grantors, and is not intended to be and should not be used by anyone other than these specified parties.

Mayne + Company, LLC

December 4, 2009

**STATE OF NEW MEXICO
ECONOMIC DEVELOPMENT DEPARTMENT**

Schedule of Findings and Responses

YEAR ENDED JUNE 30, 2009

A. SUMMARY OF AUDITORS' RESULTS

1. The auditors' report expresses an unqualified opinion on the basic financial statements of the New Mexico Economic Development Department (Department).
2. One significant deficiency was 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

09-1 UNTIMELY REVERSION TO STATE GENERAL FUND – Significant Deficiency

Condition: The Department did not revert the FY09 reversion of \$20,000 on a timely basis to the New Mexico State General Fund.

Criteria: Section 6-5-10(A) NMSA 1978 requires all unreserved, undesignated fund balances in reverting funds as of June 30 to be reverted to the New Mexico State General Fund by September 30. The FY09 reversion was due on September 30, 2009.

Cause: The Department did not calculate this portion of reversions until December 2, 2009.

Effect: The Department is not in compliance with Section 6-5-10(A) NMSA 1978.

Recommendation: The Department should establish procedures to ensure timely calculation and submission of reversions to the New Mexico State General Fund.

Management's Response: Management submitted reversions on or before the deadline, although management inadvertently had not reverted one special appropriation for the Hispanic and Native American Training in the amount of \$20,000. In the future, management will ensure accurate calculated reversions.

09-2 INTERFUND BALANCES

Condition: During our testwork over interfund balances, we noted that there was an interfund balance that had not been paid out and had been on the books for a period of greater than one year.

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

Cause: Lack of management oversight.

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

Recommendation: We recommend that the Department's management analyze all interfund balances and make appropriate transfers/repayments. We further recommend that the Department establish policies and procedures with regard to oversight and administration of interfund balances.

STATE OF NEW MEXICO
ECONOMIC DEVELOPMENT DEPARTMENT

Schedule of Findings and Responses - continued

B. FINDINGS - FINANCIAL STATEMENT AUDIT - continued

09-2 INTERFUND BALANCES - continued

Management's Response: The responsibility of management was to set up a due to and due from for Job Training Improvement Program funds. It was an oversight, and the funds were not transferred in a timely manner. In the future, the Department will establish a policy and procedure that will ensure management will properly and timely transfer interfund balances to the appropriate fund.

**STATE OF NEW MEXICO
ECONOMIC DEVELOPMENT DEPARTMENT**

Summary Schedule of Prior Year Audit Findings

None.

**STATE OF NEW MEXICO
ECONOMIC DEVELOPMENT DEPARTMENT**

Exit Conference

An exit conference was held with the Department on December 8, 2009, at the Department's offices in Albuquerque, New Mexico. In attendance were:

ECONOMIC DEVELOPMENT DEPARTMENT

Fred Mondragon, Secretary
Lisa Ortiz, ASD Director

MEYNER + COMPANY, LLC

Patrick J. Wilkins, CPA, Principal
Janet Pacheco-Morton, CPA, CGFM, Director
Joel Blackman, CPA, Senior - 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.